



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

**Anti-Dumping  
Commission**

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## **INVESTIGATION 469**

**ALLEGED DUMPING OF PVC FLAT ELECTRICAL CABLES  
EXPORTED FROM  
THE PEOPLE'S REPPUBLIC OF CHINA  
VISIT REPORT - AUSTRALIAN INDUSTRY**

**OLEX AUSTRALIA PTY LTD**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED HEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

**October 2018**

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## **1 BACKGROUND**

On 4 June 2018 the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated an investigation into the alleged dumping and subsidisation of PVC flat electrical cables exported from the People's Republic of China (China). Public notification of the initiation of the investigation was published on the website of the Anti-Dumping Commission (the Commission). The background relating to the initiation of this investigation is contained in *Consideration Report No. 469* (CON 469) and Anti-Dumping Notice (ADN) No. 2018/86.

The application was lodged by Prysmian Australia Pty Ltd (Prysmian) and was supported by Olex Australia Pty Ltd (Olex), requesting the publication of a dumping duty notice and countervailing duty notice in respect of PVC flat electrical cable (the goods) exported from China.

## 2 THE GOODS

### 2.1 The goods

The goods the subject of the application (the goods) 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, 2.5 mm<sup>2</sup> and 3 mm<sup>2</sup>, 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.*

The following products are excluded from the application:

- 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.

Additional information:

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.

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.

## 3 THE AUSTRALIAN INDUSTRY

### 3.1 Manufacturing in Australia

Olex's manufacturing facilities relevant to PVC flat electrical cable production are situated at its Lilydale facility in Victoria. The Lilydale facility was established in 1948 and produces 1000 different types of cable for various markets including the goods under consideration (GUC).

Olex demonstrated its production process for PVC flat electrical cables, its production facilities and financial systems. The verification team is satisfied that at least one substantial process in the manufacture of the goods is carried out in Australia.

### 3.2 Like goods

Like goods are defined under section 269T(1) of the *Customs Act 1901* (the Act)<sup>1</sup> as:

*goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

Olex provided information on the physical, commercial, functional and production likenesses between imported PVC flat electrical cable and PVC flat electrical cable manufactured by the Australian industry. This information was consistent with the Commission's findings in *Anti-Dumping Commission Report No. 271* (REP 271).<sup>2</sup>

#### 3.2.1 Physical likeness

Relying on findings made in REP 271, Prysmian submitted in its application that "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 [that] 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;*

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<sup>1</sup> All legislative references in this report are to the *Customs Act 1901*, unless otherwise specified.

<sup>2</sup> An investigation into the alleged dumping of certain PVC flat electrical cables (*Anti-Dumping Commission Report No. 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.

- *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.*

*The imported goods and the goods produced by the Australian industry are physically alike in all practical aspects.”*

At the verification visit, Olex stated that it concurred with this statement in Prysmian's application and confirmed that it considered the imported goods and the goods produced by the Australian industry are physically alike in all practical aspects.

### **3.2.2 Commercial likeness**

*Prysmian submitted in its application that “...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.”*

At the verification visit, Olex stated that it concurred with this statement in Prysmian's application and confirmed that it considered the imported goods and the goods produced by the Australian industry commercially alike.

### **3.2.3 Functional likeness**

*Prysmian submitted in its application that “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”.*

At the verification visit, Olex stated that it concurred with this statement in Prysmian's application and confirmed that it considered the imported goods and the goods produced by the Australian industry functionally alike.

### **3.2.4 Production likeness**

*Prysmian submitted in its application that “...the imported and locally produced PVC flat cable are manufactured via similar production phases and are substantially similar.”*

Olex agreed with this statement in Prysmian's application and confirmed that the imported goods and the goods produced by the Australian industry are manufactured in a very similar manner using the same or similar machinery and processes.

### **3.3 Conclusion**

The verification team is satisfied that the locally produced goods closely resemble the goods the subject of the application and are like goods given that:

- the primary physical characteristics of imported and locally produced goods are physically alike in all practical aspects;
- the imported and locally produced goods are commercially alike as they are sold to common end users;
- the imported and locally produced goods are functionally alike as they have the same end-uses; and
- the imported and locally produced goods are manufactured in a similar manner.

The verification team is satisfied that:

- PVC flat electrical cable manufactured by Olex are like to the goods;<sup>3</sup>
- at least one substantial process of the manufacture of PVC flat electrical cable by Olex is carried out in Australia;<sup>4</sup>
- the like goods were, therefore, wholly or partly manufactured in Australia by Olex;<sup>5</sup>
- there is an Australian industry, consisting of Olex and others, which produces like goods in Australia.<sup>6</sup>
- 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.

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<sup>3</sup> Subsection 269T(1)

<sup>4</sup> Subsection 269T(3)

<sup>5</sup> Subsection 269T(2)

<sup>6</sup> Subsection 269T(4)

## 4 AUSTRALIAN MARKET

### 4.1 Background

Olex advised that it manufactures and sells PVC flat electrical cables with a cross sectional area of 2.5mm<sup>2</sup>.

The goods are used in residential and commercial building and construction, such as new home construction, renovations, units/apartments, commercial refurbishments, shopping centres etc. 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.

### 4.2 Market structure

Olex submitted that the Australian market is supplied by itself, and three other Australian manufacturers: Prysmian, Australia Pacific Electric Cables Pty Ltd, and Advance Cables Pty Ltd, as well as imports from a number of countries but mainly from China.

#### 4.2.1 Marketing, Distribution, supply and competition

Olex sells PVC flat electric cable primarily into the domestic market. Olex confirmed the key supply channels for PVC flat electrical cables in Australia. These are through traders/wholesalers and installers/major contractors. These key supply channels sold to the following categories of end-users:

- Traders/wholesalers sell to electricians for commercial, residential and industrial installations.
- Installers/major contractors are where Olex will sell directly to a company for a major project.

Traders/wholesalers make up approximately 90% of the PVC flat electrical market, with installers/major contractors making up the remaining 10%. There are several main wholesale chains, comprising of individual companies and collective-buyer groups, and smaller independent wholesalers.

As PVC electrical cable can only be installed by a licensed electrician, end-users are not direct customers. The electrician purchases the goods from an electrical wholesaler or hardware retailer. Electrical installers/major contractors have goods supplied through their principal that generally purchase from Australian manufacturers such as Olex, or importers.

Goods sold through hardware retailers like Bunnings or Mitre 10, or selling direct to builders/contractors represent a small proportion of the overall Australian market.

Olex advised that rebates and discounts are a common feature of the market and provided the verification team with trade contracts showing rebates and discounts applicable to each of its wholesale customers as well as a summary of all rebates and discounts related to PVC flat electrical cable sales. The collection of trade agreements and a summary of rebates and discounts is in **Confidential Attachment 1 – Rebates and Discounts with Contracts**. The verification team observed that the rebates column in Olex's Appendix A4 sales listing included the discounts as well and the total



percentage of rebates and discounts are correctly listed in the summary spreadsheet and accurately translated into Olex's Appendix A4 sales listing.

Olex advised that it is not related to any entities amongst these groups of customers.

The verification team found no evidence to suggest that Olex's sales were otherwise than at arms length and on competitive terms.

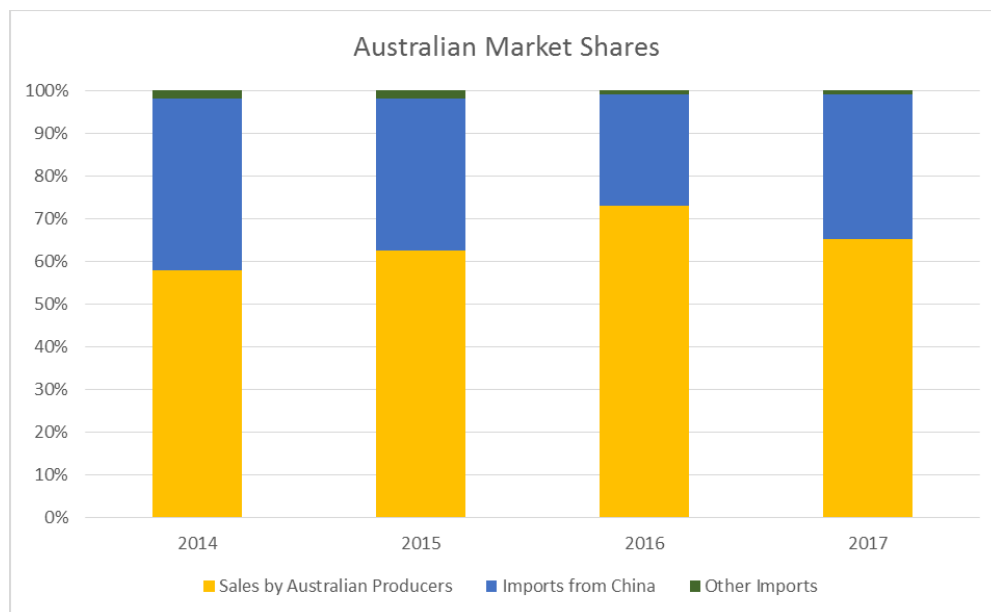
#### **4.2.2 Demand**

Olex explained that the demand for PVC flat electrical cable is driven by new residential housing construction, commercial development and refurbishment of existing properties. Olex stated that factors affecting the construction demand such as interest rates, consumer confidence index, population growth and housing prices also affects the demand for the goods.

Olex explained that it supplies its customers through warehouses and distribution centres across Australia as well as direct shipments from its factory in Lilydale.

#### **4.3 Market size**

In its application, Prysmian provided an estimate of the size of the PVC flat electrical cable market, which demonstrated an overall market that has grown steadily from 2014 to the end of the 2017 calendar year. However, this is in contrast to Olex's market share, where it claimed that it has experienced a drop in sales from 2016 to the 2017 calendar year.



**Figure 1:** Estimated share of Australian market for PVC flat electrical cables.

The verification team has utilised the analysis performed by the Commission in CON 469. The verification team observes that Olex's estimation of the loss of market share of the Australian industry members between 2016 to 2017 calendar years is consistent with the Commission's estimates.

## **PUBLIC RECORD**

Figure 1 also supports Olex's claim that Australian producers has lost market share from 2016 to 2017 while the market share for imports from China have increased over this same period.

The verification team's assessment of Olex's and Australia's PVC flat electrical cable market is at **Confidential Appendix 1 – Market and Economic Performance**.

## 5 VERIFICATION OF SALES

### 5.1 Verification of sales data to audited financial statements

At the time of the visit, Olex's audited financial statements for 2017 was not available. Olex advised that its 2017 financial statements would be signed off by the auditor later during the year. Therefore, in the absence of the audited financial statements, the verification team tested the integrity of Olex's accounting records by reconciling a selected sample of Olex's 2016 accounting data to its 2016 audited financial statements. Being satisfied with the accuracy of Olex's financial records for 2016, the verification team then verified the completeness and relevance of Olex's sales listing (including rebates and discounts) by reconciling it to un-audited financial statements in accordance with ADN. No 2016/30 with a view to comparing the un-audited statements with the audited statements later when the statements are signed off by the auditor.

Details of this process are contained in the verification work program at **Confidential Attachment 2**.

The verification team did not find any issues with the verification of the sales listing to the 2017 un-audited financial statements.

### 5.2 Verification of sales data to source documents

The verification team verified the accuracy of Olex's sales listing by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this process are contained in the verification work program at **Confidential Attachment 2**.

With the following exceptions, the verification team did not find any issues with the verification of the sales listing to source documents:

#### 5.2.1 Omission of certain sales

The verification team observed that Olex's sales listing did not include the coloured goods and the goods sold at shorter lengths. Olex provided the detailed sales data for these shipments and the verification team observed that these goods accounted for an insignificant percentage of the total sales of the goods.

#### 5.2.2 Omission of transport and warehousing costs

The verification team observed that Olex's sales listing did not contain transport and warehousing costs. On the verification team's request, Olex calculated its interstate transportation costs from factory to its warehouses based on the warehouse location, local delivery costs from its warehouse to its customers and warehousing costs. The verification team was satisfied with Olex's calculation of transportation and warehousing costs. These costs are incorporated in Olex's revised sales listing. Details of calculations and allocations are contained in **Confidential Attachment 2**.

### **5.3 Related party customers**

The verification team did not find any information to suggest that Olex had made sales to related parties during the investigation period.

### **5.4 Imports by applicant**

The verification team analysed data from the Australian Border Force and found that small volumes of cable are imported by Olex. Olex informed the verification team that while it periodically imports other types of cables but it does not import any cables matching the goods description. After analysing the documentation provided by Olex, the verification team is satisfied that the cable imported by Olex is not the GUC.

### **5.5 Export sales**

Olex exported small volumes of the goods to third parties and transferred a larger volume of goods to its related party in New Zealand. Olex provided the Commission details of its cost to make and sell (CTMS) details for its New Zealand transfers and other export sales and net revenues of these sales. The verification team observed that Olex's third party export sales during the investigation period were profitable while Olex's New Zealand transfer of goods were at cost.

### **5.6 Sales – conclusion**

The verification team considers that Olex's sales in Appendix A4 is a reasonably complete, relevant and accurate reflection of the sales of PVC flat electrical cables during the period from 1 January 2017 to 31 December 2017.

Accordingly, the verification team considers Olex's sales data in Appendix A4 are suitable for analysing the economic performance of its PVC flat electrical cable operations from 1 January 2017 to 31 December 2017.

## 6 VERIFICATION OF COST TO MAKE AND SELL

### 6.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Olex's cost data by reconciling it to Olex's financial statements in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 2**.

The verification team did not find any issues with the verification of the cost data to the 2017 un-audited financial statements.

#### 6.1.1 Raw Materials

Olex, due to its reporting arrangements to its parent company, Nexans in France, keeps accounts of its sales and costs (including COGS) in standardised London Metal Exchange (LME) amounts for certain materials including copper and aluminium. The actual material costs incurred is therefore reflected in Olex's accounting records in two parts:

- material costs at standardised LME; and
- materials price effects (being the cumulative variance for each material between the actual costs incurred and standardised cost for the financial term).

Details of the raw material costs verification process are contained in the verification work program at **Confidential Attachment 2**.

### 6.2 Verification of costs to source documents

The verification team verified the accuracy of Olex's cost data by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this process are contained in the verification work program at **Confidential Attachment 2**.

The verification team did not find any issues with the verification of the costs data to source documents.

### 6.3 Costs to make and sell – conclusion

The verification team considers that Olex's CTMS data in Appendix A6 is a reasonably complete, relevant and accurate reflection of the actual costs to manufacture and sell PVC flat electrical cables during the period from 1 January 2014 to 31 December 2017.

Accordingly, the verification team considers Olex's CTMS data in Appendix A6 is suitable for analysing the economic performance of its PVC flat electrical cable operations from 1 January 2014 to 31 December 2017.

## **7 ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY**

### **7.1 Applicant's injury claims**

At the visit, Olex stated that it suffered injury from allegedly dumped PVC flat electrical cables in the form of:

- 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 GUC.

The verification team used the verified data submitted by Olex and data obtained from the ABF import database to perform volume, price, profitability and other injury factors analysis for the injury analysis and investigation periods.

The verification team's analysis of the economic condition of the Australian industry is at **Confidential Appendix 1 – Olex's Economic Performance**.

### **7.2 Commencement of injury and analysis period**

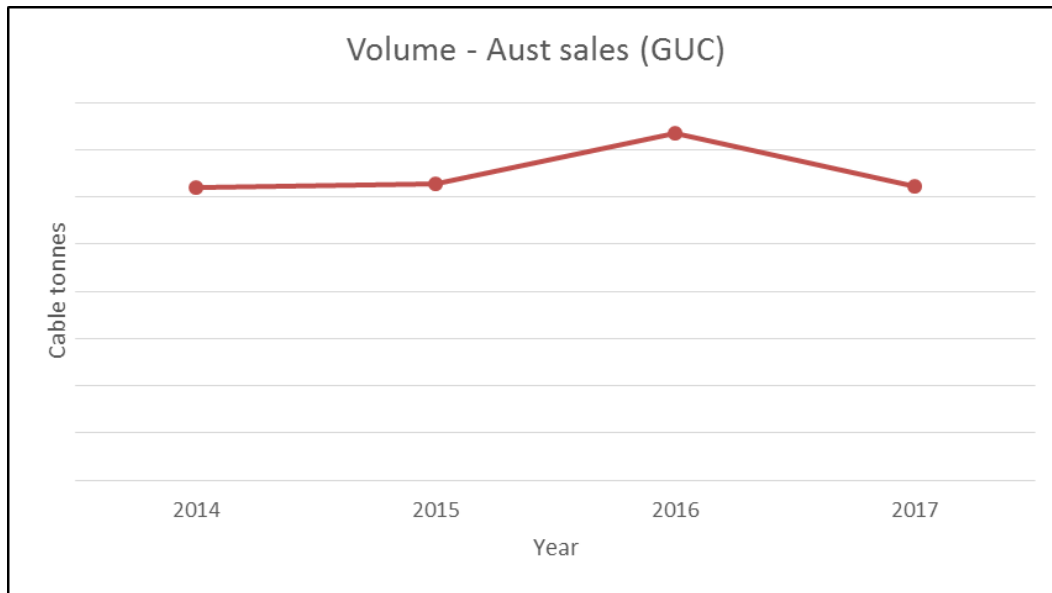
Olex concurs with Prysmian's claims in its application that injury from allegedly dumped and subsidised imports from China commenced from 2017. For the purposes of this analysis, the Commission analysed data from 1 January 2014 (the injury analysis period).

### **7.3 Volume Injury**

#### **7.3.1 Sales volume**

At the verification visit, Olex claimed that it lost sales volume in 2017 due to imports of PVC flat electric cables from China.

Figure 2 below illustrates the volume of Olex's sales of PVC flat electrical cables in the domestic market from 2014 to the end of 2017.



**Figure 2 – Olex’s domestic sales volume of PVC flat electric**

Olex’s sales volume of PVC flat electrical cables increased from 2014 to 2016. However, sales volume decreased in 2017. This decrease in sales volume came despite Olex’s claim that there has been continued growth in housing construction, renovations, and building fit-outs between the years 2014 and 2017.

### **7.3.2 Market share**

Figure 3 outlines the change in market share Olex has experienced from 2014 to 2017 in the Australian PVC flat electrical cable market. The data for 2014 and 2017 is based on the verified sales data from Olex, Prysmian and cooperating importers of the goods in INV 271 and in this investigation. The data for 2015 and 2016 however is based on the declared sales volumes of Australian industry members and data from the ABF import database. The Commission’s analysis of market size and market share is in **Confidential Appendix 2 – Market Size and Share**.

From this analysis, it is observed that Olex lost some market share from 2014 to 2015; gained market share in 2016 and then lost share again in 2017 calendar years.

The market share held by the remainder of the Australian industry also declined in 2017. In 2017, the market share of importers that import from China has increased substantially. The market share of imports from other countries that are not subject to this investigation remains small (consistently less than 5 per cent) and declined in 2016 and 2017.

### **7.3.3 Conclusion**

The verification team concludes that Olex’s market share decreased during the investigation period while imports from China experienced strong market share growth during the same period.

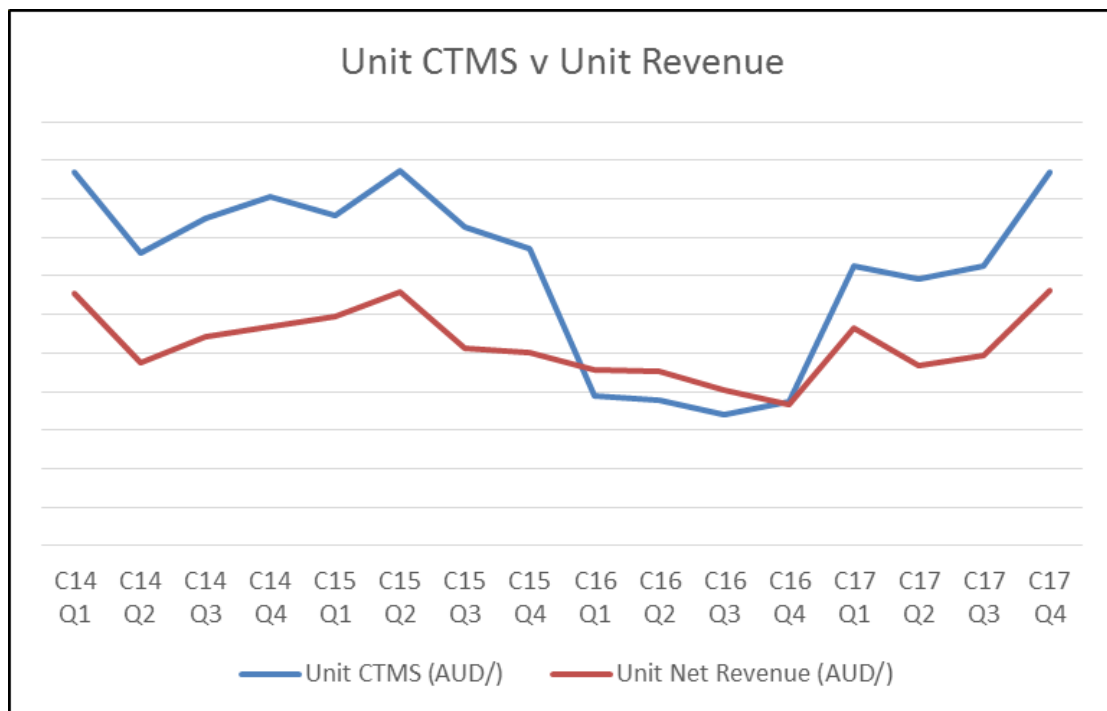
## 7.4 Price suppression

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

At the verification visit, Olex stated that it has experienced injury in the form of price suppression. Olex explained that PVC flat electrical cable is a very price sensitive product and as the product is not very profitable for the main customers of this product (i.e. wholesalers), buyers will seek to purchase at lowest possible prices and even a couple of per cent difference in price can change buying decisions. Olex also claimed that price in the market is set by importers from China.

Olex claimed that during the investigation period there has been a substantial increase in its copper costs. Olex commented that it was unable to raise its selling prices to account for this increase in production cost due to the competitive offers for imported goods from China that undercut Olex.

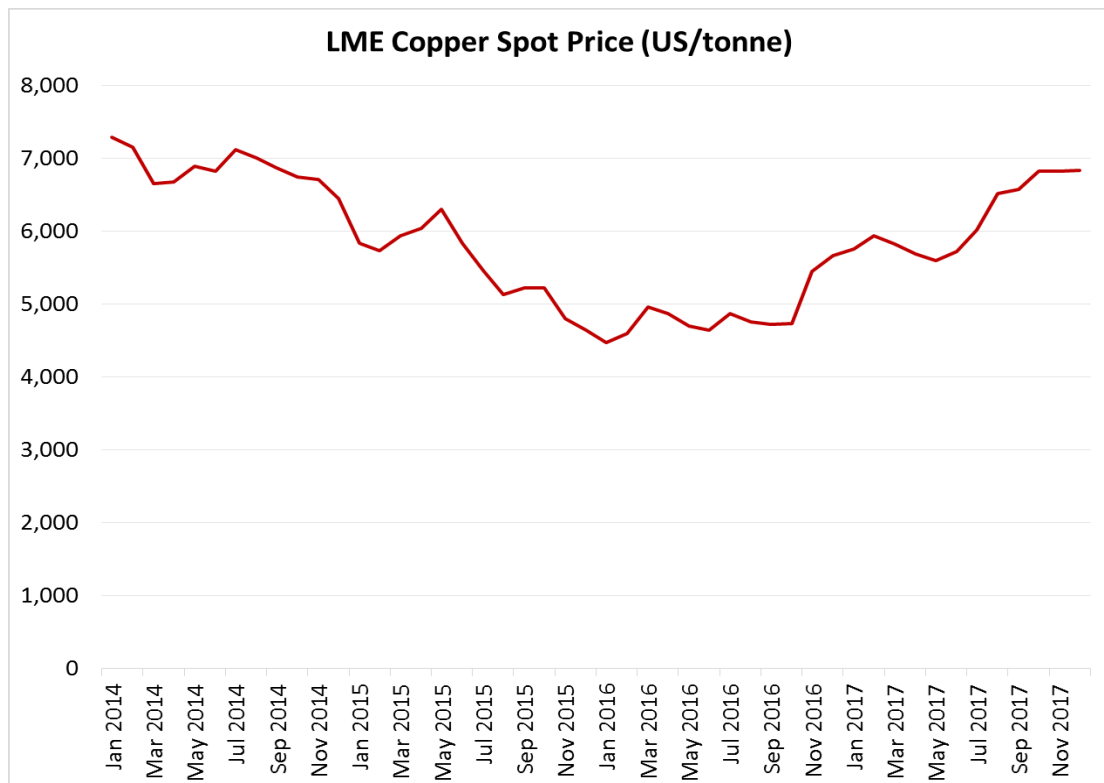
The verification team conducted an analysis of Olex's unit CTMS and unit net selling prices over the injury analysis and investigation periods as depicted in Figure 3 below. The verification team's analysis supports Olex's claim in relation to having experienced an increase in production costs from 2017, while its net selling prices did not increase the same magnitude to cover its costs. This is evident from the increasing gap between Olex's unit CTMS and unit net selling price during 2017.



**Figure 3:** The verification team's analysis of Olex's CTMS and selling prices

The verification team notes that an analysis of copper prices during the injury period shows that copper prices have increased substantially from September 2016 until the end of 2017 as depicted in Figure 4 below.





**Figure 4:** London Metal Exchange Copper Spot Prices (US\$/tonne)

## 7.5 Profit and profitability

The verification team found that Olex has made losses from the sale of the goods in 2014 and 2015. In 2016, Olex's profits and profitability on the sale of the goods improved to become positive. However, Olex's profitability has been falling from the end of 2016 onwards. During the investigation period, Olex has experienced losses in all quarters. Olex's profit and profitability trends are depicted on the graph in Figure 5 below.

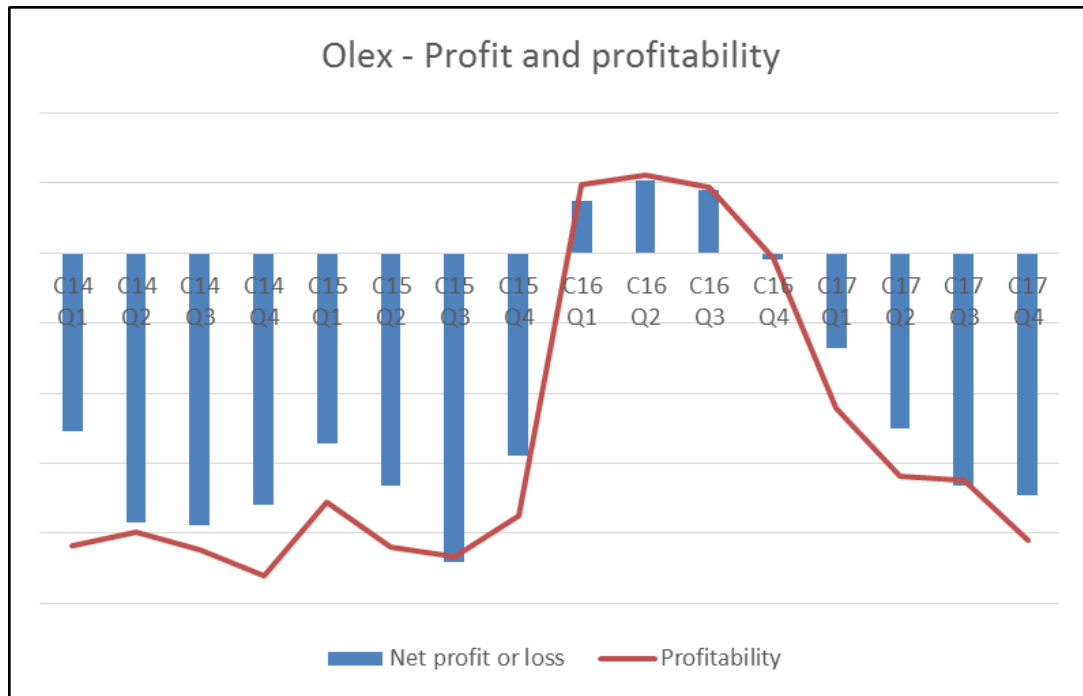


Figure 5: Olex's profit and profitability (\*Profitability plotted on secondary axis)

### 7.5.1 Conclusion – profit and profitability

From the assessment of Figure 5 above, the verification team concludes that Olex experienced losses in 2014 and 2015 but improved its profitability and turned a profit on the sale of the goods in 2016. Olex's profitability declined again in 2017 and Olex made a net loss on the sale of the goods during the investigation period.

Further analysis of the verification team's assessment of profit and profitability effects is contained in **Confidential Appendix 1 – Olex's Economic Performance**.

## 7.6 Other economic factors

In the appendices Olex provided to the Commission in support of Prysmian's application, Olex has claimed injury to return on investment, capacity utilisation and employment hours working in the production of the GUC. The verification team's assessment of Olex's injury claims with respect to other economic factors is outlined below.

### 7.6.1 Return on Investment

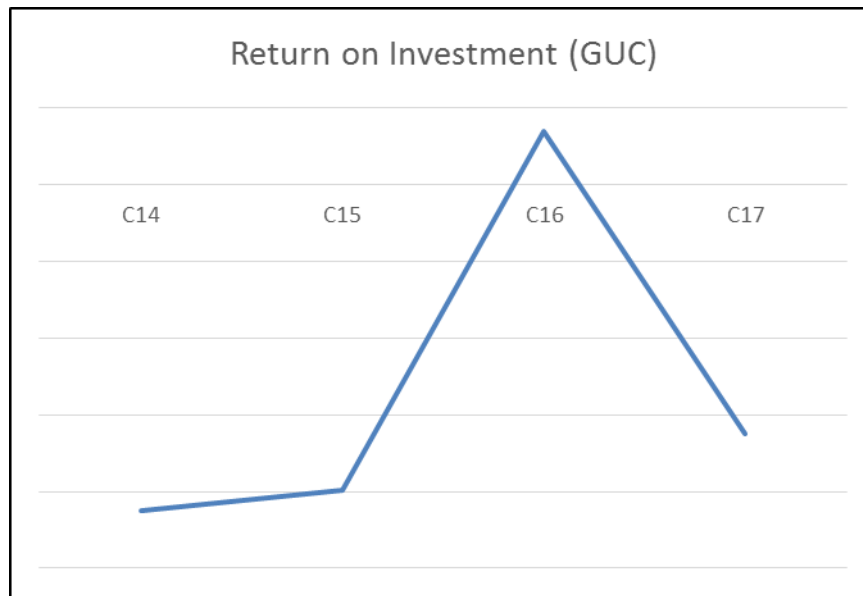


Figure 6: Olex's return on investment

Olex has claimed injury in the form of a decline in return on investment. Based on verified data, the return on investment for the manufacturing of the goods at Olex's Lilydale plant was negative between 2014 and 2015 but increased in 2016 and dropped in 2017 to a negative return on investment ratio.

### 7.6.2 Capacity Utilisation

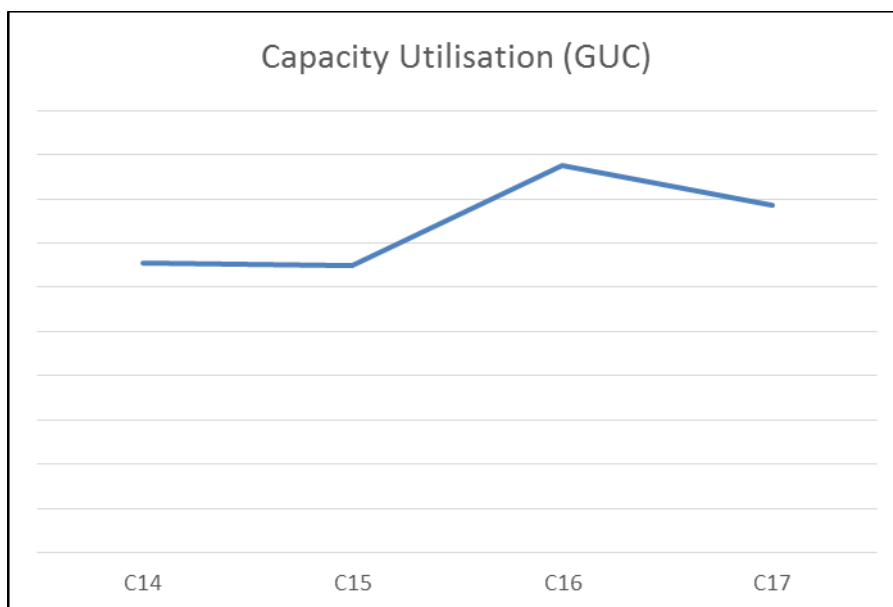
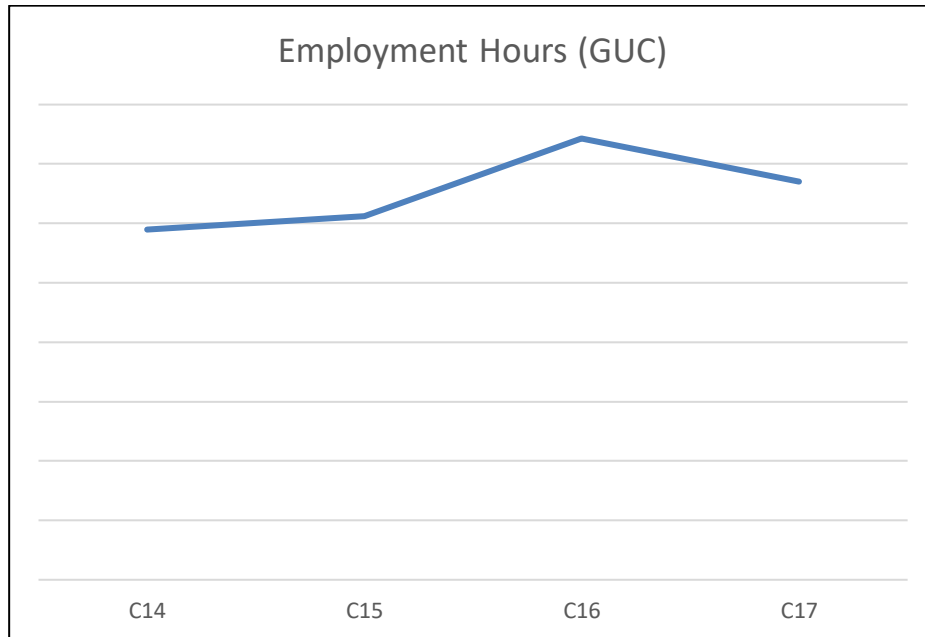


Figure 7: Olex's capacity utilisation

Olex has claimed injury in the form of a decrease in capacity utilisation in the production of the goods. Based on verified data, the Commission has found that while capacity

utilisation has overall increased over the injury period, a decrease in capacity utilisation is observed in 2017.

### 7.6.3 Reduction in employment hours



**Figure 8:** Olex's employment hours working in the production of GUC

Olex has claimed injury in the form of decreased total employment hours working in the production of the goods. Based on verified data, the Commission has found that while employment numbers overall have increased from the start to the end of the injury assessment period, employment hours have declined during the investigation period.

### 7.6.4 Conclusion – other injury factors

The verification team examined Olex's claims of injury due to other injury factors and considers that the verified data supports the claims that Olex has suffered injury in the form of:

- reduced return on investment;
- reduced capacity utilisation; and
- reduced employment hours.

## 7.7 Factors other than dumping

Olex stated at the verification visit that during the investigation period, the market for PVC flat electrical cables expanded by three to four per cent in line with residential construction activity. In support of this argument, Olex provided the verification team with a building and construction industry forecast published by Master Building Association of Australia in June 2017. This forecast is available at Confidential **Attachment 3 – MBA June 2017 Report**. The verification team also referred to Australian Bureau of Statistics' building and construction activity data for 2017 and was satisfied that housing and construction industry activity did not create injury to Olex during the investigation period.

## **7.8 Conclusion on injury**

Based on an analysis of the information collected and verified during the verification visit with Olex, the verification team considers that Olex has experienced injury in the form of:

- 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 GUC.

## 8 CAUSAL LINK

As Olex did not provide a separate application for a dumping and countervailing investigation, the verification team discussed with Olex whether the alleged dumping and subsidisation of imported PVC flat electric cable from China can be demonstrated to be causing material injury.

Olex explained that there is no practical difference in the design, quality or performance of the Australian-made PVC flat electric cable and the goods imported from China. Olex reiterated that the primary basis for competition is price.

### 8.1 Volume Injury

From Figures 1 and 2 above, the verification team observes that Olex's decline in sales volumes and market share in the investigation period corresponds to an increase in sales volumes and market share of importers of PVC flat electrical cable from China.<sup>7</sup> This supports Olex's claims in relation to losing sales volumes and market share to allegedly dumped and subsidised imports.

### 8.2 Profits and Profitability

As observed in section 7.4 of this Report, Olex could not recover the increase in its CTMS (mainly driven by rising copper prices) over the investigation period. Olex explained that on various occasions, it tried to raise the prices of goods to cover its rising costs but it has been unsuccessful as imported goods from China was kept at lower prices undercutting its price point. Olex provided the verification team a folder including all its monthly sales price listings to prove that it tried to increase its prices during the investigation period. These price lists are at **Confidential Appendix 3 – Price Lists**. The verification team observed that although the monthly price lists issued included price increases, the prices achieved in Olex's verified sales listing were significantly lower. Olex also explained that as a volume dependent business, when it needs to compete with cheaper offers for imported goods from China undercutting its prices it only has two options:

- either maintain its price and lose sales volume to cheaper offers; or
- it can maintain its volume by matching or beating other prices, but at the expense of profitability.

Olex explained that it could not afford to lose sales volumes and market share as that would mean that its fixed costs would be distributed across a lower sales volume which would further reduce its already negative profitability and make the sustainability of the business questionable.

From the information collected and verified and considering that the Australian industry applicant, Prysmian claims that it too suffered injury in the form of price suppression and loss of profits and profitability, the verification team is of the opinion that in the absence of price undercutting by allegedly dumped and subsidised imports, it would be possible for

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<sup>7</sup> This assessment is based on verified sales volumes of the cooperating importers, Olex and Prysmian within the investigation period.

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Olex to increase its prices further to cover its costs, increase its profits and improve its profitability.

## **9 UNSUPPRESSED SELLING PRICE**

During the verification visit, the verification team outlined the Commission's approach to establishing an unsuppressed selling price (USP), through the following hierarchy:

- market approach: industry selling price at a time when the Australian market was unaffected by dumping;
- construction approach: the Australian industry's CTMS, plus a reasonable rate of profit; or
- selling prices of undumped imports in the Australian market.

Having calculated the USP, the Commission then calculates the non-injurious price (NIP) by deducting costs incurred in getting the goods to the FOB point at export (or another point if appropriate). The deductions normally include overseas freight, duty, insurance, into store costs and amounts for other importer expenses and profit.

Olex advised at the visit that it will consider to make a submission on its view on the most appropriate method to calculate the USP.



## **10 APPENDICES AND ATTACHMENTS**

<b>Confidential Attachment 1</b>	Rebates and Discounts with Contracts
<b>Confidential Attachment 2</b>	Verification work program
<b>Confidential Attachment 3</b>	MBA June 2017 Report
<b>Confidential Appendix 1</b>	Market and Economic Performance
<b>Confidential Appendix 2</b>	Market Size and Share
<b>Confidential Appendix 3</b>	Price Lists