



**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**

**ENDUSER VISIT REPORT**

**PREMOSO PTY LTD T/A HSV**

**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 (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 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, Premoso Pty Ltd T/A HSV was identified as an end-user of ARWs from China in the investigation period. Consequently, HSV was contacted and invited to participate in the investigation, and was provided with an End-user Questionnaire to complete.

HSV completed the End-user Questionnaire providing details of the company's operations and suppliers of ARWs from China. HSV uses the ARWs it imports in the manufacture of high performance passenger motor vehicles (PMVs) and therefore made no sales of ARWs during the investigation period. A copy of HSV'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 HSV's ARW purchasing decisions;
- discuss the Australian ARW market; and
- provide HSV 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 HSV 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, HSV 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 HSV and placed on the Public Record.

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

### 2.3.2 Meeting Details

<b>COMPANY</b>	Premoso Pty Ltd T/A HSV and HSVi
<b>ABN</b>	006802053
<b>ADDRESS</b>	125 Rayhur Street, Clayton VIC
<b>TEL NO</b>	(03) 9265 9500
<b>FAX NO</b>	(03) 9265 9555
<b>DATE</b>	7 March 2012

<b>PRESENT</b>	
<b>HSV</b>	Chris Sharpe, Procurement Manager Andries Smit, Buyer

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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 HSV. A copy of the agenda is at **confidential attachment 2**.

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

### 3 COMPANY DETAILS

#### 3.1 Organisational structure of company

Premoso Pty Ltd T/A HSV and HSVi is a private Australian company 100 percent owned by Riverson Pty Ltd, a private family company.

HSV was established 25 years ago to support Holden.

Premoso Pty Ltd also trades as HSVi which designs, develops and markets HSV products, in particular ARWs as accessories through the General Motors Holden (GMH) retail network.

#### 3.2 Functions of company

HSV's main business is the manufacture and distribution of high performance motor vehicles and HSV parts and accessories.

HSV described itself as both a customer and supplier to GMH. HSV receives 'core vehicles' from GMH then converts them to high performance PMVs for sale through the GMH retail network.

HSV advised that during the investigation period it purchased Australian manufactured ARWs and imported ARWs as a design component of the models of HSV motor vehicles it manufactures.

HSV also advised that its purchases of imported ARWs are part of its 'just in time' motor vehicle manufacturing processes. Therefore HSV does not operate a warehouse and generally holds limited stock.

**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**

HSV, as a manufacturer of PMVs, is part of the Original Equipment Manufacturers (OEM) segment of the Australian ARW market.

HSV explained that the quality and engineering requirements are much higher for original equipment and genuine accessory PMV wheels as the wheels must meet warranty, GM Best Practice Engineering Guidelines and strict performance testing criteria for PMV ARWs.

HSV claimed that:

- Not all ARWs are the same as they are produced using different technologies:
  - Low Pressure Die Casting (LPDC);
  - Cast Flow Forming; and
  - Forging
- Arrowcrest has the capability to produce ARWs from only the LPDC process;
- The Cast Flow Forming and Forging processes allow for greater flexibility in wheel styling and improved strength with reduced weight;
  - Forging process saves as much as 26kg of reciprocating mass per PMV and Cast Flow Forming saves 15kg when compared to ARWs produced using the LPDC process; and

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- This makes a big contribution towards meeting fuel economy and emissions targets.

HSV explained that:

- Its wheels are all sourced to meet the specifications and styling for a specific model. The specifications are dictated by the tyres, brakes and load rating of the specific vehicle as well as the GM Best Practice Engineering Guidelines and performance testing criteria which are in effect at the time the model is being develop;
- Some wheels sourced for particular models are interchangeable between models while others have limited interchangeability. Some performance models have different wheel off-sets which may not be interchangeable with others. HSV may also have different brake clearance requirements and load ratings between models but overall HSV tries to design as much commonality as it can;
- historically it sourced ~~XXXX~~% of its ARWs from the Australian industry;
- many of the wheels HSV is now sourcing need to be produced using the Cast Flow Forming and Forging processes to meet GM Best Practice Guidelines and engineering performance targets;
  - a LPDC wheel in the size and with the tyre profiles HSV uses will not pass some of the strength and performance tests HSV conducts for approval to use on future models; and
  - HSV began sourcing small quantities of Cast Flow Formed and Forged ARWs two years ago.

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

18 inch	<del>XXXX</del>
19 inch	<del>XXXX</del>
20 inch	<del>XXXX</del>

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

1	Silver painted
2	Hyper silver/ black chrome shadow
3	Bright machined front face

HSV stated that during the investigation period it purchased:

- ~~XXXX~~ inch diameter painted, bright machine faced and hyper silver/ chrome shadow ARWs from Arrowcrest;



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- ~~XXXX~~ inch forged ARWs from Taiwan; and
- Small quantity of Cast Flow Formed ARWs from China.

HSV explained that during the investigation period the Australian made ARWs were purchased for standard fitment on HSV vehicles and the imported ARWs were purchased to be offered as optional accessories on HSV vehicles.

**5 HSV's PURCHASING DECISIONS****5.1 General**

HSV stated that about two years ago it found it could not achieve GM engineering standards with LPDC wheels. HSV found that when measured against GM's world wide engineering standards LPDC wheels do not pass load rating targets without exceeding weight targets.

HSVi therefore began sourcing forged wheels which met GM's best practice at acceptable mass targets. HSV began offering forged wheels as an optional accessory on its range of HSV vehicles.

**5.2 Suppliers of the goods**

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

- Arrowcrest (an Australian manufacturer of ARWs);
- XXXX;
- XXXX; and
- XXXX.

XXXX<sup>1</sup>.

**5.3 Sourcing process**

HSV stated that it conducts a vigorous tender process with selected bidders requested to quote against a statement of Requirements to win business for future model programs and accessory offerings (**confidential attachment 5**).

HSV described its tender process as follows:

- XXXX.

HSV explained that the results of the tender process are presented to a sourcing committee to make a sourcing decision based on cost evaluation and supplier matrix evaluation:

**5.4 Price**

HSV advised that it determines and negotiates price through the sourcing process and has various cost and pricing structures with suppliers.

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<sup>1</sup> XXXX.

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HSV said it offers all ARW suppliers material cost Escalation/ De-escalation against LME Aluminium market pricing. HSV stated that this offer has not been taken up by Arrowcrest.

HSV said that through the sourcing process it requests all suppliers to provide their quotation in a standardised price breakdown format to allow HSV to understand the cost drivers to develop more cost effective designs and supply chain solutions with its suppliers. HSV stated that Arrowcrest does not provide a breakdown of its costs in its quotation.

### 5.5 Australian manufactured ARWs

HSV made the following comments about Australian manufactured ARWs:

- HSV does not have a long term supplier agreement with Arrowcrest;
- Arrowcrest has been given the opportunity to quote on all programs except two (where forged wheels were specified in the statement of requirements)
- Arrowcrest was given the opportunity to quote on the new model program.:
  - Arrowcrest proposed that it would consider investing in flow forming equipment and importing blank forged wheels to meet HSV's engineering requirements;
  - Engineering group expressed concerns over Arrowcrest's ability to meet GM Corp's specifications;
  - The Styling group also had concerns about the styles being offered by Arrowcrest;
  - Arrowcrest was still being considered as a potential supplier until it notified HSV of a price increase of 25% effective immediately on all future orders or no further deliveries. HSV advised that such sudden change in the price by Arrowcrest led HSV to reconsider its supply strategies and to broaden its supplier base; and
- ARWs supplied by Arrowcrest have a high rate of defects compared to other suppliers. HSV provided data on Arrowcrest defects detected in 2011 and year to date 2012 (**confidential attachment 4**).

HSV advised it is moving towards 100% cast flow form and forged wheels due to technical requirements and marketing direction. HSV did not have the confidence that Arrowcrest would be able to meet the new higher standards set for new programs.

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### 6 GENERAL COMMENTS

HSV claimed that imposing dumping and/or countervailing duties on Cast Flow Formed and Forged wheels would do nothing to protect the Australian LPDC ARW industry and only penalise Original Equipment manufacturers of PMVs who require this technology to meet engineering and performance requirements.

HSV alleged that there are high volume imports of counterfeit ARWs that are causing injury to both the Australian industry in the AM and to HSV in the OEM segment. We noted HSV's concerns and advised HSV that this was outside the scope of this investigation. We suggested that HSV lodge a complaint with the appropriate area of Customs and Border Protection. HSV said that it had already done so.

**David Turner**

Manager, Operations 2

**Sanjay Sharma**

Manager, Operations 2

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### 7 ATTACHMENTS

confidential attachment 1	HSV's End-user Questionnaire response
confidential attachment 2	Meeting agenda
confidential attachment 3	Component or Commodity Technical Review Guide
confidential attachment 4	Arrowcrest defects detected in 2011
confidential attachment 5	Advanced sourcing process