

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

**INVESTIGATION INTO THE ALLEGED DUMPING AND
SUBSIDISATION OF
ALUMINIUM ROAD WHEELS****EXPORTED FROM****THE PEOPLE'S REPUBLIC OF CHINA****IMPORTER VISIT REPORT****KELSO GROUP PTY LTD****As TRUSTEE FOR****THE KELSO FAMILY TRUST****TRADING AS****VERSUS WHEELS AUSTRALIA**

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
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January 2012

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2 BACKGROUND AND PURPOSE

2.1 Background to the current investigation

On 26 September 2011, ROH Automotive (a division of Arrowcrest Group Pty Ltd) (ROH, the applicant) 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.

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.

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 has occurred. Customs and Border Protection will examine details of the Australian market from 1 July 2006 for injury analysis.

Prior to initiation of the investigation, Kelso Group Pty Ltd as Trustee for the Kelso Family Trust trading as Versus Wheels Australia (hereafter referred to as Kelso) was identified in Customs and Border Protection's commercial database as an importer of ARWs from China in the investigation period. Consequently, Kelso was invited to participate in the investigation, and was provided with an Importer Questionnaire to complete.

Kelso completed the Importer Questionnaire, providing details regarding the company, overseas supplier information, imports and expenses, sales and forward orders. A copy of Part A, B and C of its questionnaire response is at **confidential attachment 1**. Kelso provides the goods only in the After Market (AM) segment of the ARW's.

At the visit Kelso cooperated with Customs and Border Protection providing additional documents as requested.

2.2 Purpose of meeting

The purpose of this visit was to:

- confirm that Kelso is the importer of ARWs as identified in the Customs and Border Protection commercial 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;

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- establish whether the purchases of ARWs by Kelso was at arms length transactions;
- establish post-exportation costs incurred by Kelso in importing ARWs;
- identify Kelso sales and customers and verify sale volumes, selling prices and selling costs;
- consider how Kelso's supplier's export prices may be determined¹; 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 Kelso that a Preliminary Affirmative Determination (PAD) may be made at any time after 6 January 2012 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.

Kelso was also advised generally that:

- we would prepare a confidential report on the visit (this report), and before finalisation of the report, Kelso would be given the opportunity to review the report for its 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 Kelso and placed on the Public Record.

2.3.2 Meeting Details

COMPANY	Kelso Group Pty Ltd as Trustee for the Kelso Family Trust trading as Versus Wheels Australia
ABN	Versus Wheels Australia ABN 21 503 890 297
ADDRESS	Unit 2/8 Miller Street Slacks Creek QLD 4127

¹ under s. 269TAB of the *Customs Act 1901*

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TEL NO	(07) 3808 3000
FAX NO	(07) 3808 4445
DATE	31 January 2012
PRESENT	
Kelso Group	James Kelso [REDACTED] Geoff Turner
Customs and Border Protection	Sanjay Sharma, Operations 2 Tom O'Connor, Operations 1 Rachel Lohan, Operations 1

Prior to the meeting, Customs and Border Protection forwarded an agenda to Kelso which also identified a selection of domestic sales and importations for verification. A copy of the agenda is at **confidential attachment 2**.

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

2.4 Documents provided by Kelso

As part of the Importer Questionnaire, Customs and Border Protection provided Kelso a copy of a download from the Customs and Border Protection commercial database and selected 12 shipments from this listing for further examination and verification (**confidential attachment 3**). We requested that Kelso provide all commercial documents to verify the goods and post importation costs. These documents were provided to us at the meeting.

In its response to Part B of the Importer Questionnaire, Kelso completed a 'Cost to Import and Sell' (importer transaction form) for the selected 12 shipments. **confidential attachment 4**

The importer transaction form includes information on the import, shipment and post importation costs through to the sale of that shipment to Kelso's Australian customers.

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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.

For clarification, the goods include:

- wheels used for caravans and trailers;
- finished or semi-finished ARWs;
- whether unpainted, painted or chrome plated;
- forged and cast ARWs; and
- ARWs with or without tyres.

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.

Customs and Border Protection Trade Services Branch confirmed that the goods are correctly classified to this sub-heading.

Customs and Border Protection has found that some importers are classifying the goods to other sub-headings.

The rate of duty for goods exported to Australia from China is 5%.

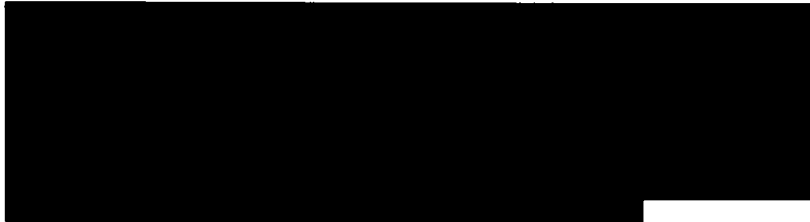
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4 COMPANY DETAILS

4.1 Commercial operations

4.1.1 Organisational structure of company

Kelso is a privately owned Australian company, headquartered in Brisbane, Queensland. Its sole business is to buy and sell road wheels including aluminium road wheels from [REDACTED]



(This is a discussion on the companies ownership restructure and distribution network)

4.1.2 Product range

Kelso's ARW products range includes the GUC sizes and other wheel diameter sizes with a wide range of finish's and styles. Designs and styles are regarded as the main drivers of the AM segment of the ARW's. Kelso claims that this market segment is fashion orientated and constantly evolving with global trends and they need to keep up with the pace to meet the market demands and remain competitive

4.2 Like goods

Kelso states that the ARW's manufactured in Australia are not sufficiently similar to the goods it imports. Kelso claimed that from a simplistic point of view, that their

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goods are like those manufactured by the Australian industry because they can be used on a car. Kelso states that 100% of its product range during the alleged dumping period was manufactured using different techniques, processes and finishes. Regardless of the abilities of ROH to manufacture in the same way to be competitive in the market, they chose not to through lack of capital investment in product development or simply by personal choice.

The manufacturing process:

- Kelso states that it has suppliers in the investigation period in China that produce for both sectors of the wheel industry (as Arrowcrest does). That being aftermarket and OEM. All of their suppliers that produce for these dual markets, do so using different standards, technique, rules, guidelines, equipment and materials for each type of product it produces. Moreover it is Kelso's belief that this is what it considers standard operating practice in China.
- The reason for producing this way is varied and Kelso believes the following to be common knowledge in the manufacturing industry.

- 1\ CASTING

- Kelso states there is primarily two types of casting equipment used for manufacturing ARW's in China. Gravity Die Casting (GDC) and Low Pressure Die Casting (LPDC). For OEM manufacturing, China uses the LPDC method exclusively (as does Arrowcrest). This kind of casting has less wastage of raw material and has a higher pass rate due to inherent manufacturing benefits.

LPDC is a more efficient way of producing ARW's but its machinery cost is at least 3x higher, and tooling cost is at least 1.5x higher. However maintenance costs and skilled labour costs make it cost prohibitive for aftermarket manufacturing. Although these costs are high, when manufacturing OEM wheels these costs are off set due to the high throughput volume of fewer designs.

GDC is used in the majority of aftermarket ARW manufacturing in China as it has much lower cost associated with machinery, tooling, maintenance and labour. The additional wastage caused through this method is negated by the utilisation of this wastage as recyclable material for aftermarket production. Aftermarket wheels tend to be more low volume with a vast amount of designs, which makes tooling especially more cost effective than the prohibitive LPDC tooling. Additionally our key supplier [REDACTED] utilises its own mould tooling factory. This gives it a distinct advantage for reduced manufacturing cost associated with tooling.

- 2\ FURNACE

Another major benefit for Chinese factories that are producing both OEM and Aftermarket is to have dual aluminium melting furnaces.

The amount of recycled material used in OEM manufacturing is strictly controlled by standards set out by OEM Car Manufacturers and of the highest purity level. Whereas the aftermarket manufacturing of ARW's can utilise anywhere from 20% to 50% recycled material and still maintain internationally recognised quality and testing standards. Due to the nature of productivity, consistency and costing,

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these Chinese factories utilise 2 separate furnaces. This allows easy control over the purity levels required for both types of ARW's.

It is Kelso's position and by Arrowcrest's admissions, it utilises 1 furnace and maintains an OEM standard for its all of its material production. By doing so Kelso believes it has injured itself by "over engineering" aftermarket ARW's to aluminium purity levels beyond what is required for this aftermarket sector.

- The production volumes are significantly different. Kelso can seek minimum production volumes of between 60 and 120 units. OEM production volumes are substantially different. OEM production volumes are determined by demand from car manufacturers and are often required in large quantities.

Fitment

- Fitment refers to a number of measurements pertaining to a wheel. The most obvious is wheel diameter, then wheel width. There are many other important considerations, such as the space required for big brakes on performance cars, positive and negative offsets. It is all these characteristics of a wheel that limit its use between different vehicles.
- AM wheels are made to fit a larger variety of vehicles. This is achieved by inserting a plastic ring (centre bore locating ring) to correctly align the wheel and hub. This practice is strictly not allowed for OEM manufactured wheels. OEM wheels must be manufactured to fit snugly around the hub and other areas.
- Kelso also indicated that by using the steel inserts for caravan use does not preclude it from being used on a motor vehicle.

The Market

- Kelso understands from an outside perspective that ARW's are viewed as an automotive spare part. Kelso believes that its customers and end users consider this industry more as a "fashion item for your car". The industry is predominantly controlled by style. Global trends and innovative design, manufacturing processes and finishes are constantly evolving as consumers strive for "whats hot" next. Consequently a large range of styles are important for stockists. To be successful, items sold need to follow these trends which are usually set by the United States of America, Japan and Europe.
- A large range of styles are important as consumers have changed their buying patterns. Kelso indicated that in a throw away society consumers want purchases on the spot as opposed to long ordering periods. In the past the consumer would wait for a particular style, however more recently, they will simply opt for something else if there is a varied selection.
- Purchasing decisions are based upon unique characteristics to set their vehicle apart from others.

4.4 Accounting

Kelso stated that its financial year runs from 1 July to 30 June. Kelso advised that it runs a computerised accounting system called MYOB premier accounting.

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We were informed there is only one profit centre being the sales of the goods. All sales and costs are recorded into this one profit centre.

4.5 Purchasing the Goods

Examining the Customs commercial database we noted that a number of customs entries had the supplier as Versus. Kelso explained that that it now owns the right to import and distribute the Versus brand of ARWs. Versus is a brand owned by [REDACTED] being a trading house set up in Hong Kong [REDACTED] to purchase ARWs from Chinese manufacturers and sell the Versus brand of ARWs into Australia and other parts of the world.

During the investigation period Kelso purchased all of its goods from [REDACTED]

4.6 Relationship with the suppliers of the goods

Although [REDACTED] and James Kelso (owner of Kelso Family Trust) are goods friends, they advised that all transactions are at arms length. Kelso also advised us that it is not related to [REDACTED] or any or with any of [REDACTED] suppliers

Kelso claims that it does not receive discounts or rebates from its supplier. Due to confidentiality, we did not discuss the purchase prices that [REDACTED] obtains from its Chinese suppliers. Kelso did inform us that during the investigation period [REDACTED] manufacturers were used.

We did not find any evidence of rebates and/or discounts provided by suppliers and there appears to be no relationship between Kelso and any of their suppliers beyond their commercial dealings.

4.7 Relationships with customers

Kelso's main customers during the investigation period were:

- [REDACTED]

However, since March 2011 this has substantially changed. We were informed that Kelso is growing its business by selling to independent tyre and wheel retailers. Accordingly, sales to the major franchise holders such as [REDACTED] not via a head office negotiated sale, rather it is a sale negotiated by the individual franchisee. Additionally, Kelso stopped selling [REDACTED] January 2011.

Versus advised that it does not provide commissions or rebates to any customer. It did indicate that if it proceeded to undertake major partnerships with the likes of [REDACTED], commissions and rebates are an important factor in the selling price.

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5 IMPORTS**5.1 Ordering process**

To order, Kelso considers the market trends and its own stock levels and consults with [REDACTED] with regard to lead times and price. Kelso claims that it is required by the manufacturer to place at least 60 to 100 items per style, per fitment, as a minimum order quantity.

Once the order is received by the manufacturer and a price is set. Aluminium being a major component of the goods forms the basis of price setting. Prices are usually aluminium plus a cost and profit mark up. When the order is placed the price is set irrespective of the invoice date.

[REDACTED] monitors LME pricing for aluminium to ensure the pricing structure with the manufacturer's accords with the agreed terms.

Due to manufacturing scheduling, Kelso has a base period of 60 days delay before manufacturing will commence. Typically this period tends to be considerably longer with some orders now in excess of 180 days old.

When the order is manufactured, [REDACTED] arranges for the goods to be transported to Australia. Goods are shipped in 40 foot containers. [REDACTED] sells the goods to Kelso on the water on FOB terms.

Cargo Transport, freight forwarders, act for both [REDACTED] and Kelso to book the shipping and customs clearances and into store transport. It takes approximately 14 to 21 days for goods departing the Chinese port to arrive in Australia.

The goods are released to Kelso by Cargo Transport once they receive a telex from the supplier stating payment has been made by [REDACTED] and confirmation by [REDACTED] to release the goods to Kelso.

Kelso shipping terms are FOB with payment from date of invoice received in advance instalments to [REDACTED] and until slightly after entry of the goods.

Payments are made in USD, whilst some earlier payments were made in AUD. All goods are shipped to the Brisbane warehouse before distribution.

5.2 Volume of trade

During the investigation period Kelso imported [REDACTED] pieces of ARW's with the following breakdown per quarter.

Jul – Sep 2010	Oct – Dec 2010	Jan – Mar 2011	Apr- Jun 2011
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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5.3 Forward orders

Kelso provided a detailed list of forward orders at Part B to its Importer Questionnaire response.

Customs was informed that the forward orders were sizeable to compensate for the large scheduled delivery times. Also, Kelso informed us that they have

and styles and fitment type.

Subsequently, we checked our commercial data base to view the forward orders against delivered items since 1 July 2011 and found that volumes have not substantially increased over previous periods. Kelso provided the table below as part of its response.

Expected arrival date	Quantity
8/01/2012	
8/01/2012	
1/02/2012	
1/03/2012	
10/01/2012	
50% - 30/01/2012 & 50% - 30/02/2012	
5 shipments from March 30th 2012	

From the Customs commercial database it has been identified that from 1 January 2012 to 4 February 2012 only units have arrived. From the table above approximately units should have been delivered.

We observed that the quantity of forward orders appears to be consistent with current levels of trade and the circumstances so described.

5.4 Verification of imports

Prior to visit we requested all commercial documents be provided for the 12 selected shipments. At the visit Kelso provided most of the documents with the exception of the relevant bills of lading. These were sent to us following the visit.

We also requested Kelso to provide us with information to break the total volume by wheel sizes and different finishes for a more detailed analysis.

Kelso provided bundles of source documents in respect of each of the following 12 selected shipments by the Customs entry number. (**confidential attachment 5**).

Invoice details	Customs entry number
SHIPMENT 1	
SHIPMENT 2	
SHIPMENT 3	
SHIPMENT 4	
SHIPMENT 5	
SHIPMENT 6	
SHIPMENT 7	

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SHIPMENT 8	
SHIPMENT 9	
SHIPMENT 10	
SHIPMENT 11	
SHIPMENT 12	

These source documents included the following information:

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

We compared the quantity and value of data for the 12 transactions within Kelso's importer transaction form with the data contained within the Customs commercial database.

We consider the source documents provided were acceptable for verification purposes and where the source document costs did not match the importer transaction form, we considered the discrepancies were immaterial.

5.4.1 Supplier invoice details

All supplier invoices were quoted in USD. Kelso advised that it operates a USD account. However, some shipments were invoiced in AUD in the investigation period.

The 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.

We note the commercial invoice number [REDACTED] in shipment 3 states four units of sample products were shipped to Kelso on 23 July 2010 however it appear the goods were samples and of four different styles and are deemed to be insignificant and normal commercial transactions.

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

5.4.2 Shipment costs

Kelso provided details of shipment costs, including insurance values. Overseas freight was quoted in USD and was converted to AUD based on the exchange rate at the date of payment.

Kelso advised that the company has a blanket marine insurance policy which equates to a value of [REDACTED] % of the invoiced price. We have used the insurance

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amount recorded on the Customs entry for each selected shipment. (We confirmed that this amount is approximately [REDACTED] % of the invoiced price.)

We calculated overseas freight as \$[REDACTED] per piece and marine insurance as \$[REDACTED] 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

Kelso provided values for Customs broker fees, port service charges and delivery in the importer transaction form.

We were able to verify the source documents that reconciled with the values listed for the majority of the Australian Importation Costs.

We note that the values reconcile with the post order calculations provided by Kelso and therefore we are generally satisfied that the Australian importation costs are accurate.

We included duty values based on the Customs clearance documentation provided.

We calculated weighted average importation costs as \$[REDACTED] per piece based on the verified data in the importer transaction form (see **confidential appendix 4**).

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
Customs entry fee	[REDACTED]
Customs brokers fees	[REDACTED]
Quarantine charges	[REDACTED]
Port service charges	[REDACTED]
Delivery	[REDACTED]

5.4.4 Proof of payment of imports

Kelso also provided proof of payment documentation for all selected transactions (**confidential attachment 5**). This included bank statements and statements of international money transfers. We are satisfied that payment was made for the imports. All payments were made in USD to [REDACTED]

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5.5 Selling, general and administrative costs

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

We were advised that SG&A costs in the importer transaction form were calculated, with the input of [REDACTED], based on the 2011 financial statements. The SG&A was [REDACTED] %

5.6 Export prices for selected shipments

Kelso was not able to supply us with a line by line schedule of imported goods to enable us to calculate weighted average FOB prices.

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6 SALES

6.1 Australian market

Kelso claims that the Australian AM for ARW is a totally different market segment to the original equipment market (OEM).

The OEM includes the three Australian passenger motor vehicle manufacturers: General Motors Holden, Ford Motor Company and Toyota Motor Corporation Australia plus their performance brands Holden Special Vehicles (HSV) and Ford Performance Vehicles (FPV).

The AM includes wheel importers, tyre wholesalers and retailers, customer service divisions of the three passenger motor vehicle manufacturers and the manufacturers of trailers and caravans.

Kelso claims that market conditions over the past six months have improved following a decline in sales. The January 2011 floods in South East Queensland impacted negatively upon the market. Kelso explained that demand for the AM ARW's is cyclical. Demand follows immediately after the release of a new ARW model, as customers seek to individualise their new car purchase. After a period of typically three years when cars reach the end of their lease agreement, another wave of customers which have purchased the cars second hand, purchase new AM ARW's to stylise the car to their taste.

Kelso explained that the AM is strongly driven by the fashion favoured by the constantly evolving market. As such, suppliers need to constantly update stock to keep with the latest trends. Kelso highlighted the fact that they had introduced twenty new designs to their product range over the three month period since November 2011 to service the demands of the market.

We were advised that sales and service is a significant selling point. Kelso indicated it [REDACTED] delivery drops per day in metropolitan Brisbane. They also consider strong product knowledge is critical to forecast consumer demand via fitment and emerging trends.

Kelso considers its main market is in the larger wheels with the [REDACTED] in the [REDACTED] inch wheels; particularly so in the performance car market where big brake callipers require certain wheel types.

6.2 Distribution and selling system

Kelso advised that it has recently changed its distribution and selling system. In June 2011 Kelso ended its relationship with its major Queensland distributor [REDACTED]. Since March 2011 Kelso has been selling directly to retailers and to wholesalers with retail operations. Kelso explained that it operates a warehouse in Brisbane and distributes the goods using third party logistic providers in both metropolitan Brisbane and Australia via containers across Queensland and pallets to Victoria and Sydney.

Kelso stated that it sells into the AM segment only and therefore does not compete with the Australian industry's sales into the OEM.

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6.3 Selling Prices

We were advised that the market has a number of tiers with regard to selling prices. Kelso's claims that its "Versus" band wheels to be in the middle to upper range. Kelso manages its brand without price discounting or price fluctuations. We were informed that some companies sell the goods with daily price fluctuations.

Also of note was the impact on prices following the Brisbane floods. This anomaly has now ceased, however following the flood big price reductions were experienced during this period.

6.3.1 Date of sale

Although Kelso's policy is to sell on an [REDACTED] basis to its customers, we did identify an insignificant number of ex works sales

[REDACTED] Sales volume per customer varies on a day to day basis. Kelso informed us that sales volume is very difficult to forecast on month to month basis. Invoicing to Kelso's customers is monthly with payment terms [REDACTED]-days end of month.

6.3.2 Sales verification

We selected seven sales (based on the invoice number) and outlined these in our agenda to Kelso for them to provide the relevant source documents at our meeting. At the visit Kelso provided invoices and proof of payment (in the form of bank statement extracts and remittance advice) for the seven sales selected sales (confidential attachment 7).

Customer name	Invoice Number	Invoice date	Quantity
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

We reconciled the invoice details (value, quantity, invoice date and terms of payment) for the above to Kelso's electronic sales listing. We noted however the invoice price provided at confidential attachment 4 sales listing quoted the GST inclusive value. Proof of payment documents for the sales are at **confidential attachment 8**.

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

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Kelso provided a copy of the audited financial statements at the verification visit (**confidential attachment 9**).

6.4 Profitability of sales

Based on Kelso's financial statements all goods are sold profitability. Confidential attachment 9.

We however calculated the profitability on the selected shipments based on the smallest rim per shipment that was under investigation and that it represented approximately 10% or more of the volume of pieces in the consignment. This view was considered appropriate as the consignments had goods other than the GUC.

After deducting the GST, we calculated the weighted average unit selling price separating the GUC into rim size and then either a painted or chrome finish. We used the weighted average painted finish selling price and multiplied that by the total number of pieces in the consignment.

After deducting all the into-store costs and selling general and administrative expenses, we calculated that overall the goods were sold profitability.

Our calculations of importer profit are contained in **confidential appendix 1**

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

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

- negotiates directly with the [REDACTED]
- the consignee on the bill of lading is [REDACTED] currently owns [REDACTED] and supplies Kelso)
- is named as the buyer on supplier invoices;
- pays for ocean freight and marine insurance;
- has an insurable interest in the goods while they are on the water;
- arranges Customs clearance, logistics and storage of the goods after they delivered to the Australian port;
- retains ownership of the goods until they are delivered to its customers; and
- bears the risk of its customers defaulting on when they purchase from Kelso .

We consider Kelso 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 or entity in the country of export that owns, or 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.

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We consider that Kelso is the importer and purchases the goods from the [REDACTED]. It pays [REDACTED] a trader located in Hong Kong.

We found during the visit that although Kelso was aware of the manufacturers that produce the goods, the commercial invoice was issued by [REDACTED] to Kelso, Kelso sent its payment to [REDACTED], however the bill of lading listed [REDACTED] as the consignee, which agrees with the sale on the water terms of arrangements.

Subject to further inquiries, we consider that the manufacturers for the goods to be the exporters. This will depend on the commercial relationship they have with [REDACTED] and the knowledge the manufacturers may have with regard to the destination for the manufactured goods.

Furthermore Kelso does not negotiate a price with the manufactures for the exportation of the goods and is aware that [REDACTED] does act as a trader in these circumstances.

We are satisfied that during the investigation period

[REDACTED]

were the exporters.

Subject to further enquiries we consider that export price be established under s.269TAB(1)(c) – the price the Minister determines having regard to all the circumstances of the exportation.

Public File**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.

Kelso stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. Kelso 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 Kelso or an associate of Kelso, and its suppliers or an associate of the supplier; and/or
- Kelso or an associate of Kelso 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 Kelso and its suppliers are at arms length in terms of s. 269TAA.

Public File**9 GENERAL COMMENTS*****Australian industry pricing***

Kelso considers there are a number of important points to consider.

First is that the AM and OEM markets are entirely different and the goods don't compete.

Selling, distribution and customer service is vital as customers are not loyal to a style.

Kelso considers ARW styles need to be contemporary. It also considers the Australian industry has not substantially changed its product range for a number of years, and the range of styles is simply too small to capture any attention.

At **attachment 1** Kelso submitted a copy of ROH's ARW catalogue from 2007 and 2010-11 which they claimed demonstrated little change in wheel design over the period.

Furthermore, Kelso considers Arrowcrest has not invested in modern machinery and technology for which the Chinese manufactures have done that allows them to make a range of styles, for example, chrome facings or tinted colours that provides for styles that consumers are demanding.

Public File**10 RECOMMENDATIONS****10.1 Export prices**

We are of the opinion that the goods imported by Kelso from [REDACTED] are:

- Goods that have been exported to Australia otherwise than by the importer, Kelso;
- Goods that have been purchased by the importer from a trader, [REDACTED] and
- purchases of the goods by the importer that were sold in arms length transactions.

Subject to further inquiries with these [REDACTED] and the manufactures of the goods, we recommend that the export price for ARWs imported by Kelso be established under s.269TAB(1)(c) of the Act, - the price the Minister determines having regard to all the circumstances of the exportation

Tom O'Connor
Operations 1

Rachel Lohan
Operations 1

Sanjay Sharma
Operations 2

Public File

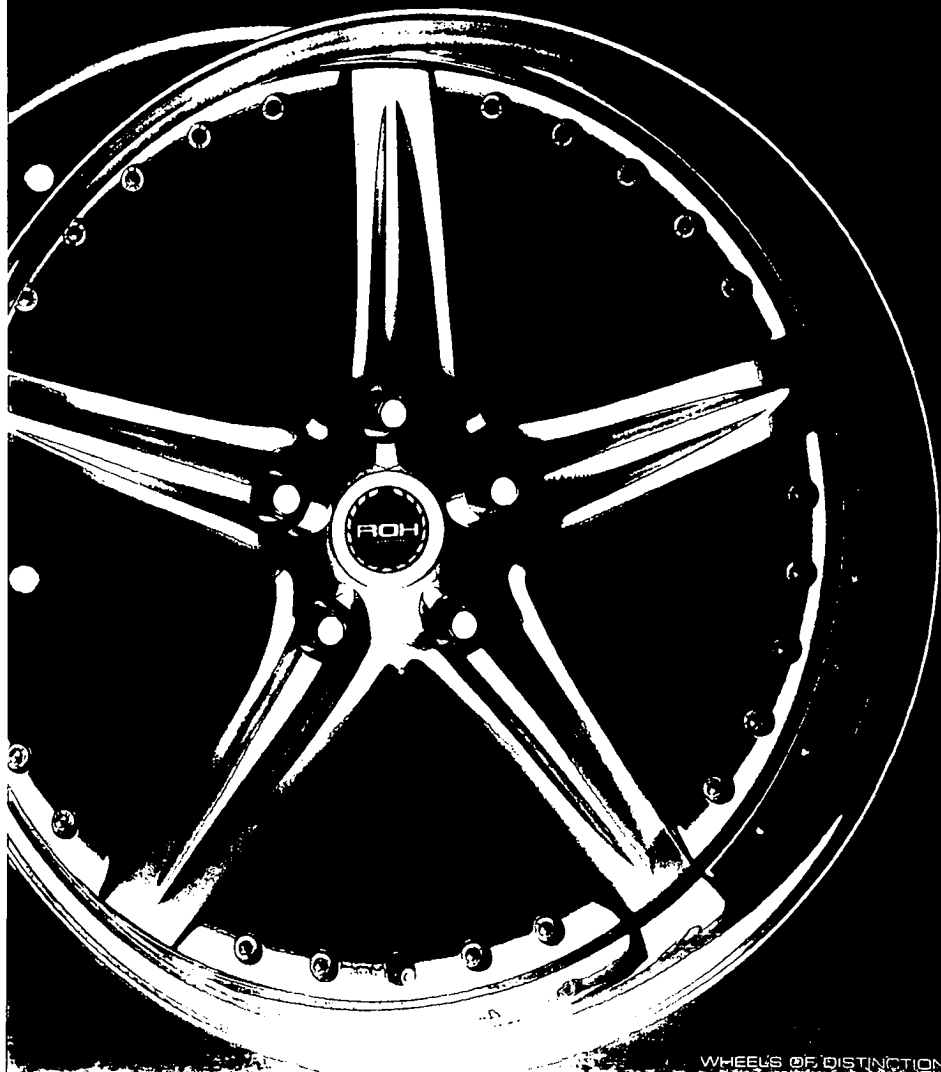
11 ATTACHMENTS AND APPENDICES

Attachments	
attachment 1	ROH ARW catalogue
confidential attachment 1	Kelso's response to the Importer Questionnaire (Part A)
confidential attachment 2	Visit agenda
confidential attachment 3	Import List (CRE download with selected shipments)
confidential attachment 4	Completed Part B (importer transaction form and forward orders) and C (sales listing)
confidential attachment 5	Source documents for 12 selected shipments
confidential attachment 6	Sales proof of payment documents (bank account transaction list, remittance advice and other documentation)
confidential attachment 7	Source documents for seven selected domestic sales
confidential attachment 8	Domestic sales proof of payment
confidential attachment 9	Financial statement for the year ending 30 June 2011
Appendices	
confidential appendix 1	Working – Part B & C (multiple tabs)
confidential appendix 2	Working – Import list (CRE download)

*GET
NOTICED*



ROH WHEELS
AUSTRALIA



WHEELS OF DISTINCTION

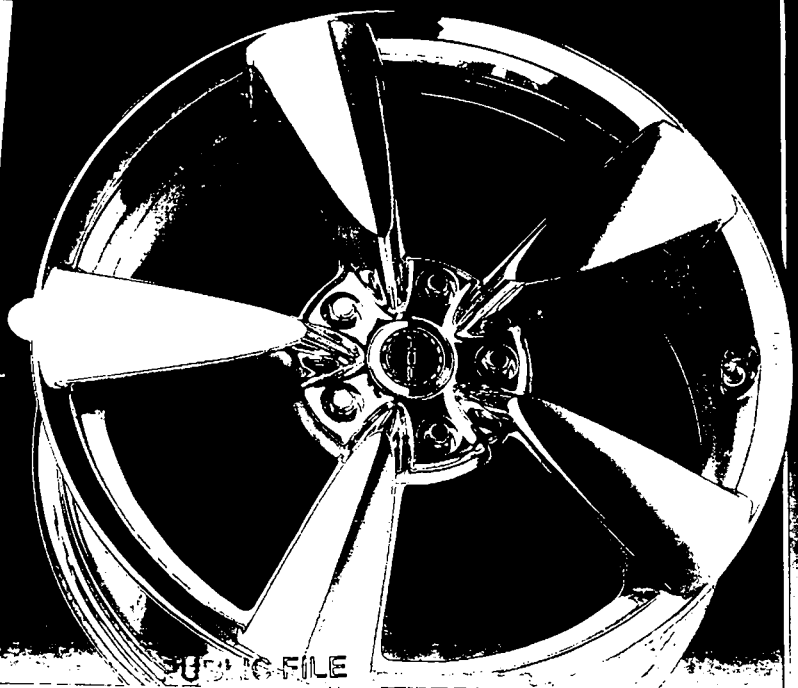
PUBLIC FILE

GET NOTICED with ROH CHROME SERIES WHEELS

CHROME Series



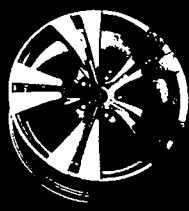
ROH WHEELS AUSTRALIA



PICTURE FILE

FLARE

Flare is a new design in the chrome series. It has a five spoke design with a wide flare. It is available in 15 inch and 17 inch sizes. The 15 inch size is available in 5 spoke and 6 spoke designs. The 17 inch size is available in 5 spoke and 6 spoke designs. It is a very popular design and is available in a variety of finishes.



VAPOR



APEX



BLACKHAWK



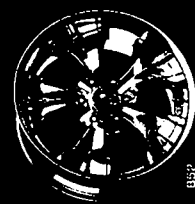
BASLINE



MANTIS



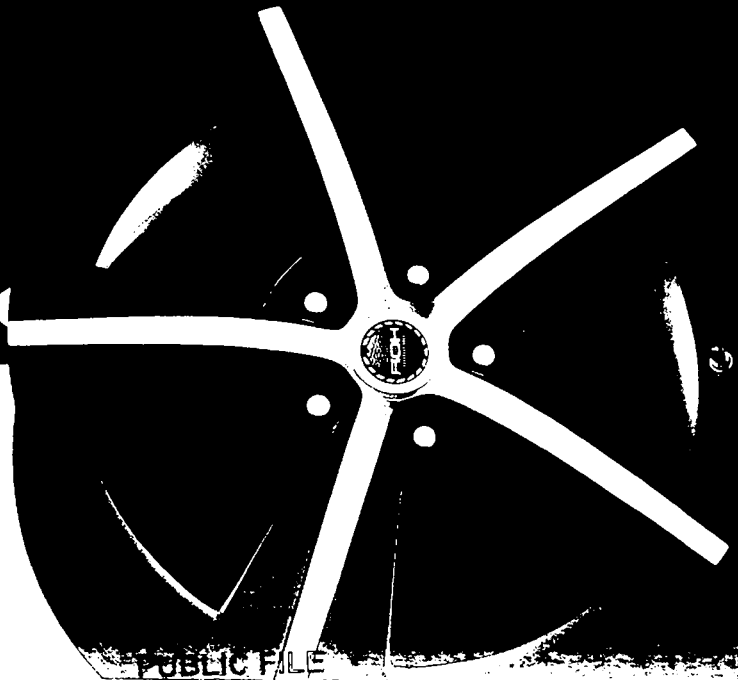
RTX



BSP



**ROAD
wheels**

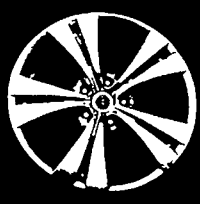


FLASH

FLASH is a new alloy wheel design from ROH. It features a five-spoke design with a central hub cap. The wheel is available in a range of sizes and finishes. It is a popular choice for many car enthusiasts.



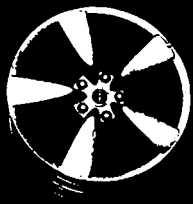
RACELINE 15



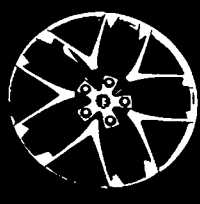
VAPOR 15



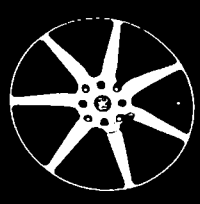
ENVY 15



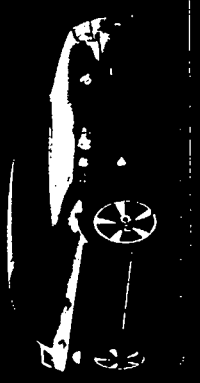
FLARE 15



MANTIS 15



SHIFT-R 15

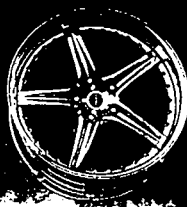


GET NOTICED with ROH ROAD wheels

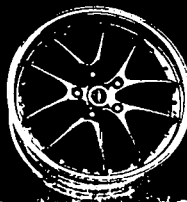
MODULAR wheels



ROH WHEELS
AUSTRALIA



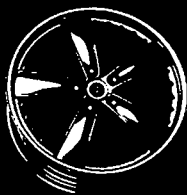
MODENA
18" 19" 5 P.W.



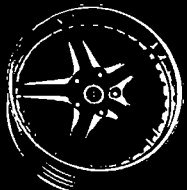
ADRENALIN
18" 19" 5 P.W.



VENTURO
18" 19" 5 P.W.



DIRECTOR
18" 19" 5 P.W.



STRADA
18" 19" 5 P.W.

HI-PERFORMANCE

ROH WHEELS AUSTRALIA
P.O. BOX 1000, MELBOURNE, VIC 3000
TEL: (03) 9581 1111
FAX: (03) 9581 1112
WWW.ROHWHEELS.COM.AU

ROH WHEELS AUSTRALIA
P.O. BOX 1000, MELBOURNE, VIC 3000
TEL: (03) 9581 1111
FAX: (03) 9581 1112
WWW.ROHWHEELS.COM.AU

ROH WHEELS AUSTRALIA
P.O. BOX 1000, MELBOURNE, VIC 3000
TEL: (03) 9581 1111
FAX: (03) 9581 1112
WWW.ROHWHEELS.COM.AU



Dimensions: 18" up to 19" (width 18" to 19")

MODULAR WHEEL - 3 PRICE ASSEMBLY

TEL: (03) 9581 1111

GET NOTICED with ROH MODULAR wheels

OFF-ROAD wheels



ROH WHEELS
AUSTRALIA



RTX 18"



VILAN 18"



IMPACT 19"



MONSOON 17"



THE BEST OFF-ROAD WHEELS IN AUSTRALIA

ROH WHEELS AUSTRALIA
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TEL: (03) 9581 1111
FAX: (03) 9581 1112
WWW.ROHWHEELS.COM.AU



GET NOTICED with ROH OFF-ROAD wheels

FITMENT GUIDE

Make	Model	PCD	14"	15"	16"	17"	18"	19"	20"
BMW	E30, E46, E49, E83 3.0i, 3.2i, Z1	5/120				2,3,4,11, 2,13	1,3,4,9,10,12,13	1,3,4,10,12,13	7
	X3	5/120					5,10	1,11	7
Datsun	Lesco, Integra, Clio	4/100	14	14	14	4,5,12,14			
	Maxi Tacuma	4/114,3	14	14	14				
Datsun	Charade, YRV, Sirion	4/100	14	14	14	4,5,12,14			
	Laser 90+, Festiva 94+, Latio	4/100	14	14	14				
Ford	AU / BA / BF	5/114,3		15	15	2,3,4,11, 2,13	1,3,4,9,10,12,13	1,3,4,10,12,13	7
	Contour	5/114,3						1,10	7
Heldan	Escape	5/114,3			15	2,3,4,11, 2,13	1,3,4,9,10,12,13	1,3,4,10,12,13	7
	Cougar	6/139,7	15,17,18		6,16				
Heldan	Commodore VL - VZ	5/120		15	15	2,3,4,11, 2,13	1,3,4,9,10,12,13	1,3,4,10,12,13	7
	Monaro	5/120				2,3,4,11, 2,13	1,3,4,9,10,12,13	1,3,4,10,12,13	7
Heldan	Commodore VE	5/120			15	2,3,4,11, 2,13	1,3,4,9,10,12,13	1,3,4,10,12,13	7
	Crownman / Advantura	5/120						1,10	7
Heldan	Alpha City 94 - 05	4/100		14	14	4,5,12,14			
	Alpha CO	5/110					12	12	
Heldan	Tygra, Barina 94+ Excludes Compaq	4/100	14	14	14	5,14			
	Viva	4/114,3	14	14	14	5,12,14			
Heldan	Onice	4/100				4,5,12,14			
	Rodeo, Jackaroo	6/139,7	16	16	16				
Heldan	Suzi, Datsun - 06, Integra - 04	4/100	14	14	14	4,5,12,14			
	Datsun 06+, Integra Type R/S, Integra CS+	5/114,3	14	14	14	5,12,14	12		
Heldan	Lum, Accord 96+, Prelude 97+	5/114,3	14	14	14	4,5,12,14	12		
	HRV, CRV	5/114,3	15	15	15				
Heldan	Accord, Gitz	4/100	14	14	14	4,5,12,14			
	Barina HD 06+, Sonora 05+, Tourer	5/114,3	14	14	14	4,5,12,14	12		
Heldan	Santa Fe, Tucson	5/114,3	15	15	15	2,3,4,11, 2,13	1,3,4,9,10,12,13	1,3,4,10,12,13	
	Mentor, Rio, Spectra, Credo	4/100	14	14	14	4,5,12,14			
Heldan	Sportage	5/114,3	14	14	14	2,3,4,11, 2,13	1,3,4,9,10,12,13	1,3,4,10,12,13	
	Cerato, Opama	4/114,3	14	14	14	5,12,14			
Heldan	Nissan 2, 300Z - 04	4/100	14	14	14	4,5,12,14			
	Nissan 3, Maxima 6, MGS 05+	5/114,3	14	14	14	4,5,12,14	12		
Heldan	Qashqai 05+	5/114,3	14	14	14	4,5,12,14	12		
	Yaris, UPV	5/114,3	15	15	15	2,3,4,11, 2,13			
Heldan	Beano	6/139,7			6,16				
	Call 04+, Lancer 92 - 05, Mirage 92+	4/100	14	14	14	4,5,12,14			
Heldan	Lancer 05+	4/114,3	14	14	14	5,12,14			
	Mazda 90+, Verado	5/114,3	15	15	15	2,3,4,5,11,12,13,14	1,3,4,9,10,12,13	1,3,4,10,12,13	
Heldan	300	5/114,3	15	15	15	2,3,4,5,11,12,13,14	1,3,4,9,10,12,13	1,3,4,10,12,13	
	Outlander	5/114,3				2,11	1,9,10	1,10	
Heldan	Pajero 90, Challenger	6/139,7	17,18						
	Pajero 01+	6/139,7			6,16	16			
Heldan	Thorn 05+	6/139,7			6,16	16			7,8
	Pulsar 91 - 99	4/100	14	14	14	4,5,12,14			
Heldan	Pulsar 00+, Sade	4/114,3	14	14	14	4,5,12,14			
	200 SX S14 / S15, 300ZX, Maxima 90+	5/114,3				2,3,4,11,12	1,3,4,9,10,12,13	1,3,4,10,12,13	
Heldan	Skoda 90, 94, 95, 96, 97, 98, 99	5/114,3				2,3,4,11,12	1,3,4,9,10,12,13	1,3,4,10,12,13	7
	X-Trail	5/114,3			15	4,5,12,14			
Heldan	Melano	5/114,3					1,9,10	1,10	7
	Passenger 06	5/139,7			6,16				
Heldan	Nissan 09	6/139,7	16,17,18		6,16				
	Patrol	6/139,7			17,18,19				
Heldan	Yaris, Liana, Fortuner, Outback	5/120				5,12,14	12		
	Galeno 97+, Liana Liana	4/100	14	14	14	4,5,12,14			
Heldan	Grand Vitara	5/114,3				4,5,12,14	1,3,4,9,10,12,13	1,3,4,10,12,13	
	Swift 05	4/114,3	14	14	14				
Heldan	Swift 05+	4/100	14	14	14	4,5,12,14			
	Yaris, Corolla, Echo	4/100	14	14	14	4,5,12,14			
Heldan	Colabo 96+	5/100				5,12,14			
	Aurion	5/114,3				4,5,12,14	12		
Heldan	Amion, Datsun 97+	5/114,3	15	15	15	2,3,4,11,12,13	1,3,4,9,10,12,13	1,3,4,10,12,13	
	Ren 4	5/114,3			5	4,5,12,14	1,3,4,9,10,12,13	1,3,4,10,12,13	
Heldan	Alfa 44 (coil spring)	6/139,7	17,18	6,16					
	Alfa 44 (coil spring)	6/139,7	16	6,16	6,16				
Heldan	Alfa 96, Alfa 05+	6/139,7	16	6,16	6,16				
	Landcruiser 80 series	6/139,7			17,18,19				14
Heldan	Landcruiser 78/81/100 series	5/150			17,18,19				
	Landcruiser 100 series (turbo diesel)	5/150			19	16			
Heldan	Prado 03+	6/139,7				16			7,8

The above fitment information is a guide only.

Specifications subject to change without notice. Other fitments may be available. Always check wheel bearings on vehicle before fitting new wheels. Check local formulae with dealer. Sales enquiries: Ring 08 8468 4141, ROH Support.



HEAD OFFICE: 28 Sheffield Street
Woodville North South Australia 5012
PO Box 5 Regency Park SA 5942

Telephone (08) 8468 4140 Facsimile (08) 8468 4141
Email: sales@roh.com.au Website: www.rohwheels.com

VIC (03) 9305 1992 (03) 9303 985
NSW (02) 9825 9339 (02) 9825 9696
SA (08) 8468 4140 (08) 8468 4141
QLD (07) 3865 1100 (07) 3865 2696
WA (08) 9472 1022 (08) 9472 1033
NZ +64 9 274 9181 +64 9 274 9180

1300 722 723
+61 8 8468 4143



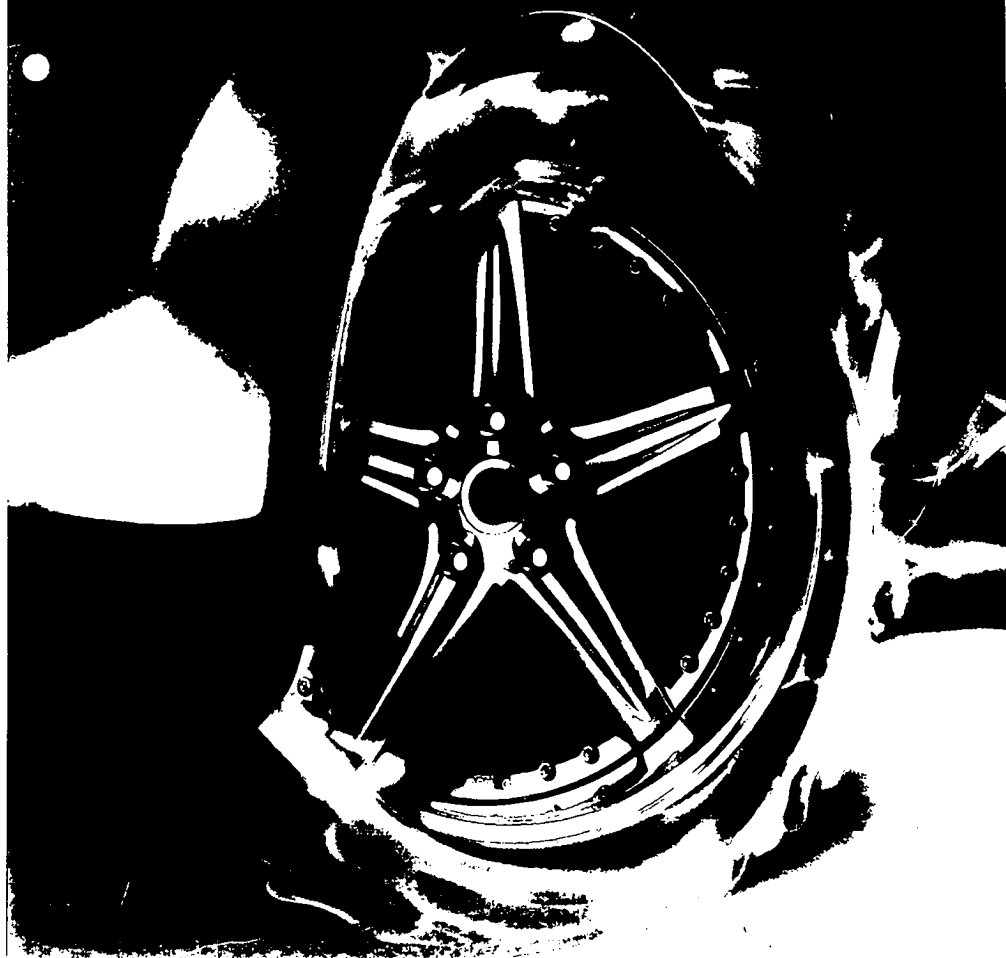
roh wheels.com

PUBLIC FILE

2010-11

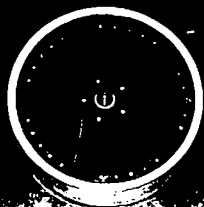
ROH

WHEELS

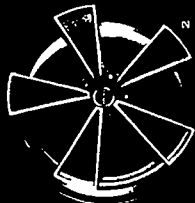


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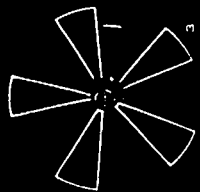
ROAD SERIES



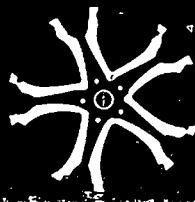
MODERN 1 PC - SL
1965-5 AVAILABLE DEC 2010



TORQUE
1960



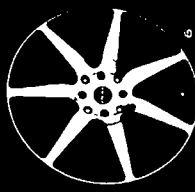
WILDCAT
1960



PROWLER
1960-2005



MANITIS
1967-1968, 1969-5, 1969-6, 1969-7



SHIFT R
1965-6, 1966, 1966-5, 1967

Australian Made.

Where are your wheels made?

Why fit wheels imported from unknown makers when you can rely on quality assured Australian made ROH wheels. They're manufactured to the same original equipment standards as the wheels we supply to the following car manufacturers.

ROH proudly supply OEM wheels to the following brands and buy Australian made

ELFIN

H&V

TOYOTA

SUZUKI



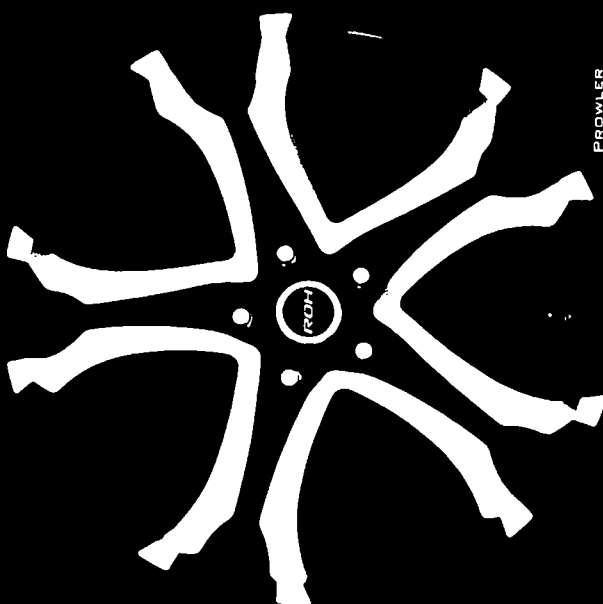
FEATURES

Australian made premium wheels for performance vehicles. Transform your ride with ROH Road Series, available in every ROH wheel is engineered to provide the ultimate in quality, safety and performance. In your year, the ROH Road Series with ROH Wheel's and technology can.

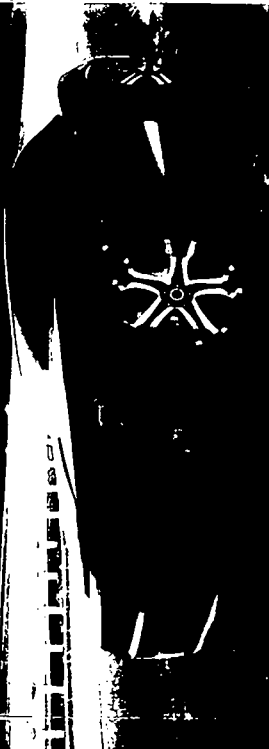
LEGEND:
M - MAXIMUM WEIGHT LOAD
B - BLAKE, MAXIMUM LOAD
S - SHAW, MAXIMUM LOAD
B - BLACK, MAXIMUM LOAD
L - LUBRICATED, MAXIMUM LOAD



ROH
WHEELS



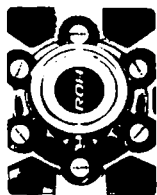
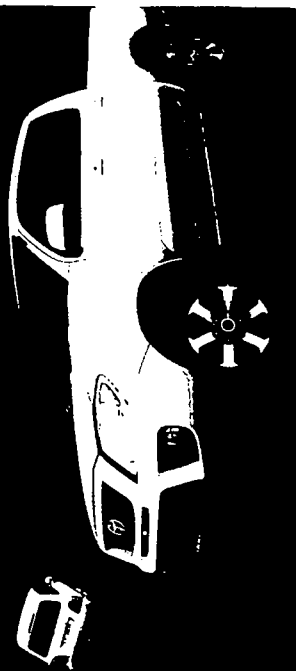
PROWLER



PUBLIC FILE

220 PUBLISHED

**WHEELS
HOT**



4WD SERIES

ROH Safety Nut Indicators

ROH Safety Nuts are an innovative development for AFD and passenger vehicles. This innovative device adds extra torque to any of the wheel nuts, have lost torque due to vibration. An important ROH Safety Nut can be tightened to satisfy any vehicle wheel nuttorque. Ask Dealer for Details.

FROM SAFETY NUTS

FEATURES

[illegible]

REF NO:

1. *Chlorophyll a* and *Chlorophyll b* content

"МОНУМЕНТАЛЬНОСТЬ"

508

1 - BLACK MACHINED FACE

3.1.3. Gu yin Machine D Face

ISSN 0968-0801

10

RESEARCH DESIGN

PUBLIC FILE

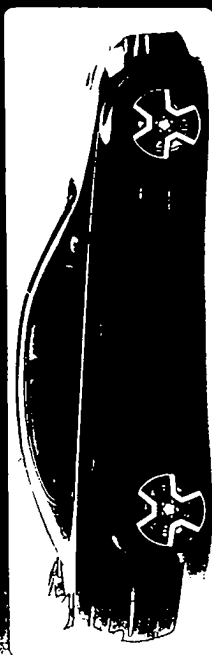
HSV/BUNDABERG RED RACING



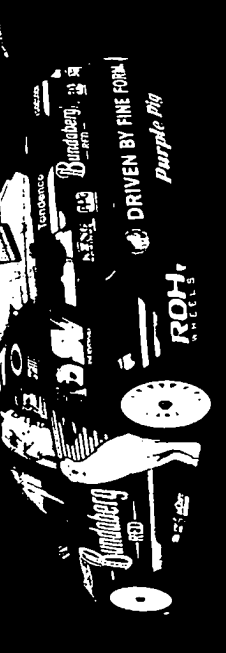
HSV is Australia's premier motor sports brand, delivering legendary performance on the stage and track. Which is why FCR proudly manufactures the HSV range of specially engineered, high performance, 6-cylinder sport sedans using the most advanced technology available.

HSV and ROH - Partners in Performance.

Performance is our passion at ROH. And it is only we proudly sponsor the fit, fast and fast racing team. That's why Bundaberg Red Racer, our racing reference and driving principles are all qualities we cultivate at ROH. We look forward to serving the Australian market from 2004, regularly on the go.



ROH
WHEELS



ROH - 2010/2011 CATALOGUE WHEEL DESIGN REGISTRATION DATES

CATALOGUE - PAGE 2	MODENA	TORQUE (SAME DESIGN AS WEDGE)	WEDGE (SAME DESIGN AS TORQUE)
	DESIGN REGISTERED 11-02-2002	DESIGN REGISTERED 22-11-2007	DESIGN REGISTERED 22-11-2007
	PROWLER	MANTIS	SHIFT - R
	NOT REGISTERED (RELEASED 2007)	DESIGN REGISTERED 26-05-2005	DESIGN REGISTERED 14-12-2004
CATALOGUE - PAGE 4	DRAGMAG	DIRECTOR	ADRENALIN
	DESIGN REGISTERED 18-10-2006	DESIGN REGISTERED 25-08-2004	DESIGN REGISTERED 25-11-2003
	STRADA	MODENA	VENTURO
	DESIGN REGISTERED 23-09-2002	DESIGN REGISTERED 11-02-2002	NOT REGISTERED (RELEASED PRE 2007)
CATALOGUE - PAGE 6	TROJAN	RTX	RTX
	DESIGN REGISTERED 18-10-2006	DESIGN REGISTERED 30-06-2003	DESIGN REGISTERED 30-06-2003
	MONSOON	IMPACT	VILAN
	NOT REGISTERED (RELEASED PRE 2000)	NOT REGISTERED (RELEASED PRE 2000)	NOT REGISTERED (RELEASED PRE 2000)
CATALOGUE - PAGE 8	FLASH	VAPOR	RT
	DESIGN REGISTERED 07-07-2006	DESIGN REGISTERED 28-02-2006	NOT REGISTERED (RELEASED PRE 2000)
	ADRENALIN	ENVY	
	DESIGN REGISTERED 25-11-2003	DESIGN REGISTERED 06-09-2002	

REFERENCE - IP AUSTRALIA

http://pericles.ipaustralia.gov.au/adds2/adds.adds_namelist_search.paint_name_search