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31 August 2017

Mr Matthew Williams
Director Operations 3
Anti-Dumping Commission
Level 35, 55 Collins Street
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Email: operations3@adcommission.gov.au

Dear Mr Williams

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Anti-dumping Investigation 405 – Wind Towers exported from Vietnam

Introduction

I refer to the Siemens Wind Power Pty Ltd (Siemens) submission dated 18 August 2017 in relation to Investigation 405.

Hornsdale Wind Farm and Ottoway Fabrication Pty Ltd (OF)

Siemens submit that:

> Ultimately, Siemens' past experience with local wind tower manufacturers, and the imperatives of on-time delivery and reliability, were the critical factors in its decision not to engage either of the Applicants for the Hornsdale I and II wind farm projects the subject of this investigation.

However, the evidence and facts available do not support this statement. OF submits that price was ultimately the determinative factor in the decision to award all the towers to CS Wind of Vietnam.

Hornsdale 1 Key Dates and supporting documents
Dates of OF offers to Siemens, Siemens appointment as operator of Hornsdale I and construction updates on Hornsdale I were provided in the application as OFs Confidential Attachment 9 Dumping "Hornsdale tab.

Public File Att7 Hornsdale Wind Farm was provided in the application that supported the construction updates.

OFs [redacted] (*sensitive tender details*).

A time line of the key dates for Stage I of the Hornsdale Windfarm is set out below.

Date	Event	Weeks from award date	Construction weeks	Towers erected
31/08/2015	Towers awarded			
15/04/2016	22 Towers arrive	32	20	0
15/05/2016	10 towers arrive, 1 in place	36	24	1
15/07/2016	11 towers in place	45	33	11
15/08/2016	29 towers in place	50	38	29

Notes:
OF was [redacted] (*sensitive tender details*).
Dates of arrival and erection of towers from construction updates.
Construction weeks refers to estimated time for manufacturing towers, allowing for 12 weeks lead time from being awarded contract to commencing manufacture.
The towers from CS Wind were placed in storage on arrival until required, OF estimated an average storage time of 12 weeks in the application.

<u>On-time delivery and reliability</u>
OF provided [redacted] (*sensitive tender details*).

[redacted] OF states that:

- the towers would be manufactured to a mutually agreed manufacturing and delivery schedule; with
- an allowance for sections to be stored at OF to act as buffer stock.

[redacted] OF noted it would manufacture six sections per week but could increase if where required. In the later quotations where the size and type of tower for Hornsdale had been confirmed OF stated that it could manufacture two towers (eight sections) per week but could increase this if required.

> We have **appended a draft manufacturing program** for this project **based on the preliminary information as proved by Siemens**, you will note that we have consider two scenarios one being stable production at 6 sections per week and one increasing to eight sections a week, **both scenarios meet the delivery schedule** and **provide for a level of buffer stock, we would like to further discuss this program with Siemens to ensure that we address any concerns that Siemens may have with respect to schedule.** [redacted] (*sensitive tender details*).

Note that OF provided a manufacturing and delivery schedule based on information provided by Siemens and offered further discussions if Siemens had any concerns.

OF [redacted] Siemens following [redacted] delivery and storage and noted that OF could manufacture more than two towers per week if required. (*sensitive tender details*).

Siemens at no time during the process expressed any concerns over on-time delivery or reliability issues.

It is important to note that the two towers per week manufacturing and delivery schedule is a schedule based on Siemens information and included an offer to manufacture more towers per week if Siemens required.

OFs proposed manufacturing schedule of two towers per week would have seen the 32 towers required for Hornsdale I manufactured and in storage four weeks before the first lot of 22 towers manufactured by CS Wind arrived in Adelaide and were placed in storage.

This is based on OF being awarded the contract on 31 August 2015 with a lead time to commence manufacturing of 12 weeks as noted in the table above.

The second lot of towers from CS Wind arrived in Adelaide in May 2016, 36 weeks after the contract date. This allows for 24 weeks to manufacture the 32 towers with the first towers in place in May 2016.

The August 2016 construction update notes 29 towers in place. Nearly one year on from the contract date 29 of the 32 towers are in place, this time frame does not equate with the **short lead time** stated by Siemens in its submission.

The manufacturing schedule that OF stated in its quotations to Siemens were more than adequate to meet the delivery schedules required by Siemens.

OF would have had the towers required manufactured ahead of time based on the actual delivery schedules for the project.

There was ample time for Siemens and OF to resolve any manufacturing and/or delivery issues in the above time frame.

The first two towers would have been manufactured by mid-January 2016, generally the first two towers may be subject to first piece qualification (FPQ) and take longer to manufacture.

Following this FPQ, OF would have had:

- 12 weeks to manufacture 22 towers (15 April 2016) when the first CS Wind towers arrived. (26 towers would have been manufactured, including the first two subject to FPQ, in that time by OF).
- 16 weeks to manufacture 32 towers (15 May 2016) when the last of the CS

Wind Towers arrived. (the full 32 towers would have been manufacturer by OF before this date, including the first two subject to FPQ).

Should Siemens have had concerns over the capability of OF to manufacture the full 32 towers and decided to split the tower supply between two manufacturers then the timeframes for OF to manufacture its share of 16 towers and resolve any issues over manufacture, delivery and reliability would be much longer.

OF was asked by Siemens [redacted] (*sensitive tender details*).

This does support Siemens statements of involving local and supporting local manufacturers.

But the above analysis of the manufacturing, delivery and storage schedules provided by OF to Siemens and the actual delivery and placement schedules by CS Wind demonstrates that manufacturing and delivery concerns were not a critical issue for Siemens in awarding the towers.

OF outlined its schedules to Siemens and asked to discuss any concerns Siemens may have. Siemens did not raise any such concerns during the tender process.

<u>Price as the determinative factor</u>
In submitting its tenders OF notes in its quotations that it had priced on 32 towers as based on this quantity OF can achieve cost economies that are reflected in pricing and that lesser quantities would result in additional costs.

The industry in its application and subsequent submissions and Siemens and GE have highlighted such facts that increased volumes will lead to greater efficiencies and lower costs and prices.

That [redacted] (*sensitive tender details*).

This request, [redacted], directly points to price being the determinative factor. [redacted] (*sensitive tender details*).

This approach is a direct approach to reduce the cost and [redacted] (*sensitive tender details*).

Again, [redacted]; issues regarding manufacturing and delivery times were not raised by Siemens.

OF offered, as noted XX, to discuss [redacted] further, including any issues that Siemens may have. [redacted] (*sensitive tender details*).

OF did not receive any indication from Siemens on [redacted] (*sensitive tender details*).

OF expressed a willingness to be as flexible as Siemens required, including on price, but despite many telephone conversations these offers were not taken up by Siemens.

Hornsdale II and III

OF was asked by Siemens to provide [redacted] Hornsdale II for [redacted] for tender.

[redacted] Hornsdale II also set out mutually agreed manufacturing and delivery schedules of two towers (8 sections) per week. The proposal noted that it looked forward to your favorable feedback in due course.

Siemens did not raise any issues with [redacted] (*sensitive tender details*).; all 32 towers were awarded to CS Wind Vietnam.

The timeframes, manufacturing and delivery schedules for Hornsdale II were similar to Hornsdale I, as outlined in Confidential Attachment 9 Dumping.

The contract was awarded in June 2016 with the first towers from CS Wind arriving in November 2016 and placed in storage.

OF [redacted] Hornsdale III: [redacted]. OF believes that the 35 towers were awarded to CS Wind in December 2016.

Siemens advised that [redacted] (*sensitive tender details*)..

That Siemens continued to ask OF for quotations for all three stages of Hornsdale and that Siemens did not raise any concerns over any issues, including manufacturing and delivery, evidences that Siemens saw OF as a viable manufacturer and supplier of wind towers.

OF submits that the evidence supports that price was the determinative in Siemens awarding the contracts for Hornsdale to CS Wind.

Capacity

OF rejects Siemens submission that the Australian industry did not have the capacity to supply the market during the investigation period.

OF production in 2015 comprised [redacted] 2015. OFs production in 2016 [redacted] (*sensitive business details*).

OF has provided details of its capacity and its ability to manufacture the towers required for Hornsdale within the timeframes required.

Siemens has misinterpreted the newspaper article (Whyalla News 9 May 2017).

The article states:

> Ottoway Engineering Whyalla have secured a contract to build 14 wind towers and are hoping to lock down another contract which would see them construct 80 more for interstate windfarms.
>
> The initial deal means the company can begin to employ more staff in key roles, while the second contract would allow Ottoway to employ even more workers. Ottoway Engineering has also been working hand-in-hand with Arrium as one of their major mechanical contractors. Operations Manager Jay Snowden said the 14 wind towers would amount to two to three months of work for the company.
>
> "**For something like the 80 wind towers we would be looking at the next 12 to 18 months to build those**," he said.
>
> "The bidding process is at a fairly advanced stage, it's not a done deal yet but it is looking pretty promising – we are fairly confident."
>
> Mr. Snowden said <u>having a long-term project such as the construction of the 80 wind towers would allowed the company to plan big things for the future. "Having that long-term continuity allows us to look at future expansions of the company so we can take on additional employees including both professionals and blue-collar workers</u>," he said.
>
> "When we built the last lot of wind towers for German company Siemens we had a blue-collar workforce in excess of 100 people. "Because a lot of the wind tower contracts involve money that is external to Whyalla, we are essentially bringing money into our town."
>
> The company are expecting to know 'within the next six weeks' if they have secured the 80 wind tower contract. Mr. Snowden said the company would be 'watching with great interest' to see who the final buyer of Arrium will be. "We want to show ways we can support them and help develop the region," he said. "Like a lot of other businesses in Whyalla we have been through a pretty dark period, but all the indications suggest that things are on the improve."

The statement is not a statement of capacity but of the general timeframe for building the towers should OF secure the contract. The time frame is set by the operator of the wind farm and as noted is a general timeframe of 12-18 months.

Note the comments regarding the effects of a large long-term project can have on OF that echo the comments in the application and the submissions of GE and Siemens.

Past experience with local wind tower manufacturers

OF notes that Siemens only previous experience with local manufacturers has been with OF, hence the statement is a generalised statement that is not supported by any facts.

OF addressed the issues relating to Snowtown II in the submission by the applicants of 7 August 2017 where it noted:

> Siemens did not raise any issues regarding the quality of the wind towers supplied and delivered by OF for the Snowtown project. **The delivered towers met Siemens quality requirements and were signed off accordingly prior to delivery to site.**
>
> Complimentary comments were provided by Siemens personnel about the quality of the towers delivered to the project site. The only issues regarding the Snowtown project were [redacted] (*sensitive business details*).; in fact as we understand it, **the project was completed ahead of time.**
>
> [redacted] (*sensitive business details*).
>
> Siemens supported and encouraged OF to establish a new wind tower capability at its plant in Whyalla and were involved in the planning process, [redacted] (*sensitive tender details*)..
>
> [redacted] (*sensitive tender details*).
>
> The upgrade was extensive and included; new buildings, the redevelopment of the exiting plant and buildings, installation of new equipment and its supporting infrastructure and then the recruitment and training of a new team of workers.
>
> The achievement and ultimate production and delivery of world class quality wind towers from a green-field startup venture has been acknowledged, the solutions in part to [redacted] (*sensitive tender details*). were resolved with the support and participation of Siemens.
> **The issues did not cause for any compromise on the exacting quality requirements of Siemens – all of which we satisfied.**

Note that in Siemens press release for Snowtown (attached) Siemens praised the quality of the wind towers produced by OF, stating:

> Siemens chief executive officer Jeff Connolly said that Siemens set a high quality standard for all supply elements in such projects.
> "It is extremely pleasing that E&A Contractors have been able to prequalify for this type of work," Mr Connolly said.
> It's a great outcome for Australian manufacturing.

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Efficiencies

OF notes that during the Hornsdale process it provided to Siemens alternative [redacted] offering savings [redacted] (*sensitive tender details*). per tower.

These alternative [redacted] are noted in the [redacted] offering savings in material and labour, compared to the Siemens specified [redacted] (*sensitive tender details*).

That Siemens benefited from the [redacted] proposed by OF is [redacted] Siemens specifies [redacted] (*sensitive tender details*).

Material injury and other causes of injury

OF quantified and causally linked the material injury caused by the dumped exports of wind towers by CS Wind in the application. Should OF have only been awarded half of the towers awarded and exported in the investigation period, assuming Siemens decided to split the tower supply, this injury would still be material.

The lost revenue would amount to [redacted] (*sensitive tender details*). and the lost volumes to 32 wind towers. Such amounts are material.

OF rejects the comments made concerning OF's ability to recruit suitable skilled labour for its Whyalla plant for Snowtown II. Whilst acknowledging some early difficulties were encountered these were overcome and sufficient and adequately skilled resources have been made available to meet all the businesses manufacturing obligations.

As stated in both the GE and Siemens submissions to the Commission, Australian industry will benefit from stable volumes in terms of its ability to improve its competitiveness, production effectiveness and efficiency.

The industry also provided details on injury from other causes in its application, mainly the injury due to the uncertainty of the RET. This injury was identified and isolated from the above material injury.

PAD

The Australian industry again asks the Commission to impose a PAD as soon as possible and require securities to be taken in respect of interim dumping duty that may become payable in relation to wind towers exported from Vietnam to prevent material injury to the Australian industry occurring while the investigation continues.

If you have any questions concerning this submission, please do not hesitate to contact me.

Yours sincerely

Rod Jones

Local manufacturing powering South Australia's largest wind farm

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Adelaide, Aug 08, 2013

South Australia's largest wind farm has turned to local manufacturers to help power its turbines

- South Australian manufacturer produces first of 20 towers for Snowtown II wind farm
- 150 people will work on manufacturing of the 20 towers

Photographer: Luke Hemer

The first locally-built tower for the Snowtown II wind farm is near completion at the manufacturer's Whyalla plant.

The wind tower project is a collaboration between the State Government, global technology company Siemens - which is building the wind farm - and local manufacturer E&A Contractors.

The State Government contributed $2 million towards upgrading the E&A Whyalla plant, which led to the company securing the project.

Premier Jay Weatherill, who toured the E&A plant today, said the project demonstrated South Australia's ability to participate in major and technically complex projects using local capabilities.

"This is a great example of how we can make things locally for major projects, working in collaboration with global companies like Siemens," Mr Weatherill said.

"About 20 of the 90 towers for the Snowtown II wind farm are being made here at E&A Contractors in Whyalla and I am pleased to be commissioning the first one today.

"The project is supporting our economy with 120 local jobs and it is a great vote of confidence in our advanced manufacturing capabilities."

In total, South Australia's support of wind farms has led to about $3 billion capital investment in the State, which has translated to more than 800 direct jobs.

Siemens chief executive officer Jeff Connolly said that Siemens set a high quality standard for all supply elements in such projects.

"It is extremely pleasing that E&A Contractors have been able to prequalify for this type of work," Mr Connolly said.

"It's a great outcome for Australian manufacturing.

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"It shows that with the desire of project companies to support the development of local companies, and through the right sort of Government assistance, local manufacturing can be an integral part of major projects.

"I congratulate the South Australian Government for their determination and E&A for taking on such a technically complex project. And we look forward to a continuing pipeline of projects to consolidate and expand the expertise gained on successfully establishing local manufacturing capability."

Construction of the $439 million Snowtown II wind farm commenced in October 2012 and will be completed and operational by the end of 2014.

The Snowtown II wind farm will be South Australia's largest wind farm, generating enough electricity to power 180,000 homes.

About the E&A Whyalla facility & project

- E&A Contractors is building 20 of the 90 towers for Snowtown II
- Towers are constructed in three parts and assembled on site at Snowtown
- Once joined, the towers are 80 metres high
- Each tower weighs 180 tonne
- The heaviest section is the base which weighs 70 tonne
- E&A Contractors is employing 120 people on this project
- The Whyalla facility is 12000 square metres and consists of three main processing halls for this construction project
- Snowtown II will be SA's largest wind farm generating up to 270MW of power - enough to power 180,000 homes

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