

**ARROWCREST  
GROUP****Public File Version**

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

***Reference : Arrowcrest response to Holden submission.***

I refer to the submission on behalf of GM Holden Limited ("Holden") dated 19 December 2012.

**2.1 The business of Holden.**

Arrowcrest's claims of dumping and material injury are not unsubstantiated. Arrowcrest draws Customs' attention to the facts that [1] the EU has already confirmed dumping of ARWs from China, and [2] that in "November 2010 GM signed a Memorandum of Understanding with its (Chinese) state-owned joint venture partner, Shanghai Automotive Industry Corp. (SAIC), that includes specific measures to increase exports from China. The agreement ... calls for GM to provide SAIC with access to GM's distribution network outside of China to facilitate such exports"<sup>1</sup>.

**6.1 Reliance on EC Decision.**

Arrowcrest notes that Holden is attempting to dissuade Customs from taking any precedent from the EU inquiry, however the EU Commission has already confirmed the existence of dumping of ARWs from China into several EU countries.

<sup>1</sup> Law Offices of Stewart and Stewart, "China's Support Programs for Automobiles and Auto Parts under the 12<sup>th</sup> Five-Year Plan" January 2012, at page 57, and General Motors, 2010 Annual Report at 62.

ARWs produced by Arrowcrest for the Aftermarket (AM) are manufactured with identical plant, process controls and quality controls as OEM ARWs. For several decades Holden sourced its OEM ARWs from Arrowcrest which continue to be made using the same plant, processes and controls that Arrowcrest uses for its AM wheels.

The ARWs manufactured by Arrowcrest meet the specific additional quality standards and requirements of Holden and in fact Arrowcrest continues to supply Holden with ARWs for its HSPO spare parts replacement division.

The Australian market is no different from the EU, with EU-made vehicles widely distributed in the Australian market with or without OEM or AM wheels fitted. There are no differences in the Australian market that would disqualify OEM and AM ARWs as like goods. Both are fully interchangeable on the same vehicle and many car manufacturers, including Ford Australia, sell AM accessory wheels through their dealerships whilst retaining full new-car warranties.

Citic Dicastal and Baoding Lizhong, the OEM manufacturers supplying Holden's Australian operations, may not produce AM wheels but this does not require a separate application or investigation as Arrowcrest's application acknowledges both levels of trade.

### **6.3 Calculation of "normal values" and "export price".**

#### **(a) General observations.**

Arrowcrest has provided independently researched normal values as well as export price lists and export price invoices. It is clear from this evidence that dumping margins for ARWs from China are significant.

#### **(b) Determination of "normal value".**

Arrowcrest has provided extensive independent evidence of the Government of China's (and provisional government) intervention in China's aluminium industry, including provision of subsidies, price fixing and other activities that render domestic prices for aluminium in China unreliable and not comparable to the rest-of-the-world's cost to produce pure or A356.2 aluminium.

Various trade remedy investigations by other Authorities, (including, but not limited to, aluminium extrusions to Canada), have confirmed the existence of artificially low prices for certain raw material inputs used by China's manufacturing exporters. These determinations by other Authorities in the global economy are not irrelevant.

In its application, Arrowcrest has researched and found that the Chinese ARW industry does not use pure aluminium, purchased at either a published rest-of-the-world LME price or at a published China SHFE price. Instead, Arrowcrest's independent research has found that China's ARW manufacturers use more expensive A356.2 pre-alloyed aluminium, purchased at prices that undercut both the LME and SHFE prices for pure aluminium.

Specifically, Arrowcrest's independent research revealed that Citic Dicastal (Holden's ARW supplier) purchased its A356.2 pre-alloyed aluminium at a price that undercut the rest-of-the-world cost to produce this grade by around US\$663 per tonne, or 27%.

Arrowcrest has provided evidence to support the conclusion that, that in the absence of access to artificially low prices for aluminium in China, this price differential would not be possible. As noted in Part B of Arrowcrest's application, *"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."*<sup>2</sup>

**(c) Specific observations.**

There are no important differences in terms of quality of product and availability of product in China when compared to ARWs produced by Arrowcrest. Generic manufacturing methods for ARWs render Chinese and Australian-made ARWs fully interchangeable.

Arrowcrest manufactures its ARWs to standards that meet or exceed the relevant Holden ARW specifications. Arrowcrest also supplies ARWs (including 20 inch diameter) to Holden's performance offshoot, Holden Special Vehicles and has done so for the past twenty-odd years.

Prior to Holden and Ford re-sourcing to dumped and subsidized exports of ARWs from China, Arrowcrest supplied both of these companies as well as Toyota Australia and Mitsubishi Australia with all of their ARW requirements. Arrowcrest also supplied ARWs to OEM car manufacturers in Japan, Europe and the United States, including GM's Opel plant in Zaragoza, in Spain. Arrowcrest has both the proven know-how and the capacity (and certainly can add capacity) to meet all of Holden's current and future volume requirements in all of the sizes that Holden requires.

Arrowcrest has submitted to Customs its application for a Preliminary Affirmative Decision (PAD) and, in light of the evidence provided (including Arrowcrest's injury factors,) as well as the likely delay of the publishing of a Statement of Essential Facts (SEF), Arrowcrest considers that a PAD is a more than reasonable outcome in the circumstances to safeguard the Australian industry.

<sup>2</sup> Arrowcrest Application Part B at page 34, and Harbor Intelligence January 2009 China Aluminum Monitor.

## 6.5 Material Injury.

### (a) General observations.

Neither Mullins Industries or Speedy Corporation are Australian producers.

Mullins Industries commenced manufacture of ARWs in South Australia in the mid-1970's. In 2008 and as a direct result of dumped and subsidized exports from China, Mullins ceased its Australian manufacture of ARWs and now imports its ARWs from China.

Speedy Corporation does not manufacture ARWs in Australia. Arrowcrest understands that Speedy does not operate manufacturing facilities anywhere and is simply a trader of ARWs. Speedy therefore does not have standing to support the application. Given the dumping margins and available profits for ARWs from China it is not surprising that Speedy does not welcome the application.

In its application, Arrowcrest acknowledges the temporary effects of the global financial crisis which are both temporary and incomparable to the extent of Australian industry losses arising from ARWs exported from China at dumped and subsidized prices.

As noted, prior to the arrival of ARWs from China at dumped and subsidised prices, Arrowcrest supplied OEM ARWs concurrently to Ford, Holden, Mitsubishi, Toyota as well as to several export markets including Europe, Japan and the United States.

At the same time Arrowcrest had competed fairly with ARWs from many countries including Indonesia, Japan, Malaysia, New Zealand and Taiwan. As a result of the dumped and subsidized exports from China none of these countries has any significant remaining presence in the Australian market.

Arrowcrest has the capacity and capability to supply Holden and at no time has Arrowcrest's production capacity fallen below the levels required by Holden. Arrowcrest lost Holden's business when Global Purchasing directed Holden to source its ARWs elsewhere at prices that significantly undercut the Australian industry and apparently in direct support of GM's contractual obligations elsewhere. In truth there was no tender process.

The unfair advantage gained in the Australian automotive industry by dumped and subsidized exports of ARWs from China precedes the strengthening of the Australian dollar. For example, "Chinese auto parts sell for around 30-50% less than comparable auto parts made in Europe, North America, or Japan."<sup>3</sup>

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<sup>3</sup> Economic Policy Institute Briefing Paper #316, "Putting the Pedal to the Metal – Subsidies to China's Auto-Parts Industry from 2001 to 2011" by Usha C.V. Haley, January 31, 2012, at page 14

Arrowcrest has continued to re-invest in its processes and production, albeit at a cautious pace, and Arrowcrest is upgrading and improving on latest ARW technologies.

Arrowcrest has demonstrated (and import statistics corroborate) that whilst exports of dumped and subsidized ARWs to Australia from China continue to increase, purchases of ARWs from other countries have in fact declined since 2003 and this is a global phenomenon. It is the substantial rise in Chinese ARW production and global supply that has displaced ARWs from other source countries.

As noted, Arrowcrest produces ARWs for Toyota whose standards exceed Holden. Arrowcrest also supplies ARWs to Holden Spare Parts as well as Holden's performance offshoot, Holden Special Vehicles, including 20 inch diameter.

#### **7. Exclusion for specific products.**

Arrowcrest manufactures 20 inch ARWs, (which are interchangeable with 22 inch ARWs), and can produce 22 inch ARWs given a fair and reasonable opportunity to do so.

#### **8. Application for Interim measures.**

##### Arrowcrest disputes the claims of Holden, namely :

- (a) As noted, Arrowcrest does produce the goods the subject of the GUC, including those required by Holden;
- (b) Responses from exporters and Arrowcrest's independent research allows Customs to conclude a PAD;
- (c) The application is supported by the two other Australian manufacturers of ARWs;
- (d) Both Citic Dicastal and Baoding purchase A356.2 on the Changjiang or Yangtze River Exchange at prices that undercut both the LME and SHFE.
- (e) Customs has the benefit of Arrowcrest's independent normal value research, exporter price lists and invoices, as well as exporter responses and Customs clearance data, sufficient for Customs to make a PAD;
- (g) OEM and AM ARWs are like goods albeit with different levels of trade and Arrowcrest's application for measures is in respect of both levels of trade;
- (h) Whilst the Australian market has recovered since the GFC, Australian industry continues to lose sales and market share (since the GFC) to dumped and subsidized exports of ARWs from China;

(i) There are no other reasons for material injury and the root cause of material injury to the Australian industry is dumped and subsidized exports from China. The cause cannot be confused with the resulting effects which include an understandably cautious approach to reinvestment.

#### 10. Conclusion and recommendation.

The Australian industry has suffered significant material injury due to dumping and subsidy practices which have benefitted Chinese exporters. The strong Australian dollar only encourages further volumes of dumped ARWs being exported to Australia, exacerbating the significant trade imbalance in automotive components.

"While other foreign auto companies operating in China have linked to auto-parts suppliers back home, U.S. auto companies have cut ties with suppliers (back home) or encouraged them to manufacture in China. U.S. global auto strategy currently centers on manufacturing in China and exporting back home."<sup>4</sup>

As noted in the January 31 2012 EPI Briefing Paper, "(t)he Chinese auto-parts industry has grown more than 150% since 2004 (and), between 2000 and 2010, Imports of Chinese auto parts into the United States increased about eight-fold and are expected to continue to increase. During the same period, the U.S. trade deficit with China on auto parts increased nine-fold."<sup>5</sup>

Mirroring the U.S. experience, Arrowcrest has shown in its application that volumes of ARWs exported to Australia from China have grown seven-fold since 2003 whilst prices for those exports have fallen by 48%, on the back of subsidized raw material inputs and dumped prices.

Arrowcrest concludes that it has provided sufficient evidence for Customs to determine that dumping and subsidization of ARWs exported from China are the root cause of the injuries sustained by the Australian industry and that, in the absence of measures, that injury will continue.

Arrowcrest has submitted to Customs its application for a Preliminary Affirmative Decision (PAD) and, in light of the evidence provided together with both Arrowcrest's injury factors and the likely delay in publishing of a Statement of Essential Facts (SEF), Arrowcrest considers that a PAD is a more than reasonable outcome in the circumstances.

Yours sincerely,



Bill Davidson  
General Manager

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<sup>4</sup> *Id.* at pages 2 and 12.

<sup>5</sup> *Id.* at page 2.