



Australian Government
Australian Customs Service

R E P O R T

Customs Act 1901 - Part XVB

**TRADE MEASURES BRANCH
PRELIMINARY AFFIRMATIVE DETERMINATION
No. 142**

**CERTAIN TUBELESS STEEL
DEMOUNTABLE RIMS
EXPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA**

5 November 2008

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2 ABBREVIATIONS

ACDN	Australian Customs Dumping Notice
ADA	Anti-Dumping Authority
Arrowcrest	Arrowcrest Group Pty Ltd
CEO	Chief Executive Officer of Customs
Changchun FAW	Changchun FAW Sihuan Automobile Wheel Co
China	The People's Republic of China
CTMS	Cost to make and sell
Customs	Australian Customs Service
demountable rims	certain tubeless steel demountable rims
Dongshen	Zhenjiang Dongshen Wheel Ltd
FOB	free-on-board price
Jining Centurion	Jining Centurion Wheels Manufacturing Co Ltd
Mullins	Mullins Wheels Pty Ltd
NIP	non-injurious price
OEMs	Original Equipment Manufacturers
PAD	preliminary affirmative determination
PIR	preliminary information request
SEAH	O.K Seah and Co Pty Ltd
SEF	statement of essential facts
SG&A	administrative, selling and general
Stonestar	Stonestar Australia
the goods	the goods the subject of the application
the Minister	the Minister responsible for Customs
TM	Trade Measures
USP	unsuppressed selling price
Wuhan	Wuhan Far Sea International Trade Co Ltd
WTO	World Trade Organization

3 INTRODUCTION

On 6 June 2008 Arrowcrest Group Pty Ltd (Arrowcrest) lodged an application under subsection 269TB(1) of the *Customs Act 1901*¹ (the Act) requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of certain tubeless steel demountable rims (demountable rims) exported to Australia from the People's Republic of China (China). Arrowcrest is the sole Australian producer of demountable rims.

The Chief Executive Officer (CEO) of Customs considered the application and decided not to reject it. On 6 June 2008 Customs published in *The Australian* newspaper notification of initiation of an investigation. Australian Customs Dumping Notice (ACDN) No. 2008/24 relating to the initiation was issued on the same day.

Trade Measures Statement of Essential Facts No. 142 in relation to the investigation was placed on the public record on 24 October 2008.

Customs is satisfied that there appears to be sufficient grounds for the publication of a dumping duty notice in respect of demountable rims exported to Australia from China and has made a preliminary affirmative determination (PAD) to that effect in accordance with s. 269TD(2). In making this determination Customs had regard to:

- the application from Arrowcrest;
- all submissions received by Customs in respect of the investigation up to the date of publication of the statement of essential facts; and
- any other matters the CEO considered relevant.

In order to prevent material injury to the Australian industry occurring while the investigation continues Customs requires that securities be taken under s. 42 of the Act in respect of interim duty that may become payable in relation to demountable rims exported to Australia from China that are entered for home consumption on or after 5 November 2008.

This PAD report sets out the reasons for making the determination.

¹ All references to legislation in this report, unless otherwise expressly indicated, refer to provisions of the *Customs Act 1901*.

4 THE GOODS

4.1 Goods the subject of the application

The goods the subject of the application (the goods) are 8.25" x 22.5" tubeless steel demountable rims.

The goods were described in the following terms in the application.

The goods are 8.25" x 22.5" tubeless steel demountable rims.

The goods are primarily used on heavy transport vehicles. Demountable rims are an assembly of a moulded steel rim and a steel adaptor bar. The rim is the outer rounded section to which the tyre is fitted. The steel adaptor bar is a formed band of steel welded to the rim against which the cast wheel or 'spider' on the vehicle's axle mates. The adaptor bar is attached to the rim by means of CO² or submerged arc welding. The typical on-highway load carrying capacity is up to 3,550kg per rim.

Arrowcrest advised in the application that the goods could be sold in a range of finishes that included;

- an "oily rim";
- a black cathodic electrocoat;
- painted in different colours (mainly silver but also including red and white); and
- a chrome finish.

Arrowcrest also advised that there were two profile types of demountable rims on the Australian market, the "Australian profile" and the "American profile" with the "Australian profile" the dominant style.

4.2 Tariff classification and applicable duty rate.

The goods are classified to tariff subheading 8708.70.99, statistical codes 80 and 81 in Schedule 3 of the *Customs Tariff Act 1995*.

The applicable general duty rate for China is 5%.

5 AUSTRALIAN INDUSTRY

5.1 Australian industry

Arrowcrest stated that its ROH Steel Products Division is the sole producer of demountable rims in Australia and is, therefore, the Australian industry. Customs has not obtained any evidence that refutes that statement.

5.2 Production in Australia

Customs visited Arrowcrest at North Woodville, Adelaide in June 2008 and viewed its manufacturing facilities. During that visit Customs verified information relating to Arrowcrest's costs and sales of demountable rims.

Arrowcrest provided flow diagrams for the production of the rim and the adaptor bar, and the assembly, testing, coating and packing of the rim and adaptor bar into the saleable demountable rim product. Customs confirmed that the manufacturing process was as follows:

- The rim and adaptor bar start off as strips of steel (cut to size) which are fed through a series of rollers to form into circular shapes.
- The circular steel is butt-welded to join the ends of the steel strip.
- The excess weld is then removed in what is called the scarf process.
- The next step for the rims is the roll forming process, while the adaptor bars are separately rolled and split into two.
- The rim is then expanded and a valve hole added. At this stage, the rim is called an 'oily rim' and is a saleable item. In a separate process, the adaptor bar is machined to form a smooth surface.
- The next stage involves assembling the rim and adaptor bar by welding to form an 'oily rim assembly', which is also a saleable item.
- Assembled oily rims are then primed by being dipped in a black cathodic electrocoat to become a saleable black assembly (an enamelled rim).

The enamelled rims may be painted in different colours, mainly silver but also other colours including red and white. The painting is done off site by a sub-contractor. A small quantity of rims may be finished in chrome, also done off site by a sub-contractor.

A photo of a demountable rim manufactured by Arrowcrest is shown below.



5.3 Like goods

In the application Arrowcrest stated that its demountable rims have similar physical appearance and characteristics as the goods although there may be slight differences such as colour finish, material thickness and steel specification. Arrowcrest claimed that these differences do not affect the end use of the goods - the company stated that *“the locally made goods and the imported goods accept identical tubeless tyre sizes and are, for all intents and purposes, directly substitutable.”*²

Arrowcrest submitted that the goods are manufactured using similar production methods as its own. Arrowcrest contended that the *“manufacturing processes for demountable rims are by-and-large universal.”*³

Arrowcrest informed Customs that the “Australian profile” is the more common type of demountable rim and the most widely used. The company said that it had manufactured the “American profile” in the past but ceased making it around 2002. However the company retained the equipment and facilities and could recommence manufacturing the “American profile” rim should the demand be there. Arrowcrest said it continued to sell the “American profile” rim from existing stock.

Subsection. 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.

In assessing like goods Customs uses an administrative framework that identifies different ways of examining likeness. It uses the following considerations as a basis for assessment:

- a. Physical likeness
- b. Commercial likeness
- c. Functional likeness
- d. Content or production likeness

² Page 3, Application for Dumping Duty, Arrowcrest.

³ Page 5, Application for Dumping Duty, Arrowcrest.

The considerations may carry different weights depending on the circumstances of a particular case. Generally, however, physical likeness is emphasised.

5.3.1 Physical likeness

In considering physical likeness Customs comparing the technical specifications of the goods with Arrowcrest's product range and examined the respective production methodologies. Customs also observed the production of demountable rims in Australia and China and inspected the finished goods.

Customs concluded that the physical characteristics of the Australian demountable rims and the goods were very similar. There were no obvious physical differences between the goods and the product manufactured by the Australian industry when comparing goods with the same finish. Characteristics such as appearance, size, weight etc suggest a strong physical likeness between the goods and the like goods.

There is no Australian standard for demountable rims.

5.3.2 Commercial likeness

Commercial likeness refers to attributes identifiable from market behaviour.

Information available to Customs indicates that the distribution channels to the Australian market for the demountable rims from China and the Australian produced demountable rims are essentially the same. Customs found that the two products directly competed in the same market segments. Evidence also indicated that price was strongly influential in determining whether a buyer purchased the Australian-produced rim or a rim produced in China.

The competitiveness of the Australian-produced rims and the goods indicate a high degree of commercial likeness.

5.3.3 Functional likeness

Functional likeness refers to end-use. End-use will not of itself establish like goods, but may provide support to the assessment of physical and commercial likeness.

The Australian-produced demountable rims and the goods, whether of the Australian profile or American profile, are used for the same purpose. The identical end use of the goods and the like goods indicates functional likeness.

Customs notes that a vehicle (i.e. truck or trailer) would normally be entirely fitted with either the "American" or "Australian" profile - it is not usual to mix the profiles on the same vehicle.

5.3.4 Content or production likeness

Different production processes may produce either identical goods or goods having different product characteristics. A comparison of production process

may not of itself determine whether goods are like, however it may highlight differences or provide support for the assessment.

Customs observed the production of demountable rims in both China and Australia and is satisfied that the goods and like goods are manufactured using similar materials and methods.

5.3.5 Other considerations

Disc wheels may be used as an alternative to demountable rims. However disc wheels require a different fitting mechanism to demountable rims and therefore they cannot be directly substituted without also changing the fitting mechanism.

No interested party has contended that the locally-produced demountable rims and the imported demountable rims are not like goods.

Neither has any interested party contended that disc wheels are like goods.

5.3.6 Conclusion

Customs is satisfied that demountable rims manufactured by Arrowcrest:

- have similar physical characteristics to the goods,
- are made using similar materials and in a similar manner,
- have the same end use,
- are sold in the same markets,
- are substitutable for the goods,

and are therefore like goods to the demountable rims exported from China to Australia.

5.4 Summary

On the basis of information provided in the application and during the verification visit, and observations made on-site, Customs is satisfied that:

- the demountable rims made by Arrowcrest are like goods as defined by s. 269T(1);
- the like goods were wholly or partly manufactured in Australia as defined by s. 269T(2);
- a substantial process of manufacture was carried out in Australia by Arrowcrest in accordance with s. 269T(3); and
- there is an Australian industry consisting of a producer of like goods in Australia as defined in s. 269T(4).

6 AUSTRALIAN MARKET

Customs examined details of the Australian market from 1 January 2005 for injury analysis. This period is referred to as the 'injury period'.

During the investigation Customs visited cooperating interested parties to verify market and other information submitted to the investigation by those parties. In this regard Customs visited:

- the Australian industry (i.e. Arrowcrest); and
- two importers of the goods - Mullins Wheels Pty Ltd (Mullins) and O.K Seah and Co Pty Ltd (SEAH).

Non-confidential reports relating to the visits were placed on the public record.

Customs received limited information and cooperation from another importer, Stonestar Australia (Stonestar), but considered the level of cooperation insufficient to warrant a visit to the company. Some information was also received from another minor importer who was not visited. Three other importers contacted by Customs did not cooperate.

Customs received a submission from Mullins concerning the market and factors influencing the market. A non-confidential version of the submission was placed on the public record.

6.1 Market structure and size

6.1.1 Comments from interested parties

Arrowcrest described the end use for both the locally made and imported goods as being tubeless wheel and rim applications predominantly on medium-to-heavy rigid and articulated trucks, and medium-to-heavy semi-trailers including single, B-double, B-triple and road train configurations.

Arrowcrest stated that there were two major market segments:

- Original Equipment Manufacturers (OEMs) - includes manufacturers and assemblers of medium-to-heavy rigid and articulated trucks, and articulated trailers. Truck manufacturers include Iveco, Kenworth, Mack and Volvo. Trailer manufacturers include MaxiTRANS, Vawdrey, Barker, Krueger, Lionel Moore.
- Aftermarket tyre manufacturers and resellers - all major brands of tyres, represented by company owned, franchised and independent tyre stores. Arrowcrest says there are over 800 outlets supplying both OEM trailer manufacturers and the replacement market. The replacement market includes all medium-to-heavy transport operators, including fleets, independent owner-operators and government fleets.

Arrowcrest claimed that it competed with the imported product in both market segments and that buyer preferences in both segments were driven largely by price. Information obtained by Customs during the investigation supported these claims.

Arrowcrest informed Customs that there were no significant seasonal fluctuations in demand for rims in either market segment. Arrowcrest provided information that demonstrated relatively buoyant sales volumes of new Australian-made trucks and trailers over the past ten years. The company contended that the aftermarket demand for replacement parts has likewise remained buoyant over this period.

Arrowcrest acknowledged that the market for demountable rims in Australia is not a growing market. The company contended, however, that there remained a sizeable and consistent demand for demountable rims. It said that demountable rims were favoured for use on trailers, with disc and alloy wheels preferred for prime movers. There are typically 10 rims or wheels per prime mover and 12 rims or wheels per trailer.

Arrowcrest advised that disc wheels are an alternative product to demountable rims but they are not a direct substitute because they require different fitting mechanisms. Arrowcrest advised that it had not observed any signs that the trailer market, in particular, would move entirely to the more expensive disc wheels. Alloy wheels are imported for the disc wheel market; however Arrowcrest was not aware of any alloy demountable wheels production in any country.

Arrowcrest stated that the Australian market was supplied by its demountable rims and by imports from China. This was confirmed by Customs' investigation. Arrowcrest indicated that the two major importers of the Chinese rims are Mullins and Stonestar, again confirmed by Customs during the investigation. Arrowcrest noted that over the last twelve months there had been a growing trend towards direct importations by trailer manufacturers who previously had sourced via the tyre industry. In the application Arrowcrest named eight importers who could possibly import the goods from China.

Arrowcrest was not aware of current imports from any other countries, and Customs' investigations have not revealed imports from other countries. Historically there have been imports from South Africa, Canada and Turkey.

In its submission, Mullins stated that the market for demountable rims was in decline, especially in the OEM segment. Mullins attributed this decline to the use of alloy and disc wheels in preference to demountable rims. Arrowcrest made the point that there was a growing trend towards use of alloy and disc wheels in the OEM prime-movers sector but this trend was not so evident in the OEM trailer sector.

Mullins further submitted that the market will continue to decline in both the OEM and replacement (aftermarket) segments due to the continued increase in the fitment of truck alloy wheels.

SEAH stated that the Australian market for Chinese demountable rims seemed to be expanding as the company was receiving more orders.

6.2.1 Previous assessment

In the Continuation Inquiry and Review⁴ Customs noted the following:

- Until 2004, the market for demountable rims had been supplied mainly by Arrowcrest and Mullins. At that time Mullins imported its demountable rims from South Africa. There were some minor imports from China by another importer.
- From 2004 the volume of imports from China increasing markedly as the Chinese wheels gained greater market acceptance and were very competitively priced.
- In 2006 China became the major source of imports to the Australian market with Mullins ceasing imports from South Africa in early 2006 and sourcing its demountable rims from China.

Information provided during the inquiry, supported by import figures from Customs' commercial database, indicated that in the review period (1 October 2006 to 30 September 2007) as much as two thirds of the market was being supplied from China.

6.2.2 Current assessment

A calculation of the size of the market from Customs' database was problematic due to the general nature of the tariff classification, which includes other wheel types and sizes.

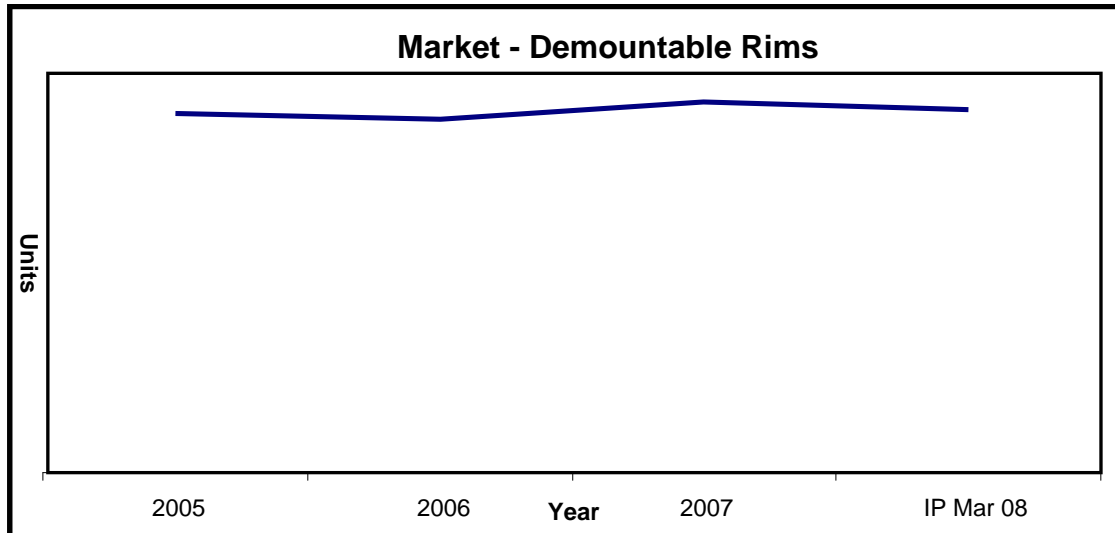
Therefore Customs calculated the market for this investigation using:

- verified information provided by Arrowcrest, Mullins, SEAH and two exporters;
- unverified information provided by Stonestar and other importers;
- Customs' commercial database; and
- information from the 2007 Continuation Inquiry and Review of the measure for truck wheel rims imported from South Africa.

Customs considers that the estimation from these sources is sufficiently reliable to make conclusions relating to import and market trends and the economic condition of the industry.

The following graph shows the estimated Australian market for demountable rims from January 2005 to March 2008.

⁴ TM Reports 131 & 132 - *Continuation Inquiry and Review of Anti-Dumping measure - Certain Steel Demountable Tubeless Truck Wheel Rims exported from the Republic of South Africa.*



Note that 'Year' are calendar years and 'IP Mar 08' in the graph refers to the investigation period (1 April 2007 to 31 March 2008).

Based on the available data Customs concluded that there continues to be a market of considerable volume for demountable rims, and that market has remained relatively steady since January 2005.

7 THE DUMPING INVESTIGATION

Dumping occurs when a product of one country is exported to another country at a price less than its normal value. Export price and normal value are determined under subsections 269TAB and 269TAC of the Act respectively.

In this matter, the period of investigation to determine if the goods were dumped was from 1 April 2007 to 31 March 2008.

7.1 Sampling

Sixty suppliers of goods of Chinese origin during the investigation period relevant to the tariff classification were identified from Customs commercial database. As commented earlier, because of the general nature of the tariff classification it was not possible to identify which of the suppliers specifically exported demountable rims.

The public notice notifying initiation of the investigation indicated that given the large number of possible exporters it may be impractical to establish dumping margins for each exporter, and it may be necessary to decide whether dumping exists on the basis of information obtained from an investigation of a selected number of those exporters.

Customs sent an information pack and a request for completion of a Preliminary Information Request (PIR) to every supplier that had been identified from Customs commercial database. All suppliers were therefore selected as potential exporters of the goods.

From responses to the PIR, or from other sources, Customs discovered that a number of the suppliers were not involved with the goods. Suppliers who did not respond to the PIR were considered to be non-cooperating.

A report concerning exporters selected for further investigation was placed on the public record.

The following summarises the PIR outcome:

	Number	Volume of Trade (VOT)
Suppliers sent a PIR	60	
Suppliers identified as not involved with the goods	30	
Suppliers who responded as selling the goods	7	about 90%
Suppliers of the goods not responding or responding out of time	23	about 10%

After evaluating the responses from the seven suppliers of the goods who responded to the PIR, Customs sampled two exporter/producers for further investigation. There were three associated supplier/traders. The sampled entities covered approximately 86% of the goods exported to Australia from China (as assessed from the responses to the PIR process and Customs records).

The sampled exporters and associated traders were sent either an Exporter/Producer or a Supplier/Trader Questionnaire to complete. An exporter and a trader, who both indicated that they wished to cooperate with the investigation, were advised that they had not been sampled for further investigation. Following a request from the exporter Customs extended the investigation to include that exporter.

The suppliers who did not respond to the questionnaire, or submitted a response after the deadline, were advised that they were considered to be non-cooperating. Those exporters are still "selected exporters" as their exports will be investigated for the purpose of deciding whether or not to publish a dumping duty notice.

7.2 Cooperation

Following is a summary of the cooperation received from exporters and importers.

7.2.1 Exporters

Three exporter/producers and three associated supplier/traders were sampled for further investigation.

The sampled exporter/producers were Changchun FAW Sihuan Automobile Wheel Co (Changchun FAW), Jining Centurion Wheels Manufacturing Co Ltd (Jining Centurion) and Zhenjiang Dongshen Wheel Ltd (Dongshen).

The sampled supplier/traders were Wuhan Far Sea International Trade Co Ltd (Wuhan), Shanghai Xie Gang Industry & Trading Co Ltd (Xie Gang) and China FAW Import & Export Corporation (FAW I/E).

Customs did not receive a completed questionnaire from FAW I/E and the company was considered to be uncooperative. FAW I/E is a related company to Changchun FAW.

The questionnaires from Dongshen and Xie Gang were assessed by Customs as being deficient in the information provided. The companies were notified of the deficiencies and after failing to correct those deficiencies within the specified time were notified that Customs considered them uncooperative.

Customs visited Changchun FAW, Wuhan and Jining Centurion to verify the information in the completed questionnaires. Non-confidential visit reports for each company were placed on the public record.

The table below summarises the cooperation received.

Company	Exporter Trader	Response	Visited	Cooperative
Changchun FAW	Exporter	Yes	Yes	Yes
Dongshen	Exporter	Incomplete	No	No
Jining Centurion	Exporter	Yes	Yes	Yes
FAW I/E	Trader	No	No	No
Wuhan	Trader	Yes	Yes	Yes
Xie Gang	Trader	Incomplete	No	No
Qingdao Haoxin	Trader	Yes	No	Yes

The existence of dumping and the size of a dumping margin will normally be worked out for individual exporters.

As selected exporters that were sampled for the purpose of this investigation, Changchun FAW, Jining Centurion and Dongshen will have individual dumping assessments. The dumping assessment for all other selected exporters will be based on all relevant information.

7.2.3 Importers

Fifty nine companies were identified from Customs' commercial database as having possibly imported the goods from China during the investigation period.

Customs sent letters to all of these potential importers asking for further information and seeking cooperation in the investigation.

From responses received, or from other sources, Customs identified that a number of the companies on Customs' database had not imported the goods.

The level of cooperation from importers was limited.

Six importers indicated that they would cooperate fully with the investigation. Of these six, Customs received completed questionnaire responses from Mullins and SEAH, who were visited, and a small volume importer, who was not visited. Non-confidential reports relating to the visits to Mullins and SEAH were placed on the public record. Incomplete information was received from Stonestar and Customs subsequently sought additional information. However the information provided was not considered sufficient to warrant verification. The two other importers declined to provide further information.

Customs did not receive completed information from other identified importers.

7.3 Export price

7.3.1 Jining Centurion

Jining Centurion exported the goods to Australia via two traders during the investigation period.

The exports were all silver painted demountable rims.

The volume of goods exported by Jining Centurion during the investigation period accounted for less than 5% of the total volume of goods exported from China during that period.

Customs considers that Jining Centurion is the manufacturer and exporter of the goods sold to Australia during the investigation period. Customs has no reliable information concerning the operations of the two traders.

Customs is satisfied that the goods have been exported to Australia otherwise than by the importer. However Customs' inquiries revealed that the goods were not purchased by the importer from the exporter. Further, there is insufficient verified information for Customs to decide whether or not the export sales were arms length transactions, or for Customs to have knowledge of all the circumstances of the exportations. Customs is satisfied sufficient information has not been furnished, or is not available, to ascertain export price under s. 269TAB(1)(a), s. 269TAB(1)(b) or s. 269TAB(1)(c) of the Act.

Therefore Customs determined the export price of sales of the goods by Jining Centurion in accordance with s 269TAB(3), by having regard to all relevant information.

The export price was determined at the free-on-board (FOB) level.

7.3.2 Changchun FAW

Changchun FAW exported the goods to Australia via two traders during the investigation period. Each trader sold to a different importer. More than 95% of exports were through one of these traders.

The exports were mainly of silver painted demountable rims.

The volume of goods exported by Changchun FAW during the investigation period accounted for more than 60% of the total volume of goods exported from China during the investigation period.

Customs considers that Changchun FAW is the manufacturer and exporter of the goods sold to Australia during the investigation period. Customs has reliable information concerning the operations of the major trader.

Customs considers that the goods have been exported to Australia otherwise than by the importer, and is satisfied that the export sales were arms length

transactions. However, the goods have not been purchased by the importer from the exporter. Customs therefore is not able to ascertain export price under either s. 269TAB(1)(a) or s. 269TAB(1)(b).

Customs is satisfied that it has reliable information in respect of the circumstances of the exportations. Therefore Customs determined export price under s. 269TAB(1)(c).

Customs calculated an export price at the ex-works (factory) level.

7.3.3 Dongshen

Customs received limited cooperation from Dongshen and from importers who may have been associated with Dongshen.

Customs is satisfied that sufficient information has not been furnished, or is not available, to enable the export price of the goods to be determined under s. 269TAB(1)(a), s. 269TAB(1)(b) or s. 269TAB(1)(c) of the Act.

Therefore Customs determined the export price for Dongshen under s. 269TAB(3) of the Act, having regard to all relevant information.

7.3.4 Other Exporters

The volume of goods exported by other exporters during the investigation period accounted for approximately 30% of the total volume of goods exported from China during the investigation period.

Based on the available information, goods exported by other exporters consisted mainly of silver and chrome demountable rims.

Customs received limited cooperation from other exporters and from importers who may have been associated with the other exporters.

Customs is satisfied that sufficient information has not been furnished, or is not available, to enable the export price of the goods to be determined under s. 269TAB(1)(a), s. 269TAB(1)(b) or s. 269TAB(1)(c) of the Act.

Therefore Customs determined the export price for other exporters under s. 269TAB(3) of the Act, having regard to all relevant information.

7.4 Normal value

The normal value of any goods exported to Australia is assessed under s. 269TAC.

Where possible, Customs uses the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.

Information available to Customs indicated that there were no sales of demountable rims on the domestic market in China. Therefore it was not possible to use s. 269TAC(1) to ascertain normal value.

Customs then looked to s. 269TAC(2) to establish normal value. Options for establishing normal value under s. 269TAC(2) are either by constructing a normal value (s. 269TAC(2)(c)) or using sales by the exporter to a third country (s. 269TAC(2)(d)). Subsection 269TAC(2) is not considered to be hierarchical, but Customs' preferred method under this provision is s. 269TAC(2)(c) as to use s. 269TAC(2)(d) can introduce uncertainty regarding the appropriateness of the selected third country.

The key elements in constructing a normal value under s. 269TAC(2)(c) are:

- the cost of production or manufacture of the goods in the country of export; and
- the administrative, selling and general costs (SG&A) associated with the sale on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export; and
- the profit, subject to ordinary course of trade considerations of the domestic sale, which would be earned on that domestic sale.

7.4.1 Jining Centurion

As described above, Customs ascertained normal value for Jining Centurion under s. 269TAC(2)(c).

For this purpose, Customs used verified information from its visit to the company to determine the cost of production of demountable rims by Jining Centurion in China.

To determine SG&A, Customs first examined the SG&A costs of sales by Jining Centurion of disc wheels, being of the same general category of goods, in the domestic market. However Customs was not able to separately identify the SG&A costs associated with domestic and export sales of disc wheels.

As there are no domestic sales of demountable rims Customs was not able to calculate domestic SG&A from the records of the exporter or from the records of other exporters. Therefore Customs turned to Customs Regulation 181(3)(c). Having regard to all relevant information, decided that the SG&A costs available from the audited annual report for Jining Centurion for 2007 was a reasonable basis upon which to work out the domestic SG&A that would be applicable to domestic sales of demountable rims.

For profit, Customs calculated an amount under Customs Regulation 181A(3)(a), using the actual profit that Jining Centurion achieved from the sale of the same general category of goods in the domestic market in China.

In order to establish normal value properly comparable to export price, Customs made adjustments in accordance with s. 269TAC(9) to account for the

differences between domestic and export sales for inland freight and FOB charges. This established normal value at the FOB point.

7.4.2 Changchun FAW

As there were no domestic sales of demountable rims, Customs ascertained normal value for Changchun FAW under s. 269TAC(2)(c).

To determine the cost of production of demountable rims by Changchun FAW in China Customs used verified information.

To determine SG&A, Customs examined the SG&A costs of Changchun FAW's sales of the same general category of goods in the domestic market. Customs was able to separately identify the SG&A costs associated with domestic sales of these goods. The amount of domestic SG&A could be worked out in accordance with Customs Regulation 181.

To calculate a profit for Changchun FAW, Customs looked to Customs Regulation 181A(3).

By reference to Customs Regulation 181A(3)(a), Customs examined Changchun FAW's domestic sales of Category 2 goods⁵ being goods of the same general category as demountable rims. Customs established that over the course of the investigation period Changchun FAW's domestic sales of these goods were unprofitable but that a number of individual sales transactions were profitable. The volume of profitable sales was low. Customs considered that using these low volume sales to identify an actual amount of profit would not be reasonable or reliable. It was also the case that information provided on the sales in Category 2 was not adequate to work out a profit figure for the relevant sales.

As a consequence Customs concluded that it was not appropriate to work out the amount of the notional profit by identifying the actual amounts realised in these sales of the same general category of goods by Changchun FAW.

Customs then turned to Customs Regulation 181A(3)(b). However as there were no sales identified by Customs of like goods in the domestic market this regulation was unable to be used.

Therefore Customs determined a profit amount by reference to Customs Regulation 181A(3)(c) which specifies that a reasonable method should be used having regard to all relevant information.

Customs initially considered two methods for this purpose. First, the amount of profit that Jining Centurion achieved from the same general category of goods in the domestic market in China, as discussed above; and second, information relating to the performance of the metal products industrial sector (12.8%) and the transport equipment sector (15.2%) in China.

⁵ Category 2 included truck and trailer disc wheels.

The transport equipment sector and metal products industrial sectors were considered the two sectors (for which information was available) that were most closely representative of the nature of the manufacturing carried out by Changchun FAW. The rates of profitability for the two sectors were for 2006.

The rates of profitability for the two sectors were higher than the rate of profitability realised by the other producer/exporter for the same general category of goods. In accordance with Customs Regulation 181A(4), Customs therefore would have been obliged to use the lower rate of profitability realised by Jining Centurion for the same general category of goods to determine profit.

The regulation stipulates that the methodology employed in this profit determination must be reasonable. Following Customs' preliminary assessment of dumping in respect of Changchun FAW the company made a series of submissions concerning this matter.

On review Customs agrees with some of Changchun FAW's submissions and has considered a third methodology for determining profit. Noting that Customs has discounted the use of the few profitable results in Changchun FAW's Category 2 domestic sales as unreliable for the purposes of Customs Regulation 181A(3)(a), it is possible to consider the overall performance of this category, rather than just certain individual transactions, for the purpose of establishing a reasonable methodology under Customs Regulation 181A(3)(c).

Noting the criticality of this decision and the notional aspects to the determination Customs, on balance, considers that this third method is more reasonable. Important to this consideration was the fact that Jining Centurion and Changchun FAW have materially different cost structures, and consequently the notional application of one company's profit to the others' CTM&S may be problematic.

A number of other considerations are relevant. WTO jurisprudence in this area and practicality suggests that considering sales in a narrower range of goods rather than a wider range is to be preferred and that moving away from sales applicable to the sector will result in a less reasonable determination. It is also the case that Changchun has submitted an adequate business rationale, taking account of the uniqueness of the Chinese tube and tubeless wheel markets that explain the losses in their Category 2 sales.

Customs considers that a profit rate of zero is more reasonable considering all the circumstances and the relevant available information. In doing so Customs again notes the criticality of this decision and has sought in the statement of essential facts issued on 24 October submissions from interested parties on the approach.

Customs calculated normal value for Changchun FAW under s. 269TAC(2)(c) using verified cost of production information relating to the goods exported to Australia, an amount determined for SG&A as described above, and a profit amount of zero.

In order to establish normal value properly comparable to export price Customs made adjustments in accordance with s. 269TAC(9) to account for the differences in circumstances between domestic and export sales for advertising, warehousing and after sales service expenses that were incurred on the domestic market but not the export market. This will establish normal value at an ex-works point.

7.4.3 Dongshen

Customs received limited cooperation and information from Dongshen. Customs did not consider the information from Dongshen was reliable to use to determine a normal value.

Customs assessed normal values for Dongshen under s. 269TAC(6) of the Act, having regard to all relevant information.

7.4.4 Other exporters

Customs assessed normal values for all other exporters under s. 269TAC(6), having regard to all relevant information.

7.5 Dumping margins

A dumping margin is the amount by which the export price is less than the normal value. It is expressed as a percentage of the export price.

The margin is established by reference to s.269TACB. The method used to assess dumping margins for this SEF was as provided for in s. 269TACB(2)(a) by comparing the weighted averages of comparable normal values and export prices.

The table below sets out the results:

Company	Export price	Normal value	Margin range
Jining Centurion	269TAB(3)	269TAC(2)(c)	-7.0% to -12%
Changchun FAW	269TAB(1)(c)	269TAC(2)(c)	2.1% to 7.1%
Dongshen	269TAB(3)	269TAC(6)	52.0 to 57.0%
Other	269TAB(3)	269TAC(6)	54.6% to 239.1%

Under s. 269TDA(1), the CEO must terminate the investigation as far as it relates to an exporter once the CEO is satisfied that there has been no dumping (or the dumping margins are negligible) by that exporter. As above Customs has not found any dumping in respect of Jining Centurion.

Pending the assessment of responses to the SEF, Customs proposes to terminate the investigation in respect of Jining Centurion.

The dumping margins calculated for Changchun FAW and other Chinese exporters (apart from Jining Centurion) are not negligible as defined in s. 269TDA(1).

7.6 Negligible volumes

The volume of exports from China at dumped prices during the investigation period were more than 3% of the total Australian import volume.

The volume of dumped goods is not negligible in terms of s. 269TDA(4).

8 ECONOMIC CONDITION OF THE INDUSTRY

Arrowcrest claimed that injury commenced from the beginning of 2006. Arrowcrest stated that there have been imports from China in the market for some time but since 2006 there had been a substantial increase in import volumes of demountable rims from China. These imports, Arrowcrest alleged, have been at dumped prices and have caused material injury to the Australia industry manufacturing like goods.

Customs examined data for the period 1 January 2005 to 31 March 2008 in order to assess Arrowcrest's claims.

8.1 Applicant's Claims

Arrowcrest claimed that material injury was being experienced in the form of:

- lost sales;
- lost market share;
- price undercutting and suppression;
- reduced revenue, cash flow, and profitability;
- reduced return on investment;
- reduced employment and wages;
- reduced utilisation of capacity; and
- reduced stock holdings and service support for customers.

Arrowcrest submitted full cost to make and sell and sale and profit data for the investigation period. Arrowcrest also provided quarterly financial data for the period since January 2005.

Customs addresses each claim in the following paragraphs. Customs examined Arrowcrest's performance on a yearly basis, including the 12 months of the investigation period.

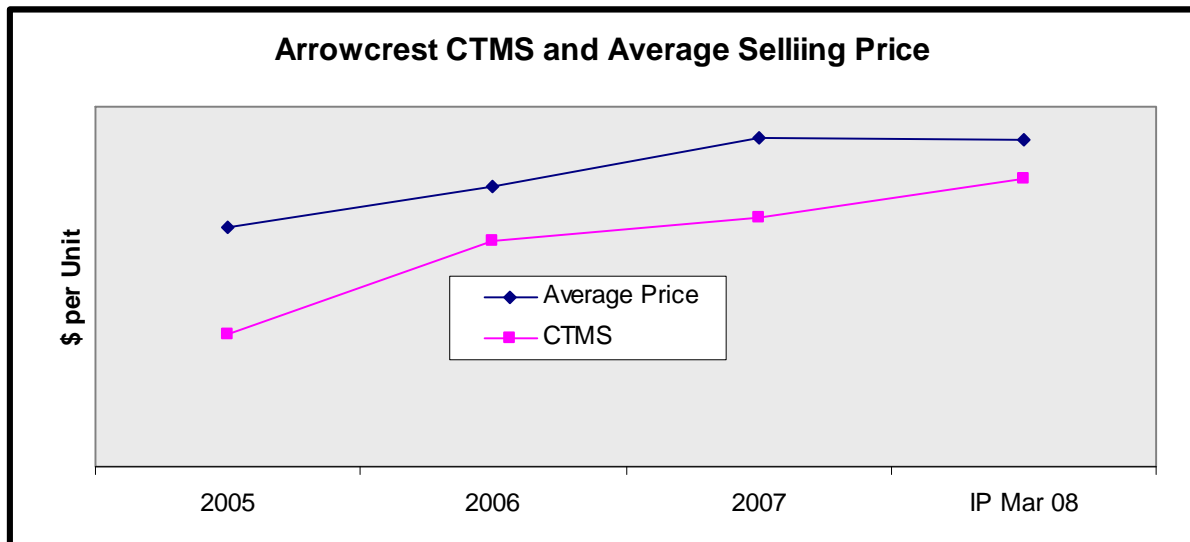
(Note that in the following graphs the 'Year' is a calendar year and 'IP Mar 08' refers to the investigation period.)

8.2 Price effects

8.2.1 Price depression and suppression

Price depression occurs when there is a reduction in prices. Price suppression is the inability to raise prices in line with cost increases or when the margin between selling price and costs is reduced.

The following chart illustrates price and cost movements for demountable rims.



The data indicates that Arrowcrest has been able to increase its prices and has not suffered price depression.

However, the data also shows that there has been a reduction in the margin between selling prices and costs, indicating that Arrowcrest has suffered price suppression. This has become more notable during the investigation period.

Customs considers that Arrowcrest has suffered injury from price suppression.

8.2.3 Price undercutting

Price undercutting occurs when the imported goods are sold at a price below that of the Australian manufactured product. Price undercutting is not an injury factor in itself but may support industry's claims of the allegedly dumped imports causing injury.

Arrowcrest claimed in their application that their loss of production and sales volumes, and profitability, is a direct result of the 25 - 29% price undercutting by the importers of demountable rims from China at dumped prices.

Arrowcrest also claimed that two importers and distributors, Stonestar and Mullins, are now the predominant suppliers of demountable rims in Australia and noted that Stonestar's prices have also continued to undercut the prices for rims imported by Mullins.

The application stated that as Mullins has dropped its price to maintain its market share, Stonestar has undercut Mullins. Arrowcrest provided details with the application of what it stated were examples of price undercutting in Queensland, Victoria and Western Australia. Arrowcrest provided file notes, copies of emails and pricelists to support its claims of price undercutting by Stonestar and, more recently, by Mullins with rims imported from China.

Customs analysed prices over the investigation period. Customs used verified sales data from Arrowcrest and importers to analyse price undercutting. Customs also used verified data as well as unverified data from exporters and

importers to calculate into-store prices for importers and end users in the analysis of price undercutting.

Customs examined prices in the OEM and aftermarket sectors during the investigation period. The sample of prices examined constituted all of the industry sales and over 20% of sales from six importers for the goods imported from China.

Price undercutting was examined on a weighted average basis by rim type and sales to individual customers.

Using the verified data from importers Customs found that the prices of the Chinese imports undercut Arrowcrest's prices throughout the investigation period. Customs found the amount of price undercutting was less than that claimed by Arrowcrest.

Using verified and unverified data from exporters as well as unverified data from importers Customs found consistent price undercutting throughout the period in the aftermarket and OEM sales sectors. The price undercutting was evident for both silver and chrome finishes from all importers.

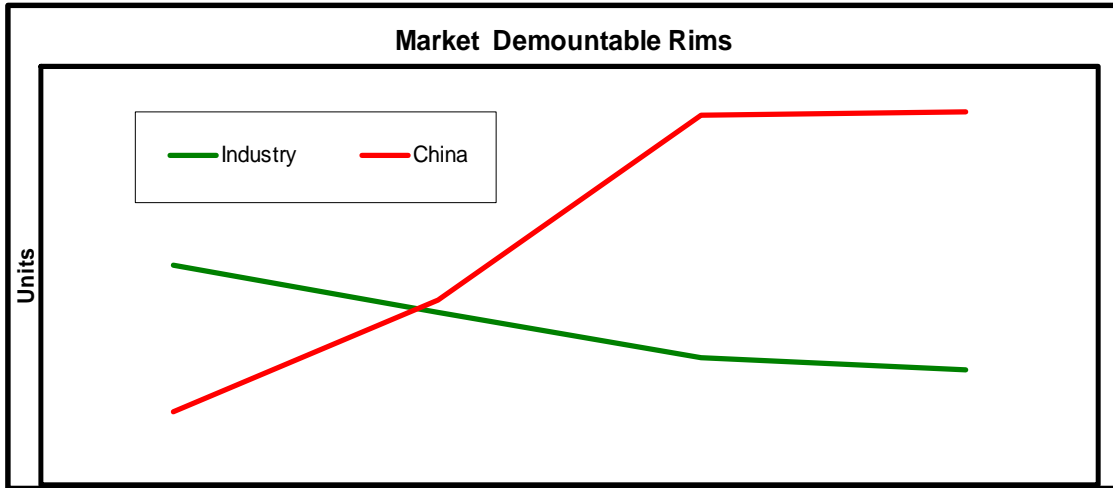
8.3 Volume effects

As noted above in chapter 6 of this report Customs considers that the market for demountable rims in Australia has remained relatively steady over the injury period.

The following graphs are for the period from January 2005 to March 2008. Imports from South Africa, which ceased in mid-2006, are not shown. The time scale is not referenced to preserve confidentiality.

8.3.1 Sales volume

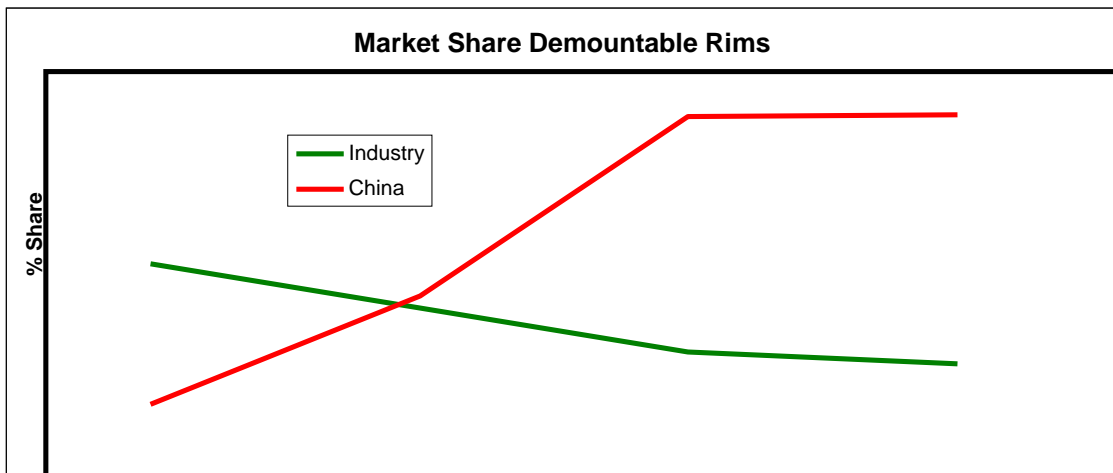
Arrowcrest's sales volumes have been steadily declining over the injury period. Sales of imports from China have significantly increased over the period.



Customs considers that Arrowcrest has suffered injury from lost sales.

8.3.2 Market share

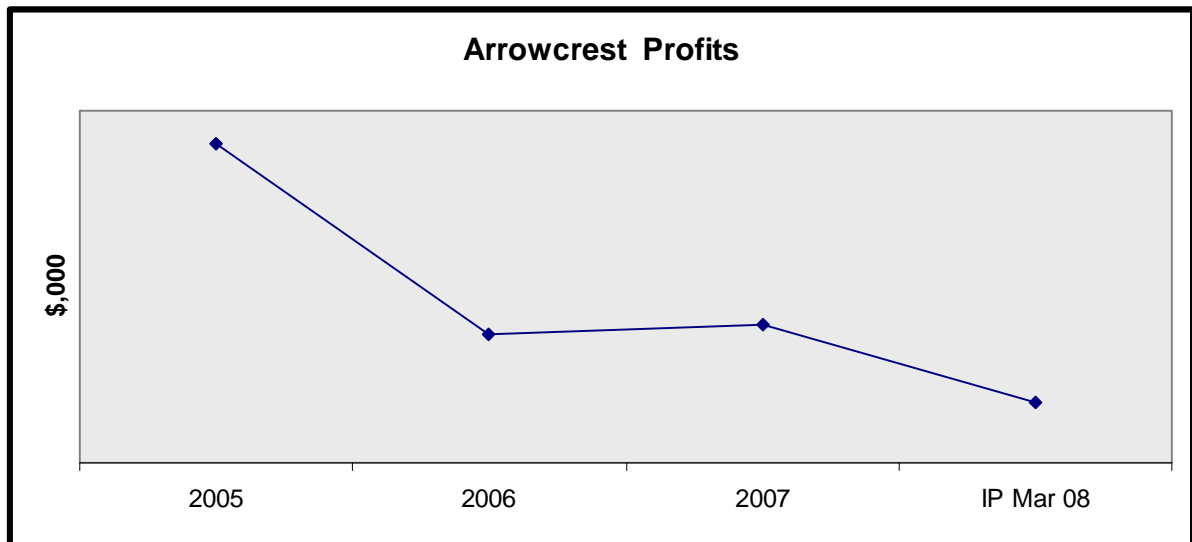
Arrowcrest has lost market share over the injury period and in the relatively stable market this market share has been taken by the imports from China.



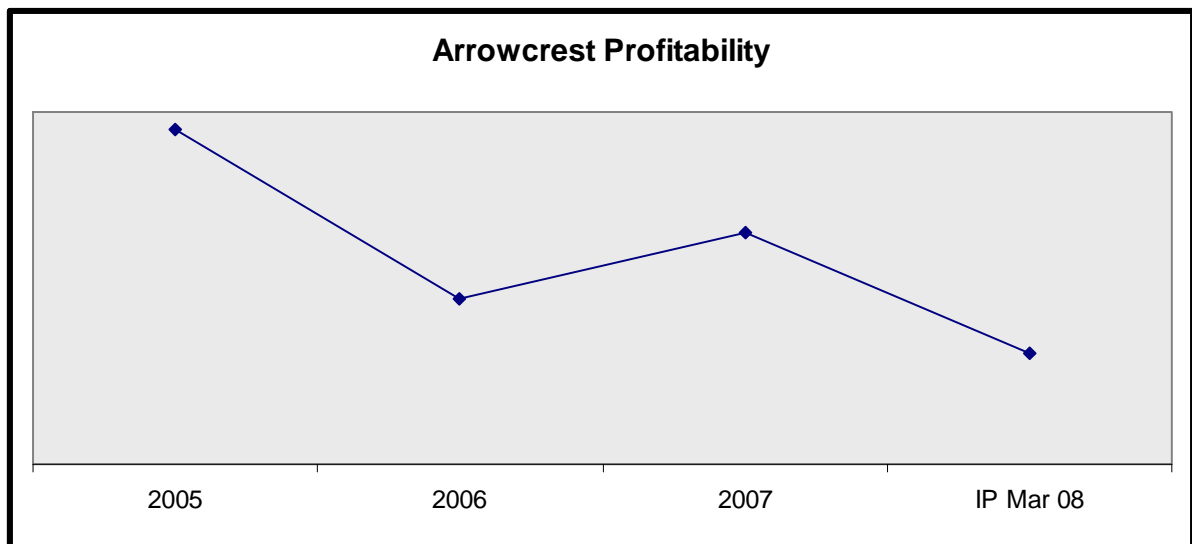
Customs considers that Arrowcrest has suffered injury from lost market share.

8.4 Profit and profitability

Arrowcrest's profits have declined in line with decreasing sales volumes, showing a small recovery in 2007, but continuing to decline through the investigation period.



Arrowcrest's profitability (profit as a percentage of sales price) has followed the same trend as for profit, as illustrated in the graph below.



Customs considers that Arrowcrest has suffered injury from a reduced profits and profitability.

8.5 Other factors

Arrowcrest claims that increases in imports from China have also resulted in:

- Lower production levels and reduced capacity utilisation;
- Reduced employment and wages;
- Reduced stock holdings and service support for customers; and
- Reduced return on capital employed.

Arrowcrest claimed that as sales have been lost, stock levels have risen until Arrowcrest took steps to reduce its stock exposure in the September 2007 quarter.

8.5.1 Production and capacity utilisation

Data provided by Arrowcrest indicates that production and capacity utilisation have been declining since the June quarter 2006, as the following table indicates:

Mar qtr 05	Jun qtr 05	Sep qtr 05	Dec qtr 05	Mar qtr 06	Jun qtr 06	Sep qtr 06	Dec qtr 06	Mar qtr 07	Jun qtr 07	Sep qtr 07	Dec qtr 07	Mar qtr 08
100%	129%	111%	111%	95%	107%	86%	82%	82%	74%	41%	68%	39%

8.5.2 Reduced employment and wages

Arrowcrest claimed that it had reduced staff at ROH SP and ROH WA due to the reduction in production and sales of demountable rims. Management reports relating to wages and personnel provided by Arrowcrest supports this claim.

8.5.3 Reduced stock holdings and service support for customers

The information from Arrowcrest shows that production has decreased at a faster rate than sales, resulting in a reduction in stock.

Customs was not provided with information that enabled it to assess Arrowcrest's claim of reduced service support to customers.

8.5.4 Reduced return on capital employed

The decline in profits and profitability, as discussed in section 8.4, have had the effect of reducing the return on capital employed.

8.6 Customs' assessment

Customs considers that Arrowcrest has incurred material injury from:

- price depression;
- price undercutting;
- lost sales and market share;
- reduced profits and profitability;
- reduced return on investment;
- decreased stock levels; and
- reduced production, capacity utilisation and persons employed.

9 HAS DUMPING CAUSED MATERIAL INJURY?

In this section Customs considers whether dumping has caused material injury to the industry. Customs also considers other possible causes of injury to the industry.

9.1 Australian industry's claims

Arrowcrest stated that the market for demountable rims is supplied by its production and by imports from China. The company acknowledged that the market for demountable rims was not growing but was still of a significant size (Arrowcrest estimated around 65,000 rims annually) and had remained relatively steady since 2005.

Arrowcrest claimed that:

- coinciding with the import of significant increased volumes of dumped Chinese-made demountable rims from the beginning of 2006, its sales volumes fell by more than 20% in 2006 compared with 2005, and by another 20% in 2007 compared with 2006.
- imports of demountable rims from China had grown rapidly from minor imports at the beginning of 2004.
- its significant loss of sales and market share in the trailer and replacement markets was a direct result of the dumped rims from China.
- the price advantage afforded to importers through importation of the goods at dumped prices has provided a margin sufficient for them to significantly undercut Arrowcrest's prices
- the price undercutting has reduced its ability to increase prices to respond to increased costs (particularly for steel), thereby resulting in price suppression.
- the dumped landed prices of the goods have also enabled the importers to gain significant market share at the expense of Australian industry.
- its profits and profitability have been significantly reduced because of the price undercutting of the dumped imports and the subsequent loss of sales volumes.

Arrowcrest submitted that its marketing strategy was to offer a high quality product and reliable and accessible service. However these potential market advantages were undermined by the imported product selling at dumped prices. Buyers of demountable rims operate in highly competitive markets and in such circumstances the selling price of the demountable rims is the critical factor that influences the majority of sales.

Arrowcrest also stated that:

- other products it manufactured were able to be sold at a reasonable profit because there was no material price undercutting by dumped imports.
- they have a long history of stable industrial relations and have not experienced any industrial problems or shut downs associated in its manufacturing operations.
- their production technology is state of the art and is as advanced as any similar production process globally.
- despite a lack of growth in overall market demand for demountable rims (replaced by growing demand for disc wheels) this shift in customer preference has not, of itself, caused injury to Arrowcrest as Arrowcrest uses the same plant to produce both products and can simply switch production from one product to the other as required.

Arrowcrest stated that if Chinese rims continued to be sold in Australia at dumped prices it would only be a matter of time until the Australian industry would be left in a financial position where it would have no option but to cease making demountable rims.

9.2 Importer's claims

Mullins provided a submission to the investigation that refuted Arrowcrest's claim that dumped goods had caused injury to the Australian industry. A non-confidential copy of the submission was placed on the public record.

Mullins submitted that Arrowcrest had "lost almost 47% of their market for (demountable rims) because they have invested to primarily manufacture a product in decline - especially in the OEM segments targeted by Arrowcrest".

In the submission Mullins said that Arrowcrest's loss of market share in the OEM market was "entirely because of changed market conditions" as the OEM truck and trailer manufacturers moved to using alloy and disc wheels in the majority of their new trucks and trailers in preference to demountable rims. Mullins used data from the application and from Trade Measures Report Nos 131 and 132 to support its claim. Mullins concluded that "the loss of market share (by Arrowcrest) is in no way caused by alleged dumped imports".

Mullins also submitted that Arrowcrest had reduced their sales and distribution personnel by 64% between 2005 and 2008 and that this resulted in "far less customer contact and customer service". Mullins said it was "therefore reasonable to assume that Arrowcrest Australian sales to customers will continue to reduce".

Further, said Mullins, Arrowcrest has admitted "that there is no injury because of the decline in sales of the GUI (demountable rims)" by its claim that the contraction in demand for demountable rims, replaced by an increase in demand for disc wheels, had not caused injury to Arrowcrest because the two goods are made in the same plant and production can simply be switched from one to the other as required.

Arrowcrest response

Arrowcrest responded to Mullins' submission refuting the claims made. A copy of Arrowcrest's response was placed on the public file.

In particular, Arrowcrest submitted that the assumptions used by Mullins were not accurate, which therefore made its "entire calculations entirely erroneous".

Arrowcrest also submitted that it has previously indicated that its injury was primarily in the OE trailer manufacturing market and the aftermarket, not the OE truck manufacturing sector.

Arrowcrest further stated that its reduction in staff personnel was a response to loss of business, not a cause of the loss of business.

9.3 Customs assessment of claims

Customs discussed dumping in chapter 7 of this report and that the majority (more than 95%) of demountable rims that were exported from China during the investigation period were dumped.

The volume of dumped imports during the investigation period was greater than 3% of the total Australian import volume in the period and is therefore not negligible in terms of s. 269TDA(4).

Dumping margins calculated were in the range of 2.1% to 239%.

Customs discussed injury in chapter 8 of this report and concluded that the Australian industry had suffered material injury.

In considering whether material injury to the Australian industry had been caused by the dumped Chinese imports Customs considered all information available to it up to the date of publication of the statement of essential facts, including the application and the submissions received from Mullins and Arrowcrest.

Customs found that selling prices of dumped Chinese imports had significantly undercut Australian industry's prices in both the OEM and aftermarket sales sectors during the investigation period. Customs found that the Australian industry had decided to retain its prices rather than to reduce them and try to compete with the imports from China on price. The industry claimed that to reduce prices to compete with the Chinese product would make it unprofitable, a claim supported by verified data.

The effect of the industry's decision was that Australian industry's sales volumes declined significantly over the injury period. The relationship between industry's pricing decision and sales volumes is illustrated in the relevant graphs in Chapter 8. In contrast, the sales volumes of imports from China rose substantially over the injury period.

The loss of sales volumes impacted Australian industry's production. The table at section 8.5.1 illustrates that by March 2008 industry's capacity utilization had

declined 60% from the levels it was achieving at the beginning of 2005 before imports from China increased substantially. This resulted in loss of employment at the manufacturing facility, as discussed in section 8.5.2.

Customs found that the market remained relatively steady across the injury period, as shown in the graph in section 6.2.2. The Australian industry's loss of sales, however, resulted in a considerable fall in its market share, as illustrated by the graph in section 8.3.2. The graph highlights that while industry's market share fell across the injury period, the market share of the imports from China corresponding rose.

Notwithstanding the Australian industry's maintenance of price levels, the industry's profit levels declined across the injury period as its sales volumes and market share declined.

Australian industry's profit was also impacted by rising costs, especially the cost of steel. While the industry was able to obtain some moderate price increases from customers to cover these cost increases it became more difficult to achieve price increases when Arrowcrest's customers were offered Chinese imports at much lower prices. The graph in section 8.2.1 demonstrates the price suppression incurred by the industry. As a consequence profitability was squeezed, as illustrated by the graph in section 8.4.

9.4 Other possible causes of injury

Section 269TAE(2A) requires consideration of whether injury to an industry is being caused, or threatened, by a factor other than dumped imports.

Customs must consider whether some or all of the injury suffered by the Australian industry was caused by factors other than dumped imports.

9.4.1 Volume and prices of goods not dumped

Customs considers that the goods exported by Jining Centurion were not dumped.

Customs also considers that these goods undercut Australian industry prices and caused injury through lost sales and loss of profits. However, Customs notes that the volume of un-dumped goods by Jining Centurion was small when compared to the volume of dumped goods by the other Chinese exporters, and they have a very minor share of the market.

Customs does not consider that the prices and volumes of the Jining Centurion rims could have influenced prices in the market.

Customs did not find any evidence of other un-dumped imports in the market.

9.4.2 Contractions in demand/changes in consumption patterns

It is submitted to Customs that there was a growing trend towards disc and alloy wheels, and that this was a major cause of the Australian industry's loss of demountable rim sales.

Australian industry acknowledged this trend, especially in respect of the OEM trucks market segment. Industry claimed, however, that there remained a significant market for demountables in the OEM trailer market and the aftermarket. Customs' verification of Arrowcrest's sales data supports this claim.

As described in section 6.2.2, Customs' assessment of the market found that it had not declined. The assessment supported Australian industry's contention that there continued to be a sizeable market for demountable rims and that the market had remained relatively steady over the injury period.

Customs does not consider that injury can be attributed to changes in demand and consumption.

9.4.3 Restrictive trade practices and competition between foreign and Australian producers

Customs found no evidence that these factors contributed to injury suffered by the Australian industry.

9.4.4 Developments in technology

Customs found no evidence that these factors contributed to injury suffered by the Australian industry.

9.4.5 Export performance and productivity of the Australian industry

Customs found no evidence that these factors contributed to injury suffered by the Australian industry.

9.5 Conclusion

Customs is satisfied that:

- price is a key buying consideration when purchasing demountable rims.
- the selling of demountable rims imported from China at prices that were dumped and that undercut Australian industry's prices is the primary cause of the industry's material injury (as described in chapter 8).
- other possible causes of injury, such as the un-dumped exports of the goods by Jining Centurion (see section 9.4.1), and changes in consumer preferences (see section 9.4.2) may have had some minor impact on prices and sales but were not primary causes of the Australian industry's injury.

10 WILL DUMPING & MATERIAL INJURY CONTINUE?

A PAD is imposed in order to prevent material injury to the Australian industry occurring while the investigation continues. Before imposing securities against future imports Customs must be satisfied that dumped imports will continue and will cause material injury to the Australian industry.

During its investigation, Customs found that imports of demountable rims from China had continued after the investigation was initiated. Prices of these imports were similar to the dumped prices found during the investigation period.

Customs also found that there were forward orders for imports of demountable rims.

Customs notes evidence of a long term contract between an importer and an exporter and other long term associations between other importers and exporters.

Based on these findings Customs is satisfied that:

- imports of demountable rims from China are likely to continue,
- these imports are likely to be at dumped prices, and
- material injury to the Australian industry will continue to be caused by the dumped imports of demountable rims from China.

Customs is satisfied that the taking of securities is necessary to prevent material injury to Australian industry occurring while the investigation continues.

11 NON-INJURIOUS PRICE

11.1 Introduction

Dumping duties may be applied where it is established that dumped imports have caused or threaten to cause injury to the Australian industry producing like goods.

The level of dumping duty cannot exceed the margin of dumping, but a lesser duty may be applied if it is determined that it is sufficient to remove the injury. This lesser duty provision is contained in the WTO Anti-Dumping Agreement and s. 8(5A) of the *Customs Tariff (Anti-Dumping) Act 1975*.

The calculation of the non-injurious price (NIP) provides the mechanism whereby this lesser duty provision is given effect. The NIP is the price that would be sufficient to remove the injury caused to the Australian industry by the dumping. The NIP is defined in s. 269TACA.

Anti-dumping and countervailing duties are based on FOB prices in the country of export. Therefore a NIP is calculated in FOB terms for the country of export.

Customs generally derives the NIP by first establishing a price at which the local industry might reasonably sell its product in the absence of the price effects of dumped/subsidised imports. This price is known as the unsuppressed selling price. From this, the costs incurred in importation are deducted until a notional selling price at an FOB level is derived.

11.2 Unsuppressed selling price (USP)

11.2.1 Industry submission

In its submission of 30 September 2008, a copy of which is on the public record, Arrowcrest submitted that the USP should be calculated from:

- The verified average CTMS for the March 2008 quarter;
- Adjustments for increases and forecasts increases in material costs in 2008 and 2009;
- adjustments for increases in labour costs from 2009;
- a CPI adjustment for variable overheads and unit costs to sell; and
- a verified average profit margin achieved by Arrowcrest for the 12 months ended September 2002.

Arrowcrest also submitted that the current price in the Australian market was affected by dumped imports from China and that pricing for demountable rims from China was unreliable and should not be used as a basis to determine the USP.

11.2.2 Customs assessment

Customs' preferred approach to establishing a USP observes the following hierarchy:

1. industry selling prices at a time unaffected by dumping;
2. constructed industry prices – industry CTMS plus profit; or
3. selling prices of un-dumped imports.

Having calculated the USP, Customs then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into store costs and amounts for importer expenses and profit.

Customs considers that a period where the industry selling prices were unaffected by dumping is the calendar year 2005.

In this period the presence of Chinese imports in the market was not great and the imports from South Africa were the subject of a price undertaking. That is the price at which the South African imports were entering the market was considered either un-dumped or non-injurious due to the price undertaking.

Customs considered indexing the selling prices in 2005 for increases in costs. However, Customs recognises that industry costs have increased significantly since 2005 across a range of areas. There have been increases in raw material costs, transport costs and labour costs.

Customs calculated a USP based on the industry average verified cost to make and sell for the investigation period plus a profit amount.

Customs considered that the average profit achieved by the industry in 2005 on the sale of demountable rims was an appropriate profit figure to use.

12. DUMPING SECURITY PAYABLE

For the purposes of this PAD Customs calculated export prices, normal values and NIPs as described in the report. The amount of dumping security payable is the difference between the PAD export price and the lower of the PAD normal value and the PAD NIP plus the amount, if any, by which the export price is less than the PAD export price.