PUBLIC RECORD

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Australian Government
Australian Customs and Border Protection Service

INVESTIGATION INTO THE ALLEGED DUMPING OF ALUMINIUM ROAD WHEELS EXPORTED TO AUSTRALIA FROM THE PEOPLE'S REPUBLIC OF CHINA

EXPORTER VISIT REPORT

CITIC DICASTAL WHEEL MANUFACTURING CO., LTD

March 2012

THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER PROTECTION

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2 ABBREVIATIONS

AUD	Australian dollars
ACDN	Australian Customs Dumping Notice
The Act	Customs Act 1901
AM	aftermarket
The applicants	Arrowcrest Group
ARWs	Aluminium road wheels
[redacted]	[redacted]
China	People's Republic of China
CIF	Cost of insurance and freight
CITIC Dicastal	CITIC Dicastal Wheel Manufacturing Co., Ltd
COP	Cost of production
CTMS	Cost To Make & Sell
Customs and Border Protection	Australian Customs and Border Protection Service
DDP	Delivered duty paid
EXW	Ex-works
FCA	Free carrier
FOB	Free On Board
GAAP	Generally Accepted Accounting Principles
GM Holden	General Motors Holden
[redacted]	[redacted]
GST	Goods and services tax
LME	London Metals Exchange
[redacted]	[redacted]
MT	Metric tonnes
NIP	Non-injurious Price
OCOT	Ordinary course of trade
OEM	Original equipment manufacturer
PAD	Preliminary Affirmative Determination
RMB	Chinese renminbi
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative and financial
[redacted]	[redacted]
Tariff Act	Customs Tariff Act 1995
the delegate	Delegate of the Chief Executive officer of Customs and Border Protection
the goods	the goods the subject of the application
the Minister	the relevant Minister, in this case the Attorney-General
[redacted]	[redacted]
USD	US dollars
USP	Unsuppressed Selling Price
VAT	Value added tax
[redacted]	[redacted]

3 BACKGROUND

3.1 Introduction

On 19 October 2011, Arrowcrest Group Pty Ltd, trading as ROH Automotive and ROH Wheels Australia lodged an application requesting that the relevant Minister publish a dumping duty notice and a countervailing duty notice in respect of aluminium road wheels (ARWs) exported to Australia from the People's Republic of China (China).

The application alleges that ARWs have been exported to Australia at prices less than their normal value and that countervailable subsidies have been received in respect of the goods and that this dumping has caused material injury to the Australian industry.

Following consideration of the application, an investigation was initiated by Customs and Border Protection on 7 November 2011. Public notification of the initiation of the investigation was published in *The Australian* on 7 November 2011. Australian Customs Dumping Notice (ACDN) No. 2011/54 refers to the initiation of this investigation, and is available at www.customs.gov.au

At initiation, CITIC Dicastal Wheel Manufacturing Co., Ltd (CITIC Dicastal) was identified as an exporter of certain ARWs from China. Customs and Border Protection wrote to CITIC Dicastal seeking its cooperation with the investigation and forwarded CITIC Dicastal an exporter questionnaire.

CITIC Dicastal completed and lodged a response to the exporter questionnaire. The response to the exporter questionnaire was supported by non-confidential and confidential appendices and attachments.

CITIC Dicastal's response to the exporter questionnaires was assessed and found to be sufficient to warrant a verification visit. Subsequently, Customs and Border Protection undertook a verification visit at CITIC Dicastal premises at Qinhuangdao, Hebei Province, People's Republic of China.

This report details the discussion and verification undertaken during this series of meetings with CITIC Dicastal, and makes recommendations for relevant determinations regarding CITIC Dicastal within this investigation.

3.2 Purpose of visit

The purpose of the visit was to verify information contained in the responses to the exporter questionnaires submitted by CITIC Dicastal.

Information verified during the visit has been used to make preliminary assessments of:

- who is the exporter and who is the importer;
- export prices and normal values for products manufactured and exported by CITIC Dicastal; and

- dumping margins.

At the commencement of the meeting we provided a brief explanation of the background to the investigation, the Australian anti-dumping process and the following key dates for the investigation:

- The investigation period is from 1 July 2010 to 30 June 2011;
- Customs and Border Protection could make a preliminary affirmative determination (PAD) and impose provisional anti-dumping measures at any time after 6 January 2012 if Customs and Border Protection was satisfied that there appears to be, or that it appears there will be sufficient grounds for the publication of a dumping duty notice;
- 27 April 2011, when (at the time of the verification visit) the statement of essential facts (SEF) for this case is due to be placed on the Electronic Public Record, setting out the facts on which Customs and Border Protection proposes to base the recommendations to the Minister; and
- 11 June 2012, when Customs and Border Protection's Final Report and recommendations are due to the Minister.

We informed CITIC Dicastal that interested parties are invited to make submissions to Customs and Border Protection in response to the SEF within 20 days of that statement being placed on the Electronic Public Record. Timely submissions received in response to the SEF will be considered when compiling the report and when making recommendations to the Minister.

We explained our responsibilities in relation to confidentiality. We stated that we would:

- prepare a report of the visit (this report);
- provide CITIC Dicastal with the draft report to review its completeness and accuracy of facts and calculations; and
- following consultation about confidentiality and accuracy, prepare a copy of the report of the visit for the Electronic Public Record.

We advised that any information provided by CITIC Dicastal during the verification meetings would be treated as confidential unless we were advised otherwise.

3.3 Meeting – dates and attendees

The verification meetings took place at:

CITIC Dicastal Wheel Manufacturing Co., Ltd
No. 355 Donggang Road, Haigang District, Qinhuangdao, Hebei, 066003
People's Republic of China

Phone number: +86 335 3016295

The following were present at various stages of the interview:

Dates	7, 8, 9, 12 March 2012
CITIC Dicastal Wheel Manufacturing Co., Ltd	Wang Yong Sheng – Chief Financial Officer Jennifer Gao – Vice President, Sales & Marketing **International Trading Department** Li Mei Sheng – Department Manager Hank Li – Sales Manager **Sales Management Department** David Wang – Manager – Sales Management Department Jimmy Chang – Manager – Customer Relationship Mgt. Division **Rayyin & Partners P.R.C. Lawyers** Weitao Shi – Partner – Financial Consultant Tao Li – Attorney at Law Lin Yang – Senior Partner **Global Trade Remedies Pty Ltd** Kevin Reilly – Principal
Customs and Border Protection	**International Trade Remedies Branch** Lydia Cooke – Manager, Operations 1 Timothy Flor – Supervisor, Operations 3

3.4 Cooperation and preliminary issues

CITIC Dicastal cooperated with the verification of details contained in the exporter questionnaire responses and provided further information when requested.

We advised CITIC Dicastal that:

- our findings and recommendations would be subject to internal review;
- if the delegate of the Chief Executive Officer of Customs and Border Protection (the delegate) is satisfied that there appears to be sufficient grounds for publication of a dumping duty notice, Customs and Border Protection may make a Preliminary Affirmative Determination (PAD) and collect securities on future imports of product from CITIC Dicastal;
- if the delegate is satisfied that CITIC Dicastal had not exported the products to Australia in the investigation period at dumped prices, Customs and Border Protection would be required to terminate the investigation so far as it relates to CITIC Dicastal; and
- if the delegate is satisfied that there has been dumping from China, but the injury, if any, to the Australian industry that has been caused by that dumping is negligible, then Customs and Border Protection would be required to terminate the investigation.

4 COMPANY INFORMATION

4.1 General

Established in 1988, CITIC Dicastal Wheel Manufacturing Co., Ltd (CITIC Dicastal) was China's first aluminium road wheel manufacturer. During 2011, CITIC Dicastal produced [redacted] units (pieces) of aluminium road wheels not only for the domestic OEM market, but the original equipment manufacturer (OEM) market throughout Asia, North America, Europe, Australia, South Korea, and Japan. It is one of the largest producers of aluminium road wheels globally.

The company's products include alloyed casting, flow-form, and forged wheels. The company is based in Qinhuangdao City in the People's Republic of China (China). Apart from manufacturing, CITIC Dicastal also operates research and development centres in Europe, America, China and a technical centre based in Japan.

Company ownership

CITIC Dicastal is owned by four major institutional shareholders, [redacted]. All these shareholders are owned by [redacted], which itself is fully owned by the Government of China. No management fees or corporate allocations are charged to CITIC Dicastal.

The organisational structure of CITIC Dicastal was provided as an attachment to CITIC Dicastal's returned exporter questionnaire. See **confidential attachment GEN1**.

Company structure

According to the organisational chart, CITIC Dicastal has six vice presidents, all of whom have responsibilities for each component of manufacture, production planning, export sales, asset management, and research and development. This senior management team also has a deputy chief accountant, and a chairman of the labour union. The company also has an administration department and a human resources department.

Board of Directors

The company provided a listing of its current Member of Board of Directors in its returned exporter questionnaire. None of the eight board members are state officials. Each of the six directors (four directors and two independent directors) enjoys one equal voting right. See **confidential attachment GEN2**.

Accounting process

CITIC Dicastal noted that its financial reports are in accordance with Generally Accepted Accounting Principles (GAAP) of China or specifically, the Accounting Standards for Business Enterprises and Accounting Systems for Business

Enterprises. Its accounting system is a Chinese-based accounting program specific to manufacturing. The company's accounting currency is in renminbi (RMB). CITIC Dicastal operates a financial accounting period from 1 January to 31 December of the calendar year. An audited annual report is prepared yearly. At the time of the visit the 2010 audited report was provided but the 2011 report was not yet available.

Accounting structure

CITIC Dicastal provided its full chart of accounts in its returned exporter questionnaire provided as **confidential attachment GEN3**. Cost centres include administration, domestic sales costs, overseas sales costs, aluminium melting, casting, machining and painting.

CITIC Dicastal's financial reports are audited by a local accounting firm [redacted] in Qinhuangdao. The audit report, prepared in accordance with the Independent Auditing Standards of China was completed in English. [redacted] *[auditor's]* opinion of CITIC Dicastal's operations state:

> *'In our opinion, the financial statements present fairly, in all material respects, the financial position of Citic Dicastal Wheel Manufacturing CO., LTD as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises.'*

We accepted that the [redacted] *[auditor's]* opinion of CITIC Dicastal's accounts had been kept in accordance with the generally accepted accounting principles of the China and that the accounts provide a fair and reasonable account of the financial position and performance.

4.2 Related parties

In its returned exporter questionnaire, CITIC Dicastal provided details of its subsidiaries and affiliates provided as **confidential attachment GEN4**. CITIC Dicastal disclosed that it had shares in [redacted] subsidiary Dicastal companies involved in aluminium road wheel production. CITIC Dicastal also purchased wheels from [redacted] of these companies it had share ownership in during the investigation period. It purchased aluminium road wheels from an unrelated company, [redacted] *[Chinese wheel manufacturer]*. That manufacturer supplied CITIC Dicastal with [redacted] wheel pieces over the investigation period.

The company reported that [redacted] *[Chinese wheel manufacturer]* did not have any active business since it was established.

CITIC Dicastal also had share ownership in [redacted] other subsidiary companies ([redacted] of them Dicastal subsidiaries) involved in automobile parts manufacturing or was involved in assembling wheels to tyres. As part of this share ownership in these companies, CITIC Dicastal is also represented on the boards of [redacted] of these subsidiaries and affiliates.

5 GOODS UNDER CONSIDERATION AND LIKE GOODS

5.1 The goods

The goods the subject of the application are aluminium road wheels for passenger motor vehicles, including wheels used for caravans and trailers, in diameters ranging from 13 inches to 22 inches.

For clarification, the goods include finished or semi-finished ARWs whether unpainted, painted, chrome plated, forged or with tyres and exclude aluminium wheels for go-carts and All-Terrain Vehicles.

For further detailed information about the goods, interested parties should refer to ACDN 2011/54.

The goods are classified to tariff sub-heading 8708.70.91 (statistical code 78) in Schedule 3 of the *Customs Tariff Act 1995.*

The rate of duty for the goods from China is 4 per cent.

5.2 Like goods

Subsection 269T(1) defines like goods to mean:

> *Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

CITIC Dicastal considered that the majority of its manufactured goods are like goods to the goods under consideration, with the exception of wheel sizes which fall outside the scope of the like goods definition.

5.3 Produced and manufactured goods – goods included and excluded in our assessment

In the questionnaire response, CITIC Dicastal identified that the aluminium road wheels it sold domestically and exported to Australia were a combination of wheels that were purchased from other suppliers and manufactured by it. In order to determine dumping margins, Australia's anti-dumping legislation dictates that the manufacturing costs of the goods are required[1]. As Customs and Border Protection only has the costs associated with the goods produced by CITIC Dicastal, only these goods can be included in the assessment. Therefore, unless stated otherwise, references to CITIC Dicastal's aluminium road wheels relate specifically to wheels produced by CITIC Dicastal.

[1] s.269TAAD of the Act

5.4 CITIC Dicastal's products

CITIC Dicastal explained that it produced a range of aluminium wheels for cars, trucks and motorbikes. These wheels were produced using the casting, forging or flow forming method. Exports to Australia were cast wheels and while all three types of wheels were sold on the domestic market the majority of sales in China were also cast wheels. In the domestic sales spreadsheet, cast wheels were identified with a 'c', flow-formed with an 'f' and forged with a 'd'.

The company also identified that the majority of the wheels it sold and produced were either fully painted or machine finished, although some wheels were chrome, polished, hyper silver or cladded. The company provided us with a listing of the finishes of all its models. This list is at **confidential attachment GOODS1**.

The company explained that the wheels were produced to the exact specification set by the car manufacturer. This included the exact composition of the aluminium alloy, the elasticity of the wheels and various other technical specifications.

The company provided an overview of the different testing it performed on its wheels at the request of the car manufacturers (**confidential attachment GOODS2**). These included:

- 13 or 90 degree impact test;
- bend fatigue test;
- radial fatigue test;
- radial impact test;
- double axis fatigue test;
- threshold test; and
- dynamic rigidity analysis.

Each car manufacturer, and in some instances each model, would require different specifications, and have different requirements as to the number of wheels that had to be put through each test.

In addition, the company explained that some customers require advanced weathering and aging tests, where wheels were exposed to salinity, light, heat and water over extended periods of time to check how they would perform over a long period of time.

Furthermore, the shape of the wheel also varied from model to model and different designs resulted in different weights for the same rim size. We found the following weight ranges for different wheel sizes:

	Domestic sales	Exports to Australia
Sizes (inches)	kg/piece	kg/piece
13	[redacted]	
14	[redacted]	
15	[redacted]	[redacted]
16	[redacted]	[redacted]
17	[redacted]	[redacted]
18	[redacted]	[redacted]
19	[redacted]	[redacted]

To verify these weight differences, the company provided us with excerpts from the specification sheets for several selected domestic and export models (**confidential attachment GOODS3**). We were able to confirm that the weights reported for these models.

Accordingly, the company considered that it sold similar but not exactly the same products on the export and domestic market. It stated that of the [redacted] models exported to Australia, only one of these models was sold domestically.

We sought to compare the specifications of wheels exported to Australia and sold domestically. CITIC Dicastal provided us with the wheel specifications for its Australian customers. We then sought to compare these with the specifications of wheels sold on the domestic market in China. We found that there were [redacted] customers on the domestic market. However, we identified that [redacted] customers accounted for almost 80% of sales. These were [redacted]

CITIC Dicastal provided us with the specification (or examples of the specifications where there were numerous requirements) for these customers. We noted that as with the export sales to Australia, domestic sales were required to meet an extensive range of specifications. The specification summaries for these customers and the Australian export customers are at **confidential attachment GOODS4**.

Given the range of specifications we consider that the goods sold on the domestic market are not identical to the goods exported to Australia. However, we do consider

that they have characteristics closely resembling each other and therefore we consider them to be like goods.

CITIC Dicastal submitted that given the range of weights and characteristics of the wheels, a comparison between domestic and export sales are best made on the basis of weight rather than piece. It submitted that the main price driver for wheels was the quantity of aluminium used. Therefore, it considered that the best point of comparison between domestic and export sales was on the basis of kilograms, regardless of rim size.

5.5 Aftermarket versus original equipment manufacture

CITIC Dicastal informed us that all the wheels it produces and sells, both domestically and in export markets, are for original equipment manufacturers (OEM). It does not produce and sell any wheels for the after market (AM) segment.

CITIC Dicastal argues that its OEM wheels are very different from AM wheels. It argues that OEM wheels are produced to much higher specifications and must undergo stringent testing, while AM wheels have much lower testing requirements. The company advised that it would shortly provide Customs and Border Protection will a submission on the differences between OEM and AM wheels.

5.6 Conclusion – like goods

We are satisfied that the aluminium road wheels produced by CITIC Dicastal for domestic sale in China are like goods to those exported to Australia in terms of subsection 269T(1).

For our assessment, we will focus on the goods that are most like to the goods exported to Australia, that is cast wheels that are painted or machine finished.

6 EXPORT SALES TO AUSTRALIA

6.1 General

CITIC Dicastal claims to be the world's leading manufacturer of aluminium road wheels. Approximately [redacted]% of CITIC Dicastal's production of casting aluminium road wheels are exported to global automotive manufacturers in Asia, North America, Europe, South Korea and Japan. CITIC Dicastal specialises in supplying the OEM market and is a supplier of choice for two Australian car manufacturers, Ford Australia and GM Holden.

6.1.1 Export sales data provided

In its responses to the exporter questionnaires, CITIC Dicastal provided an Australian sales spreadsheet listing each export sale to Ford Australia and GM Holden within the investigation period.

This spreadsheet included line-by-line information relating to:

- customer name and code (either Ford Australia or GM Holden)
- level of trade (all end users)
- model number
- product code (all casting)
- invoice date
- date of sale
- shipping terms [redacted]
- payment terms
- quantity (pieces and kilograms)
- net invoice value
- exchange rates
- ocean freight (where applicable)
- [redacted] export price
- inland freight (where applicable)

Additionally, CITIC Dicastal provided a 'Turnover' spreadsheet (showing sales values and volumes for both the investigation period and the most recently audited 2010 calendar year.

6.2 Sales volume and value

Purchased and manufactured goods

The Australian sales spreadsheet recorded a column which identified sales of wheels that had been manufactured on-site or outsourced to another manufacturing facility. CITIC Dicastal noted that due to capacity constraints, from time to time, wheel production had been outsourced. CITIC Dicastal purchase these outsourced wheels from an unrelated company [redacted]

CITIC Dicastal explained that once purchased wheels were entered into the inventory they were indistinguishable from the wheels manufactured by CITIC Dicastal and were sold together. The company provided a summary spreadsheet of its domestic suppliers provided in **confidential attachment EXP1**.

CITIC Dicastal explained that the designation of each transaction as either being purchased or self-manufactured wheels had been done manually, on the basis that goods manufactured by the company were sold first. Someone had assessed each transaction and where there were sufficient self-manufactured goods in the inventory at the time, the sale was assumed to be of product manufactured by CITIC Dicastal. Once this product was used up, the remaining sales were considered to be purchased wheels.

We noted that for export sales, wheels manufactured by CITIC Dicastal accounted for [redacted]% of sales and purchased wheels accounted for [redacted]%. We noted that the price of self-manufactured and purchased wheels were very similar and any differences could be accounted for by timing differences.

We note that it is impossible to exactly determine which wheels were manufactured by CITIC Dicastal and which were purchased from other suppliers, however, we consider that the identification of these sales by the company is reasonable and have accepted this method in our calculations.

We observed within CITIC Dicastal's Australian sales spreadsheet that it had exported product to Australia to Ford Australia and GM Holden in the investigation period in the following volume and value for all sales i.e. manufactured and purchased wheels:

Table 1 - CITIC Dicastal – all Australian sales (manufactured and purchased wheels)

Wheel diameter (inches)	Total quantity (pieces)	Sum of % quantity pieces	Total value (AUD$ FOB export price)	% total value FOB export price
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Grand Total	[redacted]	**100.00%**	[redacted]	**100.00%**

Over the period of investigation the majority of CITIC Dicastal export volume and value were [redacted]-inch diameter wheels.

The majority of export sales (manufactured wheels only) in pieces to Ford Australia were [redacted]-inch diameter wheels. The second largest export sale type was [redacted]-inch wheels, similar in quantities in pieces to [redacted]-inch sales as demonstrated in Table 2 below.

Table 2 - CITIC Dicastal – Ford Australia sales (manufactured wheels only)

Wheel diameter (inches)	Total quantity (pieces)	Sum of % quantity (pieces)	Total value (AUD$ FOB export price)	% total value FOB export price
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Grand Total	[redacted]	100.00%	[redacted]	100.00%

During the investigation period [redacted] and [redacted] wheels form the majority of export sales to GM Holden (manufactured wheels only).

Table 3 - CITIC Dicastal – GM Holden sales (manufactured wheels only)

Wheel diameter (inches)	Total quantity (pieces)	Sum of % quantity pieces	Total value (AUD$ FOB export price)	% total value FOB export price
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Grand Total	[redacted]	100.00%	[redacted]	100.00%

There were no export sales to other companies recorded in CITIC Dicastal's Australian sales spreadsheet.

Export sales process

In its returned exporter questionnaire, CITIC Dicastal noted the roles of four intermediaries involved with export sales to Australia for Ford Australia. This process is described below.

Ford Australia

CITIC Dicastal

1. Ford Australia sends a request for tender to aluminium road wheel manufacturers including to CITIC Dicastal. CITIC Dicastal bids for the OEM contract. As part of this bid, Ford Australia will inspect the manufacturing facilities and assess the capabilities of ARW manufacturers. Such aspects include in-house design and testing facilities and internationally recognised manufacturing standards.
2. CITIC Dicastal provided a copy of its current supply contract with Ford Australia. For each wheel type a maximum price per piece is specified in the price agreement for the car model. The maximum price for each type of wheel is set for the life of the contract. [redacted]
3. Ford Australia will negotiate the terms of the OEM supply contract and award the contracts with CITIC Dicastal.
4. Ford Australia engineers continue product development with CITIC Dicastal. CITIC Dicastal will purchase raw materials, manufacture wheel prototypes and arrange trial production.
5. Production of the wheel commences on-site at CITIC Dicastal [redacted] This involves delivery of raw materials and moulds to these factories. Production volumes are announced in advance by Ford Australia [redacted]. Production forecasts are also provided several weeks and months in advance for CITIC Dicastal's planning information.
6. Following production CITIC Dicastal arranges for delivery of the goods to the warehouse in Melbourne operated by [Logistics supplier], including:

[redacted]

CITIC International

CITIC International is the affiliated trading agent of CITIC Dicastal. [redacted]

CITIC Dicastal informed us that while invoices were issued to Dicastal Australia in the name of CITIC International, these invoices were prepared by CITIC Dicastal. CITIC International did not take any active role in the exportation of the goods.

Dicastal Australia

Dicastal Australia is the second intermediary company established for aluminium road wheels sold to Ford Australia. [redacted] *[Confidential information regarding Dicastal Australia]* This information was provided in Annex A3.5 of CITIC Dicastal's returned exporter questionnaire. Dicastal Australia's roles are to:

1. Arrange Australian customs clearance; arrange payment for Australian goods and services tax (GST) and payment for customs duties for the imported aluminium road wheels. [redacted]
2. Warehouse the imported aluminium road wheels, after which Ford Australia collects the goods;
3. Pay the fees for the Melbourne warehouse lease and any other logistics costs; and
4. Release the goods to Ford Australia.

[redacted] *[Logistics supplier]*

CITIC Dicastal engages [redacted] *[Logistics supplier]* to process and pay Australian Customs duties, GST, a Customs declaration fee and any other customs clearance services costs. All these costs are specified in a letter from [redacted] *[Logistics supplier]*. The letter outlines the warehouse costs per wheel, the container cartage and customs clearance costs in AUD.

For these services [redacted] *[Logistics supplier]* invoices Dicastal Australia each month. CITIC Dicastal provided us a copy of a [redacted] *[Logistics supplier]* invoice as per the sea waybill showing all these charges for each selected Ford Australia export sales transaction.

Ford Australia

Following warehousing of the goods in Melbourne, Ford Australia will collect the goods. The payment process is as follows:

1. Ford Australia pays Dicastal Australia [redacted] as per the Dicastal Australia invoice and as per the supply contract terms. CITIC Dicastal provided copies of emails from Ford Australia – accounts payable stating what invoice payments had been made that day, the currency [redacted] and the invoiced amount;

[redacted] Payment is made directly from Dicastal Australia to CITIC Dicastal. [redacted]

[redacted] *[Australian agent]*

[redacted] *[Australian agent]* is a locally engaged company in Australia. [redacted] *[Australian agent]* specialises in dealing with motor vehicle manufacturers in Australia and New Zealand. [redacted] *[Australian agent]* acts as a sales consultant to CITIC Dicastal. [redacted] *[Australian agent]* is contracted to provide CITIC Dicastal with market intelligence, assist with product development and design and provide after sales service to both Ford Australia and GM Holden. [redacted] and this was evident in the copy of the agency agreement provided at the verification visit.

We noted that in a sales contract with GM Holden that a representative of [redacted] *[Australian agent]* identified himself as the Trading Manager of CITIC Dicastal. However, we are satisfied that [redacted] *[Australian agent]* is a separate company fulfilling the role of a sales agent.

GM Holden

CITIC Dicastal noted that the export sales process for GM Holden is similar to Ford Australia. CITIC Dicastal provided a copy of its current supply contract with GM Holden. For one wheel type, the contract confirmed that the total price is [redacted] *[Pricing]*

[redacted] *[Trading terms]* We accepted an [redacted] price permissible for the purpose of the normal value calculation.

[redacted] *[Australian agent]* also acts as the sales agent for purchases by GM Holden and is also awarded a commission based on [redacted]

6.3 Date of sale

Customs and Border Protection usually regards the invoice date as the date of sale (i.e. the date that best represents when the material terms of the sale have been established) unless there is clear evidence to indicate that another date is appropriate. We used the invoice date as the date of sale.

6.4 Pricing and terms

CITIC Dicastal claimed that all of Australian sales were sold to Ford Australia or GM Holden. [redacted] *[Trading terms]*

CITIC Dicastal advised that its terms of payment for GM Holden were [redacted] days net from invoice value. This was reflected both on their Australian sales spreadsheet and invoice documentation for GM Holden. Payment terms for Ford Australia were [redacted] days net from invoice value as reflected in CITIC Dicastal's Australian sales spreadsheet. At the verification visit we received a request from CITIC Dicastal to amend their credit period for Ford from [redacted] days to [redacted] days. [redacted]

CITIC Dicastal explained that as a dedicated OEM manufacturer aluminium road wheels are produced as per the OEM supply contract and because of this there were no rebates, discounts, or other reimbursements in relation to its sales of aluminium road wheels to either GM Holden or Ford Australia. CITIC Dicastal advised that the invoiced priced was the final price payable by each of these Australian car manufacturers.

CITIC Dicastal also explained that the OEM market generally operated on the basis of productivity price reductions. When entering into a contract with an OEM, a clause was usually included in the contract that the price savings would be made after a set period of time, for instance a year. At this time, CITIC Dicastal would be required to lower the price on selected models purchased by the customer. [redacted] The company explained that these price reductions were not realised in the form of rebates of discounts but reflected in lower invoice prices.

[redacted]

The allocation of this price reduction was another reason why CITIC Dicastal argued that the comparison of domestic and export sales should be done on a kilogram

basis. It asserted that to compare models by pieces or wheel size may be distorted by price reductions. However, this would be netted out when a comparison was made across all models.

6.5 Export packaging

CITIC Dicastal explained that packing costs vary between customers and if the product was sold domestically or for export. It also varies depending on the size of the wheel. Wooden pallets are generally used for domestic sales with only some customers requiring steel pallets. CITIC Dicastal claimed that exports to Australia were shipped using steel pallets.

In its chart of accounts CITIC Dicastal the packing expense is located in the ledger account as "Cost of Manufacturing-supplementary materials and Selling Expenses-packing materials".

Total export packing costs for each transaction are shown in the Australian sales spreadsheet for Ford Australia and for GM Holden. This export packing cost per transaction is determined using 1) the number of units sold per transaction multiplied by 2) the rate per wheel. This rate per wheel is derived from a total standard pack of wheels cost. This standard pack of wheels cost is inclusive of steel pallets, cover plates, paper for packing, packing belts, non-woven fabric, wrapping and plastic rings consumed. At the verification visit CITIC Dicastal provided all the documentation supporting the calculation of export packing costs. See **confidential attachment EXP3**.

6.6 Ocean freight and inland freight

In its detailed Australian sales spreadsheet CITIC Dicastal provided line-by-line data for each transaction, the cost of ocean freight from the port of loading, either Xingang or Dalian.

CITIC Dicastal advised that ocean and inland freight charges are paid in periodic lump sums prior to shipment of the goods to Australia. Upon request CITIC Dicastal provided the monthly shipping quote of ocean and inland freight charged to CITIC Dicastal. We accepted that handling, loading and ancillary expenses were included in these costs.

The company explained that the typical load is for a 40 foot container, of which the charge to CITIC Dicastal changes monthly. CITIC Dicastal also provided copies of the shipping quotes for each month over the investigation period in **confidential attachment EXP4**. These monthly shipping charges are reflected in Annex E-1.1 of CITIC Dicastal's returned exporter questionnaire.

We noted that the ocean freight cost for each transaction in the Australian sales spreadsheet was a calculated figure (the ocean freight per wheel multiplied by the number of wheels in the transaction). The ocean freight per wheel was derived from 1) the type of wheel 2) the number of wheels that could fit in one container and 3) the average ocean freight cost over the year.

Inland freight charges per wheel are calculated in a similar manner to ocean freight and the result reported in the Australian sales spreadsheet.

6.7 Australian port charges and inland freight charges

CITIC Dicastal provided a summary of shipments over the investigation showing the [redacted] *[Logistics supplier]* port charge and inland freight charges for each container number. We were able to verify the container number listed against the commercial invoices for Ford Australia.

In its Australian sales spreadsheet, we noted that the port charges and inland freight charges were a calculated figure. In the summary of shipments document, for the investigation period, provided as **confidential attachment EXP5**, the port charge and inland freight charge had each been converted to a unit charge per piece of wheel shipped over the investigation period. This unit charge (in pieces) was input into the Australian sales spreadsheet for each transaction to determine a per transaction port charge and inland freight charge.

6.8 Warehousing

Similarly warehousing costs were calculated on a per transaction basis within CITIC Dicastal's Australian sales spreadsheet. For each transaction, the wheel type rate was multiplied by the quantity (in pieces) sold to Ford Australia to obtain a warehouse cost. These costs are evident in the copy of CITIC Dicastal's warehousing service agreement with [redacted] *[Logistics supplier]*. The agreement specified the per wheel charge to warehouse the goods. See **confidential attachment EXP6**.

6.9 Verification of export sales to source documents

Prior to the visit we requested that CITIC Dicastal provide supporting documents for five Ford Australia shipments and six GM Holden shipments from China to Australia. We also selected the credit notes for one Ford Australia shipment and one GM Holden shipment. Each selected export sale had a mixture of purchased or manufactured wheels listed on their respective invoices as indicated on the Australian sales spreadsheet. CITIC Dicastal provided source documents for each of these shipments during the verification, containing the:

- sea waybill (where applicable)
- packing list
- commercial invoice
- evidence of payment (where applicable)
- credit/debit note (where applicable)
- credit note for ocean freight and land transport (where applicable).

Source document bundles form **confidential attachment EXP7**.

We compared the data contained within the source documents to that provided by CITIC Dicastal within its Australian sales spreadsheet as follows.

6.9.1 Sales volume and value

We were able to reconcile sales volume (in units) using the commercial invoices and packing lists, and sales value in [redacted].

We observed that the proof of payment for each invoice showed that Ford Australia paid the purchase price in [redacted] into Dicastal Australia's account. CITIC Dicastal provided a copy of its Australian banking statement recording credits for payments in bulk to its account.

GM Holden paid the purchase price in [redacted] directly to CITIC Dicastal's account. CITIC Dicastal provided a copy of the credit confirmation of inward remittance. See **confidential attachment EXP8**.

6.9.2 Ocean freight and land transport freight

[redacted] *[Trading terms]*

We confirmed that the freight charged to CITIC Dicastal on a monthly basis and for a container was the actual amount paid. Evidence of payment for the selected transactions of ocean freight and inland transport charges is at **confidential attachment EXP9**.

6.9.3 Credit terms

We observed within the Australian sales spreadsheet that payment terms to CITIC Dicastal for GM Holden were [redacted], and on the invoices, that payment terms were [redacted] The GM Supply Contract stated that payment would be made, [redacted] For some of the selected GM Holden invoices we noted that the actual payment dates recorded on copies of their internal remittance exceeded [redacted] with one transaction being paid on [redacted]

Payment terms for Ford Australia were listed within the Australian sales spreadsheet as [redacted]. Again we noted that for some of selected Ford Australia invoices that the actual payment dates exceeded [redacted] with one selected transaction being paid [redacted].

Within the Australian sales spreadsheet the cost of extending credit on export sales is calculated for each transaction. The amount equal to the credit period [redacted] multiplied by the short term interest ratio of [redacted]%, is multiplied by the invoice value to obtain a credit cost.

6.9.4 Insurance

[redacted] All figures were calculated using [redacted] value, multiplied by the insurance value and multiplied by the insurance ratio of [redacted]%. CITIC Dicastal provided us a marine insurance contract provided as **confidential attachment EXP10** showing the insurance value and the insurance ratio. The contract signed between CITIC Dicastal, [redacted] was effective from 1 January 2010 until 31 December 2010. The contract also stated in English that the contract covers the transportation from the seller's warehouse up to the buyer's warehouse.

6.9.5 Other charges

We observed that no warranty expenses, technical support were recorded within the export sales spreadsheet. We found no evidence to believe that any further charges should be reported against the transactions.

6.9.6 Other data

CITIC Dicastal also included several other columns of data in their Australian sales spreadsheet that we were able to verify from the provided source documents in relation to Dicastal Australia (Ford Australia sales) and CITIC Dicastal (GM Holden sales). These were as follows:

- Unit price
- Currency of payment
- Shipping terms
- Exchange rate

Upwards verification is discussed in domestic sales section 7.4.

6.10 Forward orders

Within its response to the exporter questionnaire, CITIC Dicastal stated that on a [redacted] basis it receives a forward production schedule from both GM Holden and Ford Australia. At the verification visit, we requested the most recent forward orders from each Australian car manufacturer. These are provided in **attachment EXP11**.

In the Ford Australia forward order production schedule we identified:

- the part number;
- the quantity in units to be produced;
- the day it must be produced [redacted]; and
- a production forecast.

The same forward order production schedule also provided advance notice by Ford Australia of the expected production schedule for the following several weeks and the following several months depending on the product number. In its returned exporter questionnaire CITIC Dicastal also furnished a [redacted] *[supply contract]* with Ford Australia. This supply contract showed the average [redacted] production volume and the maximum [redacted] production volume for the aluminium road wheel part number for this car model. The product number from the production schedule matched the product number from the [redacted] *[supply contract]*.

CITIC Dicastal also provided its most current forward production schedule from GM Holden. In the GM Holden forward order production schedule we identified:

- the part number;
- the quantity in units to be produced;
- the [redacted] it must be produced; and
- a [redacted] production forecast [redacted] in advance.

In its returned exporter questionnaire CITIC Dicastal provided its purchase contract with GM Holden.

We accepted that the GM Holden and Ford Australia forward production schedules reasonably reflect what is specified in their respective supply contracts with CITIC Dicastal and that production volumes are anticipated well in advance.

6.11 The exporter

6.11.1 Sales to GM Holden

Customs and Border Protection generally identifies an exporter as:

- a principal in the transaction located in the country of export from where the goods where shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or

- a principal will be a person in the country of export who owns, or who has previously owned the goods but need not be the owner at the time the goods where shipped.

In this instance, CITIC Dicastal manufactured the goods and sold them to GM Holden and was aware they would be exported to Australia. Therefore, Customs and Border Protection considers that CITIC Dicastal is the exporter for the purposes of determining export price and normal value.

6.11.2 Sales to Ford Australia

As discussed above, CITIC Dicastal has identified that CITIC International and Dicastal Australia are related parties, as both CITIC Dicastal and CITIC International are owned by the same group and Dicastal Australia is majority owned [redacted]

[redacted]

We have verified that under the current arrangements CITIC Dicastal incurs all costs associated from point of production to the port in Australia. CITIC Dicastal invoices Dicastal Australia for the goods and importation costs are incurred by Dicastal Australia.

Once the goods have cleared customs and been taken to a warehouse they are sold to Ford Australia, as required. Ford Australia provides payment to Dicastal Australia who deducts the importation expenses and pays the remainder of the money to CITIC Dicastal.

In this instance the customer, Ford Australia, has entered into a sales agreement with the manufacturer and exporter, CITIC Dicastal. Its associated company, Dicastal Australia imports the goods and sells them to the customer. We note that there are no price negotiations between CITIC Dicastal and Dicastal Australia, [redacted]

We also note, that whilst CITIC International takes part in the export process [redacted]

As such, whilst each company is regarded to have separate legal entity, we are of the view that the companies operate as a group with respect to the export of aluminium road wheels to Australia and can be reasonably and defensibly characterised as a single exporter for the purposes of determining a dumping margin.

We note that Article 6.10 of the WTO Anti-Dumping Agreement states that

> *The authorities shall, as a rule, determine an individual margin of dumping for each known exporter or producer concerned of the product under investigation.*

However, the issue of whether a group of related parties as a single exporter could be characterised as a single exporter for the purposes of an anti-dumping investigation was considered by a World Trade Organisation dispute settlement panel dealing with the case of **Korea – Anti-Dumping Duties on Imports of Certain Paper from Indonesia.** In its consideration of the case, the panel found that the treatment of related parties a single exporter was not inconsistent with Article 6.10.

6.12 The importer

6.12.1 Exports for GM Holden

For sales to GM Holden, we consider that GM Holden is the importer of these goods. This is because GM Holden:

- negotiates with CITIC Dicastal for the purchase of aluminium road wheels;
- is named as the consignee on the waybill; and
- [redacted]

We consider that GM Holden is the beneficial owner of product at the time of importation and is therefore the importer of the aluminium road wheels exported by CITIC Dicastal.

6.12.2 Exports for Ford Australia

We noted that CITIC Dicastal's Australian subsidiary Dicastal Australia, a related company to the exporter:

- is named as the consignee on the waybill;
- arranges Australian customs clearance, logistics, storage of the goods after they have been delivered to the Australian port; and
- retains ownership of the goods until they are purchased by Ford Australia.

We consider that Dicastal Australia is the beneficial owner of product at the time of importation and is therefore the importer of the aluminium road wheels exported by CITIC Dicastal. Dicastal Australia however is acting within a corporate group of companies that have been identified as the exporter of the goods.

6.13 Arms length

6.13.1 Exports for GM Holden

In respect of CITIC Dicastal's sales to GM Holden we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We consider the sales of aluminium roads by CITIC Dicastal to GM Holden to be arms length.

6.13.2 Exports for Ford Australia

As noted, above, we consider that CITIC Dicastal, CITIC International and Dicastal Australia are related entities. We note that Dicastal Australia is operated by CITIC Dicastal and that the selling price between is not negotiated between the two companies but rather set according to the agreement between CITIC Dicastal and Ford Australia. [redacted] Therefore, we consider that sales between these companies are not arms length and are influenced by the commercial relationship these companies have.

6.14 Export price – preliminary assessment

6.14.1 Exports for GM Holden

For exports for GM Holden, we are satisfied that:

- the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter; and
- the purchases of the goods were arms length transactions.

We consider that the export price for these sales can be determined under s. 269TAB(1)(a) using the invoiced price less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation. As sale to GM Holden were on an [redacted] level, we have determined an [redacted] export price.

6.14.2 Exports for Ford Australia

With respect to exports for Ford Australia we consider that:

- the goods have not been exported to Australia otherwise than by the importer, as we consider CITIC Dicastal and Dicastal Australia to be one exporter; and
- the transfer of the goods between these related parties were not arms length transactions.

On the basis of the above conclusions, export prices are unable to be determined under s.269TAB(1)(a) or (b). We propose that export price should be determined under s.269TAB(1)(c).

The export price has been calculated by consideration of sales of the goods made in Australia by the importer to independent buyers (Ford Australia). The export price is taken to be the price which the goods are sold to Ford Australia, less appropriate

and verifiable deductions of costs incurred in relation to those goods by the importer after the point of export.

As sales to GM Holden were on an [redacted] basis, we have also have calculated an [redacted] export price for exports for Ford Australia. We have used the selling price to Ford Australia and deducted:

- Australia importation expenses;
- Australian warehousing expenses;
- Australian inland freight;
- ocean freight;
- marine insurance;
- commission for CITIC International;
- port charges in China;
- inland freight in China.

We considered it appropriate, for the calculation of export price, to include a proportionate deduction reflecting the SG&A costs associated with CITIC International's role as trader in the exportation process. [redacted]

Details of the export calculations are at **confidential appendix 1**.

7 DOMESTIC SALES

7.1 General

CITIC Dicastal advised that the Chinese domestic market for aluminium road wheels is competitive. Many global automotive manufacturers have established joint ventures with local Chinese manufacturers for the purposes of supplying the emerging Chinese automotive market. CITIC Dicastal supplies aluminium road wheels to a number of these joint venture car manufacturers such as Toyota, Volkswagen and General Motors.

In the period of investigation, domestic sales of all like goods totalled [redacted] units (pieces) with a value of [redacted] RMB. [redacted]% of goods sold domestically were 16-inch diameter wheels, followed by 15-inch wheels ([redacted]%), 17-inch wheels ([redacted]%) and 14-inch wheels ([redacted]%). The largest customer type were to the OEM market ([redacted]%), followed second by distributors ([redacted]%). [redacted]

Purchased and manufactured goods

In the domestic sales spreadsheet we again noticed the prevalence of purchased versus manufactured wheels. We found that on the domestic market wheels manufactured by CITIC Dicastal only accounted for [redacted]% of sales while purchased wheels accounted for [redacted]%.

CITIC Dicastal explained that transactions were identified as either purchased or manufactured by assuming that manufactured wheels were sold first, as described in the export sales section. [redacted]

The company provided a summary spreadsheet of its domestic suppliers of wheels for each month of the investigation period (refer to **confidential attachment EXP1**). Its five largest domestic suppliers of wheels over the investigation period were [redacted]

As explained previously purchased wheels are indistinguishable from manufactured wheels and are sold together. The company provided a copy of a purchased product account for a wheel type showing purchases entering the warehouse and a consequent sale to a domestic customer. Refer to **confidential attachment DOM2**. As noted above, we are satisfied that the allocation of purchased and manufactured wheels are reasonable.

7.2 Levels of trade and sales to related parties

In its response to the exporter questionnaire, we noted that CITIC Dicastal included a level of trade category in its detailed domestic sales listing. CITIC Dicastal

explained that all its end-users in the domestic market are all OEM manufacturers. From the domestic sales spreadsheet however we identified three kinds of end-users; OEM manufacturers, distributors and [redacted] *[other customer category]*.

Over the investigation period, in total, CITIC Dicastal sold wheels it had manufactured to [redacted] different domestic customers.

Two of CITIC Dicastal's largest customers were affiliated distributors, [redacted] Products sold to these two distributors were onsold to car manufacturers.

CITIC Dicastal explained that it had no ownership interests in these [redacted] companies but allowed them to use Dicastal in their name as part of a marketing strategy. It explained that for sales to [redacted], it sold the goods to the company for the price listing in the D-4 spreadsheet, [redacted] then decided what price to onsell to its customers and kept any margin made. [redacted], however, was awarded a [redacted] commission for sales it made. CITIC Dicastal informed us that the invoice price in the D-4 spreadsheet was net of this commission and therefore no adjustment needed to be made. CITIC Dicastal provided us with the sales agreements for these companies. These are provided in **confidential attachment DOM1**.

Analysis of the CITIC Dicastal detailed sales data shows that [redacted]% of total domestic sales, in terms of units sold, was to [redacted]. In RMB value terms [redacted] sales accounted for [redacted]% of total domestic sales during the investigation period. [redacted] accounted for [redacted]% of units sold domestically, and [redacted]% of total sales in RMB terms over the investigation period.

CITIC Dicastal informed us that these were the only distributors to which it sold on the domestic market. We noted that there were several other companies with Dicastal in their names but CITIC Dicastal stated that these were not distributors or related parties.

At the verification visit, we clarified the nature of the sales regarding aluminium road wheel sales sold to [redacted]

[sales to certain customers]

We examined the relative weighted average prices among OEM end users, [redacted] and distributors, and noted that weighted average prices for OEM end users and distributors were lower than [redacted] [sales to other customers].

7.3 Domestic sales process, pricing and terms

7.3.1 General

CITIC Dicastal stated that its main business in the Chinese domestic market is with automotive manufacturers. All aluminium road wheels are made to order as specified

by the automotive manufacturer. Because of this, the company advised that its domestic sales process is the same as outlined for Ford Australia and GM Holden.

In general CITIC Dicastal explained its domestic sales process for OEM manufacturers as follows:

- The car manufacturers issue a request for tender and CITIC Dicastal bids for the OEM supply contract. CITIC Dicastal provided a copy of a supply contract with [redacted], a domestic OEM manufacturer. In that contract, for each wheel type a net price and a price validity period were specified. The contract did not specify any alloy costs or packaging costs. However in CITIC Dicastal's returned exporter questionnaire it stated that domestic OEM wheel prices in general take into account [redacted]
- Car manufacturers assess the capabilities of CITIC Dicastal to produce the aluminium road wheels;
- CITIC Dicastal is awarded the OEM supply contract;
- Product development and design for the wheel take place and production of the wheel commences;
- The car manufacturer issues a purchase order and issues a production forecast to CITIC Dicastal; and
- Following production CITIC Dicastal arranges delivery of the goods to local car manufacturers as required.

7.3.2 Delivery terms

CITIC Dicastal explained that all domestic sales were either [redacted] or [redacted]. The proportion of sales volume was [redacted] and [redacted]. CITIC Dicastal explained that [redacted] means that it would deliver to a warehouse and the customer would then collect these goods from a nearby warehouse.

7.3.3 Payment terms and discounts

The domestic sales spreadsheet provided by CITIC Dicastal in the response to the exporter questionnaire identified various payment terms, including options for payment [redacted] CITIC Dicastal did not record any discounts for early payment of invoiced amounts within its domestic sales spreadsheet.

CITIC Dicastal noted that volume discounts are not available but these are generally negotiated before an OEM manufacturer awards its supply contract. Like Ford Australia and GM Holden, we sighted a copy of a supply contract (supplied in the company's returned exporter questionnaire) from [redacted] stating the wheel model, set net price per wheel and payment terms. Hence, CITIC Dicastal confirmed that the invoice price is the final price paid for domestic sales.

CITIC Dicastal also stated, that as with export sales, domestic OEM customers also expect productivity savings over the life of a contract.

CITIC Dicastal advised that there are no other discounts, rebates, or commissions applicable to the domestic sales. As such no records were listed for these items in the domestic sales spreadsheet.

7.4 Verification of domestic sales to audited financial statements

We sought to trace the detailed domestic sales data provided by CITIC Dicastal in its response to the exporter questionnaire through management reports to the audited financial statements to provide us with confidence in the completeness and relevance of the data.

CITIC Dicastal demonstrated how the sales volume and value of its domestic sales of aluminium road wheels of similar characteristics to the Australian exports, as shown in the spreadsheets provided in its response to the exporter questionnaire, could be linked to the profit and loss statements of the audited financial statements.

CITIC Dicastal confirmed that the profit and loss statement of the audited accounts is set down in accordance with the GAAP of China. All figures all were denoted in RMB. This was also confirmed in its most current 2010 audit report prepared by [redacted] *[auditor]*.

CITIC Dicastal operates on a calendar year basis i.e. 1 January to 31 December. CITIC Dicastal provided its 2010 ledgers and income statements to demonstrate the data used to populate its turnover summary spreadsheet provided in its returned exporter questionnaire for the first half of the investigation period. We reconciled these 2010 sales up to the audited income statements.

To demonstrate the records used to populate its turnover summary spreadsheet for the second half of the investigation period, January 2011 – June 2011 CITIC Dicastal again provided the 2011 ledgers.

For export sales, the sales summary took into account domestic sales, export sales and export sales made through its subsidiary, CITIC International. Ledger documentation supported the sales summary data. All figures reported in the sales summary spreadsheet matched the ledger amounts provided by CITIC Dicastal.

Having regard to the above, we consider the detailed domestic sales data provided by CITIC Dicastal in its response to the exporter questionnaire is complete and relevant in relation to the investigation period.

7.5 Verification of domestic sales to source documents

Having established the completeness and relevance of the domestic sales data, we then sought to trace that data down to source documents to ensure the accuracy of the data.

Like its spreadsheet for Australian sales, CITIC Dicastal's domestic sales spreadsheet also detailed the customer name and customer code, the model number or product code, product type (i.e. cast, forged, or flow-form) and wheel diameter. The spreadsheet also recorded the invoice number and invoice date and information such as units sold, domestic warehousing costs and packing costs.

Prior to the visit we sent CITIC Dicastal a list of thirteen selected domestic sales. We requested proof of payment for five of these transactions and requested a further two credit notes for two separate transactions. We then compared the data contained within the source documents to that provided by CITIC Dicastal to verify the information recorded within its Australian sales spreadsheet. In relation to each of the selected domestic transactions, CITIC Dicastal provided all relevant copies of the commercial invoice, and accounting ledgers recording these value added tax (VAT) inclusive invoice values in RMB.

We found that all the data contained in the domestic sales spreadsheet agreed with the source documents provided. We confirmed invoice prices, invoice dates and model numbers. Copies of the source documents for the selected domestic sales for are at **confidential attachments DOM2**.

In terms of evidence of payment, CITIC Dicastal provided copies from its customer account ledgers and these details indicated that the invoice price (inclusive of VAT) was the price paid in RMB.

Warehousing costs

As in its Australian sales spreadsheet for Ford Australia, each transaction in its domestic sales spreadsheet had been determined on a per transaction basis by units (pieces) sold. CITIC Dicastal provided a summary of each of its [redacted] warehouses in China, the logistics company, the unit rental costs, the payment terms and the duration of the contract. The warehouse costs includes relevant expenses such as warehousing, handling, transportation, administration and taxes. CITIC Dicastal provided a copy of each of these [redacted] contracts showing the unit rental charge. This is provided in **confidential attachment DOM3**. We accepted as reasonable the warehousing costs calculations within the domestic sales spreadsheet.

Packing costs

Packing costs were also determined on a by-transaction basis in CITIC Dicastal's domestic sales spreadsheet in a manner identical to export sales. This rate per wheel is derived from a total standard pack of wheels cost inclusive of items such as steel pallets consumed. Again we accepted as reasonable the packing costs calculations within the domestic sales spreadsheet. The relevant worksheet is supplied in **confidential attachment DOM4**.

Inland freight

As discussed earlier, CITIC Dicastal explained that all domestic sales were either [redacted] or [redacted]. The proportion of purchased and manufactured wheels

sales volume were [redacted] and [redacted]. For manufactured wheels the proportions were [redacted] and [redacted]. CITIC Dicastal supplied us with an inland freight contracts for two companies. These are provided in **confidential attachment DOM5**. The contract supplied specified the domestic charged based on the customer's location and the wheel diameter. The domestic sales spreadsheet referred to this data to determine an inland freight rate per transaction. We accepted as reasonable the inland freight calculations.

No volume of sales transactions

The domestic sales spreadsheet listed [redacted] *[Chinese motor vehicle manufacturer]* with several transactions that were listed as no volume or value sales. CITIC Dicastal noted that when the goods are sold and delivered to customers, the sale is booked with an estimated value, before an invoice is issued. When the invoice is issued a credit note with the same estimated value is booked against the previous entry. The company provided us with ledger accounts showing these entries two selected domestic sales transactions. We accepted this explanation for these particular sales.

We consider the detailed domestic sales data provided by CITIC Dicastal are a reasonably accurate account of domestic sales details over the investigation period.

7.6 Arms length

In respect of CITIC Dicastal's domestic sales to OEM customers or distributors we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We consider these domestic sales of aluminium road wheels are made in arms length transactions.

For sales to [redacted], we consider that the price, and indeed the opportunity to purchase the wheels, is influenced by the relationship between the buyer and the seller. As stated above, these sales account for [redacted]% of sales and we have excluded them from our assessment of the normal value.

7.7 Ordinary course of trade

We deducted the warehousing and inland freight costs from the price paid for each domestic transaction, where applicable, (excluding sales to individuals) to determine an EXW price. We compared this price with the corresponding quarterly domestic EXW CTMS for the investigation period. Where sales were unprofitable we then

compared the price of those sales to the weighted average CTMS for the investigation period as a measure of whether the loss was recoverable.

We found that [redacted]% of sales were recoverable. [redacted]% of machined aluminium road wheels were recoverable while [redacted]% of painted wheels were recoverable. When we analysed sales by finish and rim size the rates of recoverability were as follows:

Finish	13	14	15	16	17	18	19
chrome	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
machined	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Painted	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Polished	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

For an assessment done on the basis of weight and finish alone, we consider that all sales of painted wheels were in the ordinary course of trade. For machined wheels, some sales were found to be recoverable but the volume of non-recoverable sales were found to be greater than 20%. We consider that the sales at a loss, where the losses were not recoverable, represent a substantial quantity and therefore those sales are considered not to be in the ordinary course of trade.

For an assessment done on the basis of pieces and finish, we consider that all sales of painted wheels that are [redacted] and [redacted] and all sales of machined wheels that are [redacted] and [redacted] were in the ordinary course of trade.

For all other models, some sales were found to be recoverable but the volume of non-recoverable sales were found to be greater than 20%. We consider that the sales at a loss, where the losses were not recoverable, represent a substantial quantity and therefore those sales are considered not to be in the ordinary course of trade.

After we completed an ordinary course of trade test we noted that a large negative transaction on the company's domestic sales spreadsheet skewed data for the second quarter of the investigation period for machined wheels. With this transaction included the total sales volume and value for the quarter was negative and with it excluded it was positive. We sought an explanation from the company for this transaction. The company confirmed that the negative amount recorded is a reversal of a sale in which no sale took place and no goods were delivered to the customer. The negative amount recorded is a correction. As the invoice related to a sale before the investigation period we have excluded this transaction from our ordinary course of trade analysis.

7.8 Suitability of profitable sales

Section 269TAC(2) of the Act provides that certain domestic sales may be unsuitable for use in determining normal value because of factors in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in s. 269TAC(14) of the Act as less than 5% of the total volume of the goods under consideration that are exported to Australia.

We found that the volume of domestic sales made in the ordinary course of trade was [redacted]% of the volume of exports to Australia. We found the volume of machined and painted wheels sold in the ordinary course of trade was [redacted]% and [redacted]%, respectively, of exports to Australia.

We conducted the test individually for each finish and size exported to Australia. We found sufficient sales in the ordinary course of trade for all finishes and sizes except for 19" painted wheels.

7.9 Sales by other sellers

CITIC Dicastal advised that there are other manufacturers of aluminium road wheels in China that make domestic sales to other automotive manufacturers. Apart from CITIC Dicastal, other aluminium road wheel manufacturers are participating in the investigation.

7.10 Domestic sales conclusion

We consider the aluminium road wheels sold domestically by CITIC Dicastal are an appropriate basis for normal values.

The calculations relating to domestic sales and the OCOT and sufficiency test is at **confidential appendix 2**.

8 THIRD COUNTRY SALES

We were in possession of enough verified information from the submission and our visit to calculate normal values using a construction method we did not pursue further verification of third country export data.

9 COSTS TO MAKE & SELL

9.1 General

In the response to the export questionnaire CITIC Dicastal provided us with a cost to make and sell (CTMS) worksheet (**confidential attachment CTMS1**). The company explained that while it could confirm the total manufacturing costs in this worksheet, the breakdown of these costs to raw material, direct labour, overheads and depreciation were estimates as it did not record costs in this manner in its system.

It explained that the total manufacturing costs came from another worksheet, also submitted in the response to the exporter questionnaire, the cost of production (COP) worksheet (**confidential attachment CTMS2**). The COP worksheet listed a total manufacturing cost for each model individually, as well as the number of pieces and kilograms produced (the purchase cost of purchased wheels was also provided in the response to the exporter questionnaire). The total of the manufacturing costs for all cast and flow formed models in the COP equalled the total manufacturing costs in the CTMS. Accordingly, the unit manufacturing cost in the CTMS was the weighted average of the unit cost across all models and finishes. CITIC Dicastal explained that as there were so many different models and cost variations, it considered that a single weighted average was the most appropriate method to use.

As we could reconcile the manufacturing costs in the COP to the CTMS provided in the exporter questionnaire response, and the sub allocation of costs within the CTMS were estimates, we used the COP as the basis of our cost verification.

The company explained that it determined costs according to cost centres for smelting, casting, flow forming, heat treatment, machining, painting and polishing. All the direct costs and indirect costs, such as raw material inputs, electricity and overheads, were allocated by the volume of goods that went through the process using cost tables for each cost centre. In assessing the volume of goods that went through each process the volume of the beginning and ending work in progress was taken into account as well as the direct inputs and outputs. Costs were allocated to goods on the basis of weight. Aluminium costs were allocated on the basis of actual weight while all other costs were allocated on the basis of nominal weight.

These costs were cumulative. The input at each stage reflected the output cost of the previous stage, i.e., the input of the casting process reflected the output costs of the smelting process. Accordingly, the final cost of manufacture, as recorded in the COP was the output of the painting workshop (with a small volume of output from machining and polishing) and this output reflected the cumulative costs of the whole production process; smelting, casting, heat treatment, machining and painting.

9.2 Verification to audited financial statements

We sought to reconcile the manufacturing costs to the audited financial statement to ensure the completeness and relevance of the data provided. The company explained that the manufacturing costs shown in the costs tables related to cost of

production, while the audited financial statements related to cost of goods sold. Therefore, it was very difficult to reconcile the two.

The company explained that finished manufactured goods were firstly transferred to the inventory ledger for the central office and the inventory listing would record the manufacturing cost of those goods. Goods would then be sold directly, or transferred to the inventory of a regional warehouse. Purchased wheels for resale were also recorded in the inventory of regional warehouses. Once the goods were sold, they, and the manufacturing costs recorded against them would be recorded in the cost of goods sold. Therefore, due to the numerous inventories and the movement of goods, the company explained that it was very difficult to reconcile the manufacturing costs to the cost of goods sold.

The company provided us with the head office inventory of July 2010. In this inventory, we were able to identify the volume and value of the different models of wheels produced that month being entered into the inventory, as well as the value and volume of wheels sold. The company also provided us with the cost of goods sold ledger of July 2010. In this ledger we could see the cost of the items directly sold being recorded in the ledger. We were able to reconcile the July 2010 cost of goods sold ledger to a ledger which showed the monthly cost of goods sold for each month during 2010. We were then able to reconcile the total of this ledger to the cost of goods sold listed in the 2010 audited financial statement. These documents are at **confidential attachment CTMS3**.

We also compared the production costs and the costs of purchased wheels for the second half of 2010 to the cost of goods sold as per the ledger. We found that production costs were [redacted] and purchase costs were [redacted], for a total of [redacted]. The cost of goods sold for this period was [redacted]. There was only a 1% difference between the two and therefore we are satisfied that the costs are complete. We note that the cost of production used above does not include forged wheels but these wheels account for a very small proportion of sales by CITIC Dicastal.

9.3 Verification to source documents

We then sought to verify the data to source documents to ensure the accuracy of the data provided. For this exercise we selected July 2010.

In the response to the exporter questionnaire, CITIC Dicastal stated that:

In its normal costing, CITIC Dicastal uses the production weight as the allocation key for the cost of production, because the aluminum is the most important raw materials which represent a significant percentage of total cost of production. Although the product design and technical characteristic of different wheel models are important for determining the selling prices, they are not reflected in normal costing. The weight of wheel (i.e. the weight of aluminum used) is the only consideration for the cost allocation. In its normal costing, CITIC Dicastal divides its products into three categories for costing purpose, i.e. cast wheel, flow formed wheel and forged wheel. The wheels with same weight under each of the above three categories have the same production cost.

However, we found this was not the case. CITIC Dicastal firstly provided us with the report from which it drew the COP information (**confidential attachment CTMS4**). This showed how the costs had been allocated to different models by production weight. However, when we examined the weights assigned to models in this report and the weight listed in the COP spreadsheet we found there was a discrepancy. The weights assigned to each model were different.

CITIC Dicastal explained that the weight shown in the COP was the production weight of each model (as shown in the sales spreadsheet). However, the weight listed in the production report was not the production weight but rather an allocation ratio. The company explained that the allocation ratio is largely determined by the production weight of the wheel but also reflects the processing difficulty and efficiency. Therefore, in the production report, a wheel model may be assigned a higher or lower weight value than its actual weight to reflect its manufacturing difficulty. The manufacturing costs would then be allocated across all models according to the allocation ratio.

CITIC Dicastal argued that the best way for us to assess weight was to apply costs evenly over all production by the production weight, rather than the allocation ratio weight. In allocating weight in this manner, we were unable to determine separate weights by finish. However, we noted that approximately 90% of production of cast wheels was machined faced or painted and the cost difference between these two finishes were minor. Accordingly, we allocated cost across production by production weight, rather than the allocation ratio.

CITIC Dicastal provided us with the cost tables for July 2010 (**confidential attachment CTMS5**), which as stated above is the basis of the company's costings. It also provided us with a cost reconciliation worksheet which showed how the costs from the painting, machining and polishing workshop reconciled with the total production cost for July 2010 in the COP. After we reconciled the COP worksheet to the painting, machining and polishing cost tables, we were able to trace the costs back through the worksheets and confirm the cumulative nature of the costing system.

CITIC Dicastal also provided us with the cost of production sub-ledgers for each of these cost centres and we were able to reconcile these costs to the cost tables and COP worksheet. The cost of production sub-ledgers are at **confidential attachment CTMS6**.

CITIC Dicastal then provided us with a production report for July 2010 (**confidential attachment CTMS7**). This listed the number of pieces of each wheel model produced from the painting and polishing workshop. The total of these reconciled with the total number of pieces produced as listed in the COP worksheet and we could also reconcile the production of individual models.

9.4 Aluminium

We sought to verify the aluminium costs to source documents. We identified that the aluminium input cost was recorded in the cost table for the smelting workshop. This

cost table listed that the raw materials cost for July 2010 was [redacted]. The company explained that this was a combination of new aluminium and scrap aluminium. The cost of production sub-ledger for smelting showed that the value of scrap used was [redacted] and the value of aluminium ingot used was [redacted]. This section covers the verification of aluminium ingot, scrap is discussed in the following section.

The company provided us with the raw materials consumption report for July 2010 and the supporting detail voucher. In these documents we could reconcile the value of aluminium ingot used to the cost of production sub-ledger. We noted that the aluminium alloy costs included the cost of the A356.2 aluminium as well as smaller amounts of other metals used to create tailor alloys. In the supporting detail ledger, we identified the value of A356.2 alloy used in the month [redacted]. The remainder of the [redacted] was reprocessed aluminium and other metals used to create the tailor alloys.

We were then provided with the raw material ledgers for aluminium (there were several for different suppliers and types of aluminium). In July 2010 we were able to reconcile the value of aluminium used, [redacted] to the consumption report. The company informed us that the value of aluminium from the inventory was based on the weighted average method.

We also sought to reconcile the aluminium ledgers to the aluminium purchase listing provided in the exporter questionnaire response. The company explained that as with sales, when aluminium was received before an invoice was issued, the company recorded an estimated invoice value in the invoice voucher book. When the invoice was subsequently received, an amount was put into the book to offset the estimated invoice value and the actual invoice was then entered. At the end of each month, the accounting department compiled the information from the invoice book and summarised the data into the aluminium ledgers. These ledgers reflected the estimated invoice values and subsequent corrections, although these were not necessarily in the same month.

The company explained that only the actual invoices were included in the aluminium purchase listing provided with the exporter questionnaire response. We noted that there was a [redacted]% difference between the totals for both value and volume of the aluminium ledgers and the aluminium purchase listing due to the timing differences with the corrected invoice prices. Accordingly, the company identified which of the listings related to actual invoices in the aluminium ledgers and were therefore reflected in the aluminium purchase listing.

We selected two purchases from the aluminium purchase listing, one from a state owned enterprise and one from a non-state owned enterprise, and requested copies of the invoices. These were provided and we were able to reconcile the invoiced amount to the purchase listing. We also requested proof of payment for these invoices. The company provided us with the ledgers for these companies. In the ledgers we could identify the monthly totals of aluminium purchased (inc. of VAT) and monthly payments. These payments did not reconcile to individual invoices or monthly totals but were rolling payments. Over the course of the year the payments

were sufficient to cover all purchases. The company provided us with evidence of payment from the ledger.

We were therefore satisfied that the aluminium costs were accurately reflected in the COP. However, as the aluminium costs were allocated to the smelting cost centre and then transferred to the finished product through several cost centres taking into account beginning and ending inventories, we were unable to identify the actual aluminium cost for each kilogram of finished product, although the company estimated that it was approximately [redacted]% *[half]*.

CITIC Dicastal stated that its purchase price is set by the following formula:

[redacted] *[price formula]*

CITIC Dicastal asserted it considered that the aluminium it purchased was at a fair market price. It did not purchase aluminium from related parties or manufacture it itself.

	Average Price (RMB/MT)	Quantity (MT)
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

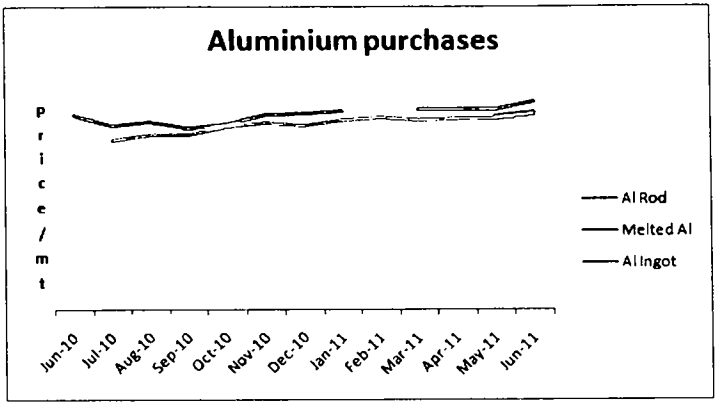
These were purchases of A356.2 alloy for cast wheels and H6061 for forged wheels.

We noted that that the majority of CITIC Dicastal's aluminium purchases were from non-state owned enterprises, while only [redacted]% of purchases were from state owned enterprises. We found that the purchase price from the state owned enterprise was very similar to the price from other suppliers.

We noted that the price of aluminium from one supplier, [redacted] varied significantly from [redacted] CITIC

Dicastal explained that for purchases from this supplier it paid the average monthly aluminium price. Therefore, throughout the month invoices were issued based on what the monthly price was expected to be and at the end of the month invoices may be issued that were higher or lower than usual to adjust the price across the whole period if necessary. We assessed the monthly prices for this supplier and found them to be consistent with the prices from other suppliers.

The purchase price of aluminium over the period is charted below:



The documents relating to aluminium are at **confidential attachment CTMS8**.

The list of aluminium purchases are at **confidential appendix 3**.

9.5 Scrap

We then sought to verify the scrap costs. At each cost centre, scrap was generated. The value of the scrap was used to offset the costs of that cost centre, while the loss made on the scrap was allocated across the remainder of the production.

CITIC Dicastal provided us with a scrap offset table which listed the value and volume of scrap generated at each cost centre for July 2010. This reconciled with the scrap offsets and losses allocated to the cost centres. The company explained that these scrap figures were taken from the monthly production report which we sighted.

The company explained that it generated four types of scrap, damaged wheels and scrap it designated as scrap 1, 2 and 3. It explained that damaged wheels could be directly remelted. Some of scrap 1 could also be directly remelted and some was sent to an external processor that remelted it into aluminium ingots. Scrap 2 and 3 were sold.

The company explained that its policy was to price damaged wheels at [redacted]% of that month's aluminium purchase price and scrap 1 at [redacted]%. Scrap 2 and 3 were valued

according to their selling price. The company provided us with invoices for July 2010 and we were able to reconcile these invoices to the scrap value for scrap 2. We were therefore satisfied that the scrap offset had been captured accurately.

We then examined the scrap input into smelting. As mentioned above, the value of recycled aluminium used in July 2010 was [redacted]. The company provided us with the accounting voucher for this amount and the supporting ledger which showed the volume and value of the damaged wheels and scrap 1 that made up this amount. The value was based on the ratio [redacted]% and [redacted]% ratios listed above.

The company then showed us the smelting report from the monthly production report, which listed the volume of inputs smelted in July 2010. We were able to reconcile the scrap volume (and the volume of other inputs) to the smelting report. We also identified from the smelting input report that a portion of re-processed aluminium, that is aluminium scrap that sent for processing to be converted back in aluminium ingot, was also used.

Reprocessed aluminium was included with the aluminium ingot and listed in the raw material consumption report detail (confidential attachment CTMS8). We asked the company how the reprocessed aluminium was costed. The company explained that it retained ownership of the aluminium when it was sent for re-processing, however a proportion of aluminium was lost in reprocessing. Therefore, it calculated the cost of this product by using the scrap 1 rate of [redacted]% of the current aluminium purchase price x [redacted]% to take into account the loss in reprocessing + the re-processing fee.

The company provided us with the ledger for aluminium scrap for processing. In July 2010, [redacted]mt of scrap with a value of [redacted] was withdrawn from the inventory. The company also provided us with the ledger for reprocessed aluminium. In July 2010, [redacted]mt of ingot with a value of [redacted] was entered in to the inventory. The processing cost for this product was [redacted]. We noted that the ratio of scrap to ingot was approximately [redacted]%. We requested and were provided with the invoice for the processing fee and were able to reconcile it to the ledger.

We also noted that the amount withdrawn from the ledger in July 2010, [redacted]mt, reconciled with the raw materials report, and subsequently to the cost tables and COP. We were therefore satisfied that the scrap costs had been accurately captured. Documents relating to scrap are at **confidential attachment CTMS9**.

9.6 Depreciation and overheads

We also sought to verify depreciation and overhead costs. The company explained that depreciation costs were included with the direct and indirect overhead costs. The company provided us with the ledgers for the direct and indirect overhead costs, as well as the depreciation trial balance for the 2010 financial year. We were able to reconcile the depreciation costs for the direct cost centres to the cost tables and reconcile the total depreciation cost in all the overhead cost ledgers to the trial balance.

We then sought to verify the overhead costs for July 2010. As mentioned above, we were provided with the ledgers for the direct cost centres and we were able to reconcile the amounts listed in these ledgers to the cost tables for July 2010.

For the indirect overhead costs, the company also provided us with an allocation worksheet which demonstrated how these overhead costs had been allocated to the different cost centres according to production weight. We were able to reconcile these amounts directly to the cost tables for smelting, flow forming and heat treatment. There were discrepancies with the amounts listed for casting, machining and painting. The company explained that for these cost centres the entry in the cost table also included the cost of compressed air. The company identified where this cost item was recorded in the ledgers and we were then able to reconcile the indirect costs to these cost tables.

Documents relating to depreciation and overhead costs are at **confidential attachment CTMS10**.

9.7 Electricity

We then sought to reconcile the electricity costs. The company provided us with the water and electricity ledger for July 2010. This listed the total amount of electricity for the month as [redacted]. It then showed the amounts allocated to different sections, including an amount for the casting overheads. This amount related to both water and electricity and we were able to reconcile it to the indirect overhead documents. The company provided us with the electricity invoice for the month which reconciled to the ledger. This invoice showed that the CITIC Dicastal paid [redacted]/kilowatt for electricity. These documents are at **confidential attachment CTMS11**.

9.8 Selling, general and administrative expenses

CITIC Dicastal provided us with the selling, general and administrative and financial (SG&A) expenses in the response to the exporter questionnaire. The company explained that for general and administrative and financial expenses, all expenses had been allocated across all goods. The company explained that these expenses were taken from the trial balance and provided us with the trial balance for July 2010 which reconciled with the response to the exporter questionnaire.

The company also provided us with the general ledger accounts for selling, general and administration and financial expenses for the 2010 and 2011 financial years. The monthly totals reconciled to the monthly totals in the response to the exporter questionnaire. The totals for the 2010 financial year could be reconciled to the 2010 audited financial statements for marketing, administrative expenses and financial expenses.

In the breakdown of these costs in the response to the exporter questionnaire, we identified that there was a large negative cost for domestic warehousing in May 2011. The company explained that this was an adjustment for export sales (mistakenly applied to the domestic warehousing expenses) in which costs recorded to the [redacted] level, were adjusted back to the [redacted] level. The company provided us

with the general ledger for May 2011 which showed the nature of the adjustment. The company also provided us with the accounting voucher for June 2011 which showed this misallocation being corrected.

For selling expenses, CITIC Dicastal identified which expenses were only attributable to export sales (export warehousing, air freight, commission, port service fees, inland freight for export sales, ocean freight, salaries for foreign based staff, insurance and export credit insurance) and which were only attributable to domestic sales (domestic warehousing and inland freight). The expenses that were only attributable to domestic or export sales were allocated across these specific goods, while all other selling expenses were allocated across all sales.

In order to allocate the expenses, the company first allocated the costs on the basis of revenue between domestic and export sales. It then divided the costs allocated to the domestic and export sales by the number of kilograms in each category to determine a per kilogram cost of selling, general and administrative and financial expenses.

Customs and Border Protection usually prefers to allocate SG&A by revenue to each product group and then by unit, without a distinction made for export or domestic sales. In this instance, Customs and Border Protection only has information regarding the number of kilograms sold in the domestic market and the Australian export market. Customs and Border Protection assessed whether there was much difference if SG&A costs were firstly allocated to domestic and Australian export sales by their combined revenue and then allocated across both by their combined units. This would result in the same SG&A expenses, where expenses are applicable to both markets, and would not be influenced by a higher or lower price in one market or the other. The difference using this method was very minor (2%) and accordingly we used the method proposed by the company.

We examined the audited financial statements and noted that there were other items also listed including:

- Other business revenue – which related to extraordinary gains including subsidies and income from the disposal of assets;
- Non operating outlay – abnormal expenses such as traffic fines;
- Abnormal losses – this related to the mark down of the value of some assets, this was an unrealised loss; and
- Revenue from other joint ventures.

The company provided us with the 2010 ledger accounts for these items. It argues that these items were not relevant to the goods under consideration and therefore should not be included in the costs. We consider that the unrealised loss on assets, revenue from the disposal of assets and revenue from other joint ventures does not need to be included in the SG&A expenses as these are either unrealised, or do not relate to the goods under consideration. We note that non-operating outlay is usually included but this amount was very minor and would not have any meaningful impact on the SG&A costs. We note that subsides may be used to offset costs but have not included them in the SG&A expenses.

The documents relating to the SG&A costs are at **confidential attachment CTMS12**.

In calculating costs, we have made an assessment of costs at the EXW level. Therefore, we have deducted the domestic inland freight and warehousing expenses from the SG&A costs. The calculations for SG&A expenses are in **confidential appendix 4**.

9.9 Conclusion

We are satisfied that sufficient information was available and verified to substantiate the CTMS the goods under consideration by CITIC Dicastal. We consider these CTMS are suitable for:

- determining a constructed normal value; and
- assessing whether domestic sales were sold in the ordinary course of trade.

The CTMS is at **confidential appendix 5**.

10 ADJUSTMENTS

We considered whether any adjustments were required for domestic selling prices to ensure they were properly comparable to export prices of aluminium road wheels exported to Australia.

As discussed previously, we calculated an export price at EXW level and therefore, sought to calculate an EXW normal value.

10.1 Inland transportation

In section 7.6 we noted that CITIC Dicastal supplied us with an inland freight contracts for two companies who charged based on the customer's location in China and the wheel diameter shipped. We consider that an adjustment to the domestic selling price where applicable, be made to account for inland domestic freight.

Where sales were delivered, we deducted the amount for inland freight from the net invoice value, to determine an ex-works (EXW) price. As sales were both delivered and EXW, this calculation was done prior to the ordinary course of trade test being conducted.

10.2 Commission

For export sales, [redacted] *[Australian Agent]* received a commission of [redacted]% of the ex-works price. We consider an upwards adjustment to the normal value of [redacted]% of the ex-works price for commission.

10.3 Warehousing

As discussed previously, CITIC Dicastal provided information regarding warehouse costs for domestic sales. All domestic sales in the investigation period were determined on a per transaction basis based on the unit rental charge.

Where sales went through a warehouse, we deducted the amount for the warehousing costs from the net invoice value, to determine an ex-works (EXW) price. As the sales were both warehoused and sold EXW, this calculation was done prior to the ordinary course of trade test being conducted.

10.4 Credit terms

As mentioned earlier, the domestic sales spreadsheet provided by CITIC Dicastal in the response to the exporter questionnaire identified various payment terms, including options for payment [redacted].

CITIC Dicastal calculated the average credit period for domestic sales by adding the beginning accounts receivable for the investigation period to the ending accounts receivable for domestic sales and dividing this amount by two and then dividing by the total amount of domestic sales in the investigation period (this took into account sales of both manufactured and purchased wheels). This resulted in an average

credit period for domestic sales of [redacted] days. Refer to **confidential attachment ADJ1**.

We asked CITIC Dicastal for evidence of a short term borrowing cost so we could measure the likely impact on price generated by extending credit. CITIC Dicastal explained in its returned exporter questionnaire that it calculates the credit costs, first by determining the credit period on domestic sales, and then multiplying this by the annual interest rate of short term loans. The company uses short-term loan rates published by the [redacted], and a copy of the rates used to calculate an average rate of [redacted]% were provided. The resulting figure is multiplied by the domestic transaction amount to obtain a credit cost.

In relation to export sales to Australia, we noted that payment was made outside the quoted terms of [redacted] days for Ford Australia and [redacted] days for GM Holden.

An adjustment is warranted when credit terms for export sales differ from the credit terms for domestic sales. We found in a review of the selected export sales that show that payment for the invoices were made outside the quoted terms for each Australian customer. We could not establish what the actual payment terms were in practice.

Therefore we consider that no adjustment should be made for differences in the credit terms between domestic and export sales.

10.5 Export credit insurance

In the selling, general and administrative expenses ledger CITIC Dicastal identified which items were only relevant to domestic sales and which items were only relevant to export sales. We identified that there was an item for export credit insurance and we consider that as this expense is only relevant to export sales, an upwards adjustment to the normal value should be made for this cost.

We allocated the proportion of this cost applicable to export sales to Australia (by revenue) and then divided this amount by the total number of kilograms of aluminium road wheels sold to determine a per kilogram adjustment.

10.6 Domestic and export packing

As in the export sales section, CITIC Dicastal explained that packing costs vary between customers and if the product was sold domestically or for export. It also varies depending on the size of the wheel. Wooden pallets are generally used for domestic sales with only some customers requiring steel pallets. CITIC Dicastal claimed that exports to Australia were shipped using steel pallets.

We calculated the weighted average domestic packing costs on a per kilogram basis. We then deducted the domestic packing costs. We also calculated the weighted average export packing costs and added this to the normal value.

11 NORMAL VALUE

11.1 General

CITIC Dicastal argues that the most appropriate way to determine normal value is on a per kilogram basis, regardless of rim size. It asserts that this is because the weight of the wheel and therefore the weight of aluminium is the most important factor in determining price. It argues that wheels of the same rim size can vary significantly in their weight resulting in significantly different costs and prices.

We compared the weighted average weight of wheels (by kilogram) of different sizes and finishes sold on the domestic market and exported to Australia, as shown in the table below. The domestic weights are based on sales made in the ordinary course of trade performed on the basis of pieces.

Size	Machined - Domestic	Machined - Export	Difference	Painted - Domestic	Painted - Export	Difference
15	[redacted]			[redacted]	[redacted]	-6%
16	[redacted]			[redacted]	[redacted]	2%
17	[redacted]	[redacted]	7%	[redacted]	[redacted]	10%
18	[redacted]	[redacted]	-15%	[redacted]	[redacted]	9%
19	[redacted]			[redacted]	[redacted]	27%

In addition, CITIC Dicastal argued that the productivity savings awarded to customers and applied to different wheels models may distort the selling price if a comparison on the basis of rim size. However, these price reductions are netted out when a comparison is made across all models.

We note that there are significant weight differences between wheels of the same rim size. However, we also note that sales occur on the basis of pieces rather than kilograms, as evidenced by the invoices and contracts provided. Therefore, we are of the view that a normal value could be determined: 1) on the basis of kilograms by finish, regardless of rim size; or 2) on the basis of pieces with an adjustment made for the different weights of the wheels sold on the domestic market versus the export market. We recommend that normal value is determined on the basis of kilograms but both options are shown below.

11.2 Normal value by kilogram

We found sufficient volumes of domestic sales of machined and painted aluminium road wheels that were arms length transactions and at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily. Based on the information provided by CITIC Dicastal and the verification conducted on site, we are satisfied that prices paid in respect of those domestic sales are suitable for assessing normal value under s. 269TAC(1) of the Act.

In addition, we consider other adjustments, in accordance with s. 269TAC(8) of the Act are necessary to ensure fair comparison of normal values with export prices.

Using the data verified we consider adjustments are warranted for the items discussed in detail in the section above.

Detailed normal value calculations, and summary normal values, are contained in **confidential appendix 6**.

11.3 Normal value by piece

We found sufficient volumes of domestic sales of machined and painted aluminium road wheels that were arms length transactions and at prices that were in the ordinary course of trade for all sizes except for [redacted] painted wheels. The price paid for the goods in those domestic sales was established satisfactorily. Based on the information provided by CITIC Dicastal and the verification conducted on site, we are satisfied that prices paid in respect of those domestic sales are suitable for assessing normal value under s. 269TAC(1) of the Act.

For [redacted] painted wheels, we consider that there was not sufficient domestic sales of this wheel type. We consider there is sufficient and reliable information relating to costs, and cost differences between wheel sizes types to use the domestic selling prices of [redacted] painted wheels as a basis for normal value for the [redacted] painted wheels under s. 269TAC(1) of the Act, taking account of an adjustment for physical differences.

We consider it would be reasonable to adjust the selling price of the [redacted] painted wheel to reflect the physical and specification differences between it and the [redacted] wheel. We consider the difference in production costs between the two models would be a reasonable basis for this adjustment. The difference in the production cost is the result of the different weighted averages of the two wheel types.

In addition to the adjustment for the cost difference, we believe it would be reasonable to "gross up" that cost difference with a calculation of gross profit, thereby assessing an estimate of the price difference between the two models that arises from the difference in production cost for the two models.

The calculation of the price difference represented by physical differences between the [redacted] and [redacted] painted wheels is included at **confidential appendix 7**.

In addition, we consider other adjustments, in accordance with s. 269TAC(8) of the Act are necessary to ensure fair comparison of normal values with export prices. Using the data verified we consider adjustments are warranted for the items discussed in detail in the section above. However, for the normal value by piece we have determined these adjustments on a per piece basis, rather than on a per kilogram basis.

We also consider an adjustment must be made for the weight difference between the domestic sales and export sales. To do this we calculated the quarterly domestic selling price for each finish and rim size. We then adjusted this selling price by the percentage of difference between the weighted average weight for that finish and size on the domestic market and the Australian export market.

Detailed normal value calculations, and summary normal values, are contained in **confidential appendix 7**.

12 DUMPING MARGIN – PRELIMINARY ASSESSMENT

We compared the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period, in accordance with s. 269TACB(2)(a) of the Act.

Using a comparison on the basis of kilograms, which we recommend, the weighted average product margin, for aluminium road wheels exported to Australia by CITIC Dicastal in 2010-11, was -0.2%.

Using a comparison on the basis of pieces the weighted average product margin was 4.71%.

Details of these calculations are at **confidential appendix 6 and 7**.

13 Market situation and subsidisation

13.1 Particular market situation

In the response to the exporter questionnaire and at our visit, CITIC Dicastal stated that it did not believe that a 'market situation' existed in China. It stated that it was not aware of any government controls in relation to aluminium or any other inputs, or the produced aluminium road wheels.

CITIC Dicastal confirmed that it is owned by the CITIC Group which is ultimately owned by the Government of China. However, CITIC Dicastal stated that it ran its business independently, free from any influence from the CITIC Group or the government.

It confirmed that no members of the government or the Chinese Communist Party were on the board of directors or had any influence in the day to day operations of the company.

CITIC Dicastal did confirm, however, that it received a preferential income tax rate as a result of its classification as a high tech enterprise. While the general income tax rate was 25%, CITIC Dicastal paid an income tax rate of [redacted]%. Accordingly, over the investigation period, CITIC Dicastal made a saving of [redacted].

CITIC Dicastal provided us with copies of its income tax returns, the regulation on the recognition of high and new technology enterprises, its application form and its certificate of being a high technology enterprise. These documents are at **confidential attachment CV1**.

13.2 Subsidies

In the response to the exporter questionnaire, CITIC Dicastal also identified that it received the following subsidies, the value of each of which was less than RMB1.5 million per annum and the majority of which was less than RMB110,000 per annum:

Program	Value(RMB)
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

CITIC Dicastal explained that the first two subsides listed were in relation to truck wheels and were therefore not applicable to the goods under consideration. It explained that for the [redacted] *[subsidy]* it was awarded [redacted] to develop heavy truck wheels. This amount was amortised over 5 years at a rate of [redacted] per year.

The subsidy to [redacted] from the science and technology bureau was in relation to patents for the heavy truck wheel project. The company provided us with the government approvals for these projects as well as the record of payment from the government. These documents are at **confidential attachment CV2 and 3**.

The company explained that the award for the [redacted] *[subsidy]* did not require the company to apply. Rather, the government awarded the payment based on the value of [redacted] paid. The company provided us with the government regulation regarding this program, the list of companies awarded the grant and proof of payment. These documents are at **confidential attachment CV4**.

The grant from the [redacted] program required the company to have a PHD holder working on a project within the company. The grant was awarded by a committee who examined applications for high technology research. The foundation was founded by [redacted] and while some of the funds came from the government the foundation also accepted donations from other sources. The documents relating to this grant are at **confidential attachment CV5**.

The [redacted] *[subsidy]* was specifically for equipment or technology purchases, R&D expenses and rentals for premises such as high technology premises or laboratories for R&D. The object of the programme is to enable companies to enhance their international competitiveness through the adoption and development of advanced technology platforms. The company provided the project application report which listed CITIC Dicastal as a recipient. It also provided proof of payment by the government. These documents are at **confidential attachment CV6**.

When we examined the 2010 annual report, we identified two other subsidies, [redacted] and the [redacted] award. The company explained that the [redacted] award was in relation to forged wheels and this was evident in the title of the subsidy in the Chinese version of the financial statement.

The company explained that the [redacted] award was granted prior to the investigation period and had therefore not been included in the questionnaire response. The company explained that this was a subsidy relating to the adjustment of export structure within the company and was designed to encourage export of more high value goods. This was a grant for [redacted] and was paid in June 2010. The documents relating to this subsidy are at **confidential attachment CV7**.

At the time this report was written the 2011 audited financial statement was not yet available.

14 LIST OF APPENDICES AND ATTACHMENTS

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