

U.S. Firms Probed on Taxes

European Regulators to Examine Ways Apple and Others Shrink Their Bills

By TOM FAIRLESS

BRUSSELS—European regulators opened formal investigations Wednesday into the tax practices used by Apple Inc., Starbucks Corp. and Fiat SpA, in a move that tax experts said could deter major corporations from using certain tax structures to shrink their tax bills.

The probes represent a new front in European efforts to focus on tax avoidance by big companies in Europe in the wake of the region's financial crisis.

The European Commission said it would examine whether generous tax deals granted to Apple in Ireland, Fiat Finance and Trade in Luxembourg, and Starbucks in the Netherlands,

amounted to illegal aid by governments for the companies.

The decision to examine the tax deals through the lens of the region's state-aid rules, which is a first for the European Union, means the investigation would have more bite, because the commission must pursue such investigations to their conclusion and can demand that unpaid taxes be returned, tax experts said.

"The huge consequence is that if it is state aid, companies have to repay it," said Heather Self, a tax expert at Pinsent Masons LLP in London. "That does introduce uncertainty for any company that has a favorable tax arrangement at the moment."

Previous efforts by the EU to

crack down on tax avoidance and evasion among its members—often announced to great fanfare—have yielded little and made painfully slow progress. A 2008 EU law aimed at curtailing tax evasion and bank secrecy—by requiring countries to share information on accounts held by their citizens abroad—was blocked by Austria and Luxembourg for years. The two countries only agreed to sign up earlier this year under strict conditions, and after a strong push from the U.S.

The latest investigation comes amid mounting anger in Europe over how some large, often American, firms such as Google Inc. and Amazon.com Inc. are using legal strategies and low corporate tax rates in some

countries to shrink their tax bills.

"When public budgets are tight and citizens are asked to make efforts to deal with the consequences of the [financial] crisis, it cannot be accepted that large multinationals do not pay their fair share in taxes," EU antitrust chief Joaquín Almunia said at a news conference.

At issue are so-called transfer-pricing arrangements, under which companies can redistribute profit within a group by charging for goods or services sold by one subsidiary to another, typically located in different countries. Experts say companies can use transfer pricing to minimize their tax bills.

While not illegal, such arrangements are often criticized. *Please turn to the next page*

Detroit's Appetite for Aluminum Grows

Light Heavyweight

Auto makers are turning to aluminum to shed pounds and increase fuel efficiency, especially on big vehicles, as regulations tighten.

SHARE OF ALUMINUM CONTENT IN THE 2015 FORD F-150

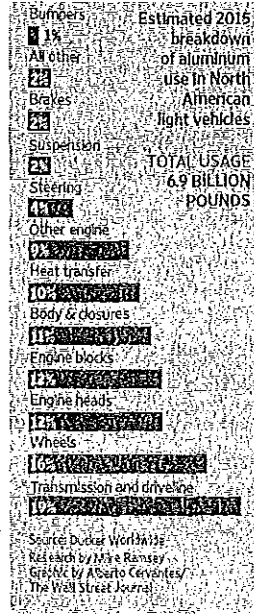
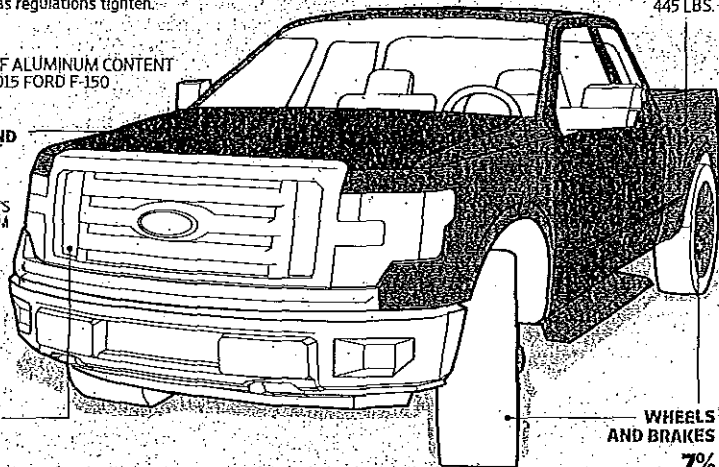
HOOD, GATE AND DOORS 21% OF TRUCKS ALUMINUM 223 LBS.

ENGINE PARTS 16% 174 LBS.

OTHER PARTS 15% 160 LBS.

BODY PARTS 41% 445 LBS.

WHEELS AND BRAKES 7% 78 LBS.



By MIKE RAMSEY AND JOHN W. MILLER

Auto makers plan a broad shift to aluminum from steel in larger vehicles over the next decade in North America, and 18% of all vehicles will have all-aluminum bodies by 2025, compared with less than 1% now, according to an industry study released this week.

The report by consultants Ducker Worldwide indicates that Ford Motor Co.'s decision to employ an aluminum body for its coming 2015 F-150 pickup truck is proving a trigger for an extensive move by auto makers and their suppliers toward lightweight materials for pickup trucks and sport-utility vehicles to help them meet coming fuel economy standards, rather than push consumers into buying mostly small cars.

Ducker's survey of industry executives was conducted on behalf of the Aluminum Transportation Group, a trade associa-

tion, according to the seventh edition of the study, which has been published every two to three years since the 1990s.

In a separate analysis, Bank of America Merrill Lynch analyst John Murphy said on Monday that Ford's aluminum F-150 will determine whether consumers are willing to pay a premium for a larger-but-lighter vehicle. The 2015 F-150 could be efficient enough to meet future U.S. fuel economy standards without requiring Ford to offset its performance by selling more small cars, he said.

If Detroit auto makers can succeed at slashing weight from their large SUVs and pickups, Mr. Murphy said, "you could see an environment where [their sales] perform really well." Heavy-duty pickups and SUVs are big moneymakers for Detroit auto makers and efforts to make them more fuel efficient would keep the profits flowing.

Aluminum producers already are expanding production capac-

ity to meet projected automotive demand. Alcoa Inc., Novelis, a unit of India's Hindalco Industries Ltd., and Constellium NV and UACJ Corp., have disclosed several large projects in the U.S. and more are in the pipeline, said Tom Boney, vice president of Novelis automotive business.

75%

Share of aluminum in a pickup truck's body parts by 2025

Pittsburgh-based Alcoa has invested around \$600 million at plants in Iowa and Tennessee to meet projected demand by auto makers. Alcoa and Novelis are the U.S.'s two biggest sheet aluminum producers.

Alcoa shares recently reached their highest levels in three

years. Western aluminum producers have been battered after they built capacity in anticipation of demand from China that never came. Instead, China developed its own aluminum industry, leaving Alcoa and others to scramble to take smelters out of production. Once all curtailments are finished, Alcoa will have reduced operating smelting capacity by 1.2 million tons, or 28%, since 2007.

"We're engaged with car makers talking about 2017, 2018 [and] 2019 demand," said Randall Scheps, Alcoa's automotive marketing director. He forecast "a steady stream of announcements" like the aluminum-bodied F-150 "over the next 10 years."

Today, aluminum is mostly found in engine parts, auto hoods and trunk lids, but that soon will change. By 2025, aluminum will comprise more than 75% of pickup truck body parts, doors, hoods and lift gates, 24% *Please turn to the next page*