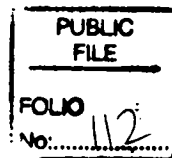




ARROWCREST GROUP



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18 April 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 Joanne,

Reference : Arrowcrest response to the Ford visit report, 7 March 2012.

I refer to Customs' visit report to Ford Motor Company of Australia Limited (Ford), dated 7 March 2012.

5.1 One Ford Plan.

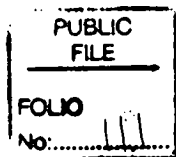
Arrowcrest notes that the One Ford Plan contains parts commonality objectives that are similar, if not identical, to platform rationalization plans developed by and underway at all leading car manufacturers, including Toyota and GM-Holden in Australia for example.

Toyota's global rationalization plan for its Camry and Aurion models (for example), includes identical ARWs that are tooled and produced in each country where Toyota operates car plants producing these models - including in Australia.

The One Ford Plan, including 80% part commonality, greater than 75% pre-sourcing to global suppliers and 100% common manufacturing and assembly process, recognizes that consumer needs and desires are globally similar and therefore (with modern road systems for example), there is no need to produce passenger motor vehicles that are unique to a particular country - rather, it is entirely possible and practical to build the same platform in several global locations concurrently thereby reducing development costs and allowing the manufacturer to hone the end product.

Similarly, where Ford operates one lead product development engineering centre, so too does Toyota (located in Thailand), and GM-Holden (located variously in Port Melbourne and China).

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The One Ford Plan does not in itself detract from the fact that ARWs are exported from China at dumped and subsidized prices that cause and threaten to cause injury to the Australian industry producing ARWs.

5.2 Suppliers of the goods.

Arrowcrest notes Ford's acknowledgement that AM and OEM ARWs are interchangeable and that fitment of AM ARWs to new Ford vehicles is condoned by Ford albeit with some constraints on warranty obligations.

Ford however seeks to distinguish AM ARWs as "Supplier Branded Accessories", i.e. where the suppliers brand logo would be incorporated into the decal in the centre cap of the ARW.

Arrowcrest has not said that a car company would necessarily factory-fit an ARW with someone else's brand displayed predominantly. Car companies spend millions of dollars on brand building and are understandably disinclined to dilute their brand in this manner. It is however Arrowcrest's experience that Ford has factory-fitted Arrowcrest's AM ARWs, re-branded Tickford, whilst Arrowcrest has concurrently sold the same ARW in the Australian AM with the ROH brand.

Arrowcrest notes that factory-fitment of AM ARWs in Australia, whilst not common, coincided with the start of production of ARWs in Australia in the 1970's. For example, for several years Chrysler factory-fitted Arrowcrest's AM "Dragmag" and other ARW styles to its Valiant Charger and other premium models.

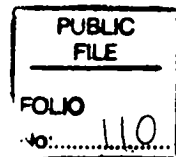
Prior to its closure, Mitsubishi Australia also factory-fitted Arrowcrest's AM "Flare" ARWs to its enhanced 380N model, albeit with a Mitsubishi logo in the centre cap.

5.2 Breakdown in its relationship with the Arrowcrest Group.

At the start of the new millennium Arrowcrest faced increasing competition from Asian suppliers and was pressured constantly by Ford to match lower pricing from offshore suppliers. Ford unfairly cancelled its orders with Arrowcrest in 2002 and was ordered to pay substantial damages to Arrowcrest by the Federal Court in 2003.¹

Ford may still feel the need to punish Arrowcrest by refusing to buy from them, despite the decision of the Federal Court and, subsequently, the Appeal Court.

¹ Federal Court of Australia, Case V47 of 2003, FCAFC313.



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5.3 Sourcing process.

Arrowcrest notes that Toyota Australia also seeks sustainable suppliers and, for this reason, Toyota continues to encourage both Ford and GM-Holden to source their ARWs from the Australian industry.

Arrowcrest had supplied Ford since they first made cars in Australia. Arrowcrest retains the wherewithal and capacity to reliably maintain quality, volume and delivery requirements to Ford should it be given a fair opportunity to do so and Arrowcrest can meet all of Ford's specifications and requirements for the life of their vehicle programs.

Customs has verified that Arrowcrest has the necessary quality, capacity and engineering capability.

5.4 Price.

Arrowcrest notes that Ford uses a sourcing process that is common to other car companies.

It may be possible that movements in the LME price for pure aluminium are the agreed trigger for price reviews with CITIC Dicastal, but this is not by any means an indication that CITIC buys its aluminium inputs at rest-of-the-world LME prices and not at prices that are the result of Government of China intervention and manipulation.

Arrowcrest notes that the visit report reference to "high pressure" die casting of ARWs is an error. It is not possible to heat treat high pressure die castings, including to the temper necessary to produce a roadworthy ARW. The CSIRO in Australia was recently investigating how to heat treat ARW castings produced by a high pressure casting process, however the technology is not commercialized and high pressure casting is not in use anywhere in the world at this time to produce ARWs.

5.5 Australian manufactured ARWs.

Arrowcrest does not harbor any ill feeling towards Ford and invites Ford to revisit the judgment of the Federal Court and Appeal Court in favor of Arrowcrest in 2003, noting that Ford's management at that time was in error, not Arrowcrest. If dumping from China ceased, Ford could well find a change of circumstance would encourage them to reconsider sourcing from Arrowcrest.

Aside from corresponding (if not superior) product quality and technology, Arrowcrest can provide Ford with advantages in short lead times, stock reduction, lower product development costs and local engineering support, to name a few.

Localised sourcing of ARWs by both Ford and GM-Holden would also result in lower cost ARWs for Toyota.



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The flow-on benefits to the Australian economy are substantial, not only at Arrowcrest's suppliers and service providers, but also within the South Australian economy where gains through increased local employment and social contribution would occur.

6. General Comments.

Lack of interchangeability.

Arrowcrest notes some contradiction in Ford's comments.

On the one hand, Ford's dealers routinely fit AM (SBA) ARWs to new Ford vehicles and yet, on the other hand, Ford claims that there is no meaningful interchangeability between AM and OEM wheels.

Arrowcrest has noted that Ford has previously factory fitted Arrowcrest's AM ARWs, re-branded as "Tickford", and that Ford and its dealers are not alone in fitting AM ARWs to its new and used vehicles.

Ford has purchased AM wheels in the OEM market, via Ford Australia's SBA program, and any suggestion to the contrary is misleading.

Arrowcrest also notes that "genuine spare parts" typically command a price premium over equivalent AM ARWs because the "genuine spare parts" must shoulder some of the dealer's costs of doing business and those costs are typically not incurred (at the same level) in AM transactions. This does not mean that an OEM ARW is necessarily a higher quality product compared to an AM ARW.

Please refer also to Arrowcrest's submission dated 18 April 2012, wherein the subject of like goods and interchangeability is discussed at length.

Material injury.

Contrary to Ford's assertions, Customs determined that Arrowcrest had suffered injury during the investigation period in the form of lost sales volumes, price depression, price suppression, reduced profits and profitability. Additionally, Arrowcrest had experienced injury in the form of a reduced return on investment, reduced capacity utilization, and reduced employment.

Yours sincerely,


Bill Davidson
General Manager

