



Bianchi

PASSIONE CELESTE

The experience of EU importer with GSP - Form A

Bianchi
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Agenda

- Bianchi company overview
- Bicycle EU import duties
- History of bicycle production in Cambodia
- Cambodia opportunity for Bianchi
 - Upsides
 - Downsides
 - Worries

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Company overview

VISION

Performance bicycle company

CULTURE

historic 130 year old Italian brand and bicycle company

STRATEGY

product driven technology and Italian design

HEADQUARTER IN ITALY

Treviglio, Bergamo

FOUNDED IN 1885

by Edoardo Bianchi in Milan

GLOBAL DISTRIBUTION

Present:

- in all continents
- in more than **67** countries

Company overview – Bianchi range

Range and sale price



Company overview – Business models

1. Traditional (mid-high range): Bianchi imports bicycle parts in Italy, produces complete bicycles and sells them everywhere
2. Distribution (low-mid range): Bianchi imports and manages the distribution of the complete bicycles
3. Asia Direct: Bianchi ships complete bicycles directly from far east to 'Pacific area' countries
4. Royalties: Bianchi receives royalties on sales of products developed directly by the customers

Company overview – Business models

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Bicycle EU import duties

Bicycle european standard import duty:

1. No GSP 14%;
2. With GSP 0% (starting from 2011).

Bicycle european anti-dumping import duty:

1. Chinese origin since 1993: 48,5%
2. Vietnamese origin since 2005: 34,5%
3. Other origin: 0%.

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History of bicycle production in Cambodia

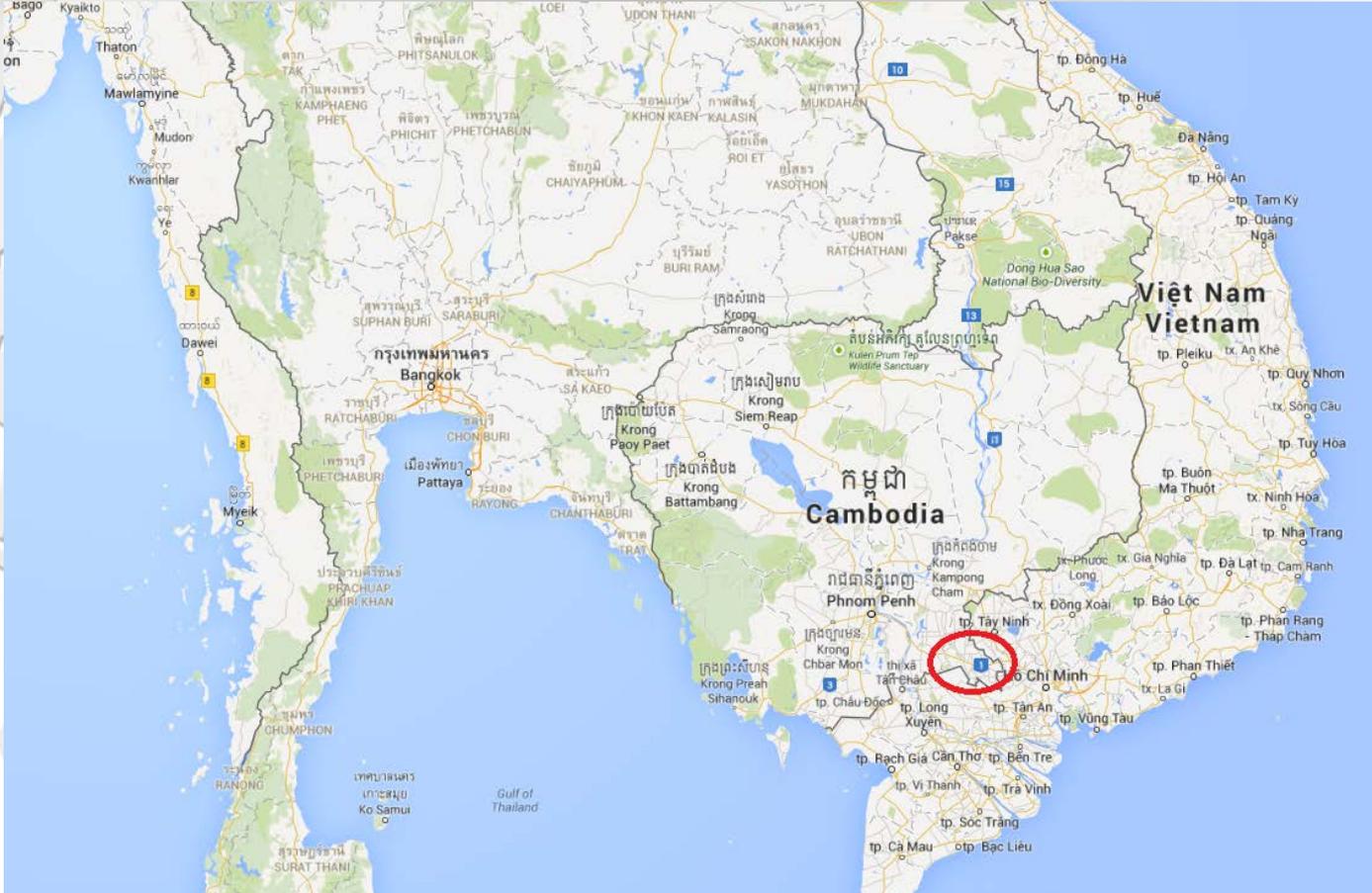
A large number of Taiwanese bicycle manufacturers set up operations in Vietnam after 2000, attracted by the four-year tax reduction and tax exemption incentives offered by the Vietnamese government.

When the EU implemented anti-dumping duties in 2005 against bikes and parts produced in Vietnam, it dealt a body blow to complete bicycle exporters and devastated the parts industry in the country.

History of bicycle production in Cambodia

As result, Tawainese complete bicycle producers were forced to move to Cambodia or Thailand, return to Tawain or shut down completely.

History of bicycle production in Cambodia



History of bicycle production in Cambodia



History of bicycle production in Cambodia

In addition, during 2011, the EU commission has introduced GSP system (0% duty).

The GSP system of preference allows for LDC countries to export everything but arms to the EU, duty free providing the said goods can meet the criteria as laid down in the annex 13 of regulation (EEC) no. 2454/1993.

To apply 0% duty Form A is required.

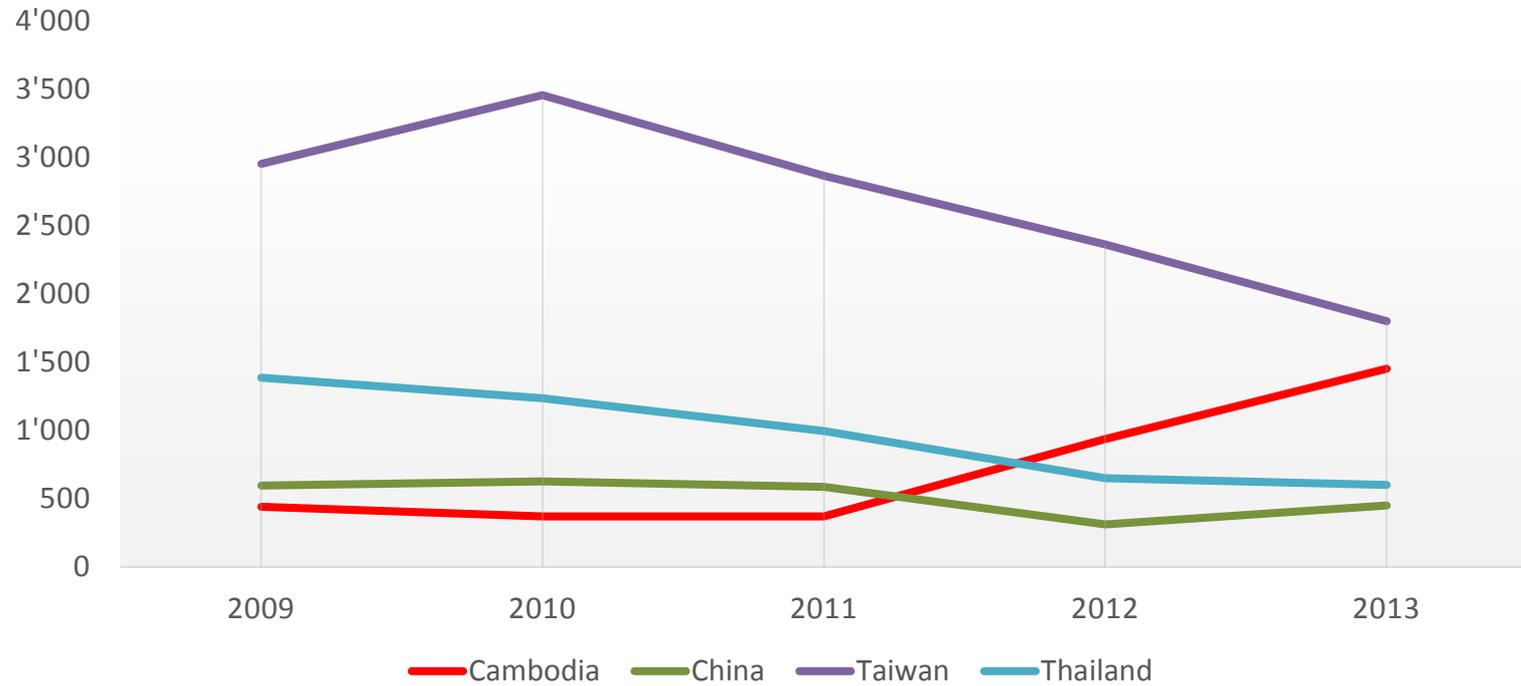
History of bicycle production in Cambodia

Form A is a document that grants that there is enough local content in the goods exported to EU:

1. The cost of materials not complying with ASEAN cumulation max 30%
2. Specific manufacture activities (wheels assembly, painting, ...) have to be made in Cambodia

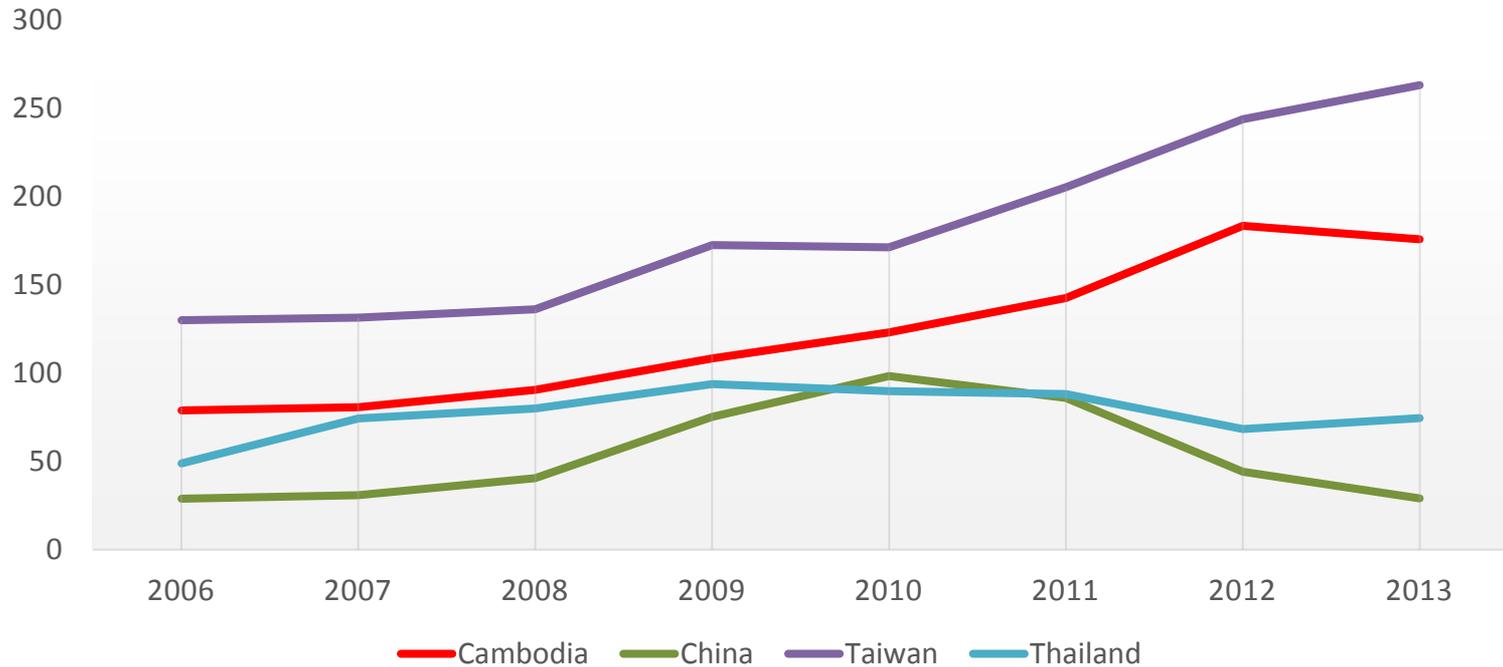
History of bicycle production in Cambodia

EU imports of bicycles from 4 major Asian countries
(x 1.000 units)



History of bicycle production in Cambodia

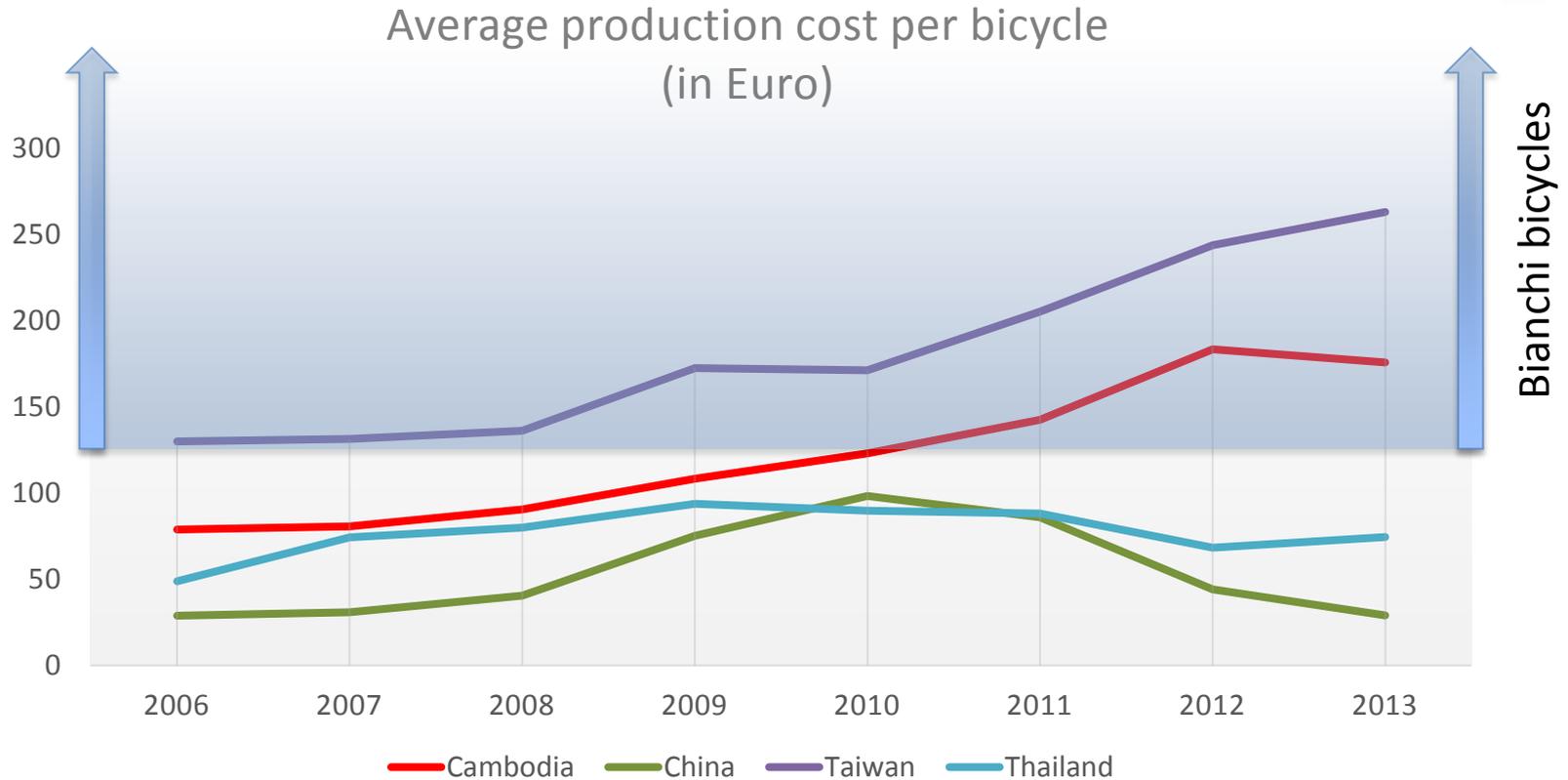
Average production cost per bicycle
(in Euro)



Agenda

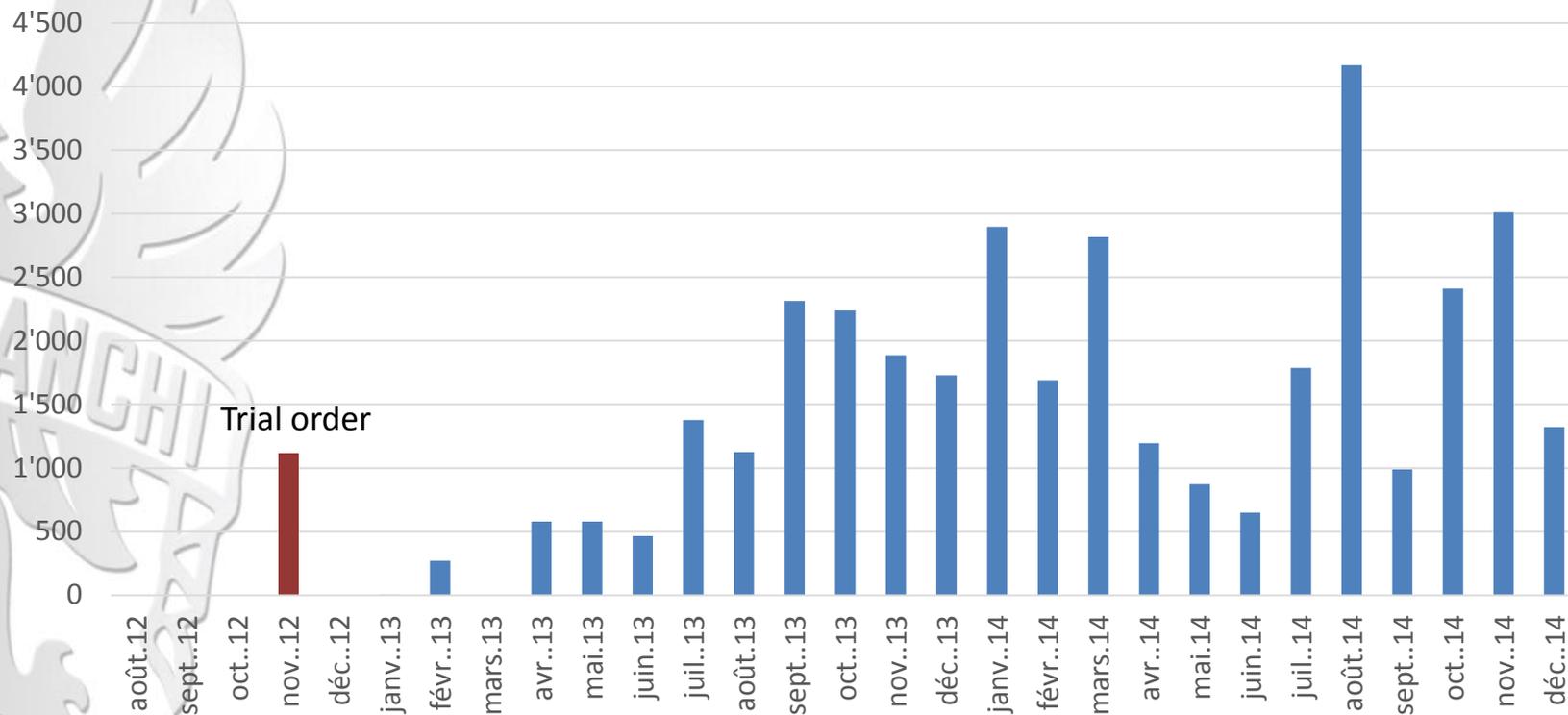
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Cambodia opportunity for Bianchi



Cambodia opportunity for Bianchi

Purchased bikes



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Upsides

1. Cambodia has proven to be able to produce quite mid-high quality bikes, which normally we would only find from Taiwan
2. Cambodia is a preferred supply option due to the 14% duty saving, compared to Taiwan
3. The form A facilitates the duty free, and because it is issued by a Government body, it gives to Bianchi the feeling of safety that the RoO are being followed

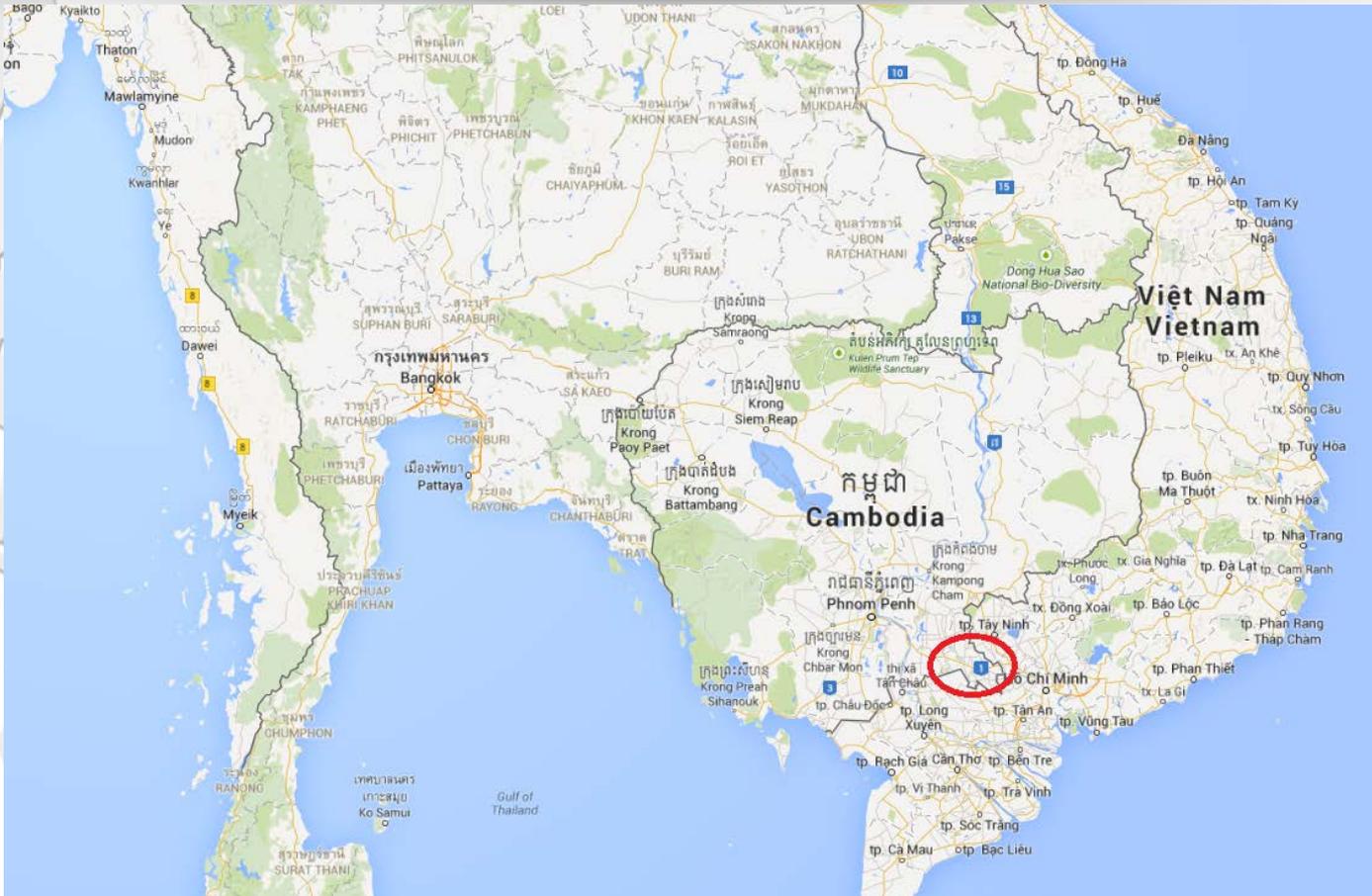
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Downsides

1. Italian customs demonstrated and demonstrates to have some doubts in believing the form A from Cambodia. The reason is because not always the goods have been shipped from Cambodian ports instead of the much closer and more convenient HCM port
2. Logistical costs of shipments from Cambodian ports increase the FOB prices over say Taiwan or Vietnam, so the duty saving is partially eroded. Freight cost is higher compare to HK or Taiwan but transportation time is almost the same

History of bicycle production in Cambodia



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Worries

1. Worried about rule changes and GSP/LDC status as moving production to an alternative source takes a lot of time and work
2. Worried about strikes and disruptions to production as has happen in the past
3. As consequence the labor cost is expected to rise

Worries – 1. Rule changes and GSP/LDC status

1. Risk connected to Form A:

- a) ASEAN countries that are contributing to cumulative Form A may be progressively reduced
- b) Working or processing which confers originating status may be changed

2. EU regulation:

- a) EU commission, worried about the high performance of Cambodia production, could introduce more restrictions and duties in order to protect the EU local industry



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