



Australian Government
Australian Customs Service

AUSTRALIAN CUSTOMS SERVICE
Customs Act 1901 - Part XVB

TRADE MEASURES BRANCH

REPORT Nos. 131 & 132

**Continuation inquiry and review
of anti-dumping measure**

**Certain Steel Demountable Tubeless
Truck Wheel Rims
Exported from
The Republic of South Africa**

4 April 2008

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1. SUMMARY

This report presents the material findings of fact and recommendations to the Minister for Home Affairs (Minister) in respect of:

- an inquiry into whether the anti-dumping measure, in the form of a price undertaking, applying to certain steel demountable tubeless truck wheel rims (truck wheel rims) exported to Australia by Guestro Wheels (Guestro) from the Republic of South Africa (South Africa) should be continued – Trade Measures Report No. (TM) 131; and
- a review of the anti-dumping measure applying to truck wheel rims exported to Australia by Guestro from South Africa – TM 132.

Following consideration of Anti-Dumping Authority Report No. 187 of May 1998, the Minister for Justice and Customs accepted a price undertaking offered by Guestro in respect of truck wheel rims exported to Australia from South Africa.

The measure was subject to a continuation inquiry in 2003. Following the inquiry the measure was continued for a further five years (TM 69 of 28 April 2003).

The measure is due to expire on 24 June 2008. Following an application from the Australian industry, Customs initiated a continuation inquiry on 1 November 2007. The Australian industry also applied for a review of the measure, and Customs carried out the review in conjunction with the inquiry.

As a result of the inquiry and review Customs found that:

- the variable factors (normal value and NIP) relevant to the price undertaking have changed (both have increased).
- the conditions that gave rise to the imposition of the anti-dumping measure (in the form of a price undertaking) for Guestro i.e. injury to the Australian industry being causally linked to the Guestro product, will not recur if Guestro is released from the undertaking;
- if the price undertaking relating to Guestro expired it would not lead, or would not be likely to lead, to a continuation of, or recurrence of, dumping;
- the Australian industry producing like goods continues to experience material injury but that material injury is not caused because of circumstances in relation to the exportation of truck wheel rims to Australia by Guestro from South Africa; and
- if the price undertaking applying to Guestro expired it would not lead, or would not be likely to lead, to a continuation of, or a recurrence of, the material injury to the Australian industry that the measure is intended to prevent.

Customs recommends the Minister consider the reports and, if agreed, declare by public notice under s. 269ZDB of the *Customs Act 1901* (Act), that from the date of publication of the notice that the person who gave the price undertaking (Guestro) is released from the undertaking and that the investigation giving rise to the undertaking is terminated.

The release and termination obviates the need for any decision to be taken with regard to the continuation inquiry.

2. INTRODUCTION

2.1 The continuation inquiry

Under s. 269TM of the Act, an undertaking expires five years after the date on which it was entered into, unless provision is made for its earlier expiration.

Section 269ZHB of the Act provides that prior to the expiry of the measure an application may be made to have the measure continued for a further period.

The anti-dumping measure applying to truck wheel rims exported to Australia from South Africa was initially imposed by the Minister for Justice and Customs following consideration of Anti-Dumping Authority Report No. 187 of May 1998.

The measure was continued for a further five years following consideration of Trade Measures Report No. 69 dated 28 April 2003. The measure is due to expire on 24 June 2008.

Where Customs undertakes an inquiry into the continuation of an anti-dumping measure the Act requires that a statement of essential facts (SEF) be published by day 110. The SEF outlines the essential facts on which the Chief Executive Officer of Customs (CEO) will base recommendations to the Minister concerning the inquiry, and invites submissions from interested parties.

In accordance with this requirement Customs published the SEF on 19 February 2008. No submissions were received in response to the SEF.

Section 269ZHF of the Act requires that the CEO must provide a report to the Minister recommending that the Minister either take steps to secure the continuation of the anti-dumping measure or that the anti-dumping measure expire on the specified expiry date.

In preparing this report, Customs had regard to:

- the application; and
- the statement of essential facts; and
- all submissions relating to the inquiry received by Customs within the statutory time frames; and
- any other matters that Customs considered relevant.

2.2 The review

The requirements relating to applications and requests for review of anti-dumping measures are set out under s. 269ZA of the Act. An affected party may apply for a review of anti-dumping measures providing a review has not been undertaken in the preceding twelve months. However the Minister may, at any time, by notice in writing, request that the CEO initiate a review.

Where Customs undertakes a review of an anti-dumping measure the Act requires that an SEF be published by day 110. The SEF outlines the essential facts on which the CEO will base recommendations to the Minister concerning the review, and invites submissions from interested parties.

In accordance with this requirement Customs published the SEF on 19 February 2008. No submissions were received in response to the SEF.

Section 269ZDA of the Act requires that the CEO must provide a report to the Minister recommending that:

- the undertaking remain unaltered; or
- the Minister seek a variation of the terms of the undertaking as indicated in the CEO's report; or
- the Minister indicate to the person who gave the undertaking that the undertaking is no longer acceptable and that the investigation of the need for a dumping duty notice covering that person is to be resumed; or
- the Minister indicate to the person who gave the undertaking that the person is released from the undertaking and that the investigation of the need for a dumping duty notice covering that person is terminated.

In preparing this report, Customs had regard to:

- the application; and
- the statement of essential facts; and
- all submissions relating to the review received by Customs within the statutory time frames; and
- any other matters that Customs considered relevant.

2.3 Public notification

Customs published a notice in *The Australian* newspaper on 2 August 2007 to notify interested parties that the anti-dumping measure applying to truck wheel rims exported from South Africa was due to expire on 24 June 2008. Eligible persons were invited to apply for continuation of the measure.

On 2 October 2007 Arrowcrest Group Pty Ltd (Arrowcrest), a manufacturer of truck wheel rims in Australia, applied for the continuation of the anti-dumping measure in respect of truck wheel rims exported to Australia from South Africa.

On 1 November 2007 Customs published a notice in *The Australian* newspaper advising acceptance of the application and initiation of the continuation inquiry. On the same date, Customs published Australian Customs Dumping Notice (ACDN) 2007/45 outlining inquiry procedures. In ACDN 2007/45 Customs advised that:

- interested parties may make submissions no later than 11 December 2007;
- an SEF would be placed on the public record by 19 February 2008; and
- Customs must report to the Minister by 4 April 2008.

The notice in *The Australian* newspaper on 1 November 2007 also advised that Customs had commenced a review of the anti-dumping measure applying to truck wheel rims exported from South Africa. The review resulted from an application lodged by Arrowcrest on 11 October 2007. The timeframe applicable to the continuation inquiry also applied to the review. Information relating to the review was included in ACDN 2007/45.

3. MEASURE SUBJECT TO INQUIRY AND REVIEW

3.1 Goods subject to the measure

The goods subject to the price undertaking are 8.25" x 22.5" truck wheel rims which are primarily used on heavy transport vehicles. Demountable truck wheel rims are an assembly of a moulded steel rim and a steel adaptor bar. The latter is a formed band welded to the rim against which the cast wheel or 'spider' on the vehicle's axle mates. The rim is held in place by clamps on the outer edge of the adaptor bar.

The tariff classification of the goods is subheading 8708.70.99, statistical codes 80 and 81 (previously 71), in Schedule 3 of the *Customs Tariff Act 1995*. The general rate of duty is 5%.

3.2 History of the measures

On 23 June 1997 Arrowcrest lodged an application with Customs for the publication of a dumping duty notice in respect of truck wheel rims exported to Australia from Canada and South Africa.

On 22 October 1997 Customs reached a preliminary finding that there were not sufficient grounds for the publication of dumping duty notices in respect of the goods from Canada and South Africa.

On 21 November 1997 the Australian industry asked the Anti-Dumping Authority (ADA) to review the negative preliminary findings.

In ADA Report No. 187 of May 1998, the ADA concluded that dumped imports from Canada had not caused material injury to the Australian industry, and that dumped imports from Gwestro of South Africa had caused and threatened to cause material injury to the Australian industry.

The ADA recommended that the Minister not take anti-dumping action against exports of truck wheel rims from Canada. The Minister accepted a price undertaking offered by Gwestro in respect of truck wheel rims exported to Australia from South Africa. The Minister's decision was gazetted on 8 July 1998.

On 2 September 2002 Customs notified in *The Australian* newspaper that the anti-dumping measure currently applying to exports of certain truck wheel rims from South Africa was due to expire on 24 June 2003. Arrowcrest subsequently lodged an application requesting that the Minister continue the anti-dumping measure. Customs initiated an inquiry and recommended to the Minister that the measure continue for a further five years (TM 69 of 28 April 2003). The Minister accepted Customs' recommendation.

The anti-dumping measure applying to truck wheel rims has not been reviewed since the original measures took effect in 1998.

4. AUSTRALIAN MARKET

The market for truck wheel rims was described as consisting of manufacturers of trucks, prime movers and heavy haulage trailers, and distributors of replacement equipment for those vehicles. This is consistent with Customs' previous findings.

Customs was unable to calculate the size of the market because of the general nature of the tariff classification, which would include all wheel types and sizes, amongst other things. The applicant estimates that the market for truck wheel rims has been relatively steady for the past four years. This is despite strong rises in heavy truck sales, and reflects a move away from truck wheel rims to disc wheels and, more recently, alloy wheels. Arrowcrest makes disc wheels but imports size 8.25" x 22.5" alloy wheels.

Truck wheel rims sold in Australia are sourced from both local production and imports. Until the end of 2003 Arrowcrest and Mullins Wheels Pty Ltd (Mullins), the importer of truck wheel rims from South Africa, essentially supplied the market between them. There were some minor imports from the People's Republic of China (China) and other places, but these did not have a major influence in the market. Since 2004 this situation has changed markedly. Wheels from China were offered to the market at prices significantly lower than those of both the Australian industry and South African imports. The volume of imports from China increased substantially over subsequent years as the Chinese wheels gained greater market acceptance. China is now the major source of imports to the Australian market. Imports from South Africa ceased around mid-2006.

The importer who commenced supplying the Australian market with truck wheels from China is now a major supplier to the market, having gained a significant market share at the expense of both Arrowcrest and Mullins. Confronted with the competition from lower priced Chinese truck wheel rims, Mullins ceased importing from South Africa in early 2006 and now also sources its wheels from China. In addition to the competition from Mullins and the other importer of Chinese product, the Australian industry advised that some buyers of truck wheel rims have decided to directly import the wheels from China. Feedback provided during the inquiry, supported by import figures from Customs' commercial database, indicate that as much as two thirds of the market is now supplied from China.

5. ECONOMIC CONDITION OF THE INDUSTRY

5.1 The Australian industry

Truck wheel rims are produced in Australia by the Arrowcrest division, ROH Steel Products (ROHSP). Arrowcrest submitted full cost to make and sell and profit data for the review period, 1 October 2006 to 30 September 2007. It also provided annual financial data for the period since 2003.

Customs visited ROHSP and verified sales and cost data. There are no other producers known to Customs.

5.1.1 Company background

Arrowcrest is a private company that consists of two divisions, Automotive Operations and Industrial Operations.

- The Industrial Operations division consists of the manufacturing companies of John Shearer Ltd, Kockums Industries, Brownbuilt and Steelbilt, and Flocast. Industrial Operations does not deal with the like goods.
- The Automotive Division comprises ROH Steel Products (ROHSP), ROH Wheels Australia (ROHW), ROH Philippines and ROH Light Metal.

ROHSP manufactures steel wheels, including the like goods, and sells to original equipment manufacturers (OEM) of cars, trucks and trailers.

ROHW is a distributor and sells wheels to the OEM trailer manufacturers and to the aftermarket consisting of tyre wholesalers and retailers.

ROH Philippines manufactures steel and alloy wheels for OEM and export customers. ROH Light Metal manufactures alloy wheels for OEM, aftermarket and export customers.

Arrowcrest said that they had been manufacturing wheels in Australia since 1947, although the manufacture of truck wheel rims did not commence until 1995. The wheels are manufactured at ROHSP's factory at Woodville North, Adelaide, South Australia.

5.1.2 Australian production

The manufacturing process for truck wheel rims is 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 the welding together of the oily rim and the adaptor bar to form the ‘oily rim assembly’ which is also a saleable item at this stage.
- Assembled oily rims are then primed by being “dipped” in a black enamel paint to become the saleable black assembly.

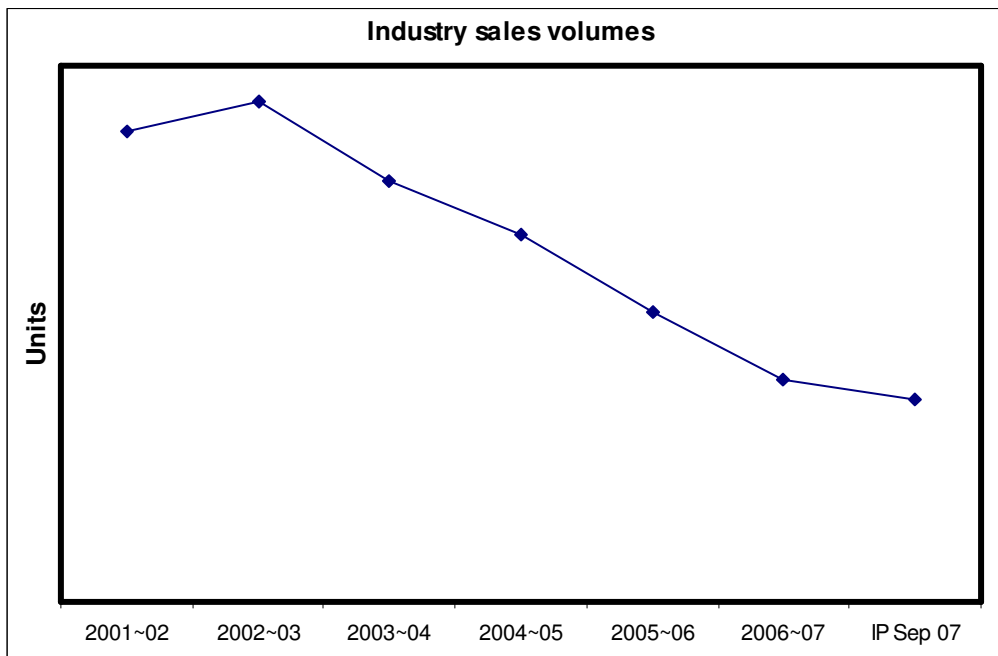
The enamelled rims may be painted in different colours, mainly silver but also including red and white. Rims may also be finished in chrome.

Customs was informed that there is an Australian standard for demountable wheels, however the standard functions as a guideline and there is no requirement that it be met.

5.2 Volume effects

5.2.1 Sales volume

Australian industry sales volumes are shown in the following chart.



The chart shows that the Australian industry has lost a considerable volume of sales each year since the last inquiry in 2002/03.

5.2.2 Market share

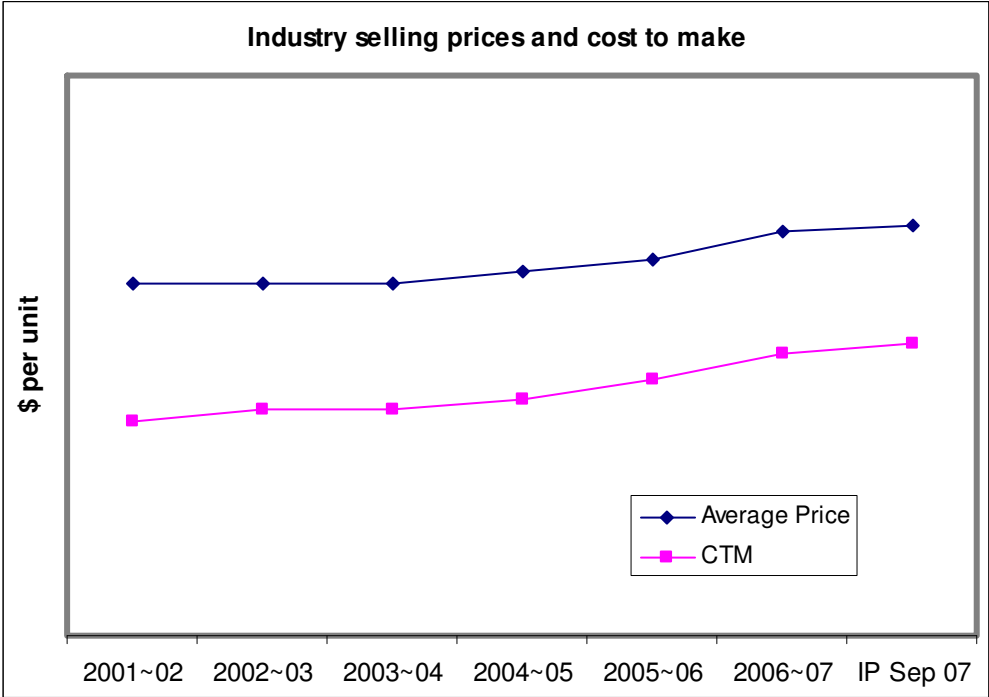
It was not possible for Customs to calculate with certainty the market for truck wheel rims because of the broad description of the tariff classification (‘road wheels’). The classification comprises an array of wheel sizes and types including disc wheels and alloy wheels, among others. Nevertheless by closely analysing the import data Customs was able to obtain a meaningful idea of the level of imports of truck wheel rims.

Customs’ analysis supported the industry’s claim that the market for truck wheel rims has been relatively steady over the last few years. The data highlighted the increasing volume of imports from China, particularly from 2006. The Australian

industry estimates that its market share has fallen from around 50% a few years ago to around 33% in 2006/07. The available data supports this estimation.

5.3 Price effects

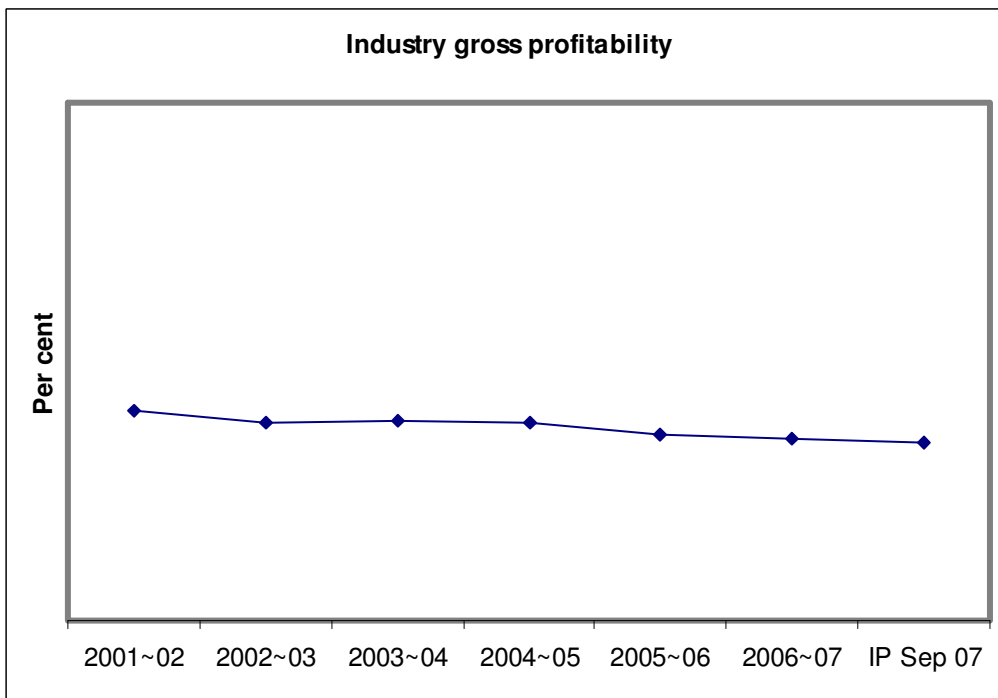
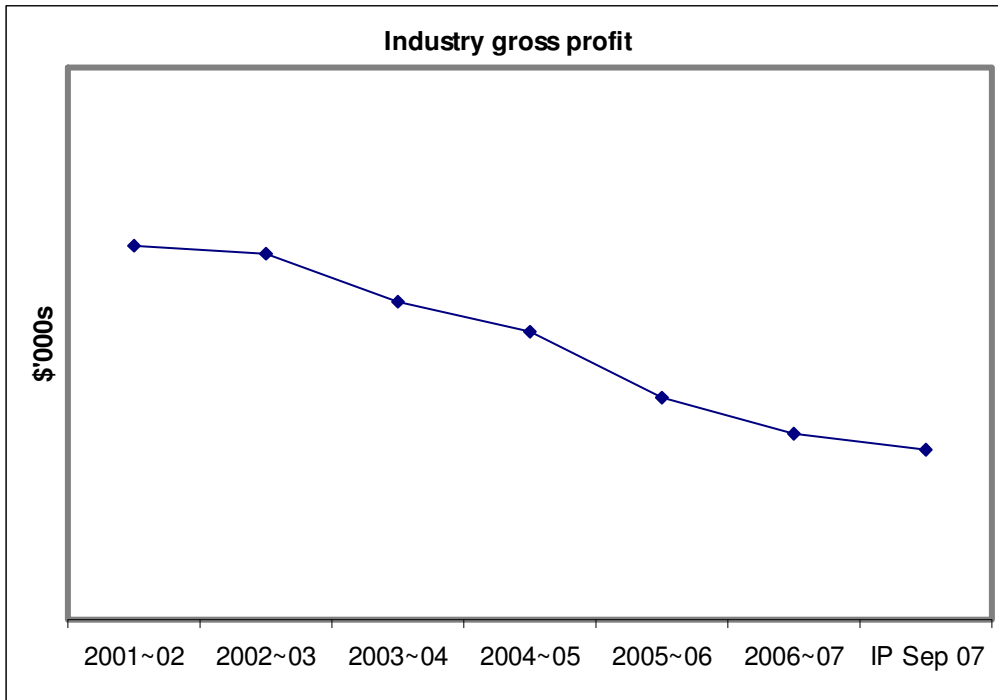
The trend in Australian industry's costs and prices between 2001 and 2007 is shown in the chart below.



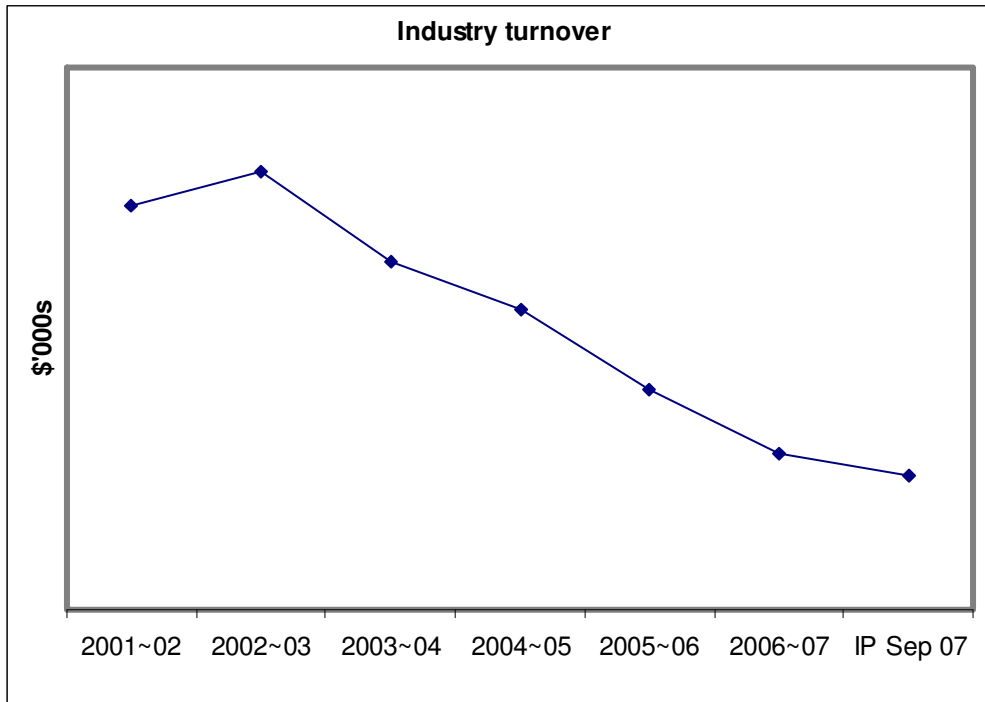
The chart illustrates that costs have increased across the period, particularly from 2004. Selling prices have risen in unison with the cost increases. During the review period there were signs of price suppression as some customers, in view of the lower prices available for Chinese produced truck wheel rims, resisted the Australian industry's attempts to raise prices to recover cost increases.

5.4 Profit/profitability

The Australian industry's profit performance is shown in the following charts. Note that the gross profit, and consequent gross profitability, is the margin after costs to make have been deducted from revenue.



The Australian industry's gross profit has been on a continuous decline since 2001-02, notwithstanding an upward trend in selling prices and a trend in profitability that shows a much more modest decline. The loss of profits can be mostly attributed to the substantial decline in sales volumes (refer section 5.2.1). This has resulted in a considerable fall in revenue, as illustrated in the following chart:



The declining revenue trend follows the same pattern as for the loss of sales volumes.

5.5 Others factors

The Australian industry's declining sales volumes since the last inquiry in 2002/03 have had a flow on effect to production capacity and the size of the workforce.

Prior to 2002 the industry ran one shift a day producing only demountable wheel rims. After 2002 this was increased to one and a half shifts per day, but production included both demountable and disc wheel rims. In October 2006 production was reduced to one shift a day, producing both demountable and disc wheel rims. In September 2007 production was halved. The industry stated that it could increase production to three shifts per day if the demand was there, and at that rate could supply the whole market.

The industry provided information that showed that since 2004 around 17 jobs had been lost from manufacturing and sales associated with demountable wheels.

5.6 Conclusion

Customs concludes that the Australian industry has suffered injury from:

- loss of sales;
- loss of market share;
- declining profits and profitability;
- loss of production capacity;
- loss of employment; and
- has begun to incur price suppression.

6. EXPORTER ACTIVITY

6.1 Pattern of imports

Customs' import data indicates that up until the end of 2003 sales in the Australian market were more or less shared between production by the Australian industry and imports from South Africa. From 2004 imports from China began to gain an increasing share of the Australian market, resulting in declining sales volumes for both Australian production and imports from South Africa.

In the middle of 2006 imports from South Africa ceased when the importer of South African truck wheel rims switched its sourcing to China. During the review period the market was predominantly supplied by Australian production and imports from China, with Chinese imports having the largest share.

6.2 Normal value

Customs notified the importer, Mullins, who had been importing truck wheel rims from South Africa, and the South African exporter Guestro, about the review and the inquiry and sent a questionnaire to each. Neither completed the questionnaire, but each sent a submission (non-confidential versions were placed on the public record).

As the exporter declined to provide financial data Customs was satisfied that sufficient information had not been furnished, or was not available, to enable the normal value of the goods to be ascertained under s. 269TAC(1), (2), or (3). Therefore Customs recommends that normal value be established under s. 269TAC(6) having regard to all relevant information.

In its submission, the Australian industry suggested that normal value should be calculated by uplifting the normal value as determined in the original investigation (which was based on cost to make and sell plus profit) by the same percentage increase in cost that the Australian industry had experienced across the period from 1997. The Australian industry provided documentation showing that the industry in South Africa had been subject to the same cost pressures (particularly the cost of steel and labour) that the Australian industry had experienced.

Customs considered that calculating normal value based on cost to make and sell plus profit remained the best approach. However Customs was concerned that the industry's proposal may have understated normal value by not incorporating the impact of the substantial movement in exchange rates that had occurred since the original investigation. As pointed out by Australian industry in its applications, the rand had devalued significantly against both the Australian dollar and the US dollar. In December 1997 the Australian dollar was worth around rand 3.2; in December 2007 it was worth just under rand 5.9 - an appreciation of more than 80%. The US dollar also appreciated against the rand, but by a lesser percentage than the Australian dollar (Customs calculates about a 40% appreciation).

Steel cost is the major component in the cost to make and sell. Information available to Customs indicated that steel prices in South Africa reflected global prices, i.e. domestic prices are based on the cost for imported steel. To calculate steel cost Customs converted the verified 1997 steel cost for Guestro to US dollars using 1997

exchange rates, uplifted the price by the average movement in US, European and Asian steel price indexes between 1997 and 2007, and converted the resultant steel cost to rand using the average exchange rate for the review period.

The original investigation found that Guestro had received certain financial benefits upon export of truck wheel rims to Australia. These benefits were the receipt of tradeable import rebate credit certificates (IRCCs) under the South African government's Motor Industry Development Plan (MIDP), and steel industry rebates on purchases of steel used in the manufacture of goods that were exported to Australia. Customs found no evidence to indicate that these financial benefits were no longer available to Guestro. In its application Arrowcrest included reports on the functioning of the MIDP that indicated that the MIDP would continue until at least 2012. These benefits were excluded from normal value calculations in the original investigation and the same approach has been adopted for this review and inquiry.

Thus, the cost of steel used in the cost to make and sell calculations was the unrebated steel cost. Other costs, such as labour, paint and overheads were calculated using information from the original investigation and adjusting for cost increases, or decreases, on the basis of best available information, most of which was provided by the Australian industry.

Customs found that the normal value had increased substantially in terms of rand, but because of the appreciation of the Australian dollar against the rand there was only a small increase when it was converted to Australian dollars.

Customs' calculation of normal value is at confidential appendix 1.

6.3 Comparison of export price and normal value

When exports are sold in a currency different from the domestic currency exchange rates may be a factor in the dumping outcome, especially if the exchange rates are subject to substantial movement over time. As described in section 6.2, the rand devalued substantially against both the US and Australian dollars between 1997 and 2007. Since South African exports to Australia were sold in US dollars, the appreciation of the US dollar (or devaluation of the rand) has implications when converting export prices (expressed in US dollars) to rand for purposes of comparison with prices in the South African domestic market.

As noted in section 6.2, Guestro was entitled to receive financial benefits under the MIDP scheme and from certain steel cost rebates. Customs' calculations indicate that these financial benefits were taken into account by Guestro when it negotiated the export price.

The last shipment to Australia from South Africa was in mid-2006. The price of that shipment had been negotiated in US dollars. If the US dollar price of the last shipment is converted to Australian dollars at the exchange rate prevailing at the time, that export price was well above the level of the price undertaking (which was based on the A\$ non-injurious price) and above the normal value that was relevant to the price undertaking.

This review determined that there has been an increase in the normal value. If Guestro sold to Australia at the last shipment price in mid-2006 the export price,

using the exchange rate for the review period, would be below the reviewed normal value. On that basis, if goods were exported to Australia at that price, or below, they would be likely to be dumped.

In mid-2006 Guestro sought a price increase to cover cost increases. If Guestro sold goods to Australia at the proposed price the export price, using the exchange rate for the review period, would be above the reviewed normal value. On that basis, if goods were exported to Australia at that price, or higher, they would be unlikely to be dumped.

6.4 Behaviour into other export markets

An exporter's pricing behaviour in other markets may indicate a propensity to dump.

Customs examined WTO records (the most recent records were as at 30 June 2007) to ascertain whether there were any anti-dumping measures in place, or action had been initiated, by WTO members against South African exports of truck wheel rims. As there are few countries other than Australia that use demountable truck wheel rims Customs widened its search of the WTO records to include anti-dumping action that may have been taken against any type of truck wheel.

No record of anti-dumping action was found.

7. LIKELIHOOD OF DUMPING OR MATERIAL INJURY CONTINUING OR RECURRING

7.1 Likelihood of dumping continuing or recurring

Exports of truck wheel rims from South Africa have not occurred since June 2006. Thus, there is no current dumping of the product into Australia.

The price undertaking establishes a minimum price that Guestro is able to sell at in the Australian market. Prior to the ceasing of exports in mid-2006 Guestro's truck wheel rims were being exported to Australia, in Australian dollar terms, at a price well above the level of the price undertaking. There was, at that time, considerable scope for Guestro to have reduced its US dollar pricing to a point making its prices competitive with Chinese prices without breaching the terms of the price undertaking. However rather than reducing prices, information provided by Guestro and Mullins indicates that Guestro had actually sought to increase its export price.

If the measure expires there is the potential for Guestro to return to the market at a price that is dumped, that is at the price of the last shipment in mid-2006 or below. According to Customs' calculations however, if Guestro was to resume exports at that price, or below, the exports would be unprofitable. No evidence from the original investigation, the 2003 continuation inquiry, or other sources indicates that Guestro would be prepared to sell goods unprofitably. Guestro's own actions in 2006, as described in the previous paragraph, indicate that this would be an unlikely circumstance. In 2006 Guestro had attempted to increase its prices but the importer, confronted with strong price competition from Chinese imports, was unwilling to accept the price increase. The subsequent decision by Guestro to cease supply to Australia rather than to continue to supply at the mid-2006 price would not have been taken lightly as it meant foregoing a substantial share of the Australian market. It is difficult to foresee a reason why Guestro, having taken that action, would want to re-enter the Australian market at the same unprofitable price simply because the measure is no longer in existence.

It is noted that Customs could find no indication that Guestro has a propensity to dump product in export markets (refer section 6.4).

It should also be noted that according to Custom's calculations Guestro's actual export price in mid-2006, and its proposed increased price, were inclusive of the financial benefits available to the company under the MIDP and steel rebate schemes.

The test for continuing measures is a positive test. That is, Customs must not recommend continuation unless it is satisfied that the expiration of the measure would lead, or be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent. To meet this test Customs must first be satisfied that expiration of the price undertaking would lead to a recurrence of dumping by Guestro. After considering all the circumstances, Customs is not so satisfied.

7.2 Likelihood of material injury continuing or recurring

7.2.1 Supply channels to Australia

Guestro exported its truck wheel rims to Australia through Mullins. The last shipment to Australia was in June 2006, after which Mullins began to source from China in response to Guestro's unwillingness to continue supplying at the June 2006 price, and Mullins' unwillingness to accept a price increase.

The Australian industry claims that although Mullins has switched supply from South Africa to China it has a history of changing sources of supply and could re-establish its links with Guestro if circumstances warranted it. The industry said that it was considering an anti-dumping action against China and if it was successful, and measures were implemented, Mullins could easily revert to South Africa for supply, especially if the current measure was discontinued. The industry claimed that even if Mullins didn't renew ties with Guestro there was the possibility that Guestro might export to Australia through a new importer, if Chinese prices were increased.

No dumping investigation has been initiated against China. Even if such a scenario occurred it is too conjectural to predict that Mullins would revert to sourcing truck wheel rims from Guestro.

There is also no evidence that Guestro has attempted, or would attempt, to establish another supply channel in Australia for truck wheel rims.

7.2.2 Competition between imported and locally manufactured product

The market for truck wheel rims in Australia is characterised by a fairly steady demand and a relatively homogenous product. Truck wheel rims produced in Australia and wheels imported from South Africa are directly substitutable. In these circumstances, price is an important factor in purchasing considerations.

Until 2003, when the market was primarily supplied by the Australian industry and exports from South Africa, the price undertaking effectively established a floor price for truck wheel rims in the market. From 2004, however, the market has shown an increasing interest in lower priced truck wheel rims sourced from China. These wheels are also directly substitutable for both Australian-made and South African-made wheels. In 2006, imports from South Africa ceased. The market is now dominated by imports from China.

7.2.3 Imports and current measures

Notwithstanding the imposition of measures in 1998, exports from South Africa continued to be a major source of supply to the Australian market up until 2003. In that time the Australian industry and exports from South Africa more or less shared the market, competing for business at prices that were strongly influenced by the level of the price undertaking given by Guestro. With the arrival of lower priced Chinese imports the market supply structure has changed substantially with both Guestro and the Australian industry losing significant market share to the Chinese imports.

In 2006, Guestro sought a price increase for its truck wheel rims but Mullins, the importer, who was already losing market share due to lower priced competition, was unwilling to accept the higher price. As a consequence Guestro ceased supplying the Australian market and Mullins began sourcing its truck wheel rims from China.

7.2.4 Are there other causes of injury?

As noted elsewhere in this statement there have been certain other factors that have affected the performance of the Australian industry.

Imports from China

The most notable factor has been the introduction of a third major supplier to the market, sourcing its truck wheel rims from China. In addition, some buyers of truck wheel rims have decided to purchase direct from China. Evidence provided to Customs indicates that truck wheel rims from China have been offered to the market at prices significantly lower than those offered either by Australian industry or the importer of South African product. Confronted with this competition the importer of South African truck wheel rims eventually switched supply source from South Africa to China. Because of this, the price undertaking no longer plays any role in relation to pricing in the Australian market. The Australian industry now shares the Australian market primarily with two other major suppliers who both source from China.

Disc wheels and alloy wheels

Customs was informed that the global trend in truck wheels is towards disc wheels and this is the case in Australia as well, although Australia, because of its natural conditions (heat and long distances) maintains a strong market for the hardy, and less expensive, demountable wheels. Australian industry provided data that demonstrated that the market for truck wheels has increased strongly since 2001, however the market for demountables has remained relatively steady. Most of the growth in demand for wheels that has followed the increase in sales of truck wheels has gone to disc wheels or alloy wheels.

7.2.5 Unsuppressed selling price and non-injurious price

When setting anti-dumping measures the Minister must consider the World Trade Organisation Anti-Dumping Agreement and s. 8(5A) of the *Customs Tariff (Anti-Dumping) Act 1975* that contain provisions relating to an amount of lesser duty which can be applied if it is sufficient to remove the injury.

The NIP provides the mechanism whereby this lesser duty provision is given effect; it is the price that would be sufficient to remove the injury caused to the Australian industry by the dumping. The NIP is described in s. 269TACA of the Act. It is Customs' practice to first establish an unsuppressed selling price (USP), which is the price the Australian industry should be able to achieve for truck wheel rims in the absence of dumping.

Australian industry proposal

Arrowcrest submitted that the USP should be based on the Australian industry's cost to make and sell (CTMS) plus the margin of profit achieved at the time the market

was unaffected by dumping. The company contended that the USP should be calculated from:

- the verified CTMS for the 1 July to 30 September 2007 quarter;
- an adjustment to the CTMS for an increase in the cost of steel used to produce the rim section, effective from 1 November 2007;
- the selling, general and administrative expenses rate calculated by Customs during its visit to Arrowcrest in the 2002 continuation inquiry; and
- the average profit margin of Arrowcrest for the period 1 October 2001 to 31 September 2002, as verified by Customs during its 2002 visit.

Other submissions

There were no other submissions addressing calculation of the USP or NIP.

Customs assessment

Customs' policy in establishing a USP is to observe the following hierarchy:

1. industry selling prices at a time unaffected by dumping
2. constructed industry prices – industry cost to make and sell plus profit
3. selling prices of undumped imports

In the original investigation, a USP based on constructed industry prices was used because suitable industry prices at a time unaffected by dumping were unable to be identified.

In this review Customs notes that there were no South African imports sold in the market during the review period. Imports from China dominated the market. The Australian industry claimed the Chinese imports were dumped, and therefore the market continued to be affected by dumping, but Customs has no verified evidence that this is the case.

Therefore, Customs based the USP on the industry's selling prices during the review period.

NIP

The USP is equivalent to the landed duty paid into store cost of imports for end-users. To calculate the NIP, post free-on-board exportation costs such as ocean freight, costs incurred in Australia and an amount for importer's profit is deducted from the USP.

An example of this calculation is shown below:

Unsuppressed selling price	1,000
Less post exportation costs	
Ocean freight & overseas insurance	100
Duty	38
Port & broker charges	25
Cartage to store	20
SG&A costs	45
Profit	50
Total	278
Non-injurious price	722

As there were no imports of truck wheel rims from South Africa during the review period Customs used verified data from the previous inquiry and adjusted the data, as appropriate, using best available information. Customs calculated that the NIP had increased since the original assessment in 1998, and now exceeds the reviewed normal value in Australian dollar terms (refer section 6.2).

Customs' calculation of the NIP is at confidential appendix 2.

7.2.6 Conclusions on likelihood of material injury continuing or recurring

Customs considers that injury to the Australian industry, as summarised in section 5.6, is likely to continue. However, Customs is not satisfied that the injury has been, or is being, caused by dumped imports from South Africa. Clearly the injury to the industry during the review period cannot have been caused by imports from South Africa because imports ceased before the period commenced. Before then, the price undertaking established a price that removed any injury caused by dumping from South Africa.

Customs considers that some of the injury can be attributed to the movement towards disc wheels and alloy wheels, which has kept the market for truck wheel rims steady, at best, despite reasonably strong growth in truck and trailer sales. But the most significant cause of the injury to the Australian industry that has occurred from 2004 to the present appears to have been imports of truck wheel rims from China at prices that have undercut the industry's prices.

Customs is satisfied that the conditions that gave rise to the imposition of the anti-dumping measure (in the form of a price undertaking) for Guestro i.e. injury to the Australian industry being causally linked to the Guestro product, will not recur if Guestro is released from the undertaking.

8. RECOMMENDATIONS

Following the continuation inquiry and review of the anti-dumping measure, Customs found the following:

- the variable factors (normal value and NIP) relevant to the price undertaking have changed (both have increased);
- the conditions that gave rise to the imposition of the anti-dumping measure (in the form of a price undertaking) for Guestro i.e. injury to the Australian industry being causally linked to the Guestro product, will not recur if Guestro is released from the undertaking;
- if the price undertaking relating to Guestro expired it would not lead, or would not be likely to lead, to a continuation of, or recurrence of, dumping;
- the Australian industry producing like goods continues to experience material injury but that material injury is not caused because of circumstances in relation to the exportation of truck wheel rims to Australia by Guestro from South Africa; and
- if the price undertaking applying to Guestro expired it would not lead, or would not be likely to lead, to a continuation of, or a recurrence of, the material injury to the Australian industry that the measure is intended to prevent.

Customs recommends that the Minister be satisfied, in accordance with s. 269TAC(6) of the Act, that sufficient information has not been furnished, or is not available, to enable the normal value for truck wheel rims exported to Australia by Guestro be ascertained under the preceding sub-sections of s. 269TAC of the Act.

Customs recommends that the Minister determine, in accordance with s. 269TAC(6) of the Act, that the normal value of truck wheel rims for Guestro is the amount having regard to all relevant information.

Customs recommends the Minister consider the reports and, if agreed, declare by public notice under s. 269ZDB of the Act, that from the date of publication of the notice that the person who gave the price undertaking (Guestro) is released from the undertaking and that the investigation giving rise to the undertaking is terminated.

To give effect to these recommendations Customs recommends that the Minister sign the notice and legal instruments attached. The release and termination obviates the need for any decision to be taken with regard to the continuation inquiry.

9. EVIDENCE RELIED UPON

In formulating the recommendations in this report Customs had regard to:

Topic	Section of report detailing facts relied upon	Evidence relied upon
Australian market for truck wheel rims	4	Information provided by the Australian industry, Trade Measures Reports, and data held on Customs commercial databases.
Economic condition of the industry	5	Information provided by the Australian industry and data held on Customs commercial databases.
Exporter activity	6	Information provided by the Australian industry, the South African exporter and the importer of South African product; World Trade Organisation data; and Customs commercial databases.
Normal value	6	Information from previous investigations and inquiries, information from interested parties and the internet.
Unsuppressed selling price and non-injurious price	7	Information provided by the Australian industry, information from previous investigations and inquiries, information from interested parties and information from Customs commercial databases.
Likelihood of dumping or material injury continuing or recurring	7	Information provided by the Australian industry, the South African exporter and the importer of South African product; World Trade Organisation data; and Customs commercial databases.

10. APPENDICES

Confidential Appendix 1 - Normal value

Confidential Appendix 2 - Non-injurious price