



ARROWCREST
GROUP

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26 March 2012

Ms. Joanne Reid
Director, Operations 2
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Joanne,

Reference : Arrowcrest response to general comments made during the importer visit to Mullins Wheels Pty. Ltd., on 19 January 2012.

I refer to the importer visit report posted on Customs' website in week commencing 12 March 2012.

1. HSV.

Customs has confirmed that in its assessment of injury, it will examine the period 2006 to 2011.

When HSV re-sourced to China/Taiwan in September 2011, Arrowcrest lost 50% of its volumes with HSV.

The negotiations for supply of the alternate ARW from China/Taiwan would have commenced, or at least been finalized by HSV during the verification period nominated by Customs, i.e. FY11.

Arrowcrest therefore contends that the injury, and indeed threat of injury, pre-dates September 2011 insofar as HSV's negotiations occurred and/or culminated during the investigation period.

2. Suzuki Australia.

Mullins has stated that Arrowcrest lost the Suzuki contract to Chinese imports in 2009, which is incorrect.

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On 28 September 2010, Arrowcrest quoted Suzuki Australia for supply of new ARWs for the facelift 2011 Swift model. However Suzuki Australia advised Arrowcrest that it had accepted an offer from YHI Australia that undercut Arrowcrest's prices by up to 42% per ARW.

Arrowcrest contends that YHI Australia is sourcing these ARWs from YHI's factories in China.

3. General Motors - Holden.

Following the decision by Holden to commence assembly of its Cruze model in Australia, Holden invited Arrowcrest to quote for supply of ARWs and steel wheels for Cruze on 26 February 2010.

Arrowcrest was subsequently advised on 8 June 2011 that its prices were 37% higher than alternative quotations.

Arrowcrest believes that the ARWs for the Cruze model are supplied to Holden by CITIC Dicastal, China, at dumped and subsidized prices.

In its regulation Number 964/2010, dated 25 October 2010, The Council of the European Union (the "EU"), determined that CITIC Dicastal is *"a State-owned company directly controlled by the State (the majority of its shares belong to the State). The State interference is such that it permits circumvention of measures if it obtains a different rate of duty. In other words, production of other State-controlled companies could be re-directed through CITIC Dicastal. Concerning the other argument put forward by CITIC Dicastal, the fact that it supplies exclusively car makers in the OEM market does not prevent it from supplying to other clients in the future."*

4. Aftermarket (AM) sector.

Since 2003, Arrowcrest has lost 89% of its aftermarket sales volumes whilst imports from China have grown by 738%. Customs has verified that Arrowcrest's ARW volumes fell by 9.6%, and its ARW sales turnover fell by 12.3%, in the 2011 financial year as compared to FY10.

Customs has noted that "Arrowcrest contends that prior to the rapid growth in imports from China in 2003, it adequately competed with imports from various countries and it is only the alleged dumped and subsidized imports from China that have caused them to lose the majority of their business, their workforce and their future prospects."

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"Since 2003, aftermarket sales to Bob Jane have declined by 93%, to Bridgestone by 89%, to Beaurepaires by 95% and to Tyrepower by 77%."

The continuing and worsening injury is not confined solely to Arrowcrest and similar injury indicators can be seen at Performance and Dragway. As noted Mullins has closed its Australian manufacturing operations in favour of importing its ARWs from an unrelated Chinese manufacturer, and this fundamental change in their business was driven by the effects and attractions of dumped and subsidized prices for ARWs from China.

5. Causation.

As noted in previous submissions, thirty percent of Arrowcrest's AM styles have won Australian Design Awards.

It is Arrowcrest's experience that the majority of end-use retail consumers do not routinely scrutinize the field for the latest design, fashion or so-called technology in isolation from appealing styling. However, as noted in Arrowcrest's earlier reply to the submission from Versus, for example, it is not uncommon for those engaged in the manufacture, importation and sale of ARWs to be quick to compare other market participants for a perceived lack of developments in design, fashion and technology.

For example, over the past three years Mullins Wheels has tested the market with updates of its product offering, (changing 48% of its twenty-nine style offering over three years), however Mullins does not update its popular models with such regularity. Over the same timeframe Arrowcrest has changed 26% of its available styles.

Moreover, Arrowcrest contends that the manufacturers of ARWS for Mullins, PDW, Speedy and Bob Jane, for example, export their ARWs to markets other than Australia, affording Chinese manufacturers a large base from which to quickly recover tooling costs.

Conversely, Arrowcrest's ability to invest in new dies for new styles and sizes has been severely hampered as a result of the volumes and market share lost to ARWs imported from China at dumped and subsidized prices.

Arrowcrest rejects the notion that it would inflict injury upon itself. Having made wheels in Australia since 1947 and, specifically, ARWs since the early 1970's, it is not Arrowcrest's lack of understanding of the importance of sales and marketing activities in the AM sector that has led to Arrowcrest's injuries. Instead, Arrowcrest has been forced to react to the rapid and relentless growth in volumes and market share of ARWs from China at dumped and subsidized prices given the corresponding loss in volumes and market share for the Australian industry.

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Arrowcrest can and will increase its AM staffing levels (and other resources), should it have the opportunity to compete on a level playing field. Arrowcrest has continued to provide and maintain wheel displays, point-of-sale materials, major sponsorships at national sporting events and generally done everything it can within its constrained budgets to support the Australian retail tyre industry, including extensive promotion of its products to the Australian consumer.

We submit that Arrowcrest has provided detailed evidence in its application to support the conclusion that its loss of volumes including to Beaurepaires and Bob Jane, for example, as well as the cutbacks that Arrowcrest has been forced to make, are the direct result of dumped and subsidized prices for ARWs exported to Australia from China.

6. Arrowcrest's price to Toyota.

The comment by Mullins in relation to Toyota pricing is incorrect.

7. Conclusion.

We submit that we have demonstrated and provided evidence to the effect that :

- a) Arrowcrest has experienced material injury during the period 2006 to 2011, and such injury commenced from 2003;
- b) the injury experienced by Arrowcrest is the direct result of exports from China at dumped and subsidized prices; and
- c) Arrowcrest has provided sufficient grounds for Customs to conclude that there are no other significant factors, other than dumping and subsidization, that have caused injury to the Australian industry, including at Performance and Dragway whose injuries closely mirror those recorded for Arrowcrest.

Arrowcrest considers that as a result of the relentless supply of dumped and subsidized ARWs from China, (and despite more than 30 years as a successful Australian ARW manufacturer, including recent extensive capital expenditure), Mullins closed its Australian manufacturing operations in 2007, in favour of importing its ARWs from China.

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In closing we again note that, due to the need to address a 'particular market situation' under Australia's Anti-Dumping provisions, it took Arrowcrest in excess of 18 months to research, prepare and lodge its application for AD and CVD measures. Had this not been necessary, Arrowcrest would have made its application for measures at an earlier date and the investigation would have been for a correspondingly earlier period.

Yours sincerely,



Bill Davidson
General Manager