



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

**Anti-Dumping
Commission**

INVESTIGATION 469

**ALLEGED DUMPING AND SUBSIDISATION OF
PVC FLAT ELECTRICAL CABLES
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

VERIFICATION VISIT REPORT - IMPORTER

Electra Cables (Aust) Pty Limited

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

October 2018

PUBLIC RECORD

CONTENTS

CONTENTS	2
1 BACKGROUND	3
2 AUSTRALIAN SALES	4
2.1 VERIFICATION OF SALES TO FINANCIAL STATEMENTS	4
2.2 VERIFICATION OF SALES TO SOURCE DOCUMENTS	4
2.3 RELATED CUSTOMERS	4
3 IMPORTS	5
3.1 THE GOODS	5
3.2 VERIFICATION OF IMPORTATION AND SELLING COSTS	5
3.3 IMPORT LISTING.....	6
3.4 FORWARD ORDERS	6
3.5 THE IMPORTER	6
3.6 THE EXPORTER	7
3.7 PROFITABILITY OF IMPORTS	7
3.8 RELATED PARTY SUPPLIERS	8
3.9 ARMS LENGTH.....	8
4 RECOMMENDATIONS	9
5 ATTACHMENTS	10

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.

Following the initiation, the Commission wrote to Electra Cables (Aust) Pty Limited (Electra) and other importers of PVC flat electrical cable inviting them to cooperate with the investigation. Electra cooperated with the investigation and completed the importer questionnaire and relevant attachments.

2 AUSTRALIAN SALES

2.1 Verification of sales to financial statements

The verification team verified the completeness and relevance of Electra's sales listing by reconciling it to unaudited financial statements in accordance with Anti-Dumping Notice (ADN) No. 2016/30.¹

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

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

2.2 Verification of sales to source documents

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

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to source documents.

2.3 Related customers

The verification team did not find any evidence that Electra is related to any of its customers during the investigation period.

¹ Electra's audited financial statements relevant for the investigation period was not finalised at the time of verification.

3 IMPORTS

3.1 The goods

Electra confirmed that it imported PVC flat electrical cables from China during the investigation period, which matched the description of the goods that are the subject of this application.

The majority of the PVC flat electrical cable purchased by Electra have white coloured sheaths but there are a small volume of black and grey coloured sheath purchases.

3.2 Verification of importation and selling costs

The verification team verified the accuracy of the importation and selling costs by reconciling selected imports to the source documents in accordance with ADN No. 2016/30.

Details of the verification are contained within the verification work program as **Confidential Attachment 1**.

3.2.1 Incomplete data for selected shipments

At the verification visit, it was noted that Electra only provided the information about the selected lines from its list of importations. At the verification team's request, Electra updated its response to include all containers in the selected shipments and provided all the corresponding source documents. The verification team also selected two more shipments for verification. The effect of the updated response and further selections changed the apportionments of freight and other importation costs.

3.2.2 Total shipment and GUC invoice price and quantity

In its review of the source documents, the verification team determined that several shipments had the wrong value for total shipment and GUC invoice price and quantity. The values were amended.

3.2.3 Apportionment of overseas freight, importation costs and delivery

Electra allocated overseas freight, importation costs and delivery to the GUC by apportioning based on the invoice price of the GUC. The verification team considers it more accurate to apportion based on the volume of the GUC. These figures were amended accordingly.

3.2.4 Calculation of unit price used to determine revenue

Electra was unable to determine the end-customer in Australia for any given consignment of cable. Electra calculated the revenue by calculating a unit price of the GUC from its sales listing by month and state and determined a revenue for the GUC in each selected shipment. Electra used a simple average price of the GUC sold in the relevant state a month after the month of importation in its calculation of unit price. The verification team was not satisfied that this method was accurate and instead calculated a weighted average unit price of the GUC sold in the relevant state in the month after the importation

PUBLIC RECORD

month from the same sales data. The weighted average unit price was generally higher than Electra's calculations.

3.2.5 Inclusion of foreign exchange gains and losses in SG&A

Electra's selling, general and administration cost (SG&A) calculation included foreign exchange gains or losses. The verification team excluded foreign exchange gains and losses which had the effect of increasing SG&A.

3.2.6 Calculation of Freight

Electra calculated freight charges using the metropolitan and country freight rates and proportioning a weighted average to the GUC using the sales revenue from the metropolitan and country sales volume for the GUC in each state. Electra presented invoices showing freight charges in each state as source documentation. The base freight rates used by Electra in these calculations were the lowest rates of the range available. The verification team considers that an entity-wide percentage of freight costs to net sales revenue provides a more accurate calculation for the actual delivery costs incurred by Electra and recalculated freight on this basis.

3.3 Import listing

Electra confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of imports of the goods over the investigation period. The verification team was unable to verify the accuracy of the import listing since the tariff classification used to describe the GUC includes other electric cable product. It was not possible to extract the GUC from the import listing.

3.4 Forward orders

The verification team verified Electra's forward orders by reconciling the listing provided in the importer questionnaire response to the company's records. The verified list of forward orders is at **Confidential Appendix 2**.

3.5 The importer

The verification team considers Electra to be the beneficial owner of the goods at the time of importation and therefore the importer as Electra is:

- named on the commercial invoice from its supplier;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

3.6 The exporter

In its importer questionnaire response, Electra identifies six entities as the exporters of the goods.² The verification team understands that Guilin International Wire and Cable Group Co., Ltd manufactures the goods for each of these entities. Therefore, subject to further inquiries, the verification team considers Guilin International Wire and Cable Group Co., Ltd as the exporter of the goods.

3.7 Profitability of imports

As explained in Section 3.2.4 above, in its questionnaire response, Electra stated that it was unable to trace the selected importations to individual sales to its customers. Therefore, for the purposes of calculating the profitability of sales, the verification team had regard to the weighted average net selling prices of the goods in the relevant state one month after that consignment's date of entry for home consumption. Following this approach, the verification team calculated profit for all sales of PVC flat electrical cable.

The verification team found that Electra's PVC flat electrical cable sales were unprofitable in general. This assessment is at **Confidential Appendix 3**. In addition to that, the verification team also calculated the profitability and recoverability of Electra's sales of GUC during the investigation period by comparing Electra's weighted average net selling prices in each month to the fully absorbed cost of the GUC in the same month. Fully absorbed cost of GUC is calculated by adding Guilin International Wire and Cable Group Co., Ltd.'s verified free-on-board (FOB) export prices, weighted average importation costs and Electra's SG&A. The verification noted that Electra made losses in the majority months during the investigation period. The verification team also noted that Electra's losses increased at the second half of the investigation period rendering the losses made during the investigation period very unlikely to be recovered in a foreseeable future. This analysis is available at **Confidential Attachment 2**.

The verification team is of the opinion that, due to an accurate comparison of the importations with corresponding sales to Electra's customers not being reasonably practicable, if the Commission considers that the export price should be calculated under subsection 269TAB(1)(b) of the *Customs Act 1901* (the Act)³, the profit rate for the purposes of a deductive export price, should be calculated by having regard to the sales of the general category of the goods instead of the GUC. The verification team calculated Electra's profit rate using its company wide net profit rate in 2017 calendar year from Electra's profit and loss statement.

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

³ Unless otherwise specified, all legislative references in this report are to the *Customs Act 1901*.

3.8 Related party suppliers

The verification team notes that Guilin International Wire and Cable Group Co., Ltd states that it was related to Electra. Electra provided the verification team with the corporate structure of the Guilin International Wire and Cable Group Co., Ltd and confirmed that it is related to Guilin International Wire and Cable Group Co., Ltd.

3.9 Arms length

In respect of imports of PVC flat electrical cable to Australia by Electra during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

However, in Section 3.7 of this Report, the verification team found that the goods were sold at a loss. The verification team notes that the Minister may, for the purposes of paragraph 269TAA(1)(c) of the Act, treat the sale of those goods at a loss as indicating that the importer or an associate of the importer will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or a part of the price.⁴

In addition, the verification team notes that there are no formal records of negotiations taking place between Electra and Guilin International Wire and Cable Group Co., Ltd. Electra explained that the negotiations are taking place over the phone and stated that prices are determined with regards to what is happening in Australian market, such as pricing behaviour of local competitors and copper price movement. Electra also stated that it can negotiate a time delay as to when price increases can take effect or can negotiate the percentage of increase by Guilin International Wire and Cable Group Co., Ltd. Considering Electra's ability to influence the export prices from Guilin International Wire and Cable Group Co., Ltd. by having regard to the Australian market conditions and its ability to delay the reflection of cost increases to the export price, the verification team considers that the price appears to be influenced by a relationship between the buyer (Electra), and the seller (Guilin International Wire and Cable Group Co., Ltd.), or an associate of the seller.

Consequently, the verification team is not satisfied that import transactions between Electra and its related suppliers are arms length transactions.

Considering the above, the verification team calculated a deductive export price at **Confidential Appendix 1**.

⁴ Subsection 269TAA(2)(b) of the *Customs Act 1901*.

4 RECOMMENDATIONS

The verification team is of the opinion that for the goods imported by Electra from its suppliers:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter;
- the purchases of the goods by the importer were not arms length transactions; and
- the goods are subsequently sold by the importer, in the condition in which they were imported, to a person who is not an associate of the importer.

Subject to further inquiries in relation to these shipments, the verification team recommends that the export price for PVC flat electrical cable imported by Electra from its suppliers can be established under s.269TAB(1)(b) of the Act, the price at which the goods were sold by the importer less the prescribed deductions.

PUBLIC RECORD

5 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of sales
Confidential Attachment 1	Verification work program
Confidential Attachment 2	Profitability and recoverability