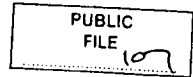
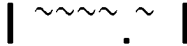


S:
~ ~ ~
~ Australian Government
~ Australian Customs and
Border Protection Service



INVESTIGATION INTO THE ALLEGED DUMPING OF
CERTAIN ELECTRIC CABLES

EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA

IMPORTER VISIT REPORT

ELECTRA CABLES (AUST) PTY LTD

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND
MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER
PROTECTION

November 2011

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2 BACKGROUND AND PURPOSE

2.1 Background to the current investigation

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

The investigation was initiated on 9 September 2011. Public notification of initiation of the investigation was made in *The Australian* newspaper on 9 September 2011. Australian Customs Dumping Notice (ACDN) No. 2011140 provides further details of this investigation and is available at www.customs.gov.au.

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that Electra Cables (Aust) Pty Ltd (Electra) had imported electric cables from China during the investigation period (1 July 2010 to 30 June 2011). Electra was also identified as an importer of electric cables in the application. Customs and Border Protection wrote to Electra advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the importer questionnaire to complete. Electra was also provided with a list of its imports during the investigation period, extracted from Customs and Border Protection's import database, and identified a number of transactions from the list for verification.

Electra completed the importer questionnaire, providing details regarding the company, overseas supplier information, imports and expenses.

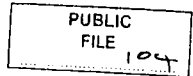
2.2 Purpose of meeting

The purpose of this visit was to:

- confirm that Electra was an importer of electric cables and obtain information to assist in establishing the identity of the exporter;
- verify information on imports of electric cables to assist in the determination of export prices from China;
- establish whether the purchases were arms length transactions;
- establish post exportation costs incurred in importing;
- identify Electra's sales and customers and determine sales volume, selling prices and selling costs;
- recommend how export price may be determined under s. 269TAS; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

Refer to the full description of the goods in section 3 of this report.

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2.3 Meeting

We advised Electra of the investigation process and timeframes.

- The investigation period is 1 July 2010 to 30 June 2011.
 - The injury analysis period is from 1 July 2007.
 - A preliminary affirmative determination (PAD) may be made no earlier than 8 November 2011. Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. 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. The statement of essential facts 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 11 February 2012, unless an extension to the statement of essential facts is approved by the Minister.
- We advised Electra that we would prepare a confidential report on the visit. Electra would be given an opportunity to review the visit report for accuracy. A nonconfidential version of this visit report would be prepared in consultation with Electra and placed on the public record.

Company	Electra Cables (Aust) Pty Ltd
Address	1/13 Cooper Street, S-MITHFIELD
Telephone no	02 8786 5222
Fax no	02 8786 5288
Date	7 November 2011
Present	
Electra	Adam Chen, Director, National and International Sales Luke Zhou, Deputy Managing Director Rex Miller, Chartered Accountant, Altus Financial Pty Ltd
Consultant	Daniel Moulis, Moulis Legal
Customs and Border Protection	Chris Vincent, Manager Operations 1 Carl Halpin, Supervisor Operations 2

Prior to the meeting we forwarded an agenda to Electra and advised them that we would require supporting documentation for the selected sales that had been previously identified.

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Electra was co-operative and had the required documentation available for our meeting.

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3 THE GOODS

3.1 Goods the subject of the application

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.*

Further detailed information on the goods is contained in ACDN 2011/40.

3.2 Tariff classification

Electric cables are classified to the tariff subheading 8544.49.20 (statistical codes 40 and 41) of Schedule 3 to the *Customs Tariff Act 1995*. The general rate of duty is currently 5%. Imports from China are subject to the DCS duty rate of 4%.

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4 COMPANY BACKGROUND

4.1 Commercial operations

4.1.1 Company background

Electra (named after the Greek mythical goddess for Lightning) was established by two brothers about 40 years ago in Parramatta as a manufacturer of electric cables for the Australian market. In 1992 the company was placed in administration due to the financial effects of the 1991 recession and was subsequently purchased by Chinese and Australian interests.

There have been changes in the ownership structure since 1992. Electra is currently owned by Elite Cables (Aust) Pty Ltd (Elite) and Mettglow (Aust) Pty Ltd (Mettglow). Elite is owned by three individual shareholders and Mettglow is 100% owned by Guilin Xin Ao Wire & Cable Co., Ltd (Guilin Xin Ao) which is owned by 36 individual shareholders.

Elite and Guilin Xin Ao own Electra's largest supplier of electric cables, Guilin International Wire & Cable Group Co., Ltd (Guilin International). Guilin International and Electra own four other electric cable manufacturers, three of which exported electric cables to Electra during the investigation period. Guilin International and these three companies, Guilin Xianglong Wire & Cable (Guilin Xianglong), Guilin Feilong Wire & Cable Ltd (Guilin Feilong) and Aoning Electric Cables Co., Ltd (Aoning), are collectively referred to as the Guilin Group in this report.

Under the new ownership structure Electra ceased manufacturing electric cables and distributed electric cables manufactured by other companies.

Electra gave a presentation at the meeting and a copy is at confidential attachment GEN 1. A non-confidential version has been placed on the public record.

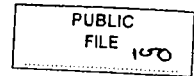
Electra stated that it has grown steadily since. Its turnover in 1992 was \$(CONFIDENTIAL TEXT DELETED) million, but this had grown to \$(CONFIDENTIAL TEXT DELETED) million in 2010-11. Electra's draft audited 2010-11 financial statements are at confidential attachment GEN 2. Electra claims that this growth and its success, rather than dumping, led to a number of investigations which it claims were initiated after complaints from its competitors. This matter is discussed in section 10.

4.1.2 Functions of company

Electra described its business as a supplier of quality electric cables to meet the demands of electrical wholesalers across Australia. It sells over 1000 different models of electric cables. Electra claims it was successful because of the following factors:

- quality assurance and quality products;
- it supplied a large product range;
- o it only supplied wholesale customers and did not supply contractors;

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- o excellence in customer service;
 - o very good stock control and management; and
 - o appropriate pricing for profit.
- And cheap pricing.

Electra stated that it had supplied electric cables to a number of prestigious projects such as Parliament House in Canberra, the Sydney Olympic complex, various Airport upgrades (including Sydney and Brisbane) and several new Defence buildings.

Electra operates from its head office in Smithfield, Sydney, with distribution centres located in Melbourne and Brisbane employing approximately [CONFIDENTIAL TEXT DELETED] full time equivalent staff. It is building a new distribution centre in Brisbane where it will need to employ an additional [CONFIDENTIAL TEXT DELETED] staff and has purchased land in Perth and will shortly build a new distribution centre and will need to employ [CONFIDENTIAL TEXT DELETED] staff. Currently customers in Perth are supplied directly from imports and Adelaide is supplied from Melbourne or Sydney.

4.2 Accounting

Electra advised that each state was an accounting cost centre, plus administration was a separate cost centre. Its accounting systems is based on a software package, Minder, and it operates on a July to June financial year.

4.3 Relationship with suppliers

As noted in section 4.1, Electra is related to its suppliers. Electra advised that despite this relationship that transactions between the various parties are profitable overall and conducted at arms length.

How would Electra know that they are all profitable, if it is at arms length?

4.4 Relationships with customers

Electra advised that it had commercial relationships with the major electrical buying groups and has sold goods to the Australian Industry. Electra advised that other than these commercial relationships, it has no other relationships, equity or otherwise, with its customers.

5.0 IMPORTS

5.1 Introduction

Customs and Border Protection's import database indicates that Electra imported about [CONFIDENTIAL TEXT DELETED] million metres of electric cables during the investigation period. The quantity imported by supplier is summarised in the following table.

Exporter	Qty (million metres)
[CONFIDENTIAL TEXT DELETED]	[CONFIDENTIAL TEXT DELETED]

The [CONFIDENTIAL TEXT DELETED] largest suppliers are manufacturers and the others are trading companies. Electra also imported a small volume of electric cables from another company, [CONFIDENTIAL TEXT DELETED], but these were not the goods under consideration.

In 2010-11 Electra's sales of electric cables that fell within the description of the goods were \$[CONFIDENTIAL TEXT DELETED] million, compared with total sales of \$[CONFIDENTIAL TEXT DELETED] million ([CONFIDENTIAL TEXT DELETED]%). We noted that the majority of the goods in the selected shipments were entered under tariff subheading 8544.49.20 (statistical codes 40 and 41). Therefore, when estimating the size of the Australian market over the injury analysis period we will assume that [CONFIDENTIAL TEXT DELETED]% of Electra's imports were the goods under consideration.

5.2 Imports

Electra receives orders monthly from its distribution centres, although they may be more or less frequent depending on stock levels and forecast sales. These orders are consolidated in Electra head office and the consolidated order is faxed to Guilin International. Electra stated that Guilin International's production department decides which factory within the Guilin group will produce the goods or whether they will be supplied by a trading company. The electric cables are manufactured and shipped to Australia; shipping time is about three weeks. Invoices are expressed in US dollars and delivery terms are cost and freight.

We noted that payment terms were not specified on the selected shipments. Electra stated that it periodically remits funds to China and that the relevant supplier in the Guilin Group [CONFIDENTIAL TEXT DELETED]. Electra stated that during the

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investigation period the payment terms were **[CONFIDENTIAL TEXT DELETED]** days.

We selected 12 shipments so that Electra could complete an importer transaction form. Electra provided a completed importer transaction form in its importer questionnaire response. For each shipment this form identified the quantity, invoice value, ocean freight and insurance, exchange rate, customs duty, importation costs, selling, general and administration (SG&A) expenses and average selling prices. The ocean freight was the amount identified on the supplier invoices.

Prior to the visit we asked Electra to have copies of the following documents for six of these shipments:

- o supplier invoices;
- proof of payment of supplier invoices;
- bills of lading;
- customs brokers invoices; and
- invoices for any other importation costs.

These documents are at **confidential attachments IMP 1**.

For the six selected shipments, payment terms for one was **[CONFIDENTIAL TEXT DELETED]** days. For all others it was **[CONFIDENTIAL TEXT DELETED]** days. We found that Electra remitted the funds to the member of the Guilin Group that supplied the goods.

Electra stated that it used the exchange rate at the date the goods were received into store. For the six selected shipments we substituted the exchange rates at the time the payments were made. For five of the shipments the cost to import and sell was lower and for the sixth shipment, while the cost was slightly higher, sales were still profitable. We have therefore accepted the exchange rates used by Electra.

Profitable against what – the FOB China price?

Electra estimated that the insurance cost to be **\$(CONFIDENTIAL TEXT DELETED)** per container. We noted that insurance costs were included in SG&A expenses, not cost of goods sold, and was therefore double counted. We amended the importer transaction form accordingly.

Electra calculated SG&A expenses from its 2010-11 draft audited accounts using the ratio of total expenses to invoiced sales value (**[CONFIDENTIAL TEXT DELETED]**%).

This ratio should be calculated on the net pricing as invoiced sales values are inflated.

We found that each selected shipment contained many models of electric cable that were not the goods under consideration and that there was a very large range in the costs of the various models. We amended the importer transaction form by identifying for each shipment models that fell within the description of the goods. For models that fell within the description of the goods, we identified the volume and invoice value of each model. We allocated post free on board expenses using the ratio of invoice value for each model to the total invoice value for the shipment.

Is this accurate? The post free on board costs for the GUC must vary from shipment to shipment depending on the value of the product mix in the container. The freight component across the models ranges from \$0.63/100m to \$19/100m

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We found that none of the selected shipments included building wire. Prior to the visit we asked Electra to provide supplier invoices and importation costs for a 13th shipment that included building wire. This shipment is included in confidential attachments IMP 1.

We noted that none of the selected shipments were from [CONFIDENTIAL TEXT DELETED]. Prior to the visit we advised Electra of four selected shipments from [CONFIDENTIAL TEXT DELETED] and asked it to provide copies of supplier invoices and evidence of payment. These documents are at confidential attachments IMP 2.

The revised importer transaction form is at confidential attachments IMP 3. Post free on board expenses for the nine major models of electric cables are summarised in the following tables (expressed in Australian dollars per kilometre). Sales and the profitability of these shipments is discussed in section 6.

Cost Item	FT&E 1.0	FT&E 1.5	FT&E 2.5	BW
Ocean freight	[CONFIDENTIAL TEXT DELETED]			
Customs duty				
Importation charges				
SG&A expenses				
Profit				

Cost Item	XLPE18	XLPE25	XLPE35	XLPE50
Ocean freight	[CONFIDENTIAL TEXT DELETED]			
Customs duty				
Importation charges				
SG&A expenses				
Profit				

5.3 Who is the importer

We noted that Electra:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading; and
- arranges delivery of the goods to one of its warehouses or direct to its customers.

We consider Electra was the beneficial owner of the goods at the time of importation and is therefore the importer.

5.4 Who is the exporter?

Customs and Border Protection will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the

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- goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- o a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

Where there is no principal in the country of export Customs will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

We reviewed the documentation provided in relation to the sample shipments ordered from the Guilin group. Upon review of this documentation and other information supplied by Electra, we are satisfied that for the individual members of the Guilin group:

- the commercial invoices identify the supplier;
- the bills of lading identify the supplier as the shipper of the goods; and
- the supplier arranges and pays for the goods to be transported to the wharf and loaded onto the ship in the country of export; and
- Electra pays the relevant supplier.

Based on the information available we are satisfied that individual members of the Guilin group were the exporters of the goods.

We have insufficient information in respect of other suppliers and therefore cannot determine if they were the exporters.

6 AUSTRALIAN MARKET AND SALES

6.1 General

Electra claims that the Australian market for electric cables has been depressed because of the weak housing market. It provided a June 2011 IBISWorld industry report, "Cable and Wire Manufacturing in Australia" (confidential attachment SALES 1). The report defines the industry as manufacturers of electric or telephone cable, wire or strip.

We reviewed this report and noted the following key points:

- total revenue is \$1.9 billion ;
- annual growth from 2006 to 2011 was 4%;
- projected annual growth from 2011 to 2016 is 7% and will be driven by the fibre optic cable market, robust residential construction activity and strong demand for mining cable;
- demand for the industry's products has shifted to the communication and mining sectors;
- building wire and cable accounts for about 25% of industry revenue;
- residential construction slowed down after the 2008 global financial crisis, although the first half of 2009-10 saw strong demand from first home buyers and investors taking advantage of government incentives; and the price of raw material rose sharply over the past five years and caused profit margins to come under pressure .

The Australian market is dominated buy buying groups such as Gemcell, Lawrence & Hanson, Rexel, Go Electrical and MM Electrical.

6.2 Sales process

Electra sells to electrical wholesalers. It stated it avoids competing with these wholesalers by not selling directly to the contractor market. It has supplier agreements with the various buying groups; copies of three are at confidential attachment SALES 2.

Electra negotiates these agreements annually. The agreements specify prices, delivery and payment terms, rebates and arrangements for long term incentives. [CONFIDENTIAL TEXT DELETED] Electra stated it does not always respond to offers of lower prices. It claims that the local manufacturers have offered lower prices, but have not had stock available so that if customers want the product immediately they have to buy from Electra. Delivery terms are [CONFIDENTIAL TEXT DELETED] (although about [CONFIDENTIAL TEXT DELETED]% of customers pick up the goods) and payment terms vary from [CONFIDENTIAL TEXT DELETED] days.

Electra has undercut Advance's pricing to customers on many occasions.

Electra has poor lead times on their cutting service of up to four days.

The lead time from Advance is the same day or next morning if the order is received very late in the day.

Electra stated that it does not use the goods under consideration as loss leaders to get other cable business, although profit margins on the more common electric cables are typically lower.

This statement is contradictory. The lower profit may be an indication of loss leaders.

Electra's rebates include [CONFIDENTIAL TEXT DELETED]. Long term incentives are accounted for annually and are paid by cheque while other rebates are accounted for when the payment is made.

Customers typically ring to get a price then place an order by fax or email. Electra arranges delivery of the goods and issues an invoice, normally within a week of dispatch although this occasionally takes up to three weeks. Ordering and payment arrangements vary from group to group. Individual stores may place orders, but one payment is made, orders and payment may be done centrally or the individual stores may be responsible.

Advance questioned Electra's payment terms. It provided invoices dated April 2011 (confidential attachment SALES 3) for electric cables (which were not the goods under consideration) and stated that while the goods were delivered in March, payment was not requested until September. The terms stated on the invoice were "to be paid now". Advance could not understand how a business could operate with such generous credit terms.

We provided copies of these invoice to Electra and asked them to explain the credit terms. Electra provide a file on this matter. Advance requested extended payment terms because of cash flow problems after its factory was flooded in February 2011. Electra made repeated requests for payment and finally Electra's lawyers wrote to Advance demanding payment for a number of invoices within seven days and stated that if payment was not received it would commence proceeding to recover the money. The invoice numbers from the invoices provided by Advance were listed in this letter of demand.

Before sending an invoice, Electra would ring and request assistance in identifying the

container numbers of the shipments Advance had last recieved.

Electra's accounts department did not appear know what had or had not been invoiced.

Electra would then forward invoices-some up to seven months old and request immediate payment.

During our visit we verified payment arrangements for sales to its customers and purchases from its suppliers.

6.3 Sales verification

Electra's financial system could not provide line by line sales information in a format that was suitable for our purposes. It identified all models that fell within the description of the goods and downloaded sales information for each model from its stock control system. This download identified a number of fields including customer name, buying group, invoice number, invoice date, product code, quantity, cost and sales revenue. The sales revenue was invoice price before rebates. We combined the details for each model into a single spreadsheet.

Prior to the visit we selected twelve invoices for verification. We asked Electra to provide copies of the customer purchase order, Electra invoice and delivery docket for each of these transactions and evidence of receipt of funds for four selected transactions. Copies of these documents are at confidential attachment SALES 4. We verified each transaction to the sales listing and found no discrepancies. We also verified invoices were in most cases raised with seven days of the date of the delivery docket and that payment terms were in accordance with the supply agreements at confidential attachment SALES 2.

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As noted above, the sales revenue is the invoiced amount before rebates. Electra's draft profit and loss statement identifies gross sales (invoiced value) and rebates. The value of rebates was [CONFIDENTIAL TEXT DELETED]% of gross sales and we reduced the sales value in the sales spreadsheet by this percentage to estimate net sales revenue.

A summary for each month of the investigation period of sales quantity, sales value and price (after rebates) for all models that fall with the description of the goods is at confidential attachment SALES 5. Trends in Electra's net selling prices for the nine models identified in the application are illustrated in the following charts.

[CONFIDENTIAL TABLE DELETED]

[CONFIDENTIAL TABLE DELETED]

6.3 Profitability of sales

We checked the profitability of the selected shipments by using the average selling price for each model of the goods under consideration in the month after the goods were entered. Sales of some models in some shipments were unprofitable, but over the investigation period, except for one model, all models were profitable. The volume imported of the model sold at a loss was very small. We consider that there is no evidence to suggest that transactions between Electra and its suppliers are not at arms length.

This is a contradiction to the Constructed Normal Values and the Deductive Export Price as presented by the Australian Cable manufactures.
(Complainants)

Manufacturers resort to China to take advantage of cheap labour costs.
The GUC cables have a manufacturing labour cost of between 0.7 -2.8%.
This saving is quickly absorbed in the cost of freight & duty.

Electra provided a spreadsheet demonstrating that sales of all models that fell within the description of the goods were profitable (confidential attachment SALES 6). The sales data was captured from Electra's stock system. This system captures the standard cost of each product, which is the current list price converted to Australian dollars using a standard exchange rate. It calculated the profit by deducting from the sales value the product cost, adjusted for the difference between the actual and standard exchange rates, rebates and SG&A expenses. We verified the figure used to adjust the cost to audit working papers. Overall profitability was [CONFIDENTIAL TEXT DELETED]%.
[CONFIDENTIAL TEXT DELETED]

6.4 Forward orders

Electra stated that despite the dumping application it is business as usual and that it has forward orders for the goods under consideration.

Are securities being held against these shipments?

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7 ARMS LENGTH

In determining export prices under s.269TAB(1)(a) and normal values under s.269TAC(1), the legislation requires that the relevant sales are arms length transactions.

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- o there is any consideration payable for in respect of the goods other than price;
- e the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller;
- * in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Furthermore, where:

- * goods are exported to Australia otherwise than by the importer and are purchased by the importer from the exporter (whether before or after exportation) for a particular price; and the Minister is satisfied that the importer, whether directly or through an associate or associates, sells those goods in Australia (whether in the condition in which they were imported or otherwise) at a loss;

The Minister may treat the sale of those goods at a loss as indicating that the importer or an associate of the importer will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or a part of the price.

For sales between the Guilin Group and Electra we noted that selected sales were profitable and that the company was profitable overall. We did not find any evidence that:

- there is any consideration payable other than price; or that
- the price is influenced in Electra's favour by a commercial or other relationship between Electra and its suppliers.

We confirmed during our verification that the price invoiced by the exporters, was the price paid by Electra. Therefore, we consider that sales between the Guilin Group and Electra were arms length transactions.

The purchases may be at arms length based on transactions, shipping documents and invoices.

Are the sales from the suppliers to Electra at arms length - the same pricing given to others?

Of the three parts of Section 269TAA, we struggle to understand how Australian Customs have satisfied themselves that the pricing Electra received from Guilin is not "influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller".

Over this same period, Olex could not buy the same cable from Guilin at a price that would allow Olex an acceptable profit margin upon final sale to the end customer – so how does Electra gain a price that does allow them to record an "overall profit"?

Olex has lost considerable business in the cables under investigation due to the fact that the Electra selling prices of various cables to wholesalers is often under material cost and Olex cannot compete with what would be loss making business. If Electra is selling under material cost in the Australian market and making a profit, we are interested to understand how Australian Customs satisfies itself that Electra's purchase prices from Guilin and associates are arms length.

In regards to other suppliers, Electra stated that it does not receive any rebates, financial assistance or other support. We did not find any evidence that:

c there is any consideration payable other than price; or that

Electric cables

Electra visit report

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o the price is influenced in Electra's favour by a commercial or other relationship between Electra and its suppliers.

How can this statement be made prior to the investigations in China.
Are all other sales at the same price as Electra?

We confirmed during our verification that the price invoiced by the exporters, was the price paid by Electra. We found no evidence to indicate that transactions between Electra and its other suppliers were not at arms length.

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Electric cables

Electra visit report

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8 CAUSATION

Electra claims that its sales of the goods under consideration represented about [CONFIDENTIAL TEXT DELETED] % of the total Australian market for electric cables. It questions how such a small percentage of sales could be causing injury to the Australian industry. Electra recognises that the investigation is restricted to the goods under consideration, but wants to illustrate that its sales of the goods specified in the application were such a small proportion of total Australian sales of electric cables.

The sales of the goods under consideration represent approximately 50% of all sales to the Electrical wholesalers.

Electra considers that applicants have had very significant problems, but these are not related to imports, whether dumped or not.

Electra claims that Advance:

- has had long term electric cable supply problems;

Not true. Advance reduced production due to dumped cable flooding the market.

- has very limited stock holding and distribution facilities; and

Not true. Advance manufactures in Melbourne, with sales and distribution facilities in NSW and WA.

- suffered badly from flooding in February 2011.

All main plant & equipment was recommissioned within four days and orders were supplied from stocks.

Electra claims that Advance approached it in 2006 saying that its manufacturing capacity could not meet market demand and asked Electra for assistance in supplying electric cables.

Not true. Capacity was available.

Advance wanted access to the Electra flats pricing that enabled the wholesalers to sell so cheaply.

Electra agreed to supply Advance on a negotiated commercial basis. From [CONFIDENTIAL TEXT DELETED] Electra imported [CONFIDENTIAL TEXT DELETED] containers worth about US\$[CONFIDENTIAL TEXT DELETED] and re-sold the electric cables to Advance. Electra estimates about [CONFIDENTIAL TEXT DELETED] of these containers worth about US\$[CONFIDENTIAL TEXT DELETED] were imported during the investigation period. It provided bank transfers from Advance to Electra supporting large payments during the investigation period (confidential attachment CLAUS 1).

XLPE cables imported were at first profitable and then became unprofitable.

Advance installed NEW machinery and updated older machinery to commence manufacturing in house.

Electra claims that Advance's cable making equipment was old and some used decades old technology. It stated that Advance had claimed that it had upgraded its manufacturing facilities, but Electra asked why wouldn't Advance manufacture its requirements rather than purchase electric cables from Electra.

Advance has many NEW production lines & older equipment has been retrofitted to take advantage of advancements in technology.

Fully automatic lines requiring very little labour are utilised providing worlds best

practice in the manufacture of high volume products.

A visiting CEO representing 40 cable companies worldwide, made the comment that

the Advance facility was one of the best he had seen.

In 2006, Electra offered to do a joint venture using the Advance plant & equipment.

Why was this offer made if the equipment is considered decades old technology?

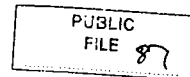
Electra stated that the electric cables Advance purchased were not the goods under consideration.

It stated that Advance did not purchase [CONFIDENTIAL TEXT DELETED] electric cables because Electra's prices were too high (it claims Advance wanted Electra to reduce its prices for these electric cables by 10% to 15%). Electra's presentation included an Electra quotation in April 2010 that Electra claims was not accepted because the prices were too high.

As noted in section 6.2, Advance's factory was flooded in February 2011. Electra claims that this must have caused major disruptions to production, sales and customer relationships. It stated that many of Advance's customers approached Electra for supply and claims that when customers change to a quality organisation like Electra it is hard for the original supplier to get them back.

All main plant & equipment was recommissioned within four days and orders were supplied from stocks.

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Electra claims that the flooding caused cash flow problems for Advance. It stated that while Advance was always late in paying Electra, in this case Advance cited the flooding when asking for extension to payment terms.

Electra claims that Olex has had underlying problems:

- its manufacturing facilities did not meet demand. Like most manufacturers, it is very hard to cope with extreme period of demand and strategies need to exist for these times to ensure customers' needs are met. Olex does source cable from local or overseas manufacturers if it is required to meet demand peaks or machine breakdown. During the period under review, Olex did occasionally source the cable under investigation due mainly to seasonal demand beyond its capability at that time (especially in a couple of months each year) and a little due to machine reliability or down time. Olex decided to import cable to help meet demand, whilst at the same time perform upgrades to the plant to improve capacity. As such lines were pulled down and upgraded, hence the an example of the need to import. Olex has not required imported cable to meet seasonal demand post Easter 2010. We must stress that Olex's imported percentage of the major cable under review is only a small percentage (between 2007 and 2010) versus the significant percentage cable which was manufactured in that same period.

- its Lilydale factory was in the path of the 2010 Black Friday bushfire, and This is totally irrelevant. Olex was not impacted by the 2010 Black Friday bushfires. Olex's did not lose 1 day of manufacturing due to the bushfires. See further details below.

- Olex competes with its customers. This is irrelevant. Olex does supply large contractors where it makes economic sense and where the customers prefer to engage directly with a manufacturer. Olex has lost considerable business in the cable under investigation due to the fact that the fact that Electra selling prices of various cables to wholesalers is often under material cost and Olex cannot compete with what would be loss making business

Electra claims that Olex approached it in 2006 saying that its manufacturing capacity could not meet market demand and asked Electra for assistance in supplying electric cables. Electra agreed to supply Olex on a negotiated commercial basis. Initially Electra imported [CONFIDENTIAL TEXT DELETED] containers, and re-sold to Olex. Subsequently Olex then imported directly (FOB) [CONFIDENTIAL TEXT DELETED] containers worth about US\$[CONFIDENTIAL TEXT DELETED] from

Electra's suppliers in China This arrangement ceased in May 2010. Like most manufacturers, it is very hard to cope with extreme period of demand and strategies need to exist for these times to ensure customers' needs are met. Olex does source cable from local or overseas manufacturers if it is required to meet demand peaks or machine breakdown. During the period under review, Olex did occasionally source the cable under investigation due mainly to seasonal demand beyond its capability at that time (especially in a couple of months each year) and a little due to machine reliability or down time. Olex decided to import cable to help meet demand, whilst at the same time perform upgrades to the plant to improve capacity. As such lines were pulled down and upgraded, hence the need to import. Olex has not required imported cable to meet seasonal demand post Easter 2010.

We must stress that Olex's imported percentage of the major cable under review is only a small percentage (between 2007 and 2010) versus the significant percentage cable which was manufactured in that same period.

Electra stated that Olex has seven related companies that manufacture electric cables in China. Given this and Olex's purchases from Electra, Electra considers that Olex would be aware of Chinese costs and prices and asks if the prices were inappropriate why did it not raise the issue previously. Olex does have related companies in China, but none manufacture the cable under investigation. The fact is that the specification of the cable under investigation is unique to Australia & New Zealand and there is very little manufacture of this cable outside Australia and New Zealand. Therefore, price comparison to other Chinese manufacturers including related companies is not easily done

Olex's Lilydale factory was in the middle of one of the worst hit area during the Black Friday bushfires. This affected Olex's manufacturing capacity during the fire and for some time afterwards. Electra claims that employees left the town and that the

workforce was badly affected. This is not true. Of course the town of Lilydale was in the region of the black Friday bushfires, but they did not come near the Olex Factory. The 2010 fire had minimal impact on production. We did not lose any production days as a result. 3 staff member's houses were affected (destroyed), one in the office, one in despatch, and one in Building Wire Plant. The rest of the employees of Olex were unaffected, except for a few that were members of the CFA that were fighting the fires. But this was only for a week. We cannot recall any employee's leaving the area as a result of the fires.

Electra claims that Olex sells electric cables to wholesalers and end-users. These end users are the wholesalers' customers and Electra claims that Olex continues to lose support from wholesalers. This is irrelevant. Olex does supply large contractors where it makes economic sense and where the customers prefer to engage directly with a manufacturer. Olex has lost considerable business in the cable under investigation due to the fact that the Electra selling prices of various cables to wholesalers is often under material cost and Olex cannot compete with what would be loss making business. If Electra is selling under material cost in the Australian market and making a profit, we are interested to understand how Australian Customs satisfies itself that Electra's purchase prices from Guilin and associates are arms length.

Electra claims that Prysmian has problems unrelated to dumping:

- it does not produce enough cable to meet demand;
- its negotiated with Electra for the supply of electric cables at extremely low prices ;
- it has stock holding problems;
- it was badly affected by industrial problems during the investigation period ;
and
- Prysmian competes with its customers.

In February 2010, following a request from Prysmian, Electra quoted for the supply of [CONFIDENTIAL TEXT DELETED]electric cables based on a certain copper price, with the understanding that if the copper price was higher, the quoted prices would increase. The basis of the prices was Electra's buying prices plus a margin to cover handling expenses. Prysmian asked for unrealistic reductions to these prices to levels that would have barely covered the manufacturers copper prices. The negotiation terminated.

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In July 2010 Prysmian sought and Electra provided another quote for electric cables. Negotiations followed a similar course and were eventually terminated.

Electra stated that Prysmian has six related companies that manufacture electric cables in China. It considers that Prysmian would be aware of Chinese costs and prices.

Electra claims that Prysmian has traditionally had a stock availability problem. It stated that some customers had advised that Prysmian quotes very low prices, but when they try to place an order Prysmian advises it has no stock. Electra claims that it does not need to match Prysmian's low prices because it has stock available.

Electra stated that workers at Prysmian's Liverpool factory went on strike for at least seven weeks. It stated that workers were concerned for their jobs because of rumours that Prysmian was planning on moving some plant and equipment to India to take advantage of lower costs. Electra claims that the strike and industrial disputes before and after the strike brought manufacturing and distribution to a halt. It stated that many of Prysmian's customers approached Electra for supply and claims that when customers change to a quality organisation like Electra it is hard for the original supplier to get them back.

Electra claims that Prysmian sells electric cables to wholesalers and end-users. These end users are the wholesalers' customers and Electra claims that Prysmian continues to lose support from wholesalers.

Electra stated that the Australian industry has serious problems, but stated that imports were not responsible. Since cheap and under cost Chinese imported cable has flooded into Australia via Electra, Australian manufacturers have lost considerable volume of the cables under investigation and suffered significant losses in profits. The loss suffered by the Australian manufacturers is directly attributable to the lost volume to Electra selling this cable at prices that would force local manufacturers to sell at either a loss at margin level or a margin that does not cover fixed costs.

Electra claims that the Australian industry's claims of price under cutting are selective and that the Australian industry and other competitors have undercut Electra's prices.

Electra provided Advance's price list to MM Electrical Merchandising effective 14 January 2010 in its presentation. It also provided its price list to the same group effective from 14 September 2010. For four models that fall with the description of the goods Advance's prices undercut Electra's by up to 6%.

**Invoice prices are not comparable due to different rebates.
Customers can obtain cheaper prices from Electra by telephone.**

Electra provided Prysmian's price list to MM Electrical Merchandising customers effective 11 May 2011 in its presentation. It also provided its price list to the same group effective from 14 February 2011. For six models that fall with the description of the goods Prysmian's prices undercut Electra's by up to 10 to 20%.

Electra also provided a note in its presentation from a customer stating that in May and June 2011 Electra's prices were more expensive than some other suppliers. Electra claims that stock availability is a critical factor for wholesalers when they are choosing a supplier. It has distribution centres in Sydney, Brisbane and Melbourne and each has substantial stock holdings.

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9 UNSUPPRESSED SELLING PRICE

At the visit Electra did not have any comments on the calculation of an unsuppressed selling price.

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10 GENERAL COMMENTS

As noted in section 4, Electra claims that its rapid growth and its success, rather than dumping, led to a number of investigations which it claims were initiated after complaints from its competitors. Electra stated that it runs its business in full compliance with the law. Electra would not have achieved its rapid growth without the dumping of Chinese cables into Australia.

Electra was subject to an investigation by the Department of Immigration to check that all staff had appropriate visas and met other immigration requirements. It claims there were no unfavourable findings.

Electra was subject to a Customs and Border Protection compliance audit in early 2011. In general terms, the audit found that Electra has sound record keeping and data reporting processes in place.

Now Electra is the target of the current anti-dumping application.

Electra was also subject to an Australian Taxation Office (ATO) audit in 2006-07. The ATO looked at issues such as transfer pricing and ownership, but found that Electra was compliant with requirements and did not find any material tax risks. Electra's auditor stated that this investigation would have been triggered by Electra's rapid growth.

Electra claims that the applicants have demonstrated a lack of awareness of the Australian electric cable market. One of the nine models identified in the application was a variant of building wire, model SR1025V. This model is extremely slow moving and in 2010-11 there were [CONFIDENTIAL TEXT DELETED] sales transactions compared with almost [CONFIDENTIAL TEXT DELETED] for model SR1025.

Electra cables are not marked in accordance with the relevant AS/NZ Standards.

RECOMMENDATIONS

Based on the information available, for electric cables exported by members of the Guilin Group to Electra:

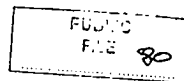
- the goods have been exported to Australia otherwise than by the importer;
- it appears that the goods have been purchased by the importer from the exporters;
- the purchases of the goods by the importer were arms length transactions; How can Australian Customs conclude this when initially both companies are identified as related and in this report Australian Customs does not appear to have checked to see if the Guilin selling price is an arms length price? What is the Electra buy price benchmarked to in order to prove it is an arms length buy price?
and
- the goods are subsequently sold by the importer to a person who is not an associate of the importer.

Subject to further inquiries with the exporters, we are satisfied that the export prices can be established under s. 269TAB(1)(a) using the invoice prices less any costs in respect of matters arising after exportation.

For goods exported by other suppliers, subject to further inquiries in China, we consider that export prices can be established under s. 269TAB(3), having regard to all relevant information.

We consider free on board export prices cannot be estimated from Customs and Border Protection's import data base because the types of electric cables cannot be readily identified. Export prices will be determined following the visit to the exporters.

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12 ATTACHMENTS

Confidential attachment GEN 1	Electra presentation
Confidential attachment GEN 2	Electra's 2010-11 draft financial statements
Confidential attachment IMP 1	Documents supporting selected shipments
Confidential attachment IMP 2	Documents supporting imports from trading companies
Confidential attachment IMP 3	Revised importer transaction form
Confidential attachment SALES 1	IBIS World Industry report, "Cable and Wire Manufacturing in Australia"
Confidential attachment SALES 2	Supplier agreements
Confidential attachment SALES 3	Advance invoices and related documents
Confidential attachment SALES 4	Documents supporting selected transactions
Confidential attachment SALES 5	Monthly summary of sales by model
Confidential attachment SALES 6	Electra's calculation of profitability