

PUBLIC FILE VERSION

ELECTRIC CABLE FROM CHINA

END USER VISIT REPORT – [REDACTED]

13 October 2011

Present:

[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Customs and Border Protection	John Bracic, Director, Operations 1 Chris Vincent, Manager, Operations 1

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] stated that the flat electric cable business is critical. They are part of a suite of products and wholesalers need to get the flat electric cable business in order to get business for other electrical products. If they don't get the flat electric cable business, they won't get much business for other products. [REDACTED] stated that it does not use flat electric cable business as a loss leader to pick up the other business.

[REDACTED] stated that margins were decreasing significantly. It attributed this to current pricing and low demand. It stated that it had not observed any changes in prices since the investigation was initiated.

[REDACTED] stated that it tries to support the Australian industry, but its branches are competing with Electra's customers who are purchasing cable at prices up to 15% lower than the Australian industry's prices. It stated that in the last 12 months one of the Australian manufacturers, [REDACTED], said it could not supply at the prices quoted by Electra. [REDACTED] purchases about [REDACTED]% of its electric cable requirements from Electra. The value of [REDACTED] purchases has increased from about \$[REDACTED] million to \$[REDACTED] million in the last 12 months.

[REDACTED] stated that Electra initially supplied a small range of products and got business on price. However, it has continually grown and now has a national distribution network. [REDACTED] does not believe Electra is selling directly to electrical contractors.

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We asked if there was any question about Electra's products meeting the Australian standards. [REDACTED] stated that the testing regime was limited. Suppliers submit cable to get approval, but there was no on-going testing.

[REDACTED] has supply agreements with its major suppliers. These agreements essentially establish a buy price less a series of rebates.

- The buy price is set monthly based on the current price of copper.
- Rebates typically have a number of elements; base, advertising, settlement and long term incentives (LTIs).
- LTIs are accounted for periodically (monthly, quarterly or annually) and typically provided for increasing rebates for higher target volumes.

[REDACTED] stated that despite these agreements, in reality 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. [REDACTED] stated that at times Electra will approach wholesalers and offer special prices. It provided an example where earlier this year Electra approached wholesalers offering a price of \$[REDACTED] per 100 metres for 2.5 mm flat electric cable. [REDACTED] stated that the market had operated in this fashion for many years.

[REDACTED] provided details of its purchases in 2010-11 from Electra for each of the nine models identified in the Australian industry's application. The net buy price was calculated by deducting [REDACTED]% from the base price for settlement and advertising rebates and [REDACTED]% for LTIs as per [REDACTED] trading terms agreement with Electra. We verified these rebates to the trading terms agreement.

[REDACTED] stated that a late order cut off for next day delivery would not influence buying decisions for these products.