

Arrowcrest Group – Aluminium Road Wheels from PRC – Part B

PART B

DUMPING

APPLICATION

FOR

ANTI-DUMPING and COUNTERVAILING DUTIES

ALUMINIUM ROAD WHEELS

exported

from the People's Republic of China

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B-1 Source of exports.

1. Identify the country(ies) of export of the dumped goods.

The country of export of the dumped and subsidised ARWs is the People's Republic of China (China).

2. Identify whether each country is also the country of origin of the imported goods. If not, provide details.

The country of export is also the country of origin of the exported like goods.

According to some Chinese ARWs their export sales are handled via Taiwan. ROH draws Customs and Border Protection attention to the possibility that exports of ARWs from China may be diverted through Taiwan. Please refer to YHI International's statement dated 29 October 2010, following the imposition of anti-dumping measures on Chinese ARWs exported to Europe, wherein YHI International makes it clear that its ARWs for Europe would be sourced in future from its alternate facilities located in Taiwan and Malaysia. (See Non-Confidential Attachment B-1.2).

3. If the source of the exports is a non market economy, or an 'economy in transition' refer to Part C.4 and Part C.5 of the application.

For the purposes of Australia's Anti-Dumping and Countervailing provisions, Australia considers China to be a market-economy country.

It is ROH's view that domestic selling prices for ARWs sold in China are artificially low or not substantially the same as they would be if they were determined in a competitive market. As a result, Chinese domestic selling prices for ARWs are considered unsuitable for normal value purposes. See Section B-3 below.

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- **Producers of the goods exported to Australia:**

Refer to non-confidential attachment B-1.4.1 for Chinese ARW producers.

According to export data from the China Customs Information Centre (CCIC www.hgti.cn), in calendar year 2009 the value of exports for the top 20 exporters of ARWs from China to Australia was as shown in table B-1.4 below.

Table B-1.4

Top 20 Chinese ARW Exporters to Australia in 2009

US dollars

1	CITIC Dicastal Wheel Manufacturing Co., Ltd.	\$6,355,702	SOE
2	CITIC International Co., Ltd.	\$5,557,910	SOE
3	FUTEK Alloy (Changshu) Co., Ltd.	\$3,010,634	FIE
4 & 5	YHI Advanti Aluminum (Shanghai) & YHI Advanti Aluminum (Suzhou)	\$1,841,645	FIE
6	Ningbo Yongqi Aluminum Wheel Manufacturing Co., Ltd.	\$1,408,398	FIE
7	Nanjing Huashun Aluminum Wheels Co., Ltd.	\$1,219,912	SOE
8	Protech Wheel Industry Co., Ltd.	\$1,151,121	FIE
9	Zhejiang Dawning Wheels Co., Ltd.	\$780,904	FIE
10	Ningbo Pilotdoer Wheel Co., Ltd.	\$686,270	FIE
11	Liuhe Light Alloy (Kunshan) Co., Ltd.	\$674,909	FIE
12	Kunshan Anka wheel Co., Ltd.	\$671,342	FIE
13	Jiangsu Shenzhou Wheel Hub Manufacturing Co., Ltd.	\$631,225	FIE
14	Shanghai Arays Hardware Manufacturing Co., Ltd.	\$315,842	FIE
15	Kinghwa Toptrue Wheel Co., LTD.	\$309,231	FIE
16	SINOTRANS Huangshi International Trade Co., Ltd.	\$231,845	FIE

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17	Baoding Lizhong Wheel Manufacture, Co., Ltd.	\$136,720	SOE
18	Shanghai Mingqi Aluminum Co., Ltd.	\$130,464	FIE
19	Fujian Shenlika Aluminium Industry Development Co. Ltd.	\$84,121	FIE
20	Wuhu Huangyan Wheels Co., Ltd.	\$49,069	FIE
	Total	\$25,247,264	

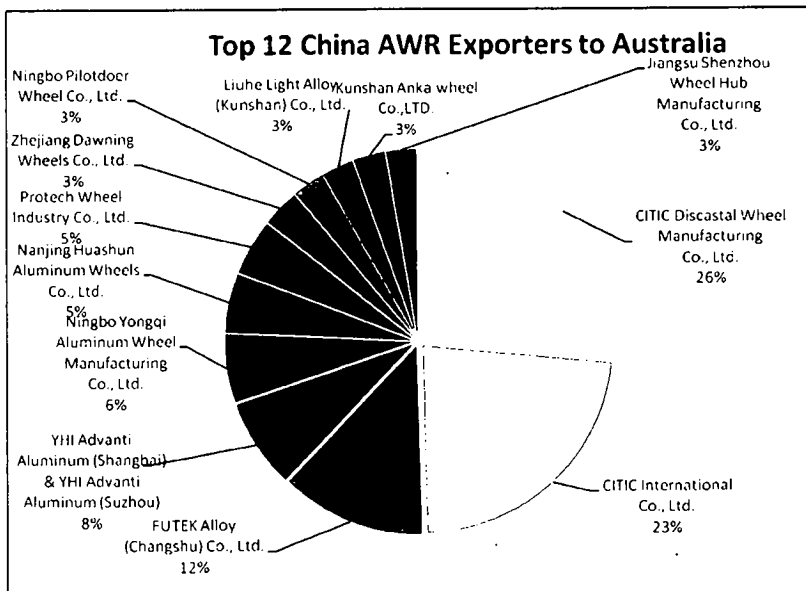
SOE = State-owned enterprise

FIE = Foreign-invested enterprise

SOEs account for 52.5% by value of the top twenty exporters into Australia.

ROH contends that SOEs share by volume is well in excess of 52%.

Chart B-1.4

Data source: China Customs Information Centre, (CCIC) www.ccic.cn

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Background data for some of the larger exporters follows. Refer also to individual credit reports contained in Non-confidential Attachment B-1.4.2 .

1 & 2. CITIC Dicastal Wheel Manufacturing Co., Ltd. and CITIC International Co., Ltd.

State Owned Enterprise (SOE), enjoying concurrent Foreign Invested Enterprise (FIE) status.

- Largest exporter by value to Australia, according to CCIC;
- Currently the largest ARW manufacturer in China with production capacity of 15 million wheels per annum;
- Registered as a Hong Kong, Macau or Taiwan Joint Venture in 1988;
- 71.9% owned by CITIC Investment Holdings Ltd., - a State-owned enterprise;
- 28.04% owned by Hong Kong Great Success Ltd., and Hong Kong Energy Automobile Co., Ltd., thereby qualifying for FIE preferential tax policies, subsidies and grants being additional to any subsidies and grants received as an SOE;
- Listed as provincial key service enterprise;
- Operates at least 6 manufacturing plants located variously in Hebei, Henan, Jiangsu and Guangdong provinces;
- Assessed as a medium-sized enterprise (SME), with BBB credit rating from China Export & Credit Insurance Corporation (Sinasure) = average strength, average resistance to risk and acceptable credit status;
- CITIC International Co., Ltd., appears as a trading arm for a percentage of exports;
- Paid 2.9% enterprise tax in 2009 (national rate is 25%);
- Designated by the Ministry of Commerce (MOFCOM) in August 2006 as the national automobile parts export base;
- 2009 exports accounted for around 38% of total sales;
- Australia accounts for around 3.17% of total export sales, i.e. export sales to Australia where around US\$7.7 million in 2007, US\$7.1 million in 2008 and US\$6.2 million in 2009, according to Sinasure data;
- Based on 234 working days, annualised export sales to Australia in 2010 are estimated to be around US\$8.5 million;
- ROH believes that CITIC's Australian customers include Ford Motor Company and GM-Holden;
- In September 2006, its products were awarded the Asia Brand Innovation Award by the State-owned Assets Supervision & Administration Commission of the State Council;
- Purchases aluminium alloy ingot locally, especially in East and Southern China including from Hebei Lizhong Nonferrous Metals Group Co., Ltd., and its underlying company, Qinhuangdao Meiliv Alloy Co., Ltd;

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- Also sources aluminium from (Baoding) Lizhong Group, another SOE who also owns and operates ARW production & export facilities;
- Presumed to benefit from preferential tax incentives on production equipment sourced from Germany, America and Japan.

3. Futek Alloy (Chang Shu) Co., Ltd.***Wholly owned FIE.***

- Second-largest exporter by value to Australia, according to CCIC 2009 data, with production capacity of around 360,000 wheels per annum;
- Registered as a wholly-owned FIE in 2005, thereby qualifying for FIE preferential tax policies, subsidies and grants;
- 100% owned by Futek Alloy Co., Ltd., registered in Brunei but the parent is Futek, Taiwan;
- Operates from its manufacturing plant located in Dongnan Development Zone in Changshu, Jiangsu province;
- Assessed as a medium-sized enterprise (SME), with BB credit rating from Sinosure = below-the-average strength, below-the-average resistance to risk and less acceptable credit status;
- Paid nil tax on a loss of US\$558k in 2009, received a tax credit of US\$148k on a profit of US\$2m in 2008 and a tax credit of US\$390k on a loss of US\$848k in 2007;
- According to the company, 100% of production is exported via its Taiwan parent;
- According to CCIC data, Futek exported around US\$3m to Australia in 2009;
- Sources aluminium ingots from Henan province.

4 & 5. YHI Advanti Manufacturing (Suzhou) Co., Ltd. and YHI Advanti Manufacturing (Shanghai) Co., Ltd.***Wholly owned FIEs.***

- YHI's China operations make it the third-largest exporter by value to Australia, according to CCIC 2009 data;
- Registrations in 2004 and 2005 as wholly-owned FIEs thereby qualify YHI for FIE preferential tax policies, subsidies and grants;
- 100% owned by YHI Manufacturing (Singapore) Pte., Ltd.;
- Affiliate company is Youfa Aluminium Industrial (Shanghai) Co., Ltd.;
- Operates from Suzhou New District, Suzhou in Jiangsu, and from Xinzhuang Industrial Zone in Shanghai;
- Assessed as a small enterprise (SME), with BBB and BB credit ratings from Sinosure;

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- Received tax credits in 2007, 2008 and 2009 on consolidated profits of US\$4.2 million, US\$3.4 million and US\$3.1 million respectively;
- Suzhuo sales are managed by the Shanghai division with some domestic sales volumes;
- Suzhou exports account for 95% of sales whilst Shanghai exports are 60~70% of sales;
- Exports to Australia were around US\$1.46 million in 2009, around US\$2.46 million in 2008 and around US\$2.53 million in 2007 – according to Sinosure data;
- Sources aluminium ingot from Jiangsu and from the Pearl River Delta.

6. Ningbo Yongqi Aluminium Wheel Manufacture Co., Ltd.***Wholly owned FIE.***

- Ningbo Yongqi Aluminium-Wheel Manufacture Co., Ltd., a foreign-invested enterprise strongly supported by the local government, is the fourth-largest exporter to Australia by value, according to CCIC 2209 data;
- Annual production capacity of around 1.8 million wheels, nearly all of which are exported;
- Fixed equipment assets of US\$10 million;
- Main product series are 10 to 26 inch aluminum wheels in nearly 800 styles and more than 9000 different specifications;
- Registered as a wholly-owned FIE in 2002, thereby qualifying for FIE preferential tax policies, subsidies and grants;
- 100% owned by Master Rich International Investment Ltd., Hong Kong;
- Operates from Jishigang Industrial Park, Yinzhou District, Ningbo, Zhejiang province;
- Assessed as an SME with CCC credit rating from Sinosure = weak strength, low resistance to risk and relatively poor credit status;
- Received tax credits on losses of US\$1.1 million in 2009 and US\$0.7 million in 2008;
- A small parts of its products are sold domestically in Jiangsu and Zhejiang;
- Exports to Australia account for around 7.34% of sales, or US\$828k in 2009, US\$1.6 million in 2008 and US\$1.5 million in 2007;
- In 2010 the first 7 months of export sales to Australia were around US\$871k, or 105% of 2009 total exports to Australia;
- Sources aluminium from the Yangtze River Delta Region.

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7. Nanjing Dicastal Huashun Wheels Co., Ltd.

At least 10% State-owned including via Dicastal.

- Fifth-largest exporter to Australia by value, according to CCIC 2009 data;
- Registered as a stock limited company;
- Assessed as an SME with B credit rating from Sinosure = relatively weak strength, below average resistance to risk and less acceptable credit status;
- Received US\$372k tax credit on loss of US\$1.26m in 2009 and a tax credit of US\$219k on a loss of US\$2.47m in 2008;
- Annual capacity of around 2 million wheels, of which around 75% was exported in 2009;
- Exports to Australia account for around 3.52% of sales, or US\$1.1m in 2007, US\$840k in 2008, US\$720k in 2009 and around US\$789k in 2010, according to Sinosure;
- Sources aluminium domestically.

8. Taishan City Wheeltech Aluminum Industry Co., Ltd., trading as Protech Wheel Industry Co., Ltd.

Wholly owned FIE.

- Sixth-largest exporter by value to Australia, according to CCIC 2009 data;
- Registered as a wholly-owned FIE in 1999, thereby qualifying for FIE preferential tax policies, subsidies and grants;
- 100% owned by Protech Wheel Holdings Co., Ltd., Cayman Islands;
- Parent company is P&W Group founded in Taiwan in 1992;
- Operates from Westlake Foreign Investment Demonstrative Zone, Taishan, Jiangmen City, Guangdong;
- Assessed as an SME with BBB credit rating from Sinosure;
- Received US\$1.2 million tax credit on loss of US\$1.6 million in 2009 and a tax credit of US\$909k on a profit of US\$56k in 2008;
- Capacity for 1.2 million wheels per annum in sizes ranging from 13" to 26";
- A small part of its products are sold domestically ;
- Exports to Australia account for around 2.24% of sales, or US\$734k in 2009, US\$1 million in 2008 and around US\$1.49 million in 2007, according to Sinosure;
- Sources aluminium alloy from Guangdong and Fujian provinces.

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9. Zhejiang Dawning Wheels Co., Ltd.

FIE ?

- Seventh-largest exporter by value to Australia, according to CCIC 2009 data;
- Registered as an FIE in 2004, thereby qualifying for FIE preferential tax policies, subsidies and grants;
- 100% owned by apparently private individuals;
- Operates from Jinyanshan Industrial Zone, Qanxi, Wuyi County, Jinhua, Zhejiang;
- Assessed as an SME with BBB credit rating from Sinosure;
- Received US\$330k tax credit on profit of US\$317k in 2009 and a tax credit of US\$108k on profit of US\$312k in 2008;
- Exported around 64% of sales in 2009;
- Exports to Australia account for around 8.3% of turnover, or US\$1.79m in 2009, US\$1.7m in 2008 and around US\$1m in 2007, according to Sinosure data;
- Sources aluminium from North China.

14. Shanghai Arays

FIE

- Twelfth-largest exporter to Australia by value, according to 2009 CCIC data;
- Registered as a wholly-owned FIE thereby qualifying for FIE preferential tax policies, subsidies and grants;
- 100% owned by Li Jin Machinery (China) Co., Ltd., registered in British Virgin Island but the parent is Hong-Kong based;
- Operates from its manufacturing facility located in an export processing zone in Songjiang District, Shanghai;
- Assessed as an SME with B credit rating from Sinosure = relatively weak strength, relatively low resistance to risk and passable credit status;
- Paid nil tax on a loss of US\$1.2 million in 2009 and nil tax on profit of US\$939k in 2008;
- According to the company, 50% of its sales are generated from exports;
- According to CCIC data, Arays exported around US\$141k to Australia in 2010, down from possibly US\$245k in 2008;
- Sources its raw materials from the Yangtze River Delta region;

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17. Baoding Lizhong Wheel Manufacturing Co., Ltd. – formerly China Wheel.

State Owned Enterprise (SOE), enjoying concurrent Foreign Invested Enterprise (FIE) status.

- Fifteenth-largest exporter by value to Australia, according to CCIC 2009 data;
- Founded in 1995 and registered as an FIE in 2004 via China Holdings Limited Company, Singapore, thereby qualifying for FIE preferential tax policies, subsidies and grants being additional to any subsidies and grants received as an SOE;
- Apparently operates from 5 manufacturing plants located variously in Guangdong, Hubei, Mongolia and Shandong with combined capacity of around 9.6 million wheels by 2010;
- The Mongolian venture understood to have been established in consideration of China's "Go West" incentives in collaboration with the Inner Mongolia Huomei Group, an energy-focused state-owned conglomerate;
- Assessed as an SME with an A credit rating from Sinosure = relatively strong strength, relatively high resistance to risk and normal credit status;
- In 2004 sold around 12.7% to the China aftermarket and exported around 10.3% of sales;
- Export sales of around US\$24 million represented 20.3% of total sales in 2007 and US\$30.8m or 37% of sales in 2009;
- Exports around 1.22% of sales to Australia, or around US\$376k in 2009, according to Sinosure data;
- Operating revenue jumped by 245.3% in FY 2007 largely due to US\$710k in government grants;
- US\$1.07 million of borrowing costs were capitalized in 2007;
- A tax credit of US\$144k was received in 2007 on sales of US\$84.6 million, after US\$894k was recognised as deferred tax assets as a result of investments in production equipment in China, and after offsetting income tax expenses of US\$749k in accordance with tax legislation applicable to FIEs;
- Received property, plant and equipment grants from the GOC of US\$6.18 million in 2007 and US\$1.09 million in 2006;
- Sources production equipment from Germany, America, Japan;
- Sources aluminium from Group-owned smelters, Longda Aluminum Industry and Tianjin Lizhong Alloy Co.;
- Lizhong Group also supplies A356 aluminium to another SOE, CITIC Dicastal;
- Enjoyed 18% enterprise income tax (EIT) in 2007;

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According to Baoding's 2007 annual report, in addition to the above data :

"In accordance with the tax legislations applicable to FIEs, the subsidiaries Baoding Lizhong Wheel Manufacturing Co., Ltd. and Qinhuangdao Dicamry Wheel Co., Ltd. are entitled to exemptions from Chinese income tax for two years commencing from their first profit-making year of operation and thereafter, entitled to a 50% relief from Chinese enterprise income tax for the next three years.

Baoding Lizhong Wheel Manufacturing Co., Ltd. obtained the FIE license in August 2004 and is exempted from income tax commencing from the financial year ended December 31, 2005. The prevailing tax rate applicable to the FIE is 33%.

Qinhuangdao Dicamry Wheel Co., Ltd. obtained the FIE license in September 2005 and is exempted from income tax commencing from the financial year ended December 31, 2005. As Qinhuangdao Dicamry Wheel Co., Ltd. is established in the economic zones of China, it is entitled to a preferential tax rate of 15% with effect from September 2005.

Pursuant to a Circular dated January 14, 2000 jointly issued by the Ministry of Finance and the State Tax Bureau and subsequently approved by the local tax authorities, Baoding Lizhong Wheel Manufacturing Co., Ltd and Qinhuangdao Dicamry Wheel Co., Ltd are entitled to tax benefits calculated at 40% of the additions of Chinese produced plant and equipment used for production each year. The tax benefits are, however, limited to the amount of increase in enterprise income tax for the year in which the plant and equipment were acquired as compared with the tax amount of the preceding year. The portion of the tax benefits not utilised can be carried forward for a period of not more than five years. During the year, tax benefits amounting to RMB 14,264,000 (2006 : RMB 6,065,000) was approved by the local tax authorities. A deferred tax asset has been recognised in respect of RMB 6,811,000 (2006 : RMB 6,065,000) of such benefits. No deferred tax asset has been recognised in respect of the remaining RMB 7,453,000 (2006 : Nil) due to the unpredictability of future profit streams. On March 26, 2007, China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of China. On December 6, 2007, the State Council of China issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% from January 1, 2008. The new subsidiaries incorporated in the current financial year do not have assessable profits since their incorporation as they have not commenced operations.

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The total tax credit for the year can be reconciled to the accounting profit as follows:

(US\$ million ave. year forex)	Group 2007	Group 2006
Income tax expense at statutory rate	\$2.50	\$1.85
Effect of different tax rates of subsidiaries operating in		
other jurisdictions	\$1.67	\$0.90
Non-deductible items	\$0.19	\$0.07
Effect of unused tax losses not recognized as		
deferred tax assets	-	-
Effect of previously unrecognized and unused tax benefits		
now recognized as deferred tax assets	(\$0.89)	(\$0.76)
<u>Tax exempt income</u>	<u>(\$3.66)</u>	<u>(\$2.82)</u>
<u>Tax credit</u>	<u>(\$0.19)</u>	<u>(\$0.76)</u>

See also Non-confidential Attachment B-1.4.3.

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• **Importers in Australia:**

Importers of ARWs from China into Australia include the following:

OEM segment :

- Ford Motor Company
- General Motors Holden

Aftermarket segment :

- Bob Jane Corporation
- Mullins Wheels Pty Ltd
- Speedy Wheels
- Stonestar Australia
- Tempe Tyres
- XHP Wheels
- YHI Australia
- Tire World
- Fawknor Tyre & Wheel
- Motorsport Wheels & Tyres
- St George Tyres
- Tempe Tyres
- Stamford Tyres
- Taleb Tyres
- Tyrepoint
- F1 Wheel & Tyre
- Stylish Wheels
- Big O Tyres
- Ozzy Tyres
- Vendetta Wheels

A list of Australian importers and their contact details is attached at Non-confidential Attachment B-1.4.4 .

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5. If the import volume from each nominated country at **Appendix A.2** (Australian Market) does not exceed 3% of all imports of the product into Australia refer to Part C.6 of the application.

According to import statistics recorded by the Australian Bureau of Statistics, ARWs from China have accounted for at least 65% of total ARW imports into Australia since 2005, hence imports from China in 2010 accounted for more than 3 per cent of the total import volume into Australia.

6. In the case of an application for countervailing measures against exports from a developing country, if the import volume from each nominated country at **Appendix A.2** (Australian Market) does not exceed 4% of all imports of the product into Australia refer to Part C.6 of the application.

As indicated, China is the largest exporter of ARWs to Australia.

In 2009/10, ABS import statistics suggest that at least 65% of all ARWs imported to Australia are supplied from China. Imports from China accounted for more than 4 per cent of total imports during 2010.

*Arrowcrest Group – Aluminium Road Wheels from PRC – Part B***B-2 Export price.**

1. Indicate the FOB export price(s) of the imported goods. Where there are different grades, levels of trade, models or types involved, an export price should be supplied for each.

Confidential Attachment B-2.1.2 provides evidence of Chinese ARW FOB export prices, which are summarised as follows:

Table B-2.1

Size	Average FOB Price 2010
14"	\$28.05
15"	\$35.20
16"	\$41.30
17"	\$48.29
18"	\$55.10
19"	\$64.05
20"	\$75.65
22"	\$94.64

Non-confidential Attachment b-2.1.2 also contains export prices from preceding years, as follows :

Table B-4.3 – Specific Chinese ARW US\$ export prices to Australia, 2005 to 2010, by certain Chinese ARW exporters.

	2005						2006	2009		2010		
	MinShian	JinFei	YHI	CITIC	Arays	Dare	Bob Jane*	United	X.C. Dong	Yaozhong	CEQ	AY
14"	\$32				\$26	\$25			\$29	\$26	\$28	\$25
15"	\$34	\$33	\$35	\$34	\$38	\$32	\$28	\$31	\$35	\$32	\$35	\$34
16"	\$37	\$38	\$42	\$39	\$40	\$36	\$33	\$41	\$39	\$38	\$40	\$41
17"	\$46	\$45	\$49	\$44	\$46	\$43	\$38	\$46	\$48	\$45	\$49	
18"	\$53	\$52	\$60	\$58	\$54	\$51	\$48	\$55	\$54	\$52	\$56	\$50
19"	\$74	\$71	\$72	\$66	\$62	\$60	\$60		\$64	\$61	\$66	\$58
20"	\$78	\$76	\$82	\$116	\$76				\$73	\$71	\$78	\$70
22"			\$124	\$140	\$108				\$94	\$85	\$97	

* The "Bob Jane" FOB prices are the imported FOB prices paid by Bob Jane Corporation in 2006.

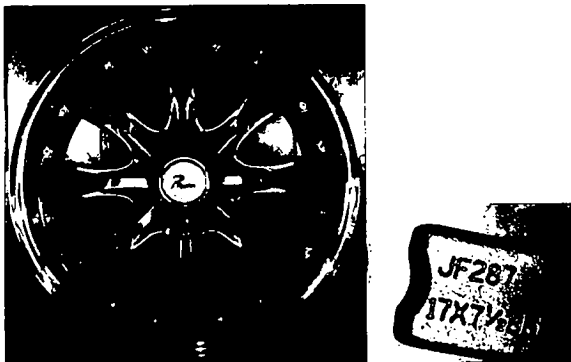
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To test the market, on 21 April 2010 ROH accepted an FOB offer from Jiangsu Yaozhong Aluminium Wheel Factory, as follows :

<u>Size</u>	<u>Finish</u>	<u>FOB US\$</u>
14x5.5	Black machine face	\$28.00
16x7	Silver machine face	\$40.00
17x7.5	Hyper black machine lip	\$49.00
20x9.5	Gunmetal machine lip	\$73.50

ROH subsequently purchased one of each of these ARWs from Yaozhong at the quoted prices.

Photograph B-2.1 Yaozhong JF287 17x7.5 hyper black machined lip, purchased 21 April 2010, US\$49.00 FOB Chinese port.



By contrast, on 20 and 21 May 2010, ROH purchased YHI 17" ARWs in Shanghai for around US\$150.21 each, excluding 17% VAT, and YHI 17" ARWs in Guangdong for around US\$137.70 each, excluding 17% VAT. See also table B-3.1, page 19 of this Part B.

Compared to the YHI 17" wheel (referred to also at B-3(1b) below), the Yaozhong 17" exported wheel would cost more to produce as it features additional machining and decorative plastic studs assembled around the perimeter of the front face which do not appear on the YHI wheels purchased by ROH in China. Customs and Border Protection will be able to inspect both the YHI and Yaozhong wheels during their visit to ROH.

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2. Specify the terms and conditions of the sale, where known.

Export sales to Australia, other than possibly to YHI Australia, are understood to be at arm's length with payment terms typically 60 to 90 days from bill of lading, either by letter-of-credit or electronic funds transfer at the due date for payment.

Sales to YHI Australia (the importer) by YHI Advanti Manufacturing (Suzhou) Co., Ltd. and/or YHI Advanti Manufacturing (Shanghai) Co., Ltd., (the exporters) may be influenced by the commercial relationship between these three companies which may determine that the purchases of the goods by the importer from the exporters are not arm's length transactions.

Other than YHI there is no indication that export prices are influenced by any commercial or other relationship between the exporters and the importers, and ROH is not aware of any consideration payable other than the invoice price.

There are no indications of any reimbursement, compensation or other benefit to the importers, or any associates of the importers, that could affect the price in whole or in part, either directly or indirectly.

A comparison of the available export prices with the prevailing Australian wholesale and retail prices for ARWs from China clearly demonstrates that the importers enjoy more than sufficient margin to readily absorb sizeable variation in costs from source - for example, an imported US\$49.00 17" wheel (FOB China), can retail in Australia for around A\$154.00, excluding GST. (See Confidential Attachment B-2.2 which also contains 2010 wholesale prices in Australia for Chinese ARWs.)

- 3. If you consider published export prices are inadequate, or do not appropriately reflect actual prices, please calculate a deductive export price for the goods. Appendix B1 (Deductive Export Price) can be used to assist your estimation.**

ROH considers that the available export prices contained in Confidential Attachment B-2.1.2 are adequate.

- 4. It is important that the application be supported by evidence to show how export price(s) have been calculated or estimated. The evidence should identify the source(s) of data.**

Confidential Attachments B-2.1.1, B-2.1.2 and B-3.3 provide Chinese domestic and export prices for ARWs to Australia, dating from 2006 to 2010.

*Arrowcrest Group – Aluminium Road Wheels from PRC – Part B***B-3 Selling price (normal value) in the exporter's domestic market.**

1. State the selling price for each grade, model or type of like goods sold by the exporter, or other sellers, on the domestic market of the country of export.

ROH has conducted extensive research in respect of ARWs sold in China. The following provides insight into the prices for ARWs sold by Chinese exporters of ARWs to Australia.

ROH contends that wholesale selling prices in China are directly comparable to export prices from China to Australia, insofar as the packaging is identical including provision of caps and decals, however the Chinese wholesale price may include wheel nuts whereas the ROH believes that wheel nuts may not be included in the export prices to Australia.

ROH's research revealed U.S. Dollar wholesale prices in China for a range of sizes from YHI as follows, excluding VAT:

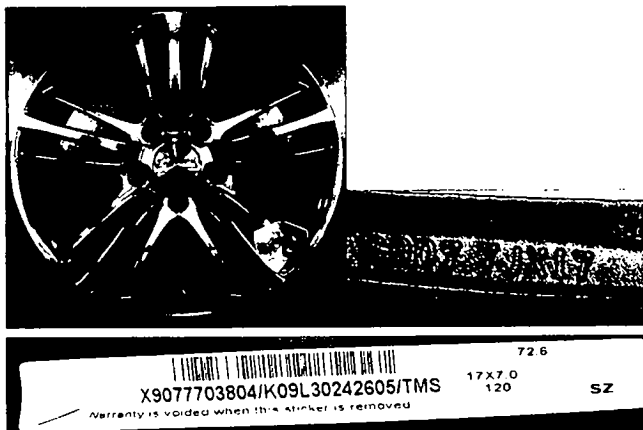
Table B-3.1 – see also Non-confidential Attachment B-3.3. Note : US Dollar prices are shown.

Date	US\$ forex	Brand	14"	15"	16"	17"	18"	Finish
21-May-10	6.82786	YHI	\$37.55	\$62.59	\$81.37	\$97.64	\$137.70	
25-May-10	6.82786					\$100.14		Hypersilver
						\$125.18		Bright machined
							\$135.19	Hypersilver
							\$162.73	Bright machined
11 Nov-11	6.62569					\$114.71		
1-Dec-10	6.64692			\$70.55				Bright machined
5 Aug-11	6.44041				\$96.20			Bright machined
					\$105.58		Bright machined	

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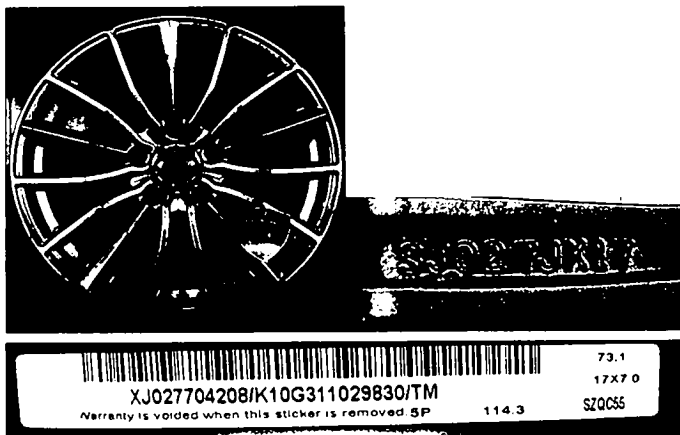
Photograph B-3.1.1

YHI S907 17x7, purchased 21 May 2010, retail US\$137.70 excluding 17% VAT, Shanghai.
Document number 06235617. **Manufacturer's wholesale price : US\$100.14 excluding 17% VAT.**
This wheel also purchased in Guangdong on 20 May 2010 for retail US\$143.53 excluding 17% VAT.



Photograph B-3.1.2

YHI SJ02 17x7 purchased 11 November 2011, retail US\$154.80 excluding 17% VAT, Shanghai.
Document number 02371992. **Manufacturer's wholesale price : US\$114.71 excluding 17% VAT.**



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Photograph B-3.1.3

YHI S985 17x7 purchased 5 August 2011, retail US\$130.06 excluding 17% VAT, Shanghai.

Document number 00025878. Manufacturer's wholesale price : US\$105.58 excluding 17% VAT.



2. Specify the terms and conditions of the sale, where known.

Other than retail cash transactions, ROH is not aware of any other terms and conditions of sale for ARWs in China. ROH considers that the majority of sales would likely be arms length transactions but they are not necessarily in the ordinary course of trade. For example, Sinosure credit reports indicate that several manufacturers are selling ARWs in China at an unrecoverable loss. (Refer to Section B-4 and Non-confidential Attachment B-1.4.2). ROH considers this is the result of State and provincial government influence on the selling prices of ARWs – in particular from the SOEs who dominate the ARW industry in China.

3. Provide supporting documentary evidence.

ROH has included China domestic research data, purchase invoices and price lists at Non-confidential Attachment B-3.3.

4. List the names and contact details of other known sellers of like goods in the domestic market of the exporting country.

ROH has provided a list of some manufacturers and sellers of ARWs in China at Non-confidential Attachment B-1.4.1.

B-4 Estimate of normal value using another method.**1. Existence of a particular market situation apparent in the China domestic ARW market.****1.1 Preamble.**

ROH considers that Chinese market selling prices should not be used in determining normal values for the GUC exported from China. It is ROH's view that a 'particular market situation' is apparent in the Chinese domestic market for ARWs.

ROH's reasons for asserting a particular market situation are addressed hereunder.

1.2 Legislative provisions.

Section 269TAC(2)(a) of the Customs Act outlines the circumstances whereby the GUC are sold domestically in the country of export are relevant and suitable for the purposes of determining normal values under s.269TAC(1). Normal values cannot be determined under s.269TAC(1) using market selling prices where:

- There are no sales, or an absence of relevant sales;
- There is a low volume of sales;
- Sales are unsuitable because of a particular situation in the exporting country.

In the circumstances of ARWs sold in China, ROH considers that domestic selling prices for ARWs are unsuitable for use as the basis of normal values due to government influence which renders selling prices for the ARWs and certain raw material inputs unsuitable.

1.3 Investigation Guidelines.

Customs and Border Protection's assessment as to whether a 'particular situation' exists in the exporting country is addressed in the Dumping and Subsidization Manual. The relevant considerations that address whether a situation in the market renders sales not suitable for use in determining normal values under s.269TAC(1) of the Act were recently amended. The relevant provisions contained in the manual are as follows:

"in considering whether sales are not suitable for use in determining a normal value under s.269TAC(1) of the Act because of the situation in the market of the country of export, Customs and Border Protection may have regard to factors such as:

- *whether the prices are artificially low; or*
- *whether there is significant barter trade; or*

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- *whether there are other conditions in the market which render sales in that market not suitable for use in determining prices under s.269TAC(1) of the Act.*

Government influence on prices or costs could be one cause of "artificially low pricing". Government influence means influence from any level of government.

In investigating whether a market situation exists due to government influence, Customs and Border Protection will seek to determine whether the impact of the government's involvement in the domestic market has materially distorted competitive conditions. A finding that competitive conditions have been materially distorted may give rise to a finding that domestic prices are artificially low or not substantially the same as they would be if they were determined in a competitive market.

One example of government influence distorting competitive conditions and leading to artificially low prices may be the presence of government owned enterprises in the domestic market. The presence of government owned enterprises might not, of itself, lead to a conclusion that the sales are unsuitable. Rather, the numbers of government owned enterprise and whether their (sic) trading unprofitably so as to significantly distort the prices in the market of private enterprises in [the market - sic] and whether market conditions can no longer be said to prevail are looked at.

Prices may also be artificially low or lower than they would otherwise be in a competitive market due to government influence and distortion of the costs of inputs. Again the mere existence of any government influence on the costs of inputs would not be enough to make sales unsuitable. Rather, Customs and Border Protection looks at the effect of this influence on market conditions and the extent to which domestic prices can no longer be said to prevail in a normal competitive market. It should be noted government influence on costs can only disqualify the sales if those costs can be shown to be affecting the domestic prices.

Thus, a range of conditions concerning the sales themselves may have the effect of rendering those sales prices as being unsuitable for use in determining prices under s. 269TAC(1) of the Act."

It is ROH's understanding that ARW selling prices in China are artificially low and have been for an extended period of time.

1.4 Artificially low prices for ARWs in China.

Selling prices for ARWs sold in China are lower than selling prices in other market economy countries due to the impact of a number of government programs that artificially reduce input costs for China ARW manufacturers.

A significant government program, that directly and artificially reduces production costs for China's

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manufacturers of transformed aluminium products, is the prevalence of aluminium supplied at prices that are substantially lower than they otherwise would be in an open competitive market.

Customs and Border Protection has previously examined the impact of "primary aluminium provided by government at less than fair market value" in its recent investigation into the alleged dumping and subsidisation of certain aluminium extrusions exported from China¹. Recently, Customs and Border Protection determined that a market situation did not exist in respect of aluminium extrusions sold in China.

By contrast, the European Commission ("the Commission") has recently investigated the dumping of ARWs exported from China to the European Union. By Official Journal dated October 25, 2010, the Commission imposed definitive anti-dumping duties on imports of ARWs originating from China. Of relevance to this application is the finding by the Commission that cooperative Chinese exporters of ARWs that requested market economy treatment ("MET") failed the Commission's required evidentiary standard concerning costs reflecting market values.

In assessing applications by exporters for MET, the Commission took account of specific criteria. The Commission determined that the cooperative Chinese ARWs exporters failed Criterion 1 that states *"Business decisions are made in response to market signals, without significant State interference, and costs reflect market values."* Failure of this criteria meant that MET could not be granted to the Chinese exporters.

The Commission's decision to reject MET treatment for the cooperative exporters was based upon its finding that the exporters had failed to demonstrate that costs for raw material aluminium were free of State influence. The Commission made the following observations concerning aluminium purchased by the Chinese ARW manufacturers²:

"(21)....It has been claimed that the price setting of 'OEM and AM' ARWs differs, (in the European Community), the former being linked to the changing London Metal Exchange (LME) price. Indeed, the car manufacturers use a so-called zero-base price formula. It consists of three elements: (1) aluminium price (variable, linked to LME), (2) value added, transformation costs, and (3) a fixed quality premium. This price setting method is adjusted to the needs of the car industry, but the cost components of both 'OEM and AM' ARW are the same.

(31)it appears that the vast majority of aluminium used in the production of aluminium road wheels is acquired in the Chinese domestic market on the basis of long term contract. Prices are based on quotations of primary aluminium on the Chinese spot markets plus a transformation fee (and in the case of one company also on the Shanghai Futures Exchange (SHFE)). In this respect, it has to be pointed out that quotation on the spot markets run in parallel

¹ Refer Trade Measures Report No. 148, October 2010.

² EU Commission Regulation No 404/2010, 10 May 2010. See Non-Confidential Attachment B-4.1.4.

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with the SHFE.

(32) In this regard, it has to be noted that the Chinese State has a primary role in the setting of prices of primary aluminium and interferes in the market continuously with a number of tools.

(33) First, primary aluminium for export is subject to a 17 % VAT (while VAT on exports of finished goods is refunded) plus a 15 % export tax.

(34) Secondly, the State interferes with the price setting mechanisms in the Shanghai Futures Exchange (SHFE) which is a closed exchange for Chinese-registered companies and Chinese citizens. This State interference with the price setting mechanisms in the SHFE is linked to its position both as a seller of primary aluminium and as a purchaser via the State Reserve Bureau and other State Bodies. In addition, the State sets daily price limits via the rules of the SHFE which have been approved by the State Regulator, the China Securities Regulatory Commission (the CSRC).

(35) Another example of State interference is the recent stimulus package of the Chinese government aiming at limiting the effects of the economic crisis. End of 2008, the State Reserves Bureau started a scheme to buy aluminium from smelters to help their operations as the global financial crisis cut demand. Those State-backed purchases absorbed most of the stocks in the domestic market, driving up prices during the first half of 2009.

(36) This was considered as an underlying factor of State interference in decisions of firms regarding raw materials. Indeed, the current Chinese system of high export duties and lack of VAT reimbursement for export of primary aluminium and other raw materials, combined with no export taxes and VAT reimbursement on exports of the downstream product and State interference in the setting of prices in the SHFE, has essentially led to a situation where Chinese aluminium prices continue to be the result of State intervention. This has led to the situation that, historically, prices in the LME have diverged significantly from those in the Chinese market³. Between half 2005 and the end of 2008 LME prices have been significantly higher compared to the Chinese markets, underlying the lack of any meaningful arbitrage between Chinese markets and markets in the rest of the world.

(37) Thus, the multiple State-induced distortions in the Chinese primary aluminium prices affect the decisions of Chinese producers of aluminium wheels when acquiring raw materials. In addition, these enjoy an advantage from these distortions, in the sense that they normally make

³ Exceptionally, this has not been the case for some months of the investigation period of the recent proceeding. This rise in prices in the Chinese aluminium markets has been the result of a stimulus package of the Chinese government aiming at limiting the effects of the economic crisis (end of 2008, the State Reserves Bureau started a scheme to buy aluminium from smelters to help their operations as the global financial crisis cut demand. Those State-backed purchases absorbed most of the stocks in the domestic market in March and April, driving up prices during the first half of 2009).

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their purchases in the Chinese market from local suppliers using Chinese spot markets prices (or SHFE) as a benchmark but can also buy certain quantities at LME prices when prices in the Chinese market are higher as a result of State intervention.

(38) Moreover, in addition to the general situation described above, three other groups do not fulfil other requirements of Criterion 1 because of significant State interference in relation to important business decisions. For one of the groups, a State-owned company has veto rights disproportionate to its shareholding in two of its companies on certain main decisions. For most of the companies of another group, some main decisions are subject to significant State interference either because the companies are 100% State-owned or because the director representing the State-owned shareholder has veto rights on important company decision. Moreover, despite the companies' assertion to the contrary, the investigation has revealed that the local State labour Department has veto rights concerning employment of workers in two of these companies. Finally, in the case of a third group, the family that controls the group has links with the ruling party and one of the companies belonging to the group is subject to significant State interference for certain important decisions given that the director representing a State-owned shareholder has a veto right on important company decisions."

The Commission therefore determined that the selling price for primary aluminium purchased by ARW manufacturers in China significantly impacted the selling price for the finished ARWs. Normal values for Chinese ARW manufacturers in the EU inquiry were assessed on the basis of surrogate information. (Turkey was selected as the surrogate country from where domestic selling prices and costs for ARWs were sourced by the Commission.)

The Commission has identified that the GOC had interfered with the 'price setting' of primary aluminium in China including via the manipulation of the VAT rebate, the imposition of an export tax, the operation of the SHFE in setting primary aluminium prices, the intervention during the GFC to purchase primary aluminium from smelters at prices higher than globally-traded prices for primary aluminium, and influence through control of entities in the ARW sector via SOE ownership. This influence causes the selling prices and costs of production for ARWs manufactured in China to be artificially low and therefore unsuitable for normal value purposes under s.269TAC(1).

In the recent Australian aluminium extrusions investigation Customs and Border Protection constructed production costs for Chinese aluminium extrusion manufacturers utilising London Metal Exchange ("LME") aluminium prices and then compared these constructed costs with prevailing Chinese domestic selling prices to establish whether Chinese selling prices for aluminium extrusions were in the ordinary course of trade. Customs and Border Protection concluded that the Chinese ARW selling prices over the investigation period (twelve months to June 2009) were in the ordinary course of trade and could be relied upon for normal value purposes. This finding was made on the basis that Chinese primary aluminium prices on the SHFE were on average 8 per cent below prevailing LME prices across the investigation period. This finding, however, did not take full account

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of the fact that the Chinese government intervened to artificially raise the SHFE price by purchasing aluminium from smelters during the first half of 2009 to divert any impacts of the GFC on Chinese aluminium smelters (as identified by the EC in its ARW investigation).

ROH is opposed to the methodology followed by Customs and Border Protection in using Chinese selling prices for extrusions as the basis for normal values as it requires Australian industry to compete with selling prices that are affected by primary aluminium input costs that are artificially low due to government influence in the sector.

As a minimum, Customs and Border Protection should have constructed normal values for aluminium extrusions based upon the LME primary aluminium price for the first half of the investigation period thereby excluding the artificially higher SHFE prices reflecting government intervention, with additions for value-adding, overheads and selling and general administrative expenses. To this, the profit that applied on the artificially low Chinese aluminium extrusions manufacturer's costs should have been applied. This suggested methodology allows for the substitution of the artificially low primary aluminium cost with a market-based LME price, and also allows for all other market values (including the level of profit) to be included.

Customs and Border Protection's assessment of normal values for aluminium extrusions requires Australian industry to compete with artificially low prices. The 'market situation' provisions are aimed at addressing artificially low prices as are evident in China for aluminium extrusions (and ARWs).

1.5. Perpetual subsidies to China's primary aluminium industry including China Aluminum Corporation (Chalco).

ROH submits the following extracts as evidence of a market situation for aluminium in China. (Extracted from **"An Assessment of China's Subsidies to Strategic and Heavyweight Industries"** submitted to the U.S.-China Economic and Security Review Commission by Capital Trade Incorporated, 2009). Chalco, also known as Chinalco, is the largest State-Owned smelter in China.

"The Chinese government subsidizes Chalco through government grants, preferential tax rates, and preferential lending. The firm and other aluminum producers in China have also benefitted from favorable electricity prices set by the government.

According to Chalco's annual report for 2007, grants through its government owned parent for technological development projects are treated as capital reserves. These reserves total RMB 139 million in 2007. Chalco's financial report also acknowledges subsidy income of RMB 23 million in 2007 (RMB 60 million in 2006), but the purpose of these subsidies is not specified. Government grants related to property, plant and equipment appear as non-current liabilities on the consolidated balance sheet. These were valued at RMB 148 million in 2007.

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Chalco's preferential tax rates arise due to the location of certain operations in Western China and due to its purchases of domestically manufactured equipment. Chalco has two subsidiaries subject to 15 percent tax rates because they are located in western China. This program reduced Chalco's taxes by RMB 1,079 million in 2007. Chalco's capital expenditures on domestically manufactured production equipment saved the firm an additional RMB 805 million.

Chalco's annual report also indicates that the firm received below market interest rates from state-owned banks and loan guarantees from state-owned enterprises. While not all loan rates are specified, there is evidence that lending occurred at rates of 0 percent, 0.3 percent, 3.13 percent, and 3.6 percent.

Until 2008, Chalco and other producers of aluminium benefitted from low electricity prices determined by the government. The Department of Commerce has on most occasions declined to countervail low electricity prices in China due to a lack of information or due to other information provided by the Chinese government. Chalco's form 20-F for 2007, submitted to the U.S. Securities and Exchange Commission, as well as other public information demonstrates that the Chinese government set low electricity prices for aluminium producers and that these low prices have reduced production costs significantly.

Electricity is a major cost component of aluminium production. Electricity accounts for 7.6 percent of alumina production cost and 33.7 percent of primary aluminium production cost. According to Chalco, it consumed 34.9 billion kilowatts of electricity in 2007 at an average price of RMB 0.359 per kWh. Thus, its electricity cost in 2007 was RMB 12.5 billion.

The price setting mechanism for electricity in China is described in Chalco's form 20-F. There is no doubt that prices are set by the government and that the aluminium industry has benefited from favorable rates:

We purchase electricity from the regional power grids for our smelter operations. Prices for electricity supplied by the power grids under power supply contracts are set by the government based on the power generation cost in the region and the consumers' ability to pay. Industrial users within each region are generally subject to a common electricity tariff schedule, but prices vary, sometimes substantially, across regions. Each regional power grid serves a region comprising several provinces. The regional power grids generally rely on multiple power sources to generate electricity, with coal and hydro power being the two most common sources.

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The State Electricity Regulatory Commission is responsible for the supervision and administration of the power industry in China. The NDRC and local governments regulate electricity pricing. Electricity suppliers may not change their electricity prices without governmental authorization. The Electric Power Law and related rules and regulations govern electricity supply and distribution. Currently, China's state-owned power companies, through their respective local subsidiaries, operate all the regional power grids in China from which we obtain most of our electricity requirements. In October, 2007, Chinese government issued "Notice to Further Solutions to Difference in Electricity Rates", according to which the preferential electricity rate originally enjoyed by Chinese primary aluminium enterprises ended at the end of 2007.

According to Chalco's 20-F for 2003, the favorable electricity prices and other benefits exist because the central government is favoring large producers in order to facilitate industry consolidation.

The Chinese government announced an increase in electricity rates of 4.7 percent, on average, effective July 1, 2008. If Chalco had paid the new electricity price in 2007, it would have spent an additional RMB 588 million to purchase electricity. This is a conservative estimate of the subsidy provided by the government's electricity price controls because electricity price in China, even after the price increases, are still controlled by the government and set at below-market levels.

Recent reports out of China indicate that Beijing is actively moving to prop up China's ailing aluminium sector. China's State Reserve Bureau plans to purchase 300,000 metric tons of domestic aluminium at a 10-percent premium to current market levels, from Chalco and other smelters. Following the government's announcement, sub-national governments announced several aid measures, including relaxed export controls, further stockpiling, electricity subsidies, and higher loan ceilings.

*Arrowcrest Group – Aluminium Road Wheels from PRC – Part B***Table 24. Valuation of subsidies to Chalco, 2007**Forex
RMB:SA 6.372954

Item	RMB Mil.	A\$ Mil.	Source	Page
Government grants (related to property, plant and equipment)	148.3	23.3	2007 Chalco Annual Report	102, 128
Government grant (subsidy income)	23.5	3.7		8, 198
Grants to support technological development (capital reserve)	139.0	21.8		190
Preferential tax rates (purchase of domestic equipment)	805.6	126.4		47, 214
Preferential tax rates (due to location)	1,079.2	169.3		47, 213-222
Preferential lending	594.2	93.2		195
Provision of assets for less than adequate remuneration	235.9	37.0		160, 148, 198
Preferential electricity prices	588.9	92.4	2007 20F	20F-12
Total subsidies	3,614.6	567.2		
Net income	11,628.9			
Revenues	76,180.4			
Subsidy rate	4.74%			

Identifiable Patterns of State Support

China's desire to control and guide the development of key industries is singular, but the goals of this support vary substantially from industry to industry. In some case, the government is simply seeking to upgrade the industry's technological sophistication. In others, the government is out to ensure that its companies have the financial wherewithal to secure needed resources for China. As the majority or primary owner of each firm is a state-owned enterprise, the State has the necessary leverage to compel the firms to action."

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Table 26. Impact (on the U.S. industry) of eliminating a 10 percent subsidy on electricity purchases by China's aluminum producers.

<i>Item</i>	<i>Impact</i>
U.S. Data	\$ millions
Domestic sales	+74.24
Increase in aluminum exports	+96.83
Decrease in aluminum imports from China	-73.6
Increased domestic labor earnings	+30.53
Improved balance of goods and services	+32.48
Chinese data	
Aluminum exports	-757.61
Aluminum imports	+600.44
Balance of goods and services	-178.84

Chalco's 2009 interim annual report confirms that it received subsidies from the GOC in the form of reduced rates of taxation, reduced interest rates, selective premium prices for aluminium for certain sales to government, and discounted input electricity prices, which enable it to sell aluminium for transformation at discounted prices to the LME price. The GOC's role in exercising this discretion through the state-owned Chalco confirms the extent of GOC influence via artificially low aluminium prices into downstream industries including ARWs.

1.6 GOC aluminium stockpile program – purchase of aluminium for more than adequate remuneration.

In addition to the perpetual subsidies enjoyed by Chalco, as well as other aluminium smelters in China (see below), the industry received a windfall in the months December 2008 through April 2009 in the form of aluminium sold to the State, State-owned utilities and provincial governments for more than adequate remuneration, relaxed export controls, further stockpiling, electricity subsidies and higher loan ceilings.

The GOC purchased around 590,000 tonnes of primary aluminium from 8 aluminium smelters including Chalco, Henan Shenhua, Henan Wanji Aluminum, Inner Mongolia Huomei Aluminum, Ningxia Aluminum, Qinghai Aluminum, Shanxi Guanlu Aluminum and Yunnan Aluminum. (i)

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State owned power grids purchased a further 400,000 tonnes from Chalco. (ii)

According to Harbor Intelligence *China Aluminum Monitor* report dated January 2009, the Yunnan and Guanxi provincial governments planned at that time to also purchase an additional 300,000 tonnes in the period to further support the aluminium smelters.

The GOC paid around US\$1,800 per tonne at a time when the rest-of-the-world average LME price was around US\$1,440 per tonne, conferring a windfall to the industry of around US\$572 million over 6 months, or US\$360 (25%) per tonne for up to 1.59 million tonnes.

The 6 month GOC stockpile was around 357 times ROH's current annual usage of primary aluminium.

(i). "Interesting Trends in the Chinese Aluminum Market" China Aluminum Monitor, January 2009, HARBOR Intelligence. See Non-confidential Attachment B-4.1.6.

(ii). "China's private aluminium stocks seen up more than 40 pct", Thu, Nov 12, 2009, Reuters. See Non-confidential Attachment B-4.1.6.

ROH submits that intervention by the GOC to assist the aluminium smelters during the global financial crisis, including via artificially higher prices paid for aluminium - at levels 25 per cent higher than prevailing LME global prices, confirms the impact of continuous government influence on aluminium prices in China. Subsequent to the GFC, aluminium ingot prices in China reverted back to their historic low levels and are currently trading at around 14 per cent below the prevailing rest-of-the-world LME price.

As a result, Chinese domestic prices for further transformed aluminium products in China including ARWs are artificially lower than they would otherwise be in a competitive rest-of-the-world market.

1.7 Divergent SHFE versus LME prices for primary aluminium as a result of PRC State intervention.

The price that the rest-of-the-world pays for primary aluminium is the London Metal Exchange price (LME), plus a premium for delivery and administration costs which can be around US\$160-200 per metric tonne.

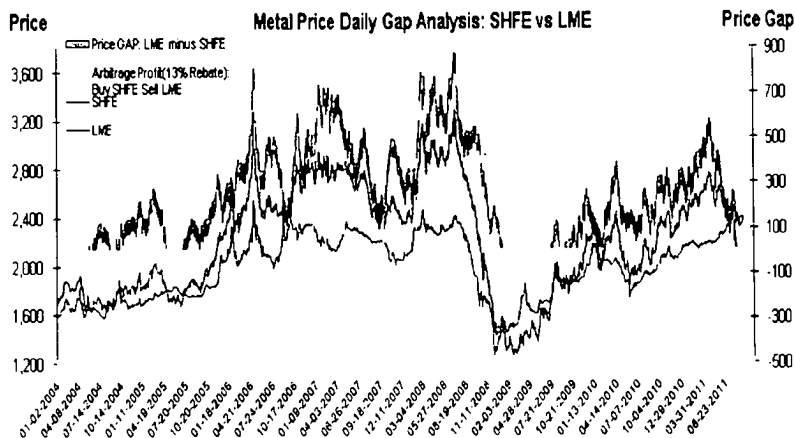
Conversely, the majority if not all of the aluminium smelters in China, some of whom also manufacture and export ARWs to Australia, (for example Baoding Lizhong Group), are State-owned enterprises and, notwithstanding the GOC buy-up during the global financial crisis, it is clear that from 2004 to 2011, GOC intervention has by-and-large resulted in domestic PRC prices for primary aluminium that have consistently undercut the rest-of-the-world LME price by up to US\$450 per metric tonne. Thus conferring a substantial advantage to China's industry and resulting in normal

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values for ARWs in China that are artificially and significantly lower than they would otherwise be in the competitive rest-of-the-world marketplace. See Chart B-4.1.7 below.

As a result of the GOC stockpile purchase program, and for the first time since 2004/2005, the SHFE published price for primary aluminium exceeded the rest-of-the-world LME price for primary aluminium by around US\$200 per metric tonne in the period December 2008 through April/May 2009. According to the Harbor report the GOC paid an additional US\$160 premium for its stockpile. **However despite this temporary increase in the price of aluminium in China, there was no discernable increase in the FOB export prices for ARWs from China to Australia.**

Chart B-4.1.7



Source : Alcoa Australia.

Likewise once the SHFE price for primary aluminium returned to its historical place below the rest-of-the-world LME price, i.e. from October/November 2009 onwards, there was no discernable decrease in the ARW export prices to Australia.

ROH therefore concludes that the temporary stockpile program and temporary uplift in the published SHFE price for primary aluminium in PRC did not filter through to the PRC ARW industry.

As noted by HARBOR Intelligence in their January 2009 "China Aluminum Monitor" :

"It is clear Beijing wants to promote the development of a high value downstream aluminium export industry. They will continue to do this via export tax rebates....So far, Beijing has successfully managed to affect export trends according to long term goals.

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China is the most expensive primary aluminium producer in the world given high energy costs and high dependence on imported alumina and bauxite. Today, the entire Chinese smelting industry is underwater in a cash and total cost basis. State and Provincial governments are helping especially big and more efficient companies to survive by buying up to 1.6 million tons of (primary) aluminium from them. China's net exports will continue to gain market share in spite of global manufacturing recession given Beijing's trade strategy."

ROH highlights with Customs and Border Protection the important observation contained in the January 2009 *China Aluminium Monitor* that China is not a low cost producer of aluminium. The aluminium price in China is artificially low purely as a consequence of State and provincial government intervention.

It is through this intervention that low-priced Chinese aluminium used in the manufacture of downstream products, that are subsequently exported, cause significant trade distortions as evidenced by the EU findings on ARWs exported from China and this application for measures by ROH :

"(48) In relation to Criterion 1 it has been claimed that there is indeed arbitrage between the Chinese markets and the LME because there have been some minor exports of aluminium to/from China during the Investigation Period. This argument cannot be accepted in view of divergences of price levels between the Chinese markets and the LME."

1.8 China's ARW industry is not purchasing primary aluminium.

From ROH research it is evident that China's ARW industry does not buy primary aluminium but does buy a downstream pre-alloyed product, A356 and A356.2 ingot, which is re-melted by the ARW manufacturer to subsequently cast its ARWs. (The chemistry for A356 and A356.2 is identical to CC601-T6 aluminium alloy used to produce ARWs. See also Non-confidential Attachment A-3.3).

Each of the ARWs researched by ROH is purchasing pre-alloyed A356 and A356.2 material from aluminium smelters who are SOEs. (Refer Non-confidential Attachment B-4.1.8).

The deleterious effect on the Australian industry of GOC intervention and manipulation of the price for primary aluminium in China is further compounded by a situation where in the more expensive A356 and A356.2 grades are supplied to the ARW industry at prices that are also below the published SHFE price for primary aluminium.

A356 or A356.2 alloyed aluminium cannot be produced at the same time or on the same line as primary aluminium. A356 and A356.2 contains silicon, magnesium, titanium and strontium additives which necessitates fluxing and de-gassing prior to being poured into solidification moulds for

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subsequent delivery of cold ingot, sow or t-bar to the ARW industry. The alloying process requires either that the smelted pure aluminium is kept hot and transported to an alloying site, or that primary solid ingots, sows or t-bars are transported from the primary smelter and remelted at an alloying site, in preparation for alloying. The additional energy, capital and transportation costs are additional to the cost of the additives which means that the cost of A356 and A356.2 aluminium is higher than the cost of pure aluminium. See table B-4.1.8 on page 36 of this Part B.

ROH's research revealed that China's ARWs including Dicastal, Zhejiang Wanfeng Auto, Baoding Lizhong, Kunshan Liuhe and Guangzhou Yuanfeng (representing a wide geographical sample) were paying between US\$1,878 and US\$2,002 per metric tonne for A356 and A356.2 at a time when the SHFE published price was US\$2,478 per metric tonne and the rest-of-the-world LME price was US\$2,209 per metric tonne. (Refer to Non-confidential Attachment B-4.1.8).

ROH's research also revealed that China's ARW industry is buying its more-expensive-to-produce A356 and A356.2 material on the Changjiang River (Shanghai Spot) Exchange at prices that undercut both the rest-of-the-world LME price for pure aluminium and the rest-of-the-world cost for alloyed A356 and A356.2 aluminium, as shown in the following table B-4.1.8 .

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Table B-4.1.8

A. Cost to produce pre-alloyed A356 and A356.2 aluminium for ARW, based on LME US\$ prices, 7 October 2010.

Ingredients	Chemistry	US\$ per tonne	Cost of alloyed material US\$ per tonne
LME price for Pure Aluminium incl. US\$200 delivery premium	92.471%	\$2,576.00	\$2,382.05
Silicon	7.000%	\$2,017.00	\$141.19
Magnesium	0.325%	\$2,690.00	\$8.74
Titanium	0.200%	\$8,070.00	\$16.14
Strontium	0.004%	\$7,289.00	\$0.29
Energy *	170.746 cum	\$0.469 per cum	\$80.08
Energy = 6,000MJ of natural gas per tonne of aluminium. 35.14 MJ = 1 cum. Cost per cum is averaged from Non-confidential Attachment B-4.1.8.			\$2,628.50
Total US\$ cost per tonne for A356 aluminium			

B. China ARW manufacturer's price for pre-alloyed A356 and A356.2 aluminium, 7 October 2010, excluding 17% VAT.

Wheel company	Alloy supplier	RMB per tonne	US\$ per tonne
Dicastal	Sanmexia Dicastal Wheel Manufacturer	13,418.80	\$1,965.30
Baoding Lizhong	Baoding Lizhong	13,675.21	\$2,002.86
Kunshan Liuhe	Shenhua Group Aluminium Sales Dept	12,820.51	\$1,877.68
Gaungzhou Yuanfeng	Shandong Aluminium Company	13,760.68	\$2,015.37

See Non-confidential attachment B-4.1.8 for research data.

C. Aluminium supplied for less than adequate remuneration, 7 October 2010, US\$.

Wheel company	US\$ advantage over the rest-of-the-world for A356 and A356.2 alloyed aluminium per metric tonne
Dicastal	\$663.20
Baoding Lizhong	\$625.64
Kunshan Liuhe	\$750.82
Gaungzhou Yuanfeng	\$613.13

Forex : RMB 6.82786 to US\$1.00

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1.9 Continuing divergence between the Changjiang River spot price for A356 and A356.2 versus the rest-of-the-world LME price for primary aluminium.

As shown in table B-4.1.8, Changjiang River prices for A356 and A356.2 aluminium do not reasonably reflect competitive rest-of-the-world market costs for either pure or pre-alloyed aluminium.

For example, the Changjiang River spot price for A356.2 alloyed aluminium ingot on 1 April 2011 was US\$2,286.65 per metric tonne, excluding VAT. (From www.ometal.com - *Shanghai spot prices for Main Alloy Products*).

Whereas the SHFE price for pure aluminium on 31 March, was US\$2,560.40 per metric tonne. (www.metalprices.com) and the rest-of-the-world LME price for pure aluminium on 31 March 2011, was US\$2,631.00 per metric tonne. (www.lme.com).

See also Confidential Attachment B-4.1.9, regarding further analysis by ROH of the continuing divergence between Changjiang River A356 and A356.2 prices versus the rest-of-the-world LME price for primary aluminium. This attachment contains confidential correspondence relating to a request by ROH to update the research data to include average monthly prices up to and including August 2011.

1.10 Chalco's primary aluminium sales in 2009.

According to Chalco's 2009 annual report at page 48, Chalco's average external selling price for primary aluminium products in calendar year 2009 was US\$1,480.78 per metric tonne, excluding 17% VAT. The average published SHFE price for that period was US\$2,028.90 whilst the average rest-of-the-world LME price for 2009 was US\$1,664.80. (Average 2009 forex : 6.8311275).

Other highlights contained in Chalco's 2009 annual report are as follows :

1. Chalco's aluminium fabrication segment (presumably including aluminium extrusions), lost US\$89.5 million;
2. Alumina trading lost US\$358 million;
3. Operating cashflow was negative US\$1,235 million ;
4. Government grants received were valued at US\$22.1 million;
5. A warning to utility providers that "if the prices (for electricity) unexpectedly increase, there will be material impact on the financial positions and operating results of the Company";
6. "Although the Company has a relatively significant influence in the industry, local and privately-owned enterprises have become its competitors as (the) aluminium industry rapidly expands in China";
7. "Certain branches and subsidiaries of the Company located in special regions of China

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- granted tax concessions including preferential tax rates of 15% for a period of 10 years”;
8. “In addition, the Group also enjoys a preferential policy on tax credits approved in prior years in respect of domestically manufactured production equipment purchased”, valued at US\$32.2 million;
 9. “Entities located in western region continue to enjoy income tax rate of 15% without any upward adjustment before 2011”; and
 10. Chalco’s weighted average effective tax rate was 13.19%.

Chalco’s 2009 annual report clearly states, at page 248, that the foremost pricing policy for “sales of materials and finished goods of alumina, primary aluminium and scrap materials” is :

1. Adoption of the price prescribed by the PRC government (“State-prescribed price”); and
2. If there is no State-prescribed price then adoption of a state-guidance price.

Chalco’s 2009 annual report also states that :

1. Utility services, including electricity, gas, heat and water, are supplied at State-prescribed prices;
2. Engineering, project construction and supervisory services were provided for construction projects of the Company. The state-guidance price or prevailing market price is adopted for pricing purposes;
3. The pricing policy for purchases of key and auxiliary materials (including bauxite, limestone, carbon, cement, coal, etc) and finished goods is the same as that set out in (1).

(See also Non-confidential Attachment B-4.1.10).

Note : Alcoa China also noted in their 2008 annual report that “some of the important factors that could cause actual results to differ materially from those in the forward-looking statements include : LME-linked costs of production”.

*Arrowcrest Group – Aluminium Road Wheels from PRC – Part B***1.11 Reported intervention of the GOC in China's aluminium sector (by Fortis Bank – now BNP Paribas Fortis)**

Fortis Bank in its January 2005 Fortis Metals Monthly (an industry renowned publication at the time), reported that :

"A number of analysts have suggested that 2005 will be the year in which China permits its currency to strengthen against the dollar, though we remain sceptical, largely because China's leadership needs its export-led growth to continue and consolidate, if only to absorb the hundreds of millions of rural workers now flooding into the urban areas. Any appreciation in the value of the Yuan would negatively impact Chinese exports, and be particularly damaging to its aluminium exporters; ultimately it would feed through to all export sectors and thus slow China's growth prospects overall."

Fortis Metals Monthly has recorded the frequency and impact of GOC intervention and manipulation of aluminium prices as follows :

"January 2005 China tariff change feeds price roller-coaster. China abruptly announced in December that it would re-impose an export tax of 5% on all aluminium exports from January 1st. The aluminium tariff had dropped to zero in 1999. In addition, the government has abolished an 8% tax rebate for aluminium exports : aluminium exporters currently pay 17% VAT (*whereas ARW exporters pay nil – comment added by ROH*), of which eight percentage points have until now been rebated.

The underlying reason for these disincentives to aluminium export is the electricity-hungry nature of aluminium production, which in China contributed to frequent and serious power shortages during 2004. China's metals industries now account for as much as 10% of the country's total electricity consumption.

April 2005 China's Lanzhou Aluminium reported net profits down 36% in 2004, following sharp cost increases for alumina and electricity.

In China, there were strong indications that the government's tariff-led effort to stem exports was being shrugged off by aluminium smelters attracted by record prices.

May 2005 A senior Chinese official, Cao Yushu, cast a shadow over China's rapidly growing aluminium industry, saying that the National Development and Reform Commission, China's foremost economic planning agency, believes 66% of the country's electrolytic aluminium producers made a combined loss of \$34m in the first two months of 2005 because of rising costs and falling product prices.

June 2005 Yet despite policy measures to curb production at the start of 2005, China is still exporting large quantities of metal, though abolition of the export tax rebate and a 5% export tax on 1st January has slowed the pace. China exported 40.4% more than a year earlier (in Q1 2005).

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August 2005 China is taking steps to rein-in its aluminium smelting, not from fears of a burgeoning global glut of metal but because it is struggling to meet domestic energy demands and the aluminium smelting business is an extremely heavy energy consumer.

China has this year taken several fiscal steps to curb its aluminium exports but despite this and the probable closure of several smaller smelters, China's production is still incredibly strong; the state-controlled Aluminium Corporation of China (Chalco), for example, says it will double its production capacity by the end of 2005 and double that again in the next few years. For aluminium production, as with other base metals, there is a subtle but economically powerful shift away from the (costly) old world in favour of the (cheaper) new. This will have a profound effect not just on metals but on the global balance of economic muscle generally.

As of 20th July China scrapped preferential tax policies permitting domestic aluminium producers a full rebate of 17% VAT on exports and of the 8% tax on alumina imports. Widely anticipated, this move is a continuation of China's efforts to curb domestic aluminium smelting and thereby reduce energy consumption; it will also intensify competition within the country's fragmented aluminium industry.

September 2005 China maintained its tightening grip over its domestic aluminium industry by scrapping a preferential tax regime for alumina imports and simultaneously imposing an 8% duty and 17% VAT regime on alumina imports as of 22nd August. Of the country's 152 aluminium smelters, 20 (accounting for about 30% of alumina imports) had previously been permitted to import alumina duty free if the end product was exported.

October 2005 China's State Council approved in principle a new policy to regulate the country's aluminium producers. It includes tightening of the entry conditions for new projects; further controls over expansion plans; and calls for integration between primary metal producers and downstream activities, and between aluminium companies and electricity plants. Alcoa got the green light from China to form an aluminium-producing venture, with 73% ownership, with China International Trust & Investment, at the Bohai plant in Qinhuangdao; Alcoa plans to invest some \$200m to expand the mill, which should be in production by 2008.

November 2005 The Aluminum Corporation of China, Chalco, China's biggest alumina producer, said it expected China's demand for alumina in Q4 2005 to be some 15 million tonnes, roughly double domestic production. Alcoa has announced it has joined with CITIC, China's biggest state-owned financial group, to form a new aluminium company in China.

February 2006 Alumina imports into China have incurred an 8% tariff and 17% value added tax since August 2005 and the impact of this is now beginning to bite on domestic primary metal production. Consolidation in China's aluminium production industry is proceeding apace; Chalco, the country's largest aluminium producer by volume, which has signed a number of deals in recent months with other smaller Chinese producers, said it is targeting more acquisitions of Chinese smelters with capacity of 100,000t/year and above.

April 2006 Xiao Yaqing, Chalco's chairman, said he expects "demand for aluminium in China will remain strong with rapid economic growth" and that "rapid growth in China's aluminium industry will continue to foster an impact on the global market."

June 2006 According to Pan Jiazhu, vice-president of Chalco, the world's second biggest alumina producer, China's total alumina production will rise to 30 million tonnes/year by 2010, up almost 240% from current levels.

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October 2006 China's leading economic regulatory body, the National Development and Reform Commission (NDRC), reiterated its concern that the country's primary aluminium and alumina sectors are expanding too rapidly for long-term sustainability. In late September the government said it would raise power tariffs. China is aiming at achieving self-sufficiency for its alumina needs and eventually to become a net exporter.

December 2006 Nov 1st: China's Ministry of Finance raised export taxes on primary aluminium to 15% from 5%. It is too early to tell precisely how China's aluminium exports will respond to the extra 120% export tariff but one likely result will be a shift in local aluminium smelters' production away from purely primary aluminium output to a higher rate of downstream processing, to benefit from the aluminium products' export rebates, still in force.

February 2007 China's changed tax regime severely dented its exports of primary aluminium in 2006, which dropped 26% to 838,286 tonnes while those of aluminium products rose 74% to 1.24 million tonnes.

May 2007 Apr 19th: China's aluminium products output rose 43% in Q1 2007, year-on-year, according to the country's statistics bureau. Latest figures from China show just how skilled the Chinese aluminium industry is at adapting to attempts by the central planning authorities to use fiscal measures to curtail expansion of this energy-hungry business. While the country's primary aluminium exports dropped 87% in March, its exports of aluminium products have risen 89%. China's aluminium industry is giving the country's central planners a lesson in Darwinian free market survival; tax measures alone will not be enough to stem the export flow of metal, now almost all via aluminium products.

June 2007 (Chalco) intends expanding its aluminium production to 5 million tonnes/year in 2010, against perhaps 2.7 million tonnes in 2007, and is hotly chasing acquisitions both at home and abroad. China lacks the energy resources of some of its competitors and the government has been understandably keen to stem the drain on its energy supply caused by the aluminium industry. This has, however, clearly failed; in an effort to circumvent the tax the Chinese aluminium industry shifted away from primary metal exports to exporting more aluminium products. May 17th: China's aluminium output in April was 38% higher than the same month a year ago.

July 2007 (Chalco) is continuing to gobble up local competitors.

August 2007 China said it would suspend a 5% tariff on imports of primary aluminium from 1st August and impose a 15% tariff on exports of rods and bars made of primary aluminium.

September 2007 Low international prices for primary aluminium are likely to see China's primary metal imports rise in September, as Chinese fabricators buy more relatively cheaper, duty-free imported metal to make aluminium products for export. Chinese output of aluminium products may exceed 10 million tonnes this year. It is estimated that more than 10% of aluminium products consumed in the US are now imported from China; a serious economic downturn in the US would be felt among China's aluminium products' exporters.

December 2007 As for China, now the world's biggest aluminium producer, all central government efforts to curtail the sector by fiscal measures (export tariffs) seem to have failed – a 25% production growth year-on-year is staggering by any measure.

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February 2008 The Chinalco (Chalco)/Alcoa splurge to acquire a stake in Rio Tinto has perked up investment interest in aluminium. Moreover, the hand of the Chinese government was undoubtedly behind the move, which may be designed as much to prevent a BHP-Rio dominance of world iron ore markets as anything relating to aluminium.

March 2008 (By contrast) the rapid growth of China's steel production since the start of the new century has been remarkably resistant to centralised planning and oversight. In the early 2000s private entrepreneurs began setting up small mills, despite the fact that the necessary skills were often lacking and planning approval was absent. To a degree, this reflects the relative political autonomy of provincial and local governments, some of which have provided subsidies in an effort to put their own industrial enterprises on the map, as well as providing employment and garnering additional tax revenues. Consolidation and reduction of capacity in the steel sector is strongly backed by the government in Beijing but local and provincial governments are not so keen and have their own methods – including unreported incentive payments – to help them elude Beijing's mandates. Global steel prices remain strong and this carrot is a powerful incentive, far outweighing Beijing's rather weakly applied stick, for the bigger (and more technologically advanced) Chinese steel producers to export, which in turn encourages smaller producers to keep on churning out steel to meet local demand.

April 2008 Apr 2nd: In June this year China could lower tax rebates on semi-finished aluminium products to between 8% and 11%, from 11~13% at present. China's average monthly production of primary aluminium in 2007 was 35% higher than in 2006.

June 2008 Energy shortages in China continue to affect the outlook for the country's aluminium production, and this will play into the hands of the desire of the central planning authorities to stem exports of aluminium and aluminium products in order to conserve energy. In the first four months of 2008 China was a net importer of primary aluminium, but continued to export a lot of aluminium products, which benefit from avoiding the 15% export tax put on primary aluminium to curb exports. China has kept the price of power to its aluminium smelters below the cost of supplying power, but in February the NDRC announced that such preferential tariffs would be scrapped, and, given the soaring cost of coal (80% of China's electricity comes via coal-burning) large electricity prices are likely. This should lead to the closure of many smelters that lack alternative sources of cheap power.

July 2008 20 of China's biggest producers had been forced to curtail output as widespread power rationing was imposed. The ball started rolling on 1st July, when China raised electricity tariffs by some 4.7%. This will help the country's electricity generators – several of which have suspended some of their operations this year, as they have been unable to balance their books with relatively low and capped electricity tariffs.

August 2008 China's serious structural energy crisis means the authorities there are trying to rein-in production if only to end the bizarre situation in which the country is effectively exporting subsidised electricity through its aluminium exports.

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October 2008 China's rise to economic power is not simply the result of exporting cheap goods to the West; its growth has been and will be driven over the next two decades more by investment, which accounts for more than 40% of its GDP, and more than half of this investment is estimated to go into infrastructure and property. – China alone will need to feed some 400 million new mouths that are likely to be added to its current 1.3 billion population between now and 2050. Thanks to China's political structure (its centralised command economy) and its high rate of savings (giving it the ability to mobilise finance for capital development), Beijing can pursue its grand ambitions relatively – although not completely – untouched by paralysis in global capital markets.

December 2008 Dec 4th: China may cancel a 15% tax on exports of primary aluminium to help smelters. Cutting the tax could boost exports and push down international prices. Moves by the Chinese government to reduce smelter power tariffs and slash export tax on primary aluminium will lower costs and may therefore slow necessary output cuts. Chinese efforts to lower energy costs, buy metal for state stockpiles and abolish export taxes, may have discouraged further cuts (*in capacity*) which are vital if we are to see the price begin to stabilise at a higher level than currently.

January 2009 Jan 5th: China's ministry of commerce will resume a tax-free policy on exports of semi-finished aluminium profiles.

February 2009 Feb 16th: From 1st March China will reinstate a 5% tax on imports of primary aluminium; the tax was cancelled two years ago. The (*domestic*) market has received some support from the continued buying of metal by China's State Reserves Bureau (SRB), which bought 290,000t of aluminium in December and reportedly may buy another 300,000t in March.

March 2009 It is becoming increasingly clear that China's political leadership – unlike that of some other countries – is astutely managing a twin-pronged strategy when it comes to commodities in general, metals included. The short term tactic involves state and provincial authorities stocking up on metal that was simply too expensive to purchase just six months ago, while the long-term strategy concentrates on state-backed companies buying international resource assets that have become cheap. Trade pacts with (among others) Peru and the Democratic Republic of the Congo, in exchange for access to their natural resources, is also a statement of China's longer-term intent. China's foreign reserves are rapidly approaching \$2 trillion, which even at a time when multi-billion bailout packages are being bandied around, is a truly gargantuan war chest. China stock building of base metals began in earnest in late 2008, shortly after the prices of most had plunged like a stone. When this state-backed buying became apparent, in early January, we saw prices first stabilise and then regain some lost ground. We argued then that this would be detrimental in the medium-term, as further metal production needed to be shed in the light of deteriorating industrial demand, and that higher prices as a result of China's stock replenishments would discourage this. China confirmed that it purchased 290,000t of aluminium (for \$524m) in January and a further 300,000t of aluminium in February (for \$530m). We are barely at the end of Q1 2009 yet already there have been several high profile Chinese investments in international mining assets, which when totted up look certain to raise China's total investment in the mining industry above the \$40 billion spent in 2008. Indeed, such is the plight of many of the world's indebted mining companies, squeezed as they are between low prices and a virtual paralysis of credit, that they have become ripe for the plucking by cash-rich Chinese predators.

China's sovereign wealth fund, China Investment Corp (CIC) with \$200bn in its coffers, has been very frank about its desire to broaden its portfolio into the natural resources sector. A move into

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commodities – not just metals but also energy – by CIC would add to the tranche of Chinese state-supported investments that exceeded \$50bn in February alone, including Russian and Brazilian oil deals as well as Rio and Oz Minerals.

Over (the next) 15 years the country needs to create perhaps 300 million new jobs, simply to absorb those who have been forced from the land, as well as new entrants to the job market. China's capture of quality mining assets with readily available technical and operational know-how will help ensure that mine supply remains sufficient for China's own developmental needs.

For several years now China has effectively been exporting subsidised electricity in the form of aluminium. That cannot go on, and Beijing fully understands that. So the shape of the future China will, in part, be that of an economy which seeks not to provide the world with primary metal, or even metal in semi-finished form. It will try to bring its metal production into balance with its own estimates of its current and future needs. Which means that those wanting Chinese metal will one day have to pay for it dearly. (Emphasis added.)

March 2009 Mar 2nd: China ordered its power generators to provide 15 smelters, including Yunnan Aluminum and Fushun Aluminum, discounted direct electricity supplies, in a trial that could help smelter margins. Feb 25th: China's SRB bought 300,000t of primary aluminium ingots. This follows the acquisition of 290,000t in December. Chinese fabricators have boosted imports of primary aluminium in anticipation that the government may reinstate a 5% tax on primary aluminium imports to help boost domestic smelters.

April 2009 (S)ome 700,000t of Chinese output capacity that was cut because of the collapse in prices has now been earmarked to come back into production soon, thanks to the higher Shanghai price over the LME price. Essentially, aluminium's current price strength owes almost everything to restocking by China's SRB and domestic Chinese consumer stockpiling, in anticipation of a stimulus-led recovery in (global) demand. Global consumption of aluminium in 1999 was approximately 20 million tonnes; it is now 36-38 million tonnes with China accounting for about 13 million tonnes, (433%) more than in 1999. It is doubtful that China will achieve this level of consumption in 2009, but its infrastructure focused stimulus package could push it to 13 million tonnes or more in 2010-2011. This will not compensate for the probable remaining poor levels of demand from the developed world, nor significantly erode the huge surplus that has built up, but it will support prices.

(N)ews that 700,000t of idled Chinese capacity will soon be brought back online does not help. Chinese support for their domestic smelters puts the aluminium market in serious risk of being saddled with a huge surplus overhang, which will dampen the price for years to come.

May 2009 Chinese restocking has opened up a wide arbitrage window over the past few months between the LME price and higher Shanghai price, which has led to a record increase in primary aluminium imports into China in both March and April. (T)he willingness by the Chinese to turn on the supply tap will sink the aluminium market under a vast mountain of surplus metal.

June 2009 But China's failure to control the huge inflows of metal into the country have provided the (global) markets with very useful price support when demand elsewhere was at its weakest. And in a clear policy statement the Chinese Commerce Ministry says that the country's 'go abroad' policy is still alive, although it would be pursued "in a more mature and efficient way." With a stockpile of \$1.95 trillion in foreign currency reserves, invested mainly in US bonds, China has a huge wallet from which to cherry-pick its targets.

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July 2009 Much of China's higher imports can be attributed to the positive arbitrage between Chinese domestic prices and the prevalent LME price. This is owed largely to Chinese government support of its metals industry during the worst of the downturn in late 2008 and early 2009, which in turn led to a widening gap between the strengthening Shanghai price against the LME price.

August 2009 Australia has now imposed a 16% import tax on certain Chinese-made aluminium extrusions – and this may be replicated by other states, anxious to prevent the kind of 'dumping' of Chinese aluminium products that has been seen in steel products.China could end the year with some 2.1 million tonnes surplus to its needs – metal that Chinese producers will do their best to export, rather than finance. Perhaps of greater concern to the international market is China's exports of aluminium products. China's production of aluminium products looks in 2009 certain to outstrip 2008 levels by as much as 20%, at more than 17.4 million tonnes. We estimate that means about 2 million tonnes of aluminium products will look for a home outside China. That's not excessive during normal economic times – but these aren't normal times

December 2009 China's production has mushroomed from an annualised rate of 13 million tonnes in October 2008 to 15.2 million tonnes in October 2009. We expect Chinese production capacity to continue to overshoot domestic demand, leaving Western smelters in the difficult position of trying to calculate the rates of improving demand and the rise of Chinese exports.

January 2010 (S)hoaring Chinese capacity expansion will, in the medium term, see smelters in the US and Europe placed under increasing pressure from imports of primary or semi-finished aluminium products. Further smelter closures are therefore inevitable, as operators adjust to this new market environment.

April 2010 The trend is clear: Chinese aluminium product shipments will rise throughout 2010 and potentially threaten the recovery of overseas competitors. A recent petition by the US aluminium product manufacturers to the US Commerce Department to impose anti dumping duties on Chinese-made aluminium extrusion products used in the hard hot automobile sector joins similar efforts by Canadian and Australian manufacturers to curb competing products from China, and symbolises concerns over rampant Chinese production.

May 2010 Term financing deals are keeping a lot of LME registered metal from the markets, and there are large volumes held in off-market stocks."

As catalogued by Fortis Bank, GOC intervention to support the aluminium ingot sector (dominated by SOEs) through the removal of VAT rebates on exports and the imposition of import and export taxes to encourage domestic consumption from local smelters, combined with government directives to electricity suppliers to provide favourable prices to State-owned aluminium smelters, confirms the existence of artificially low prices for aluminium in China. (See also Non-confidential Attachment B-4.1.11)

Aluminium A356 is the key raw material input into ARW manufacture, accounting for 60% of total production cost. ROH contends that a particular market situation exists wherein the normal values for ARWs in China are artificially low due to GOC intervention and manipulation of the price for primary aluminium and A356 and A356.2 alloyed aluminium.

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ROH contends that in the absence of a market situation for primary and A356 and A356.2 aluminium in China, the cost of aluminium to produce ARWs in China would be higher than the rest-of-the-world:

“China is the most expensive primary aluminum producer in the world given high energy costs and high dependence on imported alumina and bauxite. Today, the entire Chinese smelting industry is underwater in a cash and total cost basis. State and Provincial governments are helping especially big and more efficient aluminum companies to survive by buying up to 1.6 million tons from them.” *Interesting Trends in the Chinese Aluminum Market – China Aluminum Monitor January 2009. HARBOR Intelligence. See also Non-confidential Attachment B-4.1.6.*

Sufficient evidence exists to conclude that the cost of aluminium does not reasonably reflect competitive market costs and ROH further submits that due to a particular market situation prevailing in China for ARWs, Chinese domestic selling prices and costs for ARWs cannot be used for normal value purposes.

As noted in EU Regulation 964/2010, “Access to cheaper aluminium is due to distortion on prices caused by State interference...(and ARW exporters in China benefit) from a unique world position in terms of access to the cheapest possible prices for raw materials and no comparable situation can be found in other countries.” L282/7 28.10.2010.

As noted in Trade Measures Report No. 148 (Report 148), “the combination of significant export taxes and no export VAT rebates on primary aluminium caused a significant increase in the supply of primary aluminium within China as the competitiveness of primary aluminium was eroded by the export taxes and lack of VAT export taxes”. The GOC manipulates the situation to suit its purpose: “the conditions of Regulation 180(2) have not been fulfilled...therefore, for the purposes of assessing whether domestic sales were sold in the ordinary course of trade, Customs and Border Protection considered it appropriate to determine the cost of production...by replacing the cost of primary aluminium with a competitive market cost” and “that LME prices are indicative of what would be competitive market costs in China.”

For ARWs from China, ROH requests that Customs and Border Protection includes the additional energy and chemistry costs incurred to convert primary aluminium to AlSi7, aka A356/356.2, together with the additional expenses incurred in purchasing each of the materials, i.e. trading premiums, delivery charges and interest charges.

For identical reasons, ROH requests that LME prices are used for the alloying materials silicon, magnesium, strontium and titanium. Each of the LME prices may be further adjusted by Customs and Border Protection to take into account 30 and 60 day inventory holding periods, per the methodology adopted in Report 148.

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ROH also notes that in Report 148, LME cash settlement and LME 3-month futures contract prices were substituted according to the manufacturer's historical pattern of purchasing. Where imported aluminium may have been used this usage is abnormal (being a direct result of GOC intervention in 2008-2009), and *"Customs and Border Protection is unable to rely on actual costs in those months where the exporter has only purchased imported primary aluminium as it cannot know whether any domestic aluminium was nonetheless used in production"*.

ROH refers Customs and Border Protection also to the Canadian Border Services Agency (CBSA) report 4214-22 AD/1379 & 4218-26 CV/124, *"Statement of Reasons concerning the making of final determinations with respect to the dumping and subsidizing of certain aluminium extrusions originating in or exported from the People's Republic of China"*, Ottawa, March 03, 2009. Specifically Appendix 3 – Summary of Findings – Section 20, and Appendix 4 – GOC policies affecting the Chinese aluminum and aluminum extrusions industries.

1.12 Additional evidence of intervention of the GOC in China's aluminium sector.

The following highlights have been extracted from a presentation by Shang Fushan, *"Development status and trend of China's Nonferrous Metals Industry"* China Nonferrous Metals Industry Association, November 2009. www.icsg.org/index.php?option=com_docman&task=doc...qid...

"Measures adopted by the GOC to support nonferrous metals industry to cope with financial crisis are as follows :

- Launching stockpile to support enterprises to recover production;
- Lifting export drawback and reduce export tax on particular products, supporting export of nonferrous metals products;
- Promoting power direct-purchase pilot project – 15 primary aluminum enterprises carry out power direct purchase pilot project;
- Establishing and implementing *Adjustment and Revitalization Plan for Nonferrous Metals Industry*;
- Lifting export rebate rate (for 23 items), "of which export rebate rate of aluminium profile was lifted from 0% to 13%" for example;
- Customs tariff Commission of the State Council has adjusted export tariff for 3 times since Nov.2008."

The outlook for the development trend of the nonferrous metals industry was described as follows :

"The speed of enterprises reorganization is based on the guidance of government. In view of the development condition and important status of key nonferrous metals enterprises, it is difficult for enterprises to finish industry reorganization that it only depends on market operation. So it also

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needs government to expand guidance strength.” (See also Non-confidential Attachment B-4.1.12).

As noted by Commission Regulation (EU) No 404/2010 at paragraphs 34 and 36, in relation to dumped ARWs from China into Europe, “the State interferes with the price setting mechanisms in the Shanghai Futures Exchange (SHFE) which is a closed exchange for Chinese-registered companies and Chinese citizens. This State interference with the price setting mechanisms in the SHFE is linked to its position as both a seller of primary aluminium and as a purchaser via the State Reserve Bureau and other State Bodies. In addition, the State sets daily price limits via the rules of the SHFE which have been approved by the State Regulator, the China Securities Regulatory Commission. Indeed, the current Chinese system of high export duties and lack of VAT reimbursement for export of primary aluminium and other raw materials, combined with no export taxes and VAT reimbursements on exports of the downstream product and State interference in the setting of prices in the SHFE, has essentially led to a situation where Chinese aluminium prices continue to be the result of State intervention. This has led to the situation that, historically, prices in the LME have diverged significantly from those in the Chinese market. Between half 2005 and the end of 2008 LME prices have been significantly higher compared to the Chinese markets, underlining the lack of any meaningful arbitrage between Chinese markets and markets in the rest of the world.”

1.13 “The Fall and Rise of Chinese State-Owned Enterprises”.

The following notes are abstracted from a submission by Derek Scissors, Research Fellow in Asia Economics, The Heritage Foundation to the U.S.-China Economic and Security Review Commission “Chinese State-Owned Enterprises and U.S.-China Bilateral Investment”.

“...it is not true that SOEs have faded into the background or that they are no longer “state-owned enterprises”.

Shrinking the state sector was replaced by “reform”. This reform has been widely misconstrued. It consisted of converting most SOEs into share-holding entities, which had explicit state entities as majority holders but also sold stock in Shanghai, Hong Kong, or elsewhere.

At some (disputable) point in the mid-2000s, the reform process was reversed entirely and SOEs began to wax again. The reversal can reasonably be dated to late 2006, when the State Council formally set aside the core of the economy for SOEs,

[T]he State should solely own, or have a majority share in, enterprises engaged in power generation and distribution, oil, petrochemicals and natural gas, telecom and armaments. The State must also have a controlling stake in the coal, aviation, and shipping industries.... Central SOEs should also become heavyweights in sectors including machinery, automobiles, IT, construction, iron and steel, and non-ferrous metals (emphasis added).

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The reversal was codified by Wu Bangguo, second in the Party hierarchy, when he listed privatisation with other intolerable developments.

We have made a solemn declaration that we will not employ a system of multiple parties holding office in rotation; diversifying our guiding thought; separate executive, legislative and judicial powers; use a bicameral or federal system; or **carry out privatisation** (emphasis added).

Share-holding SOEs are manifestly not private actors and assessments of the corporate sector that assume so are fatally flawed from the outset.

Neither specification of share-holders or sale of stock by itself does anything to alter state control. The large majority of firms listed on the domestic stock exchange are specifically designated as state-owned.

More broadly, firms are defined by inputs and outputs. On the output side...the requirement that that state predominate in so many sectors is meant to sharply confine competition, so that SOEs operate within markets but they operate primarily in state-controlled markets. This regulatory protection is the most powerful subsidy many SOEs receive.

The input side also continues to distinguish SOEs clearly from foreign or domestic private companies. Production inputs comprise labour, capital, land, and other physical resources such as energy. For SOEs, including those which have completed share-holding reform, all of these show the state's overwhelming role. It is routine for Chinese officials to bounce back and forth from corporate to government posts at the behest of the Party...

In stark contrast to private firms, which often cannot buy land at any price, SOEs have immediate call on free land, which is technically owned by the state. The main barrier to SOEs acquiring land is other SOEs. SOEs as a matter of course also receive hefty power and other input subsidies not available to genuinely private firms.

The suppression of competition coincident with regulatory protection of SOEs combine to guarantee SOEs will have relatively more weight.

In most sectors, there is no market of 1.3 billion. Instead, there is what is left after the SOEs are handed the bulk.

The various forms of subsidy provided to SOEs are far bigger barriers to American goods than the Yuan's peg to the dollar. Subsidization has been and can be increased to offset currency changes.

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More generally, massive bilateral economic imbalances are on the Chinese side caused by overinvestment and underconsumption. The PRC overinvests precisely to enable SOEs to retain dominant positions despite their inefficiency. To sustain this overinvestment, consumption must effectively be taxed. The regulatory suppression of competition discourages consumers and generates additional profit to finance SOE investment. Capital subsidies also finance investment and, through the state-run banking system, transfer income from households to SOEs via controlled interest rates."

(See also Non-confidential Attachment B-4.1.13).

1.14 Impact of SOEs on China's domestic ARW prices.

ROH contends that government influence extends far-beyond setting of the input costs for the GUC, to control also via the SOEs influence on the prevailing market selling prices for ARWs thereby ensuring that the needs of the State and provincial governments are met through utilisation of capacity and harnessing of the workforce in at least three locations:

1. Upstream in the State and province-owned aluminium smelting industry and its affiliates;
2. At the SOE ARWs themselves;
3. Downstream in State and province-owned vehicle manufacturers and their component suppliers and affiliates.

The benefits received by China's ARWs are not just limited to preferential raw material aluminium prices but also include artificially low energy costs from State-owned providers together with other subsidies in the form of State and provincial grants, exemptions (from taxation, customs duties and VAT liabilities for example) and low interest rates. Refer Section C.12 below.

For example, and as noted at C-1.1.25 in relation to subsidised energy, "*provinces continue to subsidise routinely the cost of electricity for steel and metal production.*"

The net impact is that the costs of production of ARWs in China are artificially lower than they otherwise would be in a market economy country exclusive of SOE influence, due to the policies and programs of the GOC that encourage value-adding production in China and the export of those finished goods at prices that significantly undercut the selling prices of non-China producers and exporters on the global market.

The estimated amount of subsidies (i.e. benefits) available to SOE ARW manufacturers including the low-priced A356 aluminium, artificially low electricity, reductions/exemptions of certain taxes, receipt of grants and concessional rates of interest on borrowings, is understood to represent a material proportion of the total cost-to-manufacture an ARW in China. The provision of A356 aluminium at an approximate discount of 30-40 per cent to LME aluminium prices indicates that this cost alone

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(without taking account of the range of other benefits received by Chinese ARW manufacturers) renders Chinese ARW selling prices artificially low and unsuitable for normal value purposes.

Note also that, according to the GOC's "Report on the Implementation of the Central and Local Budgets for 2010 and on the Draft Central and Local Budgets for 2011", [the Report] (www.GOV.cn , March 5, 2011), the State spent 12.196 billion Yuan in subsidies in 2010 to reform central government enterprises and make them profitable. (See also Non-confidential Attachment B-4.1.14).

The Report also states that: "In light of developments and changes in the international and domestic economic conditions" (through 2010), "we first followed a prudent fiscal policy and then a proactive fiscal policy, coordinated our fiscal policy with monetary and industrial policies, and improved the macro-control system under conditions of the socialist market-economy."

ROH concludes that taken as a whole, China domestic ARW inputs, i.e. aluminium, energy and other costs, are artificially low due to State and provincial government influence including via the provision of grants, exemptions and/or reductions in taxes, concessional interest charges etc., that impact the final selling prices of ARWs in China.

ROH contends that domestic prices for ARWs are kept at artificially low levels to ensure market dominance by the SOEs in preference to FIEs. As noted in the E.C. investigation of ARWs from China, "for some companies, such as State-owned Dicastal, (these) subsidies might be higher than for others".

1.15 Market situation for ARWs sold in China.

As noted in the Customs and Border Protection Dumping Subsidy manual June 2009, pp 26-27:

"In investigating whether a market situation exists due to government influence, Customs and Border Protection will seek to determine whether the impact of the government's involvement in the domestic market has materially distorted competitive conditions. A finding that competitive conditions have been materially distorted may give rise to a finding that domestic prices are artificially low or not substantially the same as they would be determined in a competitive market."

It is clear that SOE ownership in relation to China's ARWs is very high when measured as a proportion of ARW production capacity and volumes overall, as indicated in the following table.

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Table B-4.1.15

Capacities of some PRC ARWs.

	Company	Type	Capacity (ARWs per annum)
1	CITIC Dicastal	SOE	15,000,000
2	Wangfeng Auto	SOE	10,000,000
3	Lizhong Wheel	SOE	5,600,000
4	Zhejiang Jinfei Machinery	SOE	5,000,000
5	Shanghai Jinheli	SOE	3,000,000
6	Nanjing Dicastal Huashun	SOE	2,000,000
7	Shenyang Dooray	SOE	1,800,000
8	Nanhai Zhongnan	SOE	1,500,000
9	Huatai (Tai'an)	SOE	1,000,000
10	Lioho Machinery	FIE	10,000,000
11	Shanghai Arays	FIE	2,000,000
12	Ningbo Yongqi	FIE	1,800,000
13	Protech	FIE	1,200,000
14	Futek Alloy	FIE	360,000
15	Seyen Group	FIE	5,700,000
16	Jiangsu Dare Wheel	FIE	2,000,000
17	Wuxi Chenhwat	FIE	1,800,000
18	Wonder Kosei	FIE	1,440,000
19	Jiangsu Yuantong	FIE	1,200,000
20	Fucheng Aluminum	FIE	1,200,000

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21	Zhejiang Yongle Aluminum	FIE	1,200,000
	Sample total		74,800,000
	SOE total		44,900,000
	SOE share		60%

China's ARW sector is dominated by the SOEs including CITIC, Baoding Lizhong, Jinfei, and Huatai, who in aggregate appear to account for more than 50% of China's domestic ARW sales volumes⁴.

As noted by Commission Regulation (EU) No 404/2010 at paragraph 55, in relation to dumped ARWs from China into Europe, *"(i)ndeed, State interference in CITIC Dicastal and Baoding is such that it permits circumvention of measures if individual exporters are given different rates of duty in particular having regard to the fact that these two groups have two common joint ventures producing the product concerned."* Both CITIC and Baoding were denied market economy treatment because of that State interference.

ROH contends that market domination by the SOEs results in artificially low prices for ARWs in the Chinese marketplace and that the price levels for these SOEs are influenced by the State having particular regard also to the upstream needs of the State-owned aluminium smelters.

Conversely, the "brand-marketed" ARWS from FIEs such as YHI and Orizz are positioned at prices that are up to 100% higher than similar ARWs at the same level of trade. The brand-marketed ARWS more closely reflect rest-of-the-world prices including in Australia.

This is not to conclude however that the "brand-marketed" ARWs are successful in their domestic strategy.

1.16 Estimate of costs and constructed normal values for ARWs in China.

ROH has developed a constructed normal value "calculator" to calculate the cost to produce 14" through 22" ARWs in China. (See Confidential Attachment B-4.1.16 which also contains the assumptions contained in the calculator – for example, process output rates and material consumption per ARW.) The calculator uses the following input costs :

- Rest-of-the-world cost for A356 and A356.2 aluminium – based on LME values;
- Rest-of-the-world cost for paint, packaging and (for aftermarket and export sales), caps, decals and cartons- based on ROH Australian and ROH Philippines actual costs;

⁴ Refer ResearchInChina, Global and China Automotive Aluminium Wheel Industry Report, 2008-2009, June 2009, P.57-67.

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- Rest-of-the-world production output rates – based on ROH-A output rates;
- Chinese direct and indirect labour costs – based on average Chinese wage levels;
- Rest-of-the-world variable and fixed overhead costs, with reference where appropriate to the Australian industry's variable and fixed overhead costs – based on ROH-A costs and international plant replacement costs.

This comparison of costs and selling prices by ROH suggests that wholesale and retail prices for all classes and finishes of ARWs in China are suppressed and these suppressed prices determine sales volumes as much as they do in the Australian market. ROH considers that prices and volumes are heavily influenced by the State and provincial governments and, in the absence of a range of preferential treatments and subsidies to support their export volumes, neither YHI nor Orizz (amongst others) would survive on their share of the domestic China market.

1.17 Market Situation Conclusion – ARWs in China.

ROH has demonstrated that ARWs in China are sold at artificially low or unrecoverable prices. Chinese ARW selling prices are considered artificially low due to:

- The provision of raw material A356 aluminium sold in China at an approximate 30 to 40 per cent discount to rest-of-the-world LME aluminium prices;
- the impact of government influence through SOEs in the Chinese primary aluminium industry that permits the manipulation of price setting mechanisms, as verified by the European Commission in its ARW inquiry;
- the supply of low cost electricity (location-dependent) to Chinese primary aluminium producers and Chinese ARW manufacturers;
- the impact of government influence through SOEs in the Chinese ARW industry where prices from SOE manufacturers are lower than FIE manufacturers. It is noted there exists clear distinctions in pricing levels between brand-marketed (mainly FIEs) and price-marketed (predominantly SOEs) ARW manufacturers in China; and
- the provision of benefits through a range of grants, exemptions and/or reductions in taxes, concessional interest charges, etc. that also contribute to low domestic prices.

ROH's understanding of artificially low price for ARWs in China is based upon its own research, independent reports and published information. It is evident from the information included in this application that ROH's viewpoints are not based upon assertions only, but are supported with evidence detailing the factors contributing to artificially low prices.

Table B-4.1.17 compares constructed CTMS with ROH market research for manufacturers of ARWs in China. It appears that the presence of ARWs for "unrecoverable" consideration, i.e. sold below cost and not for any reasonable amount of profit, would further have the effect of strongly suppressing prices for ARWs in the Chinese market.

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Table B-4.1.17 – Other ARW manufacturer's wholesale prices in China – silver finish.

See also : Non-confidential attachment B-3.3.

Size	Constructed CTMS	P&W price	Anchi price	YHI price
14"	\$36.81	\$31.00	\$33.00	\$37.55
15"	\$45.61	\$35.00	\$38.00	\$62.59
16"	\$51.77	\$48.00	\$53.00	\$81.37
17"	\$53.70	\$60.00	\$68.00	\$97.64
18"	\$67.34	\$75.00	\$86.00	\$137.70

P&W is Taiwanese-owned with a plant in China, located in Taishan, Guangdong. Anchi is a local brand in the main market, popular in Guangdong with low-end products.

Apparent compliance with generally accepted accounting principles (GAAP) cannot in itself be substituted by Customs and Border Protection for a reasonable amount of profit. ROH notes that, notwithstanding domestic price suppression, normal values in China for YHI reflect margins ranging from 22% for 14" ARWS and upwards of 59% for larger sizes, reflecting to a lesser extent what happens in markets in the rest-of-the-world, including in Australia, i.e. the larger the wheel diameter the higher the respective selling margin which is not proportional to size.

ROH concludes that the prices paid in China for ARWs are artificially low and not in the ordinary course of trade. The presence of unrecoverable price offers and sales at nil or less-than-nil profit is wholly attributable to the market situation ARWs, and therefore the prices must be discarded by Customs and Border Protection.

2. Indicate the normal value of the like goods in the country of export using another method (if applicable, use appendix B2 Constructed Normal Value).

The constructed selling price normal values are included in Confidential Attachment B-4.1.16 – refer Normal Value Calculator.

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In constructing selling prices for ARWs in China, ROH has adopted the following methodology:

- calculated a total ex-works value for each of the ARW exporters for whom data was available, based upon the advised weight and finish of each sized wheel, (14 inch to 22 inch inclusive), that includes a calculated market cost for A356 aluminium; and
- applied a level of profit margin based upon YHI's normal value wholesale prices in China less the calculated ex-works cost.

Table B-4.2 – Constructed Average Wholesale Price Normal Values for ARWs in China in 2010

Wheel Size	Constructed Normal Value US\$
14"	\$47.99
15"	\$69.07
16"	\$82.56
17"	\$100.72
18"	\$132.87
19"	\$136.21
20"	\$150.18
22"	\$185.28

3. Provide supporting documentary evidence.

Non-confidential Attachments B-2.1.2 and B-3.3 provide evidence of actual wholesale prices in China and actual FOB export prices researched by ROH between 2005 and 2010.

B-5 Adjustments.

1. **Provide details of any known differences between the export price and the normal value. Include supporting information, including the basis of estimates.**

The ROH normal value calculator has factored the normal value to a similar level of trade to the export price therefore no adjustment is required.

2. **State the amount of adjustment required for each and apply the adjustments to the domestic prices to calculate normal values. Include supporting information, including the basis of estimates.**

Normal values and export prices have been reported excluding VAT.

From the data in its possession, ROH cannot calculate any other adjustments that might apply. ROH therefore requests that during the course of their investigation Customs and Border Protection calculates any other adjustments that might apply including any of those referred to in B-5.1 above.

B-6 Dumping margin.

1. **Subtract the export price from the normal value for each grade, model or type of the goods (after adjusting for any differences affecting price comparability).**

ROH has calculated average dumping margins for Chinese ARWs to Australia using constructed wholesale price normal values (refer B-4.2 above), and the average actual Chinese ARW export prices to Australia obtained by ROH from its research.

Table B-6.1 summarizes average dumping margins for Chinese ARWs exported to Australia by size, in 2010.

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Table B-6.1 – Average dumping margins for Chinese ARWs to Australia in 2010.

ARW size	Average FOB price US\$	Constructed Normal Value US\$	Value of dumping US\$	Dumping margin
14"	\$29.17	\$47.99	\$19.82	70.36%
15"	\$36.00	\$69.07	\$33.07	91.86%
16"	\$41.44	\$82.56	\$41.12	99.23%
17"	\$48.75	\$100.72	\$51.97	106.61%
18"	\$57.08	\$132.87	\$75.79	132.78%
19"	\$63.33	\$136.21	\$72.88	115.08%
20"	\$73.79	\$150.18	\$76.39	103.52%
22"	\$91.92	\$185.28	\$93.36	101.57%

Calculated average dumping margins for Chinese ARWs are significant and are considered by ROH to be the cause of lost sales volumes and reduced selling prices in Australia since 2003.

ROH contends that 18" ARWs are the most common fitment in the Australian aftermarket and sales in this size are keenly fought over, resulting in higher levels of price undercutting, price suppression and dumping for this size ARW.

XXXXXX XXXXXXXX XX ARWs from YHI China.

See also Part A, page 38.

ROH has calculated a deductive export price of around US\$XX.XX FOB per piece, (see Confidential Attachment B-2.1.1), which compared to YHI's normal value for this size wheel in China is equivalent to a dumping margin of around \$12.38 per wheel, or 24.7%. This compares with recent EU Commission determination of a definitive dumping duty for ARWs from YHI China of 23.81% - see Non-confidential Attachment B-4.1.4 .

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XXXXXX XXXXXXXXXX XX ARW price suppression.

See also Part A, page 38.

ROH has calculated a deductive export price of around US\$XX.XX FOB per piece, (see Confidential Attachment B-2.1.1), which compared to the average constructed normal value for this size wheel in China is equivalent to a dumping margin of around \$54.10 per wheel, or 183%.

2. Show dumping margins as a percentage of the export price.

Please refer to Table B-6.1 detailing average dumping margins for Chinese ARWs to Australia during 2010, in the range 70% to 133%.

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