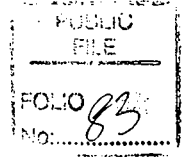




**Australian Government**  
**Australian Customs and  
Border Protection Service**



**INVESTIGATION INTO THE ALLEGED DUMPING AND  
SUBSIDISATION OF ALUMINIUM ROAD WHEELS**

**EXPORTED FROM**

**THE PEOPLE'S REPUBLIC OF CHINA**

**EXPORTER VISIT REPORT**

**ZHEJIANG SHUGUANG INDUSTRIAL CO. LTD**

**THIS REPORT AND THE 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**

**MARCH 2012**

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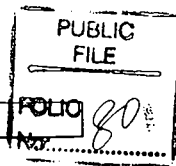
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2 BACKGROUND

2.1 Background to the current investigation

On 11 August 2011, ROH Automotive, a division of Arrowcrest Group Pty Ltd (Arrowcrest) lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping and countervailing duty notice in respect of Aluminium Road Wheels<sup>1</sup> (ARWs) exported to Australia from the People's Republic of China (China).

The application alleges that ARWs have been exported to Australia from China at prices lower than their normal value, and ARWs exported to Australia from China have received countervailable subsidies, and that this dumping and subsidisation have caused material injury to the Australian industry producing ARWs through:

- lost sales volume;
- lost market share;
- lost revenues;
- price undercutting;
- price suppression;
- price depression;
- lost profits and profitability;
- reduced return on investment;
- reduced employment; and
- reduced re-investment in the industry.

Following consideration of the application, the investigation was initiated on 7 November 2011. Public notification of initiation of the investigation was made in *The Australian* on 7 November 2011. Australian Customs Dumping Notice No. 2011/54 provides further details of this investigation and is available at [www.customs.gov.au](http://www.customs.gov.au).

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that Zhejiang Shuguang Co., Ltd. (Zhejiang Shuguang) and PDW International Co., Ltd. (PDWI) exported aluminium road wheels from The People's Republic of China to Australia during the investigation period (1 July 2010 to 30 June 2011). It is noted that PDW International (PDWI) publicly identifies itself as being a subsidiary of Zhejiang Shuguang. PDWI's status is a mere alias and is used as a trading name of Zhejiang Shuguang but is not a registered entity. As such, exports executed under the trading name of either entity will be regarded to have been made by Zhejiang Shuguang.

For the sake of consistency, the report that follows will refer to the company as 'PDW'. The relevance of this acronym will be explained in turn.

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<sup>1</sup> Refer to the full description of the goods in section 5.1 of this report.

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Customs and Border Protection wrote to PDW advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the exporter questionnaire to complete.

PDW completed the exporter questionnaire, providing details regarding their company, overseas importer information, domestic sales and expenses. The completed importer questionnaire can be found at **confidential attachment GEN 1**.

### 2.2 Purpose of meeting

The purpose of the visit was to verify information submitted by PDW in their exporter questionnaire response. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data requested in the exporter questionnaire.

A non-confidential version of the exporter questionnaire response was placed on the public record.

Customs and Border Protection will use the verified information gathered at the visit to make preliminary assessments of:

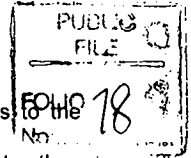
- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

### 2.3 Meeting and preliminary issues

We advised PDW generally of the investigation process and timeframes.

- The investigation period is 1 July 2010 to 30 June 2011.
- A preliminary affirmative determination (PAD) may be made any time after 6 January 2012 and advised that the implementation of a PAD would enable Customs and Border Protection to implement provisional anti-dumping and/or countervailing measures (in the form of securities) for the remainder of the investigation until the Minister had made a decision of whether to impose definitive measures.
- PDW was specifically advised that, as the date from which a PAD could be made had passed, Customs and Border Protection could make such a determination at any time.
- PDW was advised that a PAD would only be made 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.
- A statement of essential facts will be placed on the public record (no later than 27 April 2012). The statement of essential facts will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The statement of essential facts will invite interested parties to respond to the issues raised, within 20 days of its release date. Submissions received in response to the statement of essential facts

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will be considered when compiling the report and recommendations to the Minister.

- Customs and Border Protection's report to the Minister is due no later than 11 June 2012,

We advised PDW that we would prepare a confidential report on the visit, a copy of which would be provided to PDW to provide them an opportunity to review the report for accuracy. PDW was also advised that a non-confidential version of this visit report would be prepared in consultation with the company and placed on the public record.

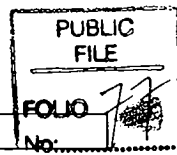
### 2.4 Meeting dates and attendees

Verification meetings were held at the offices of PDW which are located in a building immediately adjacent to the company's factory in WuYi in the Zhejiang province.

Given that the general manager of the company, the president of the company and the company's legal representative all demonstrated excellent English comprehension and oral communication, official translation services were not required. Translations were provided, where necessary, to Chinese staff with little or no English comprehension by the company representatives who spoke both English and Chinese.

The following people were present at various stages of the meeting:

PDW	
Mr George Yan Shengyuan	President, Zhejiang Shuguang (PDW)
Mr Adrian Russell	General Manager, Zhejiang Shuguang (PDW)
Ms Mao Qunying	Chief Financial Officer, Zhejiang Shuguang (PDW)
Consultants	
Mr Paul Lee	Partner, Dacheng Law Offices
Australian Customs and Border Protection	
Tom O'Connor	Manager, Operations 1
Edward Macgregor	Supervisor, Operations 1



**3 COMPANY INFORMATION**

**3.1 Company background**

PDW is a privately owned company, limited by shares, and was registered in China in 2002.

PDW advised us that the Chinese translation of Shuguang roughly translates as 'Dawning' and Dawning is also sometimes referred to as an alias to PDW. That is, that the company is recognised by the names Zhejiang Shuguang, and Zhejiang Shuguang Dawning in China. We were informed the other company names are not registered company names in China.

PDW is a corporate entity that is wholly owned by directly related members of the Yan family – mother, father and eldest son. We understand that the Father is the original founder of the company and commenced the business by making motorcycle wheels.

In their exporter questionnaire PDW indicated that during the investigation period these three members together controlled 100% of the shares in the company held in their personal capacity. At the visit we were provided with information which reflected that, after the investigation period, the corporate structure of PDW was amended, with the share holding re-apportioned by the father of the Yan family, to relinquish a portion of his shares to his youngest son, George, who now oversees the company's operations in the manufacture and sale of ARW's and motorcycle wheels.

PDW is involved in the manufacture of aluminium motor vehicle and motorcycle wheels. It manufactures motor vehicle wheels for the after market segment only.

Mr George Yan holds the office of company president and is responsible for motor vehicle and motorcycle wheels. Sales and marketing is managed by, Mr Adrian Russell.

ARWs that are sold in the domestic and export markets are branded with the product name 'PDW'. The company also manufactures wheels that are private labels branded and packaged with the product branding specified by importers or domestic customers.

Zhejiang Shuguang uses the name 'PDW' as an easily recognisable product brand and as the trading name for the company in relation to all its activities associated with export sales. We were informed 'PDW' was perceived to be a more easily remembered name by non-Chinese. In the administration of its export sales the name 'PDW International' (PDWI) is used on all correspondence with customers and potential customers.

Neither PDW International or PDW are legally registered names or are subsidiaries of Zhejiang Shuguang. They are merely the names used on paper by the company for ease of recognition by Western customers. We were advised that this practice is in compliance with the company law of China.

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In addition to its operations in China, PDW entered a joint venture with unrelated parties in Australia in 2007 to establish a company to operate as a sole distributor of wheels manufactured by PDW – registered in Australia under Australian Corporations law as 'Prestige Wheels and Accessories Pty Ltd'. 76

Confirmation of this corporate structure of is included was included with its response at exhibit 1 and 2 and **confidential attachment GEN 2**.

### 3.2 Commercial operations

PDW's central office and its factory are both located together at Quanxi Industrial Park in WuYi in Zhejiang province in China. PDW advised us that all ARW's and all motorcycle wheels it sells domestically and for export are manufactured at its WuYi facility. PDW only has the one manufacturing facility.

We were informed that its factory operates on a 24 hour schedule, 7 days a week. The company employs a labour force in total of approximately [REDACTED] individuals divided into three eight hour shifts who work on the factory floor in the production of ARWs and motorcycle wheels. Production capacity is estimated to [REDACTED] units per year. This may vary depending on the model being manufactured. During the investigation period it [REDACTED] pieces.

PDW's response further specifies that, of the total volume of units of the GUC sold during the investigation period, [REDACTED] [REDACTED]%) were sold domestically, [REDACTED] were sold to Australia and [REDACTED] were sold to third country export markets.

### 3.3 Accounting

PDW indicated in its exporter submission that it uses the General Acceptance Accounting Practice (GAAP) of China. PDW uses the calendar year as their financial year.

The financial accounts of PDW are audited by Yongkang Wujin Certified Public Accountants Co., Ltd. in China. The company provided audit reports for 2009 and 2010 calendar years and management account for 2011. The report in relation to calendar year 2010 provided the following audit opinion.

*In our opinion, the financial statements of the company have been made up in accordance with provisions of accounting standards enterprises and accounting rulings for enterprise and give a true and fair view of the state of affairs as of December 31, 2010 and of the operating results for the year 2010 .*

The audit opinion for the financial year 2009 was expressed in similar terms.



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### 4 GOODS UNDER CONSIDERATION AND LIKE GOODS

#### 4.1 Goods the subject of the application

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 aluminium road wheels whether un-painted, painted, chrome plated, forged or with tyres.

#### 4.2 Tariff classification

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

#### 4.3 Like goods

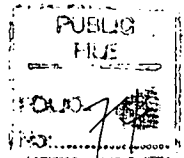
PDW only manufacture ARWs for the after market segment for both its domestic and export markets.

During the investigation period PDW sold [REDACTED] models on the domestic market and [REDACTED] on the export market. In its response to the exporter questionnaire, PDW indicated in its Like Goods spreadsheet that only [REDACTED] models were either identical or like to the domestic models. Of the remaining models we were informed that we would be shown at the time of the visit information to help demonstrate the differences and likeness.

When asked to define likeness between OEM products and AM products PDW advised us that in its most simple view the goods would be like because they are used on a motor car. But this view is at odds with the way the goods are made and marketed into the after market (AM) or original equipment manufacture (OEM) markets. On this basis PDW indicated the AM GUC are not like to the OEM goods because of a number of factors;

- Price;
- Business model;
- Production run
- Pattern design
- Selling structure
- Manufacturing costs;
- End use
- Life cycle

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### 4.3.1 Price

PDW stated that the selling price for OEM goods is based on a bulk run of a particular pattern. To this end the manufacturer is more a price taker and margins are very tight. This is at odds with PDW's processes where it is able to set margins and be a [REDACTED]. Furthermore the AM market has a perception that the [REDACTED] price. Through good design however the weight of the wheel can be considerably reduced without compromising structural integrity, hence the [REDACTED] can be substantially improved.

### 4.3.2 Business model

The current business model would not suit an OEM business. PDW indicated it would have to reconfigure many of the manufacturing, administrative and design operations as well as the through-put design of the plant.

### 4.3.3 Production runs

An OEM operation would produce substantially higher volumes of fewer patterns to meet the demand of the car manufacturer. Currently, PDW's largest single production run may be as high [REDACTED] units. Typically the production run is below this and can be as low [REDACTED] units.

### 4.3.4 Pattern design

PDW have the option to design the wheel pattern itself, or its customers bring the pattern, or a suggested pattern for the PDW designers to complete. The ownership of the pattern could be either its customer or PDW. With regard to OEM, the pattern is owned by the car company and no or limited design input is provided by the wheel manufacturer.

### 4.3.5 Selling structure

PDW argue that the selling structure is also vastly different. Currently it requires a sales team and various marketing strategies to obtain the best price. With OEM manufacturing, there is no selling - it will come down to the contracted price and usually based on wheel weight.

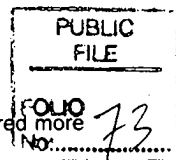
### 4.3.6 Manufacturing costs.

The manufacturing process is vastly different. Due to the long production runs of a single pattern, the costs incurred due to changing patterns in the casting area, the CNC and MC machines and painting apparatus would be substantially lower. Also the ordering of materials would change to meet the specified requirements of the OEM contact. This is in contrast to the large store of various materials and cutting bits for the many patterns currently used.

### 4.3.7 End use

We were informed that the OEM market wheels are destined for a particular model of new car. The AM market wheel may go onto a new car, but it is more likely to go onto a second hand motor vehicle or recently purchased vehicle. It considered that the

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AM wheel does not compete with an OEM wheel. The AM wheel is considered more like a fashion accessory to help a car owner individualise its car.

### 4.3.8 Life cycle

Many AM wheels have a short life cycle. That is not due to the quality, but rather rapidly changing consumer tastes for various patterns. We were informed that is not to say that all AM wheels have a short life cycle but the majority of patterns have short production runs. PDW considers that the OEM wheel has a much longer life cycle due to the volume produced to meet the car manufacturer output of particular car models that may extend over a number of years.

### 4.3.9 Conclusion

The issue of like goods is defined in S.269T of the Customs Act 1901 which states

*In relation to goods under consideration, means 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.*

The Australian industry manufacture both AM and OEM goods at its plant. The wheels, particularly AM wheels are designed to fit more than one vehicle and AM wheels can be used by a vehicle that is supplied with OEM wheels. Conversely, OEM wheels can be fitted to other vehicles that meet the fitment requirements.

We note that there are limitations to the like goods in that a 13 inch rim will not be suitable for a vehicle that requires a minimum 17 inch rim for example, or that it has large brake callipers. Whilst it is observed there are a number of considerations to wheel fitment, we consider a particular vehicle can up-size or downsize to a different wheel rim size, or have a wider or narrower rim for example, thereby not limiting the vehicle to a particular wheel rim size.

The production process may be different but it does produce ARWs with very similar strength properties suitable for use on a car. Aesthetically an OEM and AM wheel may be different, but end users may have a particular preference that suits the various opinions.

Although PDW presented many arguments to separate the two goods we consider it is more a market consideration rather than functional use. We therefore consider that the goods being OEM and AM goods are like, therefore the GUC are like to the goods manufactured by the Australian industry.

## 4.4 Domestic versus export models

Although PDW indicated [REDACTED] export models were either identical, or like to domestic models (as they share the same model/pattern), we considered the question of what is an appropriate approach to compare the domestic and export markets and respective models. Following discussion with PDW they indicated that there were three main characteristic to a wheel; rim size, weight and finish (painted or chrome).

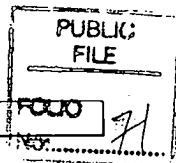
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To understand this view PDW indicated that for each rim size the customer has a perception that the price is going to be higher with each increase in rim size. With regard to weight; aluminium is a major component of the wheel cost and therefore any weight differences will be borne in the final cost and selling price. We were informed that this is not always the case as good engineering can reduce weight without lowering structural strength. However the rim size perceptions and the perceived price creates a price [REDACTED] PDW indicated that chrome finishes are very expensive and need a separate category. As to painting, there will be minor cost differences but overall insignificant cost variances between various painted finishes.

Using this approach, PDW provided the standard weights of all patterns. We compared the domestic and export models by rim size, weight and then finish. In terms of weight, we looked for export and domestic model rims that had a weight that was within 1% or one another. If the rim size differed, the weight tolerances differed or the finish differed, it was considered there was no comparable domestic to export model.

Following this approach we found 12 export models that had no likeness on the domestic market.



5 EXPORT SALES

5.1 General

During the investigation period PDW exported [redacted] of the GUC [redacted] separate companies registered in Australia – [redacted] and Prestige Wheels and Accessories Pty Ltd (PW).

We note that [redacted] and PW did not purchase any of the same models during this period.

From the Australian sales spreadsheet provided with its response we calculated that [redacted] purchased [redacted] (rims) and PW [redacted] during the investigation period, totalling [redacted].

The Australian market was described as competitive [redacted] The particular look preferred by the consumer was [redacted] look preferred by the Chinese market.

Although a competitive market, PDW indicated that the export selling prices [redacted] and Australia is [redacted] market. We were informed the Australian market tends to follows the [redacted] market with a trend for [redacted]. PDW indicated that due to the [redacted] market tending to lead the way, it finds that the model life cycle has become shorter and new models are required all the time.

PDW indicated that the Australian market is quite predictable because it has a high proportion of [redacted]. [redacted] PDW examines these trends as part of its overall marketing strategy.

5.1.1 Ownership of Prestige Wheels Australia (PW)

PDW informed us that [redacted] had a minor shareholding of PW however it was operated independently by [redacted] the major shareholder and founder. All business decisions and pricing was totally independent.

We were advised that the original relationship soured and that the ownership and control was subject to litigation with PDW shareholders gaining 100% ownership after the nominated investigation period.

The litigation was brought on due to [redacted] **Confidential attachment GEN 4**

Due to the alleged [redacted], PW had fallen behind in its payments of GUC and other products. PDW provided a number of documents to demonstrate that PW was an independent business that had fallen behind in its payments and that the new management are trying to make good on those outstanding monies. PDW advised

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that account arrears were being resolved with the new management of PW and a repayment strategy had been implemented to ensure the complete payment of all outstanding payments.

In so doing PDW has offered PW some assistance in that the existing outstanding amount is paid by instalments when PW had available funding. Again this was demonstrated (**confidential attachment EXP 1**). Apart from the minor shareholding held by [REDACTED] during the investigation period, we did not find any evidence that we consider would render PW purchases of the GUC as non arm's length.

PDW submitted that all price negotiation between the two entities was undertaken on the basis of unrelated parties operating in the ordinary course of trade in a competitive market. PDW advised that terms of sale and sales price between PDW and PW during the investigation period were a cause for conflict between the two entities, and that the sales price for the GUC has always been aggressively negotiated.

PDW presented evidence at the visit to substantiate their claims that price negotiations between PDW and PW were aggressively fought by each party, and that litigation was commenced between the parties with respect to the former managing director of PW. These documents are included at **confidential attachment EXP 2**.

### 5.2 Export sales process

PDW described its export sales process as follows:

- All orders are placed with PDW by importers in Australia;
- Price is negotiated on a per order basis between PDW and the particular importer, taking into account the volume of the order and specific product models ordered;
- A Pro forma Invoice (PI) is prepared by PDW and provided to the customer, confirming the details of the order in terms of model, sales quantity and agreed price;
- Products are manufactured to order in accordance with the specifics of the order submitted by the importer with production commencing only after the importer has provided PDW with a full list of product packing and accessory requirements and a signed PI. An estimated time of departure is calculated by PDW from the date on which the PI is finalised;
- 40 foot FCL are used to export the GUC;
- Export sales to Australia were on FOB terms,
- Ownership of the product passed from PDW to the Australian importer once the goods were loaded onto the vessel at the port in China. The importer assumed responsibility for all importation costs incurred from point of FOB to point of assuming physical custody of the products;
- PDW invoiced importers following receipt of the PI with payment terms specifying payment after [REDACTED] days from the BL date.

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Due to production scheduling, PDW indicated it takes approximately [REDACTED] days from the date of the signed PI to manufacture the goods and make them ready for shipping from the Ningbo port China. 69

### 5.3 Pricing

The prices to the Australian customers are based on a number of criteria. The first threshold that dominates price setting is the rim and weight of the goods. PDW have standard weights whereby the wheel needs to be within this range or below before a price is set. For price setting purposes, we were informed the standard weight is a simple comparison of past sales of similar goods with similar weights.

[REDACTED]  
Electro plated finishes have a higher price [REDACTED] to the additional cost incurred for this process.

Prices are negotiated until a price is set and the order process then commences.

PDW informed us that due to the [REDACTED] achieved in the Australian market it is [REDACTED] to minor cost fluctuations and will absorb these if needed.

#### 5.3.1 Discounts, rebates and allowances

PDW stated in its response that it does not provide its Australian customers with discounts, rebates or allowances and that the price on the invoice is the price paid.

This issue was raised with PDW who advised us that no discount, rebate or allowance is provided to either of its Australian customers. We found no evidence to indicate that this was not the case.

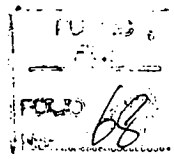
### 5.4 Export sales verification - reconciliation to financial statements

Prior to the visit, we selected the following seven invoices selected from the export sales spreadsheet provided with its response and requested that PDW provide supporting documents relating to these selected invoices.

Export Invoice #	Invoice date
[REDACTED]	2010-09-09
[REDACTED]	2011-06-04
[REDACTED]	2010-08-12
[REDACTED]	2010-10-02

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[REDACTED]	2011-10-06
[REDACTED]	2011-06-19
[REDACTED]	2010-08-10



PDW was asked to provide commercial documents relating to each selected invoice. These were provided and included;

- Commercial invoice from PDW to the importer;
- Documentation relating to inland transport (logistics) to wharf;
- Handling and other FOB-related charges; and
- Bill of lading.

Proof of payment was provided for each invoice relating to [REDACTED] sale. We also were provided with the proof of payment for one of the PW sales. It was however during the investigation period that the payment of invoices for PW [REDACTED]. For PW arrears, we were provided copies of emails and an accounts receivable ledger confirming the amount outstanding, the peak of the debt outstanding and the current balance. The receivables balance had been substantially reduced.

These documents are at **confidential attachment EXP 3a – 3g**.

To check the completeness and relevance of export sales to Australia, we verified the information contained in the exporter spreadsheets upwards through management reports to audited financial statements.

We verified the export sales invoices to the export sales spread provided in with their response. Some of the sales invoices provided had non GUC items included. To confirm we only had GUC sales in the export sales spreadsheet, PDW provided a line by line download of the sales ledger for the company during the investigation period. The download identified customer, product code, invoice number, invoice quantity and invoice value. We verified total domestic and export sales for the goods under consideration against the turnover spreadsheet and financial statements.

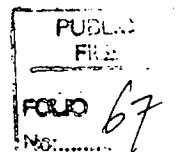
We are satisfied that no irrelevant sales are included in the spreadsheets.

We are satisfied that the export sales spreadsheet supplied by PDW is a complete listing of exports of the GUC to Australia during the investigation period.

We were able to trace the sales volume and values using the commercial invoices and packing lists provided during the verification visit to the export sales spreadsheets. There were no discrepancies identified in relation to sales volume or value in the documents provided with respect to the sampled shipments.



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### 5.4.1 Payment terms

PDW advised that all exports sales to PW and [REDACTED] were invoiced in USD. Payment was made by PW and [REDACTED] USD.

The payment terms offered [REDACTED] days credit from the B/L date. All of the sales between PDW and PW specified [REDACTED] X day credit terms from the B/L date, with the significant majority specifying [REDACTED]-days.

During the verification visit PDW were able to provide sufficient supporting documentation of proof-of-payment in relation to selected shipments using bank vouchers and transfer confirmations. We are satisfied that the invoice price shown in the Australian Sales spreadsheet was the price paid by PW or [REDACTED]-(**confidential attachment EXP 3a – 3g**)

### 5.4.2 Ocean freight

The export sales spreadsheet provided by PDW reflects that all export sales to PW and [REDACTED] were made on an FOB basis. As such, no costs for ocean freight and marine insurance were included in the sales price invoiced to the Australian customer by PDW. From the evidence of payment we confirmed that the FOB term was the price paid.

### 5.4.3 Inland freight

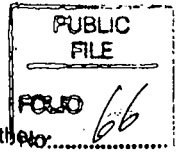
PDW sells the goods on an FOB basis. Accordingly we sought to confirm the inland and port and terminal handling charges. PDW advised that it utilises third-party freight providers in China, to transport the goods from the factory in Wuyi to the port at Ningbo. Freight and handling costs were calculated together for each shipment and were reflected in the export sales spreadsheet. PDW provided evidence of these charges and evidence of payment to these third party providers (**confidential attachment EXP 3a – 3g**)

## 5.5 The exporter

The Customs Act does not define the exporter, however Customs and Border Protection tends to look for the circumstances surrounding the exportation of the goods. To this end we consider PDW to be the exporter of GUC because PDW:

- is the manufacturer of the goods;
- owned the goods at the time prior to export;
- is listed as the supplier on the bill of lading;
- invoices Australian customers for the goods directly;
- arranges and pays inland transport to ship the product to port of export;
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia; and

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- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.
- received payment for the goods from the importer.

### 5.6 The importer

We noted that PDW's Australian customers:

- negotiate directly with PDW for the purchase of goods;
- are named as the consignee on the bill of lading;
- arrange customs clearance, quarantine, logistics, overseas freight and storage of the goods after they have been delivered to the Australian port; and
- take control of the goods on arrival and become the beneficial owner of the goods.

We consider that PDW's Australian customers are the beneficial owners of the goods at the time of importation and are therefore the importer of the ARW's exported by PDW.

### 5.7 Arms length

We found no evidence to suggest that the price was influenced by the relationship between PDW and PW during the investigation period, nor the relationship between PDW and [REDACTED].

We are satisfied, on the evidence supplied, that the change in the corporate ownership of PW and the closeness of the relationship thereafter with PDW's shareholders occurred after the period of investigation.

In determining export prices under s.269TAB(1)(a) and normal values under s.269TAC, the legislation requires that the relevant sales are arms length transactions.

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- 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;
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, 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.

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### 5.8 Export price preliminary assessment

In the case of export sales to Australia by PDW, we consider:

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

Therefore, we are consider that export price for export sales from PDW can be established under section 269TAB(1)(a).

Export price calculations are included at **Confidential Appendix 1**.



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[REDACTED] were only sold to retail-level customers in the domestic market during the investigation period. 63

We looked at the domestic sales data and at the two different levels of trade, those identified by PDW being retailers and wholesalers. Looking at a model by model comparison of the two levels of trade, we found that the levels of trade in terms of pricing and volume did not reflect any real difference. Accordingly all relevant domestic models were used irrespective of the level of trade.

### 6.3 Ordering

PDW described its domestic sales process as follows.

- All orders are placed with PDW by wholesale and retail level customers in China, specifying the models and quantities required or requesting a particular style of wheel to be manufactured;
- Price is negotiated on a per order basis between PDW and the customer, taking into account the volume of the order and specific models ordered;
- In the instances where a new model is requested price will be negotiated by PDW taking into account the specifications of the model, and considerations of its perceived value as a new product in the market. The customer may also, in some instances, purchase the mould for that product to ensure exclusivity of supply;
- Once the order is confirmed, PDW provides the customer with a pro-former invoice (PI) which formally confirms the sales quantity and invoice value as agreed.
- Products are manufactured to order in accordance with the terms of the PI with production commencing once the PI has been provided by the customer.
- All domestic sales were made on an 'exworks' basis with domestic customers bearing responsibility for collecting the products directly from PDW's factory in WuYi.
- In the majority of domestic sales PDW specified payment from the customer 'at sight'. However,

[REDACTED]  
[REDACTED] [Credit terms of a small number of customers]

### 6.4 Pricing and terms

Price was determined on a per-order basis by PDW taking into account the specifications of the model. For models already in PDW's design inventory, prices were negotiated on the basis of PDW's corporate knowledge with respect to the selling price of the particular model. Newer models were, in general, sold at a [REDACTED] selling price. In instances in which a domestic customer would request a new product design, price was determined taking into account the specifications of the model and corporate knowledge regarding the standard manufacturing costs relevant to products with the same or similar specifications. The

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status of the product as a unique product entrant into the market was also considered when specifying price.

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### 6.5 Domestic sales verification

In its response PDW supplied a domestic sales spreadsheet. The spreadsheet includes line by line information relating to sales made between PDW and its customers in China. The sheet includes information relating, inter alia, to:


- customer;
- level of trade;
- product code, pattern code, size and holes and accessories code;
- electro plate fee;
- invoice number, date of invoice and date of sale;
- order number;
- payment terms and delivery terms;
- sales quantity (in units – designated as 'pieces');
- Gross and net invoice values (expressed in CNY); and
- Total ex-works value of goods (without electro plating fee)

At the visit PDW advised that certain errors had been identified with the original domestic sales spreadsheet with regards to invoice date for particular sales. An amended domestic sales spreadsheet was provided at the visit with additional columns added to reflect amendments to invoice dates. **confidential attachment Dom 1**

Prior to the visit, we requested that PDW provide, supporting documents relating to ten selected invoices reflecting sales of the GUC to its customers in China. The ten invoices selected were as follows:

Invoice #	Invoice date
[REDACTED]	2010-11-01
[REDACTED]	2011-01-19
[REDACTED]	2010-09-06
[REDACTED]	2011-03-01
[REDACTED]	2011-06-23
[REDACTED]	2010-07-27
[REDACTED]	2011-01-24
[REDACTED]	2011-01-19
[REDACTED]	2010-07-03

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PDW was asked to provide the following documents for to each of the selected invoices. These documents were provided and included the following;

- PI provided by PDW to the relevant customer;
- Commercial invoice from PDW to the domestic customer;
- Proof of payment made by domestic customer to PDW.

These documents are at **confidential attachment Dom 2a – 2j**

### 6.5.1 Domestic sales reconciliation to financial statements

To check the completeness and relevance of domestic sales, we sought to verify the information contained in the domestic spreadsheets upwards through management reports to audited financial statements.

In its response PDW provided audited income statements for calendar years 2009 and 2010, and income statements from the management accounts for the first half of 2011.

We verified total domestic sales for the GUC against the turnover spreadsheet provided with its response tracing the amounts to the financial statements. For completeness we also verified the total quantity to source documents.

We are satisfied that the domestic sales spreadsheet supplied by PDW is a complete listing of domestic sales of the GUC during the investigation period.

We asked PDW how motorcycle wheels were accounted for in the financial statements and whether they could be included in the domestic sales turnover spreadsheet. PDW informed us that the motorcycle wheels have a distinctly different product code and they would be identifiable by this aspect alone.

We reviewed the product codes in the domestic sales spreadsheet and confirmed that the domestic sales spreadsheet only included product codes according to the ARW product nomenclature identified in their submission.

### 6.5.2 Sales volume and value

From the selected sales we traced the details from the domestic sales spreadsheet to the commercial documents. We noted in some instances the invoiced value was higher due to the inclusion of non GUC goods.

PDW advised that this apparent discrepancy was due to goods unrelated to the GUC - namely ARW's with sizes greater than 22 inches. We confirmed this explanation by verifying each selected invoice to the domestic sales spreadsheet for each model. We were able to identify the products listed in the invoice that did not appear in the sales spreadsheet for the particular invoice, and confirm that these outlying products were not within the scope of the GUC or in the domestic sales spreadsheet.

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From verifying the selected invoices we are satisfied that the details have been correctly recorded into the domestic sales spreadsheet and non GUC sales have been excluded.

All domestic sales were sold in RMB.

During the verification visit PDW was able to provide sufficient supporting documentation and proof-of-payment in relation to selected shipments using bank vouchers and transfer confirmations. We are satisfied that the invoice price shown in the domestic sales spreadsheet was the price paid by domestic customers and that payments were made pursuant to the terms of sale.

### 6.6 Arms length

In respect of PDW's domestic sales 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 PDW's domestic sales of ARWs to be made in arms length transactions.

### 6.7 Ordinary course of trade

Using this three step methodology in the order of rim, weight and finish we compared the unit invoice price paid for each domestic sale of models with the fully absorbed cost to make and sell of those models for the corresponding month.

Given the production cycle of most models did not extend over a full year but rather a month or two, we considered that the first part of the ordinary course of sales test was in fact the recovery test. Hence we did not compare all sales, by model, against its relevant cost to make and sell over the entire year. Due to the small production run the cost did not change. Hence this cost was the weighted average cost of the model for the year. We are satisfied that all loss making domestic sales were not recoverable within a reasonable period of time. As such we are satisfied that it is reasonable to remove the loss making products from consideration when calculating normal values.

We found that the selling price of 15 models were not recoverable. **Confidential appendix 2**



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### 6.7.1 Volume and suitability of sales

Domestic sales cannot be used to establish normal values if the volume of domestic ordinary course of trade sales of like goods is less than 5% of the volume of comparable like goods exported to Australia.

Following on from the section Like Goods, we noted PDW had identified that only [REDACTED] the [REDACTED] exported were either identical or like goods to domestic models.

We used the three step methodology in the order of rim, weight and finish, to determine suitable model for comparable sales purposes.

Following the volume of sales test we identified that [REDACTED] models failed.

Models that failed the ordinary course of trade test and the sufficiency tests were considered not suitable for comparing normal values to export prices. **Confidential appendix 3**

### 7.1 Introduction

All ARW's sold by PDW during the investigation period were manufactured at its factory in WuYi.

PDW advised that it has an annual capacity of [REDACTED] ARW units, and that it achieved [REDACTED] % of this capacity during the investigation period; producing a [REDACTED] units.

We were advised that the manufacturing process for the motorcycle wheels and ARW's produced by PDW is very similar. Although similar manufacturing processes, the motor cycle facility is separately located and runs almost as an autonomous facility. Both products are manufactured from aluminium alloy, derived from raw aluminium ingots purchased by PDW from un-related domestic aluminium suppliers. PDW advised that they create the alloy themselves to regulate the levels of additives to the raw aluminium for quality control purposes.

Due to the similar processes for both products PDW does not operate separate cost centres.

PDW uses gravity feed casting with up to [REDACTED] ARW casts being used at anyone time for ARWs.

We conducted a visit of PDW's factory and observed the process of manufacture in its entirety. The process for the manufacture of ARWs is as follows:

1. Pure aluminium ingots are melted and through the addition of other materials, formed into aluminium alloy.
2. The molten aluminium alloy is then poured into a gravity die-cast mould where it is left to set to produce a rough blank wheel with the physical dimensions relevant to the particular cast use
3. After being removed from the mould, the rough blank is processed by way of grinding treatments to remove the rough excess aluminium from the wheel blank. Excess aluminium is termed 'squaw' and a portion of this is fed back into the production process as recycled material.
4. Once the excess aluminium is removed from the wheel blank, the rough blank wheels are then heat treated in groups of blank wheels. The heat treating process is to strengthen the aluminium alloy, producing what is known as a 'fine blank';
5. The fine blank is then processed through machine processes known as 'CNC' and 'MC' machines which further refine the outside face and surfaces of the wheel to produce a semi-finished product which appears to resemble a finished wheel product,
6. All units are leak tested in a water tank to approximately 50psi.

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7. The semi-finished product is then painted or electro plated, to produce the desired finished product;
8. Sample units from particular product runs are routinely passed through various testing processes on site to ensure, inter alia, the units satisfy the quality control requirements associated with the strength of the wheel rim under pressure; the wheel's ability to retain physical integrity at high speed rotation; and whether the wheel has any leaks or imperfections.

PDW submit that during the stages of the manufacturing process, a proportion of all aluminium scrap and any defect or under-grade products are recycled as raw aluminium and re-introduced into the smelting process. PDW advised however that the rate of re-introduction of 'suarw' scrap aluminium must be closely monitored to ensure that the ratio of squarw to raw aluminium is no more than its own set technical parameter of █%. PDW indicated that this ratio is further reduced in the event that squarw is derived from a product that has been electroplated.

PDW advised that, to minimise loss of productivity associated with switching the moulds in any of its production lines, they will generally ensure each product line produces roughly a minimum of █ units of the one model, irrespective of the order amount.

Product is manufactured to order. PDW advised us that it does not produce for inventory. Small order lots may be consolidated into a large production run to increase production efficiencies. This procedure may be at the detriment to the customer who may have to wait a considerable period of time for the batch volume to be considered economic to produce.

PDW advised that the total production capacity of the production lines of its factory producing ARW's is █ units per annum. Capacity is measured at the point when the products passing all manufacturing process, duly packed and received by the warehouse for finished products. We observed that PDW are in the process of building a new factory adjacent to the current facility, that, when finished, will operate in tandem with current operations. This facility, when complete, will possibly be used for new low-pressure moulds that were acquired by PDW after the investigation period.

In its response PDW provided the cost to make and sell (CTMS) spreadsheets for all models sold in the domestic and Australian export markets during the investigation period, along with a spreadsheet reflecting the costs of manufacture (COM) for all products under consideration.

The COM spreadsheet provided line by line data relating to the major costs incurred by model, by month of production. The COM sheet, for each model, listed the following data, for each month of the investigation period:

- Quantity (of manufacture);
- Aluminium value;
- Other materials;
- E-plating cost;

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- Labour cost;
- Manufacturing overhead

The total sum of the above costs was calculated and presented for each month of production of the specific product model, then divided by the total monthly production (in terms of total units) to calculate a cost of manufacture per unit.

We were informed that each model had a theoretical weight for which the aluminium cost was allocated against. We calculated that the theoretical weight may be up to 15% lower than the rough blank. Apart from the e-plate cost which was accounted for on a per piece basis, overhead costs and labour costs were apportioned based on the number of staff involved in the production of the GUC relative to the other goods. At **confidential attachment CTM 1** is the standard weights.

### 7.2 ARW's manufactured by PDW

PDW use a uniform nomenclature to identify particular product models, reflecting the model's rim size, the pattern of the wheel and the finishing treatment (where applicable). The nomenclature is represented in an alphanumeric product coding system of four digits, or an English alphabetic letter, followed by 3 digits. PDW advised that the first codifier, be it a letter or number; specifies the size of the rim. Numbers 1-9 referring to wheels sized between 11 and 19 inches in diameter, and letters A-E referring to wheels sized between 20 and 24 inches. The following three digits refer to the pattern of the wheel – that is, the physical size and look of the outer face of the wheel which is determined by the shape of the die in which the specific model is cast.

PDW further advised that, for any product codes, a single, or series of, English alphabetic letters or letters and numbers – noted to be C, CBK or CBK-2 - is uniformly applied to the end of the final three digits, specifying the chrome finishing treatment applied to the particular model.

We confirmed the accuracy of the following summary of the nomenclature with PDW:

- A) 11 to 19 inch wheels are delineated with a 4 digit numerical code; the first number reflects the size of the wheel and then remaining three numbers specify the pattern of the wheel;
- B) 20-24 inch wheels are affixed with an alphanumeric combination product code of an English alphabetic letter followed by three numbers - as above, the first codifier, the letter, is the size and the following three numbers specify the particular pattern; and
- C) Any wheel (any size or pattern) can be painted different colours (ordinary painting) or applied a finishing treatment – wheels that have a treatment other than painting are delineated by a further codification (C, CBK and CBK-2) identifying the chrome treatment.

We queried the method by which pattern codes are allocated to specific pattern tools and, in turn, to product models. PDW explained that, whilst, prima facie, the pattern

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code included in the product code is an ascending numerical number system, the numbers applied to any one model are allocated in a non-systematic way – that is, model patterns with very similar, or sequential, numeric codes are not necessarily similar models or designs.

### 7.3 Verification of cost to make

#### 7.3.1 General verification

PDW supplied a spreadsheet supporting the cost to manufacture for domestically sold and exported models across the entire investigation period. We worked through the document supplied by PDW. The cost to manufacture exhibit is at **confidential attachment CTM 2**.

#### 7.3.2 Production volumes

PDW advised that production volumes are captured when goods pass all the manufacturing process, duly packed and received by the warehouse for finished products.

#### 7.3.3 Aluminium value

PDW sourced a total [REDACTED] tons of raw aluminium during the investigation period [REDACTED] unrelated suppliers. Of these, [REDACTED] suppliers manufactured the aluminium sold to PDW, whilst the other [REDACTED] suppliers sourced aluminium from third-party manufacturers. The information supplied by PDW indicates that [REDACTED]% of the total aluminium purchased during the period was sourced from a single manufacturer, [REDACTED].

Prior to the visit we selected seven separate aluminium purchases made by PDW from its domestic suppliers during the investigation period. We requested, and PDW provided supporting documentation in relation to each of the selected transactions including the relevant purchase order, invoice and evidence of payment.

For all selected invoices we verified that the value and volume agreed to the aluminium purchases worksheet provided in its exporter questionnaire response. PDW also provided the sales contact, purchase voucher, transfer into warehouse voucher, and evidence of payment. We noted that the purchase price for most purchases was inclusive of delivery charges and all prices were quoted including VAT of 17%. We also noted some sales contacts which included a processing fee of [REDACTED] RMB per tonne. The source documentation provided is attached at **confidential attachment CTM 2a – 2g**.

We asked to confirm the value of the aluminium purchases for the 2010 financial year. PDW provided a schedule of aluminium purchases. This schedule showed the aluminium purchased transfer in schedule, that being the amount of raw aluminium transferred from inventory into the production process. This schedule reconciled to the cost of goods sold all products used in the Income statement. **confidential attachment CTM 2**

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We selected to verify an aluminium purchase. (**confidential attachment CTM 3**) we chose a voucher with reference [REDACTED]. PDW provided the purchase voucher and the aluminium subledger. The total of the sub ledger aluminium used agreed to the total aluminium used in the COM of all ARW models for 2010. This therefore indicated the amount of raw aluminium used for the period. (**confidential attachment CTM 2**). We were also able to trace the aluminium purchase selected into the aluminium purchases ledger at **confidential attachment CTM 4**.

In relation to patterns of supply, PDW stated that it purchases raw aluminium on the basis of market price rather than on a needs basis. PDW has a team monitoring the price of aluminium reflected on the SME and procures pure aluminium ingot in larger volumes when the price is favourable.

As such, raw aluminium is entered into a raw materials ledger monthly, on the basis of opening balance, quantity of material transferred in (purchased) and total final quantity. A corresponding transfer ledger is also maintained on the same basis, reflecting raw material opening balance, raw material transferred out (for production), and closing balance.

### 7.3.4 Scrap

During the factory visit we asked what happens to the rejected wheels. We were informed that depending on the finished product they may be re entered into the furnace. If the wheel has been chrome plated, it may not be reused due to the chemical properties. Rejected wheels, waste and squarw may be reused but care is taken not to over use this material.

To substantiate this claim, via the Aluminium Raw Material Sub ledger **confidential attachment CTM 3** we identified waste and "re-used" material being re entered into the cost of manufacture. We noted the unit price for waste as being substantially below the corresponding cost of raw material purchased and the re-used material at almost a zero value.

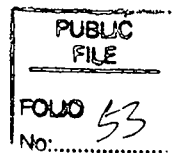
### 7.3.5 E-plate fee

PDW do not have the capability to undertake the electro plating. Accordingly this is out sourced. To confirm the value we asked to verify the e-plate fees that form part of the COM. We were provided with the E-Plate ledger where we identified a payment made on the 31 July 2010. PDW located the invoice and payment vouchers and provided them to us. **Confidential attachment CTM 5**. We could also trace the total of the E-plate ledger to the COM for June 2011.

### 7.3.6 Power and Water

We asked to view the manufacturing overhead expenses and selected the power and water charge for July 2010. PDW provided the Overhead July 2010 breakdown. From this we selected the power amount debited on 31 July 2010. PDW also provided the invoice and payment vouchers to reconcile to this debit. We could also trace the value of the sub ledger to the COM for July 2010. **confidential attachment CTM 6**

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### 7.3.7 Depreciation

To demonstrate that the depreciation had been correctly accounted for, PDW provided a schedule called All Manufacturing Overhead. On this schedule it accounted for all depreciation charged and the amount allocated to the manufacturing overhead. We reviewed the amount charged for the calendar year end 2010. To reconcile to the financial statement we were provided with another depreciation charge schedule for administration items. This amount was relatively insignificant, but when added to the manufacturing overhead, we could trace the total to the movement of accumulated depreciation in the audited financial statements. **confidential attachment CTM 7**

### 7.3.8 Other Materials

We selected to verify other materials. To do this we were provided with the Other Materials purchase summary for 2010. The total of this schedule could be traced to the COM for 2010. In this purchase summary we selected silicon. PDW provided a copy of the silicon sub ledger transfer in. The total of the sub ledger agreed with the Other Materials total of silicon which had been incorporated into the Other Materials schedule. **confidential attachment CTM 8**

## 7.3 Selling, general and administration (SG&A) expenses

PDW allocated the following cost items by sales revenue;

- Selling expenses;
- Logistics costs;
- Administrative expenses; and
- Financial expenses.

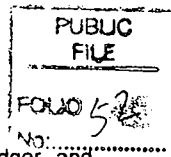
PDW calculated SG&A expenses from selling administration and financial costs recorded in the company's income statements. SG&A expenses are calculated in the company's income statement reflecting both domestic and export sales. We verified the selling administrative and financial expenses as presented in its response to the exporter questionnaire and to the audited financial statements and management accounts.

### 7.3.1 Selling expenses

Selling expenses are recorded in a separate expense ledger for all products.

PDW advised that selling expenses are allocated by the respective sales value of the product. To this end the GUC sales value was divided by total sales. This ratio was then multiplied by the total sales expense. The selling expense amount allocated to GUC sales was divided by the GUC sales value to derive a percent to be allocated to each model. This percent was multiplied by the sales value of each GUC model sold.

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### 7.3.2 Logistics cost

Logistics expenses were recorded for all export sales in a logistics sub-ledger, and recorded as a sub-category of selling expenses in the company's income statement.

Like selling expenses, logistics costs were calculated per model by multiplying the total sales value of the model by the ratio of the total logistics expense to total turnover.

As above, we were satisfied that this approach was reasonable in the circumstances. However, we noted that this ratio had been erroneously applied in relation to domestic cost to sell for domestic products, for which logistic expenses were not applicable. We agreed with PDW that, as such, logistics costs would removed from the calculation of cost to make and sell in relation to domestic products.

### 7.3.3 Administrative expense

We were advised that administrative expenses covered costs related to managerial salaries, head office building depreciation and depreciation in vehicles and miscellaneous costs. Like the above selling expenses calculation, administrative expenses were allocated by the sales value of each model.

### 7.3.4 Financial expenses

PDW advised that financial expenses listed in relation to cost to sell comprised bank fees. We examine the total of the financial expenses reported in the financial statements and they included interest expenses as well. We were advised the interest expense related to short term borrowings for working capital purposes.

As with all other sales costs, financial expenses are allocated by the sale value of the GUC model.

For completeness we requested evidence of the standard rates of interest payable in relation to short term borrowing contracts entered into by the company during the investigation period. PDW provided a copy of a loan agreement and assisted in the translation of operative provisions which specified a variable interest rate of [REDACTED]%.  
**confidential attachment GEN 3**

In its calculation of financial expenses, PDW only included the bank fee component. We consider that the interest charges for working capital is also necessary. Accordingly, using the same methodology as for selling expenses we apportioned all financial expenses, including interest, to the GUC by sales value.

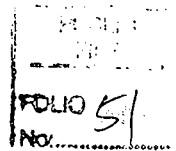
## 7.4 Other costs

We verified other costs reflected in the company's income statement, including:

- Abnormal losses; and
- Income taxes



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### 7.4.1 Abnormal losses

PDW advised that 'abnormal losses' are associated with funds payable by itself for selling taxes, city construction tax, and education fees. These amounts were insignificant.

We were consider the value and were satisfied with their response.

### 7.5 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the PDW's CTMS of the GUC. We consider these CTMS submitted with its response are suitable for:

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

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8 THIRD COUNTRY SALES

We identified that export sales by PDW to third country markets accounted for approximately █% of the total quantity of turnover of the GUC during the investigation period.

We have further identified that this total volume of third county sales comprises sales to a total of █ third country markets. PDW confirmed that the █ or █ markets are the most closely comparable to its domestic market.

However, we are satisfied that there are sufficient domestic sales for the purposes of calculating normal value in this instance without consideration of third country sales.

**9 ADJUSTMENTS**

Following our discussions with respect to the proposed methodology for identifying the most comparable domestic model to export model, we discussed the issue of possible adjustments. In its response, PDW only considered the domestic selling price be adjusted for certain costs and had not considered the proposed methodology developed during the course of the verification visit and suggested by Customs and Border Protection. Accordingly, PDW did not claim any specific adjustments with respect to the calculation of normal value with respect to the proposed methodology for ascertaining comparable domestic and export product models.

**9.1.1 Sales at different times**

We noted that domestic models did not necessarily have sales that corresponded with the identical or like export model in a corresponding quarter. However, we analysed the domestic and export sales data provided by PDW and consider that there was no discernible pattern of price increase or decrease with respect to each export model, or comparable domestic model, between quarters or over the investigation period. On this basis, we are satisfied that it was reasonable to use the average annual sales price of each model for the purposes of comparison of export prices and normal values.

After thorough consideration we are satisfied that no specific adjustment needed to be made for the purposes of the calculation of normal value.

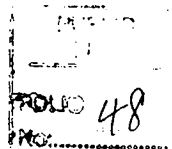
**9.1.2 Level of Trade**

No adjustment was claimed for the level of trade. We examined the two levels of trade, wholesale vs retail, for price and volume differences and consider that although PDW identified them as two separate levels, we consider that there is neither a price or volume difference that would warrant an adjustment. We compared model by model price differences and found there was not an identifiable distinction of pricing levels. In volume terms, we also found no specific identifiable differences of patterns.

**9.1.3 Physical characteristics**

PDW claimed an adjustment for physical characteristics on a select range of models. However given the developed methodology to be able to compare relevant domestic models to export models we consider a specification adjustment is required to account for physical differences to adjust the normal value for chosen for patterns that do not necessarily have the same weight nor same precise finish. To calculate the adjustment, we calculated the cost to make difference between the export model and a like domestic model. We calculated the gross margin by subtracting the domestic cost to make from the selling price of the like domestic model and divided it by the cost to make of that same model. We multiplied one plus the gross margin by the cost difference to obtain the adjustment. Adjustments were both positive and negative depending on the comparable export and domestic models chosen.

## Public File



### 9.1.4 Credit

PDW did identify this as an adjustment. The domestic sales are cash at sight. Export sales are [REDACTED] days credit from the bill of lading. We consider it appropriate to apply a positive adjustment to the normal value for price comparability.

### 9.1.5 Inland Freight

All domestic sales are ex works whilst export sales are FOB requiring inland freight and port and terminal handling charges. We consider a positive adjustment to the normal value is required.

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### 10 NORMAL VALUE

We consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values and be compared to ■ export models under s. 269TAC(1).

In summation, we calculated normal values using the domestic market sales that were in arms length transactions and sold at prices that were in the ordinary course of trade.

For domestic models;

- a) where we could not find a corresponding export model using the methodology of rim size, weight, and finish; or
- b) failed the ordinary course of trade test; or
- c) the sufficiency of trade test;

we consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values and be compared to ■ export models under s. 269TAC(2)(c).

We calculated these normal values using the cost to make for the export model and added the selling general and administration costs as if the goods were sold on the domestic market with an appropriate rate of profit.

Normal value calculations are at confidential appendix 4.

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### 11 DUMPING MARGINS

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We calculated a weight average product dumping margin of negative 15.56%. Calculation of dumping margins is at **confidential appendix 5**.

The normal values and preliminary dumping margin that we have determined may be revised following Customs and Border Protection's assessment and findings on whether the Government of China had materially distorted competitive conditions on the domestic market. In that case, domestic sales may be considered unsuitable for determining normal values under s.269TAC(1), and/or certain costs may be considered to not reasonably reflect competitive market costs associated with the production of like goods for the purposes of constructing a normal value under s.269TAC(2)(c).

12 SUBSIDIES AND PARTICULAR MARKET SITUATION 45

PDW submitted that it was established, and continues to operate, as a privately owned company registered in China. As such, the company has not, nor has any plans to, pursue or encourage, foreign or government investment in the company. The company advised that, due to its private ownership it has never received any form of direct or indirect government assistance or support and operates without any level of government involvement in its commercial activities.

PDW submitted that it is not aware of any government initiatives of benefits or preferential treatment available to it, nor does it presently have any intention to pursue government support.

**12.1.1 Subsidy programs general**

In their response to the exporter questionnaire PDW submitted that they only received one benefit of [REDACTED] RMB as a reimbursement of funds that were spent on a marketing initiative to attend a sales expo type event. This reimbursement did not cover the full cost associated with attending the event. The reimbursement was paid 6 April 2011. Apart from this amount PDW indicated it did not receive any other financial support from the GOC pursuant to the 40 subsidy programs currently administered by the GOC that Customs and Border Protection are aware of.

For completeness we discussed the issue of subsidisation with PDW to confirm the accuracy of these representations.

We were satisfied from our discussions with PDW and corporate information provided by the company, that PDW is a wholly owned private company registered in China. On this basis we were able to determine that PDW was not eligible for a significant number of the subsidy programs that relate specifically to companies with foreign investment interest or located in specific provinces. We specifically asked them to confirm their knowledge to the following programs;

**Program 1:** Aluminium provided by government at less than fair market value

**Program 10:** Preferential tax policies for enterprises which provide employment to unemployed people

**Program 20:** Preferential tax policies for enterprises established in poverty stricken areas

**Program 22:** Preferential tax treatments for new hi-tech enterprises (NHTEs) in special zones

**Program 23:** Preferential policies in industrial zones in China including Economic & Technological Development Zones (ETDZ), High & New Technological Development Zones (High Tech Parks), Export Processing Zones (EPZ), Special Economic Zones (SEZ), Free Trade Cooperation Zones (FTZ), Industrial Zones (IZ) and Export Processing Zones (EPZ) - Provinces include Beijing, Dalian, Fujian, Guangdong, Guangzhou, Lianyungang, Nantong, Ningbo, Qingdao, Qinhuangdao, Shanghai

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**Program 31:**Exemption of tariff and import VAT for imported technologies and equipments

**Program 33:**Preferential tax treatment for casting and forging products

**Program 34:**Preferential tax treatment to dies product

**Program 35:**Matching funds for international market development for SMEs

**Program 36:**"*Innovative Experimental Enterprise Grant*"

**Program 37:**Special Support Fund for non-State-owned enterprises (NSOEs)

**Program 38:**"*Venture Investment Fund for Hi-Tech Industry*"

**Program 39:**Superstar Enterprise Grant

**Program 40:**One-time awards to enterprises whose products qualify for "*Well-Known Trademarks of China*" or "*Famous Brands of China*"

We also examined the subsidies income account and the tax accounts in the financial statements and consider that PDW did not receive any direct benefits pursuant to the 40 programs identified in the exporter questionnaire.

### 12.1.2 Aluminium purchases

Following on from our discussion of PDW's aluminium purchasing policies, we queried whether PDW was aware whether any of the aluminium manufacturers from which aluminium is sourced by the company, either directly or through an intermediary supplier, are state-owned enterprises (SOE's). PDW indicated that it has no specific knowledge of the ownership structure of its aluminium suppliers. PDW also stated that the company has no means with which to confirm the manufacturers of the aluminium supplied by intermediary suppliers and relies solely on the information provided by the suppliers regarding the source of the Aluminium sold to PDW.

Prior to the visit we had identified inconclusive evidence that indicated that one aluminium manufacturer Qintongxia Aluminium Co., Ltd from which PDW purchased aluminium indirectly via trading companies was controlled by an SOE. PDW agreed that Qintongxia Aluminium Co., Ltd was most likely part of China Power Investment Ningxia Qingtongxia Energy and Aluminium Co Ltd being owned by China Power and Investment Corporation a known SOE. **Confidential attachment Sub 1** At the visit, we confirmed, through internet searches of company information, that the manufacturer was in fact a related subsidiary of the major SOE in question.

PDW advised that all aluminium is ordered directly from Chinese suppliers whose prices, to the best of PDW's knowledge, directly reflect the aluminium price of the Shanghai Metal Exchange (SME). PDW also advised that for all aluminium purchases, the price paid is for aluminium ingot delivered to its factory, and is inclusive of VAT in all instances.



## Public File

### 12.1.3 Potential subsidies

We verified the income tax information provided by PDW in its income statements.

We requested, and were provided with vouchers reflecting income tax payments over the investigation period that reflected funds paid by PDW and, a final tax refund payable to PDW. We verified the value of the source documents to the income tax data provided to PDW's financial statements.

Notwithstanding PDW's submissions on this issue, through the course of verification of the company's audited financial statements in relation to costs (discussed previously in this report) we identified a relatively substantial income tax deduction for the entire year of 2010 totalling [REDACTED] (RMB). PDW confirmed that this tax deduction was provided by the GOC pursuant to an application made by the company in 2006. PDW's understanding of the issue is;

- a) the regulations that govern the deduction prescribe that 40% of the amount of high-tech investment may be deducted;
- b) before the deduction can be realised the tax payable must be an increase over the prior year based on increasing revenues;
- c) the deduction is limited to 5 year period. **Confidential attachment Sub 2**

PDW advised that the company had to formally apply for the grant of the benefit, and was only awarded the benefit after an inspection of its facilities by representatives of the GOC. We requested, and were provided with, the formal confirmation document provided to PDW by the GOC notifying the company of their successful application.

PDW submit the tax deduction program is widely applicable and open to all kinds of enterprises and corporate ownership arrangements and considers that program non specific to either regional, industry or via corporate ownership. PDW further submit it is not a de facto subsidy program.

Following the visit PDW also supplied further documentation to provide more information about the tax offset program, including details of the application and assessment process. We note that these documents have yet to be translated from Chinese to English. They have however been forwarded to GOC for comment with regard to this investigation and whether the concession is a countervailable subsidy.

We were advised that if this is a countervailable program then only half the amount identified. PDW's view is that the amount covered calendar year 2010 whilst the investigation period only commenced July 2010.

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<b>13</b>	<b>LIST OF APPENDICES AND ATTACHMENTS</b>
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Confidential attachment GEN 1	Export questionnaire response
Confidential attachment GEN 2	Organisation structure
Confidential attachment GEN 3	Business loan interest confirmation
Confidential attachment GEN 4	Evidence of litigation between parties
Confidential attachment EXP 1	Prestige Wheels Accounts receivable ledger
Confidential attachment EXP 2	Price negotiations
Confidential attachment EXP 3a – 3h	Export sales invoices and commercial documents
Confidential attachment CTM 1	Wheel standard weights
Confidential attachment CTM 2	Aluminium purchases Transfer-in to manufacturing
Confidential attachment CTM 2a – 2g	Aluminium purchases
Confidential attachment CTM 2	Cost of manufacture all goods
Confidential attachment CTM 3	Aluminium Raw Materials Sub ledger and selected purchase
Confidential attachment CTM 4	Cost of manufacture ARW
Confidential attachment CTM 5	E-Plate fees
Confidential attachment CTMS 6	Power and Water
Confidential attachment CTMS 7	Depreciation
Confidential attachment CTMS 8	Other materials - silicon
Confidential attachment DOM 1	Revised domestic sales spreadsheet
Confidential attachment DOM 2a- 2j	Selected domestic sales invoices and evidence of payment
Confidential attachment SUB 1	Qintongxia Aluminium Co., Ltd research
Confidential attachment SUB 2	Tax deduction on capital investments
Confidential appendix 1	Export prices
Confidential appendix 2	Ordinary Course of Trade test
Confidential appendix 3	Sufficiency of Sales test
Confidential appendix 4	Normal Values
Confidential Appendix 5	Product Dumping Margin