

Our reference
APC1117420-9062708

Governor Phillip Tower
1 Farrer Place Sydney NSW 2000
GPO Box 9925 NSW 2001
Tel (02) 9210 6500
Fax (02) 9210 6611
www.corrs.com.au

CORRS
CHAMBERS
WESTGARTH

lawyers

Sydney
Melbourne
Brisbane
Perth

5 April 2012

By email:

Ms Joanne Reid
Director, Operations 2
Australian Customs & Border Protection
Service
Customs House
5 Constitution Avenue
Canberra ACT 2601

Special Counsel
Andrew Percival (02) 9210 6228
Email: andrew.percival@corrs.com.au

Dear Ms Reid

Non-Confidential

Anti-dumping and subsidy investigation - aluminium road wheels exported from the People's Republic of China

We act for CITIC Dicastal and its related bodies corporate in relation to this investigation and make the following submission on their behalf.

We refer to Australian Customs and Border Protection Service's (Customs) Issues Paper 2012/181 that raised the issue as to:-

- (a) whether aluminium road wheels destined for the OEM market are "like goods" to aluminium road wheels destined for the Aftermarket; and
- (b) whether there is in Australia a single aluminium road wheel market or whether there are two distinct markets, the OEM market and the Aftermarket.

For the reasons set out below, we submit that:-

- (a) aluminium road wheels destined for the Aftermarket are not "like goods" to aluminium road wheels destined for the OEM market as they are neither identical to nor have they characteristics that closely resemble those destined for the OEM market; and
- (b) the OEM and the Aftermarket are two distinct markets where wheels destined for one market do not directly compete with wheels destined for the other market.

Also, for the reasons set out below, aluminium road wheels exported by our client has not and cannot have injured the applicant regardless of the price at which those aluminium road wheels are exported to Australia. For this reason alone, this investigation should be terminated in relation to our client.

Finally, we submit that it would not be in the public interest to impose measures on aluminium road wheels from the People's Republic of China as to impose such an impost would serve only to reduce the competitiveness of the Australian motor vehicle industry at a

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



time when it is under much publicised stress and is unlikely to remedy the injury incurred by the applicant, which has been caused by factors other than import competition from the People's Republic of China.

1. Like Goods

It is undisputed that there are two markets in Australia for aluminium road wheels – the Original Equipment Manufacturing (OEM) market and the Aftermarket. Aluminium road wheels destined for the OEM market do not directly compete with aluminium road wheels destined for the Aftermarket and vice versa. The existence of two separate markets in Australia for aluminium road wheels gives rise to the question of whether aluminium road wheels destined for the OEM market are 'like goods' to those destined for the Aftermarket and vice versa.

In order for an aluminium road wheel to be a "like good" to an aluminium road wheel destined for the OEM market it must be either identical to the aluminium road wheel destined for the OEM market or have characteristics that closely resemble those of the aluminium road wheel destined for the OEM market.

Clearly, aluminium road wheels destined for the Aftermarket are not identical to the aluminium road wheels destined for the OEM market. The differences are not of a minor nature but are significant and, ultimately, affect the performance of a motor vehicle. No doubt this can be confirmed with the motor vehicle manufacturers. Ford Australia's submission to Customs addresses this issue in some detail.

The issue, therefore, is does an Aftermarket aluminium road wheel have characteristics that closely resemble those of an aluminium road wheel destined for the OEM market?

Differences between wheels for the OEM market and those for the Aftermarket in terms of their design, composition, pricing, interchangeability and distribution channels are set out in **Confidential Attachments A and B**. [The attachments set out a comparison between the tender, design, testing and other processes undertaken in respect of aluminium road wheels destined for the OEM market and those destined for the Aftermarket and disclose that of aluminium road wheels destined for the OEM market undergo significantly more such processes.]

In summary, those differences are:

- (a) OEM aluminium road wheels undergo an extensive design, testing and other quality assurance processes mandated by the motor vehicle manufacturer to ensure that the wheels meet its standards and specifications whereas aluminium road wheels destined for the Aftermarket are not subjected to such an extensive design, testing and other quality assurance processes;
- (b) this results in the OEM aluminium road wheel having different material composition, as noted in the Issues Paper, than an Aftermarket aluminium road wheel;
- (c) as a consequence the overall quality of an OEM aluminium road wheel is, as noted in the Issues Paper, is greater than an Aftermarket wheel and this ultimately is reflected in the effect it has on motor vehicle performance;

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



- (d) again as a consequence of the overall quality of an OEM aluminium road wheel, an Aftermarket aluminium road wheel is not interchangeable with an OEM aluminium road wheel. That is, a motor vehicle manufacturer will not substitute an Aftermarket wheel for an OEM aluminium road wheel because the former has not been designed or manufactured or quality tested to meet the manufacturers specifications and design quality, which will be unique for each model of motor vehicle; and
- (e) finally, we note that it has been claimed that on occasion a motor vehicle dealer will substitute an Aftermarket aluminium road wheel for the OEM aluminium road wheel at the request of a customer prior to delivery to the customer. Where it does so and motor vehicle manufacturer nevertheless stands by its warranty, it presumably has tested the Aftermarket aluminium road wheel to ensure it is of sufficient quality not to materially adversely affect the motor vehicle's performance. However, it must be noted that any such substitution is not undertaken by the motor vehicle manufacturer, who delivers the motor vehicle to the dealer with the OEM aluminium road wheels and the substituted Aftermarket aluminium road wheel is not sold in or supplied to the OEM market.

The effect of these differences between the OEM aluminium road wheels and the Aftermarket aluminium road wheels is that there are two separate and distinct markets for aluminium road wheels in Australia, the OEM market and the Aftermarket, the features of which are discussed later below.

In other words, the Australian market reflects that OEM and Aftermarket aluminium road wheels are not like goods by the fact that there are two separate and distinct markets, namely, the OEM market and the Aftermarket, and aluminium road wheels for one market do not compete with aluminium road wheels for the other market. No evidence has been put forward that this is not the case. Rather, submissions by Ford Australia and by GM Holden support this view.

2. OEM vs Aftermarket

As a number of interested parties have already submitted, including Ford Australia and GM Holden, the OEM and Aftermarket are distinct and separate markets for aluminium road wheels where aluminium road wheels destined for one market do not compete with aluminium road wheels destined for the other market.

That the OEM market and Aftermarket are separate and distinct markets is acknowledged by the applicant: see section A-4 of the applicant's application.

Despite acknowledging the existence of two distinct market segments, the application fails to analyse and provide evidence of the alleged injury by market segment. Rather the application provides an arguably misleading analysis of the alleged injury and performance of the applicant by combining the OEM and Aftermarket segments into one single market for the purpose of its alleged injury and economic performance analysis.

Customs analysis is destined for the same flawed analysis if it's preliminary view, as stated in the Issues Paper, is maintained. That is:-

5 April 2012

Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**

- "... that the Australian ARW market will be treated as a single market, i.e. OEM and AM wheels will not be treated as two separate goods"; and
- "... that OEM and AM are separate segments of the Australian ARW market which will be analysed separately in injury/causation analysis".

It is not rationale to claim, on the one hand, that there is a single market in Australia for aluminium road wheels and, on the other, recognise that there are in fact two markets, the OEM market and the Aftermarket, where aluminium road wheels destined for one market do not compete with aluminium road wheels destined for the other market. No evidence has been put forward that Aftermarket aluminium road wheels compete with OEM aluminium road wheels at the OEM level of trade or that OEM aluminium road wheels compete with Aftermarket aluminium road wheels at the aluminium road wheel distributor/retailer level of trade.

As has been repeatedly put forward in this investigation, aluminium road wheels for the OEM market are specifically designed for a particular model of motor vehicle, with the result that each model of motor vehicle will have aluminium road wheels that are unique to that vehicle. This is to ensure that the motor vehicle manufacturer's performance criteria for each model of motor vehicle are met and, consequently, the motor vehicle manufacturer can warrant the performance of the motor vehicle.

To ensure that performance criteria are met, a lengthy design and testing process is undertaken of aluminium road wheels with the model of motor vehicle in question prior to commencing commercial production of that model with the aluminium road wheels selected. The wheels selected are then supplied to the motor vehicle manufacturer under a long term contract usually of at least two years duration.

This design and testing process results in each model of aluminium road wheel produced for the OEM market having unique physical, technical and metal composition.

This extensive design and testing process is described in **Confidential Attachments A and B**. [The attachments set out a comparison between the tender, design, testing and other processes undertaken in respect of aluminium road wheels destined for the OEM market and those destined for the Aftermarket and disclose that of aluminium road wheels destined for the OEM market undergo significantly more such processes.]

That aluminium road wheels in the OEM market are unique to each particular model of motor vehicle is a fact that is readily verifiable and no doubt will be verified, as is the fact that aluminium road wheels destined for the Aftermarket are physically and technically different to those manufactured for motor vehicle manufacturers and, consequently, have different performance characteristics.

Aluminium road wheels supplied to the Aftermarket are not designed to meet motor vehicle manufacturer's specifications or to vehicle manufacturer's performance criteria. Rather, they are designed to meet consumer preferences in particular markets and sub-markets, while complying with applicable standards. Further, not only are aluminium road wheels for the Aftermarket not designed to meet motor vehicle manufacturers' specifications but to fit a motor vehicle with such wheels while it is under warranty will generally void that warranty.

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



Not only do aluminium road wheels destined for the Aftermarket follow a different design process but also they are supplied to a separate and distinct distribution channel. That distribution channel consists of tyre and wheel distributors and retailers where purchases are spot sales as opposed to the long term supply contracts characteristic of the OEM market. Those tyre and wheel distributors and retailers do not supply aluminium road wheels to the OEM market.

Differences between wheels for the OEM market and those for the Aftermarket in terms of their design, composition, pricing, interchangeability and distribution channels are set out in **Confidential Attachments A and B**. [The attachments set out a comparison between the tender, design, testing and other processes undertaken in respect of aluminium road wheels destined for the OEM market and those destined for the Aftermarket and disclose that of aluminium road wheels destined for the OEM market undergo significantly more such processes.]

The consequence of aluminium road wheels for the OEM market and those for the Aftermarket following different and distinct design and supply processes is that aluminium road wheels for the OEM market do not compete with aluminium road wheels for the Aftermarket and vice versa.

That aluminium road wheels for the After market do not compete with those designed and sold to motor vehicle manufacturers is evidenced by the fact that:-

- (a) aluminium road wheels sold to motor vehicle manufacturers are sold through a long and complex tender procedure in which aluminium wheel manufacturer must meet a range of criteria set by the motor vehicle manufacturer before being selected, whereas the design of aluminium road wheels for the Aftermarket is determined by the aluminium road wheel manufacturer itself; and
- (b) aluminium road wheels in the OEM market are sold to motor vehicle manufacturers under long term contracts, whereas aluminium road wheels sold in the Aftermarket are sold via distributors and retailers in spot sales.

It follows that exports of aluminium road wheels to motor vehicle manufacturers (i.e. are sold in the Australian OEM market) cannot injure a supplier of aluminium road wheels to the Aftermarket or to that part of an aluminium road wheel manufacturer's business that manufactures and supplies aluminium road wheels to the Aftermarket.

In other words, if aluminium road wheels for the Aftermarket are being exported from China at dumped or subsidised prices, it will not and cannot have an effect upon either the sales volume or price of aluminium road wheels supplied to the OEM market. Equally, exports of aluminium road wheels from China to the Australian OEM market will have no effect upon either the price or sales volume of aluminium road wheels being supplied to the Australian Aftermarket.

For these reasons, the injury analysis in this investigation must involve a separate analysis for the OEM aluminium road wheels sold into the OEM market and a separate analysis for

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



Aftermarket aluminium road wheels sold into the Aftermarket and must recognise that each is a separate market where aluminium road wheels destined for one market do not compete with aluminium road wheels destined for the other market.

2. Applicant's injury

2.1 Australian market

The applicant contends that the volume of aluminium wheels imported from China has increased 738% since 2003, while the Australian industry's volumes have fallen 45% and its volumes have fallen by 34%: see page 39 of the application.

However, we submit that this misrepresents the position.

The graph on page 41 of the application shows that between 2007 and 2011 the Australian total aluminium road wheel market, that is, both the OEM and in the Aftermarket combined, fell, with the most significant decline being in 2009 during the global financial crisis. During this period the Australian industry market share fell slightly in line with the decline in 2009 and then steadily increased in a contracting market. This is also reflected in the graphs on pages 39 and 40 of the applicant's application.

Putting aside the effects of the global financial crisis, it is apparent that the total Australian aluminium road wheel market has contracted from its historical highs in 2007 & 2008 and, during this period of contraction, the Australian industry's volumes and market share have increased, as has the applicants.

The applicant claims that the decline in the volume of aluminium road wheels that it supplies to, respectively, the OEM market and the Aftermarket is attributable to allegedly dumped exports from China.

Putting aside the issue of dumping, there is a problem with the applicant's claim in that its decline in sales volumes is not matched by an increase in exports from China. At page 38 of the application, the applicant claims that aluminium road wheels from China has increased from 84469 units in 2003 to 623,150 in 2011, being an increase of 538,681 over an eight year period during which the Australian market, according to the applicant, increased by 8,875 units. During this same period, the Australian industry's sales volumes fell by 305,191 units, while exports from countries other than China fell by 41,507 units. In other words, over the period 2003 to 2011, according to the applicant:-

- the Australian market increased by 8,875 units;
- sales volumes by the Australian industry fell by 305,191 units;
- exports from countries other than China fell by 41,507 units;
- the combined total sales volumes of the Australian industry and countries other than China fell by 346,698 units; and
- exports from China increased by 538,681 units.

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



Clearly these numbers do not add up and either be disregarded or be subject to careful scrutiny to ensure accuracy.

Also of significance is that the significant decline in the Australian industry's and the applicants sales volumes and market share, as shown on pages 39 and 40 of the application are not matched by an equal rise in volumes and market share of Chinese imports. Further the discrepancy cannot be attributed to imports from other countries because, according to the applicant, their volumes and market share also have fallen. Clearly an explanation is required of the decline in volumes and market share between 2003 and 2005.

Finally, we submit that the injury analysis should be confined to the four year period between financial year 2007 and financial year 2011 as being reflective of current market conditions. It is apparent from the application that something significant occurred between financial year 2003 and financial year 2007 that caused a dramatic change in the aluminium road wheel market.

According to the applicant's application, the combined OEM and Aftermarket aluminium road wheel market in Australia bottomed out in financial year 2007 meaning that this is the most logical and reasonable point to start any injury analysis. Undertaking an injury analysis using this period shows, according to the applicant's application, that its sales volumes and market share increased slightly in 2007/08, fell in 2008/09 due to the global financial crisis and then increased during 2009/11 to be higher than at any time since 2005.

Further, as is evident from the applicant's graph on page 41 of the application, the Australian market has contracted since 2007 but both the Australian industry and imports from China have increased their sales volumes and market share and have done so in a contracting market.

2.2 *Injury*

The applicant has claimed that that exports of aluminium road wheels at allegedly dumped prices has caused it injury in the form of:-

- loss of sales volumes;
- loss of market share;
- loss of revenue;
- price suppression;
- price depression;
- price undercutting; and
- loss of profits and profitability,

amongst other things.

Further, the applicant claims that this injury commenced in 2003.

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



If injury caused by allegedly dumped imports commenced in 2003, why has it taken 8 years before the applicant filed an application?

If the Australian industry has been incurring injury for eight years, can it reasonably be maintained that such injury was material throughout the whole eight year period? Also, can it be reasonably inferred that throughout the whole of these eight years, exports of aluminium road wheels from China were at dumped prices and where is the evidence that supports this?

Is it not the case that the applicant's sales volumes and revenues remained relatively stable throughout the period 2006 to 2011, apart from 2009 when the global financial crisis caused total sales volumes to contract, as is reflected in Customs' Australian industry report for the applicant..

2.2.1 OEM market

In relation to the Australian OEM market, the position appears to be as follows:-

1. any relationship between Ford Australia and the applicant ceased quite some time ago for reasons unrelated to exports from China. Further, it is apparent from the submission of Ford Australia that it will not source its requirements for aluminium road wheels from the applicant;
2. HSV has elected to source a popular aluminium road wheel, the "P511" from Taiwan/China commencing in September 2011, which, the applicant claims resulted in a 42% reduction in the volume of wheels supplied to HSV during the period December 2010 to December 2011. It is unclear whether that 42% reduction occurred in the last quarter of that period or over the whole period and, if over, the whole period what was the cause of that reduction given that sourcing from Taiwan/China commenced in September 2011. Also, if HSV was sourcing the wheels from Taiwan, then clearly the reduced volume of wheels supplied to HSV was unrelated to alleged dumped imports from China;
3. Suzuki elected to change its source of wheels to a Singapore based company in 2009 during the global financial crisis. Consequently, the applicant has not been supplying Suzuki since 2009;
4. GM Holden in 2001, presumably as a result of a global sourcing strategy, elected to source its aluminium road wheels from Korea and, then, subsequently, from China. The applicant has not supplied aluminium road wheels to Holden since then. Clearly the decision by GM Holden not to source its requirements for aluminium road wheels from the applicant had nothing to do with allegedly dumped imports from China; and;
5. the applicant has supplied and continues to supply Toyota with its aluminium road wheels and the volume of wheels it so supplies to Toyota has increased.

It would seem, based on the above, that two major motor vehicle manufacturers, Ford Australia and GM Holden, elected not to source their respective requirements for aluminium road wheels from the applicant for reasons unrelated allegedly dumped exports from China.

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



Further, those decisions were taken more than 10 years ago and at a time when the applicant was not incurring injury.

In relation to HSV, it is clear from the Enduser Visit Report that:-

- (a) HSV's decision to source certain of its wheel requirements offshore was due to it requiring wheels made "using the Cast Flow Forming and Forging processes to meet GM Best Practice Guidelines and engineering performance targets" that Arrowcrest could not meet;
- (b) Arrowcrest was given the opportunity to quote on HSV's new model program but HSV's engineering and styling groups expressed concern about whether Arrowcrest could meet their requirements;
- (c) the majority of aluminium road wheels sourced offshore were sourced from Taiwan and not China;
- (d) Arrowcrest notified HSV of a 25% price increase causing HSV to reconsider its supply arrangements; and
- (e) Arrowcrest, according to HSV, has a higher rate of defects compared to other suppliers.

In addition to the foregoing:-

"HSV advised it is moving towards 100% cast flow form and forged wheels due to technical requirements and marketing direction. HSV did not have the confidence that Arrowcrest would be able to meet the new higher standard set for new programs." (p.11 of Enduser Visit Report)

It is evident, therefore, that, in the case of HSV, Arrowcrest has lost business for reasons unrelated to import competition from China and it would appear likely to lose all of HSV's business as HSV moves to the higher standard new model program.

In relation to Suzuki, the applicant claims that YHI International Ltd sources its aluminium road wheels from China. While YHI International Ltd does have aluminium road wheel plants in China, it also has plants in Malaysia and in Taiwan. No doubt it could source its requirements for aluminium road wheels for Australia from its plants in Malaysia and/or Taiwan.

The conclusion to be drawn is that the decline in sales volumes by the applicant to the Australian OEM market has little if anything to do with exports from China, whether or not at allegedly dumped prices. Rather, it has to do with motor vehicle manufacturers electing not to source their requirements for aluminium road wheels from the applicant for a variety of reasons unrelated to import competition from China.

2.2.2 Aftermarket

In relation to the Aftermarket, it appears that the applicant's supply of aluminium road wheels into that market has declined by 90% since 2003.

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



What is not apparent is what is the size of the Aftermarket relative to the OEM market and whether a 90% decrease in sales volumes in the Aftermarket is material. Nevertheless, such a substantial decrease in sales volumes must impact significantly on an injury analysis based on a combined OEM and Aftermarket that was submitted in the application. No doubt the relativities of the Aftermarket and the OEM market will be addressed in Customs' injury analysis.

Importantly, our client does not supply into this market nor does it supply caravan or trailer wheels, either to the OEM or the Aftermarket segments for these wheels. Accordingly, any injury and causation analysis must be cognisant of this fact and when determining any material injury found to have been suffered by the Australian industry, such injury cannot be attributed to our client as it does not supply aluminium road wheels to the caravan or trailer OEM or Aftermarket or to the Australian Aftermarket for motor vehicle aluminium road wheels.

In any event, it would seem from documents on the public file concerning importers of aluminium road wheels supplying the Australian Aftermarket that the reason for the applicant's decline in sales volumes in the Aftermarket is due to the applicant ceasing to be active in that market, is not promoting itself in that market, not releasing new styles of wheels frequently enough, is failing to release product brochures at regular intervals and has failed to maintain distribution channels and sales staff to service its customers.

4. Public Interest

In '*Streamlining Australia's Anti-Dumping System*', the Federal Government announced that the Minister had a discretion as to whether or not to take into account the public interest in deciding whether or not to impose anti-dumping measures and that Customs would be required to address public interest issues in its report to the Minister, assuming that an investigation was terminated beforehand.

Here, the state of the Australian motor manufacturing industry is well known. . The number of vehicles being produced each year has been falling, factories have closed and, indeed, Mitsubishi ceased manufacturing in Australia and motor vehicle manufacturers have requested and received and will continue to receive significant government assistance.

It would seem ironical to having agreed to provide Australian motor vehicle manufacturers with assistance to then impose upon them an impost in the form of anti-dumping duties and/or subsidies that would make their motor vehicles more expensive and less competitive against imported motor vehicles, which would impact upon their economic performance.

If it is in the public interest to provide significant assistance to the Australian motor vehicle industry, it cannot also be in the public interest to impose an impost on it that could only reduce its competitiveness.

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



Please let us know if you have any queries.

Yours faithfully
Corrs Chambers Westgarth

A handwritten signature in black ink, appearing to read 'Andrew Percival', written over a horizontal line.

Andrew Percival
Special Counsel

5 April 2012
 Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
 wheels exported from the People's Republic of China**



	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Typically a motor vehicle manufacturer will award the tender to two or three wheel manufacturers with one being the major supplier. This ensures continuity of supply if one wheel manufacturer encounters disruption to its manufacturing processes.</p> <p>The criteria in awarding a tender is not based solely on price but while price is important so also are quality, delivery, technology and overall customer service.</p>
<p>Quality</p>	<p>Motor vehicle manufacturers require wheel manufacturers to implement a zero-defect strategy. Accordingly, before a contract is awarded each potential wheel supplier is assessed based on:-</p> <ol style="list-style-type: none"> 1) processes in place to ensure quality and prevent defects; and 2) its proven quality performance. <p>If there is no performance history, the motor vehicle manufacturer will undertake a quality audit of the wheel manufacturer. This involves:-</p> <ol style="list-style-type: none"> 1) evidence of a fully functioning ISO certified quality management system; 2) an assessment of the suitability of the wheel manufacturer's manufacturing processes; 3) an assessment of the quality performance of the wheel manufacturer in the supply of wheels to other motor vehicle manufacturers; and 4) product-specific and project-specific risk assessment, which may involve risk assessment experts. <p>If a wheel manufacturer does not satisfy both requirements, then it is not included in the tender process.</p>
<p>Logistics</p>	<p>Motor vehicle manufacturers use a global sourcing process for motor vehicle systems and components, including wheels.</p> <p>[REDACTED]</p>

5 April 2012
 Australian Customs & Border Protection Service
Anti-dumping and subsidy investigation - aluminium road wheels exported from the People's Republic of China



	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>Delivery of wheels is usually on a "just in time" (JIT) basis.</p>
<p>Electronic data systems</p>	<p>[REDACTED]</p> <p>[REDACTED]</p>

2. Wheel Development

Characteristic	Comment
<p>General</p>	<p>A particular model of wheel for a particular motor vehicle is developed by the wheel manufacturer in consultation with the motor vehicle manufacturer, as described below.</p>
<p>Test requirements</p>	<p>For each wheel model the motor vehicle manufacturer provides the wheel manufacturer with the precise technical specifications it requires for the wheel.</p> <p>Those specifications sets out the basic characteristics of the wheel, such as size, number of spokes, surface treatment, weight, etc.</p> <p>In addition, the wheel must comply with the motor vehicle manufacturer's standards such as those relating to performance and type materials and components that may be used.</p>
<p>Development stages</p>	<p>Development of a particular wheel model takes place in the following main stages:</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

5 April 2012
Australian Customs & Border Protection Service
Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China

CORRS
CHAMBERS
WESTGARTH
lawyers


[REDACTED]

5 April 2012
 Australian Customs & Border Protection Service
Anti-dumping and subsidy investigation - aluminium road wheels exported from the People's Republic of China

CORRS
 CHAMBERS
 WESTGARTH
 lawyers



3. Differences between wheels destined for the OEM market and the After Sales market

<p>Physical, chemical and technical characteristics</p>	<p>As described earlier above, an OEM wheel has to meet very specific physical, chemical and technical requirements imposed by the motor vehicle manufacturer. These requirements are described in the invitation to tender and are a function of the design of the motor vehicle in question.</p> <p>Typically physical and technical characteristics are defined by reference to:</p> <ul style="list-style-type: none"> (i) bolt circle diameter, (ii) tire size, (iii) wheel load, (iv) bending moment, (v) weight, (vi) test requirements, (vii) styling, (viii) wheel fixing, (ix) wheel cap, (x) balance weights, (xi) valve, (xii) surface type, (xiii) material, (xiv) type of breaks. <p>An Aftermarket wheel is designed and manufactured according to specifications that the wheel manufacturer chooses without knowledge of specific requirements of a motor vehicle manufacturer for a specific motor vehicle. An Aftermarket wheel manufacturer does not know and cannot meet the specifications required by the motor vehicle manufacturer.</p>  <p>Consequently, there are significant difference in terms of physical, technical and chemical characteristics between an OEM wheel and Aftermarket wheel.</p>
---	---

5 April 2012
Australian Customs & Border Protection Service
Anti-dumping and subsidy investigation - aluminium road wheels exported from the People's Republic of China



Testing requirements	<p>A motor vehicle manufacturer provides a warranty for a new motor vehicle to the effect that it is liable to rectify any defect including a defect in the wheel, whether due to design, materials or manufacture.</p> <p>For this reason, OEM wheels are subject to extensive testing requirements imposed by motor vehicle manufacturers that are significantly higher and stricter than the general testing that Aftermarket wheels are subjected to.</p>
Production processes	<p>As can be seen from the description of the OEM supply chain described in the previous section, a manufacturer of OEM wheels does not simply start to manufacture an aluminium wheel. Before an OEM wheel can be manufactured, significant investment must be made in research and development, supply chain management and validation by the motor vehicle manufacturer.</p> <p>The complexity of the process is further compounded by the fact that the OEM wheel must meet specific needs of the motor vehicle manufacturer separately for each model of motor vehicle.</p> <p>An OEM wheel manufacturer also needs to be qualified by the motor vehicle manufacturer on matters of quality and reliability and possessing the technical ability to function as part of the supply chain of the motor vehicle manufacturer. It is subject to frequent audits by the motor vehicle manufacturer to ensure an uninterrupted supply of high quality OEM wheels.</p> <p>None of these requirements apply to the design and production of Aftermarket wheels that are designed and produced by the Aftermarket wheel manufacturers.</p>
Pricing	<p>[REDACTED]</p> <p>The price of an Aftermarket wheel is determined by the wheel manufacturer is not subject to any price formula [REDACTED]</p>
Use and consumer perception	<p>By definition, OEM wheels are only supplied to the motor vehicle manufacturer and are installed on new motor vehicles. These</p>

5 April 2012
Australian Customs & Border Protection Service
Anti-dumping and subsidy investigation - aluminium road wheels exported from the People's Republic of China



	wheels are developed and sourced by the motor vehicle manufacturer to be installed on new motor vehicles and, consequently, their use is different from that of Aftermarket wheels, which are not installed on new motor vehicles and are purchased by motor vehicle owners according to their preferences.
Not inter-changeable	<p>OEM and Aftermarket wheels are not interchangeable.</p> <p>Aftermarket wheels have not been developed, manufactured and supplied in accordance with the very specific requirements and standards maintained by the motor vehicle manufacturer and, therefore, cannot be installed on a motor vehicle without affecting its performance.</p> <p>Because an Aftermarket wheel does not meet a motor vehicle manufacturer's requirements, it is not used by a motor vehicle manufacturer for installation on a new motor vehicle. For this reason, Aftermarket wheels do not compete with OEM wheels.</p>
Channel of distribution	<p>By definition OEM wheels are supplied for use by a motor vehicle manufacturer in the industrial assembly of new motor vehicles.</p> <p>Aftermarket wheels are supplied to the retail sector and cannot enter the supply chains of motor vehicle manufacturers.</p>

5 April 2012
Australian Customs & Border Protection Service
**Anti-dumping and subsidy investigation - aluminium road
wheels exported from the People's Republic of China**



Confidential Attachment B
OEM Market vs Aftermarket

[Confidential attachment]