



*Customs Act 1901 – Part XVB*

## **ANTI-DUMPING NOTICE NO. 2018/87**

### **STEEL PALLET RACKING**

**Exported from the People's Republic of China and Malaysia**

#### **Preliminary Affirmative Determination and imposition of securities**

*Public Notice under section 269TD of the Customs Act 1901<sup>1</sup>*

#### **1. Introduction**

The purpose of this public notice is to set out the reasons why I, Dale Seymour, Commissioner of the Anti-Dumping Commission (the Commissioner) have made a preliminary affirmative determination (PAD) under subsection 269TD(1) of the *Customs Act 1901*<sup>2</sup> (the Act) on 18 June 2018,<sup>3</sup> being not earlier than 60 days after the initiation of the investigation into the alleged dumping of steel pallet racking (the goods) exported to Australia from the People's Republic of China (China) and Malaysia, following an application lodged by Dematic Pty Ltd (the applicant, or Dematic).

In summary, my preliminary determination is:

- that there appears to be sufficient grounds for the publication of a dumping duty notice in respect of the goods exported to Australia from China and Malaysia, and that it is necessary to require and take securities in relation to exports of the goods from China and Malaysia to prevent material injury to the Australian industry occurring while the investigation continues.

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<sup>1</sup> This is a public notice under subsection 269TD(4)(a) of the Customs Act 1901 of the Commissioner's preliminary affirmative determination and a public notice under subsection 269TD(5) of the Customs Act 1901 of the Commonwealth's decision to require and take securities.

<sup>2</sup> All legislative references are to the *Customs Act 1901*, unless otherwise stated.

<sup>3</sup> Day 60 of this investigation was 12 January 2018.

This public notice and the preliminary findings contained within reflect the current status of the investigation. My findings may change as a result of further information, submissions, analysis or verification.

## 2. Reasons for making a PAD and for taking securities

The Anti-Dumping Commission's (the Commission) preliminary assessment has shown that:

- exports of steel pallet racking from China and Malaysia during the period 1 October 2016 to 30 September 2017 (the investigation period) were at dumped prices and the dumping margins were not negligible; and
- the volumes of dumped goods from China and Malaysia were not negligible (i.e. individually above three per cent).

The Commission's injury analysis to date indicates that injury is being caused by dumped imports from China and Malaysia. This is based on the level of the dumping margins the Commission has preliminarily calculated for exporters of the goods from China and Malaysia and analysis of the economic conditions of the Australian industry in this sector.

Having regard to the application, submissions received to-date concerning publication of the dumping duty notice and other information I considered relevant,<sup>4</sup> and pursuant to subsection 269TD(1)(a), I am satisfied there appears to be sufficient grounds for the publication of a dumping duty notice in respect of the goods exported to Australia from China and Malaysia. As a result, I have made a PAD to that effect, pursuant to section 269TD of the Act.

Under subsection 269TD(4)(b), I am satisfied that it is necessary to require and take securities in relation to exports of the goods to Australia from China and Malaysia to prevent material injury to the Australian industry occurring while the investigation continues.

The Commonwealth will require and take securities under section 42 in respect of interim dumping duties that may become payable in respect of the steel pallet racking exported to Australia from China and Malaysia and entered for home consumption in Australia on or after **Tuesday 19 June 2018**.

The security has been determined using the combination fixed and variable method (see section 01 of this report) and the fixed component of duty will be imposed on goods exported to Australia from China and Malaysia at the rates specified in the table of preliminary dumping margin assessments at Section 7.4 (Table 2 refers).

## 3. Background

On 13 November 2017, I initiated an investigation into the alleged dumping of steel pallet racking exported from China and Malaysia, following an application by Dematic, a manufacturer of like goods in Australia. Further details in relation to the initiation of this investigation can be found in Anti-Dumping Notice (ADN) No. 2017/161 at the Commission's website.<sup>5</sup>

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<sup>4</sup> Refer to Section 4 of this report.

<sup>5</sup> [www.adcommission.gov.au](http://www.adcommission.gov.au)

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Under subsection 269TD(1), I may make a PAD at any time, not earlier than 60 days after I initiate an investigation for the publication of a dumping notice, if I am satisfied that:

- there appears to be sufficient grounds for the publication of such a notice; or
- it appears that there will be sufficient grounds for the publication of such a notice subsequent to the importation into Australia of such goods.

In accordance with the *Customs (Preliminary Affirmative Determinations) Direction 2015* (the PAD Direction), 60 days after the initiation of such an investigation I must either make a PAD or publish a Status Report outlining the reasons why I have not made a PAD.

Day 60 of this investigation was 12 January 2018. On that day a status report was published (ADN No. 2018/04) advising that the Commission at that time had not completed its preliminary assessment of whether the goods exported to Australia from the nominated countries were at dumped prices and was unable to establish if there were sufficient grounds to be satisfied that the goods exported to Australia had been dumped (at above negligible levels in accordance with section 269TDA) and that dumped goods were causing material injury to the Australian industry producing like goods.

Interested parties were notified in the day 60 status report that prior to the publication of the SEF or in the SEF, I will advise whether I made a PAD and the reasons for my decision.

### 4. Evidence relied upon

In deciding to make a PAD in relation to this investigation, I have, in accordance with subsection 269TD(2), had regard to:

- Dematic's application;
- information obtained during the course of a verification visit to two Australian industry members, Dematic and APC Storage Solutions Pty Ltd;
- information received from other Australian producers of like goods;
- importer questionnaire responses received from cooperating importers;
- exporter questionnaire responses received from cooperating and non-cooperating exporters;
- submissions received from the interested parties; and
- Australian Border Force (ABF) import data.

### 5. Australian industry producing 'like goods'

#### 5.1 The goods the subject of the investigation

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

*Steel pallet racking, or parts thereof, assembled or unassembled, of dimensions that can be adjusted as required (with or without locking tabs and/or slots, and/or bolted or clamped connections), including any of the following - beams, uprights (up to 12m) and brace (with or without nuts and bolts).*

In its application, Dematic provided the following further details in relation to the goods:

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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.

Further information regarding the goods under consideration can be found in ADN No. 2017/161.

### 5.2 Australian industry

An application for a dumping duty notice can only be made if there exists an Australian industry producing 'like goods' to the goods under consideration. Like goods are defined under subsection 269T(1). Subsections 269T(2), 269T(3), 269T(4), 269T(4A), 269T(4B) and 269T(4C) are relevant to determining whether the like goods are produced in Australia and whether there is an Australian industry.

Since the initiation of the investigation, the Commission has undertaken a verification visit to Dematic<sup>6</sup> to verify information provided in its application. During the course of the verification visit, the Commission undertook an inspection of Dematic's manufacturing facility and is satisfied that the process of manufacture of steel pallet racking is carried out in Australia.

The Commission has also preliminarily assessed that the locally produced goods closely resemble the goods under consideration and are like goods given that:

- the primary physical characteristics of the imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common customers;
- the imported and locally produced goods are functionally alike as they have the same or similar end-uses; and
- the imported and locally produced goods are manufactured in a similar manner.

Following the initiation of the investigation, the Commission has found that during the investigation period the following Australian entities manufactured and sold the goods in Australia:

- APC Storage Solutions Pty Ltd (APC Storage);
- Macrack (Australia) Pty Ltd (Macrack);

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<sup>6</sup> [Dematic Visit Report](#)

- Spacerack;
- Brownbuilt Pty Ltd (Brownbuilt); and
- Noble Trading Manufacturing Pty Ltd (Noble).

The Commission visited all the above entities and discussed the investigation process. APC Storage provided a submission supporting Dematic's application. The Commission has undertaken a verification visit to APC Storage to verify information provided.<sup>7</sup>

### **5.3 Australian industry producing 'like goods' – preliminary assessment**

As a result of the information verified during the verification visits to Dematic and APC Storage and information obtained from other industry members, I am satisfied that there is an Australian industry producing like goods to the goods under consideration and that at least one substantial process of manufacture of steel pallet racking is carried out in Australia.

## **6. Dumping investigation**

### **6.1 Exporter questionnaires received**

The Commission received exporter questionnaire responses from the following exporters:

<b>Country</b>	<b>Exporter</b>
China	Changzhou Tianyue Storage Equipment Co. Ltd. <sup>8</sup>
	Dexion (Shanghai) Logistics Equipment Co. Ltd. <sup>9</sup>
	Jiangsu NOVA Logistics System Co., Ltd. <sup>10</sup>
	Jracking Group (China) <sup>11</sup>
	Nanjing Inform Storage Equipment (Group) Co. <sup>12</sup>
	SSI Schaefer System International (Kunshan) Co. Ltd. <sup>13</sup>
Malaysia	Dexion Asia Sdn Bhd <sup>14</sup>
	Schaefer Systems International Sdn Bhd <sup>15</sup>

**Table 1: List of exporters provided a response to the exporter questionnaire**

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<sup>7</sup> [APC Visit Report](#)

<sup>8</sup> [EPR 441 008](#)

<sup>9</sup> [EPR 441 009](#)

<sup>10</sup> [EPR 441 007](#)

<sup>11</sup> [EPR 441 013](#)

<sup>12</sup> [EPR 441 005](#)

<sup>13</sup> [EPR 441 004](#)

<sup>14</sup> [EPR 441 010](#)

<sup>15</sup> [EPR 441 006](#)

## **6.2 Sampling of Chinese Exporters**

Subsection 269TACAA(1) provides that where the number of exporters from a particular country of export in relation to the investigation is so large that it is not practicable to examine the exports of all of those exporters, then the investigation may be carried out, and findings may be made, on the basis of information obtained from an examination of a selected number of those exporters:

- i. who constitute a statistically valid sample of those exporters; or
- ii. who are responsible for the largest volume of exports to Australia that can reasonably be examined.

As there were many suppliers of the goods from China who provided a response to the exporter questionnaire within the required timeframe or within an approved extended timeframe, I issued ADN No. 2018/40<sup>16</sup> on 16 March 2018 notifying interested parties that, in regards to exports from China, this investigation will be carried out on the basis of information obtained from an examination of a selected number of Chinese exporters.

In determining which exporters from China to examine, the Commission took into account:

- the number of exporter questionnaires from China that the Commission can practically verify;
- the number of exporters from China required to sufficiently cover the description of the goods sold to Australia and on the Chinese domestic market; and
- the individual volume of each identified exporter and the cumulative volume of a manageable number of the largest volume exporters.

The Chinese exporters selected by the Commission for verification are:

- SSI Schaefer System International (Kunshan) Co., Ltd;
- Jacking Group of Companies;
- Changzhou Tianyue Storage Equipment Co., Ltd.; and
- Dexion (Shanghai) Logistics Equipment Co., Ltd (Dexion China).

These selected exporters represent the majority of the volume of the goods exported to Australia from China during the investigation period. All remaining exporters fall within the definitions of either 'residual exporters' or 'uncooperative exporters'.<sup>17</sup>

A residual exporter is an exporter whose exportations were not examined as part of the investigation and who is not an uncooperative exporter. For the purpose of this investigation, the residual exporters from China are:

- Nanjing Inform Storage Equipment (Group) Co., Ltd; and
- Jiangsu NOVA Logistics System Co., Ltd.

An uncooperative exporter is defined as an exporter that did not provide information considered to be relevant to a dumping investigation within the specified timeframe, or an exporter that significantly impeded the investigation.<sup>18</sup>

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<sup>16</sup> [ADN No. 2018/40](#)

<sup>17</sup> Dexion China has been determined as uncooperative but was taken into consideration in the sampling.

<sup>18</sup> Subsection 269T(1)

### **6.3 ‘Uncooperative exporters’**

#### **6.3.1 Dexion China and Dexion Malaysia**

The Commission received late responses to the Commission’s exporter questionnaire from Dexion (Shanghai) Logistics Equipment Co. Ltd (Dexion China) and Dexion Asia Sdn Bhd (Dexion Malaysia).

Pursuant to subsection 8(b) of the *Customs (Extensions of Time and Non-cooperation) Direction 2015* (the Customs Direction), I consider that Dexion China Dexion Malaysia exporter questionnaire responses were not provided within the legislated timeframe, and that Dexion China and Dexion Malaysia did not seek any extension of time before the due date.<sup>19</sup>

In accordance with subsection 8(b)(i), I determined Dexion China and Dexion Malaysia as uncooperative exporters as defined in subsection 269T(1) of the Act. Subsection 269T(1)(d) of the Act provides that an uncooperative exporter(s) in relation to an investigation is one where I am satisfied that the exporter did not provide information I consider to be relevant to the investigation, within a period I consider to be reasonable.

On 16 January 2018, I notified Dexion China and Dexion Malaysia of my decision to treat them as an uncooperative exporters pursuant to subsection 269T(1).

If a response has been received by the Commissioner outside the legislated period, the Commissioner must, when determining whether to have regard to that response, consider if taking the response into account would delay a key aspect of the case.

Both Dexion China and Dexion Malaysia provided late responses to the exporter questionnaire. In determining whether to have regard to these responses, I am satisfied that Dexion China and Dexion Malaysia’s responses will not prevent the timely consideration of the question whether or not to make a preliminary affirmative determination.<sup>20</sup>

#### **6.3.2 All other exporters that did not provide a response to the exporter questionnaire**

Having regard to the Customs Direction, in relation to this investigation, the legislated period for providing an exporter questionnaire response has expired. Therefore, under subsection 8(b) of the Customs Direction, I must determine all exporters who did not provide a response or request a longer period to provide a response within the legislated period to be uncooperative exporters pursuant to subsection 269T(1).

### **7. A Particular Market Situation – China**

#### **7.1 Dematic’s market situation claims**

In its application Dematic alleges that there is a particular market situation in the Chinese domestic market for steel pallet racking that renders sales in that market unsuitable for determining normal values under subsection 269TAC(1), due to the influence by the Government of China (GOC) in the Chinese steel industry.

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<sup>19</sup> 37 days from the date of initiation of the case which was 20 December 2017.

<sup>20</sup> S.269TD(3)



Dematic states that the Commission's findings concerning the GOC interventions in the Chinese iron and steel industry, as set out in *Trade Measures Report No. 177* and more recently in *Anti-Dumping Commission Report No. 379*, are of relevance for this investigation given that the steel products investigated by the Commission in those investigations use hot rolled coil (HRC) as a major raw material input, which is also the major raw material input for the production of steel pallet racking. Those findings identify significant GOC influence in the Chinese market for steel and downstream steel products.

On this basis, Dematic claims that the normal values for steel pallet racking in China are influenced by the GOC's influence in the overall steel industry including HRC.

### 7.2 The Commission's preliminary assessment

The Commission has relied on the following sources of information in preliminarily assessing market situation claims made in the application:

- information provided by Dematic;
- information collected from cooperating and non-cooperating Chinese exporters;
- recent analysis of the Chinese steel market undertaken by other jurisdictions;<sup>21</sup> and
- previous Anti-Dumping investigations in relation to steel products.

At the time of initiation of the investigation, the Commission contacted the GOC and provided it with a government questionnaire in relation to the particular market situation allegations. However, the GOC did not provide a response to the questionnaire which has limited the sources of information available to the Commission.

At the time of publishing this PAD, I am preliminarily satisfied that the GOC's involvement in the Chinese domestic steel market has materially distorted competitive conditions in China for the main raw material (HRC) input to manufacture steel pallet racking which, in turn, is likely to have materially influenced the domestic selling price of the goods such that domestic selling prices would not be suitable for establishing a normal value under section 269TAC(1)(a) of the Act.

In reaching this preliminary assessment, I have relied on previous findings of the Commission in relation to particular market situation determinations for Chinese steel products as detailed below:

- Review (No. 419) (2018) Hollow Structural Sections
- Continuation Inquiry (No. 449) (2018) - Coated steel (galvanised and aluminium zinc coated steel).
- Continuation Inquiry (No. 379) (2017) Hollow Structural Sections.
- Reinvestigation (No. 203) (2013) Hollow Structural Sections.

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<sup>21</sup> Refer to:

United States Department of Commerce (US DOC), China's Status as a Non-Market Economy, 2017: <https://enforcement.trade.gov/download/prc-nme-status/prc-nme-review-final-103017.pdf>

European Commission (EC), Commission staff working document on significant distortions in the economy of the People's Republic of China for the purposes of trade defence investigations, 2017. - [http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc\\_156474.pdf](http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc_156474.pdf)

Canada Border Services Agency, Statement of Reasons concerning the final determination with respect to the dumping and the subsidising Certain concrete reinforcing bar originating in or exported from the People's Republic of China, the Republic of Korea and the Republic of Turkey, 4214-42 AD/1403, 4218-39 CV/138, 23 December 2014.



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- Investigation (No. 190) (2013) Galvanised and Aluminium Zinc Coated Steel.
- Investigation (No. 177) (2012) Hollow Structural Sections.

These previous investigations into the steel products exported from China have found that the GOC has influenced the domestic prices of the steel products through the following means:

- controlling the roles of state invested entities;
- influencing industry planning guidelines and directives;
- providing direct and indirect financial support; and
- various taxation arrangements.

Based on the above, I am satisfied that the domestic prices of steel pallet racking are unsuitable for the determining normal values under section 269TAC(1) of the Act.

### 7.3 Benchmark

Having preliminarily determined that a particular market situation exists in China in relation to the goods, the Commission has constructed normal values of all Chinese exporters in accordance with s269TAC(2)(c) of the Act.

Regulation 43 of the *Customs (International Obligations) Regulation 2015* (the regulation) requires that where an exporter keeps records in accordance with generally accepted accounting principles and those records reasonable reflect competitive market costs associated with the production of like goods then the cost of production must be worked out using the exporter's records.

As discussed above, the Commission has preliminarily determined that that HRC prices are influenced by the GOC and that Chinese HRC prices do not reflect competitive market costs.

The Commission has, therefore, preliminarily determined that an appropriate benchmark for HRC costs in China is the weighted average domestic HRC price paid by cooperating exporters from Korea and Taiwan in continuation inquiry number 449 (zinc coated (galvanised) steel, at comparable levels of trade and conditions of purchase to those observed in China.

The Commission has used information from its recent findings in Continuation Inquiry number 449 in relation to galvanised steel.<sup>22</sup> The investigation period for the continuation inquiry 449 is same as the investigation period for this investigation. In Continuation Inquiry 449, the HRC benchmark was determined using verified domestic HRC purchases by exporters in markets free of government influence (in this instance, Taiwan and Korea). These values have been used to construct a benchmark to uplift the domestic prices of HRC in China for steel pallet racking.

The Commission has then adjusted the benchmark to take into account the different levels of trade and additional costs incurred for steel pallet racking producers, incorporating the slitting of HRC "mother coils" into HRC "baby coils" via unrelated domestic traders. The Commission has added a premium to the benchmark that takes into consideration:

- slitting costs; and

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<sup>22</sup> Details of Continuation Inquiry 449 is available on the Commission's website.

- an amount of trader's profit.

Noting that the GOC did not provide a response to the government questionnaire and, in absence of any verified information available to the Commission in relation to an appropriate premium, the Commission has compared the weighted average HRC purchase prices of the cooperating Chinese exporters in the Continuation Inquiry 449 to that of cooperating and non-cooperating exporters in this investigation. The price difference found of 21.8% is used to determine the premium component, which was added to the benchmark prices determined in Continuation inquiry 449.

## 7.4 Dumping determination

Having regard to the exporter questionnaire responses received from the four selected Chinese exporters and two Malaysian exporters, the Commission has preliminarily determined the following dumping margins in relation to steel pallet racking exported to Australia from China and Malaysia during the investigation period:

Country	Exporter	Export Price	Normal Value <sup>23</sup>	Dumping Margin
China	Dexion (Shanghai) Logistics Equipment Co. Ltd.	s.269TAB(3)	s.269TAC(6)	12.0%
	Changzhou Tianyue Storage Equipment Co. Ltd.	s.269TAB(1)(c)	s.269TAC(2)(c)	63.7%
	SSI Schaefer System International (Kunshan) Co. Ltd.	s.269TAB(1)(a)	s.269TAC(2)(c)	74.4%
	Jracking Group	s.269TAB(3)	s.269TAC(6)	58.0%
	Residual Exporters	s.269TAB(3)	s.269TAC(6)	66.6%
	Uncooperative exporters	s.269TAB(3)	s.269TAC(6)	109.1%
Malaysia	Dexion Asia Sdn Bhd	s.269TAB(3)	s.269TAC(6)	4.8%
	Schaefer Systems International Sdn Bhd	s.269TAB(1)	s.269TAC(1)(a)	4.6%
	Uncooperative exporters	s.269TAB(3)	s.269TAC(6)	4.8%

Table 2 - Preliminary Dumping Margin Summary

### 7.4.1 Dumping Margins for Selected exporters - China

#### ***Changzhou Tianyue Storage Equipment Co. Ltd***

##### Export price

The Commission preliminarily considers, in respect of Changzhou Tianyue Storage Equipment Co. Ltd.'s (Changzhou Tianyue's) Australian export sales during the investigation period that the importer has not purchased the goods from the exporter. The export price has therefore been determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the export price has been

<sup>23</sup> Where appropriate, adjustments were made pursuant to subsections 269TAC(8) and (9) to ensure the comparability of normal values to export prices.

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determined as the price paid to Changzhou Tianyue by an unrelated trading entity. Export prices were calculated at Ex-works terms (EXW).

### Normal Value

Having preliminarily determined a particular market situation findings, the Commission has 'constructed' Changzhou Tianyue's normal value in accordance with subsection 269TAC(2)(c). Changzhou Tianyue's normal value was constructed using:

- the exporter's verified Australian cost to make (CTM) including a raw material cost uplift;
- selling, general and administration (SG&A) expenses applicable to goods sold domestically; and
- profit of the domestic ordinary course of trade (OCOT) sales.

Given that the Commission has preliminarily determined that the normal value is comparable to the EXW export price, no adjustments to the normal value was required.

### Dumping Margin

The preliminary dumping margin for Changzhou Tianyue was established in accordance with subsection 269TACB(2)(a) of the Act, by comparing quarterly weighted average export prices at EXW) terms to corresponding quarterly weighted average normal values for the investigation period.

The preliminary dumping margin for Changzhou Tianyue is 63.7 percent.

### ***SSI Schaefer System International (Kunshan) Co. Ltd.***

### Export price

The Commission preliminarily considers, in respect of SSI Schaefer System International (Kunshan) Co.Ltd's (Schaefer Kunshan's) Australian export sales during the investigation period, that:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods by the importer were arms length transactions.

The Commission preliminary found that the goods have been purchased by the importer from the exporter, and therefore export price has been determined under subsection 269TAB(1)(a). Export prices were calculated at EXW terms.

### Normal Value

Having preliminary determined a particular market situation finding, the Commission has 'constructed' normal value, in respect of Schaefer Kunshan, in accordance with subsection 269TAC(2)(c). Schaefer Kunshan's normal value was constructed using:

- the exporter's verified Australian cost to make (CTM), including a raw material cost uplift;
- selling, general and administration (SG&A) expenses applicable to goods sold domestically; and
- profit of the domestic ordinary course of trade (OCOT) sales.

To ensure the normal values were properly compared to export prices, in accordance with subsection 269TAC(9), it was necessary to make the following adjustments to the normal value.

- add the cost of export credit; and
- add VAT of 9<sup>24</sup> percent to the Normal value.

#### Dumping Margin

The preliminary dumping margin for Schaefer Kunshan was established in accordance with paragraph 269TACB(2)(a) of the Act, by comparing quarterly weighted average export prices at EXW terms to corresponding quarterly weighted average normal values for the investigation period.

The preliminary dumping margin for Schaefer Kunshan is 74.4 percent.

#### ***Residual Exporters - China***

##### Export price

The preliminary export price for the residual exporters has been preliminary established in accordance with section 269TAB(3) of the Act, being the price that the Minister determines having regard to all relevant information. The Commission has used the weighted average export price of the two of the four selected cooperating exporters.<sup>25</sup>

##### Normal Value

The preliminary normal values for the residual exporters has been established in accordance with subsection 269TAC(6) of the Act, being the amount that the Minister determines having regard to all relevant information. The Commission has used the weighted average normal value of the two of the four selected cooperating exporters.<sup>26</sup>

##### Dumping Margin

The preliminary dumping margin for residual exporters has been determined as a comparison between the weighted average of export prices with the corresponding weighted average normal values in accordance with subsection 269TACB(2)(a).

The preliminary dumping margin for residual exporters is 66.6 percent.

#### ***Dexion (Shanghai) Logistics Equipment Co. Ltd.***

While Dexion China has been determined to be an uncooperative exporter, pursuant to section 8 of the Customs Direction, I consider that having regard to Dexion China's response to the exporter questionnaire did not delay any key aspect of the investigation. The Commission has been able to use the information provided by Dexion China to determine Dexion China's export price, normal value and to calculate a dumping margin.

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<sup>24</sup> Includes an 8 percent non-refundable VAT on exports plus a 1 percent administration charge.

<sup>25</sup> While Dexion China and Jacking Group were selected in the sample, Dexion China was found to be an uncooperative exporter while Jacking Group's data is considered to be unreliable at this stage.

<sup>26</sup> In accordance with subsection 269TACAB(2)(d).

### Export price

Having determined that Dexion China is an uncooperative exporter, the Commission has preliminarily determined Dexion China's export price pursuant to subsection 269TAB(3), having regard to all relevant information. The Commission determined export price using verified export data.

### Normal Value

Having preliminarily determined a particular market situation finding, the Commission has 'constructed' Dexion China's normal value under subsection 269TAC(6). Dexion China's normal value was constructed using:

- the exporter's verified Australian cost to make (CTM), including a raw material cost uplift;
- selling, general and administration (SG&A) expenses applicable to goods sold domestically; and
- profit of the domestic ordinary course of trade (OCOT) sales.

To ensure the normal values were properly compared to export prices, it was necessary to make the following adjustments to the normal value.

- Deduct the cost of domestic packaging;
- Add the cost of export packaging; and
- Add VAT of 8<sup>27</sup> percent to the Normal value.

### Dumping Margin

The preliminary dumping margin for Dexion China has been established in accordance with paragraph 269TACB(2)(a) of the Act, by comparing quarterly weighted average export prices at EXW terms to corresponding quarterly weighted average normal values for the investigation period.

The preliminary dumping margin for Dexion China is 12.0 percent.

### ***Jracking Group***

Jracking group comprises of the following entities;

- Meca Racking Solutions Pty Ltd;
- Along International Limited;
- Nanjing Jracking International Ltd;
- Jracking (China) Storage Solutions Ltd;
- Jracking (China) Storage Systems Ltd;
- Jiangsu Jracking Industry Ltd; and
- Danyang Hengcheng Metal Products Co., Ltd.

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<sup>27</sup> 8 percent non-refundable VAT on exports.

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Jracking group has failed to provide full responses to the Commission's exporter questionnaire relevant to the investigation. In accordance with subsection 8(b)(ii) of the Customs Direction, as that term is defined in subsection 269T(1) of the Act, I have determined that Jracking group as an uncooperative exporter for the purpose of this investigation. Jracking group may continue to make submissions to the investigation as it progresses.

However, I also consider that having regard to those responses that Jracking group did provide in relation to the exporter questionnaire did not delay any key aspect of the investigation. The Commission has therefore been able to use the information provided by Jracking group to determine Jracking groups export price.

### Single exporter

Jracking group submitted a single response on behalf of all its related entities to the Commission's exporter questionnaire. Having considered the nature of the relationship and the details of the transactions between the related entities, the Commission has treated the manufacturers of the goods, namely Jiangsu Jracking Industry Ltd and Danyang Hengcheng Metal Products Co., Ltd., as a single exporter of the goods. Consequently, the Commission has calculated a single preliminary dumping margin for the Jracking group.

### Export price

After having regard to all relevant information, the export price for Jracking group has been established in accordance with subsection 269TAB(3) of the Act, using weighted average export price of Jiangsu Jracking Industry Ltd and Danyang Hengcheng Metal Products Co., Ltd. Export prices have been calculated at FOB terms.

### Normal Value

After having regard to all relevant information, the normal value for Jracking group has been established in accordance with subsection 269TAC(6) of the Act, using the highest weighted average normal value for the entire investigation period from the selected exporters, excluding any favourable downward adjustments made to that figure.

### Dumping Margin

The preliminary dumping margin for Jracking group was established in accordance with subsection 269TACB(2)(a) of the Act, by comparing the weighted average export prices established under subsection 269TAB(3) with the weighted average normal values established under subsection 269TAC(6).

As a result, the preliminary dumping margin for Jracking group is 58.0%.

### ***Uncooperative exporters –China***

Having regard to the Customs Direction, in relation to this investigation, the legislated period for providing an exporter questionnaire response has expired. Therefore, under subsection 8(b) of the Customs Direction, I must determine all exporters who did not provide a response or request a longer period to provide a response within the legislated period to be uncooperative exporters pursuant to subsection 269T(1).

### Export price



After having regard to all relevant information, the export prices for the uncooperative exporters from China (other than Dexion China and Jacking Group) has been established in accordance with subsection 269TAB(3) of the Act, using the lowest weighted average export price for the entire investigation period from the selected exporters of that country, excluding any part of that price that relates to post-exportation charges.

#### Normal Value

After having regard to all relevant information, the normal values for the uncooperative exporters from China (other than Dexion China) has been established in accordance with subsection 269TAC(6) of the Act, using the highest weighted average normal value for the entire investigation period from the selected exporters, excluding any favourable downward adjustments made to that figure.

#### Dumping Margin

The preliminary dumping margin for uncooperative exporters from China (other than Dexion China and Jacking Group), were established in accordance with subsection 269TACB(2)(a) of the Act, by comparing the weighted average export prices established under subsection 269TAB(3) with the weighted average normal values established under subsection 269TAC(6).

As a result, the preliminary dumping margin for uncooperative and all other exporters from China, other than Dexion China and Jacking group, is 109.1%.

### **7.4.2 Dumping Margins – Malaysia**

#### ***Schaefer Systems International SDN BHD***

##### Export price

The Commission preliminary considers, in respect of Schaefer Malaysia's Australian export sales during the investigation period, that:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods by the importer were arms length transactions.

The Commission has preliminary found that the goods have been purchased by the importer from the exporter, and therefore the export price has been calculated using subsection 269TAB(1)(a) of the Act. Export prices have been calculated at EXW terms.

##### Normal Value

The Commission has preliminary determined that Schaefer Malaysia has a sufficient volume of domestic sales of steel pallet racking, for all models exported to Australia, that were arms-length transactions and at prices that were within the OCOT. Preliminary normal values for Schaefer Malaysia were, therefore, established in accordance with subsection 269TAC (1) of the Act, using Schaefer Malaysia's quarterly weighted average domestic invoice prices.

To ensure the normal values were properly comparable to export prices, in accordance with subsections 269TAC(8) and (9), it was necessary to make the following adjustments to the normal value.

## **PUBLIC RECORD**

- Deduct the cost of domestic credit; and
- Add the cost of export credit.

### Dumping Margin

The preliminary dumping margin for Schaefer Malaysia has been established in accordance with subsection 269TACB(2)(a) of the Act, by comparing quarterly weighted average export prices at EXW terms to corresponding quarterly weighted average normal values for the investigation period.

The preliminary dumping margin for Schaefer Malaysia is 4.6 percent.

### ***Uncooperative exporters – Malaysia***

#### Dexion Malaysia

Having determined that Dexion Malaysia is an uncooperative exporter, the Commission assessed the information provided in its response to the exporter questionnaire in order to determine whether it is reliable to determine Dexion Malaysia's export price, normal value and calculate a dumping margin.

Dexion Malaysia have been provided a number of opportunities to provide information relevant to this investigation, however the Commission has determined that Dexion Malaysia has not provided the relevant information necessary to satisfy the Commission that Dexion Malaysia's information can be relied on to determine Dexion Malaysia's dumping margin.

The export price, Normal value and dumping margin for Dexion Malaysia was preliminary determined using the same methodology for all uncooperative exporters from Malaysia as outlined below.

#### Uncooperative exporters

##### Export price

After having regard to all relevant information, the export prices for the uncooperative exporters from Malaysia was established in accordance with subsection 269TAB(3) and 269TAB(4) of the Act, using the Schaefer Malaysia's export price for the entire investigation period, excluding any part of that price that relates to post-exportation charges.

##### Normal Value

After having regard to all relevant information, the normal values for the uncooperative exporters from Malaysia was established in accordance with subsection 269TAC(6) of the Act, using Schaefer Malaysia's normal value for the entire investigation period, excluding any favourable downward adjustments made to that figure

##### Dumping Margin

The preliminary dumping margins for uncooperative and all other exporters from Malaysia was established in accordance with paragraph 269TACB(2)(a) of the Act, by comparing the export prices established under subsection 269TAB(3) with normal values established under subsection 269TAC(6).

As a result, the preliminary dumping margin for uncooperative and all other exporters from Malaysia is 4.8%.

## **7.5 Conclusion– preliminary assessment**

Given the preliminary dumping margins presented in Table 1, I am satisfied that steel pallet racking exported to Australia from China and Malaysia during the investigation period was at dumped prices because:

- the margins of dumping were not negligible;<sup>28</sup> and
- the volume of dumped goods from each country was not negligible.<sup>29</sup>

## **8. Injury to the Australian industry**

### **8.1 Preliminary findings**

Based on the Commission's verification of the information provided by Dematic and APC Storage, I am satisfied that there appears to be sufficient grounds to support the claims that the Australian industry has suffered injury in the investigation period in the form of:

- price suppression;
- price depression;
- decreased profits and profitability;
- loss of revenue; and
- reduced return on investment.

### **8.2 Cause of injury**

In determining whether material injury or threat of material injury to an Australian industry has been or is being caused because of any circumstances in relation to the exportation of goods to Australia, the Minister may have regard to the matters set out in section 269TAE, to which I have had regard.

### **8.3 Cumulative effects of exportations**

Subsection 269TAE(2C) sets out the requirements for assessing the cumulative effects of goods exported to Australia from different countries. In relation to a dumping investigation, where exports from more than one country are the subject of investigations resulting from applications under section 269TB that were lodged on the same day (as is the case in this investigation), the cumulative effects of such imports may be assessed if:

- the margin of dumping established for exporters in each country is not negligible; and
- the volume of imports from each country is not negligible; and
- cumulative assessment is appropriate having regard to the conditions of competition between the imported goods and between the imported goods and like goods that are domestically produced.

Having regard to the size of the preliminary dumping margins determined, the volume of imports and the conditions of competition between the goods exported from China and Malaysia and like goods produced by Australian industry, the Commission considers it

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<sup>28</sup> Subsection 269TDA(1)

<sup>29</sup> Subsections 269TDA(3) and (4)

appropriate to consider the cumulative effect of the dumped imports from China and Malaysia in accordance with the requirements of subsection 269TAE(2C).

#### **8.4 Size of the dumping margins**

Subsection 269TAE(1)(aa) provides that regard may be given to the size of each of the dumping margins, worked out in respect of goods of that kind that have been exported to Australia.

The dumping margins outlined above for China and Malaysia, range between 4.6 percent and 109.1 percent and are above negligible levels (i.e. above two per cent). The Commission considers that the magnitude of dumping provided exporters from China and Malaysia with the ability to offer steel pallet racking to importers at lower prices than would otherwise have been the case.

#### **8.5 Volume trends**

##### **8.5.1 Market share**

###### Limitations

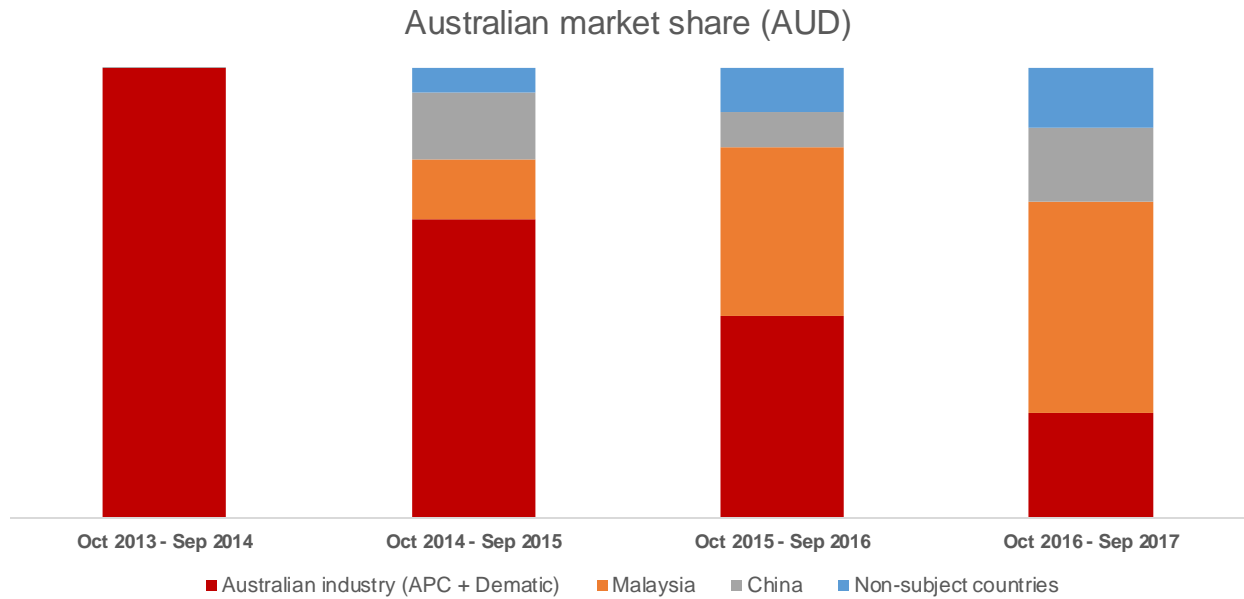
During the course of the investigation, the Commission became aware that some companies that previously manufactured the goods in Australia during the injury analysis period for 2013 to 2014 moved their production facilities offshore (mainly to China and Malaysia) and therefore are not included in the Australian industry analysis as their data was not available.

The Commission is also aware that relevant statistical code for the goods, within the Australian Border Force (ABF) tariff classifications, were established on 1 January 2015. Prior to this date, the goods would have entered Australia under different tariff classifications.

The Commission has therefore relied on Dematic's and APC Storage's verified data and ABF import data after 1 January 2015 to estimate the Australian market share by respective suppliers.

Figure 1 below demonstrates that Australian industry's (Dematic and APC collectively) market share has decreased in the investigation period as a result of declining domestic

sales value of the steel pallet racking.



**Figure 1 – Australian market share for steel pallet racking**

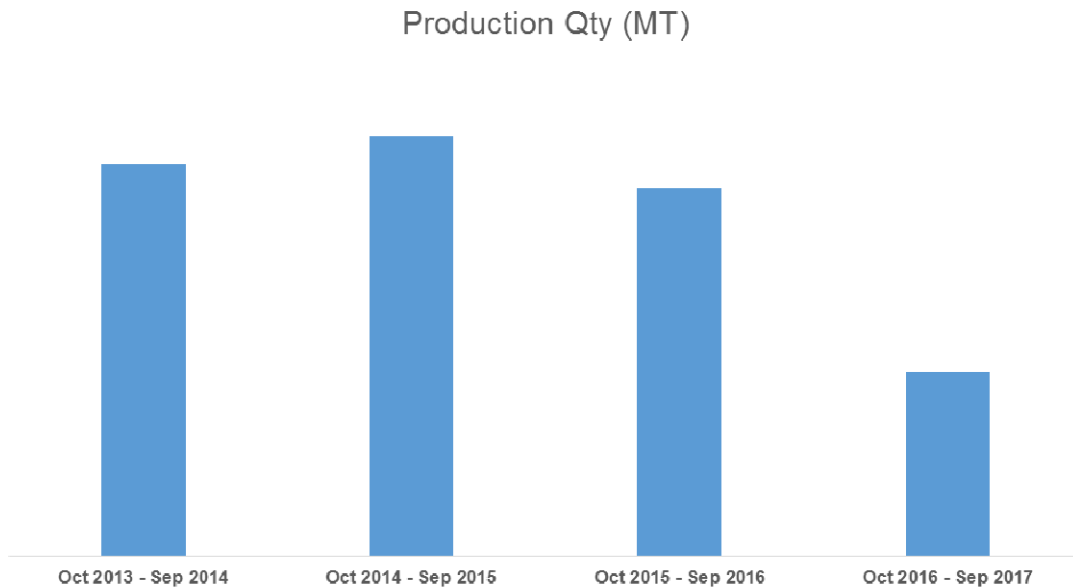
Figure 1 also demonstrates that the market share of imports from FY 2014/15 to FY 2016/17, from both subject and non-subject countries, have increased in the investigation period, while Australian industry's market share declined.

### 8.5.2 Production and sales volumes

The Commission has analysed Dematic's production (and sales volume) for the injury analysis period. The data was analysed at an annual aggregate output in metric tonnes, regardless of component manufactured or sales channel.

Figure 2 below details the verification team's analysis of Dematic's production of steel pallet racking.<sup>30</sup>

<sup>30</sup> APC Storage only provided this information for the investigation period, therefore it was not included for the purpose of this analysis.



**Figure 2 – Dematic’s annual production for sale in the Australian market**

The Commission noted that Dematic’s production during the investigation period declined by almost fifty percent from 1 October 2015 to 30 September 2016.

Dematic also provided information specifically relating to won and lost tenders for warehouse and distribution centre fit-outs that preliminary indicates a trend in the number of tenders lost based on pricing considerations.

The Commission considers that, as Dematic manufactures steel pallet racking to order, the decline in Dematic’s production over the injury analysis period is likely to be a result of a decline in sales.

## **8.6 Price suppression and depression**

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

Whilst Dematic claims that it has experienced price depression, the description of the pricing effects it experienced are more relevant to claims of price suppression. The Commission analysed Dematic’s<sup>31</sup> annual price effect claims in Figure 3 below.

<sup>31</sup> APC Storage only provided this information for the investigation period, therefore it was not included for the purpose of this analysis.



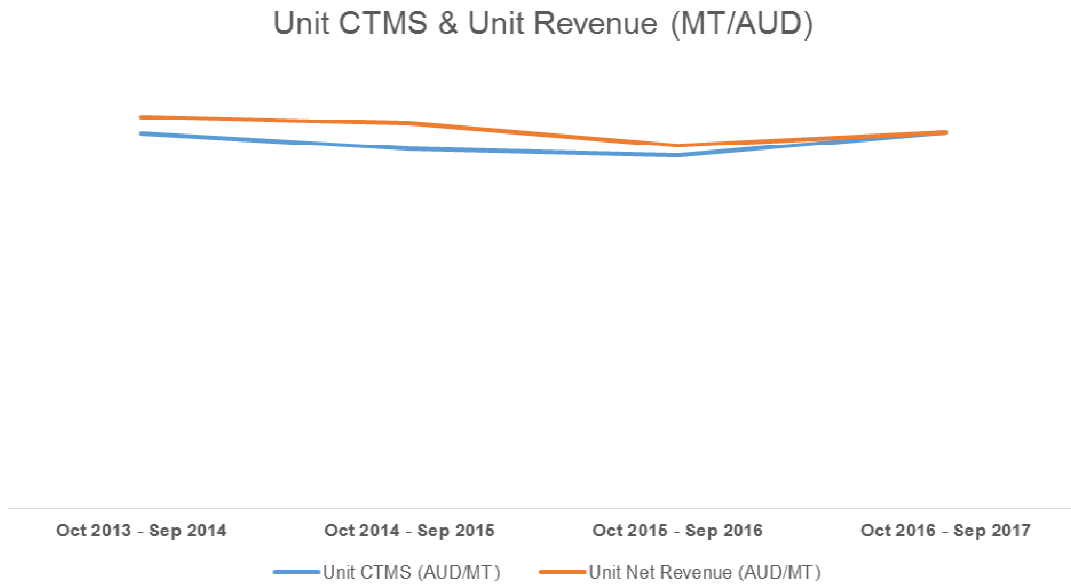


Figure 3 – Dematic's price effects

The Commission notes that Dematic appears to have experienced price suppression during the investigation period as the unit increase in CTMS is higher than the unit increase in price, which demonstrates that Dematic was not able to increase its prices as costs increased.

## 8.7 Revenue

Dematic claims its sales revenue has declined over the injury and investigation periods. The Commission has analysed the aggregate net revenue (in Australian dollars) achieved for the volume sold by Dematic, regardless of component type or sales channel. Figure 4 depicts Dematic's net sales revenue for steel pallet racking.

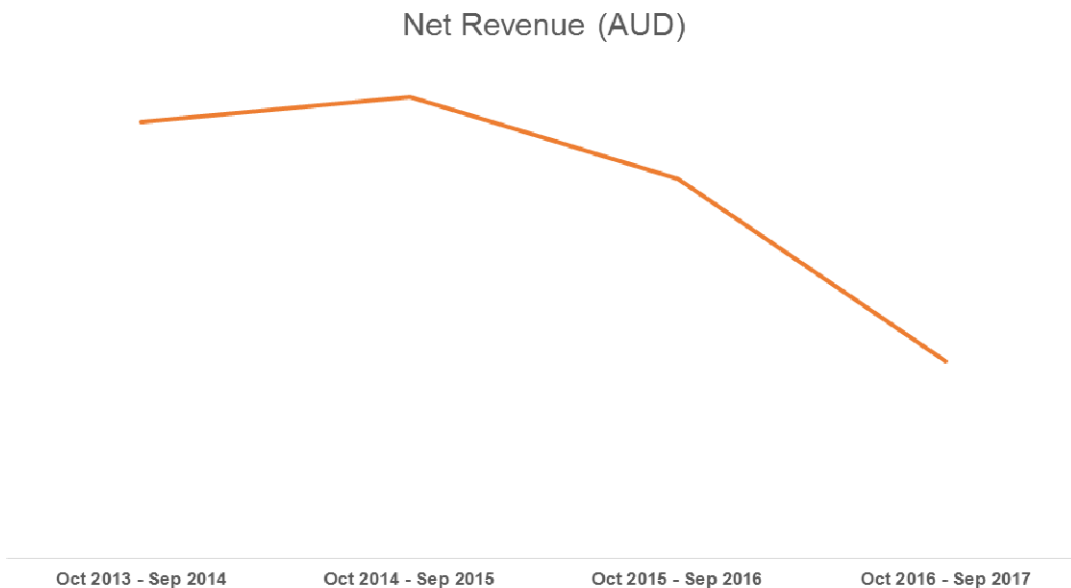
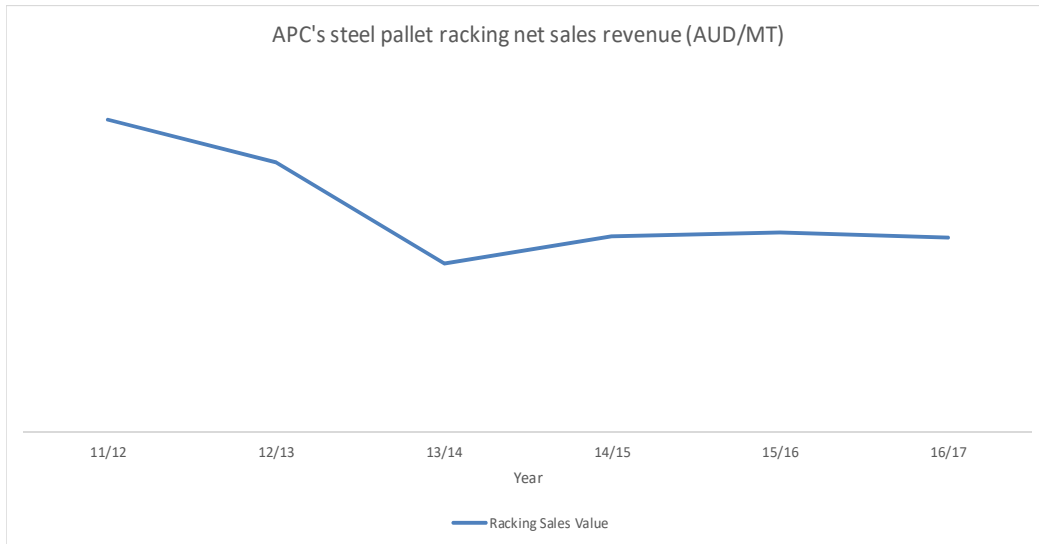


Figure 4 – Dematic's annual net revenue



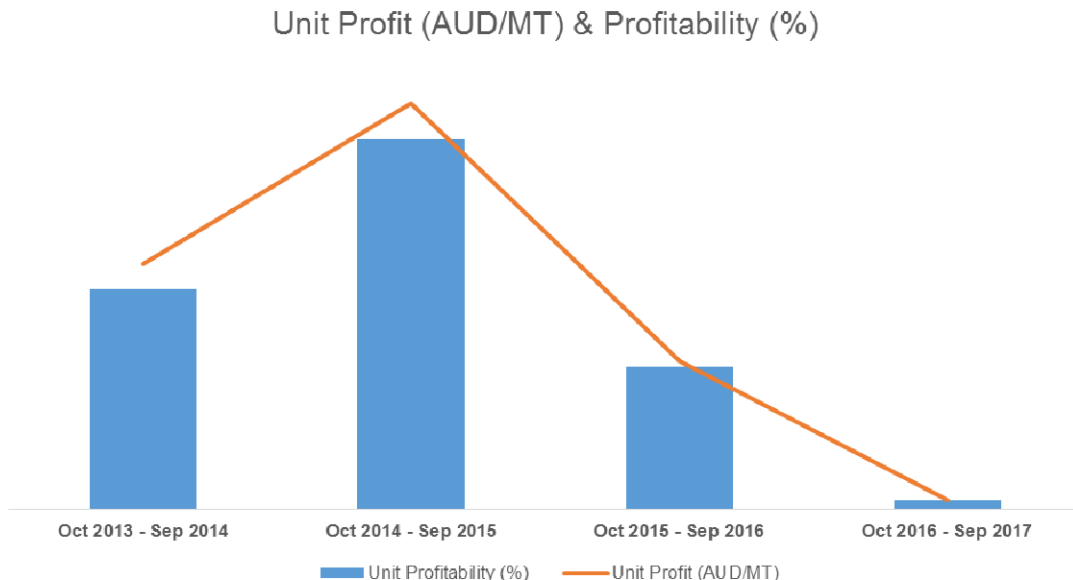
**Figure 5 – APC Solution's annual net revenue**

The Commission notes a decline in revenue, which correlates with the decline in sales volume.

### 8.8 Profits and profitability

Dematic states that it has been most affected by alleged dumping of steel pallet racking from the subject countries during the 2016/2017 financial year, particularly with respect to its profits and profitability.

The Commission has calculated and graphed Dematic's<sup>32</sup> aggregate profits and profitability (Figure 6 refers) and concludes that its claim is supported by the verified data. The Commission has not analysed the profits and profitability of different sales channels.



**Figure 6 – Dematic's aggregate unit profit and profitability**

<sup>32</sup> APC Storage only provided this information for the investigation period, therefore it was not included for the purpose of this analysis.

## **8.9 Other economic factors**

Dematic<sup>33</sup> has claimed and provided data to support their claim for injury in respect of the following “Other Economic Factors”:

- declines in asset value;
- declines in capital investment;
- declines in return on investment (ROI);
- declines in capacity;
- declines in capacity utilisation;
- declines in employment;
- declines in productivity;
- cash flow - increases in outstanding accounts receivable; and
- wages.

The Commission considers that there has been some decline in performance of these other economic factors, except for wages, as these other economic factors are contingent on Dematic’s ability to recoup its outgoings and expenses (investment, assets and overheads) by the production and sale of the goods.

With respect to wages, the Commission notes that whilst the overall wages for the production of steel pallet racking has declined as a result of fewer employees engaged in production, the average annualised wage for staff engaged in steel pallet racking production has had immaterial variation over the course of the injury analysis period.

## **8.10 Injury to the Australian industry – preliminary assessment**

Based on the Commission’s preliminary analysis of the information collected to-date, verification of Australian industry’s (Dematic and APC storage) injury claims and the preliminary dumping margin calculations, the Commission considers that:

- Australian industry’s prices and the prices of the dumped goods preliminary indicate a degree of correlation that suggests strong market competition in a market that is price sensitive;
- importers are provided a competitive advantage due to the ability to purchase the goods at what appear to be dumped prices, which allows importers to be more competitive on price than otherwise would be the case;
- alleged dumping is allowing importers to exert pressure on the Australian industry’s prices, which in turn has adverse effects on the industry’s revenue, profit and profitability;
- in the absence of dumping, it is likely that the Australian industry would be in a better position than it currently is in, with an ability to achieve higher prices and greater profit; and
- the price and profit injury caused by the alleged dumping is material.

The Commission is continuing to validate and assess the information provided and develop its analysis. However, the Commission considers there is sufficient evidence at this time to establish that it was necessary for the Australian industry to reduce prices in order to compete with imported steel pallet racking imported from China and Malaysia at

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<sup>33</sup> APC Storage has not completed Appendix A7 of the application

dumped prices. This has led to the Australian industry suffering material injury in the form of price depression, price suppression, and reduced profits and reduced profitability.

I consider that there appears to be sufficient grounds to support Australian industry's claims that injury caused by the alleged dumping of the goods has been experienced in the forms listed in section 8.1 of this report.

### **8.11 Factors other than dumping**

#### Second-hand steel pallet racking

At the visit, Dematic confirmed that the closure of 'Woolworths' Masters Stores' caused some second-hand steel pallet racking to be released into the Australian market which could potentially have lowered demand for new steel pallet racking products. Dematic could not confirm the volume or value of the second-hand steel racking and did not consider this second-hand product to have any material impact.

#### Global's Submission

Global Industrial Pty Ltd (Global) made a submission<sup>34</sup> in relation second hand steel pallet racking. In its submission Global claims that when 'Woolworths' Masters Stores' was closed, the second hand steel pallet racking flooded the local market, adversely affecting all the players in the steel pallet racking market.

#### The Commission's preliminary assessment

The Commission will continue to assess the impact of the closure of 'Woolworths' Masters Stores' in the course of the investigation

## **9. Unsuppressed price and non-injurious price**

The non-injurious price (NIP) is relevant to subsection 8(5B) of the *Customs Tariff (Anti-Dumping) Act 1975*, which requires consideration of the desirability of fixing a lesser amount of duty if sufficient to remove injury to the Australian industry. The Commission also utilises the NIP as an additional test to establish whether there is a causal link between the alleged dumping and material injury.

The Commission's Dumping and Subsidy Manual specifies that "...*The Commission will generally derive the NIP from an unsuppressed selling price (USP). The USP is a selling price that the Australian industry could reasonably achieve in the market in the absence of dumped or subsidised imports...*"

The Dumping and Subsidy Manual further provides the following hierarchy for determining a USP "...*In calculating the USP, the Australian industry's selling prices will normally be used at a time unaffected by dumping. If there are sound reasons for not using this approach, a price may be constructed based on the industry's cost to make and sell, plus a profit. If either of these methods is not appropriate, the selling prices of undumped imports in the Australian market will be used.*"

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<sup>34</sup> [EPR 027](#)

### Dematic's submission

Dematic made a submission in relation to setting what it considered to be an appropriate USP from which a NIP can be determined. In its submission, Dematic submitted that its preference for a USP is to be determined on the basis of Dematic's cost to make and sell (CTMS) for the goods in the investigation period (for each separate component of the steel pallet racking beams, uprights and braces), uplifted by the weighted average level of profit achieved by Dematic on its sales of beams over the period 2012/13 to 2014/15 financial years. Dematic also suggested the Commission to remove the rebate applicable to the 2016/17 CTMS to the goods to reflect 'true' USP unaffected by dumping in that period.

### The Commission's preliminary consideration

For the purpose of the PAD, the Commission considers that a constructed price based on Dematic's cost to make and sell incurred during the investigation period, plus an amount for profit achieved by Dematic on its sales of beams over the period 2012/13 to 2014/15 financial years, is reasonable.

The Commissioner has therefore preliminarily determined that the most appropriate NIP in this case is the undumped export price for each exporter. As duty set at this level would be equal to that collected under the dumping margin, the lesser duty rule does not have effect.

## **10. Other matters considered relevant – subsection 269TD(2)(b)**

In accordance with section 7 of the PAD Direction and for the purposes of subsection 269TD(2)(b) of the Act, I have considered the desirability of providing relief to an injured Australian industry, as quickly as possible, where warranted.

## **11. Provisional Measures**

### **11.1 Form of duty**

The forms of duty available under the *Customs Tariff (Anti-Dumping) Regulation 2013* include:

- combination fixed and variable duty method ('combination duty method');
- fixed duty method;
- floor price duty method; and
- *ad valorem* duty method (i.e. a percentage of export price).

These forms of duty all have the same objective of removing the injurious effects of dumping; however in achieving this objective certain forms of duty will better suit the particular circumstances of some investigations more so than other forms of duty.

### **11.2 Dematic's submission**

I received a submission from Dematic regarding the form of duty in relation to this investigation. Dematic submitted that the most effective form of measures to be applied to the dumped goods from China and Malaysia is one based upon the combination method as it reflects the variable factors that applied during the investigation period and is not readily circumvented.

### **11.3 The Commission's preliminary consideration**

For the purposes of this PAD, I have had regard to Dematic's submission and to the *Guidelines on the Application of Forms of Dumping Duty – November 2013* (the Guidelines).<sup>35</sup>

The current proposed securities are recommended to be taken as an amount worked out in accordance with the combination fixed and variable duty method. The fixed component of securities will be imposed in relation to the goods exported to Australia from China and Malaysia at the rates specified in Table 1 of preliminary dumping margins.

Affected parties should contact [clientsupport@adcommission.gov.au](mailto:clientsupport@adcommission.gov.au) on telephone number 13 28 46 or +61 2 6213 6000 (outside Australia) for further information regarding the actual security liability calculation in their circumstance.

### **12. Anti-Dumping Commission contact**

Enquiries about this public notice may be directed to the case manager on +61 2 6276 1462 or via email at [investigations4@adcommission.gov.au](mailto:investigations4@adcommission.gov.au).

Dale Seymour

Commissioner  
Anti-Dumping Commission

18 June 2018

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<sup>35</sup> Available at [www.adcommission.gov.au](http://www.adcommission.gov.au)