



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

## **PUBLIC RECORD**

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

**EXPORTED FROM**

**THE PEOPLE'S REPUBLIC OF CHINA**

**ENDUSER VISIT REPORT**

**FORD MOTOR COMPANY OF AUSTRALIA LIMITED**

**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**

**March 2012**

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

On 12 August 2011, Arrowcrest Group Pty Ltd T/A ROH Automotive (ROHA) 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 and a countervailing duty notice in respect of ARWs exported to Australia from The People's Republic of China (China).

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 has 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).

ACDN No. **2012/06** was published on 24 February 2012 notifying interested parties that the Minister had agreed to extend the deadline for the publication of the Statement of Essential Facts by 8 weeks to 27 April 2012. Therefore recommendations to the Minister must now be made in a report due on or before 11 June 2012

The investigation period is 1 July 2010 to 30 June 2011. Customs and Border Protection will examine exports to Australia of ARWs during that period to determine whether dumping and/or subsidisation has occurred. Customs and Border Protection will examine details of the Australian market from 1 July 2006 for the purpose of injury analysis.

During the investigation, Ford Motor Company of Australia Limited (Ford Australia) was identified as an end-user of ARWs from China in the investigation period. Consequently, Ford Australia was contacted and invited to participate in the investigation, and was provided with an End-user Questionnaire to complete.

Ford completed the End-user Questionnaire providing details of the company's operations and suppliers of ARWs from China. Ford Australia uses the ARWs it imports in the manufacture of passenger motor vehicles (PMVs) and therefore made no sales of ARWs during the investigation period. A copy of Ford Australia's End-user Questionnaire response is at **confidential attachment 1**.

**2.2 Purpose of meeting**

The purpose of this visit was to:

- Discuss end-user questionnaire response;
- Discuss the issue of like goods;

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- discuss Ford Australia's ARW purchasing decisions;
- discuss the Australian ARW market; and
- provide Ford Australia 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.

We advised Ford Australia in particular that:

- a Preliminary Affirmative Determination (PAD) may be made at any time from 6 January 2012. 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;
- we would prepare a confidential report on the visit (this report), and before finalisation of the report, Ford Australia 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 Ford Australia and placed on the Public Record.

We asked whether Ford Australia had been able to access the Public Record online through Customs and Border Protection's Electronic Public Record (EPR). Ford Australia advised that it had access to the EPR.

### 2.3.2 Meeting Details

<b>COMPANY</b>	Ford Motor Company of Australia Ltd
<b>ABN</b>	30004116223
<b>ADDRESS</b>	1735 Sydney Road, Campbellfield, VIC
<b>TEL NO</b>	(03) 8301 2644
<b>DATE</b>	7 March 2012

<b>PRESENT</b>	
<b>Ford Australia</b>	Dominic Raimondo, APA Purchasing Manager Damian Lavric, Project Engineer Frank Adamo, Customs Manager Ben Nowicki, Purchasing & Finance Manager

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**Customs and Border  
Protection**

David Turner, Operations 2

Sanjay Sharma, Operations 2

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

Ford Australia was co-operative during the visit making relevant staff available and provided copies of requested documents as necessary.

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## 3 COMPANY DETAILS

### 3.1 Organisational structure of company

Ford Australia is part of the Ford Motor Company group. Ford Motor Company is structured around the following automotive segments:

- Ford North America;
- Ford South America;
- Ford Europe; and
- Ford Asia Pacific Africa.

Ford Australia is part of the Ford Asia Pacific Africa automotive segment which also includes Ford China, Ford India, Ford Thailand and Ford South Africa. Ford Motor Company has manufacturing facilities in each of these countries.

### 3.2 Functions of company

Ford Australia's main business is the manufacture and distribution of motor vehicles.

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## 4 THE GOODS

### 4.1 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.*

For clarification:

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

### 4.2 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 rate of duty for the goods exported to Australia from China is 5%.

### 4.3 The goods and like goods

Ford Australia, as a manufacturer of PMVs, is part of the Original Equipment Manufacturing segment of the Australian ARW market.

Ford Australia advised that it purchased ARWs in the following sizes and quantities during the investigation period:

16 inch	XXXX
17 inch	XXXX
18 inch	XXXX
19 inch	XXXX

Ford Australia advised that during the investigation period it purchased ARWs in the following finishes by order of volume:

1	Bright machined front face
2	Silver painted

**5 FORD AUSTRALIA's PURCHASING DECISIONS**

**5.1 General**

Ford Motor Company has implemented the One Ford Plan. Ford is simplifying the way it works with suppliers by reducing complexity and expanding parts commonality. Ford Motor Company plans by 2014 that at least 80% of vehicles sold under the Ford brand globally will be built off 13 core platforms by 2014 (reduced from 27 in 2007).

Following the global financial crisis Ford Motor Company introduced a plan to transform its business. One of the changes made was in the area of 'suppliers'. Ford Motor Company is continuing to work to strengthen its global supply base. As part of this process, Ford Motor Company has been reducing the global number of production suppliers eligible for new product sourcing from 3,300 in 2004 to about 1,600 suppliers in 2009 and about 1,500 suppliers in 2010. Ford Motor Company has identified specific plans that will take it to about 850 suppliers in the near- to mid-term, with a further reduction to about 750 suppliers targeted.

Ford Motor Company's move to global vehicle platforms should increase its ability to source to common suppliers for the total global volume of vehicle components, so that a smaller number of suppliers will receive a greater volume of purchases made to support its global vehicle platforms.

The One Ford global product development system utilizes global platforms to deliver customer-focused programs rapidly and efficiently across multiple markets. One lead product development engineering centre is assigned for each global vehicle line, thereby ensuring global scale and efficiency through common designs, parts, suppliers, and manufacturing processes. Product development engineering centres are supported by regional engineering centres which also help deliver products tuned to local market customer preferences while maintaining global design.

Typical delivery for global programs include 80% part commonality, greater than 75% pre-sourcing to global suppliers, and 100% common manufacturing and assembly process.

**5.2 Suppliers of the goods**

Ford Australia stated that it sourced ARWs from four suppliers of ARWs during the investigation period:

- ~~XXXX~~ – sources ARWs from Taiwan;
- ~~XXXX~~ – sources ARWs from China ~~XXXX~~;
- ~~XXXX~~ – supply 19 inch ARW from China as a wheel and tyre assembly; and
- ~~XXXX~~ – provides dealers with a limited supply of unique AM wheels.

In relation to its purchase of ARWs from ~~XXXX~~, Ford Australia explained that:



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- Ford Dealerships can provide new vehicle buyers with the ability to fit non-OEM ARWs to their vehicles through the purchase of independently sourced AM Supplier Branded Accessories (SBA) wheels sourced from suppliers participating in Ford Australia's SBA program;
- SBA ARWs are wheels that meet ADR Standards but have not been tested by Ford Australia against its engineering requirements (which a normal OEM ARW would be required to meet);
- SBA ARWs cannot and have never been fitted on a production vehicle built at a Ford Australia assembly plant;
- If a customer chooses to have a SBA wheel fitted to their vehicle the Ford Vehicle Warranty does not apply to those wheels. The warranty for the SBA wheel is provided by the supplier of the wheel. If the SBA wheel causes damage to the vehicle, that damage is the responsibility of the supplier of the wheel and is not covered under the Ford Vehicle Warranty; and
- Ford (Parts and Accessories) Purchasing role in ordering the SBA wheels is to oversee the payment process between the dealership and the supplier whilst having no further commercial jurisdiction over the business, product satisfaction, quality, reliability or performance. This is totally different to a OEM wheel or a Genuine Ford Accessory (GFA) where the buyer and engineer fully interface with the sourcing process and associated performance and quality requirements. This process has been fully detailed in the previous submissions made by Ford in relation to this case.

Ford Australia stated that:

- all of its purchases of ARWs are sourced through local supplier distribution centres;
- Commenced sourcing imported ARWs in 2002 from ~~XXXX~~ following the breakdown in its relationship with the Arrowcrest Group;
- began sourcing wheels from ~~XXXX~~ [China] in 2007/08 as part of the Asia Pacific Africa Regional Ford strategy which is linked to Ford's global strategy. Under the strategy sourcing of components for a PMV is broken down into the following 6 categories:

Category	Source
PTI	India
PTC	India
Electrical	China
Chassis	China
Exterior	Thailand
Interior	Thailand
Raw materials	Thailand

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## 5.3 Sourcing process

Ford Australia stated that the process (referred to as a 'Commodity Business Plan') by which it chooses a wheel manufacturer to supply ARWs to Ford is long, complex and rigorous. Ford prefers to have between 3 to 5 suppliers in every Commodity Business Plan.

The process begins with the design of a new Ford model. Once the vehicle design is approved, Ford engineers develop the specifications and requirements for each part of the new vehicle including the wheels:

~~XXXX~~-(description of the sourcing process).

Ford Australia advised that the elements considered by the Ford commodity buyer to construct a Commodity Business Plan are:

~~XXXX~~

Ford Australia stated:

- It seeks sustainable suppliers that can meet its global product strategy in all countries in which a particular vehicle is being produced. On a global basis suppliers must be able to reliably maintain quality, volume and delivery requirements to all plants producing that vehicle. Ford does not simply select the supplier with the lowest price; Ford selects sustainable suppliers who will be able to supply parts and components meeting all of Ford's specifications and requirements for the life of the vehicle program;
- Price is only one factor in the overall process for Ford to choose a supplier. The Chinese sourced ARWs were neither the lowest priced nor were they used as a benchmark to reduce price quotations offered by Asia Pacific suppliers; and
- Other factors considered are quality, capacity and engineering capability.

## 5.4 Price

Ford Australia advised that once the concept of the new wheel has been established and some specific parameters are provided, the cost estimating department are engaged to determine the likely cost of the wheel using a surrogate wheel already in existence.

The Cost Estimating team provides an assessment of the wheels weight, determines the process steps to further manufacture the wheel using either high pressure or low pressure die casting, the finishing steps to complete the wheel (i.e. painted or machined finish), labour and overhead, SG&A and profit to establish an end cost that is achievable and can fairly sustain the supplier for the life of the program.

The estimate is then provided to the buyer and engineers to determine the variances from the surrogate wheel to the new wheel design and the adjustments are made to the original estimate to develop a target cost for the buyer to aim to source the component. The aluminium price is set aligning it to a nominated LME point to

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enable each potential supplier to use the same cost per kilogram in determining the material cost.

The Request For Quotation (RFQ) is sent out to the predetermined suppliers including the quality specifications to be met, design details and specifications, CAD model etc. Potential suppliers are expected to complete the FRQ providing the necessary cost breakdown in the same format as the Cost Estimator to support their quotation.

Once the quotations are received, the categories of cost in each RFQ are compared to each other and against the estimate by the buyer, the quality engineer, design engineer and the cost estimator. Once feedback has been received, the buyer will engage with the preferred supplier to seek a sourcing agreement for the life of the program.

The specific task of negotiating the price is shared between the cost estimator and the buyer.

### 5.5 Australian manufactured ARWs

Ford Australia made the following comments about Australian manufactured ARWs:

- Ford Australia stopped sourcing ARWs from ROHA 6 to 8 years ago;
- As a result of protracted and acrimonious legal proceedings between Ford Australia and companies with the Arrowcrest group, the relationship between Ford Australia and the Arrowcrest group has broken down to the extent that Ford Motor Company would not consider ROHA in the Ford Asia Pacific Alloy Wheel Commodity Strategy; and
- Ford Australia does not currently foresee any circumstances which would cause it to reconsider sourcing product from ROHA in the future.;

**6 GENERAL COMMENTS**

Ford Australia provided the following general comments:

Lack of interchangeability

- The After Market (AM) and the Original Equipment Market (OEM) do not have the same physical and technical characteristics. Unlike AM wheels OEM wheels are subject to special technical, procedural and physical requirements. Ford asked Customs and Border Protection to recognise these differences which leads to Ford Australia's conclusion that there is no meaningful interchangeability between AM and OEM wheels. Ford Australia notes that the physical ability of AM wheels to fit on vehicles is not a sufficient basis on which to find interchangeability;
- Ford (and presumably all vehicle manufacturers) claims that it would never use an AM wheel for industrial assembly. OEM manufacturers set unique design criteria for wheels for a specific vehicle model. These criteria are derived from the OEM's design concept for that vehicle model and from the OEM's manufacturing requirements. There is no suggestion on the record that AM wheels have ever been purchased in the OEM market and any such suggestion would be completely false;
- The absence of any allegation or evidence that OEM manufacturers buy AM wheels as a component for OEM manufacture establishes lack of interchangeability because it fails to draw a causal link from allegedly dumped AM imported wheels to the OEM market. Ford Australia notes, however, that OEM wheels are also not interchangeable with the AM market. While vehicle manufacturers do offer OEM quality wheels in the aftermarket, these wheels normally bear higher prices than AM wheels because of their superior quality and material content. This difference shows that a critical distinction between OEM wheels and AM wheels is price; and
- The price a vehicle manufacturer pays for a wheel is important but not the sole or primary consideration. The price that the vehicle manufacturer paid for a wheel has no bearing on the consumer's decision to purchase a new vehicle. On the other hand, price for AM wheels is a very important, if not determinative, element in a consumer's decision to purchase an AM wheel. OEM quality wheels offered in the AM command a higher price than other AM wheels and compete only when the consumer is prepared to pay more for a higher quality wheel.

Material injury

- The most significant injury to the Australian industry occurred prior to the investigation period and during the investigation period there is no evidence of material injury;
- Dumping or subsidisation must occur during the investigation period for measures to be imposed. Any injury found to have occurred outside of the

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investigation period cannot be attributed to alleged dumped imports and must be attributed to other causes;

- Any loss of sales to volume to Toyota during the investigation period would have been caused by Toyota's significant reduction in production of motor vehicles from 2008, including a 22% reduction in the investigation period.

**David Turner**

Manager, Operations 2

**Sanjay Sharma**

Manager, Operations 2

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**7 ATTACHMENTS AND APPENDICES**

<b>Attachments</b>	
confidential attachment 1	Ford Australia's End-user Questionnaire response
confidential attachment 2	Meeting agenda