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ELECTRIC CABLE FROM CHINA

END USER VISIT REPORT – LAWRENCE & HANSON GROUP

12 October 2011

Present:

Lawrence & Hanson Group (L&H)	Stephen Hanlon, General Manager – Commercial & Supply Chain John Rex, Group Commercial Manager Geoff McDonald, General Manager – Supplier Operations
Customs and Border Protection	John Bracic, Director, Operations 1 Chris Vincent, Manager, Operations 1

L&H is a wholesaler and distributor of electrical materials, products and services to the contractor and industrial electrical markets. L&H stated that electric cables account for about 25% of sales and about 50% of electric cables are the goods the subject of this investigation (more by metres, less by value).

L&H stated that the electric cable market is subject to intense competitive pressures. Wholesalers need to get the electric cable business in order to get business for other electrical products. If they don't get the electric cable business, they won't get much business for other products. L&H considers that some suppliers may treat the electric cable business as a loss leader to pick up the other business.

L&H stated that the electric cables market is driven by flat electric cables for domestic installations. The market has been slow for the last 18 months because the housing market is flat.

L&H is keen to support the major Australian electric cable manufacturers, Olex and Prysman, as they have a broader range of products which allows more access to larger customers. However, in the last 12 months L&H have purchased a greater proportion of its electric cable requirements from Electra, with the proportion increasing from [REDACTED]. L&H stated that the move to Electra was driven by price.

L&H stated that its relationship with Electra is getting closer because L&H's competitors are dealing with Electra.

[REDACTED]

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Electra continues to expand its distribution centres and now has a national distribution network. It stated that contractors will go directly to Electra.

We asked L&H if there was any question about Electra's products meeting the Australian standards. L&H stated that there has occasionally been discussion in the market place on this issue. However, L&H does not test electric cables from any supplier and relies on supplier certifications that the electric cables comply with the relevant standards.

L&H has supply agreements with its major suppliers. These agreements essentially establish a buy price less a series of rebates.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

L&H stated that despite these agreements, prices for each order are negotiated, although rebates in the agreements are still applied to this negotiated price. Wholesalers typically consolidate and order and ask the suppliers to quote on the business. L&H stated that at times Electra will approach wholesalers and offer special prices. It stated that the market had operated in this fashion for many years.

L&H stated that typically Olex and Prysmian are given the last right of refusal for any quotes because of the add ons they can provide. L&H branches do there own purchasing, although payments are made centrally, and some branches may just go to Electra.

L&H provided examples of [REDACTED] buy prices from Electra for each of the nine models identified in the Australian industry's application. [REDACTED]

[REDACTED]