



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

Customs Act 1901 Part XVB

**CONSIDERATION REPORT
NO. 469**

**APPLICATION FOR A DUMPING DUTY NOTICE
AND A COUNTERVAILING DUTY NOTICE**

in relation to certain PVC flat electrical cables
exported to Australia from the People's Republic of China

Submitted by Prysmian Australia Pty Ltd

4 June 2018

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ABBREVIATIONS

Abbreviation	Full reference
ABF	Australian Border Force
ABS	Australian Bureau of Statistics
ACBPS	Australian Customs and Border Protection Service
the Act	<i>Customs Act 1901</i>
Advance	Advance Cables Pty Ltd
the applicant	Prysmian Australia Pty Ltd (Prysmian)
Assistant Minister	the Assistant Minister for Science, Jobs and Innovation and the Parliamentary Secretary to the Minister for Jobs and Innovation ¹
AUD	Australian Dollar
the Australian Standard	Australian/New Zealand Standard AS/NZS 5000.2
CBSA	Canadian Border Services Agency
the <i>Certain Copper Tube</i> investigation	<i>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</i>
China	the People’s Republic of China
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
FOB	Free on Board
GOC	Government of China
the goods	the goods the subject of the application (also referred to as the goods under consideration)
injury analysis period	the period from 1 January 2014
investigation period	the period 1 January to 31 December 2017

¹ On 20 December 2017, the Prime Minister appointed the Parliamentary Secretary to the Minister for Jobs and Innovation as the Assistant Minister for Science, Jobs and Innovation. For the purposes of this investigation, the Minister is the Assistant Minister for Science, Jobs and Innovation.

PUBLIC RECORD

LTAR	less than adequate remuneration
Nexans Olex	a Division of Olex Australia Pty Ltd
Pirelli	Pirelli Cables Australia Pty Ltd
PVC	polyvinyl chloride
REP 271	<i>Anti-Dumping Commission Report No. 271</i>
REP 322	<i>Anti-Dumping Commission Report No. 322</i>
REP 331	<i>Anti-Dumping Commission Report No. 331</i>
RIC	rod in coil
ROI	return on investment
SG&A	selling, general and administrative
SHFE	Shanghai Futures Exchange
SOE	state owned enterprise(s)
TE	Twin and Earth
V	volts

1 FINDINGS AND RECOMMENDATIONS

This report provides the result of the consideration by the Anti-Dumping Commission (the Commission) of an application under subsection 269TB(1) of the *Customs Act 1901* (the Act)² by Prysmian Australia Pty Ltd (Prysmian, or the applicant) for the publication of a dumping duty notice and a countervailing duty notice in respect of certain polyvinyl chloride (PVC) flat electrical cables (the goods) exported to Australia from the People's Republic of China (China).

Prysmian alleges that the Australian industry producing PVC flat electrical cables has suffered material injury caused by PVC flat electrical cables exported to Australia from China at dumped and subsidised prices.

1.1 Findings

In accordance with subsection 269TC(1), the Commission has examined the application and is satisfied that:

- the application complies with the requirements of subsection 269TB(4) (as set out in section 2.2 of this report);
- there is an Australian industry in respect of like goods (as set out in section 2.4 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice and a countervailing duty notice in respect of the goods the subject of the application (as set out in chapters 3, 4, 5 and 6 of this report).

1.2 Recommendations

Based on the above findings, the Commission recommends that the Commissioner of the Anti-Dumping Commission (Commissioner) decide not to reject the application, and initiate an investigation to determine whether a dumping duty notice and a countervailing duty notice should be published.

The Commission further recommends that:

- exports to Australia during the period 1 January 2017 to 31 December 2017 (the investigation period) be examined for dumping and the receipt of countervailable subsidies; and
- details of the Australian market from 1 January 2014 (the injury analysis period) be examined for injury analysis purposes.

If the Commissioner agrees with these recommendations, the Commissioner must give public notice of the decision in accordance with the requirements set out in subsection 269TC(4).³

² Unless otherwise specified, all legislative references in this report are to the *Customs Act 1901*.

³ The proposed investigation period aligns with the Chinese financial year for the purpose of the subsidy investigation, avoiding an overlapping part period (in this instance, the most recently completed quarter ending 31 March 2018); [Dumping and Subsidy Manual](#), page 83 refers.

2 THE APPLICATION AND THE AUSTRALIAN INDUSTRY

2.1 Lodgement of the application

2.1.1 Legislative framework

The legislative framework that underpins the making of an application and the Commission's consideration of an application is contained in Divisions 1 and 2 of Part XVB of the Act. The procedures for lodging an application are set out in section 269TB. The procedures and timeframes for the Commissioner's consideration of the application are set out in section 269TC.

2.1.2 The Commissioner's timeframe

Event	Date	Details
Application lodged & received by the Commissioner under subsections 269TB(1) and (5)	23 March 2018	The Commission received an application from Prysmian alleging that the Australian industry has suffered material injury caused by certain PVC flat electrical cables that have been imported into Australia from China at dumped and subsidised prices.
	12 April 2018	The Commission notified Prysmian that the application contained certain important deficiencies, which, if left unaddressed, created doubt on the reasonableness of the grounds for the publication of a dumping duty notice and a countervailing duty notice.
Applicant provided further information in support of the application under subsection 269TC(2A)	16 April 2018, 23 April 2018 and 10 May 2018	The applicant provided further information and data in support of its application without having been requested to do so (as provided in subsection 269TC(2A)). On each occasion, the provision of further information and data restarted the 20 day period for consideration of the application. The application was taken to have been lodged and received from the date that the further information was provided.
Consideration decision due under section 269TC(1)	30 May 2018	The Commissioner shall decide whether to reject or not reject the application within 20 days after the applicant last provided new information.

Table 1: Timeline of application assessment

2.2 Compliance with subsection 269TB(4)

2.2.1 Finding

Based on the information submitted by the applicant, the Commission considers that the application complies with subsection 269TB(4).

2.2.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application if, among other things, the Commissioner is not satisfied that the application complies with subsection 269TB(4).

2.2.3 The Commission's assessment

The table below summarises the Commission's assessment of compliance with subsection 269TB(4).

Requirement for the application	Details
Lodged in writing under subsection 269TB(4)(a)	The applicant lodged, in writing, confidential and non-confidential versions of the application. The non-confidential version of the application can be found on the electronic public record on the Commission website (www.adcommission.gov.au).
Lodged in an approved form under subsection 269TB(4)(b)	The application is in the approved form (B108) for the purpose of making an application under subsection 269TB(1).
Contains such information as the form requires under subsection 269TB(4)(c)	The applicant provided: <ul style="list-style-type: none"> • a completed declaration; • answers to all questions that were required to be answered by the applicant; • completed appendices; and • sufficient detail in the non-confidential version of the application to enable a reasonable understanding of the substance of the information submitted in confidence.
Signed in the manner indicated in the form under subsection 269TB(4)(d)	The application was signed in the manner indicated in Form B108.

PUBLIC RECORD

Requirement for the application	Details
<p>Supported by a sufficient part of the Australian industry under subsection 269TB(4)(e) and determined in accordance with subsection 269TB(6)</p>	<p>As set out in section 2.4, the Commission is satisfied that there is an Australian industry producing like goods.</p> <p>Prysmian has provided information concerning its own production of PVC flat electrical cables, and advised the existence of the following other Australian PVC flat electrical cable manufacturers:</p> <ul style="list-style-type: none"> • Nexans Olex (a Division of Olex Australia Pty Ltd); • Australia Pacific Electric Cables Pty Ltd; and • Advance Cables Pty Ltd (Advance). <p>Prysmian stated that its application was supported by Nexans Olex and Advance. The Commission notes that the application included an authorisation from Nexans Olex, but no evidence was provided to show Advance’s support for the application. As the application was considered confidential, the Commission did not contact Advance to enquire about its support for the application.</p> <p>The Commission therefore considers that this application is supported by Prysmian and Nexans Olex. An application is taken to be supported by a sufficient part of the Australian industry if the Commissioner is satisfied the persons who produce or manufacture like goods in Australia and who support the application:</p> <ul style="list-style-type: none"> • account for more than 50 per cent of the total production or manufacture of like goods by that proportion of the Australian industry that has expressed either support for or opposition to, the application; and • account for not less than 25 per cent of the total production or manufacture of like goods in Australia. <p>Based on the production information supplied for Prysmian and Nexans Olex and market and other information available to the Commission from previous investigations, the Commission is satisfied that:</p> <ul style="list-style-type: none"> • more than 50 per cent of the Australian industry (measured by production) which has expressed either support or opposition, expressed support for the application; and • the application has support from more than 25 per cent of the total production in Australia considering the total production volumes of Prysmian and Nexans Olex in Australia.
<p>Lodged in the manner approved under section 269SMS for the purposes subsection 269TB(4)(f)</p>	<p>The application was lodged in a manner approved in the Commissioner’s instrument made under section 269SMS, being by email to an address provided in that instrument. The application was therefore lodged in a manner approved under subsection 269SMS(2).</p>

Table 2: Compliance with subsection 269TB(4)

2.3 The goods the subject of the application

The table below outlines the goods as described in the application and its corresponding tariff classification.

PUBLIC RECORD

Full description of the goods, as subject of the application				
<p>Flat, electric cables, comprising two copper conductor cores and an 'earth' (copper) core with a nominal conductor cross sectional area of between, and including, 2.5 mm² and 3 mm², insulated and sheathed with polyvinyl chloride (PVC) materials, and suitable for connection to mains electricity power installations at voltages exceeding 80 volts (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.</p>				
Further information				
<p>Prysmian's application notes the following additional information:</p> <p>The locally produced goods are 2.5 Twin and Earth (TE) PVC flat cable (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.</p> <p>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.</p>				
Exclusions				
<p>Prysmian specifically excluded the following from the application:</p> <ul style="list-style-type: none"> • 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. 				
Tariff classification (Schedule 3 of the <i>Customs Tariff Act 1995</i>)				
Tariff code	Statistical code	Unit	Description	Duty rate
8544.49.20	41	metre	<p>Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors [...] <i>For a voltage exceeding 80V but not exceeding 1000V [...]</i></p> <p style="text-align: center;"><i>- Insulated with P.V.C materials</i></p>	China: 0%

Previous investigations
<p>This is the third investigation into the alleged dumping of PVC flat electrical cables exported from China and the first investigation into the alleged subsidisation of PVC flat electrical cables exported from China.</p> <p>A previous investigation into the dumping of certain electric cables exported to Australia from China was initiated on 9 September 2011. The investigation was conducted by the Australian Customs and Border Protection Service (ACBPS) as the then investigating authority.</p> <p>The goods that were the subject of this previous investigation included several different types of electric cables falling under tariff subheading 8544.49.20 (statistical codes 40 and 41). The goods under consideration in the present case (PVC flat electrical cable with the characteristics described above) are a specific subset of the goods that were previously examined.</p> <p>The ACBPS found that there had been no dumping of electric cables during the relevant investigation period (1 July 2010 to 30 June 2011). The investigation was therefore terminated by the Chief Executive Officer of the ACBPS on 6 February 2012.⁴ After accepting a request by certain parties to review the decision, the then Trade Measures Review Officer ultimately affirmed the decision to terminate.</p> <p>An investigation into the alleged dumping of certain PVC flat electrical cables (<i>Anti-Dumping Commission Report No. 271</i> (REP 271) refers) was initiated by the Commission on 6 November 2014. The investigation period was from 1 July 2013 to 30 June 2014, and the Commission assessed injury from 1 July 2010. The Commission found that the cooperating exporters of PVC flat electrical cables were either not dumping or the dumping margins were negligible. The Commission also found that the injury, if any, caused to the Australian industry by the dumped goods was negligible. As a result, the Commissioner terminated the investigation on 9 July 2015.⁵</p>

Table 3: The goods

2.4 Like goods and the Australian industry

The Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application on the basis that:

- Prysmian and Nexans Olex produce goods that have characteristics that closely resemble the goods the subject of the application, and
- the goods produced by Prysmian and Nexans Olex are wholly produced in Australia.⁶

2.4.1 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application under subsection 269TB(1) if, among other things, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

⁴ [International Trade Remedies Branch Report No. 178](#) refers.

⁵ [Anti-Dumping Commission Report No. 271](#) and [Anti-Dumping Notice No. 2015/85](#) refer.

⁶ The Commission has previously assessed Nexans Olex's production process in REP 271 and concluded that Nexans Olex was manufacturing the goods under consideration and the goods were wholly produced in Australia.

PUBLIC RECORD

Like goods are defined under subsection 269T(1). Subsections 269T(1), 269T(2), 269T(3), 269T(4), and 269T(4A) are used to determine whether the like goods are produced in Australia and whether there is an Australian industry.

2.4.2 Locally produced like goods

The table below summarises the Commission’s assessment of whether the locally produced goods are identical to, or closely resemble, the goods the subject of the application and are therefore like goods.

Factor	The Applicant’s claims	The Commission’s assessment
Physical likeness	That the goods produced by the Chinese exporters are similar in physical appearance and specification.	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. Therefore, the Commission considers that both the imported goods and the goods produced by the Australian industry are physically alike.
Commercial likeness	That the imported goods compete directly with the locally produced goods and are interchangeable. The selling prices for the imported PVC flat electrical cables and the locally produced PVC flat electrical cables are similar.	The Commission considers that the imported goods and the goods produced by the Australian industry are commercially alike, as they compete directly in the market for the same customers at wholesale and retail levels, and the product is ultimately purchased by common end users (predominantly electrical contractors).
Functional likeness	That the imported goods and the locally produced goods perform the same function and are used in the same end-use application.	Both imported and locally manufactured products comply with the Australian Standard and have the same end use. As a result, the Commission considers that the imported and locally produced PVC flat cable are functionally alike.
Production likeness	That the imported and locally produced PVC flat electrical cables are manufactured via similar production processes.	Based on the information collected by the Commission during previous investigations, the Commission considers that the production processes are substantially similar for all producers of PVC flat electrical cables.
Commission’s assessment		
The Commission’s assessment is that the locally produced goods closely resemble the goods the subject of the application and are like goods. The specifications required by the Australian Standard for PVC flat electrical cables provide little basis for the locally produced goods and the imported goods to diverge in terms of their physical, commercial and functional likenesses, and the production of the goods is likely to be via substantially similar processes.		

Table 4: Assessment of like goods

2.4.3 Manufacture in Australia

Prysmian claims that the entire manufacturing process for domestically produced PVC flat electrical cables takes place in Australia. Prysmian advises that it manufactures PVC flat electrical cables (and other products which are not the goods) at its facility at Liverpool, New South Wales. The PVC flat electrical cables are manufactured from predominantly imported raw materials.

Prysmian explains in its application the key steps in the production of the PVC flat electrical cables as:

- 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.

The Commission's assessment

The Commission notes that Prysmian's production process as explained in the application is very similar to the production process of Nexans Olex which was detailed in REP 271. Based on Prysmian's explanation of the manufacturing steps and the Commission's understanding of the production process of PVC flat electrical cables from previous investigations, the Commission considers that at least one substantial process of manufacture is carried out in Australia and therefore considers the like goods to have been manufactured in Australia.

2.5 Australian industry information

The table below summarises the Commission's assessment of whether Prysmian has provided sufficient information in the application to analyse the performance of the Australian industry.

PUBLIC RECORD

Have the relevant appendices to the application been completed?		
A1	Australian production	Yes
A2	Australian market	Yes
A3	Sales turnover	Yes
A4	Domestic sales	Yes
A5	Sales of other production	Yes
A6.1	Cost to make and sell (& profit) – Domestic sales	Yes
A6.2	Cost to make and sell (& profit) – Export sales	Yes
A7	Other injury factors	Yes
General administration and accounting information		
History	<p>Prysmian was founded in 1977 as Pirelli Ericsson Cables Australia Pty Ltd. 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.</p> <p>In 2005, Pirelli divested itself of its cable business, selling to Goldman Sachs which renamed the business Prysmian Srl. In 2010 Goldman Sachs exited the business. Prysmian Australia Pty Ltd is the Australian business of the global Prysmian Group.</p>	
Ownership	<p>Prysmian is an Australian proprietary company, limited by shares. Prysmian Australia Pty Ltd is part of the Prysmian Group of companies that is ultimately owned by Prysmian S.p.A.</p>	
Operations	<p>Prysmian's operations include the production of PVC flat electrical cables using local and imported materials. Production process includes the drawing of the copper rods into wire, the stranding of the copper wire into conductors, the compounding of the PVC resin and the sheathing of the insulated cores into PVC flat electrical cable.</p>	
Financial year	<p>January to December</p>	
Audited accounts	<p>Prysmian's accounts are audited.</p>	
Annual reports	<p>The application has included a copy of audited financial statements of Prysmian for 2015 and 2016, and an un-audited financial statement for 2017. At the time of the application the 2017 audit report was unavailable (<i>Confidential Attachment A-2.9</i> of the application refers).</p>	

PUBLIC RECORD

Production and sales information	Cost to make and sell information	Other injury factors
The Commission has no significant concerns regarding the production and sales information provided.	The Commission has no significant concerns regarding the cost data provided.	The Commission has no significant concerns regarding the data provided in Appendix A7 to the application.
The Commission's assessment		
<p>In addition to the above, Nexans Olex supplied its own information in respect of appendices A3 to A7 (relating to its production, domestic sales, its cost to make and sell (CTMS) and other injury factors), to which the Commission has also had regard for its analysis.</p> <p>Based on the information in the application, the Commission is satisfied that there is sufficient data on which to analyse the performance of the Australian industry between January 2014 and December 2017.</p>		

Table 5: Australian industry information

2.5.1 Market size

The Commission notes that the tariff subheading and statistical code includes various other cable types of additional dimensions to the goods under consideration. As a result, for the purposes of calculating an Australian market for the goods, Prysmian has used export data that it purchased in relation to the two Chinese exporters identified in its application. The Commission notes that this data does not reconcile with the import statistics the Australian Bureau of Statistics (ABS) publishes, as the ABS data is likely to include products that are beyond the scope of the goods description.

In its application Prysmian had regard to its own production volumes (*Confidential Appendix A2* of the application refers) and export statistics it purchased from third party trade data providers concerning the volume of the goods imported during the period from 1 January 2014 to 31 December 2017 in order to estimate the size of the Australian market.

Prysmian's application indicated that it estimates that the Australian market for PVC flat electrical cable (of 2.5 mm² to 3.0 mm²) in 2017 at approximately 180 to 200 million metres. Prysmian considers that the market for the goods has contracted by approximately 10 per cent in 2017 in comparison to 2016.

The Commission has compared the information provided by Prysmian with the Australian Border Force (ABF) import database for the purpose of assessing the size of the Australian market for PVC flat electrical cables. The Commission noted that the ABF data includes a number of consignments under the relevant tariff classification which were not the goods, and a number of consignments which may be the goods but for which the goods description in the import declaration is inconclusive and the circumstances of the importation provide no further guidance.

PUBLIC RECORD

In order to refine the ABF data, the Commission has had regard to the importer and exporter of the consignments, products which have been specifically excluded from the goods description (as set out in Prysmian’s application) and the known product codes and descriptions of the goods from the previous investigations. The Commission’s analysis of the ABF data is in **Confidential Attachment 1**.

The Commission estimates that the Australian market for PVC flat electrical cables in 2017 was approximately 185 million metres. Movements in the size of the Australian market are shown in Figure 1, below.

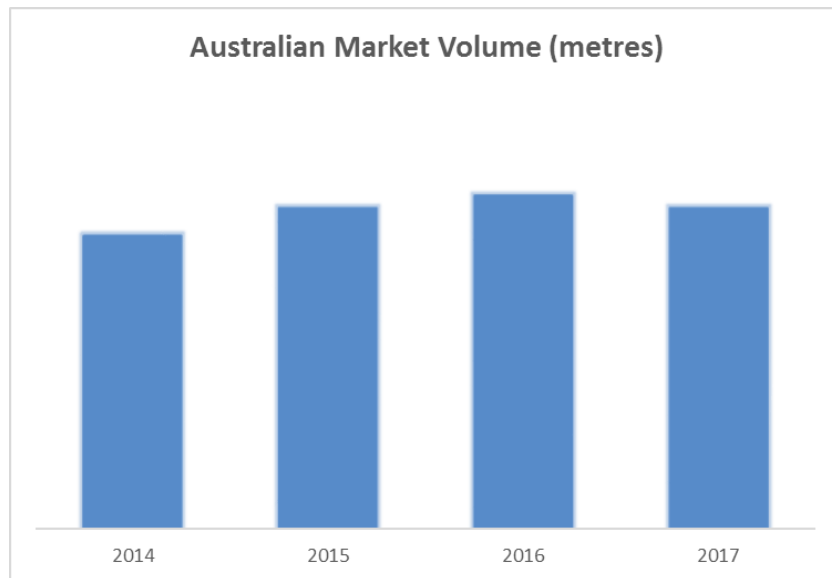


Figure 1: Estimated total Australian market for PVC flat electrical cables

The Commission observes that the respective shares of the Australian market have fluctuated over the same period. There are relatively small volumes of imports of PVC flat electrical cables from countries other than China.

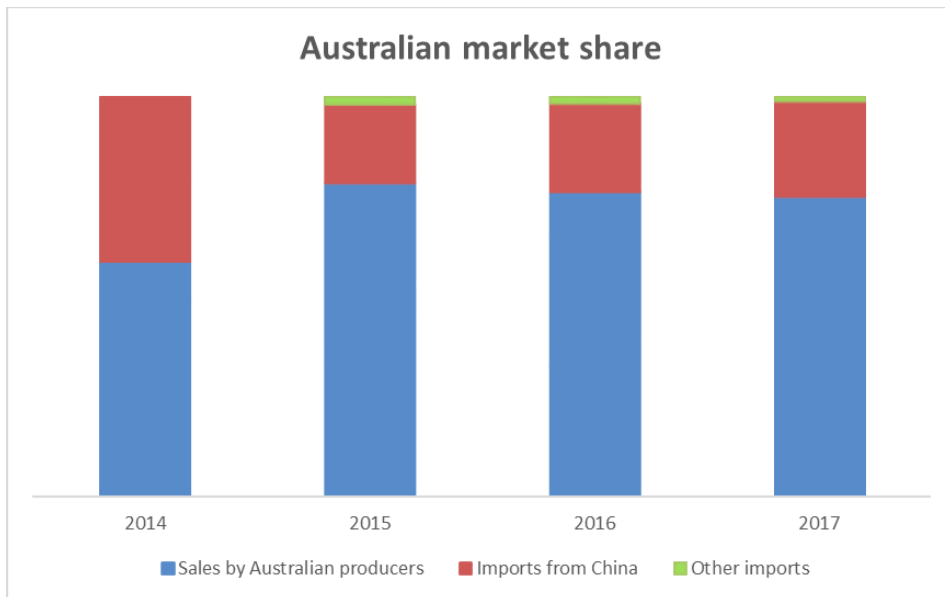


Figure 2: Share of Australian market for PVC flat electrical cables

3 REASONABLE GROUNDS – DUMPING

3.1 Findings

Pursuant to subsection 269TC(1)(c), the Commission considers that there appear to be reasonable grounds to support the claims that:

- the goods have been exported to Australia from China at dumped prices;
- the estimated dumping margin for exports from China is greater than 2 per cent and therefore are not negligible; and
- the estimated volume of goods from China that appear to have been dumped is greater than 3 per cent of the total Australian import volume of goods and therefore is not negligible.

3.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters that the relevant Minister must be satisfied of in order to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods, i.e. that dumping has taken place (to an extent that is not negligible). This issue is considered in the following sections.

3.3 Export price

3.3.1 Legislative framework

Export price is determined by applying the requirements in section 269TAB, taking into account whether the purchase or sale of goods was an arms length transaction under section 269TAA.

3.3.2 Prysman's estimate

The table below summarises the approach taken by the applicant to estimate export prices and the evidence relied upon. The Commission's examination of Prysman's data is contained in **Confidential Attachment 2**.

PUBLIC RECORD

Basis of estimate	Details
Subsection 269TAB(1)(b)	<p>Prysmian has calculated a deductive export price based on sales offers submitted by importers of the goods from China. Prysmian explained that the goods the subject of this investigation are commonly sold with discounts and rebates at various levels. Prysmian therefore deducted amounts for rebates and discounts based on its understanding of the discount structures of its competitors.</p> <p>Prysmian then deducted a profit rate for the importers and estimated post exportation costs from the net selling prices of the goods to calculate a Free on Board (FOB) export price.</p> <p>The export prices estimated by Prysmian through this methodology are reported in <i>Confidential Appendix B1</i> in its application.</p>

Table 6: The applicant's methodology of estimating export prices from China

3.3.3 The Commission's assessment

Considering that the Commission found in REP 271 that the exporter with the highest volume of exports of the goods was not trading in arms length terms with the importer, the Commission considers it reasonable to calculate the export prices under subsection 269TAB(1)(b).

The Commission compared the post exportation costs estimated by Prysmian in the deductive export price calculations in its application with the verified post exportation costs, profit rates and selling, general and administration (SG&A) costs actually incurred by the importers of the goods in REP 271. The Commission's analysis suggests that some aspects of Prysmian's estimates (such as post exportation costs, SG&A and profit rates) are overestimated.

The Commission has therefore calculated monthly deductive export prices using the lowest supply offers in the month from the importers of the goods provided by Prysmian in its application and using verified post exportation costs, SG&A and profitability figures from REP 271. The Commission's deductive export price calculations are contained in **Confidential Attachment 3.**⁷

3.4 Normal value

3.4.1 Legislative framework

Normal value is determined by applying the requirements in section 269TAC taking into account whether:

- the purchase or sale of the goods was an arms length transaction under section 269TAA;
- the goods were sold in the ordinary course of trade under section 269TAAD;

⁷ The Commission also considered whether to calculate export prices under subsection 269TAB(1)(a) using contemporaneous ABF import data. However, owing to the uncertainty in this data (as noted in section 2.5.1) and the previous arms length findings in REP 271, the Commission elected not to take this approach.

PUBLIC RECORD

- there has been an absence or low volume of sales of like goods in the country of export; and
- whether the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value under subsection 269TAC(1).

3.4.2 The Applicant's estimate

The table below summarises the approach taken by the applicant to estimate normal values and the evidence relied upon.

Basis of estimate	Details
Constructed normal value under subsection 269TAC(2)(c)	<p>Prysmian stated that the PVC flat electrical cable the subject of its application is unique to the Australian and New Zealand markets and is not sold domestically in China. As a result, Prysmian constructed normal values on a monthly basis for 2017.</p> <p>In doing so, Prysmian used raw material cost information from China that it obtained from its own sources. Prysmian also relied upon its Australian production conversion costs, fixed costs, depreciation, consumption rates and production efficiencies of its own manufacturing line for the goods in Australia.</p> <p>Prysmian added an 8 per cent profit rate for the export sale of the goods to Australia.</p>

Table 7: Applicant methodology for normal value

3.4.3 The Commission's assessment

The Commission has considered the information Prysmian provided in its application to support its normal value calculations. The Commission agrees with Prysmian's approach in constructing normal values under subsection 269TAC(2)(c) (noting that REP 271 also found an absence of domestic sales of the like goods).

The Commission notes that there is verified costing information available to the Commission from REP 271, and that it is unlikely that production methods would change substantially in China over the last three years when there has been no change in the goods under consideration. Accordingly, the Commission considers that it is reasonable to construct the normal values using the previously verified conversion costs, consumption rates, production efficiencies and SG&A costs of PVC flat electrical cable manufacturers in China rather than the values proposed by Prysmian.

The Commission also assessed Prysmian's claims in relation to adding an 8 per cent profit rate to Chinese exporters' constructed normal values. The Commission notes that the evidence provided in *Confidential Attachment 2* of Prysmian's application had regard to a "contribution margin" on the sale of electrical building cables. The Commission does not consider that the evidence provided in *Confidential Attachment 2* of the application supports Prysmian's claims that this is a relevant amount of profit to utilise in the normal value calculations.

The Commission notes that REP 271 examined the issue of profit comprehensively, and ultimately applied a zero rate of profit in the constructed normal value due to the circumstances of the largest exporter at that time. In the absence of more relevant information the Commission has applied a zero per cent rate of profit.

The Commission's normal value calculations are included in **Confidential Attachment 3**.

3.5 Dumping margins

3.5.1 Legislative framework

Dumping margins are determined in accordance with the requirements of section 269TACB. Dumping margins and dumping volumes cannot be negligible, otherwise the investigation is terminated. Whether the dumping margins and dumping volumes are negligible is assessed under section 269TDA.

3.5.2 The Commission's assessment

The table below summarises the dumping margin for the whole of the 2017 calendar year as estimated by the applicant, as well as the dumping margin calculated by the Commission based on the export prices calculated under subsection 269TAB(1)(b) and the Commission's estimate of normal values under subsection 269TAC(2)(c).

Dumping margins are expressed as a percentage of the export price.

Applicant estimate of dumping margin	Commission estimate of dumping margin
53.7%	2.7%

Table 8: Estimate of dumping margins

Assessed at the levels shown, the dumping margins are not negligible.

3.5.3 Volume of dumped goods

The Commission's analysis (set out in **Confidential Attachment 1**) demonstrates that the goods from China represent more than 3 per cent of the total volume of PVC flat electrical cables imported between 1 January – 31 December 2017 (the investigation period).

4 REASONABLE GROUNDS – SUBSIDISATION

4.1 Findings

Pursuant to subsection 269TC(1)(c), the Commission considers that there appear to be reasonable grounds to support the claims that:

- the goods exported to Australia from China have been subsidised;
- the estimated subsidy margin for exports from China is greater than 2 per cent and therefore is not negligible; and
- the estimated volume of goods from China that appear to have been subsidised is greater than 4 per cent of the total Australian import volume of goods and therefore is not negligible.

4.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a countervailing duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a countervailing duty notice. Under section 269TJ, one of the matters that the relevant Minister must be satisfied of in order to publish a countervailing duty notice is that subsidisation has taken place (to an extent that is not negligible).

4.2.1 Consultation with the Government of China

In accordance with subsection 269TB(2C), the Commission invited the Government of China (GOC) for consultations during the pre-initiation phase. The purpose of the consultations was to provide an opportunity for the GOC to respond to the claims made within the application in relation to countervailable subsidies, including whether they exist and, if so, whether they are causing, or are likely to cause, material injury to an Australian industry, with the aim of arriving at a mutually agreed solution.

To assist in determining whether it wished to undertake consultations and what it would like to consult on, the GOC was provided with a non-confidential list of the countervailable subsidies alleged in Prysmian's application.

The GOC acknowledged its receipt of the Commission's invitation, but did not request any further contact with the Commission during the consideration phase.

4.3 Subsidy programs

4.3.1 Legislative framework

The determination as to whether there is a countervailable subsidy is made in accordance with subsection 269T(1), subsection 269T(2AA), section 269TACC and section 269TAAC.

4.3.2 The Applicant's claims

The table below summarises the claims by Prysmian that the goods exported to Australia have benefited from countervailable subsidies and the evidence relied upon.

PUBLIC RECORD

Category 1: Provision of Goods	
Program Number	Program Name
1	Copper provided by Government at less than adequate remuneration
Basis of Claims	Details / Summary of Claims
Commission's previous findings and investigations into steel and aluminium exported from China, and findings from other anti-dumping jurisdictions.	<p>The applicant contends 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.</p> <p>The applicant claims that a countervailable subsidy identified by the Commission in <i>Anti-Dumping Commission Report No. 322 (REP 322)</i> and <i>Anti-Dumping Commission Report No. 331 (REP 331)</i> in the investigations into rebar and rod in coil exported from China involved billet at less than adequate remuneration (LTAR). Similarly, the applicant asserts that copper is transacted in China with reference to the Shanghai Futures Exchange (SHFE) also at LTAR on an ongoing basis.</p> <p>The applicant further 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.⁸ The applicant explains that the CBSA's finding related to the acquisition cost of raw material inputs (i.e. copper cathode used in the production of copper tube) and it was determined that the copper tube exporters were purchasing the raw material inputs at less than fair market value directly or indirectly from state owned enterprises (SOE), that those SOE were considered to be possessing, exercising, or vested with government authority, and a subsidy was found to exist.</p>

⁸ 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 (the *Certain Copper Tube* investigation), 3 December 2013, page 49.

PUBLIC RECORD

Category 2: Preferential Tax Policies	
Program Number	Program Name
5	Preferential Tax Policies for High and New Technology Enterprises
6	Preferential Tax Policies in Western Regions
7	Land Use Deduction
8	Tariff and VAT Exemptions on Imported Materials and Equipment
9	VAT refund on comprehensive utilization of resources
Basis of Claims	Details / Summary of Claims
The applicant claims that previous findings of subsidies received in the Commission's investigations into rod in coil and rebar would also be applicable in this case.	The applicant contends that as the exported goods include copper, which is a base metal that attracts the same level of importance in China as steel and aluminium, and as the Commission has previously concluded that rebar and rod in coil manufactured in China attracted a broad range of subsidies, it is reasonable to conclude that the previously identified programs would also afford benefits to Chinese exporters of PVC flat electrical cables.

PUBLIC RECORD

Category 3: Financial Grants	
Program Number	Program Name
10	One-time Awards to Enterprises Whose Products Qualify for “Well-Known Trademarks of China” and “Famous Brands of China”
11	Matching Funds for International Market Development for small and medium size enterprises (SMEs)
12	Superstar Enterprise Grant
13	Research and Development (R&D) Assistance Grant
14	Patent Award of Guangdong Province
15	Innovative Experimental Enterprise Grant
16	Special Support Fund for Non-State-Owned Enterprises
17	Venture Investment Fund of Hi-Tech Industry
18	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
19	Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan
20	Water Conservancy Fund Deduction
21	Wuxing District Freight Assistance
22	Huzhou City Public Listing Grant
23	Huzhou City Quality Award
24	Huzhou Industry Enterprise Transformation & Upgrade Development Fund
25	Wuxing District Public List Grant
26	Anti-dumping Respondent Assistance
27	Technology Project Assistance
28	Transformation technique grant for rolling machine
29	Grant for Industrial enterprise energy management - centre construction demonstration project Year 2009
30	Key industry revitalization infrastructure spending in 2010
31	Provincial emerging industry and key industry development special fund
32	Environmental protection grant
33	Environmental Protection Fund
34	Intellectual property licensing
35	Financial resources construction - special fund
36	Reducing pollution discharging and environment improvement assessment award
37	Grant for elimination of out dated capacity
38	Grant from Technology Bureau
39	High and New technology Enterprise Grant
40	Independent Innovation and High-Tech Industrialization Program

PUBLIC RECORD

41	Environmental Prize
42	Jinzhou District Research and Development Assistance Program
Basis of Claims	Details / Summary of Claims
The applicant claims that previous findings of subsidies received in the Commission's investigations into rod in coil and rebar would also be applicable in this case.	The applicant contends that as the exported goods are products which include copper which is a base metal that attracts the same level of importance in China as steel and aluminium, and as the Commission has previously concluded that rebar and rod in coil manufactured in China attracted a broad range of subsidies, it is reasonable to conclude that the previously identified programs also afford benefits to Chinese exporters of PVC flat electrical cables.

Table 9: Applicant's claims regarding alleged countervailable programs

4.3.3 The Commission's assessment

The Commission considers that the applicant has provided reasonable evidence of the receipt of subsidies in relation to the Chinese exporter of the goods the subject of the application.

Program 1 – Copper provided by the GOC at less than adequate remuneration

The Commission notes that the CBSA has previously determined that the Chinese copper sector was dominated by SOE, and there was evidence that prices of copper cathode in China could be substantially lower compared to the global benchmark (London Metal Exchange).⁹ Accordingly, the CBSA deemed that the domestic selling prices for copper cathode in China were not appropriate for the purpose of determining the fair market value of those goods and found that a countervailable benefit was conferred via provision of copper to exporters for less than fair market value by the SOE. The Commission further notes CBSA's finding that the contract pricing of copper on the SHFE in China was not reflective of world prices.

Noting that copper is a substantial component of the cost of producing PVC flat electrical cables, that the Chinese domestic copper sector is characterised by a large number of SOE, and having regard to previous findings in REP 322 and REP 331 concerning the subsidisation of production inputs in supported sectors (such as copper), the Commission considers that there is *prima facie* evidence to suggest that exporters may have received a subsidy relating to Program 1.

Programs 5-9 - Preferential Tax Policies

The Commission has previously found evidence of these subsidies being provided to Chinese exporters, and considers that it is reasonable to consider that an exporter of PVC flat electrical cables may have received a financial benefit from the GOC that is countervailable under these programs.

⁹ Ibid.

PUBLIC RECORD

For the purpose of estimating these benefits to establish a preliminary subsidy margin, the Commission has relied on the subsidy margin calculated for uncooperative exporters in REP 322 and REP 331. Further information will be requested from the GOC and the exporter during the course of the investigation.

Programs 10 to 42 - Financial Grants

The applicant alleges that REP 322 and REP 331 should be relied upon as evidence that these programs exist and are potentially available to exporters of PVC flat electrical cable. The Commission notes that a number of the programs identified by the applicant are based on locations which may not correlate to the location of Chinese PVC flat electrical cable manufacturers.

For the purpose of estimating the benefits received to establish a preliminary subsidy margin, the Commission has relied on the subsidy margin calculated for uncooperative exporters in REP 322 and REP 331. Further information will be requested from the GOC and exporters during the course of this investigation.

4.3.4 Conclusion

The Commission notes that it has identified that Chinese exporters received countervailable subsidies through programs 5 to 42 in previous cases, and has been satisfied that they may be countervailable. The Commission also notes that there is a significant overlap between the programs 5 to 42 and the subsidy programs that were identified to be countervailable by the CBSA in its *Certain Copper Tube* investigation.

Based on the information contained in the application and the Commission's preliminary assessment of the evidence provided, there appears to be reasonable grounds to conclude that a financial contribution has been conferred to the exporters of PVC flat electrical cables by the GOC (or other government bodies), and that the financial contribution is specific (either because it is limited to PVC flat electrical cable manufacturers or to companies in a particular region or industry, or to companies with particular characteristics). The Commission has therefore concluded that there are reasonable grounds for finding that countervailable subsidies have been received in respect of PVC flat electrical cables produced in China.

The Commission will seek the necessary information from the GOC and from Chinese exporters in order to assess the alleged subsidy programs.

4.4 Amount of countervailable subsidy

4.4.1 Legislative framework

Subsidy margins are determined under section 269TACD. The amount of the countervailable subsidisation and the volume of subsidised goods cannot be negligible. Whether the countervailable subsidisation and the volume of subsidised goods are negligible is assessed under section 269TDA.

4.4.2 The Commission's assessment

As the Commission has not previously considered the alleged provision of copper at LTAR in China, the value of this subsidy has not been estimated due to a lack of publically available information to do so.

However, the Commission notes that there are similarities in the programs investigated by CBSA in its *Certain Copper Tube* investigation. The Commission notes that CBSA found a 31.3 per cent subsidy margin for the uncooperative exporters in its investigation. The Commission also notes that the subsidy rate for uncooperative Chinese exporters in REP 322 was 29.61 per cent and in REP 331 was 31.93 per cent. Bearing in mind the similarities of the programs that are included in Prysmian's application with these investigations, the Commission considers it reasonable to conclude that the countervailable subsidies received would exceed 2 per cent.

The Commission therefore considers that, on the balance of the information available, the subsidy margin is not negligible. The Commission's estimated subsidy margins are contained in **Confidential Attachment 3**. The Commission's comparison of subsidy programs included in the application and the subsidy programs investigated by CBSA in its *Certain Copper Tube* investigation is available in **Confidential Attachment 4**.

4.4.3 Volume of subsidised goods

The Commission's analysis (set out in **Confidential Attachment 1**) demonstrates that the goods from China represent more than 4 per cent of the total volume of PVC flat electrical cables imported between 1 January – 31 December 2017 (the investigation period).

5 REASONABLE GROUNDS – INJURY TO THE AUSTRALIAN INDUSTRY

5.1 Findings

Pursuant to subsection 269TC(1)(c), having regard to the matters contained in the application and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has experienced material injury in the form of:

- loss of sales volumes;
- loss of market share;
- price suppression;
- loss of profit and reduced profitability;
- reduced return on investment;
- reduced capacity utilisation; and
- reduction in employment hours for the goods under consideration.

The Commission's analysis of injury is contained in **Confidential Attachment 5**.

5.2 Legislative framework

Under section 269TG, one of the matters that the relevant Minister must be satisfied of in order to publish a dumping duty notice and / or a countervailing duty notice is that the Australian industry has experienced material injury. This issue is considered in the following sections.

5.3 The Applicant's claims

Prysmian claims that the Australian industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price suppression;
- reduction of profit and profitability;
- reduced return on investment;
- reduced capacity utilisation; and
- reduction in employment hours for the goods under consideration.

In its application, Prysmian claimed that during the injury assessment period (1 January 2014 to 30 December 2017) the Australian market for the goods has continued to grow as house construction, renovations and building fit-outs continued to experience growth. Prysmian further claimed that import volumes of PVC flat electrical cables from China has held a significant proportion of the market with around 56 per cent market share.¹⁰

5.4 Approach to injury analysis

5.4.1 Legislative framework

The matters that may be considered in determining whether the industry has suffered material injury are set out in section 269TAE. Under section 269TG, one of the matters that the Minister must be satisfied of, in order to publish a dumping duty notice, is that the Australian industry has experienced material injury. This chapter analyses the economic condition of the Australian industry and provides an assessment as to whether the Australian industry has suffered injury.

5.4.2 The Commission's approach

The Commission considers that, based on the evidence before it, Prysmian and Nexans Olex collectively account for a significant proportion of the Australian industry. The data provided by Prysmian and Nexans Olex therefore provides a reasonable basis for assessing the state of the whole Australian industry for PVC flat electrical cables.

For the purposes of this analysis, the Commission analysed data from 1 January 2014 (the injury analysis period). The injury analysis is based on:

- Prysmian's costs, sales and other financial data provided in its application;
- relevant data from Nexans Olex; and
- ABF import data.

The Commission notes that, due to differences in the way that the data has been reported by Prysmian and Nexans Olex, previously verified information and the relatively lower confidence held in the ABF import data, not all of the data presented is able to be reconciled. The Commission considers that greater confidence in the data will only be able to be achieved during verification in the course of an investigation.

5.5 Volume effects

5.5.1 Sales volume

Figure 3 shows the total volume of Prysmian and Nexans Olex's domestic sales of PVC flat electrical cables over the injury analysis period.

¹⁰ Due to the relevant tariff class including many other types of cables, the Commission cleansed the ABF import database in order to base its analysis on the volume of imports where the imported goods are defined within the import declarations properly and the definition indicates that the imported goods are the goods the subject of this application. Therefore, the Commission notes that the cleansed import volumes from the ABF import database shows a lower volume of imports than Prysmian's estimations.

PUBLIC RECORD

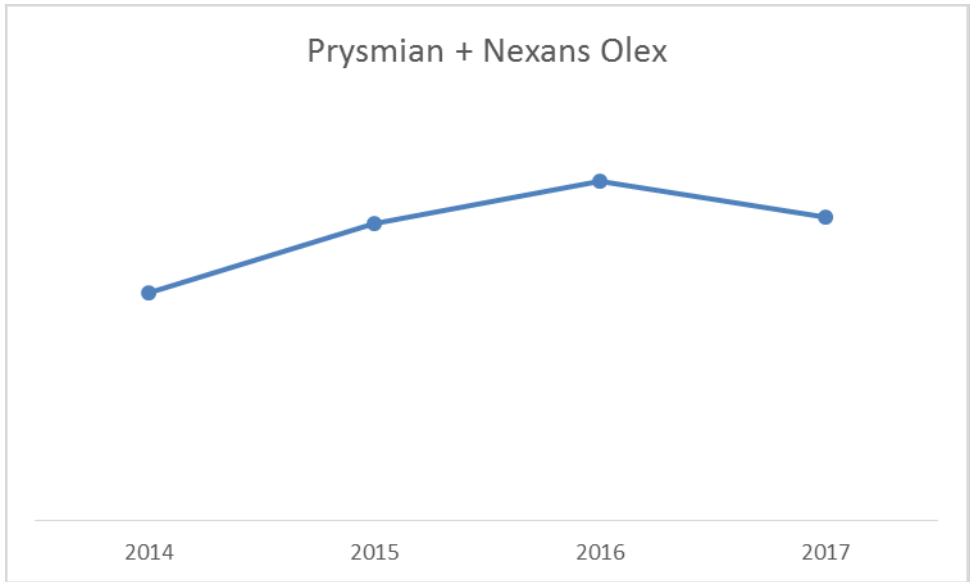


Figure 3: Prysmian and Nexans Olex’s domestic sales quantities

The Commission observes that sales volumes of Prysmian and Nexans Olex have increased between 2014 and 2016 and reduced in the 2017 calendar year.

5.5.2 Market share

Prysmian claims that it has been injured in the form of loss of market share since the beginning of 2017. Figure 4 shows the total Australian market over the injury analysis period.

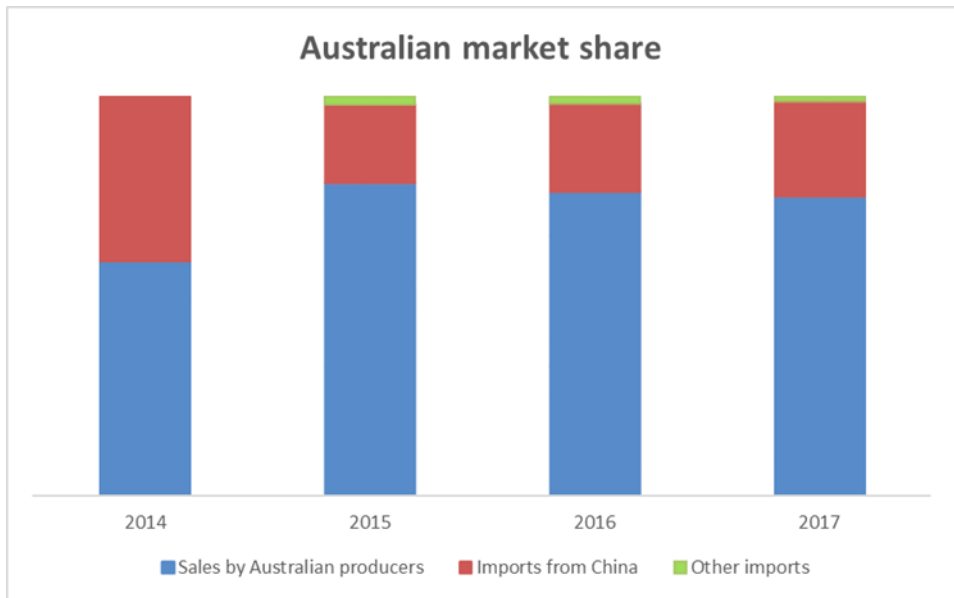


Figure 4: Share of Australian market for PVC flat electrical cables

The Commission observes from **Confidential Attachments 2 and 5** that Prysmian and Nexans Olex have experienced injury in the form of loss of market share.

5.5.3 Conclusion – volume effects

Based on this assessment, Prysmian and Nexans Olex have experienced a reduction in their sales volumes and their share of the market during the investigation period and there has been an increase in the volume of imports from China and their share of the market. Based on this assessment, there are reasonable grounds to support the claim that the Australian industry has suffered injury in the form of loss of market share and reduced sales volumes.

5.6 Price effects

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

Figure 5 shows the movement in unit net sales prices and unit CTMS for Prysmian and Nexans Olex over the injury analysis period.

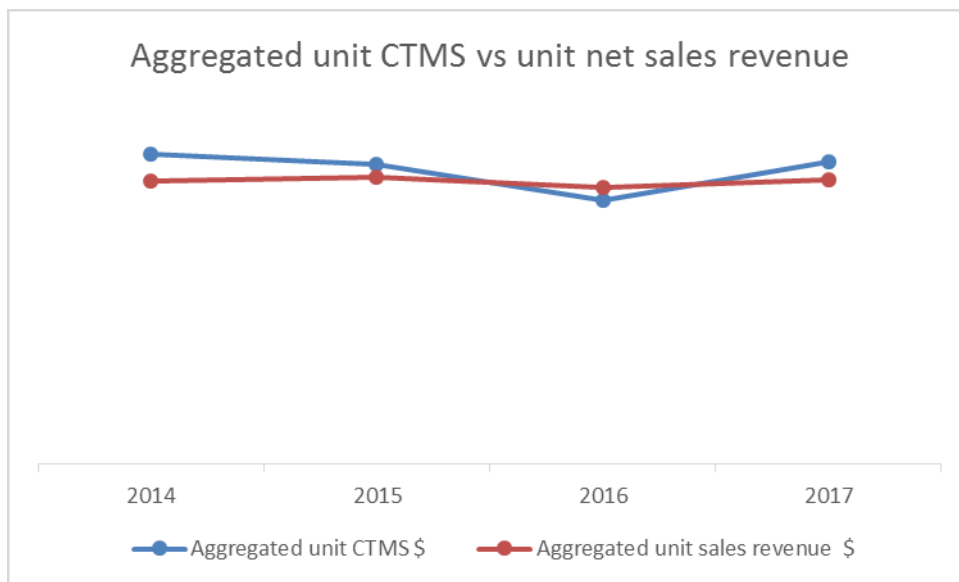


Figure 5: Aggregated unit price & unit CTMS comparison

Prysmian’s and Nexans Olex’s aggregated unit price for the goods has remained relatively stable through the injury analysis period. Figure 5 demonstrates that unit CTMS has fluctuated, reducing sharply between 2014 and 2016 before increasing in the investigation period, resulting in the aggregate position of Prysmian and Nexans Olex moving from a profitable to an unprofitable position. The Commission notes that Prysmian’s own unit CTMS vs net unit selling prices graph which is in **Confidential Attachment 5**, shows the same pattern. This supports a claim that the Australian industry has been unable to raise selling prices to reflect increasing raw material costs – particularly increased costs in copper.

5.6.1 Conclusion – price effects

Based on this assessment, the Commission considers that there are reasonable grounds to support the claim that the Australian industry has suffered injury in the form of price suppression.

5.7 Profit and profitability effects

Figure 6 and Figure 7 show the profit and profitability of Prysmian and Nexans Olex over the injury analysis and investigation periods.

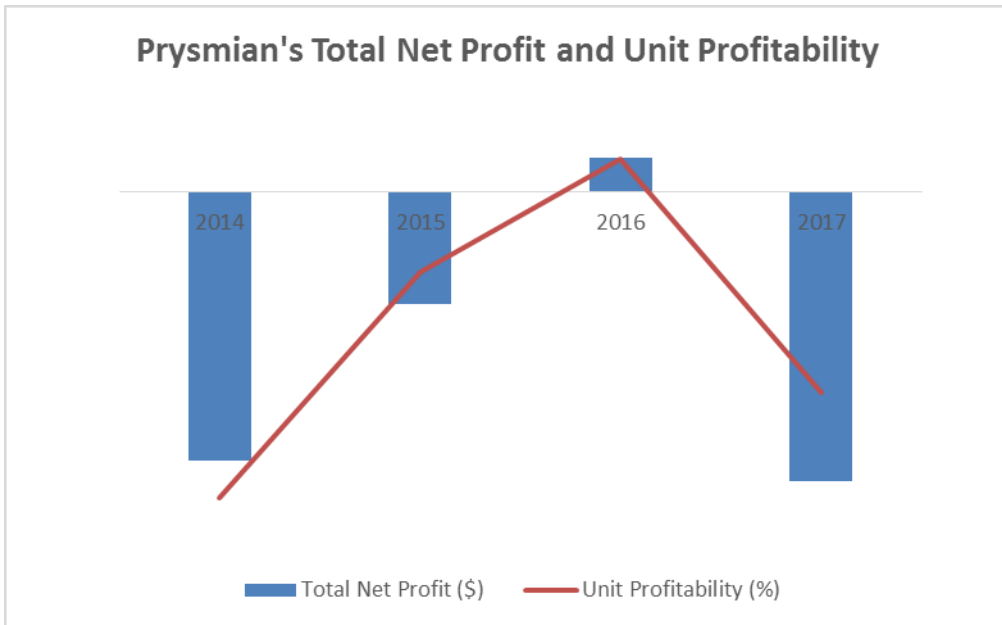


Figure 6: Prysmian's domestic profit and profitability

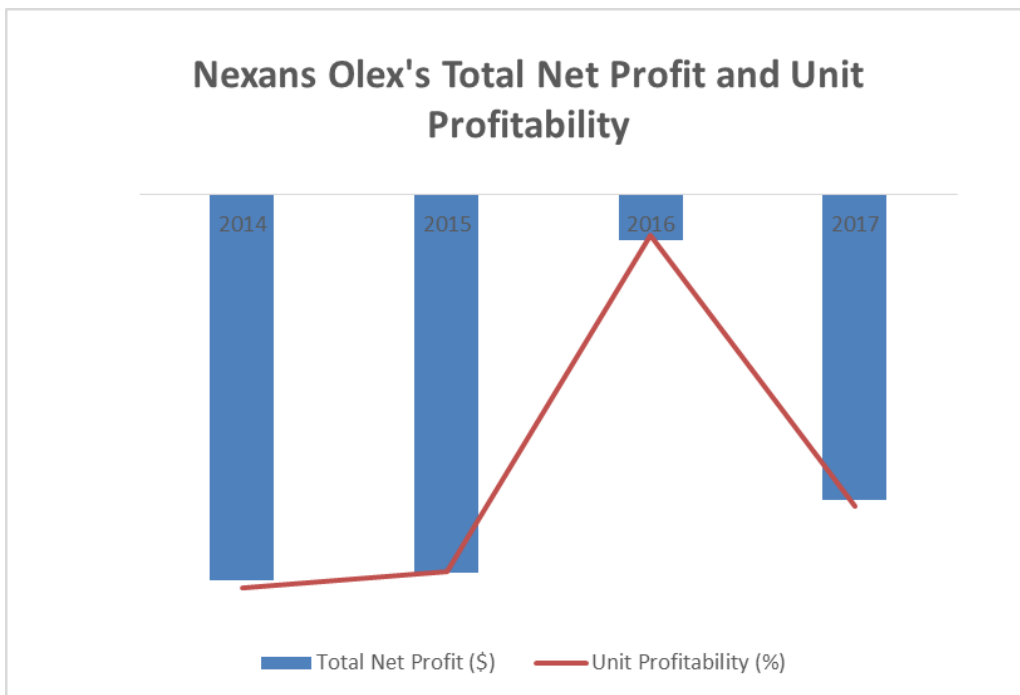


Figure 7: Nexan Olex's domestic profit and profitability

Figure 6 and Figure 7 demonstrate that both Prysmian and Nexans Olex experienced deterioration in their respective profit positions in the investigation period, following a recovery between 2014 and 2016. The Australian industry's alleged inability to increase prices to account for rising costs of manufacturing, as demonstrated in Figure 5 (rising unit CTMS), resulted in reduced profitability.

5.7.1 Conclusion – profit and profitability effects

Based on the above analysis, the Commission considers that there are reasonable grounds to support the claim that the Australian industry has suffered injury in the form of loss of profits and reduced profitability during the investigation period.

5.8 Other injury factors

Prysmian completed *Confidential Appendix A7* as part of its application. Prysmian claimed injury in the form of reduced return on investment (ROI), reduced capacity utilisation and reduced employment hours for the goods under consideration.

5.8.1 Return on investment

Figure 8 depicts Prysmian's ROI over the injury assessment period. The Commission notes that Prysmian's ROI increased between 2014 and 2016 but dropped in 2017.

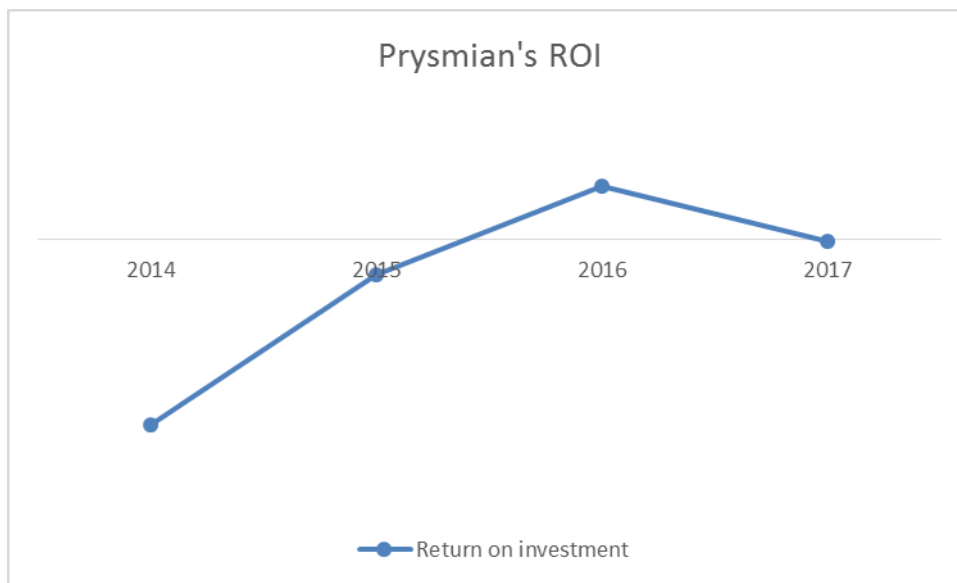


Figure 8: Prysmian's ROI over the injury assessment period

5.8.2 Capacity utilisation

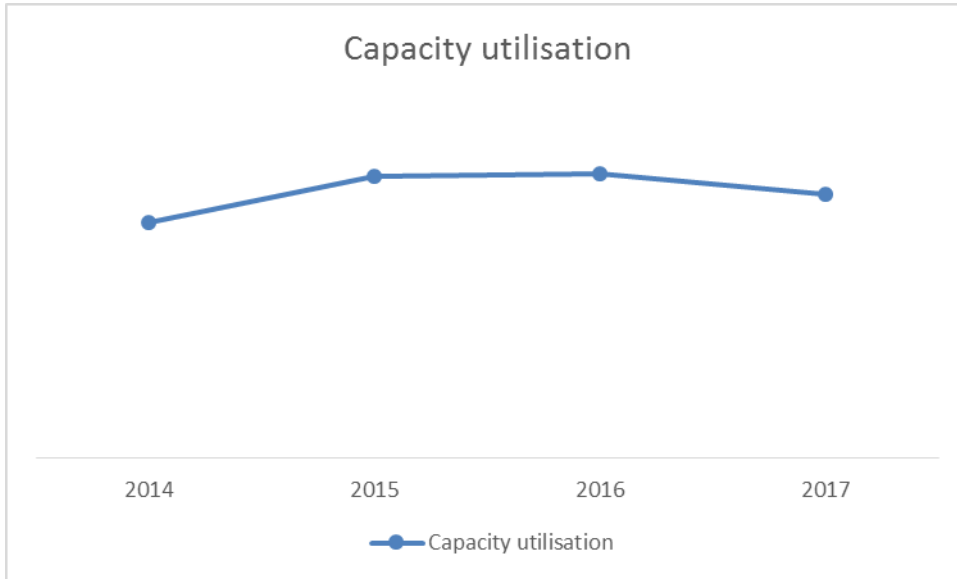


Figure 9: Prysmian’s capacity utilisation over the injury assessment period

Figure 9 shows Prysmian’s capacity utilisation for the goods under consideration over the injury assessment period. The Commission notes that Prysmian’s capacity utilisation increased between 2014 and 2016 and fell in 2017.

5.8.3 Employment hours in production of the goods

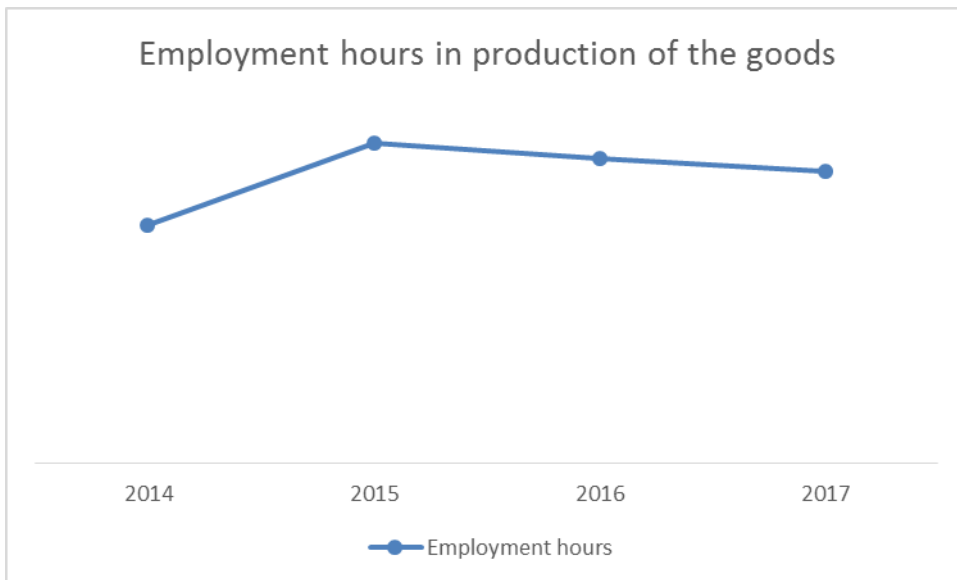


Figure 10: Employment hours in production of the goods over the injury assessment period

Figure 10 depicts employment hours in production of the goods under consideration over the injury assessment period. The Commission notes that Prysmian’s employment hours increased in 2014 and fell between 2015 and 2017.

5.8.4 Conclusion – other injury factors

The Commission has considered the other injury factors outlined above and considers that, based on the information provided in the application, there appears to be reasonable grounds to support the claim that the Australian industry has suffered injury in the form of reduced ROI, reduced capacity utilisation and employment hours for the production of the goods. A further assessment of these (and other factors) as they specifically relate to the goods will be conducted through the course of the investigation.

The Commission's assessment of other injury is available in **Confidential Attachment 6**.

6 REASONABLE GROUNDS – CAUSATION FACTORS

6.1 Findings

Having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there are reasonable grounds to support the claim that the Australian industry has suffered material injury caused by dumped and subsidised imports.

6.2 Cause of injury to the Australian industry

6.2.1 Legislative framework

Under sections 269TG and 269TJ, one of the matters that the relevant Minister must be satisfied of in order to publish a dumping duty notice and / or a countervailing duty notice is that the material injury suffered by the Australian industry was caused by dumping and / or subsidisation, respectively. This issue is considered in the following sections.

6.3 The Applicant's claims

The table below summarises the causation claims of the applicant.

Injury caused by dumping
<p>Volume effects</p> <ul style="list-style-type: none"> As a result of price undercutting by Chinese imports, the applicant has experienced loss of sales volumes and market share. <p>Price and profit effects</p> <ul style="list-style-type: none"> An inability to increase selling prices to counter rising costs has had a direct impact on profits and profitability.
Injury caused by other factors
<p>Capacity utilisation</p> <ul style="list-style-type: none"> Prysmian's sales volumes declined by approximately 4 per cent in 2017, contributing to a decline in capacity utilisation against 2016 levels. <p>ROI</p> <ul style="list-style-type: none"> The deterioration in profit and profitability also contributed to a deterioration in Prysmian's return on investment in 2017. <p>Employment hours</p> <ul style="list-style-type: none"> The number of employment hours worked in production of the goods has declined in 2017 (reflecting a reduction in capacity utilisation) and raising the prospect of potential labour reductions should this trend continue.

Table 10: Applicant's causation claims

6.4 The Commission's assessment

6.4.1 The PVC flat electrical cables market

The applicant has stated in its application that PVC flat electrical cable is supplied from local production and imports which are 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 V / 750 V. The applicant explains that the goods must be installed by a licenced electrician in accordance with the Australian Wiring Rules.

The Commission understands that 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. Therefore, the demand for PVC flat electrical cable (and other electrical cable which is not the goods) 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, and house 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.

6.4.2 Volume effects

Noting the relatively small volume of PVC flat electrical cables from other sources, Figure 11 compares movements in the volume of PVC flat electrical cables supplied to the Australian market by Prysmian and Nexans Olex and those supplied from China (based on ABF import statistics).

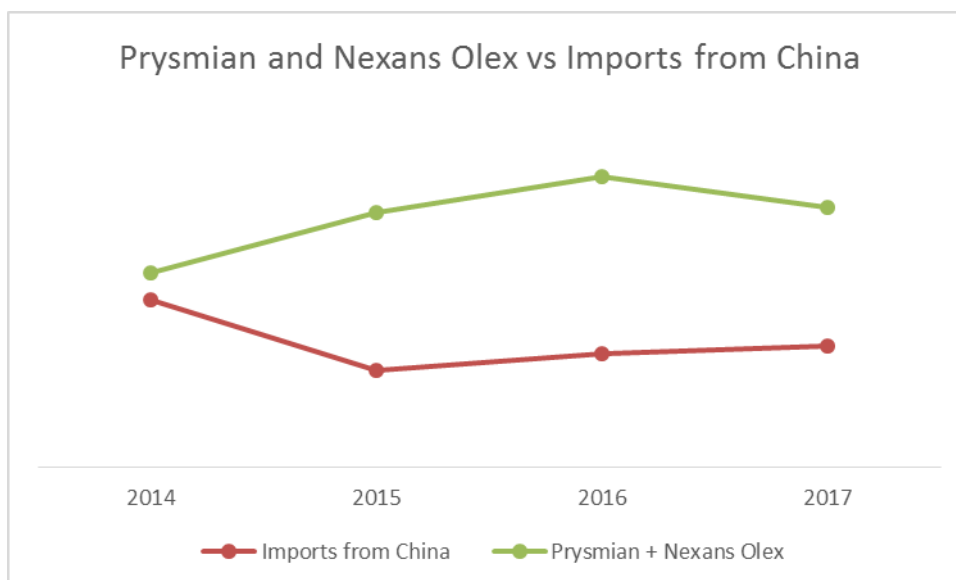


Figure 11: Supply of PVC flat electrical cables to the Australian market¹¹

As demonstrated in Figure 4 and Figure 11, Prysmian and Nexans Olex have experienced a decline in their combined sales volumes and market share in the investigation period. During the same period there is an increase in PVC flat electrical cables supplied from China.

In its application, Prysmian claims that it 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. The Commission understands that reduced volumes will result in higher unit CTMS due to the fixed costs associated with the manufacture of PVC flat electrical cables. This in turn will negatively impact profit and profitability.

Noting that both Prysmian and Nexans Olex's sales volumes are reduced during 2017, the Commission considers that there are reasonable grounds to support the applicant's claims that the allegedly dumped and subsidised imports have caused injury in the form of reduced sales volumes.

During the course of the investigation the Commission will consider injury in the form of lost sales volumes and market share. More specifically, the Commission will consider the additional sales volume and market share that the applicant may have obtained in the absence of dumped and subsidised imports from China, and the consequential impact on the applicant's sales revenue and profit.

6.4.3 Price and profit effects

The Commission notes its previous findings in REP 271, that price is the main basis of competition for the goods. In its application, Prysmian states that it concurs with this finding. The Commission also found in REP 271 that, as all PVC flat electrical cable sold in Australia must comply with the relevant Australian Standard, customers can (and do) readily switch between suppliers of the goods based on price.

¹¹ Derived from ABF data (for imports) and data provided by Prysmian and Nexans Olex.

The Commission considers it evident from Figure 5 that during 2017, the Australian industry has experienced a sharp increase in its CTMS of the goods and has not been able to reflect these cost increases in its prices, which resulted in a decline in its profit and profitability in 2017.

6.4.3.1 Price undercutting

Price undercutting occurs when imported product is sold at a price below that of the Australian industry. The applicant has estimated price undercutting of between 0 and 3.3 per cent by allegedly dumped and subsidised imports.

The Commission considers that, based on pricing offers from the importers of PVC flat electrical cables from China supplied by the applicant, there may be price undercutting by the goods imported from China. However, the Commission notes that the price undercutting calculated is based on the applicant's understanding of the discounts and rebates provided by the importers of the goods from China to their own downstream customers. This will be reviewed further, incorporating information from visits to Australian industry members and importers of the goods.

6.4.4 Injury caused by factors other than dumping and subsidisation

The applicant acknowledges that it has experienced raw material price increases during 2017 which it has not been able to recover through increased selling prices. The applicant claims that its inability to raise its selling prices to recover increased production costs can be attributed to the competitive offers for imported Chinese goods at prices which have undercut its selling prices. As a result, the applicant claims that the injury it experienced in 2017 can be directly attributed to the price undercutting and price suppression from the allegedly dumped and subsidised imports of PVC flat electrical cables from China.

The Commission will review the market for PVC flat electrical cables during the injury period and investigate any other factors that may have impacted sales volumes, market share, price and profitability. The Commission intends to understand the impact of Prysmian's export volumes, if any, on ROI and employment numbers.

The Commission will further analyse other injury factors to understand their impact on the Australian industry's volumes, price and profitability during the course of the investigation.

6.4.5 Materiality of the injury

In its application, the applicant provided its turnover figures for the goods under consideration for the injury assessment period, together with its calculations of lost sales volumes, profits and profitability. When compared to its turnover, the Commission considers that the price suppression and the volume of lost sales that the applicant attributes to allegedly dumped and subsidised imports and corresponding lost profits and profitability is significant and therefore material in nature.

6.5 Conclusion

Given the applicant's claims in relation to the impact on its volumes, price and consequently profits as a result of the allegedly dumped and subsidised imports, it will be important for the Commission to come to a finding on what pricing in the market would have been, and the broader state of the industry, absent the alleged dumped and subsidised imports, otherwise known as a counterfactual approach. Any findings will be based on evidence gathered throughout the investigation.

The Commission considers that:

- the level of the dumping in the Commission's own calculations; and
- the preliminary assessment of loss of volumes, price suppression and lost profits,

provide reasonable grounds to support a conclusion that exports of the goods from China at dumped and subsidised prices have caused material injury to the Australian industry.

7 APPENDICES AND ATTACHMENTS

<u>Attachments</u>	<u>Title</u>
Confidential Attachment 1	ABF import database and Commission analysis
Confidential Attachment 2	Prysmian appendices and Commission analysis
Confidential Attachment 3	Commission's estimate of subsidy margin
Confidential Attachment 4	Comparison of subsidy programs in the application with the programs in CBSA's <i>Certain Copper Tube</i> investigation
Confidential Attachment 5	Injury analysis
Confidential Attachment 6	Other injury factors