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ANTI - DUMPING SPECIALISTS

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NON-CONFIDENTIAL

21 February 2012

Ms Joanne Reid
Director International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
Canberra ACT 2600

Dear Ms Reid,

ALUMINIUM ROAD WHEELS FROM CHINA

This submission, on behalf of Mullins Wheels Pty Ltd ("Mullins"), demonstrates that exports of aluminium road wheels (ARW) from China did not cause material injury to the Australian industry producing like goods during the investigation period (IP), ie 1 July 2010 to 30 June 2011, and therefore there is no justification for imposition of the anti-dumping and/or countervailing measures requested by Arrowcrest Group Pty Ltd ("Arrowcrest").

We reiterate our submission of 19 December 2011 that distinction should be made between original equipment market (OEM) and aftermarket (AM) sectors of the Australian market in the injury/causation analysis for reasons provided in that submission. We note that major Australian motor vehicle manufacturers, Ford and Holden, have also made submissions to this effect. Consequently, in this submission we have addressed Arrowcrest's overall economic performance during the IP and also its performance in OEM and AM sectors separately.

We note that Arrowcrest's application for anti-dumping and countervailing duties ("the application") is made on the basis of the impact of imports of ARW's from China on a decline in its economic performance from 2003 to 2011. Customs is well aware that it must be demonstrated that dumped exports have caused material injury during the IP (July '10 to June '11) for imposition of anti-dumping and/or countervailing measures to be justified.

Overall injury

Information on the public record, ie the application, Customs' Initiation Report No. 181 (CON181) and Customs' Visit Report re Arrowcrest ("the visit report"), demonstrate the following in respect of Arrowcrest's overall economic performance.

Volume

In CON181 it is concluded in para 7.7.1 that

Australian industry does not appear to have lost sales volume and market share during the investigation period.

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The visit report's summary of major injury indicators (sec. 10.6) does not include injury in the form of lost sales volume or market share.

In section 10.2 of the visit report it is stated -

Other than the decline in 2009, Arrowcrest's sales volume has remained fairly stable since 2005.

It is clear that Customs considers that Arrowcrest experienced no volume injury during the IP.

Revenue

The visit report concludes (sec. 10.6) that Arrowcrest suffered injury in the form of lost revenue during the injury analysis period, ie from July '06, but the graphs in sec. 10.3 show a significant increase in FY 2010 and reasonable stability in FY 2011.

Price

(a) Depression:

The application shows stable prices during the IP (sec. A-9.2.1).

CON181 reports in sec. 7.8 that Arrowcrest's unit prices *increased slightly in the investigation period.*

The visit report concludes (sec. 10.6) that Arrowcrest suffered injury in the form of price depression during the injury analysis period, ie from 1 July '06. However, the graphs in sec. 10.4 confirm the CON181 conclusion that prices increased during the IP.

(b) Suppression:

The visit report concludes (sec. 10.6) that Arrowcrest suffered injury in the form of price suppression during the injury analysis period. In sec. 10.4 it is stated that -

The margin of price over cost has been mostly negative or minimal throughout the injury analysis period (emphasis added).

This negative margin appears to have reduced during the IP according to the charts in sec. 10.4 of the visit report.

Profit and Profitability

The visit report concludes (sec. 10.6) that Arrowcrest lost profit and profitability during the injury analysis period. However, the graph in sec. 10.5 shows that other than a peak in the June 2010 quarter, profit and profitability was stable from the September '09 quarter, following a significant increase in that quarter.

The above comments concerning price suppression are also relevant in the context of alleged profit and profitability loss.

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Materiality

While Customs has concluded in the visit report (sec. 10.6) that Arrowcrest has suffered overall injury in the forms of lost revenue, price depression, price suppression, loss of profit and profitability during the injury analysis period, findings in secs. 10.3, 10.4 and 10.5 referred to above must cast doubt on the materiality of any such injury during the IP. We note that the visit report does not address materiality.

Summary overall injury

Arrowcrest experienced no volume injury during the IP and any revenue, price or profit injury during the IP cannot be considered material.

Original Equipment Market (OEM) injury

Sales to Toyota

There has been no overall injury in the form of lost sales volume or market share experienced by Arrowcrest during the IP. Consequently, any loss of sales volume to Toyota during the IP is irrelevant. Notwithstanding, we bring it to Customs' notice that any loss of sales volume to Toyota during the IP would have been caused by Toyota's significant reduction of its automotive production from 2008, including a 22% reduction from 2010 to 2011- please refer to attachment 1.

Concerning price injury, it is of note that any price pressure brought by Toyota during price negotiations in respect of its current supply contract with Arrowcrest as discussed in sec. 11.1.1 of the visit report, was before the IP as this contract came into effect in January 2010.

Sales to HSV

Any price reductions following HSV's approach to Arrowcrest in May 2011 as discussed in sec. 11.1.2 of the visit report, would have occurred after the IP. Similarly, the injury caused by HSV ceasing purchase of its "high volume P511" wheels from Arrowcrest from September 2011 occurred after the IP.

It is of note that, as discussed in sec. 11.1.2 of the visit report, with the agreement of HSV Arrowcrest increased its unit prices to account for the fall in volumes.

Sales to Suzuki

Arrowcrest lost its sales to Suzuki to YHI in 2008/09, ie before the IP.

Sales to Ford and Holden

As reported in secs. 11.1.4 and 11.1.5 of the visit report, sales to Ford and Holden were lost many years ago and therefore these losses cannot be attributed to exports from China during the IP.

Summary of OEM injury

Any loss of sales volume to Toyota during the IP is because of Toyota's significantly reduced vehicle production.

Loss of sales to other car manufacturers occurred outside the IP.

The reduction in prices to Toyota and HSV in respect of its new 2014 model occurred outside the IP and Arrowcrest achieved a price increase in respect of its sales to HSV during the IP.

Aftermarket (AM) injury

Sales to Beurepaires

As stated in sec. 11.2.1 of the visit report, confirming statements in sec. A-9.2.5 of the application and sec 7.8 of CON181, sales to Beurepaires ceased in 2006-07. Consequently this loss of sales cannot be attributed to exports from China during the IP.

Sales to Bob Jane

Sec. 11.2.2 of the visit report, sec. 7.8 of CON181 and sec. A-9.2.5 of the application confirm that Arrowcrest ceased supply to Bob Jane during 2008/09. Consequently, loss of sales to Bob Jane cannot be attributed to exports from China during the IP.

Sales to Bridgestone

It is reported in sec. 11.2.3 of the visit report that Arrowcrest "recently" reduced its prices to Bridgestone (by way of rebate), but only in return for Bridgestone increasing its sales of Arrowcrest's products. It is therefore possible that the price reduction is offset by increased volume of sales. Anyway, the price reduction was to provide an incentive for Bridgestone to increase its purchase volume from Arrowcrest and not because of price pressure from exports from China. And we do not know whether this price reduction occurred during the IP.

It is paramount that sec. 11.2.4 of the visit report states – *Over the period reviewed there have been **minor** decreases in the average prices to the four customers* (emphasis added). These "four customers" include Bridgestone.

Sales to Tyrepower

It is reported in sec. 11.2.4 that Arrowcrest offered Tyrepower (and Bridgestone) lower prices which is reflected in the decrease in average price, but like Bridgestone, Tyrepower is included in the four customers whose average price decreases have been **minor** according to sec. 11.2.4 of the visit report.

Summary of AM injury

Any injury caused by loss of sales to Beurepaires and Bob Jane occurred well before the IP and therefore cannot be attributable to exports from China during the IP.

Decreases in average selling prices to Bridgestone and Tyrepower are described by Customs as **minor** and therefore do not constitute material injury.

Any loss of sales volume to AM customers during the IP is irrelevant as Customs' visit report concludes no injury in the form of lost sales volume or market share.

Causation

It is demonstrated by the foregoing that it is highly unlikely that Arrowcrest experienced material injury during the IP. However, should Customs find to the contrary, such injury cannot be attributed to exports from China during the IP.

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Customs is aware that it is only injury sustained during the IP which can be attributed to exports from China found to be dumped and/or subsidised.

Customs is also aware of its statutory obligation to ensure that injuries caused by factors other than dumped and/or subsidised exports, which are at the same time causing injury, are not attributed to the dumped and/or subsidised exports, and of the WTO jurisprudence requiring separation and distinction of these other factors in the injury/causation analysis.

In the OEM sector, the only possible injury experienced by Arrowcrest during the IP is in respect of its sales to Toyota. Any injury in respect of sales to OEM customers other than Toyota was sustained outside the IP

Concerning sales to Toyota, as outlined above, any loss of sales volume during the IP is because of a reduction in Toyota's automotive production at the time – it was not lost to exports from China. Any price reduction from the previous contract for its new contract occurred prior to the IP. And any price suppression and consequent loss of profit in sales to Toyota during the IP would have been caused by the following cost factors, as contract prices were fixed prior to the IP:

- Increased unit production costs because of the reduced sales volume discussed above; and
- Increased capital expenditure in 2011 to achieve efficiencies and cost savings in production of ARWs for sale to Toyota (secs. 10.7 and 11.1.1 of the visit report refer).

None of the foregoing injuries are attributable to exports from China during the IP.

There are a number of factors other than exports from China which have contributed to Arrowcrest's poor economic performance in the AM sector. These other factors are discussed hereunder.

Contrary to Arrowcrest's assertion that price is the determining factor in purchase decisions in the AM, it is fashion which drives business development in the AM sector and purchase decisions are primarily based on wheel style. Consequently, to perform well in this market sector, it is essential that vendors –

- (a) continually offer new wheel designs; and
- (b) devote considerable resources to sales and marketing.

Arrowcrest has done neither and this has contributed heavily to the downturn in its economic performance in this sector.

To illustrate Arrowcrest's lack of understanding of the importance of the offering of new designs to performance in this sector, in the past three years Arrowcrest has added just three new wheel styles while at the same time Mullins has added [REDACTED]. Evidence of this was provided to Customs at its verification visit to Mullins and we submit that Mullins' activity in this regard is representative of major participants in the AM sector, other than Arrowcrest.

Indicative of Arrowcrest's lack of understanding of the importance of sales and marketing activities in the AM sector is Arrowcrest's low employment level in this area. Arrowcrest employs just 8 AM ARW sales and marketing and distribution staff. By comparison, Mullins has [REDACTED] employees involved in sales and marketing and distribution of AM ARWs. Included in

this [redacted] are [redacted] sales representatives who visit customers and another [redacted] senior sales staff who regularly visit major customers. Mullins' high level of activity in this area is considered representative of all major participants in the AM sector, other than Arrowcrest.

The loss of major customers Beaurepaires and Bob Jane has obviously been injurious to Arrowcrest. The loss of these customers, for reasons not related to dumping or subsidisation, indicates Arrowcrest's misunderstanding of the importance of the retention of major customers to successful performance in this sector. In FY 2011, these customers represented [redacted] % of Mullins' ARW sales – sales not available to Arrowcrest because of customer relations.

There can be no doubt that the Global Financial Crisis and its effect on Australian automotive production and market has had a negative impact on Arrowcrest's economic performance over the injury analysis period.

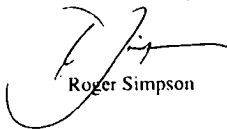
Appreciation of the Australian dollar (AUD) against the US dollar (USD) in recent years has [redacted] prices of imports of ARWs from all sources and would have brought price pressure, not related to dumping and/or subsidisation, on Arrowcrest's sales. To example this, at attachment 2 are tables of selling price movements of Mullins' ARW suppliers from 2009. These tables provide USD and AUD prices at dates of changes from 2009 and show that [redacted] export prices have generally increased in USD terms. [redacted]

In summary, there are several factors other than dumped and/or subsidised exports from China which caused injury to Arrowcrest during the injury analysis period, and these injuries must not be attributed to dumped and/or subsidised exports during the IP.

We submit that it is demonstrated by the above that –

- (a) Arrowcrest experienced no material injury during the investigation period;
- (b) the injury experienced by Arrowcrest during the injury analysis period was caused by factors other than exports from China during the investigation period; and
- (c) consequently, there are no grounds for the imposition of anti-dumping and/or countervailing measures and this investigation should be promptly terminated.

Yours sincerely,



Roger Simpson

List of Attachments

- Attachment 1. Automotive production 2008-2011
- 2. Export price changes 2009-2011 (Confidential)

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Attachment 1

AUTOMOTIVE PRODUCTION 2008-2011

Federation of American Prostate Manufacturers



Automotive Production Build Forecast
November 2011

Toyota

Model	Production 000's			Forecast 000's		
	2008	2009	2010	2011	2012	2013
Camry Hybrid	0.0	0.0	0.0	7.0	7.5	7.5
Camry Hybrid	114.7	74.1	98.0	87.0	72.1	77.1
Corolla	20.7	22.6	23.5	19.8	18.0	18.0
Total Build	145.4	96.6	118.4	83.6	97.6	97.6
Working days				266.5	219	
Ave build rate				449	448	

Ford

Model	Production 000's			Forecast 000's		
	2008	2009	2010	2011	2012	2013
Territory Fiesta	12.8	11.2	13.2	3.0	5.0	5.0
Territory Focus				9.6	10.0	10.0
Falcon sedan	38.2	32.4	33.3	17.5	11.8	10.1
UP Falcon					6.0	7.0
4 cyl Falcon					5.0	6.5
Falcon Lite	12.8	10.9	10.0	5.7	3.0	3.0
UP Falcon Lite					2.0	2.0
Total Build	61.6	54.8	67.3	37.8	42.8	43.6
Working days				177	221	
Ave build rate				214	193	

Holden

Model	Production 000's			Forecast 000's		
	2008	2009	2010	2011	2012	2013
Commodore sedan	80.4	52.7	33.8	20.7	20.0	30.0
Commodore Lite	12.3	13.1	11.7	10.0	9.6	11.0
Commodore Wagon	9.9	15.0	15.0	15.0	12.0	10.5
Pulley Export		0.0			3.0	3.0
Sapphire	14.3	3.1	5.8	0.0	3.0	2.0
Large Car Sub-Tonal	118.9	88.7	85.7	83.0	34.8	38.9
Cruze Sedan				24.0	15.8	17.0
Cruze Hatch				7.0	23.0	24.0
General Sub-Tonal	0.0	0.0	0.0	24.0	38.4	41.0
Total Build	118.9	64.7	68.2	88.0	96.0	97.0
Working days				235	227	
Ave build rate				378	432	

Total

Total Build	Production 000's			Forecast 000's		
	2008	2009	2010	2011	2012	2013
Total Build	330.2	218.1	243.0	220.9	238.2	239.2

Disclaimer:

These production forecasts are compiled from the latest available data supplied by members and are estimates only. FAPM accepts no responsibility for its accuracy and suppliers should validate the information with respective customers. This information is for the assistance in production forecasting for FAPM members only.

TOYOTA MONTHLY LOCAL PRODUCTION 2011
DOMESTIC

Month	CAMRY	AURION
January	1155	540
February	1506	637
March	2091	1114
April	1503	683
May	1077	565
June	1742	922
July	2125	1151
August	3366	2031
September	2306	1556
October	1203	771
November	1814	9
December	2421	19
Total	22309	9998

Grand Total 32307

TOYOTA MONTHLY PRODUCTION FOR EXPORTS 2011

EXPORTS

Month	CAMRY	AURION
January	3959	766
February	5548	978
March	5961	925
April	4108	609
May	3318	613
June	5078	802
July	5929	776
August	5137	778
September	2101	493
October	1263	235
November	5344	0
December	6718	0
Total	54464	6975

Grand Total 61439

TOYOTA TOTAL LOCAL PRODUCTION 2011

Domestic plus Exports

Month	CAMRY	AURION	TOTAL PROD
January	5114	1306	6420
February	7054	1615	8669
March	8052	2039	10091
April	5611	1292	6903
May	4395	1178	5573
June	6820	1724	8544
July	8054	1927	9981
August	8503	2809	11312
September	4407	2049	6456
October	2466	1006	3472
November	7158	9	7167
December	9139	19	9158
Total	76773	16973	93746

Grand Total 93746

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Attachment 2
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EXPORT PRICE CHANGES

2009-2011