



**TRADE MEASURES BRANCH**

**CUSTOMS ACT 1901 - PART XVB**

**STATEMENT OF ESSENTIAL FACTS No 69**

**CONTINUATION INQUIRY - CERTAIN STEEL DEMOUNTABLE  
TUBELESS TRUCK WHEEL RIMS EXPORTED FROM  
THE REPUBLIC OF SOUTH AFRICA**

**11 March 2003**

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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
Customs	Australian Customs Service
FOB	free-on-board
Guestro	Guestro Wheels
IRCC	Import Rebate Credit Certificate
MIDP	Motor Industry Development Plan
Minister	Minister responsible for Customs
Mullins	Mullins Wheel Pty Ltd
NIFOB	non-injurious free-on-board price
OEM	original equipment manufacturer
SEF	statement of essential facts
the Act	the <i>Customs Act 1901</i>
the goods	the goods the subject of the application
TMRO	Trade Measures Review Officer
USP	unsuppressed selling price
WTO	World Trade Organization

## **2 PURPOSE OF STATEMENT OF ESSENTIAL FACTS**

Where the Australian Customs Service (Customs) undertakes a formal 155 day inquiry on dumping or countervailing matters, the *Customs Act 1901* (the Act) requires that a Statement of Essential Facts (SEF) be published by day 110 of the inquiry period. The SEF comprises the facts on which Customs proposes to base its recommendations to the Minister.

The purpose of a SEF is to allow interested parties the opportunity to comment on the essential facts in relation to an inquiry before a recommendation is made to the Minister.

In preparing its recommendation to the Minister, Customs is required to have regard to any submissions made in response to an SEF that are received within 20 days of the SEF being published. Customs is not obliged to have regard to any submission received after this period if, to do so, would prevent the timely preparation of the report to the Minister.

Submissions in response to the SEF may be sent (by pre paid post or delivered) to:

Director (Operations 2)  
Trade Measures Branch  
Australian Customs Service  
Customs House  
5 Constitution Avenue  
CANBERRA CITY ACT 2601; or

by facsimile on (02) 6275 6888; or

by email to [greg.weppner@customs.gov.au](mailto:greg.weppner@customs.gov.au)

Any submissions in response to this SEF should also include a non-confidential version for placement on the Public File.

This report is available on Customs' home page of the internet and may also be obtained by contacting Trade Measures office management on telephone number (02) 6275 6547.

**The deadline for submissions in response to this SEF is  
31 March 2003.**

## **3 INTRODUCTION**

### **3.1 Inquiry process**

Under section 269TM of the Customs Act, dumping and countervailing duty notices automatically expire five years after the date on which they were published, unless they are revoked earlier.

Section 269ZHB of the Customs Act stipulates that – not later than nine months before an anti-dumping or countervailing measure expires – Customs must announce that the notice is due to expire on a specified day and invite interested parties to apply to Customs within 60 days for the continuation of the measures. If no application for the continuation of the measures is received by Customs within the period allowed in the notice, the measures will automatically expire on the specified date.

If an application for continuation of an anti-dumping or countervailing measure is lodged and it complies with the legislative requirements, Customs must initiate a formal inquiry. Customs then has up to 155 days to inquire and report to the Minister on whether the measures should be continued.

Before recommending the continuation of the measures, Customs must be satisfied that the expiration of the measures would lead (or would be likely to lead) to a continuance of (or recurrence of) the material injury that the anti-dumping or countervailing measures were intended to prevent.

Where the Minister decides to continue anti-dumping or countervailing measures, the notice will remain in force after the specified date for a period of five years (unless the relevant notice is revoked before the end of that period).

Unlike the Minister's decision in relation to a dumping or countervailing investigation, the decision of the Minister in a continuation inquiry is not subject to review by the Trade Measures Review Officer (TMRO).

### **3.2 Public notification**

On 2 September 2002, Customs advertised in *The Australian* that the anti-dumping measures currently applying to exports of certain truck wheel rims from South Africa were due to expire on 24 June 2003. The notice invited interested parties to apply, within 60 days from the date of the notice, for the continuation of the measures.

On 30 October 2002, Arrowcrest Group Pty Ltd (Arrowcrest), trading as ROH Automotive Steel Products and ROH Wheels Australia, the sole Australian manufacturer of truck wheel rims, lodged an application requesting that the Minister continue the anti-dumping measures. The application claims that in the absence of anti-dumping measures, dumped exports of steel truck rims from South Africa would cause material injury to the Australian industry producing like goods.

Following consideration of the application, Customs announced the commencement of an inquiry on 21 November 2003 in *The Australian* and in Australian Customs Dumping Notice (ACDN) No 2002/55. The period of investigation was notified as 1 October 2001 to 30 September 2002.

During the inquiry, Customs undertook verification at the premises of the following companies:

Australian industry - Arrowcrest Group Pty Ltd  
Importer - Mullins Wheels Pty Ltd (Mullins)

Customs provided the South African exporter, Guestro Wheels (Guestro), with a questionnaire requesting information on the company's exports of truck wheel rims to Australia, cost to make and sell of truck wheel rims and production capacity utilisation. Guestro did not provide Customs with a completed questionnaire.

### **3.3 Goods under inquiry**

The goods under inquiry are 8.25 inch x 22.5 inch steel demountable tubeless truck wheel rims which are primarily used on heavy transport vehicles.

Truck wheel rims are an assembly of a moulded steel rim and a steel adaptor bar. The latter is a formed band welded to the rim against which the cast wheel or 'spider' on the vehicle's axle mates. The rim is held in place by clamps on the outer edge of the adaptor bar.

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

### **3.4 History of the measures**

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

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

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

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

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

Customs has not undertaken a review of the anti-dumping measures since the original measures took effect in 1998.

## **4 THE AUSTRALIAN INDUSTRY AND MARKET**

### **4.1 Production process**

Subsections 269T(2) and 269T(3) of the Customs Act specify that for manufactured goods to be regarded as produced in Australia:

they must be wholly or partly manufactured in Australia; and

where the goods have been partly manufactured in Australia, then at least one substantial process in the manufacture of the goods must be carried out in Australia.

The process of manufacturing truck wheel rims begins with steel sheet drawn from a roll and cut to size and rolled into the general shape of the rim. The join is welded and then the resulting loop of steel is put through a series of presses to shape the cross-section of the rim. Separately, the adaptor bar is cut to length and also rolled into a round shape before being welded. Once both adaptor bar and rim are at this stage, they are welded together, finished off and painted to complete the process.

Customs is satisfied that truck wheel rims produced in Australia meets the criteria set out in subsection 269T(2) and 269T(3) of the Act.

### **4.2 Like goods**

In the context of a dumping inquiry, subsection 269T(1) of the Customs Act defines “like goods” as follows:

“like goods”, in relation to goods under consideration, means 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.

Arrowcrest manufactures the ‘Rohdmate’ truck wheel rim which competes in the marketplace with the ‘Roadking’ rim exported from South Africa. Both truck wheel rims can be purchased in a black, chrome or silver painted finish, although Arrowcrest does provide rims in other colours in response to special orders.

On the basis of the evidence available from the current inquiry and previous inquiries, Customs is satisfied that Arrowcrest produces like goods to the goods exported from South Africa to Australia in terms of subsection 269T(1) of the Customs Act.

### **4.3 Industry structure**

Subsection 269T(4) of the Customs Act specifies that the Australian industry consists of the producer or producers of like goods in Australia.

Arrowcrest is the sole producer of like goods to the goods under consideration - as such Arrowcrest comprises the Australian industry.

Arrowcrest is a privately owned Australian company which commenced manufacturing and supplying parts in 1947 for the developing motor vehicle industry. Arrowcrest is now one of South Australia’s largest companies employing more than 1400 people worldwide.

The Arrowcrest Group is made up of the Automotive Division and the Industrial Division. The Automotive Division includes:

ROH Automotive Steel Products (which produces the truck wheel rims);

ROH Wheels Australia (the aftermarket distributor of truck wheel rims), and

ROH Australia light metal – produces one-piece aluminium wheels for original equipment manufacturers.

#### **4.4 The Australian market**

It is generally accepted that the Australian market for truck wheel rims is broken into the following four sectors:

Original equipment manufacturers (OEM's) of trucks;

Original equipment manufacturers (OEM's) of trailers;

Aftermarket equipment of trucks, and

Aftermarket equipment of trailers

Manufacturers of trucks include companies such as Volvo, Kenworth and International. Manufacturers of trailers include Freighter Australia, Maxi-Cube and Barker Trailers. Suppliers of aftermarket equipment to both trucks and trailers include Bridgestone, McLeod Tyres, Goodyear and Dunlop & Olympic Tyres.

Sales to OEM's of both trucks and trailers tend to involve longer-term contracts or sales agreements. They may also include the provision of other equipment, such as free or discounted valves, as part of the package.

##### Market size

Mullins has claimed that the market for truck wheel rims in Australia is diminishing in size with a move away from truck wheel rims to disc wheels. This is attributed to an increase in imported trucks sourced from Asia and Europe, where disc wheels are standard fitments.

Using verified sales information collected from both Arrowcrest and Mullins, Customs has examined the Australian market for truck wheel rims over the period 1999 to 2002.

Customs' analysis indicates that the Australian market for truck wheel rims contracted by less than 10% in 2000/01 and then expanded by over 20% in the following year.

## **5 THE ECONOMIC PERFORMANCE OF THE INDUSTRY**

### **5.1 Applicant's claims**

Arrowcrest claimed in its application that the Australian industry was not currently suffering material injury. It sought to demonstrate that since the introduction of anti-dumping measures in 1998, its economic performance has improved as a result of increased selling prices, increased sale volumes and increased market share. It also claimed that the price undertaking had the effect of turning around Arrowcrest's financial position from a net loss in 1997/98 to net gains in 1998/99 through to 2001/02.

Arrowcrest further claimed that expiration of the measures would result in lower export prices from Guestro and reduced selling prices into the Australian market from Mullins, thereby leading to a recurrence of material injury.

### **5.2 Customs' analysis**

As the Australian market for truck wheel rims comprises only two sellers, Arrowcrest and Mullins, Customs' analysis provides only an indication of the movements in the economic factors listed below. It does not indicate the magnitude of the movements as Customs considers this information to be confidential in the circumstances.

#### Price trends

Based on verified sales information of truck wheel rims provided by the Australian industry, Customs has analysed the movement in the Australian industry's domestic net unit selling prices.

The data shows that prices increased between 1999 through to 2001 and then decreased slightly in the investigation period.

#### Price undercutting

Mullins suggested that any price undercutting analysis should differentiate between the two sectors of the market, OEM's and the aftermarket. Mullins suggested this was required, as it believed that Arrowcrest's prices differed between the sectors.

Both Arrowcrest and Mullins sell truck wheel rims into both sectors of the market. Therefore, Customs has calculated a single weighted average selling price for truck wheel rims for both Arrowcrest and Mullins during the investigation period. The analysis shows that Arrowcrest's prices were the lowest in the Australian market.

#### Volume trends

Customs used verified sales information to examine the domestic sales volume of truck wheel rims by the Australian industry over the period 1999 to the year ending September 2002.

Analysis shows that volume fell from 1999 to 2000 and remained steady into 2001. Sales volume increased in 2002 ending September quarter, with the

total volume over the investigation period being above the level reached in 1999.

#### Market shares

Using sales information collected from Arrowcrest and Mullins, Customs has calculated market shares from 1999/00 to 2001/02. Analysis shows that Arrowcrest increased its market share from 1999/00 to 2001/02.

#### Profit and profitability

Customs calculated Arrowcrest's profit and profitability using verified revenues and costs applicable to domestic sales of truck wheel rims. Analysis of the information shows that sales of truck wheel rims have been profitable from 1999 through to 2002.

Customs notes that before anti-dumping measures were imposed, the Australian industry was in a net loss position.

The industry's profit, as a proportion of sales revenue, has fluctuated over the past four years in line with increased sales performance.

## **6 THREAT OF DUMPING**

### **6.1 Applicant's claims**

Arrowcrest claimed that removal of the undertaking would allow Guestro to resume exporting truck wheel rims to Australia at dumped prices. The bases for these claims are:

Guestro continues to receive rebates from the South African steel industry on purchases of steel used in the manufacture of exported goods to Australia;

Guestro continues to receive tradable Import Rebate Credit Certificates (IRCC) for goods exported to Australia, under the South African government's Motor Industry Development Plan (MIDP). The IRCC allows Guestro to either import certain components free of duty or sell the IRCC to another party at an agreed price, and

increased steel costs would likely lead to a higher normal value for truck wheel rims in South Africa.

### **6.2 Mullins' claims**

Mullins has claimed that dumping is unlikely to recommence upon removal of the price undertaking due to the increased cost of steel in South Africa. It claims that the export price of South African truck wheel rims is unlikely to decrease in the foreseeable future as Guestro faces increasing steel costs in South Africa. It considers that an increased export price would be above the non-injurious undertaking price.

### **6.3 Other parties**

As explained earlier in this report, Customs sought detailed information from Guestro but none was provided.

### **6.4 Analysis**

In the absence of sufficient information from the South African exporter, or evidence from interested parties to suggest that Guestro no longer continues to avail itself of the steel industry rebate and the South African government's IRCC's, Customs considers that the circumstances regarding these rebates remain unchanged.

In the case of the MIDP scheme, Arrowcrest provided relevant documents issued by the South African government indicating the continuation and possible extension of the scheme to post-2007.

Customs notes the views of Arrowcrest and Mullins, that any increase in the cost of production of truck wheel rims (via increased steel costs) would most likely impact on the domestic price of truck wheel rims in South Africa and the price of truck wheel rims exported to Australia.

Customs also notes that in the event of increasing steel prices in South Africa and subsequent increases to the normal value and export price, the conditions of the steel rebate received by Guestro would be likely to result in a recurrence of dumping. This is because a proportion of any steel price increase would be reimbursed through a rebate to Guestro upon the finished

goods being exported to Australia. As the rebate is not payable to Guestro on truck wheel rims sold on the South African domestic market, a normal value determined under s.269TAC(2)(c) would be based on the non-rebated cost of the steel to ensure the normal value is properly comparable with the export price of those goods.

## **7 MATERIAL INJURY AND CAUSATION**

### **7.1 Assessment procedure**

Under the Australian legislation (and the WTO Anti-Dumping Agreement), there are three issues to be addressed in considering whether the dumping duties in this case should be continued. These are whether:

there is likely to be a recurrence of goods exported at dumped prices;

there is likely to be a recurrence of material injury suffered by the Australian industry; and

there is a causal link between the dumped imports and any likely recurrent material injury.

### **7.2 Submissions to the inquiry**

#### **7.2.1 The Australian industry's claims**

The main claims made by the Australian industry were:

Guestro has substantial existing production capacity of rim components;

Guestro continues to receive rebates under the continuing MIDP scheme and steel industry rebates;

the economic condition of the Australian industry has improved since the introduction of anti-dumping measures;

#### **7.2.2 Submissions from other interested parties**

Written submissions were received on behalf of Guestro and Mullins. The main claims were:

the claim made by the Australian industry that the South African exporter has a large truck wheel rim production capacity is incorrect;

the production capacity of Guestro is approximately 30% of the estimated Australian market size and to increase production would require substantial capital investment;

Australian industry's sales volume and market share have not increased;

Australian industry's prices have decreased and undercut prices of imported truck wheel rims from South Africa;

profitability of the Australian industry has not improved due to increased costs and decreasing selling prices;

Guestro continues to export truck wheel rims at prices which exceed price undertaking levels and are likely to increase further as a result of increased costs of production; and

increases in export prices above the undertaking price are likely to be at non-injurious levels;

the Australian market for truck wheel rims is declining in favour of disc wheel rims.

### **7.3 Analysis**

Customs' analysis at Section 5 above would suggest that the Australian industry has improved its economic and financial position since the introduction of anti-dumping measures in 1998.

The key considerations in this regard are:

the Australian industry's selling prices have been profitable since the introduction of anti-dumping measures, representing a turnaround from net losses in 1996/97.

the volume of truck wheel rims sold by the Australian industry was at its highest level over the investigation period and continues to be greater than the volume sold in 1996/97. As a result, the Australian industry has made a net gain in market share from 1999 to 2002.

selling prices for truck wheel rims from South Africa were the highest in the Australian market suggesting that these selling prices reflect the impact of the price undertaking in place.

Customs noted Mullins' claim that an increase in the FOB export price for truck wheel rims above the undertaking price would necessarily be non-injurious. However, this view takes into account the impact of potential increasing costs on the export price but does not consider the likely impact of similar cost increases to the Australian industry's cost to make and sell for truck wheel rims. If South African steel prices have increased in line with the international steel price index, then it would be reasonable to assume that Arrowcrest's cost of production would have also increased, and possibly resulting in a higher unsuppressed selling price and non-injurious price.

Customs also notes that sales volume of imported truck wheel rims from South Africa by Mullins over the investigation period was lower than the volume sold prior to anti-dumping measures being introduced.

In addressing whether, in the absence of the existing anti-dumping measures, there would be a causal link between any future truck wheel rim imports from South Africa at dumped prices and any recurrence of material injury caused to the Australian industry, Customs notes the following:

the Australian market for truck wheel rims increased significantly from 1999/00 to the period under investigation, with increased sales from both the Australian industry and the importer of truck wheel rims from South Africa;

the Australian industry has increased its selling prices, sales volumes and market share since the introduction of the price undertaking in 1998. This has flowed through to net profit gains and increased profitability;

selling prices of South African truck wheel rims were the highest in the Australian market, likely stemming from the undertaking price;

the volume of truck wheel rims exported from South Africa was lower over the investigation period than in 1996/97;

the South African exporter continues to be part of a two-tier pricing arrangement whereby it receives rebates only on domestic steel used in the production of exported goods;

the South African exporter continues to derive benefits under the South African government's MIDP scheme;

the volume exported during the investigation period is lower than the volume exported in 1996/97.

Customs intends relying on these facts in making its recommendations to the Minister