



Australian Government  
Australian Customs and  
Border Protection Service

PUBLIC FILE

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R E P O R T

**INVESTIGATION INTO THE ALLEGED DUMPING OF  
CERTAIN ELECTRIC CABLE**

**EXPORTED FROM**

**THE PEOPLE'S REPUBLIC OF CHINA**

**VISIT REPORT - AUSTRALIAN INDUSTRY**

**PRYSMIAN POWER CABLES & SYSTEMS PTY LTD**

**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 CUSTOMS AND BORDER  
PROTECTION**

September 2011

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<b>2 BACKGROUND</b>
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**2.1 The application**

On 11 August 2011, Advance Cables Pty Ltd (Advance), Olex Cables Pty Ltd (Olex) and Prysmian Power Cables & Systems Pty Ltd (Prysmian) lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of certain electric cables<sup>1</sup> exported to Australia from the People's Republic of China (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 investigation was initiated on 9 September 2011. Public notification of initiation of the investigation was made in *The Australian* on 30 July 2010. Australian Customs Dumping Notice No. 2011/40 provides further details of this investigation and is available at [www.customs.gov.au](http://www.customs.gov.au).

There have been no previous anti-dumping investigations involving electric cable.

**2.2 Purpose of visit**

We explained to Prysmian that the purpose of our visit was to:

- obtain general information about the Australian market for electric cables;
- gain a greater understanding of the company's manufacturing, marketing, sales and distribution processes;
- verify information provided in the application relating to the company;
- obtain additional financial data to assist in the analysis of the claimed injury to the Australian industry;
- give the company the opportunity to provide any further comments or raise any further issues it believed relevant to the investigation; and
- discuss and gather data relevant to establishing an unsuppressed selling price.

**2.3 Contact details**

Company:	Prysmian Power Cables & Systems Pty Ltd
Address:	1 Heathcote Road Liverpool NSW 2170 Australia
Telephone:	1300 300 304
Fax:	1300 300 307
Date of visit	28 & 29 September 2011 & 6 October 2011

<sup>1</sup> Refer to the full description of the goods in section 4.1 of this report.

The following people were present at various stages of the interview.

Prysmian	Llyr Roberts, Managing Director & Chief Executive Officer – Oceania Stephen Haller, Executive General Manager Commercial ANZ Martin Francis, Marketing Manger ANZ David Klarich, General Counsel Sandy Mennie, General Manager Engineering Jason Gleeson, General Manager Supply Chain Hamavand Shroff, Commercial Manager Trade & Installers Greg Lockerbie, NSW State Sales Manager Bill Elliot, Continuous Improvement Manager Roger Cooper, Strategic Raw Material Manager Luliana Clayton, Pricing Manager Ross Fung, Financial Accountant Sandie Smith, Pricing Coordinator David Worden, Commercial Manager Allan Travers, Financial Accountant
Consultant	Mr Richard Farrell
Customs and Border Protection	John Bracic, Director, Operations 1 An Chew, Supervisor, Operations 2

## 2.4 Investigation process and timeframes

The investigation process and timeframes as follows:

- the investigation period is 1 July 2010 to 30 June 2011;
- Customs and Border Protection will examine the Australian market from July 2007 for the purpose of analysing the condition of the Australian industry;
- a preliminary affirmative determination may be made no earlier than 8 November 2011 - provisional measures may be imposed at the time of the preliminary affirmative determination or at any time after the preliminary affirmative determination has been made, but Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice;
- a statement of essential facts will be placed on the public record by 28 December 2011 or such later date as the Minister allows - the statement of essential facts will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister and will invite interested parties to respond, within 20 days, to the issues raised (submissions received in response to the statement of essential facts will be considered when compiling the report and recommendations to the Minister);
- Customs and Border Protection's report to the Minister is due no later than 13 February 2012 - should the Minister approve an extension to the statement of essential facts this would mean that the due date of the final report would also be extended - all interested parties would be notified and an Australian Customs Dumping Notice would be issued should an extension be requested and approved.

We explained to Prysmian that we would prepare a report of our visit. The report will be provided to the company to review its factual accuracy and to identify those parts of the report it considered confidential. Following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

**3 COMPANY BACKGROUND****3.1 Company structure**

Prysmian stated that the Prysmian Group is the world's largest cable manufacturer after its acquisition of Draka and is the second largest in Australia. The group is generally split into energy and telecom. Prysmian (the applicant) is part of the energy business, whereas its sister company, Prysmian Telecom Cables & Systems Australia Pty Ltd in Dee Why, NSW, is part of the telecom business.

Prysmian explained that it is wholly owned by [REDACTED] which wholly owned by the parent company, [REDACTED] a publicly listed company on the Milan Stock Exchange.

Prysmian advised that it currently has [REDACTED] employees in its power cable business.

**3.2 Exports of electric cables**

Prysmian stated that it exports [REDACTED] types of electrical cables, although its main business is the Australian market. According to Appendix A3 – Sales Turnover, export sales represent [REDACTED] of Prysmian's total sales of the 9 cables by both volume (cable metres) and value.

**3.3 Accounting practices**

Prysmian stated that its accounting period follows the calendar year, January to December and its financial statements are prepared in accordance with Australian Accounting Standards.

Prysmian advised that it uses SAP as its accounting system and & Cognos for its management reporting system.

**4 THE GOODS****4.1 The goods**

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.*

Prysmian explained that the goods generally fall into one of the following nine types of electrical cables:

- 2.5mm flat twin & earth
- 1.5mm flat twin & earth
- 1.0mm flat twin & earth
- 2.5mm single core building wire
- 16mm single double insulated
- 16mm XLPE single core
- 25mm XLPE single core
- 35mm XLPE single core
- 50mm XLPE single core

**4.2 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*. 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%.

**5 THE AUSTRALIAN INDUSTRY****5.1 Production of electrical cables**

During the verification visit, we observed the production of electrical cables at Prysmian's Liverpool manufacturing plant. We observed:

- 8mm copper rods being drawn into wire;
- the wire being twisted and stranded into conductors;
- the conductors being insulated with PVC;
- the insulated conductors being sheathed with another layer of PVC into cables; and
- the cables being wound onto drums.

**5.2 Like goods**

Prysmian claims that its electrical cables are like goods to the goods. It explained that the electrical cables exported from China are identical in physical characteristics to the cables it manufactures. It also explains that its electrical cables are perfectly substitutable and compete directly with the goods from China. Prysmian further explained that the manufacturing process of electrical cables is the same around the world and the cables manufactured in China for export to Australia would have the same production process as Prysmian.

We compared the description of the goods, in particularly the 9 types of electrical cables detailed in section 4.1 above, with the specifications of 9 different models of electrical cables produced by Prysmian and consider that Prysmian's cables directly match the description of the goods.

**5.3 Conclusion**

We consider that:

- Prysmian carries out at least one substantial process in the manufacture of electrical cables in Australia;
- Prysmian wholly or partly manufactures electrical cables in Australia; and
- Electrical cables manufactured by Prysmian are like goods to the goods.



**6 AUSTRALIAN MARKET**

**6.1 General**

Prysmian explained that overall, the electrical cable market is segmented into:

- industrial cable;
- medium & high voltage;
- power distribution; and
- traders & installers.

Prysmian advised that the goods are specific to the traders & installers market, which makes up approximately [redacted] of its total sales. According to the data supplied in the application, of the 9 relevant models, Prysmian's sales of 2.5mm flat twin & earth is [redacted] and 1.5mm flat twin & earth [redacted]

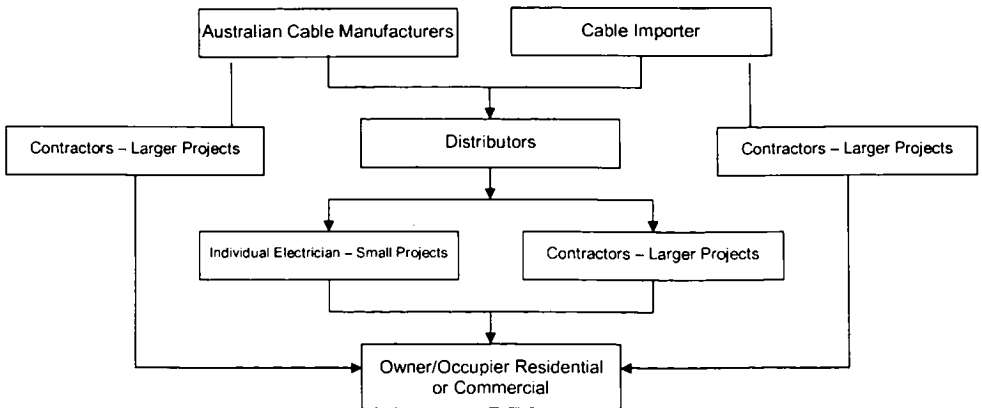
[redacted] (Confidential Attachment Market1).

Prysmian explained that 2.5mm flat twin & earth is used as power point cables and 1.5mm flat twin & earth is used for lights. It also explained that 1.0mm flat twin and earth can be used for some lighting applications.

**6.2 Market structure**

Prysmian stated that it sells electrical cables to distributors or contractors of large projects. It explained that there are 5 main distributor groups, making up approximately 85% of the market. Prysmian also explained that the distributors are either a company with many stores or buying groups made up of many individual stores.

The follow is a representative diagram of the electrical cable market structure.



**7 SALES**

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**7.1 Introduction**

The application for anti-dumping duties included Appendix A4 – Detailed Domestic Sales of all three applicants. Prysmian provided detailed sales covering the 12 month period from March 2010 to February 2011. After the initiation of the investigation, Prysmian updated its detailed sales spreadsheet to cover an 18 month period from January 2010 to June 2011 (**Confidential Attachment Sales1**)

At the verification visit we sought to reconcile Prysmian's detailed sales spreadsheet down to source documents to verify that the data is accurate and up to audited financial accounts to verify that the data is complete and relevant.

**7.1.1 Pricing**

Prysmian explained that its prices are based

[REDACTED]  
[REDACTED] therefore, the price the electrical cable fluctuates with the world copper price.

In addition, Prysmian advised that it also has

[REDACTED] its customers.

Prysmian explained that it is moving towards

[REDACTED]

**7.1.2 Rebates and discounts**

Prysmian advised that rebates and discounts are entrenched in the electrical cables industry world wide. It explained that

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Prysmian explained that

[REDACTED]

Prysmian also advised that

[REDACTED]

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Prysmian asserts that as rebates are common in the cable industry around the world, it expects that rebates will also be paid by exporters and/or importers of the goods from China.

**7.1.3 Ordering, invoicing and delivery arrangements**

Prysmian stated that its customers generally orders electrical cables using fax or electrical data interchange (EDI). It advised that its customers can also make orders via its national call centre between 8am and 7pm.

Prysmian explained that once the order is submitted to its head office, it is then sent

[REDACTED]

Prysmian stated that electrical cables manufactured at its manufacturing plant in Liverpool [REDACTED]. It advised that its other warehouse locations are in Adelaide, Brisbane, Melbourne, Perth, and Townsville. Prysmian explained that stock is transported from Liverpool to its other warehouses are required. It also explained that

[REDACTED]

**7.2 Verification up and Reconciliation to A6 – cost to make and sell**

As part of the verification, we sought to reconcile Prysmian's 2010 total net sales value and quantity contained in its detailed sales spreadsheet with its Cost to make and Sell (CTMS) spreadsheet at Appendix A6 of the application (for the verification of CTMS, see section 9 below) and noticed that

[REDACTED]

Prysmian explained that the data structure of its accounting system has

[REDACTED]

[REDACTED]



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[REDACTED]

[REDACTED]

Further verification of the discounts and rebates is detailed in section 7.3.1 below.

The source documents of the selected transactions are contained in **Confidential Attachment Sales3**.

### 7.3.1 Discounts and Rebates

Prysmian advised that the settlement discounts and rebates are calculated

[REDACTED]

In order to verify that the discount and rebate data in the detailed sales spreadsheet is accurate, we asked for, and Prysmian provided, the rebate summary spreadsheet (**Confidential Attachment Sales4**) and the trading terms agreements (**Confidential Attachment Sales5**) for its main distributor groups. We were then able to match the discounts and rebates from the trading terms agreements to the rebate summary spreadsheets to the detailed sales spreadsheet.

However, Prysmian stated

[REDACTED]

We explained to Prysmian that we require

[REDACTED]

[REDACTED] We consider this approach to be reasonable.

### 7.3.2 Logistic costs

Prysmian explained that the logistic cost column in the detailed sales spreadsheet is based on

[REDACTED]

As the cable market generally prices at [REDACTED] we considered that further verification of logistic costs were not required.

### 7.3.3 Proof of payment

We selected 4 invoices ([REDACTED]) and asked Prysmian to provide proof of payment for each of those invoices. For each of those invoices, Prysmian provided a remittance advice from its customer and a copy of its bank statement (Confidential Attachment Sales7). We were able to reconcile the invoices to the remittance advices, then from the remittance advice to the bank statement.

## 7.4 Conclusion

We were able to verify Prysmian's detailed sales data down to source documents and are satisfied that it is accurate. We have also verified Prysmian's detailed sales data, as it relates to the extracted customers, up to its financial accounts and are satisfied that it is complete and relevant as it relates to those customers. We consider that this level of verification is appropriate for price undercutting analysis at the customer level. We note that Prysmian's overall sales volume and revenue is available at Appendix 6 (see section 9 below).

An updated copy of Prysmian's detailed domestic sales spreadsheet is at Confidential Attachment Sales8.

**8 IMPORTS**

A search of Customs and Border Protection's database showed that Prysman

[REDACTED]

[REDACTED] therefore fall outside the description of the goods.

**9 COST TO MAKE AND SELL**

We explained to Prysman that we needed to be satisfied that the data submitted in the application was complete, relevant and accurate. We also explained that the company would have to demonstrate that the data could be verified and traced to financial statements and to source documents.

**9.1 Costing methodology**

Prysman manufactures a large number of different models of electric cable, each with different material requirements and manufacturing processes. A costing sheet for each model is kept which identifies the quantities of the various raw materials and the various production processes. The costing sheet also identifies the standard material cost plus the monthly copper price variation.

**9.2 Production volumes**

Prysman provided production reports for each of the like products sold during the investigation period. The total volume identified in the reports reconciled to the amounts used to calculate the unit manufacturing costs included in Appendix A6.

**9.3 Verification of cost to make**Completeness

Prysman provided a copy of its trial balance for the most recently audited accounts for calendar year 2010. The company explained that it

We were able [REDACTED] and are satisfied that the information contained in Prysman's SAP software was complete and contained all relevant costs and sales information needed to calculate the cost to make and sell for the like goods produced.

We requested and were provided with a November 2011 costing sheet for the most common product being 2.5mm flat wire. The sheet identified the relevant copper rate and standard material cost along with the standard labour and other variable costs. We verified material costs from this costing sheet to a worksheet which was the basis for costs included in Appendix A6 of the application.

We reconciled all other costs, including manufacturing costs and SG&A expenses from the management accounts to the 2010 audited financial statements. Therefore, we are satisfied that the cost data is complete.

Copper

Copper is the largest cost component in producing electric cable. Prysman purchases its copper feed from



[REDACTED]. We requested and were provided with invoices for each month of the investigation period. The invoices identified the volume and value of the purchased copper along with [REDACTED]. We sought to confirm payment for three selected months and were provided with the following documents:

- All tax invoices in the selected month;
- Statements from [REDACTED] showing account balances;
- Vendor account ledger; and
- Remittance advice showing bank transfer of funds.

We examined each of the documents and found all relevant values to reconcile.

#### 9.4 SG&A expenses

Selling, administration, finance and other corporate overheads were allocated across the total volume of all products sold during the period, with the trade and installers sector accounting for [REDACTED]. The total SG&A amounts allocated to the trade and installers sector were then allocated to the various models based on the respective model volumes.

We were able to reconcile the total cost pool for SG&A expenses to the profit and loss statement.

#### 9.5 Conclusion

We have verified the cost data provided in Appendix A6. We are satisfied the revised data is complete, accurate and reliable and only includes costs in respect of domestic sales of like goods.

Documents relating to Prysmian's cost to make and sell are at (**Confidential Attachment COST1**).

**10 CAUSATION****10.1 Price undercutting**

Prysmian provided us with an email from one of its customers advising of a lower offer from Electra, an importer of electrical cables from China, as evidence of price undercutting. The email shows quotes from Prysmian

[REDACTED] a reply from its customer advising of Electra's offer of the same type of cable at \$ [REDACTED] undercutting Prysmian's offer by [REDACTED]%. Prysmian explained that at Electra's offer price, it would have been operating at a negative contribution margin.

**10.2 Other causes****10.2.1 Industrial action**

Prysmian acknowledged that some interested parties may claim that during the investigation period, industrial action by its manufacturing workers over 7 weeks in November and December 2010 have resulted in supply shortages, however, it refutes this claim.

Prysmian stated that the strike had no effect on the availability of the 9 types of electrical cables. It explained that prior to the strike, it was able to build up stock and had sufficient supply in all of its warehouses Australia wide to meet the market demand during this period. Prysmian also explained that its customers were aware that stock was available.

**11 UNSUPPRESSED SELLING PRICE**

Unsuppressed selling price and non-injurious price issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice.

Customs and Border Protection generally derives the non-injurious price by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price.

Customs and Border Protection's preferred approach to establishing unsuppressed selling prices observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the unsuppressed selling price, Customs and Border Protection then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

Prysmian advised that it will make a submission on what it considers to be the most appropriate unsuppressed selling price.