



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

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*CUSTOMS ACT 1901 - PART XVB*

**TERMINATION OF PART OF AN  
INVESTIGATION NO.181**

**ALUMINIUM ROAD WHEELS EXPORTED FROM THE  
PEOPLE'S REPUBLIC OF CHINA**

**8 JUNE 2012**

**1 BACKGROUND****1.1 Initiation**

On 26 September 2011, Arrowcrest on behalf of the Australian industry manufacturing ARWs, lodged an application requesting that the Minister publish a dumping duty notice and a countervailing duty notice in respect of ARWs exported to Australia from China.

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

Following consideration of the application and additional information, Customs and Border Protection decided not to reject the application. Public notification of initiation of Investigation 181 was made on 7 November 2011 (refer to ACDN 2011/54).

The investigation period<sup>1</sup> for the purpose of assessing any dumping margins<sup>2</sup> was set as 1 July 2010 to 30 June 2011. The injury analysis period, for the purpose of determining whether material injury has been caused to the Australian industry was from 1 July 2006.

**1.2 Statement of Essential Facts**

The initiation notice advised that the SEF for the investigation would be placed on the public record by 27 February 2012, however, the delegate was satisfied that the prescribed 110 days to place the SEF on the public record for the investigation was likely to be insufficient and requested an extension.

The Minister extended the deadline for the publication of the SEF to 27 April 2012<sup>3</sup>. ACDN 2012/06 was issued on 24 February 2012 notifying of the Minister's decision. Interested parties were also separately notified.

The Statement of Essential Facts (SEF) No. 181 was placed on the public record on 27 April 2012.

**1.3 Relevant Legislation**

Sub-section 269TDA(1) of the Act provides:

- If:*  
(a) *application is made for a dumping duty notice; and*

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<sup>1</sup> Section 269T(1)

<sup>2</sup> Subsection 269TC(4)(bf)

<sup>3</sup> Section 269ZHI

- (b) *in an investigation, for the purposes of the application, of an exporter to Australia of goods the subject of the application, the CEO is satisfied that:*
- (i) *there has been no dumping by the exporter of any of those goods; or*
  - (ii) *there has been dumping by the exporter of some or all of those goods, but the dumping margin for the exporter, or each such dumping margin, worked out under section 269TACB, when expressed as a percentage of the export price or weighted average of export prices used to establish that dumping margin, is less than 2%;*
- the CEO must terminate the investigation so far as it relates to the exporter.*

Sub-section 269TDA(2) of the Act provides:

- if:*
- (a) *application is made for a countervailing duty notice; and*
  - (b) *in an investigation, for the purposes of the application, of an exporter to Australia of goods the subject of the application, the CEO is satisfied that:*
    - (i) *no countervailable subsidy has been received in respect of any of those goods; or*
    - (ii) *a countervailable subsidy has been received in respect of some or all of those goods but it never, at any time after the start of the investigation period, exceeded the negligible level of countervailable subsidy under subsection (16);*
- the CEO must terminate the investigation so far as it relates to the exporter.*

A negligible volume in respect of countervailable subsidisation is defined as follows in s. 269TDA(16) of the Act.

*For the purposes of this section, a countervailable subsidy received in respect of goods exported to Australia is negligible if:*

- (a) *the country of export is not a developing country and the subsidy, when expressed as a percentage of the export price of the goods, is less than 1%; or*
- (b) *the country of export is a developing country but not a special developing country and the subsidy, when expressed as a percentage of the export price of the goods, is not more than 2%; or*
- (c) *the country of export is a special developing country and the subsidy, when expressed as a percentage of the export price of the goods, is not more than 3%.*

**2 THE GOODS UNDER CONSIDERATION**

The applicant, Arrowcrest, provided the following description of the goods the subject of its application (the goods):

The goods the subject of this application are aluminium road wheels ("ARWs") of the motor vehicles of HTISC heading 8708709178, in diameters ranging from 13 inch to 22 inch.

The goods under consideration (GUC) are finished or semi-finished ARWs whether un-painted, painted, chrome plated or forged. Aluminium wheels for go-carts and All-Terrain Vehicles ("ATVs") are specifically excluded.

The application also contained additional information to assist in understanding the goods. Further description of the goods is included in ACDN 2011/54.

**3 SUBSIDY INVESTIGATION IN RESPECT OF  
DICASTAL'S AND PDW'S EXPORTS TO AUSTRALIA****3.1 Preliminary countervailing findings**

Customs and Border Protection found that during the investigation period that:

- Dicastal had received financial contributions that conferred benefits to the exported goods. The total subsidy rate applicable to Dicastal during the investigation period was calculated at 1.3 per cent.
- PDW had received financial contributions during that conferred benefits to the exported goods. The total subsidy rate applicable to PDW during the investigation period was calculated at 2.1 per cent.

**3.2 Submissions in response to SEF****Dicastal**

In response to the SEF Dicastal submitted that the LME could not be used as a benchmark for the purpose of determining adequate remuneration in relation to Program 1.

**PDW**

In response to the SEF PDW made the following submission in relation to the preliminary subsidy findings:

- In relation to Program 1, the benefit should be apportioned over PDW's total production, including motorcycle wheels and ARWs because the aluminium purchases supplied in the exporter questionnaire response were used in the production of both products;
- Also in relation to Program 1, the benefit should be calculated based on the weight of total production, rather than pieces;
- In relation to Program 4, PDW submitted that it did not receive a benefit from this program, and in any case any benefit should be allocated over total sales, including motorcycle wheels and ARWs.

**3.3 Subsidy findings in relation to Dicastal's exports**

At the time of making this report Customs and Border Protection remains of the view that the LME is an adequate benchmark for the purpose of determining a benefit under Program 1. Customs and Border Protection has found that during the investigation period Dicastal received financial contributions that conferred benefits to the exported goods under each of the following subsidy programs:

- Program 1: aluminium provided by government at less than fair market value
- Program 46: Government Incentives for the Top Taxpayer of the Year-Qinhuangdao City
- Program 47: Financial Support from China Postdoctoral Science Foundation
- Program 48: Foreign Trade Public Service Platform Development Fund

The total subsidy rate applicable to Dicastal during the investigation period was calculated at 1.3 per cent, when measured as a percentage of the export price.

Calculation of Dicastal's subsidy margin is contained in **Confidential Appendix 1**.

### **3.4 Subsidy findings in relation to PDW's exports**

Customs and Border Protection agrees with PDW's submission in relation to apportioning the benefits of Program 1 and Program 4 across production or sales, respectively, of both motorcycle wheels and ARWs.

PDW did not supply sufficient information within a reasonable time in order for Customs and Border Protection to consider apportioning the benefit on the basis of weight rather than pieces.

In reviewing the calculation of PDW's benefit in relation to Program 4, it became apparent that the calculation used for the purpose of SEF181 contained errors in relation to the amounts used for profit and tax actually paid.

After adjusting for these issues, Customs and Border Protection has found that during the investigation period PDW received financial contributions that conferred benefits to the exported goods under each of the following subsidy programs at the following rates:

- Program 1: aluminium provided by government at less than fair market value – 0.9%
- Program 4: preferential income tax for hi-tech enterprises – 0.4%

The total subsidy rate applicable to PDW during the investigation period was calculated at 1.3 per cent, when measured as a percentage of the export price.

Calculation of PDW's subsidy margin is contained in **Confidential Appendix 2**.

**3.5 Conclusion**

Under s.269TDA(2) of the Act, if the Chief Executive Officer of Customs (CEO) is satisfied that there has been no or negligible level of countervailable subsidy received by an exporter, the CEO must terminate the investigation so far as it relates to the exporter.

Section 269TDA(16) sets out the negligible level of countervailable subsidisation for goods exported from China as 2%.

Therefore, the CEO must terminate the countervailing investigation so far as it relates to Dicastal and PDW.

## **4 DUMPING INVESTIGATION IN RESPECT OF PDW'S EXPORTS TO AUSTRALIA**

### **4.1 Preliminary dumping findings**

Export price for export sales from PDW was established under section 269TAB(1)(a), being the price paid or payable by the importer less, as appropriate, expenses that represent a charge for any matter arising after exportation.

Customs and Border Protection has formed the view that there was a situation in the Chinese ARW market during the investigation period such that sales in that market are not suitable for use in determining normal value under section 269TAC(1).

Customs and Border Protection therefore considers that the normal value in respect of ARWs exported to Australia from China should be constructed under section 269TAC(2)(c) of the Act.

Normal values were established using PDW's weighted average cost to make and sell data (revised for raw material cost uplift), by product code, and an amount for profit based on domestic sales of like goods. A positive adjustment was made in relation to credit.

The dumping margin for PDW was established in accordance with section 269TACB(2)(a), by comparing 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. The dumping margin for PDW is -2.0%.

### **4.2 Submissions in response to SEF**

Arrowcrest was the only interested party to make a submission to the SEF in relation to the preliminary finding of PDW's dumping margin. It claimed that PDW was undervaluing its swarf and scrapped wheels and consequently its cost to make and sell was understated.

Arrowcrest also claimed that the profit used in the dumping margin calculation is understated as it is based on PDW's domestic sales of high-volume small diameter wheels that are not comparable to the exported models. Arrowcrest requested Customs and Border Protection to apply a level of profit reflective of its own non-injurious price for larger diameter ARWs.

### **4.3 Dumping findings in relation to PDW's exports**

The following sentence from the visit report to PDW is the cause of Arrowcrest's concern:



*"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"*

Customs and Border Protection has re-examined PDW's cost data and further consulted with PDW and considers the above statement is not entirely correct. The low value waste and re-used material referred to above was actually very minor quantities of re-cycled material purchased by PDW from an external party. PDW provided supporting documentation to establish the veracity of the amounts included in the materials ledger.

Following review of the cost data gathered at the verification visit Customs and Border Protection is satisfied that self-generated re-cycled material used by PDW is valued close to, or at, the full value of aluminium ingots.

In relation to profit, the rate of profit used in the calculation of PDW's dumping margin is based on goods sold on the domestic market that are like goods to those exported to Australia. The domestic profit is therefore comparable to the sizes and models exported to Australia.

In reviewing the calculation of PDW's dumping margin, it became apparent that the calculation used for the purpose of SEF181 contained an error in that the profit percentage used to apply to the constructed costs was one based on selling price, not costs. After adjusting for this error, PDW's revised dumping margin is calculated as -2.03%.

Calculation of PDW's dumping margin is contained in **Confidential Appendix 2**.

#### **4.4 Conclusion**

Under s.269TDA(1) of the Act, if the Chief Executive Officer of Customs (CEO) is satisfied that there has been no dumping by the exporter, the CEO must terminate the investigation so far as it relates to the exporter.

Therefore, the CEO must terminate the countervailing investigation so far as it relates to PDW.