



**Australian Government**  
**Australian Customs and  
Border Protection Service**

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**INVESTIGATION INTO THE ALLEGED DUMPING AND  
SUBSIDISATION OF  
ALUMINIUM ROAD WHEELS**

**EXPORTED FROM**

**THE PEOPLE'S REPUBLIC OF CHINA**

**IMPORTER VISIT REPORT**

**MULLINS WHEELS PTY LTD**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL  
BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE  
FINAL POSITION OF CUSTOMS AND BORDER PROTECTION**

**January 2012**

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**2 BACKGROUND AND PURPOSE****2.1 Background to the current investigation**

On 26 September 2011, Arrowcrest Group Pty Ltd (Arrowcrest) on behalf of the Australian industry manufacturing aluminium road wheels (ARWs), lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of ARWs exported to Australia from The People's Republic of China (China) and a countervailing duty notice in respect of ARWs exported to Australia from China. Arrowcrest provided further information in support of its application on 11 October 2011 and again on 21 October 2011.

The application alleges that ARWs have been exported to Australia from China at prices lower than their normal value, that ARWs exported to Australia from China have received countervailable subsidies, and that this dumping and subsidisation have caused material injury to the Australian industry producing ARWs.

Following consideration of the application, the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application. Public notification of initiation of the investigation was made in *The Australian* newspaper on 7 November 2011.

Australian Customs Dumping Notice (ACDN) No. 2011/54 provides further details of this investigation and is available at [www.customs.gov.au](http://www.customs.gov.au).

The investigation period is 1 July 2010 to 30 June 2011. Customs and Border Protection will examine exports to Australia of the goods during that period to determine whether dumping and subsidisation has occurred. Customs and Border Protection will examine details of the Australian market from 1 July 2007 for injury analysis.

Prior to initiation of the investigation, Mullins Wheels Pty Ltd (Mullins) was identified in the import database (import database) as an importer of ARWs from China in the investigation period. Consequently, Mullins was invited to participate in the investigation, and was provided with an Importer Questionnaire to complete.

Mullins completed the Importer Questionnaire, providing details regarding the company, overseas supplier information, imports, and expenses. A copy of Part A (company and supplier details) of Mullins's questionnaire response is at **confidential attachment 1**.

Mullins provided details of company sales at the verification visit (Section 6 refers).

**2.2 Purpose of meeting**

The purpose of this visit was to:

- confirm that Mullins is the importer of ARWs as identified in the import database and obtain information to assist in establishing the identity of its suppliers/exporter(s) of ARWs;
- verify information on imports of ARWs to assist in the determination of export prices;

- establish whether the purchases of ARWs by Mullins was in arms length transactions;
- establish post-exportation costs incurred by Mullins in importing ARWs;
- identify Mullins's sales and customers and verify sales volume, selling prices and selling costs;
- recommend how export price for exporters of ARWs that supply Mullins may be determined<sup>1</sup>; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

**2.3 Meeting**

**2.3.1 Introduction**

At the meeting, we provided a general outline of the investigation process and key dates. In particular, we advised Mullins that a Preliminary Affirmative Determination (PAD) may be made after 6 January 2011 and advised that the implementation of a PAD would enable Customs and Border Protection to implement provisional anti-dumping and/or countervailing measures (in the form of securities) for the remainder of the investigation and until the Minister had made a decision on whether to impose definitive measures.

Mullins was also advised generally that:

- we would prepare a confidential report on the visit (this report), and before finalisation of the report, Mullins would be given the opportunity to review the report for accuracy;
- Customs and Border Protection is required to maintain a Public Record of the investigation containing non-confidential copies of all reports, submissions, correspondence and other documents relevant to the case; and
- a non-confidential version of this visit report would be prepared in consultation with Mullins and placed on the Public Record.

**2.3.2 Meeting Details**

<b>COMPANY</b>	Mullins Wheels Pty Ltd
<b>ABN</b>	82 007 725 082
<b>ADDRESS</b>	25-47 Cheviot Road, Salisbury South Australia 5108
<b>TEL NO</b>	(08) 8282 3600
<b>FAX NO</b>	(08) 8281 3232

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<sup>1</sup> under s. 269TAB of the *Customs Act 1901*

DATE	19 January 2012
PRESENT	
Mullins	Neil Mullins, Director Roger Simpson, Roger D Simpson & Associates Pty Ltd
Customs and Border Protection	Nicole Platt, Operations 2 David Turner, Operations 2

Prior to the meeting, Customs and Border Protection forwarded an agenda to Mullins. A copy of the agenda is at **confidential attachment 2**.

Mullins co-operated during the visit making relevant staff available and providing copies of requested documents as necessary.

#### 2.4 Documents provided by Mullins

As part of the Importer Questionnaire, Customs and Border Protection provided Mullins a copy of a download from the import database (**import list**), and selected 12 shipments from this listing for further examination and verification (**confidential attachment 3**).

As its response to Part B of the Importer Questionnaire, Mullins completed an importer transaction form for the selected shipments. The importer transaction form includes information on the import, shipment and post importation costs through to sale of that shipment to Mullins's Australian customers. Prior to the visit we identified discrepancies between the importer transaction form and data contained within the Customs and Border Protection commercial database. Mullins provided an revised importer transaction form during the visit which reconciled with the Customs and Border Protection commercial database (**confidential attachment 4**).

Within the visit agenda, we requested that Mullins prepare packages of source documents to verify the data within the importer transaction form for each of the 12 selected shipments. As requested, Mullins prepared and supplied these documents during the verification visit (**confidential attachment 5**).

As explained previously, Mullins did not provide a completed Part C in its response to the Importer Questionnaire. Mullins however provided sales reports for the investigation period from its computer system at the verification visit (**confidential attachment 6**). The reports include sales data relating to total domestic sales, sales of passenger ARWs and sales of 4x4 ARWs.

At the verification visit, we requested Mullins provide supporting documentation (invoices and proof of payment) for 7 sales transactions we randomly selected from the sales data provided (**confidential attachment 7**).

Mullins provided further relevant documentation during the verification as discussed in this report.

**3 THE GOODS****3.1 Description**

The goods the subject of the application (the goods) are **aluminium road wheels for passenger motor vehicles** in diameters ranging from 13 inches to 22 inches.

The application includes the following information to clarify the nature of the goods.

- The goods include
  - wheels used for caravans and trailers, finished or semi-finished ARWs, whether painted or unpainted or chrome plated, whether forged or cast and whether with tyres or without tyres; and
- The goods exclude:
  - aluminium wheels for go-carts and All-Terrain Vehicles.

**3.2 Tariff classification**

The goods are classified to tariff subheading 8708.70.91 (statistical code 78) in Schedule 3 to the Customs Tariff Act 1995.

The goods exported to Australia from China are subject to a 5% rate of duty.

**4 COMPANY DETAILS**

**4.1 Commercial operations**

**4.1.1 Organisational structure of company**

Mullins is a long established privately owned family company, which commenced work in the South Australian motor industry in the early 1900s.

Mullins employs approximately XX people Australia-Wide (XX sales staff, XX sales reps and XX managers).

**4.1.2 Functions of company**

Since the company's beginning Mullins has been involved in the supply of wheels to the automotive industry. Today Mullins is a sales and distribution business, with operations in five states across Australia.

Mullins has an extensive range of Alloy Wheels (under the CSA brand), Steel Wheels, Truck & Semi-Trailer Wheels & Rims, Forklift Wheels, Trailer Wheels, Trailer Axles and Trailer Components.

In the heavy duty market sector Mullins supplies mining and construction wheels and rims, earthmover wheels and rims, agricultural wheels and rims and industrial wheels and rims. Mullins also offers a comprehensive range of workshop services from their wheel manufacturing workshop in Salisbury, Adelaide.

Mullins advised that ARWs accounts for approximately XX% of its overall revenue.

Mullins confirmed that it holds substantial stocks of ARWs ~~XXXXXXXXXXXXXXXXXX~~ [comments on stock holding].

**4.1.3 Product range**

Mullins advised that it imports ARWs from China in the diameter range of XX to XX inches ~~XXXXXXXXXXXXXXXXXX~~ [comments on finish and style of ARWs].

A breakdown of the volumes of ARWs imported by Mullins is at section 5.2.

**4.1.4 Like goods**

Mullins confirmed that ARWs manufactured in Australia are like goods to the ARWs it imports from China.

Mullins stated that it imports ARWs for passenger motor vehicles (PMVs) and 4x4 vehicles.

Mullins is of the view that the wheels it imports ~~XXXXXXXXXXXXXXXXXXXX~~ [comments on the goods].

**4.2 Accounting**

Mullins's stated that:

- it's financial year runs from 1 July to 30 June;
- it runs a computerised accounting system called ~~XXXXXXXXXXXXXXXXXXXX~~;
- the accounts are audited by ~~XXXXXXXXXX~~; and
- it has profit centres that are aligned with each branch office.

Mullins provided a copy of its audited financial statements for the year ending 30 June 2011 (**confidential attachment 8**).

**4.3 Relationship with suppliers of the goods**

At the verification visit, Mullins identified four suppliers of ARWs during the investigation period:

- ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~;
- ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~;
- ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~; and
- ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~.

Mullins stated that it is not related to any of its suppliers and has no relationship with its suppliers beyond an arms length commercial relationship. Mullins also advised that it does not receive discounts or rebates from its suppliers.

We did not find any evidence of rebates or discounts provided by suppliers and there appears to be no relationship between Mullins and any of their suppliers beyond their commercial dealings. Therefore, we consider that Mullins is unrelated to its suppliers.

We have received a completed exporter questionnaire response from ~~XXXXXXXXXX~~ [one of Mullins suppliers of ARWs].

**4.4 Relationship with customers**

Mullins advised at the visit that its main customers during the investigation period were ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~.

~~XXXXXXXXXXXXXXXXXXXX~~ [comment on relationships].



**5 IMPORTS**

**5.1 Ordering process**

Mullins stated that:

- it sources the goods directly from Chinese manufacturers on FOB terms;
- it arranges the logistics involved in bringing the product to Australia (shipping, customs clearance, handling on arrival, transport and delivery to warehouse);
- it regularly places orders with its suppliers to maintain adequate stock levels to fill customer orders as they are placed;
- the goods are delivered to customers from warehouses located in the relevant state;
- ~~XXXXXXXXXXXXXXXXXX~~ [price lists]. Mullins provided a report of price changes since 2008 (**confidential attachment 9**);
- Prices are in US dollars (USD);
- Mullins places orders with its suppliers based on the known price;
- Suppliers fill orders based ~~XXXXXXXXXXXXXXXXXXXXXXXXXX~~;
- The manufacturer delivers the goods to the wharf and is responsible for all loading and handling costs incurred in placing the goods onto the vessel;
- Mullins pays the ocean freight charges for the goods to be delivered to ~~XXXXXXXXXXXX~~;
- Mullins purchases the goods at the following credit terms:
  - ~~XXXXXXXXXXXXXXXXXX~~;
  - ~~XXXXXXXXXXXXXXXXXX~~;
  - ~~XXXXXXXXXXXXXXXXXX~~; and
  - ~~XXXXXXXXXXXXXXXXXX~~.

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ [arrangements with suppliers].

**5.1.1 Date of sale**

Mullins advised that the date of sale is the invoice date.

Mullins advised that ~~XXXXXXXXXXXXXXXXXXXX~~ [exchange rate].

5.2 Volume of trade

The following table summarises the export volumes for Mullins from China during the investigation period, based on data contained within the import database adjusted for 3 shipments entered under an incorrect tariff sub-heading<sup>2</sup> (**confidential attachment 4**):

Supplier	Selected shipment no.	Quantity (pieces)
XXXXXXXXXX	4,10	XXXXXXXXXX
XXXXXXXXXX	1,2,5,7,8,11,12	XXXXXXXXXX
XXXXXXXXXX	3,6	XXXXXXXXXX
XXXXXXXXXX	9	XXXXXXXXXX
Grand Total		XXXXXXXXXX

We compared the quantity and value data for the 12 selected transactions provided by Mullins in its revised importer transaction form with the data contained within the import database. We found discrepancies relating to the following transactions.

Selected shipment no.	Customs Entry No.
3	XXXXXXXXXXXXXX
6	XXXXXXXXXXXXXX
9	XXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX [comments on selected shipments].

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX [comments on selected shipments].

We then examined the shipping documents provided by Mullins for the selected shipments. We are satisfied that the total number of pieces and total prices for the selected shipments reasonably correspond with the suppliers' invoices and are reasonably accurate.

We calculated export prices for each exporter for each diameter of ARW, based on data provided by Mullins for the selected shipments.

In order to attempt to accurately calculate export prices according to individual product types for a larger sample further information will be obtained from exporters during the course of the investigation.

5.3 Forward orders

Mullins provided a detailed list of forward orders at the verification visit (**confidential attachments 11**). Mullins provided a report from its computer system of outstanding

<sup>2</sup> Mullins advised at the verification visit that the import list was not complete as three shipments were incorrectly classified. Mullins included details of these shipments in the revised importer transaction form.

purchase orders for XXXXXXXXXXXX AND XXXXXXXXXXXX [names of Mullins' suppliers]. We observed that the quantity of forward orders appears to be consistent with current levels of trade in the circumstances (see Mullins's comments outlined in the Australian Market section above).

**5.4 Verification of imports**

Mullins completed the importer transaction form for the following selected shipments (Customs entry number):

- 1. XXXXXXXXXXX;
- 2. XXXXXXXXXXX;
- 3. XXXXXXXXXXX;
- 4. XXXXXXXXXXX;
- 5. XXXXXXXXXXX;
- 6. XXXXXXXXXXX;
- 7. XXXXXXXXXXX;
- 8. XXXXXXXXXXX;
- 9. XXXXXXXXXXX;
- 10. XXXXXXXXXXX;
- 11. XXXXXXXXXXX; and
- 12. XXXXXXXXXXX.

Mullins provided bundles of source documents in respect of each of the 12 selected shipments (**confidential attachment 5**).

These source documents generally included the relevant:

- commercial invoice;
- packing list;
- Bill of Lading;
- shipping invoice;
- customs entry;
- invoice for import and clearance charges and cartage charges;
- invoice for Customs duty and AQIS charges;
- evidence of foreign exchange rate used; and
- evidence of payment.

We consider the source documents provided were acceptable for verification purposes. Discrepancies between costs in the source documents, the importer transaction form and the import list were identified and the costs adjusted (**confidential attachment 12**).

**5.4.1 Supplier invoice details**

All supplier invoices were quoted in USD. XXXXXXXXXXXX [comments on exchange rate]. (A copy of the relevant foreign exchange transaction was included in the bundle of source documents provided by Mullins for each selected shipment.)

The invoice prices, volume and supplier details for each of the selected shipments on the importer transaction form reconciled with the supplier invoices provided.

All shipments have been identified as FOB in the importer transaction form.

Mullins advised it had the following terms of payment with its suppliers.

Supplier	Credit Terms
XXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXX

The terms of payment for each transaction identified in the importer transaction form were confirmed by the date of payment.

We are satisfied that the invoice values in the amended importer transaction form are accurate.

**5.4.2 Shipment costs**

Mullins provided details of shipment costs excluding marine insurance values. Overseas freight was quoted in USD but converted to AUD based on the exchange rate outlined above.

Mullins advised that the company has a blanket marine insurance policy which equates to a value of XX% of the invoiced price. We have used the insurance amount recorded on the Customs entry for each selected shipment. (We confirmed that this amount is approximately XX% of the invoiced price.)

We calculated overseas freight as \$XX per piece and marine insurance as \$XX per piece based on the selected shipments (**confidential appendix 1**).

We are satisfied that the overseas freight and marine insurance costs are accurate.

**5.4.3 Australian Importation costs**

Mullins provided values for landing costs (including Customs duty, Customs broker fees, port service charges and delivery) in the revised importer transaction form.

We were able to trace importation costs to source documents. We are generally satisfied that the Australian importation costs are accurate.

We calculated weighted average importation costs as \$XX per piece based on the verified data in the importer transaction form (see **confidential appendix 1**).

Below are the Australian dollar weighted average import costs per piece during the investigation period based on the verified data in the importer transaction form:

	AUD/piece
Shipment costs (freight and insurance)	\$XX
Australian importation costs (Customs duty, Customs broker fees, port service charges and delivery)	\$XX

**5.4.4 Proof of payment of imports**

We were also provided with proof of payment documentation for selected transactions 3 and 6 (**confidential attachment 5**). Specifically, we were provided with an International Funds Transfer Report from Mullins' financial institution.

We are satisfied that the invoiced price is the price paid by Mullins for the imports.

**5.5 Export prices for selected shipments**

We calculated weighted average FOB export price (in AUD) for the selected shipments (**confidential appendix 2**).

These calculations are summarised here based on ARW diameter:

ARW diameter (inches)	Exporter			
	XXXX (AUD/pce)	XXXX (AUD/pce)	XXXX (AUD/pce)	XXXX (AUD/pce)
13				
14	XX			
15	XX		XX	XX
15*		XX		
16	XX		XX	
16*		XX		XX
17	XX	XX	XX	XX
17*				XX
18	XX	XX	XX	
18*				XX
19	XX	XX	XX	
20	XX	XX	XX	
22				

\* XXXXXX [comment on specific ARW size]

**6 SALES****6.1 Australian market**

Mullins advised that the Australian ARW market is made up of 2 sectors: the Original Equipment Market (OEM) and the After-Market (AM). The OEM includes the three Australian PMV manufacturers: General Motors Holden, Ford Motor Company and Toyota Motor Corporation Australia plus Holden Special Vehicles and Ford Performance Vehicles. The AM includes wheel importers, tyre wholesalers and retailers, customer service divisions of the three PMV manufacturers and the manufacturers of trailers and caravans.

Mullins advised that it is a wheel wholesaler and sells exclusively to the ARW AM and therefore does not compete with Arrowcrest in the OEM. Mullins' customers include XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.

Mullins made the following comments regarding the OEM:

- the OEM declined following the global financial crisis (GFC). Mullins provided copies of Automotive Production Build Forecasts compiled by the Federation of Automotive Products Manufacturers (FAPM) (**confidential attachment 13**) which shows production of models of PMVs by each of the manufacturers in 2008, 2009 and 2010 and forecasts of production in 2011, 2012 and 2013. Mullins also provided a report of Toyota total local production by month in 2011 (includes exports) (**confidential attachment 14**). The FAPM report shows that total build by all manufacturers declined in 2009 following the GFC. Forecasts indicate that production levels are expected to remain at a reduced level up to at least 2013; and
- the OEM is contract based therefore volumes and prices are set over the period of the contract which would typically run over the life cycle of a model of car i.e. between two and five years.

Mullins made the following comments regarding the AM:

- the AM is driven by fashion or style and presence in the market. Suppliers to the AM need to keep pace with current fashion by regularly introducing new styles to the market. Mullins advised it had introduced XX new styles since 2009 and XX of these new styles now account for XX% of its ARW business; and
- selling into this market segment requires a substantial investment in a sales and distribution team that services the market segment. It also requires investment in sales catalogues and supplying display wheels for point of sale marketing.

**6.2 Distribution and selling system**

Mullins explained that it operates a warehousing and distribution operation in five states: New South Wales, Victoria, Queensland, Western Australia and South Australia. Stock is imported XXXXXXXXXXXX.

Mullins stated that it offers the following credit terms and settlement discounts to its AM customers.

Customer	Credit terms	Discount
XXXXXXXX	XXXXXXXXXX	XX%
XXXXXXXX	XXXXXXXXXX	XX%
XXXXXXXX	XXXXXXXXXX	XX%
XXXXXXXX	XXXXXXXXXX	XX%

Mullins advised that:

- sales in metropolitan areas are XXXXXXXXXXXX; and
- sales in regional areas are XXXXXXXXXXXX.

**6.2.1 Sales verification**

Mullins provided average domestic selling prices in its revised Part B of the Importer questionnaire (Importer Transaction Form) to calculate profitability of the selected import shipments. Mullins advised average selling prices were calculated from Mullin's monthly sales report (by size).

As stated previously Mullins did not provide a domestic sales report in its importer questionnaire response. Mullins explained that its computer system was XXXXXXXXXXXX. Mullins however provided at the verification visit Sales Analysis Detail reports from its computer system for the following specific models of ARWs (**confidential attachment 6**):

Item	Name
XXXXXXXXXX	XXXXXX
XXXXXXXXXX	XXXXXX
XXXXXXXXXX	XXXXXX

From the report for item XXXXXXXXXXXX (Mullins' top selling model during investigation period) we selected the following transactions for verification:

**Invoice number:**

- XXXXXX;
- XXXXXX;
- XXXXXX; and
- XXXXXX.

Mullins provided invoices and proof of payment (in the form of bank statement extracts and remittance advice) for the four sales selected sales (**confidential attachments 15**).

We matched the invoice details (value, quantity, invoice date and terms of payment) for the above to Mullins's electronic sales listing. We also observed that the

remittance advices matched the invoices for the four selected sales less any discounts, and the bank statement extracts displayed the payment of these remittance advices to Mullins's account.

Delivery terms are shown on the invoices provided.

We found on the advice of Mullins and following examination of the supporting documents that the import list was not complete for the following reasons:

- ~~XXXXXXXXXXXXXXXXXXXX~~; and
- ~~XXXXXXXXXXXXXXXXXXXX~~.

Based on verification of this sample of documents, we are satisfied that the details recorded in Mullins's sales reports (and revised importer transaction form) are accurate.

**6.3 Selling, general and administrative costs**

Mullins provided selling, general and administrative (SG&A) cost calculations in the revised importer transaction form.

Mullins advised that SG&A costs in the importer transaction form were based on an estimated rate of ~~XX~~% of sales revenue which was calculated from management accounts as the audited financial statements were not ready at the time of completing the importer transaction form. Mullins provided a calculation sheet showing how it had calculated SG&A rate (**confidential attachment 16**).

Mullins provided a copy of the audited financial statements at the verification visit (**confidential attachment 8**). We noted that ~~XXXXXXXXXXXX~~.

**6.4 Profitability of sales**

Mullins calculated the profitability of the 12 selected shipments in the revised Part B of the Importer Questionnaire (importer transaction form).

All sales were calculated as profitable by Mullins. We calculated the following average gross profit margins for each shipment based on an estimated rate for SG&A of ~~XX~~%.

Shipment No.	Gross Profit Margin
Shipment 1	<del>XX</del> %
Shipment 2	<del>XX</del> %
Shipment 3	<del>XX</del> %
Shipment 4	<del>XX</del> %
Shipment 5	<del>XX</del> %
Shipment 6	<del>XX</del> %
Shipment 7	<del>XX</del> %



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Shipment 8	XX%
Shipment 9	XX%
Shipment 10	XX%
Shipment 11	XX%
Shipment 12	XX%

The profit results support an overall finding that the transactions between Mullins and its suppliers of ARWs are arms length.

Our calculations of importer profit are contained in **confidential attachment 12**.

**7 WHO IS THE IMPORTER AND EXPORTER****7.1 Who is the importer?**

We have reviewed the documents provided by Mullins in respect of the selected shipments. We note that Mullins:

- negotiates directly with the suppliers;
- is named as the consignee on the bill of lading;
- is named as the buyer on supplier invoices;
- generally arranges and pays for ocean freight and marine insurance;
- arranges Customs clearance, logistics and storage of the goods after they delivered to the Australian port; and
- retains ownership of the goods until they are delivered to its customers.

We consider Mullins to be the beneficial owner of the goods at the time of importation, and therefore the importer.

**7.2 Who is the exporter?**

Customs and Border Protection will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, although one of the principals, is essentially a facilitator in the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

Therefore, depending on the facts, Customs and Border Protection considers that only in rare circumstances would an intermediary be found to be the exporter.

Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

We are satisfied that ~~XXXXXXXXXX~~ are the exporters of ARWs from China imported by Mullins.

To our knowledge, these entities are principles in the country of export that manufacture the goods and provide the goods for shipment directly to Mullins.

**8 ARMS LENGTH**

In determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC(1), the Act requires that the relevant sales are arms length transactions.

S.269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; and
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Mullins stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. Mullins advised that the invoice price was the price actually paid.

We reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of ARWs, that:

- there is any consideration payable for or in respect of the goods other than price;
- the price was influenced by a commercial or other relationship between Mullins or an associate of Mullins, and its suppliers or an associate of the supplier; and/or
- Mullins or an associate of Mullins was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.

We are satisfied that import transactions between Mullins and its suppliers are at arms length in terms of s. 269TAA.

**9 GENERAL COMMENTS**

Mullins made the following comments on material injury:

- The application and the Customs and Border Protection initiation report contains a lack of evidence of material injury in the investigation period;
- There is no evidence of volume injury:
  - The Australian ARW market comprises two distinct market segments: the OEM and the AM. The OEM segment is driven by PMV manufacturers. Arrowcrest had two customers in the OEM segment during the investigation period: Toyota and HSV. The only evidence of lost sales to HSV is in September 2011 which is outside the investigation period. Toyota's production of new PMVs has declined from 141,500 in 2008 to 93,700 in 2011. Therefore any lost sales volume to Toyota is due to declining production volumes and not due to imports from China ;
  - Arrowcrest lost the Suzuki contract to Chinese imports in 2009 and lost the Ford and Holden contracts outside of the injury analysis period;
  - The AM market segment is driven by the latest fashion in designs, styles and finishes and therefore requires significant investment in marketing and advertising. Arrowcrest has released few new styles in recent years compared with Mullins and has only a small presence in the AM in the form of sales staff and display stands in tyre and wheel outlets (**confidential attachment xx**). Therefore any volume injury suffered by Arrowcrest in the AM segment is not due to imports from China but due to Arrowcrest's apparent lack of understanding of the AM;
    - Arrowcrest lost sales to Beaufort in 2006-07;
    - Arrowcrest lost sales to Bob Jane in 2008-09;
    - Arrowcrest maintained volume to Bridgestone and Tyrepower by reducing price, however the Customs and Border Protection initiation report states that any reduction in price was minor;
    - Sales to Bob Jane and Beaufort represents ~~XX~~% of Mullins' ARW AM business;
- There is no evidence of price related injury during the investigation period in the Customs and Border Protection initiation report;
  - Mullins stated that Arrowcrest's price to Toyota (the only relevant PMV manufacturer) is fixed for the period of the supply contract which is typically over the life cycle of the model of PMV;

## PUBLIC RECORD

PUBLIC FILE

3

- Mullins provided evidence in the form of price lists to demonstrate there has been little change to export prices since ~~XXXX~~ (**confidential attachment 9**). Mullins stated ~~XXXXXXXXXXXX~~ [comment on prices].

Mullins argued that there is nothing to warrant issuing a PAD as there is insufficient evidence of material injury to Arrowcrest caused by dumped imports from China.

**10 RECOMMENDATIONS**

**10.1 Export prices**

We are of the opinion that the goods imported by Mullins directly from  
XXXXXXXXXXXX are:

- goods that have been exported to Australia otherwise than by the importer, Mullins;
- goods that have been purchased by the importer from the exporters; and
- goods that were sold in arms length transactions by the importer.

Subject to further inquiries with these exporters, we recommend that the export price for ARWs imported by Mullins from XXXXXXXXXXXXXXX can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.



David Turner  
Manager, Operations 2



Nicole Platt  
Manager, Operations 2

15 March 2012

**11 ATTACHMENTS AND APPENDICES**

<b>Attachments</b>	
confidential attachment 1	Mullins's original response to the Importer Questionnaire (Part A)
confidential attachment 2	Visit agenda
confidential attachment 3	Import List (download from the import database showing selected shipments)
confidential attachment 4	Revised importer transaction form (Part B)
confidential attachment 5	Source documents for 12 selected shipments
Confidential attachment 6	Domestic sales reports for selected models
confidential attachment 7	Source documents for 7 selected sales
confidential attachment 8	Financial statements 2011
confidential attachment 9	Export price changes since 2008
confidential attachment 10	Copies of Customs entries for non-selected shipments
confidential attachment 11	List of forward orders
confidential attachment 12	Adjusted importer transaction form
confidential attachment 13	FAPM reports
confidential attachment 14	Toyota Local Production data
confidential attachment 15	Payment remittances for 4 selected domestic sales
confidential attachment 16	SG&A calculation
<b>Appendices</b>	
confidential appendix 1	Calculation of import costs
confidential appendix 2	Calculation of Export Prices