



3 February 2012

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

Dear Ms Reid

**Re: Investigation Into Dumping and Subsidisation of certain Aluminium Road Wheels exported from P R China**

Introduction - Dragway

I refer to Australian Customs Dumping Notice No. 2011/54 announcing the commencement of the above investigation following an application by Arrowcrest Group Pty Ltd that ARWs have been exported to Australia at dumped prices and/or in receipt of countervailable subsidies, resulting in material injury to the Australian industry.

Dragway is an Australian wheel manufacturer that commenced operation in 1962 and progressed into the manufacture of road wheels for the aftermarket industry. Dragway invested in its own Casting Plant, Heat Treatment Plant, Polishing Shop, Metal Spinning and Computer Numerically controlled Machines and Wheel Testing facilities that comply with Australian Standard AS1638

Dragway moved from rented premises to a purpose built factory in Kingleake West which was a large investment. Factory was extended twice and mezzanine floors installed because of the demand for our wheels.

Building and land \$460,000.00

Heat treatment plant \$80,000.00

Casting Plant & Gravity Die Machines \$128,000.00

4 CNC machines not counting HAAS \$390,000.00 (Computer Numerically Controlled

CNC Machining Centers 6 @ \$566,000.00

CNC Lathes x 2 @ \$135,000.00

Boring and Facing Lathes \$75,000.00

Polishing Extractor system \$18,000.00

Wheel Testing Facilities \$12,000.00

These were the basic costs doesn't include setting up electrical work etc.

PUBLIC  
FILE 240

We also brought a factory in QLD \$355,000.00 to service QLD & Northern NSW, we held stock at all times. We no longer hold stock at QLD or Kinglake as everything is manufactured to orders when received.

Dragway products comply with relevant Australian Standards and are considered to be of a high quality.

Dragway receives numerous requests from customers for repairs to wheels that are imported due to cracks in rims or centres, due to the use of cheaper materials in the manufacturing process. The damaged wheels would not have complied with AS1638 when imported.

Talking to our Insurance Broker - 1 insurer declined to offer terms specifically because the goods were manufactured out of China... They obviously have had a very poor incident rate on products manufactured out of this region which has made it uneconomical for them to offer cover in such cases

Dragway's casting plant historically operated on a 5 or 6 day week, producing approximately 500-600 wheel centres and related components each month. Dragway employed between 12 and 15 people. Dragway purchased its raw material metal requirements in 10-15 tonne volumes, used outer rims purchased from ROH Automotive. Dragway dispatched its wheels every Thursday to all the major wheel and tyre outlets and private customers all over Australia.

#### Chinese Imports

Dragway's production commenced to decline when some of the wheel and tyre outlets commenced importing Chinese finished wheels (circa 2003). Dragway responded to the import competition by reducing prices, but found that it couldn't compete with pricing of wheels that were being sold for less than Dragway's cost of the aluminium or the rims it was sourcing at the time. As a result, Dragway has lost sales and reduced its production volumes substantially. Dragway now only employs 5 employees.

When Chinese imports emerged, Dragway was approached to also import wheels. Dragway declined to join the importers as it would have meant that loyal employees would have lost their jobs. Dragway is an Australian Company that is proud of the products it manufactures, all of which are produced to the highest quality.

Due to the reductions in production and sales volumes, Dragway now purchases aluminium ingots as required, and generally only one tonne at a time (which incurs a surcharge).

Due to the import competition from Chinese wheels (including ARWs), Dragway has had to diversify into other areas. The company commenced manufacturing bike parts. The diversification assisted Dragway up until Chinese companies approached Dragway with copies of USA designed wheels that were a fraction of the cost of Dragway's blanks (prior process to machine design and hub manufacture for re-sale).

#### Impact on Dragway

Due to the increased availability of Chinese ARWs, Dragway now only operates its casting plant for 5 days every three months, producing approximately 200 wheel centres. Dragway's purchases of aluminium has declined significantly; Rim purchases, chroming and employment have all deteriorated considerably.

Dragway's car wheel manufacturing is now solely reliant on individual requirements for one-off sizes, offsets, bolt patterns, etc. that cannot be supplied by the high volume Chinese ARW manufacturers.

Dragway has had to place staff on four day working weeks - an unsatisfactory outcome.

Dragway understands that certain Chinese producers receive Chinese government suppliers to assist them with production and supply on global markets. For Dragway, there are no benefits received from

PUBLIC  
FILE

239

the government, only longer working hours for the principals with less returns, not taking wages to pay bills to keep the doors open.

Of concern to Dragway is the dilemma that imported ARWs are selling for less than Dragway's cost of raw materials. How can wheels or other products be made and sold for less than the cost of the raw material in Australia without the Chinese manufacturer receiving any subsidies?

ARWs exported from China Investigation

Dragway supports ROH Automotive's application for measures on ARWs exported from China. Dragway considers that it is a manufacturer of ARWs in Australia, albeit at significantly reduced volumes due to the influx of Chinese imports of ARWs.

Dragway would be pleased to accept a visit from Customs and Border Protection in order to provide details on the company's past performance as a supplier of ARWs. It is important that Customs and Border Protection understand the impact of the Chinese imports on small enterprises such as Dragway, and that the extent of the damage is recorded in terms of lost production and sales volumes, lost employment and specialist skills in local manufacture.

Please call me on (07) 3808 3805 so that we can discuss Dragway's position further.

Yours sincerely



Ian Splatt  
Dragway Performance Engineering  
Manager