



Australian Government

Australian Customs and
Border Protection Service

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R E P O R T

CUSTOMS ACT 1901 - PART XVB

INTERNATIONAL TRADE REMEDIES BRANCH

CONSIDERATION REPORT NO. 178

CONSIDERATION OF AN APPLICATION

FOR A DUMPING DUTY NOTICE

CERTAIN ELECTRIC CABLES

EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA

9 September 2011

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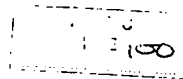
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2 ABBREVIATIONS & SHORTENED FORMS

Advance	Advance Cables Pty Ltd
APEC	Australian Pacific Electric Cables Pty Ltd
CEO	Chief Executive Officer
China	People's Republic of China
Customs and Border Protection	Australian Customs and Border Protection Service
Electra	Electra Cables Australia Pty Ltd
LME	London Metal Exchange
Olex	Olex Cables Pty Ltd
PVC	polyvinyl chloride
Prysmian	Prysmian Power & Telecom Cables & Systems Pty Ltd
SHFE	Shanghai Futures Exchange
the Minister	Minister for Home Affairs
Tycab	Tycab Australia Pty Ltd
XLPE	cross-linked polyethylene



3 SUMMARY AND RECOMMENDATIONS

This report provides the results of the Australian Customs and Border Protection Service's (Customs and Border Protection) consideration of an application by Advance Cables Pty Ltd (Advance), Olex Cables Pty Ltd (Olex) and Prysmian Power & Telecom Cables & Systems Pty Ltd (Prysmian) for the publication of a dumping duty notice on certain electric cables¹ exported to Australia from the People's Republic of China (China).

3.1 Recommendations

Customs and Border Protection recommends that the Chief Executive Officer (CEO) of Customs and Border Protection decide not to reject the application.

If the CEO accepts this recommendation, to give effect to that decision, the CEO must publish the attached notice at **Appendix A** indicating that Customs and Border Protection will inquire into whether the grounds exist to publish a dumping duty notice.

3.2 Application of law to facts

Division 2 of Part XVB of the *Customs Act 1901*² sets out procedures for considering an application for a dumping duty notice.

3.2.1 The role of the International Trade Remedies Branch

The International Trade Remedies Branch is responsible for preparing a report for the CEO examining an application for a dumping duty notice.

In this report, the following matters are to be considered in relation to the application:

- whether the application complies with subsection 269TB(4);
- whether there is, or is likely to be established, an Australian industry in respect of like goods; and
- whether there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

3.2.2 The role of the CEO of Customs and Border Protection

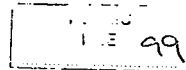
The Division empowers the CEO, after having regard to the International Trade Remedies Branch report, to reject or not reject an application for the publication of a dumping duty notice.

If the CEO decides not to reject the application, the CEO must give public notice of the decision providing details of the investigation.

¹ Refer to the full description of the goods in section 6.2 of this report.

² All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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3.2.3 Findings and conclusions

Customs and Border Protection has examined the application and is satisfied that:

- the application complies with the requirements of subsection 269TB(4) (the reasons for being satisfied are set out in section 5 of this report);
- there is an Australian industry in respect of like goods (as set out in section 6 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application (as set out in sections 7 and 8 of this report).

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4 BACKGROUND**4.1 Application**

On 11 August 2011, Advance, Olex and Prysman lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of electric cables exported to Australia from China.

The applicants subsequently provided further information in support of their application. As a result, Customs and Border Protection restarted the 20 day period for considering the application on 1 September 2011.

The applicants allege that the Australian industry has suffered material injury caused by electric cables exported to Australia from China at dumped prices. The applicants claim that material injury commenced in 2005, but the period where the impact is considered most significant is from 2007-08 and that the industry had been injured through:

- loss of sales;
- reduced market share;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- underutilisation of production capacity;
- reduced return on investment;
- staff retrenchments; and
- an inability to raise capital.

4.2 Consideration of the application

Under subsection 269TC(1), the CEO must examine the application and within 20 days of lodgement decide whether or not to reject the application. This decision must be made no later than 21 September 2011.

Subsection 269TC(1) specifies that the CEO shall reject the application if he/she is not satisfied that:

- the application complies with subsection 269TB(4); or
- there is, or is likely to be established, an Australian industry in respect of like goods; or
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

The above matters are examined in the following sections of this report.

5 COMPLIANCE WITH SUBSECTION 269TB(4)

Customs and Border Protection is satisfied that the application complies with subsection 269TB(4).

5.1 Legislative framework

Subsection 269TB(4) requires that the application must be in writing, be in an approved form, contain such information as the form requires, be signed in the manner indicated by the form and be supported by a sufficient part of the Australian industry.

5.2 Customs and Border Protection assessment

5.2.1 Approved form

The application is in writing, is in an approved form, contains such information as the form requires (as discussed in the following sections) and is signed in the manner indicated in the form.

The applicant submitted confidential and public record versions of the application along with numerous appendices and attachments. Customs and Border Protection considers that the public record version of the application contains sufficient detail to allow a reasonable understanding of the substance of the information.

5.2.2 Supported by Australian industry

An application is taken to be supported by a sufficient part of the Australian industry if Customs and Border Protection is satisfied the persons who produce or manufacture like goods in Australia and who support the application:

- account for more than 50% 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% of the total production or manufacture of like goods in Australia.

The application identified the following Australian producers of electric cables:

- Advance;
- Australian Pacific Electric Cables Pty Ltd (APEC);
- Olex;
- Prysmian; and
- Tycab Australia Pty Ltd (Tycab).

Advance, Olex and Prysmian are the applicants. APEC and Tycab provided letters stating that they supported the application. Data provided in the application indicates that Advance, Olex and Prysmian account for the majority of Australian production of electric cables. Based on the evidence provided, Customs and Border Protection considers the application is supported by a sufficient part of the Australian industry.

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5.2.3 Conclusion – compliance with subsection 269TB(4)

Based on the information submitted by the applicants, Customs and Border Protection considers that the application complies with subsection 269TB(4).

6 IS THERE AN AUSTRALIAN INDUSTRY IN RESPECT OF LIKE GOODS?

Customs and Border Protection is satisfied that there is an Australian industry in respect of like goods.

6.1 Legislative framework

Subsection 269TC(1) requires that the CEO must reject an application for a dumping duty notice if, inter alia, he is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

6.2 The goods the subject of the application

The goods the subject of the application are described as follows.

The goods under consideration are single and multi-core cables insulated with polymeric materials intended for use in electric installations at working voltages up to and including 1 kV with the following characteristics:

- *suitable for connection to mains power supply; and*
- *comply with Australian Standards AS/NZS 5000.1 or AS/NZS 5000.2.*

The goods under consideration fall into the following categories:

- *flat cables, insulated and sheathed, with two cores and earth and with conductor area up to three square millimetres;*
- *building wire, insulated, unsheathed, single core and with conductor area from two to three square millimetres; and*
- *single core double insulated cable, insulated and sheathed and with conductor area from 12 to 60 square millimetres.*

The applicants stated that electric cables consist of one or a number of copper conductors (or alternatively aluminium conductors) that are insulated with plastic material being either polyvinyl chloride (PVC) or cross-linked polyethylene (XLPE). The insulated conductor(s) may then individually or in plurality be further protected with a sheath material of PVC to complete the cable.

6.2.1 Tariff classification

The application states that the goods are classified to the tariff subheading 8544.49.20 (statistical codes 40 and 41) of Schedule 3 to the *Customs Tariff Act 1995*. Based on information provided in the application, Customs and Border Protection's Trade Services Branch confirmed that the goods are correctly classified to these tariff subheadings. The general rate of duty is currently 5%. Imports from China are subject to the DCS duty rate of 4%.

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6.3 Locally produced like goods

Subsection 269T(1) defines like goods 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'.

6.3.1 Applicants' claims

The applicants claim that Australian standards require that imported and Australian made electric cables must be marked and meet manufacturing standards in accordance with Australian Standards AS/NZS 5000.1 and AS/NZS 5000.2.

Physical likeness - imported electric cables are physically similar to Australian produced electric cables in respect to the size, shape, colour and packaging presentation; the electric cables are manufactured to the same Australian standards.

Commercial likeness – imported and Australian produced electric cables are directly competitive in the market and are sold to the same wholesale customers; the electric cables are packaged in the same lengths as standard, but are also available at special lengths to suit project applications.

Functional likeness - the applications and end use of imported and Australian produced electric cables are the same.

Production likeness - imported and Australian produced electric cables are constructed with the same materials as listed in the Australian standards.

6.3.2 Customs and Border Protection's assessment

Customs and Border Protection has examined the evidence presented in the application and considers the Australian industry produces like goods to the goods the subject of the application.

The applicants have demonstrated that:

- the physical characteristics of imported and locally produced electric cables are similar;
- the imported and locally produced electric cables are commercially alike as they are sold through the same distribution channels to common end users;
- the imported and locally produced electric cables are functionally alike as they have the same end-uses; and
- the imported and locally produced electric cables are manufactured in a similar manner.

6.4 Manufacture in Australia

Subsections 269T(2) and 269T(3) specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

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6.4.1 Manufacturing process

The applicants gave the following brief description of their manufacturing process:

- wire drawing machines are used to draw copper wire down to form conductor strands;
- copper wire strands are bunched together to form bunched / stranded conductors;
- conductors are insulated in an extrusion process with either PVC or XLPE insulation materials;
- PVC is extruded over the outside of the cores to provide a protective sheath and wound onto a bulk drum;
- the bulk drums of cable are then rewound and packaged onto smaller reels or spools ready for despatch; and
- printing of required information onto the cable may be carried out during the extrusion or rewinding processes.

6.4.2 Conclusion

Based on the above description of the manufacturing process, Customs and Border Protection is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.

6.5 Australian market

6.5.1 Background

The applicants provided the following commentary on the Australian market.

Electric cables are used for the transmission of electrical power to safely transport electricity from the generation point to the end use. For example, lights, power tools, ovens, electrical motors and air conditioners. The exact application for each will be different but these products are used primarily in residential and commercial buildings as well as light industrial construction projects.

Electric cables the subject of the application are normally sold into the trade and installers segment of the market. It is the largest and most competitive market for electric cables. These cables are classed as low to medium voltage and can only be installed by a licensed electrician. Each state across Australia stipulates a licensed electrician must complete approved training before they can install electric cables in buildings and other facilities.

Other market segments include industrial cables and medium and high voltage cables. Industrial cables are used in the oil, gas and mining sectors and are designed to survive in harsh environments such as water, oil and continuous flexing on cranes and lifts. Medium and high voltage cables are usually grouped together. Medium voltage starts at 11Kv and goes to 33kv. High voltage cables are used for major power stations.

6.5.2 Demand variability

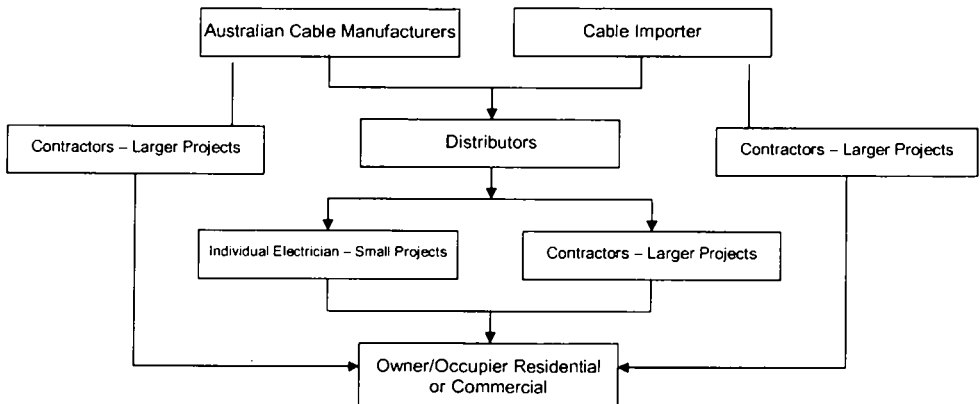
Demand in the trade and installer market is predominately driven by residential and commercial construction as well as the light industrial works industry. The residential market includes renovations, residential homes, town houses and units. The commercial construction sector is comprised of large apartment complexes, hospitals, factories, shopping centres, commercial refurbishments and multi story buildings.

Demand variability is impacted by a range of micro and macro economic factors. Consumer and business confidence are the major drivers for demand. When confidence is high an expansionary effect is experienced in the construction sector where businesses invest in new buildings and consumers invest in new housing. The government can also drive demand for these cables through stimulus packages, targeted funding and tax breaks or relief geared around the construction industry.

6.5.3 Marketing and distribution

The major customers for the electric cables are electrical wholesalers and electrical contractors. There are five main electrical distributor groups, which when combined account for approximately 85% of the total building wire market. Companies are either wholly owned (for example Lawrence and Hanson where they have 180 company stores) or buying groups made up of individual stores or small groups collaborating to purchase in bulk (such as the Gemcell buying group).

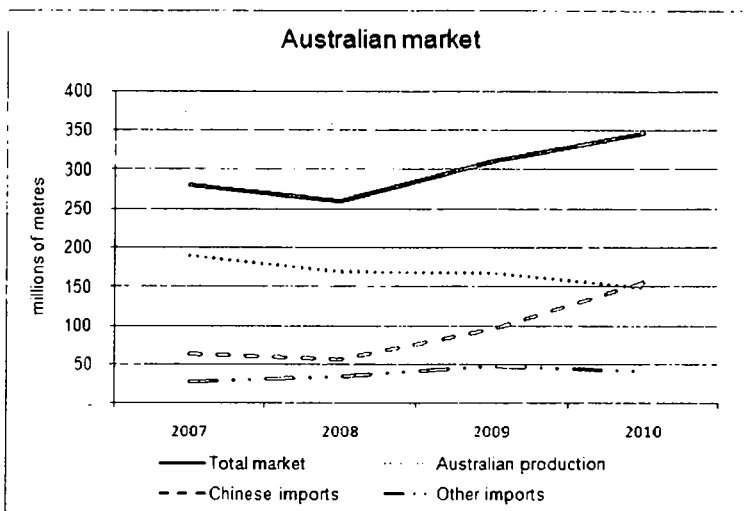
The diagram below provided in the application describes the predominate flow of electric cables from the manufacturer to end user.



6.5.4 Market size

The applicants state that the Australian market for electric cables in 2010 was over 300 million metres, with a value of about \$250 million.

Customs and Border Protection's estimated the size of the Australian market for electric cables from 2007 to 2010 using import data and information on sales by Australian manufacturers contained in the application.



6.6 Australian industry information

6.6.1 Australian industry's sales

Each of the applicants provided information including a summary of domestic and export sales volumes, revenue, discounts and rebates as required in appendices A2, A3, A5 and A6. Customs and Border Protection examined the detail in, and link between, these appendices, and considers they are reliable for the purposes of assessing the economic condition of the industry for the purposes of this report.

As required by Appendix A4, each applicant included a detailed listing of domestic sales of the relevant models of electric cables. The applicants provided this data for 2010, but have undertaken to provide data to June 2011.

6.6.2 General accounting/administration information

The applicants provided charts of accounts and audited financial reports for relevant periods. They also provided details of general accounting and administration information.

6.6.3 Cost information

Each applicant completed an appendix A6 for domestic sales. According to the application, only very small proportion of the applicants' production was exported. The information provided included production and sales volumes, manufacturing

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costs, selling, distribution and administrative expenses and sales volumes from 2007 to 2010. The applicants provided separate spreadsheets for each model.

Customs and Border Protection examined the information provided and the link between other appendices and considers the information reliable for the purposes of assessing the economic condition of the industry.

6.6.4 Other economic factors

Each applicant completed an appendix A7 showing movements in assets, capital investment, research and development expenses, return on investment, capacity, capacity utilisation, employment, productivity, stocks, cash flow measures and wages.

6.6.5 Conclusion – Australian industry

Based on the information in the application, Customs and Border Protection is satisfied that there is an Australian industry producing like goods to the goods the subject of the application and that the information contained in the application is sufficient for the purposes of a preliminary analysis of the economic condition of the industry from 2007 to 2010.

7 REASONABLE GROUNDS – DUMPING

Customs and Border Protection is satisfied that electric cables appears to have been exported to Australia from China at dumped prices.

7.1 Legislative framework

Subsection 269TC(1) requires that the CEO must reject an application for a dumping duty notice if, inter alia, he 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 to publish a notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods.

7.2 General

The applicants presented export price and normal value information for relevant models of electric cables from 2006 to 2010. Customs and Border Protection reviewed the data for 2010. The applicants also presented information on producers of the goods exported to Australia and importers in Australia.

7.3 Export prices

The applicants identified the producer and exporter of electric cables as Guilin International Electric Wire & Cable Group Co. Limited and the importer as Cables Australia Pty Ltd (Electra). The applicants understand that the exporter and importer are related and calculated deductive export prices for each model.

7.3.1 Methodology for deductive export prices

The applicants have calculated deductive export prices for each model of electric cable using prevailing selling prices obtained from competitive quotations offered by importers at the wholesale/distributor level of trade on the Australian market. The applicants used the following deductions in calculating FOB prices:

- rebates using market information obtained by the applicants;
- a rate of profit of 3% for the importer;
- delivery charges, warehousing costs, selling, general and administrative costs and import clearance and handling charges based on the applicants' experience;
- duty of 4% and GST of 10%; and
- ocean freight based on a quote for a 40' container from a logistics company and by calculating the quantity of each model that could be packed into a 40' container.

7.3.2 Customs and Border Protection's assessment

Article 5.2 of the World Trade Organisation Anti-Dumping Agreement states that an application shall include evidence of dumping. It states that simple assertion,

unsubstantiated by relevant evidence, cannot be considered sufficient to meet this requirement, but such information must be reasonably available to the applicant.

Customs and Border Protection notes that the unit of measure for electric cables is the metre and that there is considerable variations in the unit prices and unit costs for each model. ABS data is not suitable to calculate export prices because specific models are not identified. The description of the goods in Customs and Border Protection's import database is also insufficient to identify the different models and cannot be used to calculate export prices.

Customs and Border Protection considers that it is therefore reasonable to calculate deductive export prices. It considers that the methodology used by the applicants is reasonable, although it does not consider that there should be a deduction for GST as the supporting evidence did not suggest that the prices were GST inclusive. Customs and Border Protection noted some errors in the applicants' calculations and calculated export prices using the data and assumptions in the application, with the exception of a deduction for GST. Customs and Border Protection notes that the declared FOB export prices for a reasonable volume of imports by the Electra are similar to the export prices calculated for the lower cost models.

7.3.3 Summary

Customs and Border Protection considers that, based on the information submitted in the application, the amounts used by the applicants to estimate selling prices in Australia appear to be reasonable. Its revised deductive export prices (\$A per 100 metres) are summarised in the following table.

Model	Insulation/sheath	Conductor area (mm ²)	2010
Flat twin and earth	PVC/PVC	2.5	\$45.32
Flat twin and earth	PVC/PVC	1.5	\$30.61
Flat twin and earth	PVC/PVC	1.0	\$31.71
Building wire	PVC	2.5	\$19.72
Single core cable	PVC/PVC	16	\$111.63
Single core cable	PVC/XLPE	16	\$88.41
Single core cable	PVC/XLPE	25	\$135.02
Single core cable	PVC/XLPE	35	\$197.29
Single core cable	PVC/XLPE	50	\$259.55

7.4 Normal values

The applicants sought advice from related companies operating in China. They advised that:

- there are no sales of like goods in China;
- cable manufacturing companies in China are all export oriented; and
- to their knowledge there are no other sellers of like goods in China.

The applicants were unable to obtain selling prices to third countries. They therefore constructed normal values.

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7.4.1 Methodology for constructed normal values

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The applicants have calculated constructed normal values for each model of electric cable by estimating the cost of copper, the insulation and sheath, labour and overhead costs, plastic spools and scrap (2% of material costs). The applicants added a profit of 3% to arrive at the constructed normal value.

7.4.2 Adjustments

The applicants stated that the normal values have been determined at the FOB level (as were export prices). They do not consider that any adjustments are required.

7.4.3 Customs and Border Protection's assessment

Customs and Border Protection sought further information from the applicants to support the constructed normal values. When additional evidence was provided, Customs and Border Protection noted some minor variations in the calculations and calculated normal values using the data and assumptions in the application. Customs and Border Protection does not hold a view at this stage as to whether a domestic market for like goods exists in China. Therefore a margin for profit has not been included in these calculations as the absence of a domestic market may suggest that a zero amount of profit would be reasonable.

Copper is the largest cost component. The applicants used the London Metal Exchange (LME) price plus a 2.4% premium paid for drawing copper cathode to copper 8 mm rod and copper feed wire. Customs and Border Protection verified that:

- the copper price used was the average LME price for 2010 converted to Australian dollars at the average 2010 exchange rate;
- the weight of copper, insulation and sheath used in the calculations approximated the weight of 100 metres of wire from industry websites; and
- the volume of copper in each model times the weight of copper in grams per cubic centimetre (available from various websites) approximated the weight of copper used in these calculations.

Customs and Border Protection notes that copper is traded in China on the Shanghai Futures Exchange (SHFE). A comparison of copper prices (ex. VAT) on the SHFE and the LME shows that domestic prices are approximately 2% below LME prices. Therefore Customs and Border Protection considers it reasonable to use the LME data to construct normal values and also accepts the use of a 2.4% premium.

The applicants also estimated the cost of insulation and sheathing by using industry's PVC costs. Given that PVC is also a globally traded commodity, Customs and Border Protection accepts that Chinese costs for PVC would be relatively similar to locally purchased PVC. Customs and Border Protection considers that the applicant's estimates of other costs, which represented less than 5% of the cost to make and sell, are reasonable.

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7.4.4 Summary

Customs and Border Protection considers that, based on the information submitted in the application, the amounts used by the applicants to estimate normal values appear to be reasonable. Its revised normal values (\$A per 100 metres) are summarised in the following table.

Model	Insulation/sheath	Conductor area (mm ³)	2010
Flat twin and earth	PVC/PVC	2.5	\$68.39
Flat twin and earth	PVC/PVC	1.5	\$40.00
Flat twin and earth	PVC/PVC	1.0	\$34.47
Building wire	PVC	2.5	\$21.40
Single core cable	PVC/PVC	16	\$130.32
Single core cable	PVC/XLPE	16	\$138.14
Single core cable	PVC/XLPE	25	\$212.25
Single core cable	PVC/XLPE	35	\$284.91
Single core cable	PVC/XLPE	50	\$382.59

7.5 Dumping margins

Customs and Border Protection's revised dumping margins are summarised in the following table.

Model	Insulation/sheath	Conductor area (mm ³)	Customs and Border Protection's revised calculations for 2010	Applicants' calculations for 2010
Flat twin and earth	PVC/PVC	2.5	51%	83%
Flat twin and earth	PVC/PVC	1.5	31%	60%
Flat twin and earth	PVC/PVC	1.0	9%	43%
Building wire	PVC	2.5	9%	34%
Single core cable	PVC/PVC	16	17%	20%
Single core cable	PVC/XLPE	16	56%	50%
Single core cable	PVC/XLPE	25	57%	60%
Single core cable	PVC/XLPE	35	44%	55%
Single core cable	PVC/XLPE	50	47%	62%

Customs and Border Protection is satisfied that, based on the information submitted in the application, the applicants have demonstrated that there appear to be reasonable grounds for concluding that electric cables have been exported to Australia from China at dumped prices.

8 REASONABLE GROUNDS – MATERIAL INJURY CAUSED BY DUMPED IMPORTS

Customs and Border Protection is satisfied that exports to Australia of electric cables from China at allegedly dumped prices appear to have caused material injury to the Australian industry.

8.1 Legislative framework

Subsection 269TC(1) requires that the CEO must reject an application for a dumping duty notice if, inter alia, he 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 to publish a dumping duty notice is that because of the dumping, material injury has been or is being caused or is threatened to the Australian industry producing like goods.

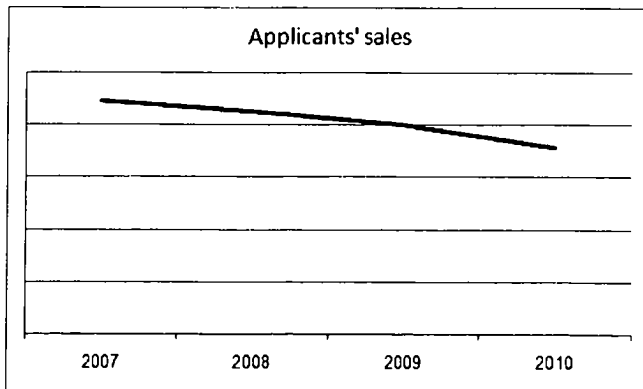
8.2 General

The following injury analysis is based on the financial information submitted by the applicants and import information from Customs and Border Protection's import database. The applicants identified two other members of the Australian industry. Based on information provided in the application, domestic sales of the applicants own production accounted for about 65% of volume of domestic sales by the Australian industry in 2010.

8.3 Volume effects

8.3.1 Sales volume

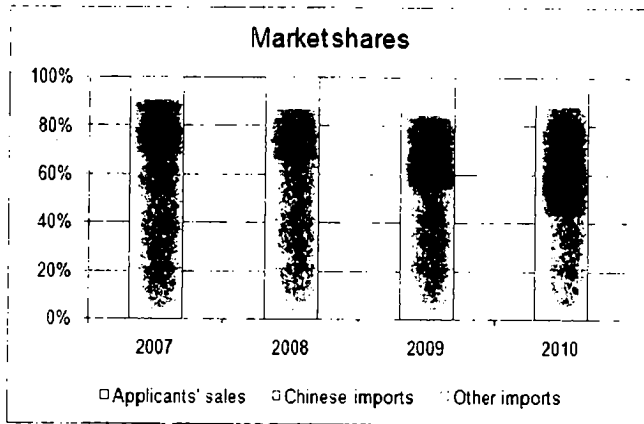
Movements in the applicants' sales volumes are illustrated in the following chart.



The applicants' sales volumes declined by approximately 5% in 2008, 6% in 2009 and 11% in 2010.

8.3.2 Market shares

Movements in the market shares are illustrated in the following chart.



The applicants' market share fell by three percentage points in 2008, 11 percentage points in 2009 and a further 11 percentage points in 2010.

8.3.3 Conclusion

Based on the information submitted in the application and information from Customs and Border Protection's import database, the applicants' sales volumes and market share have fallen.

8.4 Price effects

8.4.1 Price undercutting

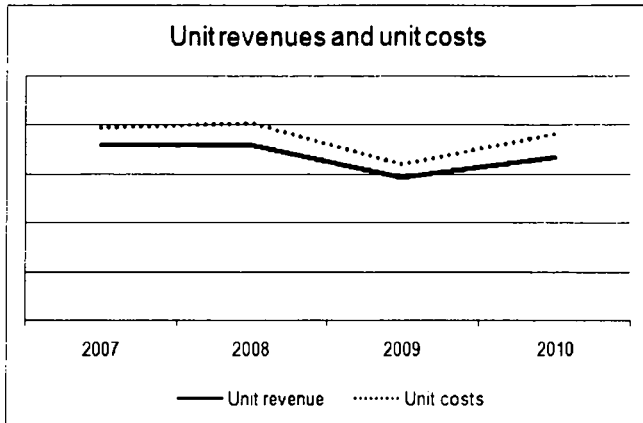
The applicants stated that prices offered in the marketplace by Electra for electric cables imported from China undercut their prices. The applicants provided salespersons reports that indicate that prices for cables that fell within the description of the goods consistently undercut the Australian industry's prices by up to 30%.

The price comparisons seem to be reasonable in terms of product types and timing of the comparisons. Although the comparison do not represent actual selling prices and the complete terms of the offers are not known, it appears to provide reasonable evidence of price undercutting.

8.4.2 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

Movements in the applicants' unit revenues and costs are illustrated in the following chart.



Unit revenue remained unchanged in 2008, fell in 2009 and rose in 2010. Unit revenues have been below unit costs throughout the period examined. In 2010 unit costs rose by a greater amount than unit revenue.

8.4.3 Conclusion

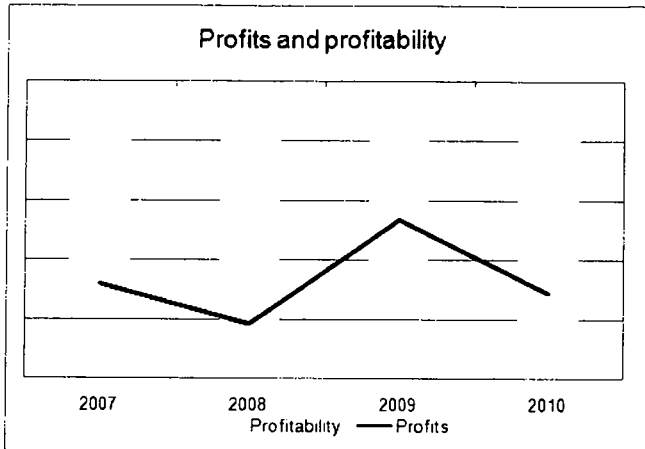
Customs and Border Protection is satisfied that, based on the information submitted in the application, the applicants' prices have been undercut by prices of electric cables from China.

The applicants' unit revenue fell in 2009 but rose in 2010. The applicants do not appear to have suffered price depression.

Based on the information submitted in the application, the applicants suffered price suppression in 2010.

8.5 Profit effects

Movements in the applicants' profits and profitability are illustrated in the following chart.



The applicants' profits and profitability fell in 2008, rose in 2009 and fell 2010. Profits and profitability in 2010 were lower than in 2007.

8.5.1 Conclusion

Customs and Border Protection is satisfied that, based on the information submitted in the application, the applicants' profits and profitability have fallen.

8.6 Other injury factors

Each applicant completed an appendix A7, which looks at other injury factors. The applicants did not provide consolidated data for any other injury factors. The respective appendices indicate that trends vary between each company.

The applicants stated that it has retrenched staff directly in response to falling sales of electric cables which were lost to dumped imports. Unless measures are imposed against the imports, it may be the case that continued losses incurred by the applicants may lead to further staff retrenchments.

8.7 Link between injury and allegedly dumped imports

8.7.1 Applicants' claims

The applicants stated that the influence of imports of electric cables from China on their sales has been significant since 2007. They stated that over the period 2007 to 2010 there has been a decrease in their sales revenue while the sales revenue of Electra has increased. During this period demand for electric cables increased significantly. The applicants claim that they have more than sufficient capacity to supply that demand, but are unable to do so because of unfair competition from Electra.

Increasing costs for the Australian industry have been primarily driven by increasing raw material prices since 2007. Since 2005 the industry has experienced an erosion of its margins over costs as electric cables volumes from Electra have increased.

Prices offered in the marketplace by Electra undercut the applicants' prices which were arrived after attempting to recover their full costs to make and sell electric cables. The pricing offered by the importer of the dumped electric cables created a market wide perception of where the sales price should be, contrary to the actual true cost of manufacturing those goods.

The applicants provided specific examples of price undercutting in the confidential version of the application. They claim that as the quantity of imported cables became more available to the market through greater volume and continuity of supply, wholesalers pressured manufacturers to lower prices.

The applicants stated that utilization of production assets has declined reflecting similar reductions in sales volumes. The applicants' return on sales has deteriorated considerably. In attempts to control costs and maintain margins, employment levels have declined over the last few years as dumped imports market share increases. One of the applicants resorted to staff retrenchments as a cost saving strategy.

The applicants claim that due to the decrease in market share their profits have reduced and they are considered less attractive for investment opportunities. One of the applicants was unable to get investments approved.

The applicants view the identified injury factors contributing to a loss of profits as material.

8.7.2 Injury caused by factors other than dumping

The applicants claim that the global financial crisis didn't greatly affect the Australian economy as it did other countries. However it did limit the ability of Industry manufacturers to pass on costs in line with inflation. The manufacturers had to absorb the additional costs which further reduced profit margins.

The applicants did not identify any other factors that may have caused injury to the Australian industry.

8.7.3 Comparison of export prices and estimated non-injurious prices

As an additional test of the causal link between the alleged dumping and injury, Customs and Border Protection compared the deductive export prices for electric cables with estimated non-injurious prices based on the applicants' costs to make and sell. Customs and Border Protection found that the estimated export prices were below the estimated non-injurious prices.

8.7.4 Customs and Border Protection's assessment

Based on information provided in the application and information from Customs and Border Protection's import database, the Australian industry's share of the Australian market fell from about 70% in 2007 to about 45% in 2010. The market share held by imports from countries other than China have remained relatively stable (at about 10-

15% over the last four years). The market share held by imports of electric cables from China has doubled since 2007 and accounted for about 45% of the market in 2010. Import volumes from China increased each year from 2007 to 2010. The volume of imports from China in 2010 were 150% higher than in 2007.

The applicants have provided evidence that the prices of imported electric cables undercut the prices of locally manufactured product. The price undercutting appears to have prevented the Australian manufacturers from increasing prices to recover increased costs. Consequently, this has affected the ability of the Australian manufacturers to improve their overall profit performance.

Considering that the applicants appear to represent about 65% of the Australian industry by volume, it is reasonable to conclude that the alleged dumping has caused material injury to the Australian industry producing like goods.

The increase in market share, apparent price undercutting and price suppression indicates that the allegedly dumped imports caused the injury to the Australian industry. The estimated dumping margins from each of the nominated countries are significant. On the available information, the injury caused by the dumping appears to be material.

8.8 Conclusion on material injury caused by dumped imports

Customs and Border Protection is satisfied that, based on the information submitted in the application, the applicants have demonstrated that they appear to have suffered injury and that there appear to be reasonable grounds for concluding that the dumping of electric cables exported to Australia from China has caused material injury to the Australian industry producing electric cables.

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9 CONCLUSION

Customs and Border Protection has examined the application and is satisfied that:

- the application complies with s. 269TB(4); and
- there is an Australian industry in respect of like goods; and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application exported from China.

Accordingly, the delegate of the CEO has not rejected the application for the publication of dumping duty notices under s. 269TC(1).

For the purposes of the investigations:

- the investigation period to determine whether dumping has occurred will be from July 2010 to June 2011; and
- Customs and Border Protection will examine the Australian market and the economic condition of the industry from July 2007 for the purposes of injury analysis.