Application for the publication of dumping and/or countervailing duty notices

CERTAIN PVC FLAT ELECTRIC CABLES

EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA

ANTI-DUMPING COMMISSION
Form B108
September 2017

APPLICATION UNDER SECTION 269TB OF THE *CUSTOMS ACT 1901* FOR THE PUBLICATION OF DUMPING AND/OR COUNTERVAILING DUTY NOTICES

DECLARATION

I request, in accordance with section 269TB of the *Customs Act 1901* (the Act), that the Minister publish in respect of goods the subject of this application:

☐ a dumping duty notice, or

☐ a countervailing duty notice, or

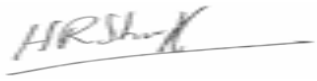
☒ a dumping and a countervailing duty notice

This application is made on behalf of the Australian industry producing like goods to the imported goods the subject of this application. The application is supported by Australian producers whose collective output comprises:

- 25% or more of the total Australian production of the like goods; and
- more than 50% of the total production of like goods by those Australian producers that have expressed either support for, or opposition to, this application.

I believe that the information contained in this application:

- provides reasonable grounds for the publication of the notice(s) requested; and
- is complete and correct.

Signature: 

Name: Hamavand Shroff

Position: Chief Executive Officer

Company: Prvsmian Australia Ptv Ltd

ABN: 36 096 594 080

Date: 23 March 2018

IMPORTANT INFORMATION

Signature requirements

Where the application is made:

By a company - the application must be signed by a director, servant or agent acting with the authority of the body corporate.

By a joint venture - a director, employee, agent of each joint venturer must sign the application. Where a joint venturer is not a company, the principal of that joint venturer must sign the application form.

On behalf of a trust - a trustee of the trust must sign the application.

By a sole trader - the sole trader must sign the application.

In any other case - contact the Commission's Client support section for advice.

Assistance with the application

The Anti-Dumping Commission has published guidelines to assist applicants with the completion of this application. Please refer to the following guidelines for additional information on completing this application:

- *Instructions and Guidelines for applicants: Application for the publication of dumping and or countervailing duty notices*
- *Instructions and Guidelines for applicants: Examination of a formally lodged application*

The Commission's client support section can provide information about dumping and countervailing procedures and the information required by the application form. Contact the team on:

Phone: 13 28 46

Fax: (03) 8539 2499

Email: clientsupport@adcommission.gov.au

Other information is available from the Commission's website at www.adcommission.gov.au.

Small and medium enterprises (i.e., those with less than 200 full-time staff, which are independently operated and which are not a related body corporate for the purposes of the *Corporations Act* 2001), may obtain assistance, at no charge, from the Department of Industry, Innovation and Science's International Trade Remedies Advisory (ITRA) Service. For more information on the ITRA Service, visit www.business.gov.au or telephone the ITRA Service Hotline on +61 2 6213 7267.

Important information

To initiate an investigation into dumping and/or subsidisation, the Commission must comply with Australia's international obligations and statutory standards. This form provides an applicant industry with a framework to present its case and will be used by the Commission to establish whether there are reasonable grounds to initiate an investigation. To assist consideration of the application it is therefore important that:

- all relevant questions (particularly in Parts A and B) are answered; and
- information that is reasonably available be supplied.

The Commission does not require conclusive evidence to initiate an investigation, but any claims made should be reasonably based. An application will be improved by including supporting evidence and where the sources of evidence are identified. Simple assertion is inadequate to substantiate an application.

To facilitate compilation and analysis, the application form is structured in 3 parts:

1. **Part A** seeks information about the Australian industry. This data is used to assess claims of material injury due to dumping/subsidisation. Where an Australian industry comprises more than one company, each should separately prepare a response to Part A to protect commercial confidentiality.
2. **Part B** relates to evidence of dumping.
3. **Part C** is for supplementary information that may not be appropriate to all applications. However some questions in Part C may be essential for an application, for example, if action is sought against subsidisation.

All questions in Parts A and B must be answered, even if the answer is 'Not applicable' or 'None'. Where appropriate, applicants should provide a short explanation about why the requested data is not applicable. This will avoid the need for follow up questions by the Commission.

The application form requests data over several periods (P^1, P^2….P^n) to evaluate industry trends and to correlate injury with dumped imports. The labels P^1…P^n are used for convenience in this application form. Lodged applications should identify the period relevant to the data. This form does not specify a minimum period for data provision. However, sufficient data must be provided to substantiate the claims made. If yearly data is provided, this would typically comprise a period of at least four years (for example the current financial year in addition to three prior years). Where information is supplied for a shorter period, applicants may consider the use of quarterly data. Data must also be sufficiently recent to demonstrate that the claims made are current.

When an investigation is initiated, the Commisison will verify the claims made in the application. A verification visit to the Australian industry usually takes several days.

Applicant companies should be prepared to substantiate all Australian industry financial and commercial information submitted in the application. Any worksheets used in preparing the application should therefore be retained to facilitate verification.

During the verification visit, the Commisison will examine company records and obtain copies of documents relating to the manufacture and sale of the goods.

Appendices

Some questions require attachments to be provided. The attachment numbering sequence should refer to the question answered. For example, question A2.2 requests a copy of an organisation chart. To facilitate reference, the chart should be labelled Attachment A2.2. If a second organisation chart is provided in

response to the same question, it should be labelled Attachment A2.2.2 (the first would be labelled Attachment A2.2.1).

Provision of data

Industry financial data must, wherever possible, be submitted in an electronic format.

- The data should be submitted on a media format compatible with Microsoft Windows.
- Microsoft Excel, or an Excel compatible format, is required.
- If the data cannot be presented electronically please contact the Commission's client support section for advice.

Lodgement of the application

This application, together with the supporting evidence, must be lodged in the manner approved by the Commissioner under subsection 269SMS(2) of the Act. The Commissioner has approved lodgement of this application by either:

- preferably, email, using the email address clientsupport@adcommission.gov.au, or
- post to:

  The Commissioner of the Anti-Dumping Commission
  GPO Box 2013
  Canberra ACT 2601, or
- facsimile, using the number (03) 8539 2499.

Public Record

During an investigation all interested parties are given the opportunity to defend their interests, by making a submission. The Commission maintains a public record of these submissions. The public record is available on the Commission's website at www.adcommission.gov.au.

At the time of making the application both a confidential version (for official use only) and non-confidential version (public record) of the application must be submitted. Please ensure each page of the application is clearly marked "FOR OFFICIAL USE ONLY" or "PUBLIC RECORD". The non-confidential application should enable a reasonable understanding of the substance of the information submitted in confidence, clearly showing the reasons for seeking the conduct of a dumping and/or subsidy investigation, or, if those reasons cannot be summarised, a statement of reasons why summarisation is not possible. If you cannot provide a non-confidential version, contact the Commission's client support section for advice.

PART A

INJURY

TO AN AUSTRALIAN INDUSTRY

IMPORTANT

All questions in Part A should be answered even if the answer is 'Not applicable' or 'None'. If an Australian industry comprises more than one company/entity, each should separately complete Part A.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

A-1 Identity and communication.

Please nominate a person in your company for contact about the application:

(i) Prysmian Australia Pty Ltd

Contact Name:	Mr Hamavand Shroff
Company and position:	Chief Executive Officer, Prysmian Australia Pty Ltd
Address:	1 Heathcote Road, Liverpool NSW 2170
Telephone:	(02) 9600 0352
Facsimile:	
E-mail address:	hamavand.shroff@prysmiangroup.com
ABN:	36 096 594 080

Alternative contact

Name:	Andrea.Kraus
Position in company:	Chief Financial Officer, Australia and New Zealand
Address:	1 Heathcote Road, Liverpool NSW 2170
Telephone:	(02) 9600 0244
E-mail address:	Andrea-Kraus@prysmiangroup.com

If you have appointed a representative to assist with your application, provide the following details and complete Appendix A8 (Representation).

Prysmian Australia Pty Ltd has engaged the services of the following representative:

Name:	Mr John O'Connor
Business name:	John O'Connor and Associates Pty Ltd
Address:	P.O. Box 329, Coorparoo, QLD 4151
Telephone:	(07) 3342 1921
Facsimile:	(07) 3342 1931
E-mail address:	jmoconnor@optusnet.com.au
ABN:	3909 865 0241

A-2 Company information.

1. State the legal name of your business and its type (eg. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of your application.

Application

This application for anti-dumping and countervailing measures on PVC flat electric cables is made by Prysmian Australia Pty Ltd (hereafter referred to as "Prysmian"). The application is supported by the following two Australian manufacturers:

- Nexans Olex (a Division of Olex Australia Pty Ltd); and
- Advance Cables Pty Ltd.

Prysmian Australia Pty Ltd

Pirelli Ericsson Cables Australia Pty Ltd commenced manufacturing power, automotive, flexible and telecommunications cables in Australia in 1977.

Power cables were manufactured in a state of the art factory at Minto, New South Wales (NSW). Automotive and flexible cables and cord assemblies were manufactured in Morphett Vale, South Australia (Pirelli having purchased the Camelec cable business) whilst telecommunications cables were (and still are) manufactured in a factory acquired from Conquer Cables at Cromer, NSW.

In the mid 1980's Ericsson left the partnership and the company became Pirelli Cables Australia Pty Ltd ("Pirelli").

Pirelli acquired MM Cables (formerly CMA Cables) located in Liverpool NSW in 1999. In 2005, Pirelli divested itself of its cable business, selling to Goldman Sachs who renamed the business Prysmian.

In 2007 Prysmian acquired International Wire and Cable Company (IWC) located at New Lynn, New Zealand.

In 2010 Goldman Sachs exited the business.

Prysmian acquired Draka Cables Pty Ltd in 2011 solidifying its place as a worldwide cable manufacturer.

Today's Prysmian Group is a world leader in the energy and telecom cables and systems industry. With sales of over Euro 7.5 billion in 2016, more than 21,000 employees across 50 countries and 88 plants, the Group is placed to capitalise on high-tech markets and provides the widest range of products, services, technologies and know-how. Prysmian Australia Pty Ltd is the Australian business of the global Prysmian Group.

2. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Prysmian has included a copy of its internal organisation chart at Confidential Attachment A-2.2.

3. List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.

Prysmian Australia Pty Ltd is part of the Prysmian Group of companies that is ultimately owned by Prysmian S. p. A.

4. If your company is a subsidiary of another company list the major shareholders of that company.

Prysmian Australia Pty Ltd is owned by Prysmian Cavi e Sistemi S.r.l. which is ultimately owned by Prysmian S.p.A.

5. If your parent company is a subsidiary of another company, list the major shareholders of that company.

Please refer to response at Section A-2.5.

6. Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).

Please refer to Confidential Attachment A-2.6.

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

Prysmian Australia Pty Ltd is not charged any management fees by its parent company. Prysmian Australia Pty Ltd is, however, charged *[type of charge*] and [*type of charge*].

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

The applicant companies do not have a relationship (commercial or otherwise) with an exporter to Australia or Australian importer of the goods the subject of this application.

9. Provide a copy of all annual reports applicable to the data supplied in <u>appendix A3</u> (Sales Turnover). Any relevant brochures or pamphlets on your business activities should also be supplied.

Prysmian Australia Pty Ltd has included its 2015 and 2016 annual reports at Confidential Attachment A-2.9. The 2017 annual report has not been finalised at date of lodgement of this application.

10. Provide details of any relevant industry association.

Prysmian Australia Pty Ltd is a member of the following industry associations:

- The IAG Group; and
  The Australian Cablemakers Association Limited

A-3 The imported and locally produced goods.

1. Fully describe the imported product(s) the subject of your application:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**

Goods description

The imported goods the subject of this application are:

> "*flat, electric cables, comprising two copper conductor cores and an 'earth' (copper) core with a nominal conductor cross sectional area of between, and including, 2.5mm^2 and 3 mm^2, insulated and sheathed with polyvinyl chloride (PVC) materials, and suitable for connection to mains electricity power installations at voltages exceeding 80 V but not exceeding 1,000 V, and complying with Australian/New Zealand Standard (AS/NZS) AS/NZS 5000.2 (the Australian Standard), and whether or not fitted with connectors*."

Supporting information

The locally produced goods are 2.5 T&E PVC flat cable (hereafter referred to as "2.5 TE" cable) that is commonly referred to as 'building wire', because of its use by the building and construction industry in domestic, commercial and industrial mains power supply low-voltage wiring installations.

For the purposes of this application, the term 'flat cables' mean cables where the conductor and earth cores are laid parallel in the same plane, as defined by the Australian Standard. The reference to "two copper conductor cores" refers to the 'phase core' and the 'neutral core'. The earth core (also comprising copper) is additional to these two active cores.

Exclusions

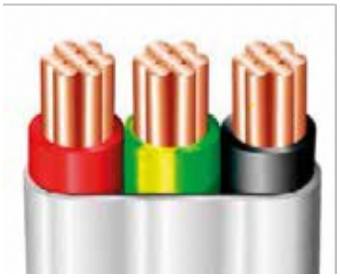
Specifically excluded from this application are the following:

- Single core cables, being cables with a single active core;
- "aerial cables" as defined by the Australian Standard;
- twin active flat cables, that is, flat cables comprising two active cores but no earth core;
- "circular cables" as defined by the Australian Standard;
- cables insulated and/or sheathed with non-PVC material, including but not limited to cross-linked polyethylene (XLPE) materials, including a combination of PVC and non-PVC material;
- cables comprising cores made of aluminium conductors; and
- "flexible cables (cords)" as defined by AS/NZS 3191 and/or AS/NZS 60227.

Design and technical specifications

The following diagram includes a cross-sectional diagram of the goods the subject of this application being PVC insulated laid flat and PVC sheathed cable designed to Australia and New Zealand Standard AS/NZS 5000.2. The goods are used in applications in general wiring, unenclosed, enclosed in conduit for domestic, commercial and industrial installations.

Product Code: PVC Cable 2.5 STE



Please refer to Non-Confidential Attachment A-3.3 for further specification details of Prysmian's 2.5 TE PVC flat cable.

2. What is the tariff classification and statistical code of the imported goods.

The goods are classified to subheading 8544.49.20 (statistical code 41) of Schedule 3 to the *Customs Tariff Act 1995*:

"*For a voltage exceeding 80 v but not exceeding 1 000 V*

- *Insulated with P.V.C materials*"

The general rate of duty is 5 per cent, DCS: 4 per cent and DCT: 5 per cent. Imports from China are subject to the "Free" rate of duty due to the Australia-China Free Trade Agreement.

3. Fully describe your product(s) that are 'like' to the imported product:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**
- **Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.**

Prysmian manufactures the goods at its facility in Liverpool, New South Wales. The other Australian producers that manufacture like goods and have indicated support for this application include Nexan Olex Cables and Advance Cables.

The Australian industry manufactures PVC cable that complies with AS/NZS 5000.2 and are considered alike in all respect to the imported goods from China.

The following Table A-3.3 contrasts the physical, technical and other properties of the imported goods with the locally produced goods:

Table A-3.3 – Imported and locally produced goods comparison

Properties	Imported Goods	Locally produced "Like Goods"
Main Conductor Type		
Plain annealed copper (AS/NZS 1125)	Yes	Yes
Insulation		
PVC V90	Yes	Yes
Sheath		
PVC 3V-90	Yes	Yes
Voltage		
450/750 V	Yes	Yes
Normal operating temperature		
At 75°C	Yes	Yes
Packing Length		
100m	Yes	Yes
500m	Yes	Yes
Core colours		
Red, black & green/yellow	Yes	Yes
Australian/New Zealand Standards Compliance		
AS/NZS 5000.2	Yes	Yes
Product Code	SRF3025V	
Nominal conductor cross section area	2.5 mm^2	2.5 mm^2
Main conductor type	Strand copper	Strand copper
Nominal insulation thickness	0.7 mm	0.7 mm
Nominal sheath thickness	1.0 mm	1.0 mm
Active cores	2	2
Earth cores	1	1
Nominal overall diameter	12.4 x 5.6 mm	12.4 x 5.5 mm
Approximate mass (kg/km)	165	140.3
Reference	Non-Confidential Attachment A-3.3.1	Non-Confidential Attachment A-3.3.2

4. Describe the ways in which the essential characteristics of the imported goods are alike to the goods produced by the Australian industry.

In Report 271, the Commission addressed the ways in which the essential characteristics of the imported goods were alike to the goods produced by the Australian industry. The Commission determined:

- Physical likeness – As a result of the physical requirements of the Australian Standard and the narrow tolerances allowed, the imported goods and the goods produced by the Australian industry are essentially identical in most physical respects. The Commission has observed at various stages of the investigation that the imported and locally produced PVC flat electric cable products are the same in respect of their physical construction (comprising three wound, PVC-insulated copper conductor cores of the same diameters, aligned on a flat plane with the earth core in the middle, sheathed with PVC), using the same grades of raw materials and satisfying the physical performance standards required by the Australian Standard.

  The Commission also observed that there are some minor physical differences:

- The imported product is a brighter white;
- The imported product has a different feel (due to the different mix of PVC components (i.e. higher oil or plasticiser content),

however, it concluded that the physical differences were minor overall.

- Commercial likeness – the Commission observed that the imported and domestically produced cables are directly competitive in the Australian market. Both are marketed and sold to the same wholesale customers in direct competition with each other. The Commission further noted that the market has a strong preference for 100 m and 500 m reels of white cable, which are both sold by the Australian industry. The Commission also found that price was the primary basis for competition and found that all suppliers in the market use price lists and have a rebate and discount structure for similar customer groups. The Commission concluded that the imported and domestically produced PVC flat electric cables are commercially interchangeable.

- Functional likeness – the imported goods and the locally produced goods perform the same function, have the same end use (i.e. in wiring of domestic, commercial and light industrial properties for lighting and electricity), and meet the requirements of the Australian Standard (AS/NZS 1125). The Commission concluded that the imported and locally produced PVC flat cable must function identically and therefore possess functional likeness.

- Production likeness – the imported and locally produced PVC flat cable are manufactured via similar production phases and are substantially similar.

The Commission concluded in Report No. 271 that it was "*satisfied that the imported goods and the PVC flat electric cable manufactured by the Australian industry are physically, functionally and commercially interchangeable given the requirements of the Australian Standard, and are manufactured using similar processes*". The Commission was therefore satisfied that the Australian industry manufactured like goods to the imported goods.

Prysmian submits that there have been no changes in the essential characteristics of the locally produced PVC flat cable since investigation No. 271 and that the Australian industry continues to manufacture like goods to the imported PVC flat cable.

5. What is the Australian and New Zealand Standard Industrial Classification Code (ANZSIC) applicable to your product.

The ANZSIC code applicable to the goods the subject of this application is "Class 2431 Electric Cable and Wire Manufacturing".

6. Provide a summary and a diagram of your production process.

Prysmian has included a copy of a production flow diagram at Confidential Attachment A-3.6.

The key steps in the production of the 2.5 TE cable include:

- Copper rod with a diameter of 8 mm is fed into wire drawing machines to produce smaller diameter wires. These wires may be drawn further to produce strands with the desired diameter.
- The strands are fed into a bunching machine, which bunches the strands together to form a conductor.
- The conductor then passes through an extruder, and the appropriate PVC insulation (e.g. red) covers the conductor to produce a cable. The cable passes through a series of water baths to cure the PVC and reduce the temperature before it is wound onto a drum.
- Drums carrying the various component cables are subsequently fed into a second extrusion process which combines the two active cores (red, black) and the earth core (green / yellow) in the appropriate configuration and adds the PVC sheathing.

- The printing required to comply with the Australian Standard (bearing the identity of the manufacturer, the year of manufacture, the designation of the insulation and the term "ELECTRIC CABLE" followed by the voltage rating) is added immediately afterwards, before the finished cable is again passed through a series of water baths and wound onto a drum.
- The cable is wound onto a spool of the appropriate length (e.g. 100 metres) and then packed into pallets for dispatch.
- The product is measured and tested (during and after the production process), to ensure its dimensions and electrical performance will satisfy the requirements of the Australian Standard.

7. If your product is manufactured from both Australian and imported inputs:

- **describe the use of the imported inputs; and**
- **identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).**

The Australian product is manufactured from imported and locally produced goods. The PVC resin and copper is imported. Prysmian submits that the drawing of the copper rods into wire, the stranding of the copper wire into conductors, the compounding of the resin and the sheathing of the insulated cores into cables represents a substantial process of manufacture that transforms raw material inputs into finished PVC flat cable.

8. If your product is a processed agricultural good, you may need to complete Part C-3 (close processed agricultural goods).

The good the subject of this application is not processed agricultural goods.

9. Supply a list of the names and contact details of all other Australian producers of the product.

The following companies are also manufactures of PVC flat cable (including 2.5 TE cable) in Australia:

- Nexans Olex (a Division of Olex Australia Pty Ltd)
  Level 15
  300 La Trobe Street
  Melbourne Victoria 3000
  Tel: 1300 Cables
  http://olex.marketing@nexans.com

- Australia Pacific Electric Cables Pty Ltd
  89 Platinum Street
  Crestmead Queensland 4132
  Tel: +61 (07) 3802 3688
  http://www.apeccables.com.au

- Advance Cables Pty Ltd
  20/26 Abbots Road
  Dandenong South Victoria 3175
  Tel: +61 (03) 9706 4222
  Fax: +61 (03) 9706 4677
  Http://www.advancecable.com.au

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A-4 The Australian market.

1. Describe the end uses of both your product and the imported goods.

The Australian market for PVC flat cable is supplied from local production and imports, principally from China. The goods are used in fixed wire applications in power and light circuits in installations at working voltages up to and including 450/750 V. The goods must be installed by a licenced electrician in accordance with the Australian Wiring Rules.

The goods are used in residential and commercial building and construction, such as new home construction, renovations, units / apartments, commercial refurbishments, shopping centres and the like. The goods are also used in light industrial construction projects, such as providing wiring for the general power and lighting supply circuits of factories and warehouses.

2. Generally describe the Australian market for the Australian and imported product and the conditions of competition within the overall market. Your description could include information about:

- **sources of product demand;**
- **marketing and distribution arrangements;**
- **typical customers/users/consumers of the product;**
- **the presence of market segmentation, such as geographic or product segmentation;**
- **causes of demand variability, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;**
- **the way in which the imported and Australian product compete; and**
- **any other factors influencing the market.**

- Market demand

  The demand for PVC flat wire (including 2.5 TE cable) is driven by new housing / commercial development and refurbishment of existing properties. This is further driven by the applicable economic conditions (such as population growth, interest rates, housing prices) and consumer confidence. Residential construction activity includes new residential homes, renovations, townhouses and units. Commercial construction activity includes large apartment complexes, hospitals, shopping centres, multi-storey buildings and commercial fit-outs.

- Marketing and distribution arrangements/typical customers

  The Australian market is supplied by the four local manufacturers and from imports – primarily from China. The largest importer of Chinese PVC flat cable is Electra Cables (Aust) Pty Ltd (“Electra”), with some smaller importers (e.g. Nan Electrical Cable Australia Pty Ltd (“Nan Cable”) also.

  The main route to market is via wholesalers of electrical products. There are several main wholesaling chains (comprising individual companies or a collective-buyers group) and a number of smaller, independent wholesalers. It is estimated that there are as many as 1600 electrical wholesaler stores in Australia.

  The PVC cable can only be installed by a licensed electrician so end-users are not customers in their own right. The licensed electrician acts as the agent of the end-user and purchases the goods either from an electrical wholesaler or hardware retailer. Electrical contractors generally have goods supplied through their principal who in turns purchases from Australian manufacturers or importers.

  Other routes to market are via hardware retailers (such as Bunnings, Mitre 10 and similar stores) or by selling direct to builders / contractors. These sales represent a small proportion of the overall market in Australia.

- *The presence of market segmentation, such as geographic or product segmentation*

  There exists very little market segmentation because of the design of the goods and compliance with Australian Standards. The only market segmentation that is apparent is via the three market channels – retail, wholesale and contractor.

- The way in which imported and Australian product compete

  As confirmed in Report No. 271, the price of the PVC flat cable is the "primary basis for competition". Prysmian submits that price continues to be the determinant factor in the purchasing decision.

3. Identify if there are any commercially significant market substitutes for the Australian and imported product.

There are several models of PVC flat electric cable that are not the goods under consideration. Smaller versions (including those with a 1 mm^2 or 1.5 mm^2 conductor cross section) are used in applications requiring a lower current (such as halogen or LED lights). Larger versions (such as those with a 4 mm^2 conductor cross section) are used to power ovens, air-conditioners and other fixed appliances requiring a higher current.

The smaller and larger cables have different production costs and performance outcomes. Smaller cables do not carry as much power as a larger cable without experiencing an increase in resistance, which in turn generates heat and increases the risk of fire. Larger cables carry more power, but because of the substantial increase in copper content are also much more expensive.

The Commission concluded in Report No. 271 that "*Electricians have strong financial and regulatory incentives to use the most cost-effective cable for the particular wiring task at hand, which means that there is little – if any – substitution of the goods under consideration with other products*."

4. Complete appendix A1 (Australian production). This data is used to support your declaration at the beginning of this application.

Confidential Appendix A1 detailing production volumes of the 2.5 TE cable in Australia in 2017 has been prepared by Prysmian including estimates of production by other Australian producers of the goods the subject of this application.

It should be noted that this application by Prysmian Australia Pty Ltd is supported by Nexans Olex (a division of Olex Australia Pty Ltd) and Advance Cables Pty Ltd, two of the four Australian manufacturers of the goods in Australia. Support for this application for measures accounts for approximately 90 per cent of local production.

5. Complete appendix A2 (Australian market).

Confidential Appendix A2 – Australian Market for PVC flat cable has been prepared by Prysmian based upon its assessment and estimate of sales volumes by other members of the Australian industry.

There are a number of underlying assumptions that influence the construct of Confidential Appendix A2 – Australian market of PVC flat cable of 2.5mm^2 – 3.0 mm^2 dimensions. For the imported goods the tariff subheading and statistical code includes PVC flat cable of additional dimensions to the goods the subject of this application. For example, goods of 1.5mm^2 dimension are also included within the subheading//statistical code. For the purposes of calculating an Australian market for the goods, Prysmian has used export data purchased in relation to the two identified Chinese exporters. This data does not reconcile with the ABS published data and is likely to include export volumes for goods that are beyond the scope of this application.

The ABS import data is available for the period 2014 to 2017. Please refer to Confidential Attachment B-1.5 for ABS data.

6. Use the data from appendix A2 (Australian market) to complete this table:

Indexed table of sales quantities

Period	(a) Your Sales	(b) Other Aust^{n} Sales	(c) Total Aust^{n} Sales (a+b)	(d) Dumped Imports	(e) Other Imports	(f) Total Imports (d+e)	Total Market (c+f)
2014	100	100	100	100	100	100	100
2015	134.8	96.3	107.3	94.7	94.0	99.3	103.8
2016	158.6	94.0	109.1	87.8	89.9	100.5	105.4
2017	152.5	93.8	107.5	104.6	59.3	111.0	109.0

Source: Refer Confidential Appendix A2 – Australian market.

Prysmian notes that the estimated production of the goods between the 2010/11 and 2013/14 years was between XXXXX metres of PVC flat electric cable of the size specified in this application. Prysmian has increased it sales in 2015 and further again in 2016 (from a low base in 2014). In 2017, however, Prysmian's sales volumes fell by a little over XXper cent.

Prysmian estimates that the Australian market for PVC flat wire cable (of 2.5mm^2 to 3.0 mm^2) in 2017 was estimated at approximately 180 to 200 million metres, a decrease on 2016 by approximately 10 per cent.

A-5 Applicant's sales.

1. Complete appendix A3 (sales turnover).

Confidential Appendix A3 has been completed by Prysmian and included in this application.

2. Use the data from appendix A3 (sales turnover) to complete these tables.

*Indexed table of Applicant's sales quantities**

Quantity	2014	2015	2016	2017
All Products				
Aust. Market	100	114.8	133.9	97.1
Export Market	100	0	0	0
Total	100	114.8	133.9	97.1
Like Goods				
Aust. Market	100	136.8	149.5	140.8
Export Market	100	0	0	0
Total	100	136.8	149.5	140.8

Prysmian has experienced a reduction in total cable sales in 2017, with sales for the goods also declining, but not to the same degree.

*Indexed table of Applicant's sales values**

Revenues	2014	2015	2016	2017
All Products				
Aust. Market	100	120.6	118.0	113.8
Export Market	100	0	0	0
Total	100	120.6	118.0	113.8
Like Goods				
Aust. Market	100	140.7	148.0	142.3
Export Market	100	0	0	0
Total	100	140.7	148.0	142.3

Please refer to Prysmian Confidential Appendix A3 for sales data for the company and the goods the subject of this application.

3. Complete appendix A5 (sales of other production) if you have made any:

- **internal transfers; or**
- **domestic sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer.**

Prysmian produces the goods in Australia the subject of this application XXXXXX. Prysmian has completed Confidential Appendix A5 identifying transfers of the goods to its related party.

Prysmian has not imported the goods subject of this application during the period covered by the financial data (Prysmian's imports are for other grades/models of PVC cable that are goods not the subject of this application).

4. Complete appendix A4 (domestic sales).

The applicant companies have completed Confidential Appendix A4 for all domestic sales by invoice in the period 1 January 2017 to 31 December 2017.

5. If any of the customers listed at appendix A4 (domestic sales) are associated with your business, provide details of the association. Describe the price effect of the association.

Prysmian is not related to any of the customers detailed in Confidential Appendix A4.

6. Attach a copy of distributor or agency agreements/contracts.

Prysmian has included copies of distributor agreements at Confidential Attachment A-5.6.

7. Provide copies of any price lists.

Prysmian has included price lists from 2017 at Confidential Attachment A-5.7.

8. If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.

- **Where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in appendix A4 (domestic sales).**

- **If you have issued credit notes (directly or indirectly) provide details if the credited amount**

has not been reported appendix A4 (domestic sales) as a discount or rebate.

Prysmian [*description of discounts*] on its sales of PVC cable sold in Australia. Prysmian provides rebates typically between xx per cent and xx per cent to certain customers on the Australian market.

9. Select two domestic sales in each quarter of the data supplied in appendix A4 (domestic sales). Provide a complete set of commercial documentation for these sales. Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

Prysmian has selected two domestic sales from each quarter in 2017 and included a complete set of commercial documents for each sale at Confidential Attachment A-5.9.

A-6 General accounting/administration information.

1. Specify your accounting period.

Prysmian's accounting period is 1 January to 31 December.

2. **Provide details of the address(es) where your financial records are held**.

The company's financial records are held at Head Office, located at:

1 Heathcote Road
LIVERPOOL NSW 2170

3. To the extent relevant to the application, please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- **chart of accounts;**

  Prysmian has included a copy of its chart of accounts in soft copy form. Refer Confidential Attachment A-6.3.3.1.

- **audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);**

  Prysmian's accounts are audited and are attached to this application. Refer to Confidential Attachment A-2.9.

- **internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.**

  These documents should relate to:

  1. the division or section/s of your business responsible for the production and sale of the goods covered by the application, and

  2. **the company overall.**

  Prysmian has included copies of internal management reports that includes the goods covered by this application. Please refer to Confidential Attachment A-6.3.2.

4. If your accounts are not audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Prysmian's accounts are audited. This question does not apply.

5. If your accounting practices, or aspects of your practices, differ from Australian generally accepted accounting principles, provide details.

Prysmian Australia's accounting practices including preparation of financial statements is in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board, and the Corporations Act 2001.

6. **Describe your accounting methodology, where applicable, for**:

- **The recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers;**

  Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the

payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods is recognised when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

- **provisions for bad or doubtful debts;**

  Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence the group will not be able collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in profit or loss.

- **the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;**

  General expenses and interest are charged as expenses as incurred and they are not allocated to the cost of goods.

- **costing methods (eg by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes;**

  Cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overhead expenditure, the latter being allocated on the basis of normal operating capacity which is machine hours.

- **the method of valuation for inventories of raw material, work-in-process, and finished goods (eg FIFO, weighted average cost);**

  Raw materials – purchase cost XXXXXX
  Finished goods and work in progress - XXXXX.

- **valuation methods for scrap, by-products, or joint products;**

  Valuation method for scrap is based on prices as per agreement with scrap merchant. We do not have by-products or joint products.

- **valuation methods for damaged or sub-standard goods generated at the various stages of production;**

  These are valued at scrap based on prices as per agreement with scrap merchant.

- **valuation and revaluation of fixed assets;**

  Land, buildings, plant and equipment are stated at cost. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) that are largely independent of the cash flows from other assets or groups of assets.

- **average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;**

  Land is not depreciated and the depreciation of the other assets is calculated on a straight-line method to allocate their cost, net of their residual values, over the estimated useful lives, as follows:

Buildings	xx years
Plant and equipment	xx-xx years

  The assets' residual values and useful lives are reviewed and if need be, adjusted at end of each reporting period.

- **treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and**

  Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

- **restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.**

  Restructuring cost is the only applicable of the above and is treated at cost. The other points we didn't experienced in the last years.

7. If the accounting methods used by your company have changed over the period covered by your application please provide an explanation of the changes, the date of change, and the reasons.

There have been no changes in the company's accounting methods.

A-7 Cost information

1. Complete appendices A6.1 and A6.2 (cost to make and sell) for domestic and export sales.

Prysmian has completed Confidential Appendices A6.1 (domestic sales) and Appendix A6.2 (export sales) for the goods the subject of this application.

A-8 Injury

The principal indicators of injury are prices, volumes and profit effects – although not all of these must be evident. For this application, profit refers to amounts earned. Profitability is the ratio of profit to sales revenue. Where injury is threatened, but has not yet occurred, refer to question C.2.

1. **Estimate the date when the material injury from dumped imports commenced.**

   Prysmian submits that the Australian industry commenced to suffer injury that was material from the dumping and subsidisation of PVC cable at the beginning of 2017.

2. **Using the data from appendix A6 (cost to make and sell), complete the following tables for each model and grade of your production. P^n is the most recent period**.

   Index of production variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	134.1	152.3	143.9

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line 7 of Confidential Appendix A6.1 & Appendix A6.2.

Prysmian has increased its production of PVC cable being flat electric cable with a copper core with a conductor cross sectional area of between and including 2.5mm^2 and 3 mm^2 insulated and sheathed with PVC, in 2015 and 2016 from a low base in 2014. Production levels of the goods declined in 2017 by approximately XXXX per cent.

Index of cost variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	93.2	84.9	97.2

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line J47 of Confidential Appendix A6.1

Prysmian's total cost to make and sell ("CTM&S") the goods declined in 2015 and again in 2016 as the company increased its utilisation of its manufacturing lines for the goods. Reductions in production volumes and increases in raw material costs (i.e. copper and PVC) contributed to a greater than 12 per cent increase in the CTM&S the goods in 2017.

Index of price variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	103.4	99.7	101.9

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line L54 of Confidential Appendix A6.1

In 2015, selling prices for PVC cable increased and then fell away in 2016 due to increased competition from cheaper imports from China. The severe pricing competition in 2017 from imports suppressed selling prices and Prysmian was unable to raise prices to recover increases in costs in 2017. Prysmian suffered price suppression (or an erosion of margin) in 2017.

Index of profit variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	XXXX	XXXX	XXXX

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line N58 of Confidential Appendix A6.1

Prysmian experienced an improvement in unit profit in 2015 and again in 2016, however, these improvements were from a significant negative base in 2014. In 2016, Prysmian's sales of the goods achieved XXXXXX. In 2017, Prysmian 's unit profit deteriorated significantly, resulting in a return to negative profit as price undercutting from dumped and subsidised imports became more prevalent.

Index of profitability variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	XXXX	XXXX	XXXXX

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line O64 of Confidential Appendix A6.1

Prysmian's profitability also declined in line with a deterioration of unit profit from XXXXX in 2016 to negative XXXX per cent in 2017.

3. **Complete appendix A7 (other injury factors).**

Where applicable to injury claims, prepare an indexed table for other injury factor(s) in the format above.

Return on Investment

Period	2014	2015	2016	2017
Index	100	510.7	3404.8	143

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line 23 of Confidential Appendix A7.

Prysmian's return on investment (ROI) indicator measures [*coverage of indicator*], which includes the goods the subject of this application. [*ROI coverage*].

For the [*coverage of indicator*] Prysmian experienced [*decline*] ROI in 2017. It is Prysmian's view that that the trend in ROI for the goods the subject of this application [*coverage of indicator*].

Index of Capacity Utilisation

Period	2014	2015	2016	2017
Index	100	1.34	1.52	1.44

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line 32 of Confidential Appendix A7.

Prysmian improved its capacity utilisation in 2015 and 2016 for the PVC cable goods, however, it was unable to raise prices to recover increasing costs in 2017 and consequently suffered a reduction in production volumes.

Index of Employment Hours worked

Period	2014	2015	2016	2017
Index	100	134.4	128.3	122.5

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line 41 of Confidential Appendix A7.

Consistent with the decline in capacity utilisation, Prysmian also experienced a reduction in hours worked to produce the goods covered by this application in 2017.

A-9 Link between injury and dumped imports.

To establish grounds to initiate an investigation there must be evidence of a relationship between the injury and the alleged dumping. This section provides for an applicant to analyse the data provided in the application to establish this link. It is not necessary that injury be shown for each economic indicator.

1. Identify from the data at appendix A2 (Australian market) the influence of the volume of dumped imports on your quarterly sales volume and market share.

The Australian market for the goods the subject of this application has continued to grow over the examination period as housing construction, renovations and building fit-outs continued to experience growth between 2014 and 2017. Imports of 2.5 TE cable from China have therefore also held a significant proportion of the Australian market. This share of the market is significant; estimated in 2017 to be at approximately 56 per cent market share, having been at approximately this level from 2015 to 2017.

Trends in the Australian market over the four-year injury period (2014 to 2017) indicate that sales volumes are susceptible to movements in price (i.e. price sensitivity is apparent). When import prices are reduced, the Australian industry experiences a consequential reduction in sales volumes. In order for Prysmian to increase sales volume, it must necessarily reduce selling prices to levels; consistent with that for Chinese imports of the goods.

Prysmian agrees with the comments of the Commission in Report 271, most notably[1]:

> *"…..the Commission has found that there is vigorous competition between Olex (i.e. Nexans) and Electra (Chinese imports) on the basis of price, including price undercutting by both parties from time to time*".

Prysmian does not consider that there has been any change in the Australian market subsequent to 2013/14. Price competition remains healthy and vigorous with Chinese imports and this impacts the sales volumes of all parties supplying the Australian market. The matter the subject of this application is whether the prices offered by the Chinese exporter are fair and at non-dumped levels. It is Prysmian's view as evidenced in this application that the Chinese exports to Australia during 2017 were at dumped and subsidised prices and this has materially impacted Prysmian's sales volumes (and other Australian industry members) sales volumes, market shares and profit and profitability).

2. Use the data at appendix A2 (Australian market) to show the influence of the price of dumped imports on your quarterly prices, profits and profitability provided at appendix A6.1 (costs to make and sell). If appropriate, refer to any price undercutting and price depression evident in the market.

The Commission stated in Report 271 that the Australian market for the goods "*is highly competitive and with a heavy emphasis on price competition*". This position remains unchanged in 2017, with Prysmian susceptible to changes in the pricing of imported 2.5 TE cable.

Prysmian considers that there exists a direct correlation between Prysmian's shift in selling price and subsequent sales volumes for sales of 2.5 TE cable. The following graphs prepared on a quarterly basis from 2014 to 2017 confirm that where Prysmian reduces its selling price it experiences a subsequent increase in sales volumes (with the opposite effect for selling price increases and reductions in sales volumes also apparent)

The following graphs reflecting Prysmian's selling price movements and sales volumes confirm this correlation.

[1] Report No. 271, P.23.

Figure A-9.2.1 – Prysmian selling price Qtr 1, 2014 to Qtr 4, 2017

XXXXXXXXXX

Source: Confidential Appendix A6.1

Figure A-9.2.2 – Prysmian sales quantities – Qtr 1, 2014 to Qtr 4, 2017

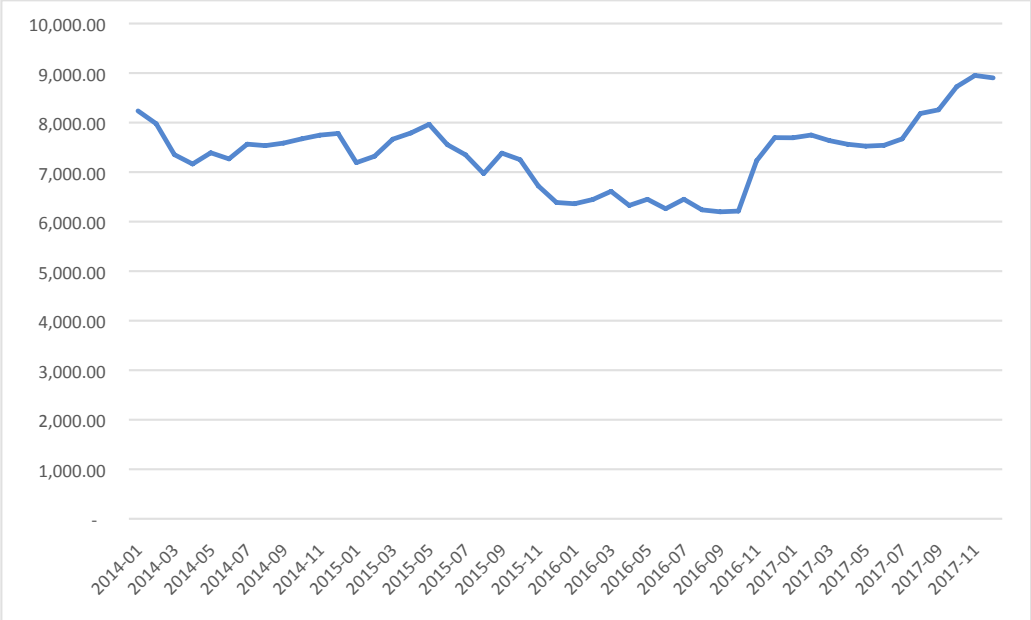
XXXXXXXXXXX

Source: Confidential Appendix A6.1.

Prysmian concurs with comments reflected in Report 271 that imports establish the level of competition in the Australian cable market for 2.5 TE goods. Prysmian responds to the offers for Chinese imports in its channels to market in order to maintain sales volumes to maximise production efficiencies in its production facility.

Prysmian considers that it is relevant to consider the impact of shifts in the LME copper price with Prysmian's sales volumes and profit and profitability. The following graph depicts the LME copper price since early 2014.

Figure A-9.2.3 – LME copper price A$/MT – Qtr 1 2014, to Qtr 4, 2017



A comparison of Figure A-9.2.3 of the LME copper price with Prysmian's profitability over the same period highlights that increasing copper prices result in reduced returns to Prysmian. It is observed that during this period of increased costs (i.e. throughout 2017), the import prices for the goods from China were at prices which undercut Prysmian's selling prices and caused price suppression to Prysmian.

Throughout 2017 Prysmian experienced a sharp increase in its cost-to-make-and-sell ("CTMS") the goods in question. Prysmian has been unable to raise selling prices to reflect increasing raw material costs – particularly increased costs in copper. Figure A-9.2.3 confirms the squeeze evident in Prysmian's

margin as it has experienced price suppression during 2017.

Figure A-9.2.4 – Prysmian profitability – Qtr 1, 2104 to Qtr 4, 2017

XXXXXXXXXXXX

Source: Confidential Appendix A6.1

Prysmian attributes the reduction in its profit and profitability in 2017 to the increase in production costs, price undercutting from Chinese imports and its inability to raise prices to recover higher CTMS. The following Table A-9.2.5 details the price undercutting evident from the sales of imports by the importer Electra during 2017 (on a quarterly basis).

Table A-9.2.5 – Price undercutting – PVC wire cable

Period	Prysmian Price A$/metre	Electra Price A$/metre	Difference
Jan 2017			-0.017
Apr 2017			-0.0037
Jun 2017			-0.0085
Jul 2017			-0.023
Aug 2017			-0.0002
Sep 2017			-0.0155
Oct 2017			-0.0195
Nov 2017			-0.0155
Nov 2017			-0.0177

Source: Confidential Appendix A6.1 and Confidential Appendix B-1 (prices net of rebates). Examples in April, August, September, October and November were at [*customer*] and Prysmian's monthly price to [*customer*] used for comparison purposes.

Table A-9.2.5 confirms that the selling prices for imported 2.5 TE cable from China undercut Prysmian's selling prices in all four quarters of 2017. The price undercutting resulted in Prysmian losing sales volumes in 2017 to [*competitor*]. The net impact was a reduction in profit and profitability for Prysmian in 2017 when contrasted with 2016.

3. Compare the data at <u>appendix A2</u> (Australian market) to identify the influence of dumped imports on your quarterly costs to make and sell at <u>appendix A6.1</u> (for example refer to changes in unit fixed costs or the ability to raise prices in response to material cost increases).

Prysmian has indicated at Section A-9.2 that it could not raise prices to recover increased CTMS in 2017 due to price undercutting from Chinese imports.

In 2017, Prysmian experienced cost increases (driven primarily by higher raw material copper prices) of approximately xxx per cent. Prysmian sought to increase prices in 2017 (a minor increase in the last quarter of 2017 was achieved) however was unable to achieve more than a xxx per cent increase across the year. The resultant impact was a decline in profit and profitability in 2017 (with a [*trend*] of xx per cent on every metre of 2.5 TE cable sold in Australia). Prysmian is concerned that the offers for imported Chinese goods did not increase to reflect higher costs during 2017.

4. The quantity and prices of dumped imported goods may affect various economic factors relevant to an Australian industry. These include, amongst other things, the return on

investment in an industry, cash flow, the number of persons employed and their wages, the ability to raise capital, and the level of investment in the industry. Describe, as appropriate, the effect of dumped imports on these factors and where applicable use references to the data you have provided at appendix A7 (other economic factors). If factors other than those listed at appendix A7 (other economic factors) are relevant, include discussion of those in response to this question.

Prysmian's sales volumes declined by approximately by XXXX per cent in 2017, contributing to a decline in capacity utilisation against 2016 levels. The deterioration in profit and profitability also contributed to a deterioration in Prysmian's return on investment in 2017.

Whilst employment levels for Prysmian have remained relatively stable across the last three-year period (2015 to 2017), any further reductions in profit and profitability beyond 2017 will require Prysmian to reduce fixed costs and overheads (including labour expenses) to remain competitive on the Australian market.

It is evident that Prysmian is currently experiencing injury in other factors that is limited to a reduction in capacity utilisation and a decline in return on investment. It is noted, however, that the level of hours worked as measured in Confidential Appendix A7 has declined in 2017 (reflecting a reduction in capacity utilisation) and raising the prospect of potential labour reductions should this trend continue.

5. Describe how the injury factors caused by dumping and suffered by the Australian industry are considered to be 'material'.

Prysmian 's turnover for the goods in 2015 and 2016 was $xxxM and $xxxM respectively. In 2015 Prysmian's profit was ($xxxM) and in 2016 $xxxM. The profitability was xxx per cent and xxx per cent respectively.

In 2017, Prysmian's revenue on the goods was $xxxM, with a deterioration in profit to ($xxxM) – a [*trend*] of xxx per cent on sales. The deterioration in Prysmian's profit and profitability are considered material in the context of the turnover of the goods in question, with [*reductions*] anticipated as raw material costs continue to increase (with Prysmian unable to recover cost increases in higher selling prices).

6. Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the application in that an industry weakened by other events may be more susceptible to injury from dumping.

Prysmian acknowledges that the 2.5 TE cable market is a price sensitive market, with import prices establishing the benchmark competitive price for competition. Prysmian has not experienced any other factors (e.g. production outages, shortages in raw material supply) that may reasonably be considered to have been a cause of the injury sustained by Prysmian in 2017.

Prysmian has noted that it has experienced raw material price increases during 2017 that it has not been able to recover through increased selling prices. The inability of Prysmian to raise its selling prices to recover increased production costs in 2017 can be attributed to the competitive offers for imported Chinese goods at prices which have undercut Prysmian's selling prices.

It is Prysmian's view that the injury experienced in 2017 can be directly attributed to the price undercutting and price suppression from the dumped and subsidised imports of 2.5 TE cable from China.

7. This question is not mandatory, but may support your application. Where trends are evident in your estimate of the volume and prices of dumped imports, forecast their impact on your industry's economic condition. Use the data at appendix A2 (Australian market), appendix A6 (cost to make and sell), and appendix A7 (other economic factors) to support your analysis.

Prysmian is an Australian 2.5 TE cable manufacturer and a subsidiary of a global cable company, with manufacturing operations in China. Prysmian does not produce 2.5 TE cable to the specifications

identified in this application in China, but is involved in the manufacture in China of other models of PVC wire cable.

It is Prysmian's view that it is not economically viable for 2.5 TE cable as specified in this application to be produced in China, exported to Australia and sold at the quoted prices of the Australian importer unless the goods are dumped and benefiting from Government of China ("GOC") subsidies.

Prysmian further understands the economics and cost to manufacture PVC wire cable in China. Prysmian also understands that "encouraged" industries in China, including those in the metals industries, benefit from GOC intervention, particularly where State Owned Enterprises ("SOEs") are involved in the majority of local production (in this case, copper). The nominated producer involved in the production of PVC wire cable exported to Australia is located in a High-Tech Development Zone where investment incentives (including income reductions and VAT exemptions) are provided to investing companies.

Prysmian seeks to compete on the Australian market with fairly priced imports. The company does not consider that imports from China are priced on a fair basis. This application demonstrates that the Chinese exports of 2.5 STE cable are at dumped and subsidised prices that have undercut Prysmian's selling prices throughout 2017. As a result, Prysmian has experienced injury in the following forms:

- Lost sales volumes;
- Loss of market share;
- Price suppression;
- Price undercutting;
- Reductions in profit and profitability;
- Reduced return on investment;
- Reduced capacity utilisation; and
- Reduction in employment hours for the goods under consideration.

Prysmian contends that the injury experienced is material in nature and can be directly attributed to the dumped and subsidised imports from China (that account for approximately 93 per cent of total imports into Australia in 2017).

By this application, Prysmian is seeking the imposition of dumping and countervailing measures to address the unfairly priced exports and to return import prices to non-dumped (and unsubsidised) levels.

PART B

DUMPING

IMPORTANT

All questions in Part B should be answered even if the answer is 'Not applicable' or 'None' (unless the application is for countervailing duty only: refer Part C). If an Australian industry comprises more than one company/entity, Part B need only be completed once.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

B-1 Source of exports.

1. Identify the country(ies) of export of the dumped goods.

The goods the subject of this application have been exported from the People's Republic of China ("China").

2. Identify whether each country is also the country of origin of the imported goods. If not, provide details.

The country of origin of the goods is also understood to be the country of export of the goods.

3. If the source of the exports is a non-market economy, or an 'economy in transition' refer to Part C.4 and Part C.5 of the application.

China is considered by Australian authorities to be a market economy country for the purposes of Australia's Anti-Dumping provisions.

4. Where possible, provide the names, addresses and contact details of:

- **producers of the goods exported to Australia;**
- **exporters to Australia; and**

Prysmian understands that the largest exporter of the wire cable to Australia is Guilin International Wire and Cable Group Co., Ltd

Contact details are as follows:

Guilin International Wire & Cable Group Co., Ltd
No. 41, Canluan Road
Guilin Hi-Tech Park
Qixing District, Guilin, Guangxi
China 541 004
Tel: +86 773 582 9396
Fax: +86 773 583 1946

Investigation No. 271 the Commission identified four key exporters of the goods from China. Each of the exporting companies was related within the Guilin Group. The other exporting Guilin companies were:

- Guilin Xianglong Wire & Cable Co., Ltd
  Lingui County
  Guilin China 541100

- Guilin Feilong Wire & Cable Co., Ltd
  No. 41 Canluan Road
  Qixing District , Guilin, Guangxi
  China 541 004
  Tel: +86 773 583 3548

- Guangxi Aoning Electric Wire & Cable Co., Ltd
  Address details not known.

Guilin International Wire and Cable Co., Ltd is headquartered at 41 Canluan Road in the High-Tech Development Zone of Guilin. The company was founded in 1954, restructured in October 2005 and changed to its present name.

In addition to the three related companies identified above, Guilin International Wire and Cable Group Co has three further related companies – Guilin Chuanshan Wire and Cable Factory Co., Ltd, Guilin

Construction Printing Co., Ltd and Guangxi Kolier Plastic Pipe Co., Ltd.

Prysmian also understands that the following company is an exporter of the goods to Australia:

Guangdong NANyang Cable Group Holding Co., Ltd
Site: No 1, Zhujin 2nd Road
Zhujin Industry Zone
Shantou P R China

Address: Unit 1-5.
No 213 Zhongshan Road
Shantou P R China
Tel: +86 754 8853 3956
Fax: +86 754 8854 5079
Email: Nanyang@139.com

Prysmian notes that according to NANyang Cable's website that it is recognised as a "National Grade Hi-Tech Enterprise".

- **importers in Australia**.

The related-company importer of the goods exported from China by the Guilin Group of companies is:

Electra Cables (Aust) Pty Ltd
1/13 Cooper Street
Smithfield NSW 2164
Tel: (02) 8786 5200

Nanyang Cables exports to its related importer:

Nan Electric Cable Australia Pty Ltd
28-30 Permas Way
Truganina Victoria 3029
Tel: (030 8368 2688

5. If the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 3% of all imports of the product into Australia refer to Part C.6 of the application.

Prysmian has completed Confidential Appendix A2 – Australian market. The following Table details import volumes as per the Australian Bureau of Statistics (ABS) data for the period 2014 to 2017. It should be noted that the 2017 data is for the first 11 months of 2017 only. The goods as entered under tariff subheading 8544.49.20 statistical code 41 are shown in Table B-1.5 below. The imports under this category "*electric conductors not fitted with connectors, insulated with PVC materials, for a voltage exceeding 80 V but not exceeding 1 000 V*" includes goods that are not the subject of this application. Prysmian, however, cannot identify with a high degree of accuracy the volume of the goods the subject of this application as entered under the nominated subheading and statistical code.

The purpose of disclosing the data in Table B-1.5 is to demonstrate that the imports from China account for more than 3 per cent of the total volume during 2017.

Table B-1.5 – Import volumes of PVC cables under subheading 8544.49.20 statistical code 41.

Country	2014 (km's)	2015 (km's)	2016 (km's)	2017 (km's)	% of total volume in 2017
China	175,946	154,158	143,271	137,005	93%
Other	22,924	34,889	10,705	10,296	7%
Total	198,870	189,047	153,976	147,301	100%

Source: ABS import data (refer Confidential Attachment B-1.5).

Table B-1.5 confirms that Chinese imports of PVC wire cable accounted for more than 90 per cent of total import volumes in 2017. The three per cent threshold is therefore exceeded during 2017.

It is Prysmian's view that the goods the subject of this application represent about 40 per cent of the total import volumes at any time from China. This is consistent with the approximate product mix for a typical PVC cable wire manufacturer, including Prysmian.

6. In the case of an application for countervailing measures against exports from a developing country, if the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 4% of all imports of the product into Australia refer to Part C.6 of the application.

This application does include a request for countervailing measures. The imports from China of the goods in question account for more than 4 per cent of the total import during 2017.

B-2 Export price

Possible sources of information on export price include export price lists; estimates from the Australian Bureau of Statistics; a deductive export price calculation from the Australian selling price of the imported goods; export sales quotations or invoices; foreign government export trade clearances.

1. Indicate the FOB export price(s) of the imported goods. Where there are different grades, levels of trade, models or types involved, an export price should be supplied for each.

As indicated above, the imported goods under subheading 8544.49.20 statistical code 41 includes PVC wire cable that extends beyond the goods covered by this application. As the import data includes goods that are additional to the goods the subject of this application, Prysmian considers the ABS import data to be unreliable for the purposes of establishing export prices for the goods the subject of this application.

Prysmian has also obtained Chinese export statistics for the same category of goods as described by Australian tariff subheading 8544.49.20 statistical code "*Electric cable, without connectors, 80V < volts ≤ 1000 Volts*", that lists exports by exporter name. Prysmian has been able to identify the Chinese exports to Australia by the Guilin companies during 2017. Similar to the ABS import data, the export data includes goods that extend beyond the goods covered by this application.

Prysmian does not consider that it can rely upon the unit values as determined in the export data as reliable for the purposes of establishing dumping margins for the PVC cable exported to Australia. The applicant has therefore relied upon deductive export prices for comparison with normal values during 2017.

2. Specify the terms and conditions of the sale, where known.

The goods the subject of this application are the subject of rebates provided by

manufacturers/suppliers. Prysmian has included a schedule detailing its understanding of rebates provided by industry members for 2.5 TE wire cable. Rebates are typically in the range 27-28 per cent of the selling price (with some suppliers providing slightly more) – please refer Confidential Attachment B-2.2. Quoted offers by suppliers (both Australian industry suppliers and importers) do not include rebates. The rebates are identified and included in deductive export price calculations as referenced in Section B-2.3. below.

3. If you consider published export prices are inadequate, or do not appropriately reflect actual prices, please calculate a deductive export price for the goods. Appendix B1 (Deductive Export Price) can be used to assist your estimation.

Prysmian has indicated above that it does not consider that ABS import data or published export data can be relied upon to accurately reflect actual export prices during the likely investigation period of 2017.

Prysmian has therefore calculated deductive export prices for PVC cable of 2.5 mm^2 to 3.0 mm^2 Dimension that is quoted as "2.5/T + TPS" in market intelligence reports. These reports are referenced in Confidential Attachment A-9.2.

Prysmian has completed Confidential Appendix B-1 identifying a number of market offers by the importer , Electra, during the 2017 year. Please refer to Confidential Appendix B-1 for deductive export price calculations.

During 2017, deductive export prices for 2.5/T + ETPS PVC cable were in the range $51.23 to $55.58 per 100 m reel.

4. It is important that the application be supported by evidence to show how export price(s) have been calculated or estimated. The evidence should identify the source(s) of data.

Please refer to Confidential Appendix B-1 for detailed breakdowns of information relied upon in calculating deductive export prices for the goods sold by the importer, Electra during 2017.

B-3 Selling price (normal value) in the exporter's domestic market.

Possible sources of information about domestic selling prices in the country of export include: price lists for domestic sales (with information on discounts); actual quotations or invoices relating to domestic sales; published material providing information on the domestic selling prices; or market research undertaken on behalf of the applicant.

1. State the selling price for each grade, model or type of like goods sold by the exporter, or other sellers, on the domestic market of the country of export.

Prysmian understands that the PVC cable the subject of this application is unique to the Australian and New Zealand markets and is not sold domestically in China.

Normal values therefore cannot be determined under subsection 269TAC(1) using domestic selling price information.

Please refer to Section B-4 for the basis for normal values for the goods exported to Australia from China.

2. **Specify the terms and conditions of the sale, where known**.

In the absence of domestic sales for the goods in China, the relevant terms and conditions applicable to sales cannot be determined.

3. **Provide supporting documentary evidence**.

Please refer to Section B-4.

4. **List the names and contact details of other known sellers of like goods in the domestic market of the exporting country**.

As there are no domestic sales of the goods in China, there are no domestic sellers of the goods.

B-4 Estimate of normal value using another method.

This section is not mandatory. It need only be completed where there is no reliable information available about selling prices in the exporter's domestic market. Other methods of calculating a normal value include:

- the cost to make the exported goods plus the selling and adminstration costs (as if they were sold in the exporter's domestic market) plus an amount for profit (if applicable);

OR

- the selling price of like goods from the country of export to a third country.

1. Indicate the normal value of the like goods in the country of export using another method (if applicable, use appendix B2 Constructed Normal Value).

Prysmian has constructed normal values for the goods in China, on a monthly basis, during 2017. Prysmian has relied upon information sourced from [*source of cost data*] in China that manufactures PVC cable – although not the goods the subject of this application.

Using Chinese raw material cost information, Prysmian has constructed normal values for PVC cable the subject of the application using consumption and production efficiencies of Prysmian's own manufacturing line for the goods in Australia.

This constructed selling price methodology is considered reliable as the Chinese raw material costs used represent actual costs incurred in China during 2017.

Prysmian has relied upon its Australian production conversion costs, fixed costs and depreciation in determining a constructed normal value for the goods in China. Prysmian has also used its 2017 selling and general administration cost and applied this to the constructed Chinese production costs to arrive at CTM&S price for the goods. To this, a level of profit has been applied.

It is noted by Prysmian that in Termination Report No. 271 (Report 271") the Commission did not apply a level of profit to Guilin's CTM&S as the goods were not sold in China. Prysmian further notes that the Commission acknowledged the new Regulation 45 for determining the amount of profit to be incorporated into the calculation of the normal value. The Commission observed that the "Dumping and Subsidy Manual" had not been updated to reflect the recently introduced Regulation 45 (to replace the former Regulation 181A).

Report 271 stated the following[2]:

> "The Commission notes that Regulation 45(2) provides "*The Minister must, if reasonably practicable, work out the amount by using data relating to the production and sale of like goods by the exporter or producer of the goods in the ordinary course of trade*". As the Commission has found that there are no sales of the like goods in the ordinary course of trade, this primary profit regulation cannot apply.

[2] Termination Report No. 271, P. 31-33.

Regulation 45(3) then directs the Minister to consider working out an amount for profit having regard to one of three methodologies. There is no hierarchy in terms of which methodology must be used. In practice, "the Commission normally seeks profit information using the method described for ... [Regulation 45(3)(a)] because it relates to the exporter being investigated and therefore is more likely to yield the required data."[22]

Regulation 45(3)(a) provides that the Minister can use the actual amounts of profit realised by the exporter from the sale of the same general category of goods in the exporter's domestic market. The Commission found that sales of the same general category of goods by the Guilin Group did not show any profit during the investigation period.

Regulation 45(3)(b) provides that the Minister may use the weighted average of the actual profit realised by other exporters on sales of like goods in the domestic market of the country of export. However, Dongguan did not sell any like goods in the domestic market. In any event, the Commission notes that the *Dumping and Subsidy Manual* reflects the findings of the WTO Appellate Body in the *Bed Linen* case regarding Article 2.2.2(ii) of the *Anti-Dumping Agreement* (which Regulation 45(3)(b) incorporates), which held that the Article does not permit calculation of that 'weighted average' using data relating to only one exporter.[23]

The Commission also considered Regulation 45(3)(c), which provides for "any other reasonable method and having regard to all relevant information". The Commission notes a limitation is imposed by Regulation 45(4): any amount of profit determined using any other reasonable method must not exceed the profit normally realised by the other exporters on sales of the same general category of goods in the domestic market.

The Commission considers that the intent of the legislation is that a positive amount for profit would normally apply when constructing a normal value. However, the amount determined must be reasonable, based on the evidence. An appropriate construction of the normal value therefore requires that the amount of profit included is a fair reflection of what the exporter *would* have achieved on sales of the goods if they were sold on their domestic market. The assessment must inevitably *infer* a profit for the exporter after having due regard for the weight of *all* the evidence. This is consistent with the Commission's reasons for normally using the approach set down in Regulation 45(3)(a), outlined above, where 45(2) cannot be used.

The Commission observes that Dongguan's response provides sufficient information to determine a small amount of profit achieved on sales of the same general category of goods in the domestic market.[24] This means there is information available to determine what cap should apply, and any proposed positive amount of profit would need to be limited by the cap.[25]

However, the Commission has observed that the Guilin Group and Dongguan achieved differing profit outcomes during the investigation period. The profit achieved is a function of the commercial circumstances of each company and of the likely different product mixes in the same general category of goods. In the absence of corroborating evidence, the Commission considers that the application of the profit outcome of one company to the other, without having regard to the differences in the circumstances in which those profits were made, is unlikely to produce an outcome which is reasonable.

The Commission therefore considers that the most relevant and reliable measure of profit in the circumstances of this case is one based on the actual amounts realised by the Guilin Group from the sale of the same general category of goods in the domestic

market of China – that rate being 0 per cent, consistent with Regulation 45(3)(a). The Commission considers that the information on which it would have to rely to determine an amount of profit under Regulation 45(3)(c) is not as persuasive.

The above approach to establish a profit for the Guilin Group is also consistent with the approach taken for the other cooperating exporter, Dongguan."

Prysmian notes the Commission's findings in Report 271. Prysmian agrees with the Commission that the intent of the Regulation 45 is that a profit is applied to a constructed normal value. Prysmian does not consider that Australian industry should be required to compete with unfairly priced imports that do not have a profit included – as there is an immediate disincentive to invest in an industry required to compete in this manner.

Prysmian considers that a level of profit is required to be applied to the Chinese CTM&S and that level of profit should be sufficient to permit an entity to continue to re-invest in the industry over the longer term.

Prysmian has therefore included a level of profit in the Chinese CTM&S the PVC cable exported to Australia of 8 per cent. This level of profit is based upon the level of profit achieved by [*reference base for profit in China*] (refer to Confidential Attachment B-4.1 in support of the level of profit used).

2. **Provide supporting documentary evidence**.

Please refer to Confidential Appendix B-2 for detailed constructed selling price information for PVC cable manufactured in China during 2017.

B-5 Adjustments.

A fair comparison must be made between the export price and the normal value. Adjustments should be made for differences in the terms and circumstances of the sales such as the level of trade, physical characteristics, taxes or other factors that affect price comparability.

1. **Provide details of any known differences between the export price and the normal value. Include supporting information, including the basis of estimates**.

Prysmian has calculated deductive export prices for goods exported to Australia by the Guilin Group of companies. The constructed selling prices have been determined at the ex-factory level, China.

The constructed selling prices for the goods produced in China have also been determined at the ex-factory level.

No adjustments are therefore necessary for fair comparison purposes.

2. **State the amount of adjustment required for each and apply the adjustments to the domestic prices to calculate normal values. Include supporting information, including the basis of estimates**.

As no adjustments are required, this question does not apply.

B-6 Dumping margin.

1. **Subtract the export price from the normal value for each grade, model or type of the goods (after adjusting for any differences affecting price comparability)**.

Prysmian has calculated dumping margins for PVC cable of 2.5mm^2 to 3.0 mm^2 exported to Australia during 2017, on a month by month basis.

Determined dumping margins are detailed in Table B-6.1 below.

Table B-6.1 – Dumping margins

Month	Normal Value A$/ 1001m	Export Price	Dumping Margin A$/1000m	Dumping Margin As % of Export price
Jan 2017	796	519	277	53.43
Feb 2017	800	519	281	54.10
Mar 2017	792	519	273	52.63
Apr 2017	787	526	262	49.75
May 2017	784	526	259	49.21
Jun 2017	786	512	273	53.35
Jul 2017	795	542	282	55.09
Aug 217	829	556	287	52.90
Sep 2017	834	553	279	50.11
Oct 2017	866	556	314	56.79
Nov 2017	881	556	326	58.58
Dec 2017	878	556	322	58.01

Notes:
1. For months where not export price available, the previous month's export price has been used.

The weighted average dumping margin for 2017 was A$286.10 per 1000 metres of cable (or 53.70 per cent) of the weighted average export price.

2. **Show dumping margins as a percentage of the export price**.

Please refer to Table B-6.1 above.

PART C

SUPPLEMENTARY SECTION

IMPORTANT

Replies to questions in Part C are not mandatory in all instances, but may be essential for certain applications.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

C-1 Subsidy

This section must be completed where countervailing duties are sought to offset foreign government assistance through subsidies to exporters or producers.

If the application is for countervailing duty alone, the domestic price information required by Part B of the application need not be supplied.

Responses to questions A-9 will need to identify the link between subsidisation and injury.

1. **Identify the subsidy paid in the country of export or origin. Provide supporting evidence including details of:**
   (i) the nature and title of the subsidy;
   (ii) the government agency responsible for administering the subsidy;
   (iii) the recipients of the subsidy; and
   (iv) the amount of the subsidy.

Countervailing - China

(i) Summary

Prysmian has identified that it considers the Chinese exporters of PVC cable the subject of this application have received countervailable benefits in the form of:

- Raw material copper at less than adequate remuneration;
- Corporate income tax at reduced rates due to the exporter's eligibility as a high-tech company (Programs 5 – 9); and
- Grants received including "Famous Brand of China" (Programs 10 – 42).

(ii) Subsidies - introduction

The goods the subject of this application are exported from China, by the following entity and its affiliated companies:

Guilin International Wire and Cable Co Ltd
Guilin High-tech Industrial Development Zone
Guangxi P R China 541 004
Tel: +86 773 581 3321
Fax: +86 773 581 4333
Website: www.glgxq.gov.cn

.
Companies that invest in High-Tech Development Zones benefit from a range of subsidies and other opportunities, free from bureaucratic red tape. China's new Enterprise Income Tax Law of 2008 enabled the national and provincial governments to proactively apply subsidies tax exemptions and funding schemes to reduce the tax liability of the recipient company.

The available benefits to New High Tech Enterprises ("NHTE") include:

- A reduced company income tax rate down from 25 per cent to 15 per cent;
- R&D expense rebates; and
- Staff training expenditure reimbursements.

To qualify for eligibility the following criteria must be met[3]:

[3] China Briefing, Tax Incentives for High-tech Companies in China, 29 September 2015 (Non-Confidential Attachment C-1.1).

- Registered as an enterprise for more than 12 months;
- Operate within mainland China;
- Possess intellectual property as defined within the scope of high tech fields supported by the state;
- Maintained ongoing R&D advancements to core technology;
- R&D expenditure over last three years must be:
    - In the last 12 months total income is not less than six percent if annual sales income is less than RMB 50 million; not below 4 per cent if annual sales income is between RMB 50 million and RMB 200 million; not below three per cent if annual sales income is greater than RMB 200 million;
    - R&D expenditure within China is not less than 60 per cent;
    - The ratio of income from high-tech operations v total income is not less than 60 per cent.

The eligibility under the schemes are monitored by the National Audit Office, the Ministry of Science and Technology and the Ministry of Finance.

(iii) Guilin High Tech Industrial Zone – taxation benefits

Prysmian notes that Guilin International is located within the Guilin high-tech Industrial Development Zone. The zone was established in 1988 and approved by State Council in March 1991 to attract specific industries involved within: information technology, mechanical and electronic integration, new materials, bio-pharmaceutical, and environmental protection. Enterprises that have invested on the site include: NEC, Guilin Stars Electronic Technique Development Co Ltd Guilin International Electric Wire and Co Ltd, Guilin Sanjin Pharmaceutical Co Ltd and Guilin Reecat Environment Industry Co Ltd.

Entities that invest in GOC Industrial Development Zones are able to access a range of taxation benefits previously identified in Commission investigations, including[4]:

Program 5: Preferential Tax Policies for High and New Technology Enterprises
Program 6: Preferential Tax Policies in Western Regions
Program 7: Land Use Deduction
Program 8: Tariff and VAT Exemptions on Imported Materials and Equipment
Program 9: VAT refund on comprehensive utilization of resources.

(iv) GOC Subsidies – raw material inputs at less than adequate remuneration

The applicant further notes that the Commission has in previous investigations identified a range of subsidy programs applicable to producers in the Chinese aluminium and steel industries. The manufacture of PVC cable wire includes copper that is a base metal that attracts the same level of importance in China as steel and aluminium, with investments involving further manufacture of copper termed an “encouraged” industry (as confirmed by Guilin International Electric Wire and Co Ltd’s inclusion within the Guilin high tech industrial zone – refer Non-Confidential Attachment C-1.1.2).

An identified countervailable subsidy identified by the Commission in Statement of Essential Facts No 322 and 331[5] in the investigations into rebar and rod in coil exported from China involved billet at less than adequate remuneration (“LTAR”). Similar to these determinations involving billet at LTAR, Prysmain asserts that copper is transacted in China with reference to the Shanghai Futures Exchange (SHFE”) also at LTAR on an ongoing basis.

[4] Identified programs relate to the Commission’s listing in SEF No. 322 and 331.
[5] The final findings reflecting SEFs 322 and 331 were accepted by the Assistant Minister in final reports in both investigations in late 2016 – refer Reports 322 and 331.

Prysmian notes that the Canadian Border Services Agency ("CBSA") has previously determined that copper sold in China by reference to the SHFE "***is not reflective of world prices***[6]." The CBSA's finding related to the acquisition cost of raw material inputs (i.e. copper cathodes used in the production of copper tube). It was determined that the copper tube exporters were purchasing the raw material inputs at less than fair market value directly or indirectly from SOEs and those SOEs were considered to be possessing, exercising, or vested with government authority, and a subsidy was found to exist.

In copper tube exported at subsidised prices, the CBSA examined:

- Whether the exporters or producers of subject goods to Canada acquired raw material inputs from SOEs;
- Whether the SOEs that supplied these raw materials are considered to be processing, exercising, or vested with government authority; and
- The fair market value of the goods provided by SOEs.

The Chinese exporters were requested to provide information as to suppliers of copper cathode on the Chinese domestic market. The requested information included identification as to whether the suppliers/producers of copper cathode were partially or wholly-owned and to describe the percentage of their ownership. The Government of China ("GOC") however did not respond to the request for information.

CBSA found that certain industrial and economic policies and five-year plans were found to have influence in the Chinese non-ferrous industry. The major objectives of the plans and policies are summarized below:

> *As provided in Article 36 of the Law of State-Owned Assets of the Enterprises, state-invested enterprise[34] (SIEs) must comply with all national industrial policies[35]. On the basis of this information, SIEs are effectively performing a public policy function through their pursuit of state plans and industrial and economic policies, thus supporting the indication that SIEs and SOEs are in fact performing governmental functions. A further analysis of the Law of State-Owned Assets of the Enterprises reveals that the GOC is the only entity that may determine who is eligible to be a director or supervisor within SIEs in China, regardless of the extent of the GOC's ownership of the SIE. The GOC sets the criteria against which management of an SIE is evaluated, measures the performance of management against the criteria, and determines the standards of remuneration for management. SIEs must also submit to audits conducted directly by the GOC. According to the Decree of the State Council of the People's Republic of China No. 378 - Interim Regulations on Supervision and Management of State-owned Assets of Enterprise[36] Article 12 establishes that the State-owned Assets Supervision and Administration Commission of the State (SASAC) is directly subordinate to the State Council, the highest executive organ of the GOC. Article 13 establishes the main responsibilities of SASAC, including the power of appointing*, terminating, and evaluating top executives of supervised enterprises, the ability to draft laws, rules and regulations for the management of state-owned assets, and the capability to dispatch supervisory panels to the supervised enterprises on behalf of the state council[37].
>
> *The CBSA views the ability to appoint and remove top executives of supervised enterprises as evidence that the GOC exercises meaningful control over the conduct of such entities. Furthermore, the power vested in SASAC to "take charge of daily management of the supervisory panels", and to "draft laws, administrative regulations" also indicate a significant level of control over SOEs. When the main functions and responsibilities of SASAC are examined more closely, evidence of the extent of the control of the GOC, via SASAC,*

[6] CBSA Statement of Reasons – Certain Copper Tube Originating in or exported from the Federal Republic of Brazil, The Hellenic Republic, The People's Republic of China, the Republic of Korea and the United Mexican States and the subsidizing of Certain Copper Tube originating in or exported from The People's Republic of China, 4214-40 AD/401, 4218-38 CVD/137, 3 December 2013, P.49 (Non-Confidential Attachment C-1.1.3).

becomes apparent.

In light of the fact that the GOC did not provide information with respect to the ownership status of suppliers/producers and no information was received from SOEs with respect to the subsidy RFI, the CBSA performed an analysis based on the information available on the record which revealed that various industrial and economic policies and five year plans are factors found to have influence in the Chinese non-ferrous industry. The exercise of meaningful control by the GOC, examined in conjunction with the performance of government functions, is sufficient to indicate that these SOEs possess, exercise or are vested with governmental authority. As such, the CBSA will consider SOEs in the copper sector to be included under the definition of "government" in subsection 2(1) of SIMA.

This program also involves the determination of the fair market value of the material inputs provided by SOEs for the purposes of evaluating whether the purchase price from SOEs is below fair market value.

Having determined that there is a financial contribution, as defined in paragraph 2(1.6)(c) of SIMA[38], the CBSA determined whether the financial contribution conferred a benefit to producers/exporters. This involved the comparison of the price at which the goods were provided by the government with the fair market value of the goods in China. ***The CBSA has determined that the Chinese copper sector is dominated by SOEs****. There is evidence that prices of copper cathode in China can be substantially lower compared to the global benchmarks. Accordingly, the CBSA has deemed that the domestic selling prices for copper cathode in China are not appropriate for the purpose of determining the fair market value of these goods.*

*In addition****, the contract pricing of copper on the Shanghai Futures Exchange (SHFE) in China is not reflective of world prices****. As such the CBSA obtained average monthly prices of copper importations from SH Hailiang and ZJ Hailiang in order to establish benchmark prices of copper cathode.*

The CBSA then calculated the difference between the average monthly acquisition prices of the exporters' purchases in the domestic market with the average monthly prices of the exporter's copper importations at world prices. The amount of subsidy was determined by distributing the benefit received by the exporters over the total quantity of goods to which the benefit was attributable.

Due to the lack of a response by the GOC and the lack of details provided by the exporter, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information this program does not appear to be generally available to all enterprises in China." (emphasis added).

CBSA determined that the cooperative exporters of copper tube did not receive benefits under the copper at LTAR program. However, as the GOC did not cooperate with the investigation, the CBSA was not satisfied that uncooperative exporters did not receive benefits under the copper at LTAR program and determined that a subsidy did exist.

In the current application, Prysmian submits that it has been established by CBSA *that the Chinese copper industry is dominated by SOEs* and that Chinese PVC cable wire producers receive copper at less than adequate remuneration in China. This is evident by the discount paid for copper based upon the SHE plus premiums to the LME plus premiums that exist during the proposed 2017 investigation period. That is, the copper premium incurred by Prysmian in Australia during 2017 was approximately A$24.65 per km, whereas in China, the premium is a reduced RMB 850 per ton (or A$10.32 per km) which also includes the conversion of the copper cathode to copper rod.

The Chinese copper industry is dominated by SOEs. The largest producer in China – Jiangxi Copper

Co., Ltd is an SOE, that is subject to Government of China influence. The news extract (Non-Confidential Attachment 3) confirms that the GOC appoints senior management (and removes as appropriate). Further market reports confirm that copper prices were on the increase during 2017, however, despite there being a shortfall in supply in China the GOC ordered the cessation of production at Jiangxi Copper for one week (further confirming GOC influence of the company's operations – refer Non-Confidential Attachment 4). A further article in "Recycling Today" confirms that the GOC applies quotas on imports of copper, further influencing supply and demand in China (Non-Confidential Attachment 5).

The available evidence confirms that the production of copper in China continues to be the subject of influence from the GOC in 2017 (i.e. since the CBSA findings in 2013). The GOC exercises control and influence over the domestic copper producers (which are majority state-owned) through the appointment of senior management in the SOEs, the use of quotas and directions on production output, that impact the supply and demand of copper and copper pricing in China.

Prysmian is not aware if copper at LTAR is a subsidy program notified to the WTO by the GOC. Prysmian is therefore not aware of any legislation that identifies this program.

(v) Additional subsidy programs (including grants)

In recent Reports 322 and 331 the Commission has identified a number of subsidy programs applicable to exporters of steel products (i.e. rod in coil and reinforcing bar). As copper used in the manufacture of PVC cable wire is a non-ferrous material that is used in the manufacture of goods in an "encouraged" industry nominated by the GOC and located in a high-tech industrial/development zone, it is considered reasonable to conclude that the same countervailable benefits that have been received by producers/exporters in the Chinese steel industry would also be available to an "encouraged" industry producer of PVC cable wire that is an encouraged industry in China (with the grant programs identified in SEF No. 322 and 331 – Programs – 10 to 42).

The Financial grant programs include[7]:

CATEGORY THREE: Financial Grants

Program 10: One-time Awards to Enterprises Whose Products Qualify for "Well-Known Trademarks of China" and "Famous Brands of China"
Program 11: Matching Funds for International Market Development for small and medium size enterprises (SMEs)
Program 12: Superstar Enterprise Grant
Program 13: Research and Development (R&D) Assistance Grant
Program 14: Patent Award of Guangdong Province
Program 15: Innovative Experimental Enterprise Grant
Program 16: Special Support Fund for Non-State-Owned Enterprises
Program 17: Venture Investment Fund of Hi-Tech Industry
Program18: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
Program 19: Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan
Program 20: Water Conservancy Fund Deduction
Program 21: Wuxing District Freight Assistance
Program 22: Huzhou City Public Listing Grant
Program 23: Huzhou City Quality Award
Program 24: Huzhou Industry Enterprise Transformation & Upgrade Development Fund
Program 25: Wuxing District Public List Grant
Program 26: Anti-dumping Respondent Assistance
Program 27: Technology Project Assistance
Program 28: Transformation technique grant for rolling machine
Program 29: Grant for Industrial enterprise energy management - centre construction demonstration

[7] Identified grants as listed in SEF No. 322 and 331.

project Year 2009
Program 30: Key industry revitalization infrastructure spending in 2010
Program 31: Provincial emerging industry and key industry development special fund Environmental protection grant
Program 32: Environmental protection grant
Program 33: Environmental Protection Fund
Program 34: Intellectual property licensing
Program 35: Financial resources construction - special fund
Program 36: Reducing pollution discharging and environment improvement assessment award
Program 37: Grant for elimination of out dated capacity
Program 38: Grant from Technology Bureau
Program 39: High and New technology Enterprise Grant
Program 40: Independent Innovation and High-Tech Industrialization Program
Program 41: Environmental Prize
Program 42: Jinzhou District Research and Development Assistance Program

The producer/exporter of the dumped and subsidised exports does not publish financial statements. Prysmian, therefore, does not have access to the Guilin International Annual Report to be able to identify whether the exporter is a beneficiary of countervailable benefits received from the GOC under the subsidy programs listed above (i.e. copper at less than adequate remunerations, the reduced taxation and VAT rates (Programs 5 -9), and the range of available grants (Programs 10 – 42). It is Prysmian's view that the identified Chinese exporter/producer would receive benefits under the identified programs due to Guilin International's status as a "High-Technology" enterprise located in a recognised GOC-sponsored Development Zone.

C-2. Threat of material injury

Address this section if the application relies solely on threat of material injury (ie where material injury to an Australian industry is not yet evident).

1. **Identify the change in circumstances that has created a situation where threat of material injury to an Australian industry from dumping/subsidisation is foreseeable and imminent, for example by having regard to:**
    1. **the rate of increase of dumped/subsidised imports;**
    2. **changes to the available capacity of the exporter(s);**
    3. **the prices of imports that will have a significant depressing or suppressing effect on domestic prices and lead to further imports;**
    4. **inventories of the product to be investigated; or**
    5. **any other relevant factor(s).**

This application is not based solely on a threat of material injury. The applicant has experienced injury from imports that have been at dumped (and subsidised) prices which undercut the selling prices of Prysmian during 2017. The price undercutting has resulted in the loss of sales volumes, reduced prices and price suppression, impacting profit and profitability.

2. **If appropriate, include an analysis of trends (or a projection of trends) and market conditions illustrating that the threat is both foreseeable and imminent.**

Prysmian has demonstrated in this application that the exports to Australia have caused industry to the Australian industry.

C-3. Close processed agricultural goods

Where it is established that the like (processed) goods are closely related to the locally produced (unprocessed) raw agricultural goods, then – for the purposes of injury assessment – the producers of the raw agricultural goods form part of the Australian industry. This section is to be completed only where processed agricultural goods are the subject of the application**. Applicants are advised to contact the Commission's client support section before completing this section**.

1. Fully describe the locally produced raw agricultural goods.

The goods covered by this application are not close processed agricultural goods.

2. Provide details showing that the raw agricultural goods are devoted substantially or completely to the processed agricultural goods.

This question is not applicable.

3. **Provide details showing that the processed agricultural goods are derived substantially or completely from the raw agricultural goods**.

This question is not applicable.

4. Provide information to establish either:

- **a close relationship between the price of the raw agricultural goods and the processed agricultural goods; or**
- **that the cost of the raw agricultural goods is a significant part of the production cost of the processed agricultural goods.**

This question is not applicable.

C-4. Exports from a non-market economy

Complete this section only if exports from a non-market economy are covered by the application. The domestic price information required by Part B of the application need not be supplied if this question is answered.

Normal values for non-market economies may be established by reference to selling prices or to costs to make and sell the goods in a comparable market economy country.

1. Provide evidence the country of export is a non-market economy. A non-market economy exists where the government has a monopoly, or a substantial monopoly, of trade in the country of export and determines (or substantially influences) the domestic price of like goods in that country.

China is not considered a 'non-market economy' for the purposes of Australia's Anti-Dumping System.

2. **Nominate a comparable market economy to establish selling prices**.

Please refer to Section C-4.1.

3. Explain the basis for selection of the comparable market economy country.

Please refer to Section C-4.1.

4. Indicate the selling price (or the cost to make and sell) for each grade, model or type of the goods sold in the comparable market economy country. Provide supporting evidence.

Please refer to Section C-4.1.

C-5 Exports from an 'economy in transition'

An 'economy in transition' exists where the government of the country of export had a monopoly, or substantial monopoly, on the trade of that country (such as per question C-4) and that situation no longer applies.

Complete this section only if exports from an 'economy in transition' are covered by the application. **Applicants are advised to contact the Commission's client support section before completing this section**

1. Provide information establishing that the country of export is an 'economy in transition'.

China is not considered an 'economy-in-transition' for the purposes of Australia's Anti-Dumping System.

2. A price control situation exists where the price of the goods is controlled or substantially controlled by a government in the country of export. Provide evidence that a price control situation exists in the country of export in respect of like goods.

Please refer to Section C-5.1.

3. Provide information (reasonably available to you) that raw material inputs used in manufacturing/producing the exported goods are supplied by an enterprise wholly owned by a government, at any level, of the country of export.

Please refer to Section C-5.1.

4. Estimate a 'normal value' for the goods in the country of export for comparison with export price. Provide evidence to support your estimate.

Please refer to Section C-5.1.

C-6 Aggregation of Volumes of dumped goods

Only answer this question if required by question B-1.5 of the application and action is sought against countries that individually account for less than 3% of total imports from all countries (or 4% in the case of subsidised goods from developing countries). To be included in an investigation, they must collectively account for more than 7% of the total (or 9% in the case of subsidised goods from developing countries).

	Quantity	%	Value	%
All imports into Australia		100%		100%
Country A*				
Country B*				
etc*				
Total				

* Only include countries that account for less than 3% of all imports (or 4% in the case of subsidised goods from developing countries). Use the data at Appendix A.2 (Australian Market) to complete the table.

Imports of the goods the subject of this application from China exceed four per cent of the total import volume in 2017.

APPENDICES

Appendix A1	Australian Production
Appendix A2	Australian Market
Appendix A3	Sales Turnover
Appendix A4	Domestic Sales
Appendix A5	Sales of Other Production
Appendix A6.1	Cost to Make and Sell (& profit) Domestic Sales
Appendix A6.2	Cost to Make and Sell (& profit) Export Sales
Appendix A7	Other Injury Factors
Appendix A8	Authority to Deal With Representative
Appendix B1	Deductive Export Price
Appendix B2	Constructed Normal Value