



Australian Government
Australian Customs Service

R E P O R T

Customs Act 1901 - Part XVB

TRADE MEASURES REPORT 142

**CERTAIN TUBELESS STEEL
DEMOUNTABLE RIMS**

**EXPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA**

8 December 2008

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1 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 Co Ltd Wheel Branch Company
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
FAW (I/E)	FAW Import & Export Corporation
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 for Home Affairs
TM	Trade Measures Branch of Customs
USP	unsuppressed selling price

Wuhan	Wuhan Far Sea International Trade Co Ltd
WTO	World Trade Organization
Xie Gang	Shanghai Xie Gang Industry & Trading Co Ltd

2 SUMMARY

On 28 April 2008 Arrowcrest Group Pty Ltd (Arrowcrest) lodged an application with the Australian Customs Service (Customs) requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect to 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 application alleged that demountable rims were exported to Australia from China at prices less than their normal values and that this dumping of the goods had caused material injury to the Australian industry.

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.

On 24 October 2008 Customs placed a statement of essential facts (SEF) on the public record. This was in accordance with an extension to the due date for publishing the SEF that was approved by the Minister.

On 5 November 2008 Customs published a notice in *The Australian* newspaper and ACDN 2008/40 advising that it had made a preliminary affirmative determination (PAD) in relation to demountable rims exported to Australia from China. Securities were taken from that date.

On 18 November 2008 Customs published a notice in *The Australian* newspaper advising that it had terminated the investigation in respect of exports from China of demountable rims by Jining Centurion Wheels Manufacturing Co Ltd (Jining Centurion). The termination was also notified in ACDN 2008/42.

As a result of its investigations Customs is satisfied that:

- there is an Australian industry producing like goods to the goods under consideration (demountable rims);
- exports of demountable rims from China to Australia, except those by Jining Centurion, were dumped;
- the dumped exports from China caused material injury to the Australian industry in the form of:
 - price suppression;
 - 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.

- future exports of demountable rims from China, except those by Jining Centurion, are likely to continue to be dumped and to continue to cause material injury to the Australian industry.

Customs recommends that the Minister publish a dumping duty notice in respect of exports of demountable rims to Australia from China, except in respect of demountable rims exported by Jining Centurion.

Customs recommends the Minister accept a price undertaking offered by Changchun FAW Sihuan Automobile Co Ltd Wheel Branch Company (Changchun FAW).

3 INTRODUCTION

On 28 April 2008 Arrowcrest lodged an application under subsection 269TB(1) of the *Customs Act 1901*¹ (the Act) requesting that the Minister publish a dumping duty notice in respect to demountable rims exported to Australia from China. Arrowcrest is the sole Australian producer of demountable rims.

The application alleged that demountable rims were exported to Australia from China at prices less than their normal values and that this dumping of the goods had caused material injury to the Australian industry.

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. ACDN No. 2008/24 relating to the initiation was issued on the same day.

Customs is required to place on the public record, within 110 days after initiation of an investigation, a SEF. The SEF outlines the facts on which Customs proposes to base its final recommendations concerning the investigation to the Minister.

The Minister approved an extension of time for the publication of the SEF (by 30 days) to 24 October 2008. The SEF was placed on the public record on this date. Interested parties had 20 days to respond to the SEF. The extension of time for the SEF meant that Customs' final report and recommendations to the Minister had to be made no later than 8 December 2008.

On 5 November 2008 the CEO of Customs was satisfied that there appeared to be sufficient grounds for the publication of a dumping duty notice and made a PAD to that effect in accordance with s. 269TD(2). Public notice of the PAD was published in the *Australian* newspaper on 5 November 2008, and a report giving reasons for the determination placed on the public record the same day.

Following the PAD, Customs required that securities be taken under s. 42 in respect of interim duty that may become payable in relation to demountable rims exported to Australia from China that were entered for home consumption on or after 5 November 2008. ACDN 2008/40 relating to the PAD was issued on the same day.

On 18 November 2008 Customs published a notice in the *Australian* newspaper advising that it had terminated the investigation in respect of exports from China of demountable rims by Jining Centurion. ACDN 2008/42 relating to the termination was also issued on 18 November 2008.

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

In considering the recommendations to be made to the Minister in this report in relation to the application for publication of a dumping duty notice the CEO had regard to:

- the application; and
- any submission concerning the publication of that notice to which the CEO has had regard for the purpose of formulating the SEF; and
- the SEF; and
- any submission made in response to that statement that was received by Customs within 20 days after the placing of the statement on the public record; and
- submissions made in response to the SEF after 20 days of the SEF being placed on the public record except where to do so would have prevented the timely preparation of this report; and
- any other matter that the CEO considered to be relevant.

Customs received six submissions in response to the SEF. Issues raised in the submissions are described in Chapter 10 of this report. Customs has addressed the matters raised in the submissions in the relevant sections of this report. A further submission was lodged in response to the PAD and has also been addressed.

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". The difference in profile relates to the positioning of the mounting ring on the rim. Customs notes that a vehicle (i.e. truck or trailer) would normally be entirely fitted with either the American profile or Australian profile - it is not usual to mix the profiles on the same vehicle. The Australian profile is 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 producing like goods. Customs did not obtain any evidence that refuted this 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 also 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. During its visit to Arrowcrest Customs observed the manufacturing of demountable rims, as described below.

- 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 roll forming process for the rim follows, 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 picture 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 exported from China 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 compared 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 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.

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 first changing the fitting mechanism.

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

It was also the case that no interested party contended that disc wheels are like goods to the 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 to Australia from China.

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 analysis 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). Some information was also received from another minor importer. Three other importers contacted by Customs did not cooperate.

6.1 Market structure and size

6.1.1 Submissions from interested parties

Arrowcrest

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, and 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, and sales records examined by Customs were consistent with this claim. 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 in the application that the Australian market was supplied by its demountable rims and by imports from China. This was subsequently 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.

Mullins

Customs received a submission from Mullins dated 10 September 2008 concerning the market and factors influencing the market. A non-confidential version of the submission was placed on the public record.

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. 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.

Arrowcrest responded to Mullins' claims in a submission dated 16 October 2008. Arrowcrest submitted 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. It provided data in support of its claim.

SEAH

During Customs' visit to SEAH the company stated that the Australian market for Chinese demountable rims seemed to be expanding as SEAH was receiving more interest from potential buyers.

6.1.2 Previous assessment

In the Continuation Inquiry and Review⁴ conducted in 2007 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 supplied from China.

6.1.3 Current assessment

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

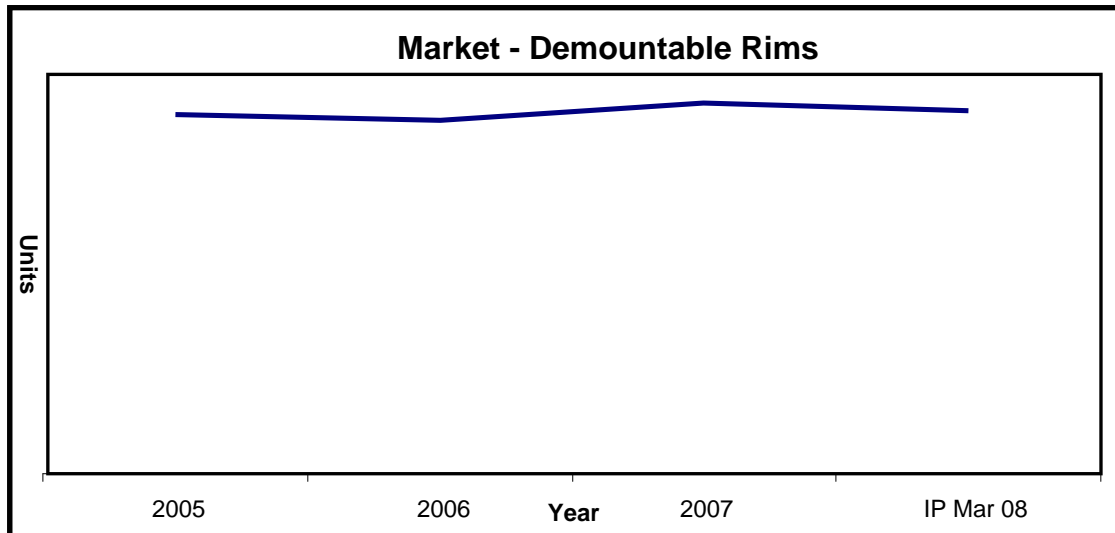
Therefore Customs calculated the market for this investigation using:

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

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.*

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.



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 the 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 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. Because of the general nature of the tariff classification it was not possible to adequately identify which of the suppliers specifically exported demountable rims by reference to Customs' database at the time of initiating the investigation.

The public notice notifying initiation of the investigation indicated that given the large number of possible exporters it may not be practical to determine the existence of dumping and dumping margins for each exporter. The notice advised that instead, it may be necessary to decide these matters 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 suppliers 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 exporter/producers and associated traders were sent either an Exporter/Producer or a Supplier/Trader Questionnaire, as appropriate, to complete. An exporter/producer and a supplier/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/producer Customs extended the investigation to include that entity.

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 suppliers are still “selected exporters” as their exports have been 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 were sampled for further investigation, together with three associated supplier/traders.

The sampled exporter/producers were:

- Changchun FAW,
- Jining Centurion, and
- Zhenjiang Dongshen Wheel Ltd (Dongshen).

The relevant 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	Producer/ Trader	Response	Visited	Cooperative
Changchun FAW	Producer	Yes	Yes	Yes
Dongshen	Producer	Incomplete	No	No
Jining Centurion	Producer	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 is normally worked out for individual exporters.

As selected exporters that were sampled for the purpose of this investigation, Changchun FAW, Jining Centurion and Dongshen have individual dumping assessments. The dumping assessments for all other selected exporters are 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 of the goods 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 from that company. The two other importers declined to provide further information.

Customs did not receive completed information from other identified importers.

7.3 Termination of investigation - Jining Centurion

Under s. 269TDA(1), the CEO must terminate the investigation in so 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. Customs was satisfied there had been no dumping of any of the goods by Jining Centurion.

On 18 November 2008 Customs published a notice in the *Australian* newspaper advising that it had terminated the investigation in respect of exports from China of demountable rims by Jining Centurion. Details of the termination were also given in ACDN 2008/42 issued on 18 November 2008.

Notice of the termination, including the CEO's reasons for the decision and the right to apply for a review of the CEO's decision by the Review Officer under Division 9, was sent to all interested parties. These parties included the applicant, the exporter and the government of the country of export.

7.4 Export price

7.4.1 Changchun FAW

Changchun FAW, a branch/division of Changchun FAW Sichuan Automobile Co Ltd, (FAW Sichuan) manufactured the goods. FAW Sichuan is a public company listed on the Chinese stock exchange.

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

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 the goods exported from China during the investigation period.

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

Customs is satisfied that:

- the goods have been exported to Australia otherwise than by the importer;
- the export sales were arms length transactions;
- the goods have not been purchased by the importer from the exporter.

Therefore it is not possible to ascertain export price under either s. 269TAB(1)(a) or s. 269TAB(1)(b).

Customs recommends that the Minister be satisfied that reliable information is available in respect of all the circumstances of the exportations. Therefore Customs recommends that the Minister determine export price under s. 269TAB(1)(c), having regard to all the circumstances of the exportations.

7.4.2 Dongshen

Customs received limited cooperation from Dongshen and from importers who may have been associated with Dongshen. The volume of goods exported by Dongshen during the investigation period accounted for less than 10% of the total volume of goods exported to Australia from China during that period.

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

Therefore Customs recommends that the Minister determine the export price for Dongshen under s. 269TAB(3), having regard to all relevant information.

7.4.3 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 recommends that the Minister be satisfied that sufficient information has not been furnished, or is not available, to enable the export price of the goods to be ascertained under either s. 269TAB(1)(a), s. 269TAB(1)(b) or s. 269TAB(1)(c).

Therefore Customs recommends that the Minister determine the export price for other exporters under s. 269TAB(3), having regard to all relevant information.

Details of applicable Export Prices are at **Confidential Attachment 1**.

7.5 Normal value

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

Where possible, the normal value of any goods exported to Australia is 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.

7.5.1 Changchun FAW

Information available to Customs indicated that there were no sales of demountable rims on the domestic market in China during the investigation period by either Changchun FAW or any other seller. Therefore normal value is not able to be worked out under s. 269TAC(1).

If s. 269TAC(1) is not able to be used to calculate normal values, Customs then looks to the options available under s. 269TAC(2). Options for establishing normal value under s. 269TAC(2) are either by constructing a normal value (s.269TAC(2)(c)) or by 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
- 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;
 - the administrative, selling and general costs (SG&A) associated with the sale; and
 - the profit on the sale.

Changchun FAW verification visit

Changchun FAW cooperated with the investigation. Customs visited Changchun FAW and verified information the company had provided to the investigation. A verification visit report was placed on the public record on 21 October 2008. Customs considered that the information provided by Changchun FAW was reliable and suitable for purposes of calculating normal value under s. 269TAC(2)(c).

In the Changchun FAW Verification Report Customs prepared a preliminary normal value calculation. As noted at the front of the report, the preliminary calculation was subject to review and did not necessarily reflect Customs' final position.

In the Changchun Verification Report, Customs calculated the cost of production of demountable rims exported to Australia from China during the investigation period by Changchun FAW using Changchun FAW's verified cost of production or manufacture.

To calculate SG&A, Customs examined the verified 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.

To calculate a profit for Changchun FAW Customs referred to s. 269TAC(5B), which directs that the amount for profit must be worked out in accordance with the regulations. The relevant regulation is Customs Regulation 181A(3).

By reference to Customs Regulation 181A(3)(a), Customs examined Changchun FAW's domestic sales of wheels to identify domestic sales of the same general category of goods. Customs established that Changchun FAW's domestic sales of wheels fell into three categories:

- *Category 1* (flat base formed wheels, tubed),
- *Category 2* (spin forming wheels, tubeless), and
- *Category 3* (passenger vehicle wheels).

Category 2 included truck and trailer disc wheels and demountables. Customs considered that domestic sales of *Category 2* goods were representative of domestic sales of the same general category of goods sold by Changchun FAW. However sales in *Category 2* were unprofitable. Customs considered that to calculate an amount for profit Regulation 181A(3)(a) could not be used.

Customs then referred to Customs Regulation 181A(3)(b). However as there were no sales identified by Customs of like goods in the domestic market by other exporters or producers this Regulation was not able to be used.

Accordingly, Customs then looked to determining a profit amount by reference to Customs Regulation 181A(3)(c), which specifies that any other reasonable method should be used having regard to all relevant information. Regulation 181A(3)(c) is subject to Regulation 181A(4) which requires that for the subject exporter the amount by which the profit worked out exceeds the amount of profit normally realised by other exporters or producers the excess must be disregarded. Regulation 181A(5) is also applicable as it provides that any information considered to be unreliable may be disregarded.

Customs firstly considered two methods of calculating profit for application to the constructed cost to make and sell demountable rims by Changchun FAW under s. 269TAC(2)(c)(ii). The methods considered were:

- the amount of profit that another cooperating producer, Jining Centurion, achieved from the same general category of goods in the domestic market in China; and
- information relating to the performance of the metal products industrial sector (12.8%) and the transport equipment sector (15.2%) in China.

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 Jining Centurion for the same general category of goods. In accordance with Customs Regulation 181A(4), for the purpose of the preliminary normal value calculation in the Changchun Verification Report, Customs therefore used the lower rate of profitability realised by Jining Centurion for the same general category of goods to determine an amount for profit in constructing the normal value under s. 269TAC(2)(c).

Exporter submissions

Changchun FAW's consultant lodged a submission disagreeing with Customs' method for calculating profit as reflected in the Changchun FAW Verification Report. A non-confidential copy of the submission was placed on the public record on 20 October 2008. Changchun FAW submitted that profit should be calculated on the basis of the verified actual profit realised by Changchun FAW in the narrowest range of goods of the same general category sold in the domestic market.

In addition, Changchun FAW provided Customs with confidential financial information and other explanations about its business rationale relating to the sale of *Category 2* goods in the Chinese market.

Customs' assessment of submissions

Customs responded to the exporter's submissions by letters dated 16 October 2008 and 27 October 2008. Non-confidential copies of the letters were placed on the public record.

Customs considered that the exporter's submissions contained merit. Customs reviewed the approach that had been used in the Changchun FAW Verification Report for calculating an amount for profit.

Customs had established that over the course of the investigation period Changchun FAW's domestic sales of *Category 2* 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.

Customs concluded that it was not reasonable 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.

Despite discounting 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), Customs considered 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). Using this third method, Customs considered that a zero amount for profit was reasonable.

SEF

Customs advised in the SEF that it had reviewed and changed the method that had been used in the Changchun FAW Verification Report for calculating an amount for profit in constructing the normal value under s. 269TAC(2)(c). While the amounts that had been calculated for cost of production and SG&A in the Changchun FAW Verification Report remained the same in the SEF, the amount calculated for profit was changed in accordance with the considerations outlined in the preceding section. A zero profit was included in the constructed normal value.

In the SEF, Customs noted the criticality of this decision and the notional aspects to the determination and decided, on balance, that this revised method was considered more reasonable than the method that had been used for the Changchun FAW Verification Report. Customs commented that important to this consideration was the fact that Jining Centurion and Changchun FAW had materially different cost structures, and consequently the notional application of one company's profit to the others' CTM&S may not be appropriate.

Customs also took account of a number of other relevant considerations. 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 would result in a less reasonable determination. It was also the case that Changchun FAW submitted an adequate business rationale, taking account of the uniqueness of the Chinese tube and tubeless wheel markets, which explained the losses in their *Category 2* sales.

Submissions to the SEF

Following publication of the SEF, Customs received submissions from Australian industry addressing the calculation of normal value and, in particular, the amount of profit. The submissions are summarised in Chapter 10 of this report and all matters raised in the submissions were considered by Customs in the preparation of this report. The issues in the submissions are summarised by the following points:

1. The cost and other information provided by Changchun FAW was uncertain and unreliable, and because of this Customs should consider alternative ways of ascertaining normal values, such as those used by the Indian or South African anti-dumping authorities in investigations concerning wheel exports from China.
2. The method used by Customs for calculating the amount for profit should be the method that had been used for purposes of the Changchun FAW Verification Report. The industry said that Customs is required to calculate an amount for profit and should not make a:

“subjective assessment of the constructed normal value with other producers or speculate on the commercial applicability of that constructed normal value”.

3. There is clear indication in Customs’ policy that the intention of the Customs Act is to include a positive profit to calculate a meaningful normal value. The industry submitted that this interpretation was supported by Article 2.4 of the Anti-Dumping Agreement. Thus, industry said, the profit rate of zero used by Customs was incorrect, outside of the provisions of the Customs Act and has resulted in a normal value calculation that is unreasonable. The industry asserted that anti-dumping legislation was not intended to make Australian industry compete with an exporter who exported to Australia at no profit.

Customs’ assessment of submissions

1. No evidence was provided by Australian industry that specifically demonstrated that Changchun FAW’s information was unreliable. The assertions were based on industry’s estimates, using sources such as its own costs, relevant industry publications, and third party information in China, of what manufacturing costs should be in China. As mentioned earlier, Customs visited Changchun FAW in China to verify the information that Changchun FAW had provided to the investigation. Verification included examination of the general ledger and management accounts and checking of relevant data against source documentation. Customs was satisfied that the information given was reliable. While some of the verified data differs from Australian industry’s estimates this variation is not of itself sufficient reason to regard the verified Changchun FAW data as unreliable.

Section 269TAC(6) provides that normal value be determined by having regard to all relevant information, which may include information similar in nature to that used by the Indian and South African anti-dumping authorities. However s. 269TAC(6) may only be used where the Minister is satisfied that sufficient information has not been furnished or is not available to enable the normal value of goods to be ascertained under the preceding subsections of s. 269TAC. Customs is satisfied that this is not the case with regard to Changchun FAW.

2. Regulation 181A(3)(c) directs that in working out an amount for profit regard must be had to relevant matters to ensure that the method used is reasonable. Customs considers that this includes having regard to the cost structures of Changchun FAW and Jining Centurion. For example, it would not be reasonable to apply a rate of profitability achieved by a producer with low costs to another producer that has higher costs when price is an important factor in purchasing decisions for the particular goods sold by the producers.
3. “Profit” is not defined in the legislation. Customs does not consider that the Act precludes using a zero profit amount in calculating normal value.

Both s. 269TAC(1) and s. 269TAC(13) indicate that there may be circumstances where a zero profit amount may be applicable when calculating normal value.

Customs acknowledges that there are a range of options for working out the amount of profit for s. 269TAC(2)(c)(ii) purposes. Customs reviewed all submissions made by the exporter and Australian industry and concluded on the basis of all relevant information that, on balance, the method as described above and in the SEF is the most reasonable method having regard to all the circumstances.

Recommendations

Customs recommends the Minister

- be satisfied that the normal values for goods exported to Australia by Changchun FAW cannot be ascertained under s. 269TAC(1);
- determine the normal value of goods exported to Australia by Changchun FAW under s. 269TAC(2)(c);
- be satisfied, for the purpose of Customs Regulation 181A, that it is not possible to work out the amount for profit by using data relating to the production and sale of like goods by the exporter or producer of the goods in the ordinary course of trade;
- work out the amount of profit by using any other reasonable method and having regard to all relevant information, in accordance with Customs Regulation 181A(3)(c). As the amount of profit worked out under Customs Regulation 181A(3)(c) did not exceed the amount of profit normally realised by other exporters or producers, Customs Regulation 181A(4)(b) was not relevant; and
- in order to establish normal value properly comparable to export price, make adjustments under s. 269TAC(9) to account for the differences in circumstances between domestic and export sales for advertising, warehousing and after sales service expenses.

7.5.2 Dongshen

Customs received limited cooperation and information from Dongshen. Customs considered that the information provided by Dongshen was incomplete and the information was not verified by Customs.

Customs recommends that the Minister

- be satisfied that sufficient information has not been furnished or is not available to enable the normal value of goods to be ascertained under s. 269TAC(1) or s. 269TAC(2), and

- determine the normal value of the goods exported to Australia from China under s. 269TAC(6), having regard to all relevant information.

7.5.3 Other exporters

Customs did not receive information from other exporters.

Customs recommends that the Minister

- be satisfied that sufficient information has not been furnished or is not available to enable the normal value of goods to be ascertained under s. 269TAC(1) or s. 269TAC(2), and
- determine the normal value of the goods exported to Australia from China under s. 269TAC(6), having regard to all relevant information.

Details of applicable Normal Values are at **Confidential Attachment 2** and details of adjustments are at **Confidential Attachment 3**.

7.6 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. Customs recommends the Minister determine dumping margins 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:

Exporter	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 exporters	269TAB(3)	269TAC(6)	54.6% to 239.1%

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

Details of applicable Dumping Margins are at **Confidential Attachment 4**.

7.7 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 was not negligible in terms of s. 269TDA(4).

8 ECONOMIC CONDITION OF THE INDUSTRY

In the application, Australian industry claimed that material injury caused by dumped imports from China commenced from the beginning of 2006. The industry said that while there had been imports from China in the market for some time before 2006, since 2006 the volume of dumped imports had increased substantially, causing material injury to the industry.

Customs examined data for the period 1 January 2005 to 31 March 2008 to assess Australian industry's claims.

8.1 Applicant's Claims

Arrowcrest, the applicant, claimed material injury from:

- lost sales and 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.

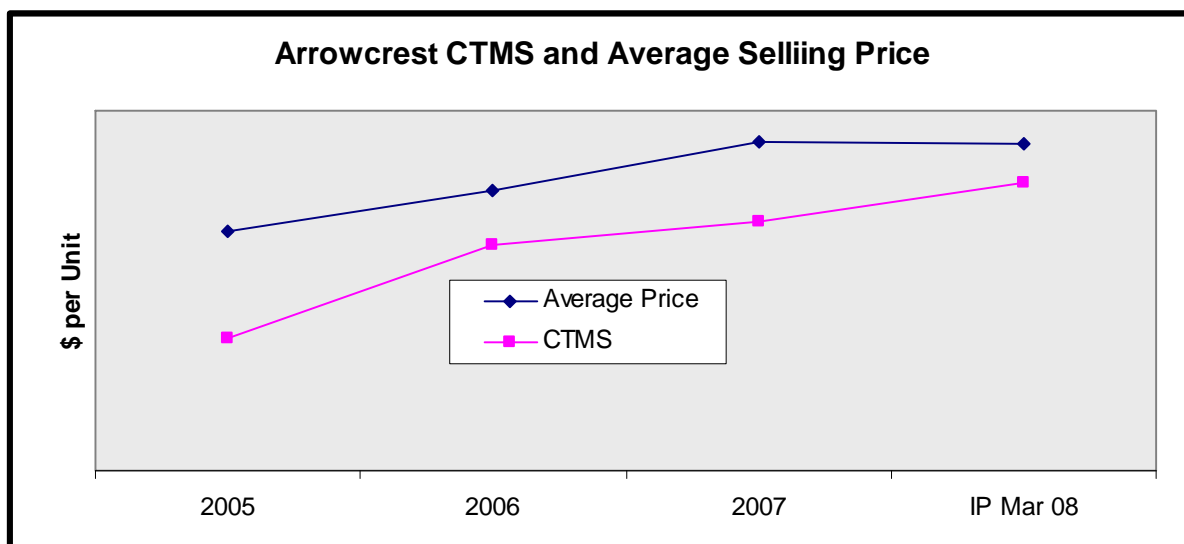
(Note that in the following graphs the 'Year' is a calendar year and 'IP Mar 08' refers to the investigation period.)

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 which would otherwise have occurred, for example due to 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 shows that Australian industry's annual average selling prices have increased over the period, thereby demonstrating that Australian industry has not experienced price depression.

However, the data also shows that there has been a reduction in the margin between annual average selling prices and costs, thereby demonstrating that Australian industry has experienced price suppression. This has become more notable during the investigation period.

Customs considers that Australian industry has experienced 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 Australian industry's claims of material injury caused by dumped imports.

Arrowcrest claimed in the application that its loss of production, sales volumes and profitability is a direct result of price undercutting in the range of 25% to 29% by the importers of demountable rims from China.

Arrowcrest also claimed that two importers and distributors, Stonestar and Mullins, are now the predominant suppliers of demountable rims in Australia, both importing from China. Arrowcrest said it had been undercut by both suppliers, although Stonestar's prices have tended to be the lowest in the market.

Arrowcrest provided details, in the application, of examples of price undercutting in Queensland, Victoria and Western Australia. These details included file notes and copies of emails detailing pricing negotiations, and competitors' pricelists.

To analyse price undercutting, Customs used verified sales data from Arrowcrest and cooperating importers, and data from importers who had provided relevant sales information but were not visited. To determine into-store prices for non-cooperating importers who imported the goods for their own use Customs used verified and unverified information from exporters, supported by information from Customs' commercial database.

Customs examined prices in the both 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 only the verified data, Customs found that the prices of the Chinese imports undercut Arrowcrest's prices throughout the investigation period, although the amount of price undercutting was less than that claimed by Arrowcrest.

Using data from exporters and 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.

Details of Customs' undercutting analysis are at **Confidential Attachment 5**.

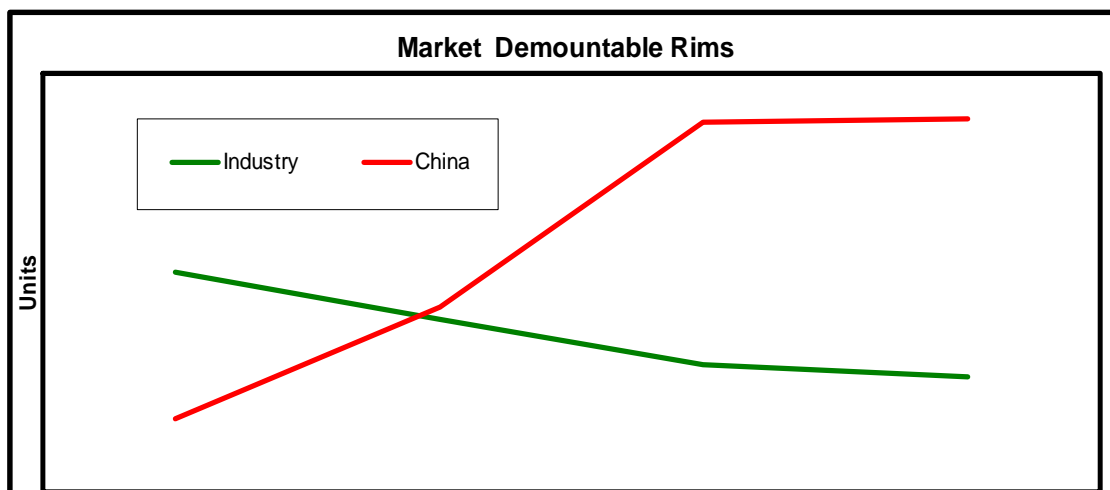
8.3 Volume effects

As described 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

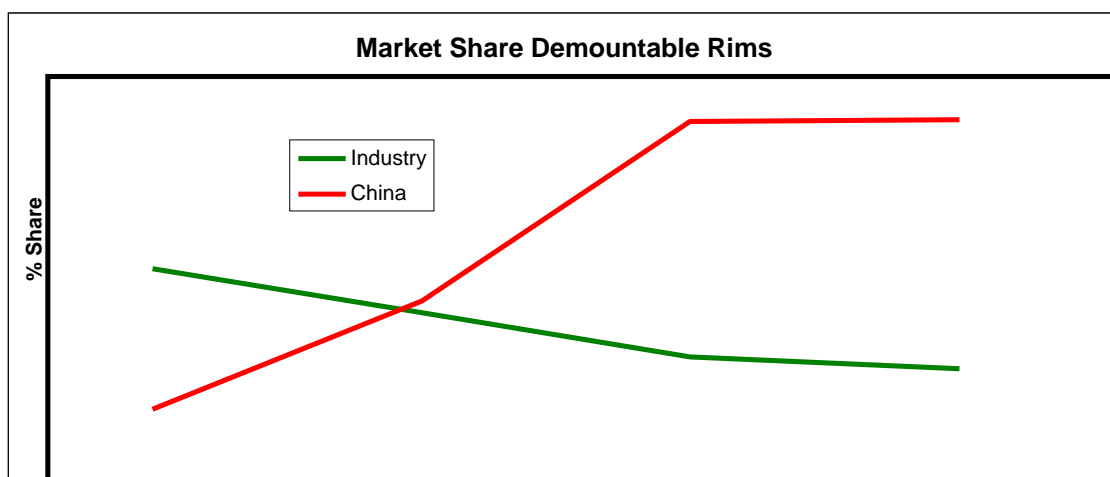
Australian industry's sales volumes have been steadily declining over the injury period. Sales of imports from China have significantly increased over the period.



Customs considers that Arrowcrest has experienced 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.

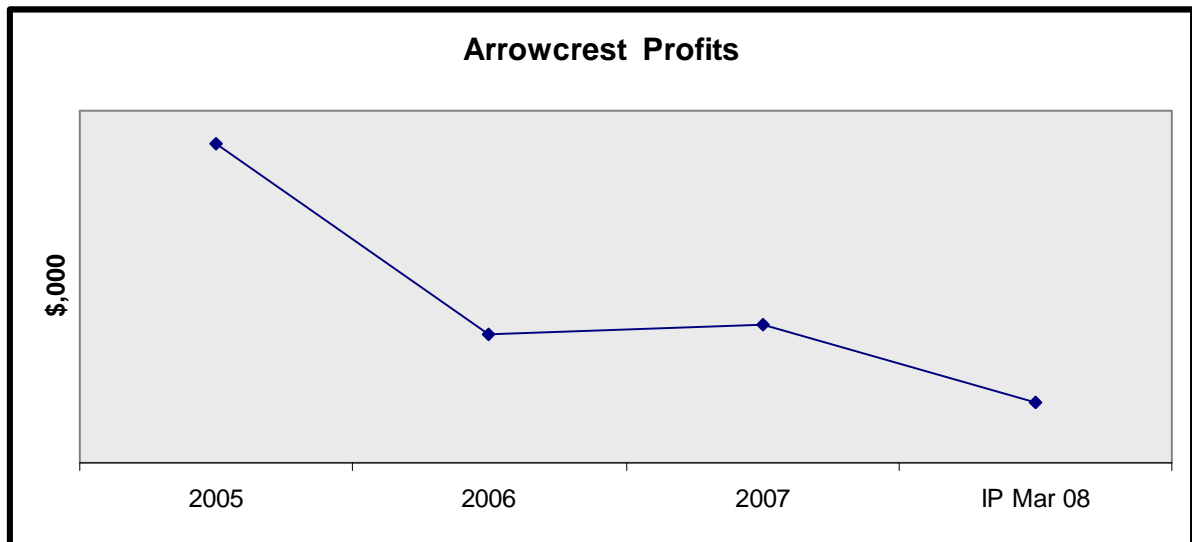


Customs considers that Australian industry has experienced injury from lost market share.

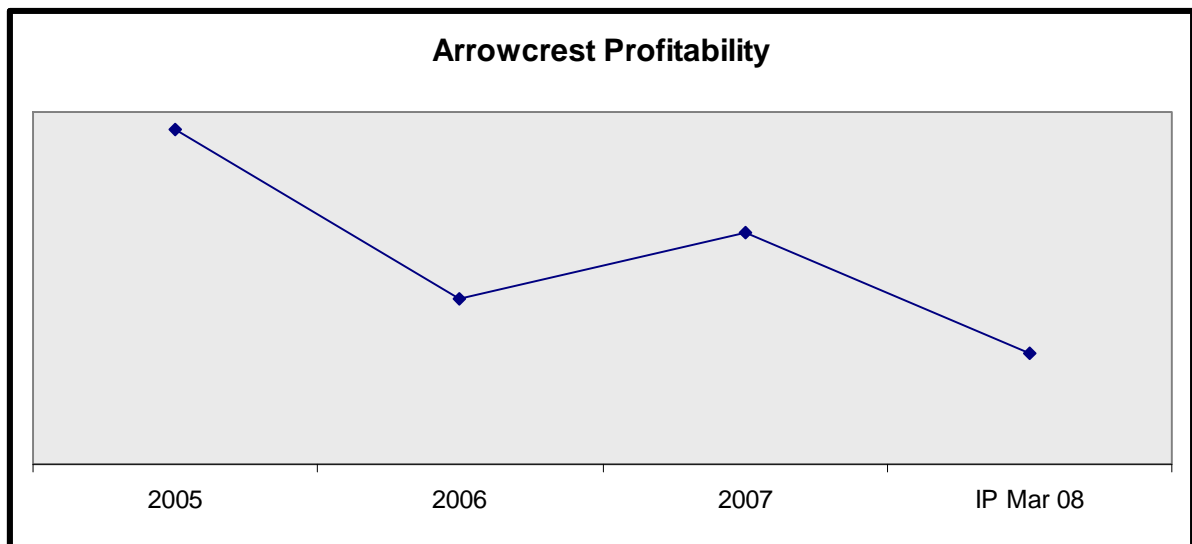
Details of Customs' market analysis are at **Confidential Attachment 6** and Customs injury analysis are at **Confidential Attachment 7**.

8.4 Profit and profitability

As the following graph demonstrates, Australian industry's profits have declined across the injury period, in line with decreasing sales volumes. There was a small recovery in profits in 2007 compared with the previous year, but profits further declined during the investigation period.



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



Customs considers that Australian industry has experienced injury from reduced profits and profitability.

8.5 Other factors

The applicant claimed that increases in imports from China have also resulted in injury to the Australian industry from:

- 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.

8.5.1 Production and capacity utilisation

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

Mar qtr 05	Jun qtr 05	Sep 05	Dec qtr 05	Mar qtr 06	Jun qtr 06	Sep 06	Dec qtr 06	Mar qtr 07	Jun qtr 07	Sep 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 provided by Arrowcrest relating to wages amounts and personnel numbers supports this claim.

8.5.3 Reduced stock holdings and

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.

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

8.5.4 Service support for customers

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

8.5.5 Reduced return on capital employed

The decline in profits and profitability (refer section 8.4 of this report) have had the effect of significantly reducing the return on capital employed.

8.6 Customs' assessment

Customs considers that Australian industry has experienced material injury from:

- price suppression;
- 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 Chapter Customs considers whether dumping has caused material injury to the Australian industry. Customs also considers other possible causes of injury to the industry.

9.1 PAD

On 5 November 2008 Customs published a notice in *The Australian* newspaper advising that the CEO had made a PAD in relation to demountable rims exported to Australia from China. The notice stated that Customs would require and take securities under s. 42 in respect of any interim duty that may become payable in respect of demountable rims from China imported on or after 5 November 2008.

Customs' PAD report was placed on the public record on 5 November 2008.

ACDN No. 2008/40 relating to the PAD was also published on 5 November 2008.

9.2 Australian industry's claims

Australian industry 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 (the industry estimated around 65,000 rims annually) and had remained relatively steady since 2005.

Australian industry claimed that:

- Coinciding with the import of significantly 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 volumes 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 Australian industry'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.

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

Australian industry 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.
- The industry has a long history of stable industrial relations and have not experienced any industrial problems or shut downs associated in its manufacturing operations.
- The industry's production technology is state of the art and is as advanced as any similar production process overseas.
- 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 Australian industry as industry uses the same plant to produce both products and can simply switch production from one product to the other as required.

The applicant stated that if Chinese-sourced demountable 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.

9.3 Importer's claims

Mullins provided a submission to the investigation that refuted Australian industry'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 OEM trailer manufacturing market and the aftermarket, not the OEM 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.

9.4 Customs assessment of claims

Customs discussed dumping in Chapter 7 of this report and concluded 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 within the range of 2.1% to 239%.

Customs discussed injury in Chapter 8 of this report and concluded that the Australian industry had experienced 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, including:

- the application; and
- submissions received to which Customs has had regard for the purpose of formulating the SEF; and
- the SEF; and
- any submission made in response to that statement that was received by Customs within 20 days after the placing of the statement on the public record; and
- submissions made in response to the SEF after 20 days of the SEF being placed on the public record except where to do so would have prevented the timely preparation of this report; and
- any other matter Customs considered to be relevant.

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 in order 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. Data verified by Customs supported this claim.

The effect of the industry's decision was that Australian industry's sales volumes declined significantly over the injury period as buyers turned to the cheaper Chinese imports. The relationship between industry's pricing decision and sales volumes is illustrated in the relevant graphs in Chapter 8 of this report. 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 industry's market share fell across the injury period, while 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 Australian industry's prices were undercut by Chinese imports (refer section 8.2.3). 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.

9.5 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.

9.5.1 Volume and prices of goods not dumped

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

Customs also considers that these goods undercut Australian industry's 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. They also have a minor share of the market.

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

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

9.5.2 Contractions in demand/changes in consumption patterns

It was 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. The 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.

9.5.3 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.

9.5.4 Developments in technology

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

9.5.5 Export performance and productivity of the Australian industry

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

9.6 Conclusion concerning dumping and material injury

Customs is satisfied that:

- price is a key consideration when purchasing demountable rims.
- demountable rims imported from China and sold at dumped prices that also 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 material injury.

9.7 Will dumping and material injury continue?

In the case where the Minister is satisfied that dumping has caused material injury to an Australian industry, anti-dumping measures may be imposed on future exports of the goods only if the Minister is also 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.

As required by s. 269TEA(2) Customs examined import data for like goods not covered by the application but imported into Australia during the period starting on the date of initiation of the investigation and ending 20 days after the SEF was placed on the public record. The data indicates that imports of demountable rims from China have continued in substantial quantities during the period.

Based on the evidence Customs is satisfied that:

- imports of demountable rims from China are likely to continue;
- pricing behaviour of these imports is unlikely to change in future, and therefore dumping is likely to continue; and
- the dumped imports of demountable rims from China are likely to continue to cause material injury to the Australian industry.

10 SUBMISSIONS IN RESPONSE TO THE SEF

Trade Measures SEF No.142 was placed on the public record on 24 October 2008. Interested parties were invited to make submissions responding to the SEF by 13 November 2008. Submissions were received from:

- Arrowcrest; and
- Wuhan.

The submissions are at **Confidential Attachment 9**. Non-confidential versions of all submissions were placed on the public record.

In addition to its submissions, Arrowcrest requested a meeting to discuss the SEF. The meeting was held in Canberra on 10 November 2008. Minutes of the meeting were placed on the public record.

10.1 Issues raised in submissions

10.1.1 Arrowcrest

Arrowcrest directly lodged submissions dated 7 November 2008 and 13 November 2008 within the time specified. The main points in the submissions were:

- The suggestion put by Changchun FAW that it is usual for Changchun FAW to sell at no profit, or at a loss, does not mean that such unusual practice is normal. In determining a normal value for Changchun FAW, Changchun FAW's unusual practice of selling at a loss and labelling this as normal needs questioning.
- Changchun FAW appears to be misconstruing how Customs Regulation 181A should be applied to Changchun FAW and this definition of 'normality' is at odds with how other anti-dumping administrations would define a normal value in the ordinary course of trade.
- The proposal that Changchun FAW's domestic business practice constitutes normal or fair behaviour is inconsistent with the Anti-Dumping Agreement (Agreement) in that the Agreement cannot reasonably expect companies to compete with an exporter who's claimed usual practice is to sell at no profit or a loss in the domestic market.
- Regulation 181A addresses determination of an amount for profit and does not address or purport to address determination of loss. If it were otherwise, there would be no point in having anti-dumping legislation because it would be impossible to remedy any injury caused by anyone who simply claimed that selling at a loss in their domestic market was his or her usual practice and that this, in itself, established and constituted normality.

- Customs should review the normal value and dumping calculations in the SEF and revert to the profit amounts used earlier by Customs in the Changchun FAW normal value visit report.
- While Changchun FAW purports to be one of the largest producers of wheels in China, able to obtain lowest priced steel and with the costing advantages of high production volumes, it claims to sell at a loss in the domestic market. On the other hand Jining Centurion, a much smaller producer with less purchasing power and higher overheads per wheel, is able to sell wheels at a profit in the domestic market. There may be cost and profit shifting with Changchun FAW activities.
- Arrowcrest had demonstrated to Customs what should be a constructed normal value for Changchun FAW. The data supplied by FAW Changchun, and used by Customs, was unreliable. Arrowcrest assesses that the dumping margin should be in the order of 45%, a figure consistent with dumping margins assessed by the Indian (46.89% to 63.01%) and South African (56%) dumping administrations. Against these calculations, Customs' assessment of 2 - 7% is extremely difficult to comprehend or accept.
- Both the South African and Indian investigations constructed normal values for the co-operating Chinese exporter (which was not Changchun FAW) and in each instance a profit was added. For the Indian investigation, data provided for the China domestic industry was assessed to be unreliable and uncertain and India was used as a surrogate country.
- There is an alarming level of uncertainty about Changchun FAW's data and other claims so Customs should adopt an alternative method, such as the methods used in the Indian and South African investigations, for determining a fair and reasonable normal value based on reliable data.

Arrowcrest, through a consultant, lodged further submissions dated 7 November 2008, 13 November 2008 and 18 November 2008. Although the latter submission was outside the due date for submissions to the SEF Customs did not consider that having regard to this submission would delay the timely preparation of this report. Customs therefore had regard to this submission. The main points in these submissions were:

- The profit rate of zero used by Customs in the constructed normal value for Changchun FAW was incorrect, outside of the provisions of the Customs Act and has resulted in a normal value calculation that is unreasonable.
- There is clear indication in Customs' policy that the intention of the Customs Act is to include a positive profit to calculate a meaningful normal value. This interpretation is supported by Article 2.4 of the Anti-Dumping Agreement.
- The Customs Act's clear focus is on the establishment of a profit and not a break-even or zero profit. Section 269TAC(2)(c)(ii) indicates a situation where a profit amount should not be included, but it does not specify a break-even or zero profit.

- Customs advised that it had used s. 269TAC(13) as guidance for using zero profit in its normal value construction for Changchun FAW. However s. 269TAC(13) is not relevant and provides no guidance, and the relevant provision is s. 269TAC(5B) which refers in positive terms to the amount for profit worked out in a constructed normal value.
- Customs needs to be very careful with how it is using the Customs Act as “guidance” when it is, in effect, overriding what the Customs Act is telling Customs to do.
- The method used by Customs in calculating an amount for profit in the Changchun FAW verification visit report was in accordance with Regulation 181A(3)(c) in that the method was reasonable and the information used was relevant.
- Profitability by definition has to be “positive”, that is the Customs Act refers to profit in a positive sense. In this context Customs should use actual profit information before it to calculate an amount for profit, rather than using information to justify a zero profit.
- It is unreasonable to interpret Regulation 181A in such a way that Changchun FAW’s normal value should have a zero amount of profit because of Changchun FAW’s higher costs. It would be more reasonable to question whether or not Changchun FAW’s costs are reliable.
- Customs’ change in the method for calculating a profit amount between the normal value visit report and the SEF was based on finding materially differing cost structures between Changchun FAW and Jining Centurion. Customs is required to calculate an amount of profit in the constructed normal value for Changchun FAW. It is outside of Customs’ role to make a subjective assessment of the constructed normal value with other producers or to speculate on the commercial applicability of that constructed normal value.

10.1.3 Wuhan

Wuhan, through its consultant, lodged submissions dated 24 October 2008 and 6 November 2008.

The first submission was lodged prior to the PAD made on 5 November 2008 and dealt with the structure of any provisional measure.

The second submission was lodged subsequent to the PAD and dealt with the calculation of the measures applicable to Wuhan.

10.2 Customs’ assessment of submissions

Issues raised in the submissions have been considered by Customs and, where appropriate, covered in the relevant section of the report. As mentioned earlier, Customs met with Arrowcrest and its consultants in Canberra on 10 November 2008 to discuss the Australian industry’s concerns. Minutes of

the meeting were prepared and placed on the public record. A copy of the minutes is included with the submissions at **Confidential Attachment 9**.

11 ANTI-DUMPING MEASURES

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 (USP). From the USP, the costs incurred in importation are deducted until a notional selling price at an FOB level is derived.

11.2 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 large 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. Therefore option one was not used.

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.

Customs notes that its proposed method for calculating the USP was outlined in the SEF and there were no submissions received expressing views about the proposed method.

11.3 NIP

The USP is equivalent to the landed duty paid into store cost of imports for end-users. To calculate the NIP, post FOB exportation costs such as ocean freight, costs incurred in Australia and an amount for importer's profit are 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
Importer's SG&A costs	45
Total post exportation costs	228
Less importer's profit	50
Non-injurious price	722

Details of applicable NIPs are at **Confidential Attachment 8**.

11.4 Interim Dumping Duties

An interim duty is collected on each importation of goods subject to anti-dumping measures.

In determining the amount of interim dumping duty payable, the Minister must ascertain an export price, a normal value and a non-injurious price for the goods. The interim duty is based on the difference between the ascertained export price and the lower of the ascertained normal value and the ascertained NIP.

An importer can apply for repayment of any interim duty paid in excess of the actual duty liability. An affected party can seek a review of the interim duty.

In submissions lodged subsequent to the SEF (refer section 10.1.3) the representative of Wuhan, Mullins and Changchun FAW expressed concern that in applying measures to the trading intermediary, Wuhan, Customs was applying the percentage dumping margin calculated for Changchun FAW rather than the flat monetary amount.

Customs responded to this concern by letter in which Customs indicated that it was appropriate to apply the percentage dumping margin in most circumstances. Customs acknowledged that there may be situations, such as those indicated in the letter, where it was appropriate to apply a flat monetary amount. However it was up to the intermediary to demonstrate to Customs why a percentage margin was not appropriate in its particular circumstances. A copy of Customs' letter to the representative was placed on the public record.

11.5 Price undertaking

As an alternative to imposing dumping duty the Minister may accept price undertakings from exporters. An undertaking is an agreement by the exporter to conduct future trade in a manner that will avoid causing material injury to the Australian industry producing like goods.

The Minister may accept an undertaking from an exporter at any time after Customs has made a PAD in respect of goods the subject of the anti-dumping application. By accepting an undertaking in terms of s. 269TG(4) the Minister defers his decision to publish or not to publish a dumping duty notice covering that exporter.

In considering the terms of any proposed undertaking the Minister must have regard to the desirability that any price increase to which the price undertaking relates is limited to an amount such that the total price of the goods is not more than the NIP of the goods (refer s. 269TG(5)).

Customs is satisfied that exports to Australia of demountable rims by certain exporters from China have caused material injury to the Australian industry producing like goods.

Changchun FAW has provided a price undertaking for the Minister's consideration. The undertaking contains several conditions including the following:

- the undertaking takes effect from the date of public notification given in accordance with s. 269TG(6);
- Changchun FAW agrees to conduct its future trade to Australia in the goods so that exports will not be at prices that will cause or threaten to cause material injury to the Australian industry producing like goods;
- Changchun FAW agrees not to sell the goods for export to Australia at a price less than that specified in the undertaking;
- Changchun FAW agrees not to circumvent the undertaking;
- Changchun FAW will provide certain specified information in relation to the undertaking, and will allow the verification of that information; and
- The undertaking may need to be changed from time to time and it may be necessary to enter into a new undertaking.

Prior to receiving the price undertaking Customs advised the Australian industry that an exporter had indicated that it may offer such an undertaking to the Minister. Customs sought the industry's views on this prospect.

Australian industry expressed concern that the price undertaking may be offered in Australian dollars, and because regional steel prices are usually priced in US dollars the worth of the undertaking in removing injury may be undermined if steel prices fluctuate. The industry therefore requested that the price undertaking not be accepted.

Customs has examined the price undertaking offered and is satisfied that the terms of the undertaking are adequate to remove the injury to which the application is addressed so far as Changchun FAW is concerned. Customs considered the Australian industry's submission and has ensured that the price undertaking is not expressed in Australian dollars.

Customs therefore recommends that the Minister accept the price undertaking offered by Changchun FAW in respect of future exports of demountable rims to Australia.

12 RECOMMENDATIONS

Customs recommends the Minister impose anti-dumping measures in respect of demountable rims and like goods exported from China to Australia by certain exporters from China.

Customs recommends that the Minister is satisfied:

- in accordance with s. 269TAB(3), that sufficient information has not been furnished or is not available to enable the export price of demountable rims exported to Australia from China by exporters other than Jining Centurion and Changchun FAW, to be ascertained under the preceding subsections of s. 269TAB;
- in accordance with s. 269TAC(6), sufficient information has not been furnished or is not available to enable the normal value of demountable rims exported to Australia from China by exporters other than Jining Centurion and Changchun FAW, to be ascertained under the preceding subsections of s. 269TAC;
- in accordance with s. 269TACB(2), the weighted average of export prices of demountable rims over the investigation period is less than the weighted average of corresponding normal values over the investigation period in respect of exports of the goods by all Chinese exporters except Jining Centurion;
- in accordance with s. 269TG(1), the amount of the export price of demountable rims that has been exported to Australia by all exporters from China except Jining Centurion, is less than the amount of the normal value of those goods and because of that, material injury to the Australian industry producing like goods has been, or is being caused;
- security has been taken under section 42 in respect of any interim duty that may become payable on the goods under section 8 of the Dumping Duty Act because material injury to an Australian industry producing like goods would or might have been caused if the security had not been taken; and
- in accordance with s. 269TG(2), the amount of the export price of demountable rims already exported to Australia by all exporters from China except Jining Centurion and Changchun FAW, is less than the amount of the normal value of those goods, and the export price of the goods that may be exported to Australia by those exporters from China in the future may be less than the normal value of the goods and because of that, material injury to the Australian industry producing like goods has been, or is being caused.

Customs recommends the Minister determine:

- in accordance with s. 269TAB(3), having regard to all relevant information, the export price of demountable rims exported from China by exporters other than Jining Centurion and Changchun FAW;

- in accordance to s. 269TAC(2)(c), the cost of production for demountable rims by Changchun FAW, and on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade, determine the SG&A costs associated with the sale and the profit on the sale;
- in accordance with s. 269TAC(6), having regard to all relevant information, the normal value of demountable rims exported from China by exporters other than Jining Centurion and Changchun FAW;
- in accordance with s. 269TACB(2), by comparison of the weighted average of export prices during the investigation period and the weighted average of normal values during that period, that exports of demountable rims from China, except exports by Jining Centurion, were dumped.

Customs recommends the Minister direct:

- in accordance with s. 269TAC(8), the price paid or payable for like goods sold by Changchun FAW be taken to be such a price adjusted for differences in advertising, warehousing and after sales service between domestic and export sales to ensure fair comparison; and
- in accordance with s. 8(5) of the *Customs Tariff (Anti-Dumping) Act 1975*, that the element of interim dumping duty payable on demountable rims the subject of a notice under s. 269TG(1) or s. 269TG(2) be ascertained by reference to a measure of the quantity (by number) of those particular goods.

Customs recommends that the Minister accept:

- in accordance with s. 269TG(4), the undertaking offered by Changchun FAW that it will conduct future trade to Australia in like goods so as to avoid causing or threatening material injury to an Australian industry producing like goods and defer the decision to publish a dumping duty notice in respect of that exporter.

Customs recommends that the Minister declare:

- in accordance with s. 269TG(1), by public notice, that s. 8 of the *Customs Tariff (Anti-Dumping) Act 1975* applies to:
 - the goods exported by all exporters from China except Jining Centurion to the extent permitted by section 269TN; and
 - like goods that were exported to Australia by all exporters from China, except Jining Centurion, after the CEO made a preliminary affirmative determination under section 269TD on 5 November 2008 but before publication of the notice, to the extent permitted by section 269TN; and
- in accordance with s. 269TG(2), by public notice, that s. 8 of the *Customs Tariff (Anti-Dumping) Act 1975* applies to like goods that are exported to Australia by all exporters from China, except Jining Centurion and Changchun FAW, after the date of publication of the notice.

13 STATEMENT OF FACTS & EVIDENCE RELIED UPON

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

Topic	Chapter of report detailing facts relied upon	Evidence relied upon
Goods under consideration	4	Application for dumping duty notice; submissions from interested parties.
Like goods	5	Application from industry; submissions from interested parties.
Australian industry	5	Application and submissions from Arrowcrest Group Pty Ltd; internet and other research; information gathered during visits to interested parties.
Australian market	6	Information provided by the Australian industry, importers, exporters; past Trade Measures Reports; information on Customs commercial database.
Export price	7	Submissions from Australian industry and other interested parties; information gathered during visits to interested parties; and information on Customs' commercial database.
Normal value	7	Submissions from Australian industry and other interested parties; information gathered during visits to interested parties.
Economic condition of the industry	8	Information provided by the Australian industry; information gathered during visits to industry and other interested parties; submissions by interested parties; and information on Customs' commercial database.
Has dumping caused material injury?	9	The application; submissions by the Australian industry and other interested parties; information gathered during visits to interested parties; and information on Customs' commercial databases.

Will dumping and material injury continue?	9	The application; submissions from Australian industry and other interested parties; information gathered during visits to interested parties; information on Customs' commercial database
Anti-dumping measures	11	Submissions from the Australian industry and other interested parties; information gathered during visits to interested parties; and information on Customs' commercial database.

14 CONFIDENTIAL ATTACHMENTS

Confidential Attachment 1	Export price
Confidential Attachment 2	Normal values
Confidential Attachment 3	Adjustments
Confidential Attachment 4	Dumping margins
Confidential Attachment 5	Price undercutting analysis
Confidential Attachment 6	Market analysis
Confidential Attachment 7	Injury analysis
Confidential Attachment 8	USP, NIP
Confidential Attachment 9	Submissions responding to SEF
Confidential Attachment 10	Price undertaking