

PUBLIC FILE VERSION

19 August 2015

Ms Kerry Taylor  
Director, Dumping Operations 4  
Anti-Dumping Commission  
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Dear Ms Taylor,

**Review of Variable Factors – Investigation No. 263 - Aluminium Road Wheels exported from P R China**

Executive Summary

Arrowcrest Group Pty Ltd ("Arrowcrest") welcomes the findings of the Anti-Dumping Commission ("the Commission") in Statement of Essential Facts No. 263 ("SEF 263"). SEF 263 has determined that the variable factors applicable to Chinese exporters of aluminium road wheels ("ARWs") have varied. This includes changes to the normal values, export prices, non-injurious prices, and the amount of the countervailable subsidies received.

The Commission has indicated that the method used to calculate the interim dumping duty applied to ARWs is the combination method pursuant to subsection 5(2) of the Anti-Dumping Regulations. The Commissioner proposes to recommend that this form of duty continues to apply to exports of ARWs from China, for all exporters except Jiangsu Yaozhong (which is based upon a fixed duty methodology).

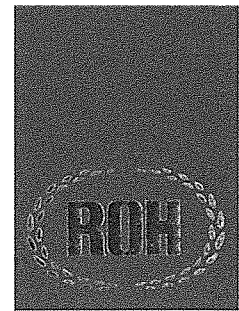
Arrowcrest supports the continued use of the combination form of interim dumping duties to Chinese ARW exporters to minimize any circumvention activities of exporters.

The Commissioner has proposed that collective interim and dumping duties on the ARW exporters from China will be the sum of:

- the subsidy rate calculated for all countervailable programs; and
- the dumping rates calculated, less an amount for the subsidy rate applying to program 1 (where this has been received by the exporter of exporter category).

The combined duty that would be effective if accepted by the Parliamentary Secretary would be:

Exporter	Preliminary Dumping duty	Preliminary Countervailing duty	Preliminary Effective rate of duty
CITIC Dicastal	15.14%	N/A	14.0%
Pilotdoer	25.6%	11.0%	27.1%
Jinfei Kaida	11.5%	5.4%	12.7%
Zhejiang Yueling	51.6%	23.4%	55.8%
Residual exporters	14.1%	11.1%	20.1%
Uncooperative and All other exporters	51.6%	64.8%	69.8%



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The non-injurious price impacts the measures applicable to CITIC Dicastal, Zhejiang Yueling and uncooperative and all other exporters.

For Jiangsu Yaozhong the dumping and countervailing duties are equal to the established floor price.

Arrowcrest considers the proposed recommendations are reflective of the contemporary price differentials that exist between the raw material aluminium alloys used in ARWs production in China and the aluminium LME prices. Arrowcrest also welcomes the Commission's comments that the review of variable factors inquiry does not permit consideration about injury or exemption for injury (re CITIC Dicastal's submission that the OEM market should be exempt from measures).

#### Review inquiry

##### *Normal values*

The review of variable factors inquiry was extended by the Commission to include all ARW exporters in China following an application made by Jiangsu Yaozhong Aluminium Wheels Co., Ltd ("Jiangsu Yaozhong"). In Investigation 181 the Minister determined a market situation applied to ARWs sold in China and normal values could not be determined under s.269TAC(1) of the *Customs Act*. The market situation finding was based on the determination that raw material aluminium and aluminium alloy did not reasonably reflect competitive market costs due to government intervention in the market. Normal values were determined on a constructed cost basis (under s.269TAC(2)(c)) with the actual costs for aluminium and aluminium alloy substituted with an international benchmark aluminium price based on:

- LME primary aluminium prices; and
- An upwards adjustment to account for additional costs of alloy.

In Investigation 181, the ACBPS determined that Chinese ARW exporters received countervailable subsidies under Program 1 – aluminium provided at less than adequate remuneration. This finding was premised on the determination that Chinese exporters of ARWs purchased primary and/or alloyed aluminium from state-invested enterprises ("SIEs") at less than adequate remuneration. The receipt of the low priced aluminium and/or aluminium alloy from a public body SIE constituted a subsidy. To adjust for this benefit, the ACBPS used a competitive benchmark price in the constructed normal value to determine the value of the benefit received by exporters under the countervailable Program 1.

This review is limited to a review of each of the variable factors and is not required to re-visit the market situation finding of Investigation 181. For the review, the Commission has also considered the recent preliminary findings in the review of measures applicable to aluminium extrusions exported from China that is due for forwarding to the Parliamentary Secretary on 13 July 2015.

Arrowcrest endorses and supports the Commission's finding "*that a market situation continued to affect the domestic prices of ARWs in China during the review period such that domestic ARW sales are not suitable for use in determining normal values under s.269TAC(1)*". Arrowcrest also agrees with the Commission's assessment that:

- *the GOC continues to influence the upstream Chinese aluminium industry via broad economic policies, as well as implementing policies and taxation initiatives;*
- *this influence is likely to have materially distorted competitive conditions and both directly affected the price and supply of the main raw material used in the manufacture of ARWs(primary aluminium and aluminium alloys A356 and A356.2);*

- *as the primary and alloyed aluminium markets are upstream to the ARWs market, the aluminium costs incurred by Chinese ARW manufacturers during the review period do not reasonably reflect competitive market costs in terms of subs. 43(2)(b)(ii) of the Customs (International Obligations) Regulation 2015 (the International Obligations Regulation)."*

The Commission's assessment is consistent with Arrowcrest's submission of 25 March 2015 that identified Chinese aluminium prices were US\$642 per tonne below the rest of the world (as evidenced in attached news extracts to the submission). The assessment is also consistent with the then ACBPS findings in Investigation No. 181 and confirms that the conditions on the Chinese domestic market for aluminium and aluminium alloys (and therefore ARWs) have not altered since the original investigation period.

Arrowcrest has examined the Commission's methodology in applying the benchmark cost substitute for the exporter's aluminium/aluminium alloy cost input which is summarized as follows:

- *three month contract prices of primary aluminium on the LME;*
- *an upwards adjustment to reflect trading fees, based on the Major Japanese Port premium fees;*
- *(where applicable) an upwards adjustment to reflect the additional cost to produce alloys; and*
- *(where applicable) an upwards adjustment to reflect domestic delivery costs, based on exporters' aluminium purchase price data."*

A percentage difference was determined between the benchmark cost substitute and the exporter's actual cost, with the percentage uplift applied to the exporter's aluminium costs.

Arrowcrest considers that the methodology followed by the Commission is reasonable and provides for a market-priced alloy aluminium cost in the Chinese exporters' constructed CTM&S.

The Commission applied profit to the Chinese ARW exporters' constructed normal value. The profit for 'selected' exporters was determined on domestic sales in the ordinary course of trade prior to the substitution of the aluminium costs. Arrowcrest supports this methodology and that applied to determining the profit for residual exporters (based upon weighted-average for selected exporters).

#### *Subsidies*

The Commission has identified the applicable subsidy programs that have afforded benefits to Chinese ARW exporters at Appendix C. The listed programs are consistent with those identified in Investigation 181.

Arrowcrest notes that the Commission has been advised of a number of additional subsidy programs that provide a benefit to exporters not previously identified by the Commission. The new programs are grants including:

- government quality award;
- award to open economy;
- assistance to importer and exporter fair trade program;
- assistance fund for growth;
- award for the growth of local income tax;
- refund of local water conservancy fund; and
- award for IPO.

The purpose of each of the grants, the background and notifications, the legal basis and administrative authority, eligibility criteria, and recipient details are included at Appendix C to SEF 263.

*Non-injurious price*

At Section 6.3 of SEF 263 the Commission indicates the basis for assessing the non-injurious price ("NIP") for aftermarket and OEM ARWs. The unsuppressed selling price (from which the NIP is derived) is based upon Arrowcrest's CTM&S in the review period, with a rate of profit applied from the original investigation.

Arrowcrest supports the recommended methodology for determining NIPs for exported ARWs from China.

**Conclusions**

The Commission's proposed recommendations concerning the methodologies that have been applied to determine revised variable factors applicable to exporters of ARWs from China are supported by Arrowcrest.

Arrowcrest similarly welcomes the Commission's proposal to continue to apply the interim dumping and interim countervailing measures based upon the combination method.

The findings concerning a market situation in respect of ARWs in China concur with Arrowcrest's understanding of the impact of the artificially low aluminium and aluminium alloy prices applicable in China. Arrowcrest submits that the analysis of the aluminium and aluminium alloy markets, and the downstream ARW market in China have been thoroughly examined by the Commission. The proposed recommendations concerning the changes in each of the variable factors are consistent with Arrowcrest's understanding of the prevailing artificially low prices in China that are achieved via government-influenced low priced inputs and subsidies.

If you have any questions concerning this submission, please do not hesitate to contact me on (08) 8468 4111 or Arrowcrest's consultant, John O'Connor on (07) 3342 1921.

Yours sincerely,



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Director