



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

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R E P O R T

**INVESTIGATION INTO THE ALLEGED DUMPING OF
CERTAIN ELECTRIC CABLE**

EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA

VISIT REPORT - AUSTRALIAN INDUSTRY

ADVANCE CABLES PTY LTD

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY
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September 2011

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2 ABBREVIATIONS AND SHORTENED FORMS

Advance	Advance Cables Pty Ltd
APEC	Australian Pacific Electric Cables Pty Ltd
China	People's Republic of China
Electra	Electra Cables Australia Pty Ltd
LME	London Metal Exchange
LTI	long term incentives
Olex	Olex Cables Pty Ltd
PVC	polyvinyl chloride
Prysmian	Prysmian Power & Telecom Cables & Systems Pty Ltd
SG&A expenses	selling, general and administration expenses
the Minister	Minister for Home Affairs
Tycab	Tycab Australia Pty Ltd
XLPE	cross-linked polyethylene

3 BACKGROUND**3.1 The application**

On 11 August 2011, Advance Cables Pty Ltd (Advance), Olex Cables Pty Ltd (Olex) and Prysmian Power & Telecom Cables & Systems Pty Ltd (Prysmian) lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of certain electric cables¹ exported to Australia from the People's Republic of China (China).

The applicants subsequently provided further information in support of their application. As a result, Customs and Border Protection restarted the 20 day period for considering the application on 1 September 2011.

The investigation was initiated on 9 September 2011. Public notification of initiation of the investigation was made in *The Australian* on 9 September 2011. Australian Customs Dumping Notice No. 2011/40 provides further details of this investigation and is available at www.customs.gov.au.

There have been no previous anti-dumping investigations involving electric cables.

3.2 Purpose of visit

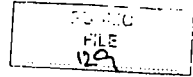
We explained to Advance that the purpose of our visit was to:

- obtain general information about the Australian market for electric cables;
- gain a greater understanding of the company's manufacturing, marketing, sales and distribution processes;
- verify information provided in the application relating to the company;
- obtain additional financial data to assist in the analysis of the claimed injury to the Australian industry;
- give the company the opportunity to provide any further comments or raise any further issues it believed relevant to the investigation; and
- discuss and gather data relevant to establishing an unsuppressed selling price.

3.3 Contact details

Company:	Advance Cables Pty Ltd
Address:	20 - 26 Abbots Road, DANDENONG SOUTH VIC 3175
Telephone:	03 9706 4222
Fax:	03 9706 4677
Email:	djenkins@advancecable.com.au
Date of visit	20 to 22 September

¹ Refer to the full description of the goods in section 5.1 of this report.



The following people were present at various stages of the interview.

Advance	Les Bramblebee, Managing Director David Jenkins, General Manager Greg Palmer, Company Accountant
Consultants	Richard Farrell, Richard Farrell & Associates
Customs and Border Protection	Chris Vincent, Customs Manager, Operations 1 Lydia Cooke, Customs Manager, Operations 1

3.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows:

- the investigation period is 1 July 2010 to 30 June 2011;
- Customs and Border Protection will examine the Australian market from July 2007 for the purpose of analysing the condition of the Australian industry;
- a preliminary affirmative determination may be made no earlier than 8 November 2011 - provisional measures may be imposed at the time of the preliminary affirmative determination or at any time after the preliminary affirmative determination has been made, but Customs and Border Protection would not make such a determination until it 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 by 28 December 2011 or such later date as the Minister allows - 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 and will invite interested parties to respond, within 20 days, to the issues raised (submissions received in response to the statement of essential facts 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 13 February 2012 - should the Minister approve an extension to the statement of essential facts this would mean that the due date of the final report would also be extended - all interested parties would be notified and an Australian Customs Dumping Notice would be issued should an extension be requested and approved.

We explained to Advance that we would prepare a report of our visit. The report will be provided to the company to review its factual accuracy and to identify those parts of the report it considered confidential. Following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

4 COMPANY BACKGROUND

Advance is 100% owned by Mr Leslie Alexander Bramblebee. It has no subsidiary companies.

Advance stated that it focuses on selling electric cables to the domestic market. It exports small quantities of electric cable, but in 2010-11 exports accounted for less than 0.5% of the sales revenue of the goods under consideration.

Advance's financial year is July to June. It utilises Business Manager as its financial and management accounting system. This is a DOS based system which allows reports to be downloaded to Excel. The accounts are audited by a Melbourne accounting firm.



5 THE GOODS

5.1 The goods

The goods the subject of the application are described as follows.

The goods under consideration are single and multi-core cables insulated with polymeric materials intended for use in electric installations at working voltages up to and including 1 kV with the following characteristics:

- *suitable for connection to mains power supply; and*
- *comply with Australian Standards AS/NZS 5000.1 or AS/NZS 5000.2.*

The goods under consideration fall into the following categories:

- *flat cables, insulated and sheathed, with two cores and earth and with conductor area up to three square millimetres;*
- *building wire, insulated, unsheathed, single core and with conductor area from two to three square millimetres; and*
- *single core double insulated cable, insulated and sheathed and with conductor area from 12 to 60 square millimetres.*

Tariff classification

The application states that the goods are classified to the tariff subheading 8544.49.20 (statistical codes 40 and 41) of Schedule 3 to the *Customs Tariff Act 1995*. Customs and Border Protection's Trade Services Branch confirmed that the goods are correctly classified to these tariff subheadings. The general rate of duty is currently 5%. Imports from China are subject to the DCS duty rate of 4%.

5.2 Like goods

5.2.1 Comparison of locally produced and imported electric cables

The applicants have demonstrated that:

- the physical characteristics of imported and locally produced electric cables are similar;
- the imported and locally produced electric cables are commercially alike as they are sold through the same distribution channels to common end users;
- the imported and locally produced electric cables are functionally alike as they have the same end-uses; and
- the imported and locally produced electric cables are manufactured in a similar manner.

5.2.2 Conclusion

Customs and Border Protection is satisfied that there is an Australian industry producing like goods.

6 THE AUSTRALIAN INDUSTRY**6.1 Introduction**

Advance stated that the three applicants (Advance, Prysmian and Olex) account for the majority of the Australian production of electric cables. The application identified two smaller manufacturers of electric cable in Australia - Australian Pacific Electric Cables Pty Ltd (APEC), located at Crestmead in Queensland, and Tycab Australia Pty Ltd (Tycab), located at Dandenong in Victoria. Both APEC and Tycab provided letters of support for the application.

6.2 Electric cables production process

Following is brief description of the manufacturing process:

- rod drawing - 8 mm copper rod is reduced to conductor strands through wire drawing dies down to sizes as low as 1.13 mm into baskets or spools;
- multi wire drawing - draws up to seven wires at the same time from 2.52 mm feed wire down to sizes as low as 0.50 mm onto spools;
- bunching - takes spools of multi wire and twists the wires together to form a flexible bunched conductor onto spools;
- stranding - takes spools of single wire / bunched conductor and twists the wires together to form a circular stranded conductor onto spools;
- compounding - takes ingredients such as resins, oils, stabilisers, fillers and mixes them, this is then heated and extruded into PVC pellets around 2 mm in diameter;
- extrusion - takes the bare conductor and extrudes the PVC pellets over the top to create a finished electric cable or cores for further processing;
- tandem extrusion line - combines multi wire drawing, bunching and extrusion into one process; and
- reeling - automatic rewinding machine takes bulk spools up to 20,000 metres and re spools them onto 50 to 1000 metre spools. Semi automatic rewinding machines take bulk spools up to 20,000 metres which may be cut into any length requested by the customer.

6.3 Capacity, employment and annual turnover

Advance stated that production capacity is very difficult to measure as it depends on the product mix and which production line is used for the various models of electric cable. It estimated its capacity was about 60 million metres in 2010.

Advance stated that it currently has about 50 employees, of which about 35 are in production, and its total operating income in 2010-11 was almost ■ million dollars. This was similar to the income achieved in 2009-10. However, income from the models the subject of the investigation was about ■ million dollars in 2010-11, compared with ■ million dollars in 2009-10 and ■ million dollars in 2008-09 (a reduction of more than 20% since 2008-09).

7 AUSTRALIAN MARKET**7.1 Market size, condition and servicing of market sectors**

Electric cables are used for the transmission of electrical power to safely transport electricity from the generation point to the end use. For example, lights, power tools, ovens, electrical motors and air conditioners. The exact application for each will be different but these products are used primarily in residential and commercial buildings as well as light industrial construction projects.

Electric cables can be broadly classified into the following market segments.

Industrial cables are used in the oil, gas and mining sectors and are designed to survive in harsh environments such as water, oil, continuous flexing on cranes and lifts.

Medium and high voltage cables are usually grouped together. Medium voltage starts at 11Kv and goes to 33kv. High voltage cables are used for major power stations.

The trade and installers segment is the largest and most competitive market for electric cables. These electric cables are classed as low to medium voltage and usually go from 450/750Kv and can only be installed by a licensed electrician. Each state across Australia stipulates a licensed electrician must complete approved training before they can install electric cable in buildings and other facilities.

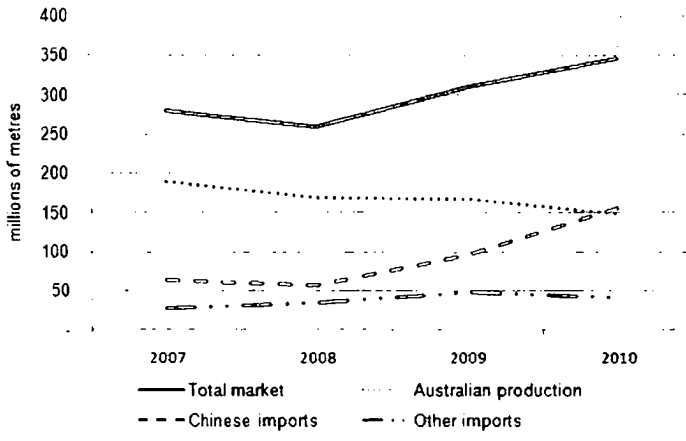
Demand in the trade and installer market is predominately driven by residential and commercial construction as well as the light industrial works industry. The residential market includes renovations, residential homes, town houses and units. The commercial construction sector is comprised of large apartment complexes, hospitals, factories, shopping centres, commercial refurbishments and multi story buildings.

Advance stated that flat twin and earth cables are typically used in wiring premises, with 1 mm² cable used for lighting circuits and 2.5 mm² cable used for power circuits. The trend to installing more lights has resulted in 1.5 mm² cable being used for lighting circuits. Building wire is typically used in switchboards. Single core double insulated cable is either PVC insulated and sheathed or XLPE insulated and PVC sheathed. The PVC insulated cable is most commonly used between mains and metre boxes. XLPE insulated cable is used in industrial environments, such as mains to machine or underground mains in subdivisions.

Advance explained that the flat twin and earth cables were the main sellers in the market. The price and availability of these electric cables are an important factor in customer decisions to purchase from a particular supplier.

Customs and Border Protection's estimated the size of the Australian market for electric cables from 2007 to 2010 using import data and information on sales by Australian manufacturers contained in the application. The size of the market is illustrated in the following chart.

Australian market



7.2 Distribution arrangements

Advance stated us that due to its size, it did not sell directly to contractors but always sold to wholesalers. The major customers it sold to were stores within the [REDACTED] groups. Advance provided a list of the individual stores that were in these groups at **confidential attachment 1**. Advance also stated that due to the size of the buying groups in the markets, these companies were able to set the sales terms under which the market operated, including rebates and discounts.

Advance considered that Prysmian and Olex, as the largest manufacturers in Australia, used to be the price setters in the market. However, it now considered Electra Cables Australia Pty Ltd (Electra) set prices.

8 SALES**8.1 Introduction**

Advance provided Customs and Border Protection with a line by line sales listing for the nine models under consideration for the period of January 2005 to June 2011 at Appendix A4. At the visit we sought to reconcile this information for the period from July 2010 to June 2011 to source documents to establish its relevance and accuracy and to audited financial accounts to establish its completeness.

8.1.1 Reconciliation

We reconciled the data between Appendix A4 and the sales volumes in the cost to make and sell spreadsheets (Appendix A6) provided to us prior to our visit. Advance stated that Appendix A4 also contained its export sales. These sales were of very small volume and were only to one customer. Advance stated that all sales to this customer were for export. Accordingly, we were able to identify these sales and excluded them from our analysis of domestic sales.

8.1.2 Pricing

Advance explained that as copper accounted for approximately 70% of the cost of electric cable it revised its electric cable prices in response to changes in the price of copper. It stated it monitored the price of copper daily, as well as the Australian US dollar exchange rate (Advance is invoiced for copper in US dollars). Advance provided an example of the daily and monthly prices (confidential attachment SALES 1). When significant changes occurred in the price of copper it provided new price lists to its customers. While it generally provided new price lists monthly, new price lists could be issued at other times if necessary. Advance advised that it offered the same free into store price to stores in the same chain or buying group regardless of the location of individual stores. It provided price lists for its customers over several years in the application.

Advance also stated that when it appeared that copper prices were increasing, wholesalers would often buy large quantities of electric cable to beat the anticipated price rises and would request lower sale prices for these products. [REDACTED]

Advance also explained that in some instances potential customers would ask for quotes for electric cables for a specific project several months in advance. In these instances the price Advance would offer would have a copper rise and fall provision. As a result, the price the customer would ultimately end up paying would be dependent on the copper price at the time of purchase.

In addition to the price lists, prices were also determined by sales contracts. Advance has sales contracts with most of its customers that are set yearly. These sales contracts outline the rebates and discounts for which customers are eligible.

8.1.3 Rebates and discounts

Most of Advance's customers are eligible for a range of rebates. These rebates are outlined in the applicable sales contract with each customer. While the terminology varies between wholesalers the rebates may include:

- a settlement rebate – a rebate given for providing payment within an agreed period of time (generally 30 or 60 days);
- an unqualified rebate – automatically applied to all purchases;
- a marketing rebate – automatically applied to all purchases for the customer to spend on advertising;
- long term incentive (LTI) or volume rebate – applied when a customer reaches the agreed annual volume target.

8.1.4 Ordering, invoicing and delivery arrangements

Advance has warehousing facilities, a sales person and a stock person in Sydney and Perth from which it also dispatches orders. It uses transport companies to freight its products all over Australia.

Advance explained that while its sales contracts were with purchasing groups or companies, individual stores would place separate orders with the company. The goods would then be delivered to the customer on a free into store basis. Either the purchasing store or the group's head office would be invoiced for the goods.

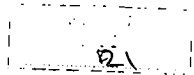
Advance also explained that in some instances it would deliver electric cables directly to a contractor that had purchased the electric cable from a wholesaler. In these instances, Advance would still invoice the wholesaler directly. Advance advised that it did not sell directly to contractors.

8.2 Verification of domestic sales

8.2.1 Verification to financial accounts (completeness)

We sought to verify the Appendix 4 data to the financial accounts to check for completeness. We firstly sought to reconcile the Appendix 4 data to Advance's management accounts. Advance stated that it prepares monthly financial reports. These reports include a report on the sales for the month, including the cost of sales, called the "monthly purchase content report", and a profit and loss statement, which included monthly and year to date figures for the current and preceding financial years.

Advance provided its financial reports for April, May and June 2011. The purchase content reports and profit and loss statements are at **confidential attachment SALES 2**. The purchase content report lists the volume and value of each product sold during the month. We sought to reconcile the total volume and value of each of the nine models from Appendix A4 with the volumes listed in the purchase content report. We found some minor variations between the quantities and values sold. The total variation in quantities over the three month for the nine products was about 0.1% and for values was less than 1%. A reconciliation between the volumes and



values in the A4 and management accounts is at **confidential attachment SALES 3**.

Advance explained that the minor variations in the values between Appendix A4 and the management reports resulted from the way rebates were recorded. It explained that the sales amount in the management report recorded all rebates for two customers ([REDACTED]) and the settlement rebate for other customers. The additional rebates and discounts for other customers, such as volume incentives were not recorded against sales. These rebates were recorded in the profit and loss statement under the heading 'discount allowed'. However, due to the way these rebates were applied the amounts listed under a particular month did not necessarily relate to sales made in that month. As the [REDACTED] [REDACTED] customers account for the majority of sales of the nine models under consideration, we consider that the variation between Appendix A4 and the management reports was not material.

To explain the variation between the volumes we selected the month of May 2011 and asked Advance to explain why three products had variations in volume. Advance interrogated its business management system and identified the relevant transactions (this report and relevant invoices are at **confidential attachment SALES 4**). Advance found that the additional lengths were replacements or cable that was provided free for charities and therefore did not have any invoice value. We consider that the variation between Appendix A4 and the management reports was not material.

Advance advised that its 2010-11 audited financial reports had not been finalised. We noted that the 2009-10 year to date revenue from the profit and loss statement, less discount allowed, equalled sales revenue from the 2009-10 audited profit and loss statement. Advance provided its 2010-11 audited financial reports on 21 October 2011 (**confidential attachment SALES 5**). We reconciled sales revenue in the audited profit and loss statement with sales revenue in the management accounts. Therefore, we are satisfied that the sales data is complete.

8.2.2 Verification to source documents (relevance and accuracy)

Prior to the visit we selected the following transactions from Appendix A4 for verification to source documents.

1	Invoice 144560	12 July 2010
2	Invoice 146393	12 August 2010
3	Invoice 147456	7 September 2010
4	Invoice 148522	6 October 2010
5	Invoice 684660	24 November 2010
6	Invoice 151183	23 November 2010
7	Invoice 153621	6 January 2011
8	Invoice 155954	17 February 2011
9	Invoice 157382	9 March 2011
10	Invoice 159136	12 April 2011
11	Invoice 160083	4 May 2011
12	Invoice 163097	28 June 2011

For these sales Advance provided the purchase order, invoice and relevant rebate agreements. These documents are at confidential attachment SALES 6. We found that the invoices listed the prices exclusive of rebates.

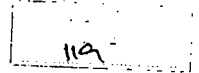
We found that invoice 684600 was in fact invoice 151324 and that the number in Appendix A4 was an internal reference number in the business manager system. We also found that the volumes on invoice number 148522 did not reconcile with the volumes in Appendix A4. However, we found that the volumes listed on the invoice and in Appendix A4 against that invoice number could be reconciled to the relevant purchase order. Advance ran a business manager report for sales to that customer in that month and found that both the sales listed on the invoice and in Appendix A4 were recorded against the customer. However, the sales in Appendix A4 were allocated to a different invoice number (confidential attachment SALES 7). We interrogated Appendix A4 and found the sales for invoice 148522 under reference numbers 674967 and 674968. We are therefore satisfied that all sales are accounted for in Appendix A4.

We also found that in two instances the customer received a slightly larger rebate than was specified in the sales contract for the relevant year. Advance explained that in these instances the customer negotiated a better rate during the year due to the size of their purchases. The new rebate rate was then reflected in the sales contract for the following year. The discrepancies caused by these changes were minor and we adjusted Appendix A4 to reflect the correct rate. The sales contracts, which list the rebates, for all selected sales are at confidential attachment SALES 8 as well as a summary of the rebates from the sales contracts and rebates recorded in Appendix A4.

We also selected the 3rd, 5th, 8th and 11th transactions for verification of proof of payment. Relevant documents are at confidential attachment SALES 5.

We found that in the case of customer [REDACTED], the entire applicable rebate was deducted at the point of payment. [REDACTED], which received a settlement discount, an unqualified rebate and a LTI rebate, only deducted the settlement rebate at the point of payment. Advance calculated the unqualified rebate across all products on a monthly basis and paid the rebate into [REDACTED] bank account at the end of the month. The LTI rebate was calculated and paid in the same way on a yearly basis. To support the calculation of the unqualified rebate, Advance provided the monthly report listing of sales to [REDACTED], which was also sent to that customer, and the bank statement showing payment of the rebate. Advance was unable to provide us with the yearly report for the volume rebate for 2010 but provided the proof of payment. It advised us that the 2011 rebate had not yet been paid. Relevant documents are at confidential attachment SALES 5.

We also found that some transactions in Appendix A4 had negative volumes or positive volumes and no invoice value. Advance provided us with invoice 142246 as an example (confidential attachment SALES 9). Advance explained that negative volumes and values related to returns. Customers were entitled to return slow moving and damaged stock. Positive volumes with no invoice value related to either donations or replacement stock.



We also found a number of abnormal transactions listed for large negative or positive values. However, we found that these transactions reconciled with another either positive or negative transaction and we therefore concluded that these were invoicing errors that were subsequently corrected.

We are satisfied that Appendix A4 is reasonable relevant and accurate.

8.3 Conclusion

We have verified the sales data contained in the application to source documents and to audited financial statements and are satisfied that the data is accurate, relevant and complete.

9 COST TO MAKE AND SELL

We explained to Advance that we needed to be satisfied that the data submitted in the application was complete, relevant and accurate. We also explained that the company would have to demonstrate that the data could be verified and traced to financial statements and to source documents.

9.1 Costing methodology

Advance manufactures over 150 different models of electric cable, each with different material requirements and manufacturing processes. It maintains a costing sheet for each model which identifies the quantities of the various raw materials and the various production processes. Each month the material price is updated. Advance uses an annual labour cost which incorporates all overhead costs, including selling, general and administration (SG&A) expenses. Each month the material costs are taken to the profit and loss statement and variances are accounted for in the value of movements in inventory. Actual labour and overhead costs are recorded in the profit and loss statement each month.

The cost for each model is obtained from the monthly costing sheet. Advance uses the actual price paid for each raw material during the month. However, it stated that it uses the annual labour and overhead budget as it is not possible to apportion actual monthly costs as it varies with the production mix.

In preparing Appendix A6.1, Advance calculated costs using production volumes and costs from the costing sheet. Labour and overhead costs were allocated to direct labour (24%) and variable overhead (76%).

9.2 Production volumes

Production volumes are recorded at the completion of the production process and are not entered into the business manager system until this time. Advance provided a spreadsheet identifying production volumes of like goods in 2011. When completing Appendix A6.2, production volumes were set equal to export sales volumes. The Appendix A6.2 data for 2011 did not include sales volumes and values. Revised Appendices A.6.2 for models exported are at **confidential attachment CTMS 1**. All other production was allocated to domestic sales in Appendix A6.1. The volume of export sales is not material.

We verified production volumes on-line to the business manager system.

9.3 Verification of cost to make and sell**9.3.1 Verification to financial accounts (completeness)**

Advance advised that its 2010-11 audited financial reports had not been finalised. We verified opening stock, purchases and closing stock from the last year to date figures from the profit and loss statement in the June 2011 financial reports (refer to **confidential attachment SALES 2**) to the 2009-10 audited financial statements (**confidential attachment CTMS 2**).

The profit and loss statement in the management reports identify:

- opening stock;
- closing stock;
- purchases; and
- materials issued to factory.

Closing stock is opening stock plus purchases less material issued to factory. Material issued to factory is the sum of material content from the purchase content report, which is calculated for each model by multiplying the sales volume by the material cost from the costing sheet for each product.

We requested, and Advance supplied, copies of the April 2011 costing sheets for the nine models that fall within the description of the goods (**confidential attachment CTMS 3**). We verified material costs from these costing sheets to the April purchase content report (refer to **confidential attachment SALES 2**).

We reconciled all other costs, including manufacturing costs and SG&A expenses from the management accounts to the 2009-10 audited financial statements.

Advance provided its 2010-11 audited financial reports on 21 October 2011 (**confidential attachment SALES 5**). We reconciled costs in the audited profit and loss statement with the management accounts. Therefore, we are satisfied that the cost data is complete.

9.3.2 Verification to source documents (relevance and accuracy)

As noted above, Advance uses the actual price paid for each raw material during the month and its annual labour and overhead budget for all other costs. In preparing Appendix A6, Advance calculated costs using production volumes and adjusted these for movements in the value of inventories. The value of closing inventory was calculated using the total cost from the costing sheets.

Copper

Copper is the largest cost component in electric cable. As with selling prices, Advance uses the current price it pays for copper in its costings. Advance purchases its copper requirements from an Australian supplier, MM Kembla, but is invoiced and pays in US dollars. The price for April purchase is the average London Metal Exchange (LME) price for March. Advice from MM Kembla showing the copper price for March 2011 and two April invoices for copper are at **confidential attachment CTMS 4**. Advance purchases 8 mm copper rod, 2.52 mm copper wire and 1.70 mm copper wire and pays a premium for each above the LME price.

We noted that one of the invoice provided referred to January 2011 prices. Advance stated that during the month of February, it deferred copper to March as a result of flooding. It also deferred again in March to April.

Advance stated that it operates a US dollar account and has hedge contracts with its bank. We asked Advance to support the exchange rate used for April. Advance stated that in April it had funds left over from previous contracts and that the

calculation of the exchange rate was "messy". We agreed that Advance provide evidence to support the exchange rate used in May 2011. Advice from MM Kembla showing the copper price for April 2011, two May invoices for copper and three international funds transfer reports are at **confidential attachment CTMS 5**. The exchange rate used in the settlement instructions was [REDACTED]. Advance stated that it paid an insurance premium, called a currency protection contract premium, which is separately charged to its account. The exchange rate is adjusted [REDACTED] to reflect this premium leaving a net exchange rate [REDACTED]. A document supporting the insurance premium is at **confidential attachment CTMS 6**. We verified that this was the exchange rate used in the May 2011 costings.

We noted that the terms on the MM Kembla invoices were end of month of supply, but that two payments were made on 31 May 2011 and on 15 June 2011. Advance stated that part payment was delayed for cash flow purposes.

Other materials

Advance manufactures its own PVC. It supplied costing sheets for two products used in the insulation and sheathing of electric cables in April 2011 (**confidential attachment CTMS 7**). These sheets identified the cost and quantity of the various products used in the manufacturing process. We verified that the cost of the insulating and sheathing materials was reflected in costing sheets for electric cable.

Advance supplied a purchase order, invoices, statement and evidence of payment for purchases of the raw PVC resin in April 2011 (**confidential attachment CTMS 8**). We verified that this cost was reflected in the PVC costing sheets.

Advance supplied a purchase order, invoices, statement and evidence of payment for purchases of diisononyl phthalate in April 2011 (**confidential attachment CTMS 9**). We verified that this cost was reflected in the PVC costing sheets.

Advance supplied a purchase order, invoices, statement and evidence of payment for purchases of calcium carbonate in April 2011 (**confidential attachment CTMS 10**). We verified that this cost was reflected in the PVC costing sheets.

Advance supplied a purchase order, invoices, statement and evidence of payment for purchases of stabiliser in April 2011 (**confidential attachment CTMS 11**). We verified that this cost was reflected in the PVC costing sheets.

Labour, overheads and SG&A expenses

Advance stated that its financial system did not allow it to allocate actual monthly labour, overheads and SG&A expenses to individual models. These expenses are consumed in different proportions in each model and the production mix of the various models varies from month to month. The following table identifies the proportion of these costs to total costs for the nine models that fall within the description of the goods.

Building wire			
Flat twin and earth (1 mm)			
Flat twin and earth (1.5 mm)			

Flat twin and earth (2.5 mm)		
SDI		
XLPE (16 mm)		
XLPE (25 mm)		
XLPE (35 mm)		
XLPE (50 mm)		

In 2010-11 Advance used a cost of \$█ per hour. Advance provided how these costs were estimated for 2010-11 (**confidential attachment CTMS 12**). The cost was \$█ per hour, which was calculated using estimated costs that were similar to actual costs for 2009-10 from the June 2011 financial reports divided by estimated production hours.

We are satisfied it is not possible to more accurately allocate these costs to individual models in Advance's financial system. Given the relative low proportion of these costs, we have accepted these costs as submitted in Appendix A6.

Stock levels

As noted above, in Appendix A6 Advance calculated costs using production volumes and adjusted these for movements in the value of inventories. The value of closing inventory was calculated using the quantity of closing inventory for each model and the total cost from the costing sheets. We noted that the quantity of closing inventory was calculated by formula over the whole period for which data was provided. We obtained closing inventories for two selected cables at the end of June 2011 (**confidential attachment CTMS 13**) and found that the closing inventory quantities in Appendix A6 were within 0.2% of the actual closing quantities for the two selected electric cables.

9.4 Conclusion

We have verified the cost data provided in Appendix A6. We are satisfied the data is complete, accurate and reliable and only includes costs in respect of domestic sales of the electric cable the subject of the investigation goods.

10 ECONOMIC CONDITION OF THE INDUSTRY

10.1 The applicant's injury claims

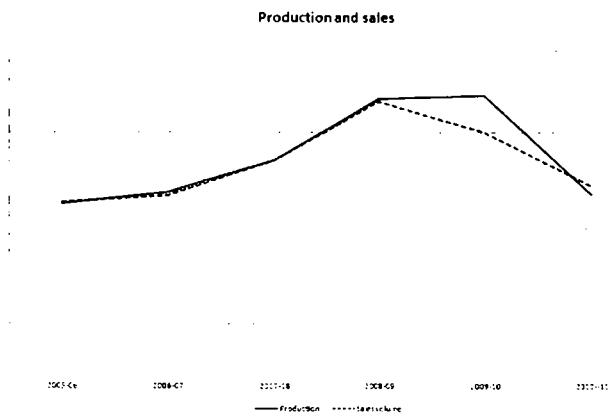
The applicants claim that the Australian industry has suffered material injury caused by electric cables exported to Australia from China at dumped prices through:

- loss of sales;
- reduced market share;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- underutilisation of production capacity;
- reduced return on investment;
- staff retrenchments; and
- an inability to raise capital.

Advance claims that it has been suffering material injury throughout the period examined.

10.2 Production and sales volume

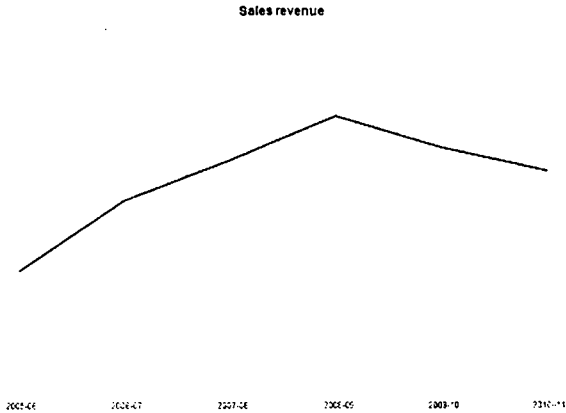
Movements in production and sales volumes are illustrated in the following chart.



Production and sales volumes rose each year from 2005-06 to 2008-09. Production volume rose in 2009-10, but sales volume fell. Both production and sales volumes fell in 2010-11.

10.3 Revenue effects

Movements in revenue are illustrated in the following chart.

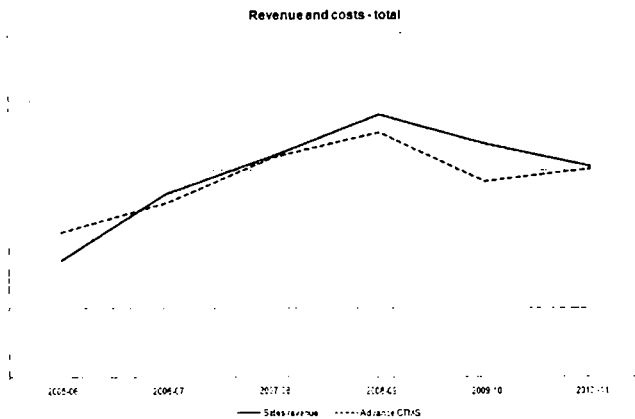


Revenue rose each year from 2005-06 to 2008-09, but fell in 2009-10 and 2010-11.

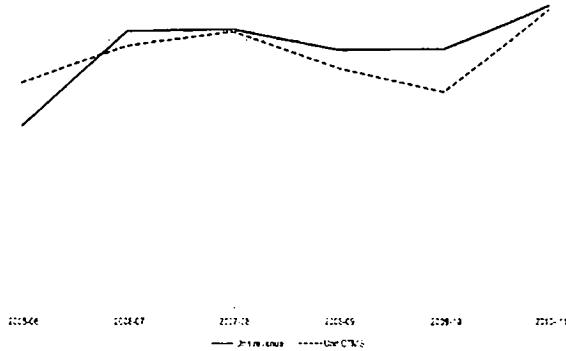
10.4 Price effects

Price depression occurs when a company, for some reason, lowers its prices.. Price suppression occurs when price increases for the applicant's product, which otherwise would have occurred, has been prevented. An indicator of price suppression may be the margin between revenues and costs.

Movements in total and unit revenues and costs are illustrated in the following charts.



Revenue and costs - unit

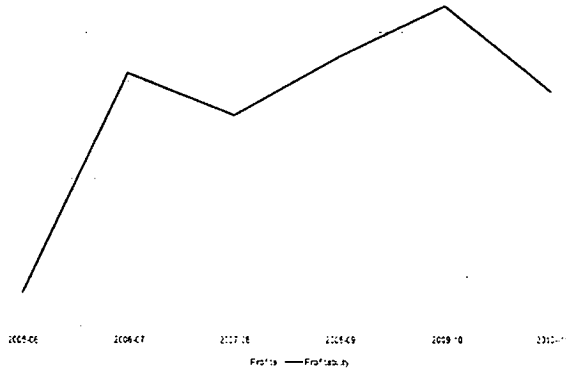


While total revenue fell in 2009-10 and 2010-11, unit revenue increased slightly in 2009-10 and by about 15% in 2010-11. Advance's prices have not been depressed.

Total and unit revenue has been higher than total and unit costs since 2006-07. However, the margin between total and unit revenue and costs fell in 2010-11, suggesting that Advance's prices have been suppressed.

10.5 Profit and profitability effects

Profits and profitability



Profits and profitability rose in 2006-07, fell in 2007-08, then rose each year until 2009-10. Profits and profitability fell in 2010-11.

10.6 Summary of major injury indicators

Advance claimed that it suffered injury in 2005-06 which it attributed to dumped imports from China. It retrenched a number of staff in 2006 and has since undertaken a number of measures to reduce costs.

- In 2005 a new rewinding machine was installed and scrap processing equipment was purchased to recover copper from scrap cables. This resulted in improved efficiencies and 140% increase in returns from scrap.
- In 2006 a new extrusion line was installed in tandem with a multi-wire drawing line. This resulted in production output rates improving by as much as 150%.
- In 2008 an extrusion line was upgraded, resulting in less short lengths of cable, more machine uptime and scrap reduction.
- In 2010 a new stranding machine was installed, resulting in increased running speeds of up to 220%. A material monitoring program was initiated and has enabled savings of up to 10% on material content. Advance has also introduced measures to stay abreast of the latest innovations and improvements in cable making.

Advance stated that these measures resulted in improved economic performance until 2008-09. However, its economic performance began to deteriorate in 2009-10 and in 2010-11 Advance suffered injury through:

- loss of production and sales volumes;
- reduced revenue;
- price suppression;
- reduced profits; and
- reduced profitability.

Advance did not suffer injury through price depression.

10.7 Other injury factors

Advance completed Appendix A7 for calendar years from 2005 to 2010 (**confidential attachment INJURY 1**). It stated that it was very difficult to complete this appendix as no machine is dedicated to the goods the subject of the application. Consequently it was very difficult to allocate costs to like goods.

Assets

The value of assets increased each year reflecting the upgrading of production facilities.

Capital investment

Capital investment is reflected in the increase in assets.

Research and development

Research and development was very small throughout the period. Advance stated that the cable industry was mature and improvements were generated through improved production techniques.

Return on investment

Overall return on investment was very small throughout the period. In respect of like goods it fluctuated and there was no clear trend, although return on investment fell in 2010-11.

Capacity

Advance stated that capacity was very difficult to measure. Capacity rose from 2006 to 2010, but fell in 2010. Capacity utilisation fell in 2010.

Employment

Employment fell significantly in 2006. Advance attributed this fall to dumped imports from China. Employment rose each year to 2010. Advance stated that it was now considering retrenchments as a result of competition from allegedly dumped imports of electric cable from China.

Productivity

Productivity, measured in metres per production hour, fell in 2010.

Stocks

The value of stocks rose in 2010, reflecting reduced sales volume.

Cash flow measures

Accounts receivable turnover was relatively stable, but inventory turnover fell in 2010.

Wages

Movements in wages reflects movements in employee numbers.

Summary of other injury factors

Other injury factors that indicate that Advance's economic performance has deteriorated are:

- reduced return on investment;
- underutilisation of production capacity;
- staff retrenchments;
- reduced productivity; and
- increased stocks.

11 CAUSATION

Advance claimed that low prices of allegedly dumped electric cable from China caused the injury it has suffered.

Advance provided correspondence from [REDACTED] and notes from salesmen showing Electra's prices in September 2011. Advance also provided its September 2011 prices to this company and a spreadsheet comparing these prices. These documents are at confidential attachment CAUS 1. Electra's prices undercut Advance's prices by 3% to 18%. In making this comparison, Advance assumed that this company would receive the same rebates from Electra that it receives from Advance.

Advance provided correspondence with a customer indicating that it lowered its prices to try and get business and correspondence between that customer and Electra showing prices offered by Electra. These documents are at confidential attachment CAUS 2. The original offer were at prices 3% to 7% below that customer's price list and the second offer to compete with Electra was at 7% to 10% below list price. Advance also supplied costing sheets for these products at that time. For three of the four products quoted by Electra, the prices quoted were less than Advance's cost to make and sell and for the other the profit was less than 3%.

Advance provided copies of Electra invoices to one of its customers and invoice details for other invoices from that customer's financial system. Advance did not want us to take copies of these documents, but allowed us to review the documents in Advance's office. In all cases the Electra invoiced prices were less than that customer's list price with Advance. Typically Electra's prices were 10% lower, but in some cases for lower priced cables Electra's prices were almost 25% lower. These invoices were for May 2009, June 2009, May 2010 and June 2010.

Advance provided numerous large folders with correspondence from its sales team providing details of discussions with customers, including information on prices. We reviewed this correspondence for 2010-11 and found many examples where Electra's prices undercut Advance's list prices for those customers.

We consider that Electra's prices have undercut Advance prices. We are satisfied that this price undercutting has caused the injury identified in section 10 of this report and that this injury is material.

Advance stated that there were no other causes of injury.

We asked if floods in early 2011 contributed to any injury. Advance stated that the floods disrupted production from approximately 6:30 pm on 5 February 2011, 2.5 hrs prior to the end of the working week. Machines were repaired and brought back into production at various times. The priority was placed in order of workload. The longest downtime of the main lines was 113 hours. The longest downtime of any of the machines was 245 hours, but this machine has over 90% capacity available and has little bearing on overall production. Customer orders were supplied from stock. Customers were advised of back orders and expected delivery dates. Back orders that were not cancelled were supplied after the recommencement of production. Production was increased from five days continuous production to seven days

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continuous to meet demand and full fill back orders. We do not consider this had any material effect on injury suffered by Advance.

We asked Advance if it was able to fill orders immediately. Advance stated that generally around 80% of orders are filled immediately or within the customer's expectations. The exception would be for a special bulk purchase where the goods would be supplied over an agreed timeframe. We do not consider that stock outs had any material effect on injury suffered by Advance.

12 UNSUPPRESSED SELLING PRICE

Unsuppressed selling price and non-injurious price issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice.

Customs and Border Protection generally derives the non-injurious price by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price.

Customs and Border Protection's preferred approach to establishing unsuppressed selling prices observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the unsuppressed selling price, Customs and Border Protection then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export free on board point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

Advance stated that there has been no period unaffected by dumping since 2005. It stated that the company was purchased in the mid 1990s and that it traditionally made 17.5% profit on these lines. Advance claimed that the unsuppressed selling price should be established using its current cost to make and sell with an allowance for 17.5% profit.

13 ATTACHMENTS

Confidential attachment 1	Stores within the [REDACTED] groups
Confidential attachment SALES 1	Documents supporting copper prices
Confidential attachment SALES 2	Financial reports for April, May and June 2011
Confidential attachment SALES 3	Reconciliation between Appendix A4 and management accounts
Confidential attachment SALES 4	Invoices relating to volume discrepancies
Confidential attachment SALES 5	20010-11 audited financial statements
Confidential attachment SALES 6	Documents for selected sales transactions
Confidential attachment SALES 7	Management report for Invoice 148522
Confidential attachment SALES 8	Sales contracts
Confidential attachment SALES 9	Invoice 142246
Confidential attachment CTMS 1	Revised Appendices A.6.2 for models exported
Confidential attachment CTMS 2	2009-10 audited financial statements
Confidential attachment CTMS 3	April 2011 costing sheets
Confidential attachment CTMS 4	Documents supporting April 2011 copper prices
Confidential attachment CTMS 5	Documents supporting May 2011 copper prices
Confidential attachment CTMS 6	Document supporting the insurance premium
Confidential attachment CTMS 7	Costing sheets for insulation and sheathing products
Confidential attachment CTMS 8	Documents supporting purchases of PVC
Confidential attachment CTMS 9	Documents supporting purchases of diisononyl phthalate
Confidential attachment CTMS 10	Documents supporting purchases of calcium carbonate
Confidential attachment CTMS 11	Documents supporting purchases of stabiliser
Confidential attachment CTMS 12	Estimation of labour, overhead and SG&A expenses
Confidential attachment CTMS 13	Closing inventories at June 2011
Confidential attachment INJURY 1	Appendix A7
Confidential attachment CAUS 1	Price undercutting example 1
Confidential attachment CAUS 2	Price undercutting example 2