



INVESTIGATION 221

**ALLEGED DUMPING OF WIND TOWER
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND
THE REPUBLIC OF KOREA**

VISIT REPORT - AUSTRALIAN INDUSTRY

KEPPEL PRINCE ENGINEERING PTY LTD

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THE FORMAL POSITION OF ANTI-DUMPING COMMISSION

September 2013

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ABBREVIATIONS

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
The applicants	A.C.N. 009 483 694 Pty Ltd (Haywards) and Keppel Prince Engineering Pty Ltd (Keppel Prince)
CFR	Cost and freight
COGS	Cost of goods sold
the Commission	Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
EBIT	Earnings before interest and tax
EDITA	Earnings before interest, tax, depreciation and amortisation
FOB	Free On Board
GAAP	Generally accepted accounting principles
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry
USP	Unsuppressed Selling Price

1 BACKGROUND AND PURPOSE

1.1 Background

On 6 August 2013, A.C.N. 009 483 694 Pty Ltd (Haywards) and Keppel Prince Engineering Pty Ltd (Keppel Prince) lodged an application requesting that the Minister responsible for anti-dumping (the Minister), at that time the Minister for Home Affairs, publish a dumping duty notice in relation to wind towers exported to Australia from China and the Republic of Korea (Korea).

The applicants alleged that the Australian industry has suffered material injury caused by wind towers exported to Australia from the nominated countries at dumped prices.

The applicants claimed that material injury in respect of wind towers commenced impacting profits and profitability in 2010. The application identified the injurious effects as:

- loss of sales volume;
- loss of market share;
- price depression;
- price suppression;
- reduced profits; and
- reduced profitability.

The Anti-Dumping Commissioner (the Commissioner), after having regard to the Anti-Dumping Commission's (the Commission) consideration report (CON 221), decided not to reject the application for the publication of a dumping duty notice.

Public notification of initiation of the investigation was made on 29 August 2013 in *The Australian* newspaper and Anti-Dumping Notice (ADN) 2013/68.

1.2 Purpose of visit

The purpose of the visit was to:

- obtain general information about the Australian market for wind towers;
- gain a greater understanding of the company's manufacturing, marketing and distribution processes;
- verify information provided in the application;
- obtain additional financial data about claimed injury to the Australian industry; and
- gather information relevant to assessing whether the allegedly dumped imports had caused material injury to the Australian industry.

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1.3 Meeting details

Company	Keppel Prince Engineering Pty Ltd 184 Darts Road PORTLAND VIC 3305
Dates of visit	10 September – 12 September 2013

The following were present at various stages of the meetings.

Keppel Prince	Stephen Garner – General Manager
	Robert Keiller – Financial Controller
	Michael Garner – Wind Tower Manager
	Dan McKinna – Assistant General Manager
	[REDACTED]
Consultant	Arthur Vlahonasios - International Trade Remedies Advisor Australian Industry Group
Commission	Rod Jones – Manager Operations 2 Adam Yacono – Manager Operations 3 Cienna Turpie – Supervisor Operations 3

1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 January 2012 to 30 June 2013.
- The injury analysis period is from 1 January 2008 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (27 October 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 16 December 2013, or such later date as the Minister allows under s.269ZHI of the *Customs Act 1901* (the Act).

The SEF will set out the material findings of fact on which the Commission intends

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to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

This final report is due no later than 30 January 2014, unless an extension to the SEF is approved by the Minister.

1.5 Visit report

We explained to the company that we would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and following clearance of this version from the company it would be placed on the Public Record for the investigation.

2 THE GOODS

2.1 Description

The goods the subject of the investigation, (the goods), are wind towers. The applicants describe the goods as:

certain utility scale wind towers, whether or not tapered, and sections thereof (whether exported assembled or unassembled), and whether or not including an embed being a tower foundation section.

Further the applicants detailed that wind towers are designed to support the nacelle (an enclosure for an engine) and rotor blades for use in wind turbines that have electrical power generation capacities equal to or in excess of 1.00 megawatt (MW) and with a minimum height of 50 metres measured from the base of the tower to the bottom of the nacelle (i.e. where the top of the tower and nacelle are joined) when fully assembled.

A wind tower section consists of, at a minimum, multiple steel plates rolled into cylindrical or conical shapes and welded together (or otherwise attached) to form a steel shell, regardless of coating, end-finish, painting, treatment or method of manufacture, and with or without flanges, doors, or internal or external components (e.g., flooring/decking, ladders, lifts, electrical junction boxes, electrical cabling, conduit, cable harness for nacelle generator, interior lighting, tool and storage lockers) attached to the wind tower section.

Goods specifically excluded from the scope are nacelles and rotor blades, regardless of whether they are attached to the wind tower. Also excluded are any internal or external components which are not attached to the wind towers or sections thereof.

2.2 Tariff classification

The goods may be classified to 7308.20.00 in Schedule 3 to the Customs Tariff Act 1995. This applies to complete towers, unassembled or assembled and applies to a basic tower that includes doors, ladders, landings and embed or tower foundation.

Steel tower sections, including sections with doors etc, are classified to 7308.90.00, assembled or disassembled, providing there aren't enough in a shipment to be judged to be a complete tower.

Combinations of towers and tower sections may vary on a case by case basis for assessment of tariff classification. Classification may vary when there is more of one thing than another, for example a tower section and lift or a tower section with lift, electrical junction boxes and other equipment.

An assembled complete wind powered generator is a composite machine consisting of two or more machines fitted together to form a whole; wind engine, generator, gearbox, yaw controls etc. fitted in a steel tower and nacelle, classification is to subheading 8502.31

There are no tariff concession orders (TCOs) for towers under 7308. There are some TCOs under 8502 for wind turbine equipment, but none that specifically includes towers.

A customs duty rate of 4% applies to wind towers imported from China and Korea 5% under tariff headings 7308.

3 THE AUSTRALIAN INDUSTRY

3.1 Corporate, organisational and ownership structure

Keppel Prince was founded in 1968 in the Geelong area in Victoria as Prince Engineering, specialising in the aluminium and forestry industry, before quickly expanding into a broad range of industries.

In the 1990s Prince Engineering became part of Keppel Integrated Engineering Limited and was renamed Keppel Prince Engineering. Keppel Prince is the Australian subsidiary of Keppel Integrated Engineering Limited www.kie.com.sg, the engineering division of Keppel Corporation Ltd www.kepcorp.com, a major global engineering firm with a presence across 30 countries.

The Keppel Prince main office is based in Portland, Victoria, on 56 hectares of land with ample room for expansion and storage. Keppel Prince has 8,133 sqm² of buildings at Darts Road Portland, but also occupies three other locations in Portland as well as a workshop in Warrnambool and office in Melbourne.

Keppel Prince is comprised of nine business divisions, of which the Darts Road division is responsible for the production and sales of wind towers.

When required, the Administration, Cranes and Quality and non-destructive testing (NDT) divisions provide their services toward the manufacture of wind towers, including:

- Administration – activities related to wind towers that are carried out by the office administration and Senior Management Teams;
- Cranes – transportation of the goods around the premises; and
- Quality & NDT – conducting quality control assessments on the goods.

The remaining divisions that have not been listed above are responsible for other projects undertaken by the company, general administration and other company-related activities.

Keppel Prince specialises in the construction, fabrication and maintenance of industrial structures and equipment offering end-to-end solutions across a broad range of industries. Since 1968 Keppel Prince has successfully completed hundreds of projects around Australia and the world, ranging from wind farms, bridge pylons and large steel structures to telecommunications towers, gas/oil/water piping and aluminium smelter maintenance.

An overview of Keppel Prince including its capabilities and resources is at **Non-confidential Attachment G1**.

3.2 Accounting structure and details of accounting systems

Keppel Prince accounting year runs from 1 January to 31 December. Keppel Prince is not a reporting entity, however the company issues special purpose finance reports each year to fulfil the director's financial reporting requirements under the *Corporations Act 2001*.

The reports comprise the statements of comprehensive income, changes in equity and cash flow, notes on significant accounting policies and other explanatory information and the directors' declaration.

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As requested by the Commission, Keppel Prince provided with the application copies of the special purpose finance reports from 2008 to 2012 which are audited by the Melbourne office of Ernst & Young.

The auditors' opinion states that the report is in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position and its performance and complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Keppel Prince uses JobPac as its accounting system. JobPac is a construction industry project costing system that provides a completed integrated accounting system including accounts receivable and payable, payroll and financial reports. Microsoft Excel is used in conjunction with JobPac for certain reports.

3.3 Relationships with suppliers and customers

Keppel Prince advised that its purchases of materials and services in regards to its production of wind towers were from non-related companies. As noted in section 3.1 above there are certain services carried out by other divisions in the production of wind towers which are charged at the cost incurred.

Keppel Prince also advised that none of its sales of wind towers were to related parties.

3.4 Manufacturing facilities and production process

As noted at section 3.1 above the manufacturing facilities for wind towers are located at the Darts road, Portland site.

A description of the manufacturing process was provided in the application as follows:

Prior to commencing production, incoming steel plate is received and inspected for quality purposes. The first production activity is the processing of steel plate to specific sizes which fit individual strake dimensions (some producers outsource this process to other service providers). The plate weld surface preparation is carried out next through bevel cutting the edges to precise weld procedure needs.

The next production activity involves the rolling of the processed plate into individual cylindrical steel cans or strakes, meeting the precise specification diameter and curvature needs. Longitudinal welds are then applied meeting the weld specification in order to join the two edges of the rolled can. Sequentially welded strakes are welded together at the horizontal weld seams until the right number of steel cans are joining to form a tower section. This is followed by the precise fitting up of steel flanges which must meet the required specification flanges tilt and flatness tolerances.

Prior to surface treatment, internal wall brackets and bosses are fitted to the inside walls of the tower sections so that internal galvanised or aluminium components can be fitted after the fabricated black steel sections are welded out according to the manufacturing plan. Non-destructive testing of all weld seams and welded components is undertaken with all results recorded on data collection sheets.

The first surface treatment activity is blasting in order to ensure that all steel surfaces are clean and well prepared for the painting process. If metalising to flanges or tower sections is required this process comes next and once dried to the required temperature

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the tower is ready for the painting application process. The internal walls of the tower sections are first, commonly with a minimum two coat process. The exterior wall paint application comes next, with sequential coats applied as per the specification to meet the exact dry film thickness. Commonly three exterior coats are applied in a humidified paint zone or booth which allows curing to occur at preset temperatures and humidity.

The internal fit out of mechanical parts forms the next process, with galvanised or aluminium platforms either bolted or welded in, along with ladders and cable trays and safety fall arrest devices. All electrical main power cables, junction boxes and electrical lighting are usually installed next prior to readiness for delivery from the factory site.

In the final production phase the tower sections are washed and prepared for delivery with all internal cables and attachments tied down, transport saddles fitted at each end of the tower section to help protect the finished painted surface, along with brace bars to protect the towers during overland transport or shipping. End cover tarpaulins are fitted to prevent dust encroaching inside the tower sections during delivery and storage at site.

At the verification meeting, we conducted an inspection of the production facilities: the wind towers being produced were in the final stages for the production of the towers, painting, fitting of internals and quality inspections.

The main building contains the plate rolling, welding, blasting and painting facilities. Keppel Prince has two plate rolling machines where the processed steel is rolled into required cylindrical size. The blasting room where fine metal particles are used to blast clean the tower section prior to painting. The paint room is where each tower section is painted and subject to quality control for the painting. We observed the inspection of a recently painted tower section for the Gullen Range being subject to quality control inspection for the paint.

As requested by the Commission, Keppel Prince showed us a complete tower section for the Gullen Range wind farm fitted out with the internals; that included ladders, electrical fittings and platforms. Isolators which are used to move tower sections around the facility were also pointed out to us.

3.5 Like goods

Like goods are defined in the legislation 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.

Keppel Prince manufacture wind towers matching the purchaser's specifications on a project-by-project basis and are have like characteristics as follows.

(a) Physical likeness

Although wind towers are built to each OEM's particular specifications, both imported and those produced in Australia all share basic physical characteristics – all are tubular steel towers with components such as doors, ladders, flooring, cables and wiring, and lights typically attached to the inner diameter of the welded steel plates.

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Wind towers vary in size and are built to a number of specifications, such as steel, welding, coating, and quality inspection standards that carry over from one OEM to the next. Therefore certain OEMs may have certain specifications that differ from the standard specifications, but the standards are general to the industry and have been adopted by most manufacturers.

Although every OEM has particular specifications it requires both overseas and Australian manufacturers to meet those standards for a particular wind project's wind towers.

(b) Commercial likeness

Australian industry wind towers compete directly with imported wind towers in the Australian market solely on price. All wind towers are sold directly to the OEM, which incorporates them into wind turbines.

(c) Functional likeness

Both the locally produced and imported wind towers have comparable or identical end-uses. All wind towers are used exclusively as part of wind turbines for supporting and elevating the nacelle and blades for the generation of electricity.

(d) Production likeness

Locally produced and imported wind towers are manufactured in a similar manner and via similar production processes. All wind towers are produced by similar production methods utilising carbon steel welded into sections, before transportation to the wind project site for final assembly into wind towers.

Keppel Price advised that they had visited the manufacturing facilities of Shanghai Taisheng Wind power Equipment Co Ltd (Shanghai Taisheng) in China and had observed that the production facilities and process were similar to those at Keppel Prince.

Conclusion

The 17 wind towers that Keppel Prince is manufacturing for the Gullen Range project are 85 metre high towers. There are also 56 wind towers 80 metres high; that are being supplied by Shanghai Taisheng of China for the Gullen Range wind farm.

Keppel Prince claims that it suffered price undercutting and price depression for the 17 towers it won when it had to benchmark its bids against the allegedly dumped import prices of bids from China for Gullen Range.

Keppel Prince also claims that it lost its bid for the other 56 towers when it had to compete against the allegedly dumped import prices of bids from China for Gullen Range.

Based on information submitted in the application, requested by the Commission and gathered during the visit, we are satisfied that locally produced wind towers are like goods to imported wind towers. The Commission will further consider this issue during the investigation.

3.6 Employment numbers

Keppel Prince had a total workforce of 362 at December 2012 of which 71 were employed in the production of wind towers, the number of employees in the production of wind

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towers had reduced to 64 by June 2013. The number of employees in the production of wind towers at December 2007 was 182.

3.7 Annual turnover

Total revenue for Keppel Prince in 2012 was approximately \$ [REDACTED] million of which approximately \$ [REDACTED] million was from wind towers. Total revenue for the half year to June 2013 was approximately \$ [REDACTED] million which approximately \$ [REDACTED] million was from wind towers.

3.8 Capacity

Keppel Prince stated that its current annual capacity was [REDACTED] three section towers per year. Keppel Prince provided copies of minutes of two weekly project meetings from 2008 that showed it was manufacturing [REDACTED] tower sections for those weeks. Manufacturing [REDACTED] weeks of the year gives Keppel Prince an annual capacity of [REDACTED] three section towers. Keppel Prince manufactured [REDACTED] three section towers in 2008.

Documents supporting capacity at Keppel Prince are at **Confidential attachment P1**.

4 AUSTRALIAN MARKET

4.1 Introduction

The Australian market for wind towers is supplied by Keppel Price, other industry members and imports from China, Korea, the Socialist Republic of Vietnam (Vietnam) and the Republic of Indonesia (Indonesia).

The Australian industry in its application submitted the Australian wind tower market commenced operation in 2000 coinciding with changes in Government policy and legislation. When the market commenced, local wind tower manufacturers established operations close to high wind zones on the South Eastern areas of Australia at Portland (Keppel Prince), Adelaide (RPG Aus Administration Pty Ltd, RPG) and Launceston (Hayward).

On 4 February 2013, the RPG Wind Tower business, RPG Aus. Pty Ltd (ACN 119 261 344) and its controlled entities were wound up. The Commission notes that available information shows that the key personnel and assets of RPG used to manufacture wind towers were purchased by E&A Contractors (E&A) in November 2012. The information also shows that E&A secured a contract for the supply of 20 wind towers to the Snowtown II wind farm project in 2012/13.

4.2 Market, segmentation and demand

The wind tower market can be segmented into two wind farm segments according to scale:

1. Large scale commercial wind farms generating over 30MW of renewable energy; and
2. Community wind farms which are largely owned by local community members and are predominantly under 30MW with the number of wind towers less than 10.

The Australian industry supply to both these market segments and claim both are exposed to material injury by the allegedly dumped imported towers.

Demand for wind towers in Australia has fluctuated from 100 to 200 towers per year since the market commenced. However, the applicants claim that the Australian market for wind towers is expected to double during the next 2-3 years as renewable energy policy heads towards achieving a 20% renewable energy mix by 2020. In order to meet this target the applicants estimate that approximately 400 wind towers per year would be required.

The broad driver of wind farm installations generally has been the growing international trend of nations increasing in-country supply of renewable energy sources. The primary driver of renewable energy demand has been Commonwealth Government legislation found in the *Renewable Energy (Electricity) Act 2000 (Cth)*, which requires electricity retailers to source an increasing proportion of their electricity from accredited renewable sources, via the Renewable Energy Target (RET).

Keppel Prince advised that it has quoted and supplied wind towers to wind farms in New South Wales, Victoria and South Australia since the commencement of the injury assessment period in 2008.

Keppel Prince said that it had not quoted for or supplied for Queensland, Western Australia or Tasmanian projects in recent years. Keppel Prince were not sure whether RPG had quoted on any Queensland projects from its branch in Dalby, Queensland. Haywards had the advantage in Tasmania of being the local manufacturer.

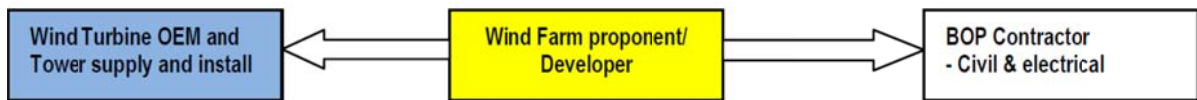
Keppel Prince said the industry had not quoted for work in Western Australia since 2010 as it could not compete with imports due to the high cost of transport large distances across Australia and believed that imports from Indonesia and Vietnam supplied wind towers for the projects there.

4.3 Marketing and distribution

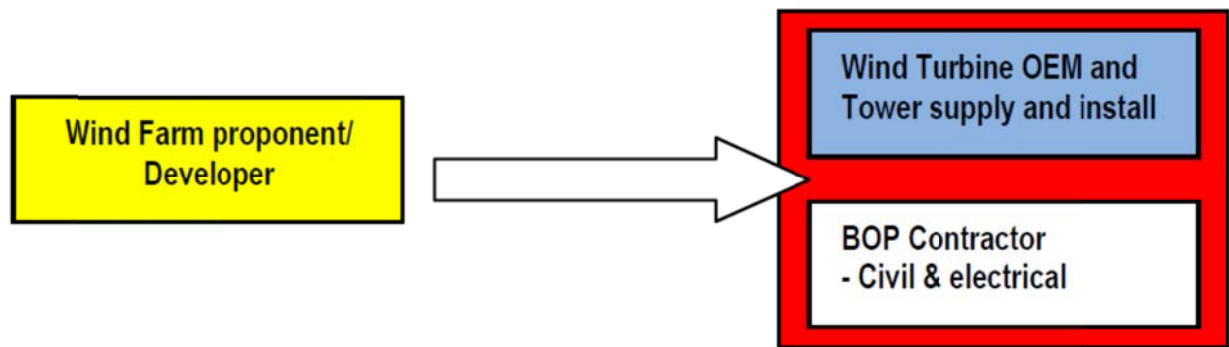
The supply chain for wind towers has traditionally been controlled by the wind turbine original equipment manufacturers (OEMs) whose clients are the wind farm proponents/developer. An alternate supply chain arrangement sometimes occurs whereby the wind tower supply component of the construction contract rests with the EPC (contracted Engineer Procurement and Construct firm).

Three common contracting methods are:

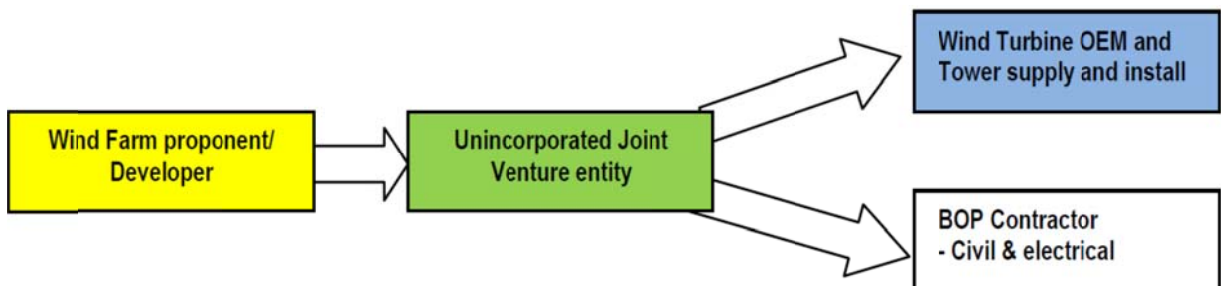
- a) separate contracts for the wind tower and turbine supply and installation, and the Balance of Plant (BOP);



- b) EPC single contracting structure with one entity;

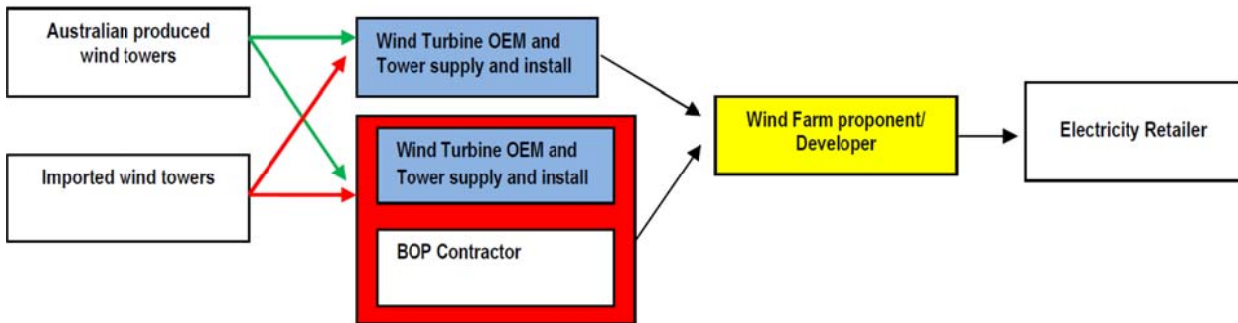


- c) unincorporated joint venture whereby a wind farm developer enters into a single contract with a consortium structure.



Wind tower channel to the market

Depending on the contract model used, both Australian and overseas wind tower manufacturers supply wind towers directly to either the OEM turbine producer or the EPC firm.



The total value of a wind tower constitutes approximately 8% of a fully constructed wind turbine¹. A wind tower supply tender is placed with pre-qualified tower manufacturers, both locally and overseas. The tender may call for ex-works price offers or pricing delivered to site. Local currency is used for wind tower pricing. At times, tenders may call for offers based on a mix of free-issue material components, which may include any combination of the following inputs supplied by the OEM to be combined with the production components of the wind tower manufacturer:

- Steel plate;
- Flanges;
- Flange bolts;
- Paint;
- Mechanical internal components;
- Main electrical cables and allied components; and
- Lifts.

Keppel Prince said that there are six main wind unit suppliers for wind farms in the Australian market, these are:

- GE Energy (GE);
- Goldwind Australia Pty Ltd (Goldwind);
- REpower Australia;
- Siemens Ltd Australia (Siemens);
- Acciona Energy Oceania Pty Ltd (Acciona); and
- Vestas Wind Systems A/S (Vestas).

Keppel advised that the suppliers had no preference for locally produced or imported towers and that all had purchased locally and imported towers at times for the different projects that they had supplied for.

¹ Based on an average wind tower value of \$500k and an average installed wind turbine value of \$6m.

4.4 Tender and supply process

The market for wind towers is a tender process for each project. Keppel Prince provided a brief summary and overview of the process as follows.

Project phase

A feasibility study is conducted for a wind farm that includes testing for the appropriate wind conditions, liaison with the local community and the seeking of development approval and a power purchase agreement is sought for the project.

After the development approval and power agreements are in place project managers are invited to tender for the wind farm project. This process may take one to two years and may also see the projects delayed, changes in size and changes in project managers.

The project managers will call for requests for quotations from companies to supply materials including, wind towers, turbines and nacelles based on the wind units that the project managers propose for the wind farms.

The wind tower units may vary in specifications including height, the internals and embeds and the free issue materials. As such Keppel Prince can be providing different prices to the project managers depending on the tower specifications, companies usually have one month to provide their quotation.

Tender process for wind towers phase

Approximately six months after the request for tenders from the project managers a shortlisted Wind Tower supplier is chosen. The winning supplier will then contact companies concerned to provide a firm price for the project.

Negotiations over price and clarification of specifications and terms take place over the next two to three months with a firm fixed price contract covering the supply of wind towers for the project.

Changes can also occur during this process in areas such as steel, flanges, internals and tower design.

The wind towers are generally delivered to the site four to six months after the signing of the contract at a rate of two to four towers per week depending on the construction schedule.

The time from the first quotation to the winning project manager to the supply of the first towers takes around nine months, whilst manufacturing and delivery for large projects may occur over a period of two years.

4.5 Demand

Demand for wind towers in Australia has fluctuated from 100 to 200 towers per year since the market commenced. However, the applicants claim that the Australian market for wind towers is expected to double during the next 2-3 years as renewable energy policy heads towards achieving the mandated Renewable Energy Target (RET) of 41,000 GW

by 2020. In order to meet this target the applicants estimate that approximately 400 wind towers per year would be required.

The broad driver of wind farm installations generally has been the growing international trend of nations increasing in-country supply of renewable energy sources. The primary driver of renewable energy demand has been Commonwealth Government legislation found in the *Renewable Energy (Electricity) Act 2000 (Cth)*, which requires electricity retailers to source an increasing proportion of their electricity from accredited renewable sources to meet their obligations under the RET.

4.6 Substitutes

Keppel Prince said that steel lattice towers had been used in the United States, but not in Australia, lattice towers were only suitable up to a certain height and capacity.

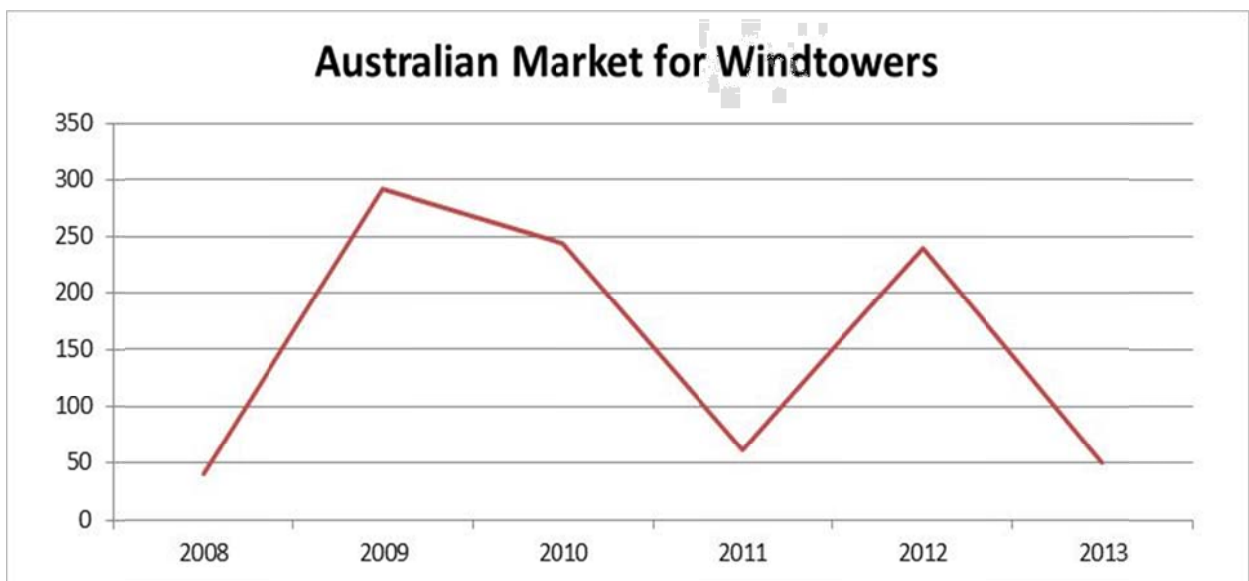
Concrete towers were used for offshore installations; the concrete towers were generally around 150 metres high. Steel towers were the most economical for the preferred heights of 70-85 metres. A combination of a tower with a concrete base and two steel top sections had been examined but had not gone ahead.

4.7 Market size

In Consideration Report 221 the Commission considered that the date the contract was awarded should be regarded as the effective date of sale as it reflects when a sale was won or lost by the Australian industry. The Commission noted that there will be a time lag between the awarding of the contract and the physical supply of towers, whether the towers are imported or supplied by the Australian industry.

The following graph depicts the Commission's estimate of the Australian market based on the date of contract for supply for the wind towers using information provided in the application, requested by the Commission and verified with Keppel Prince.

The Commission estimates that in calendar year 2012, the size of the Australian market for wind towers was approximately 240 towers, in the first half of 2013 the market comprised one project of 51 towers.



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The market can vary significantly year to year, noting that the market for 2013 is for the first six months and that there were other projects for tender after June 2013.

The assessment of the size of the Australian market will be reviewed when information is provided by other industry members, importers, exporters and other interested parties.

5 SALES

5.1 General

Keppel Prince's production of wind towers is entirely made-to-order. Following a tender process, negotiations on price and final contract agreement, Keppel Prince produce wind towers according to the specifications in the contract.

Keppel Prince's customers nominate the precise specifications that they require for their wind towers, including technical specifications such as size, paint finish, internal fittings and detailed technical requirements tailored to the project.

No related party sales, rebates or discounts to sales were observed for any transactions made during the investigation period.

Keppel Prince informed the Commission that the company has not previously produced wind towers for sale on the export market and that it has not imported wind towers or purchased imported wind towers. Keppel Prince does import components used in wind towers, such as flanges and cables, and it either makes or imports internal components.

Keppel Prince also advised that it does not purchase or sell to other industry members and that there are no contra/ swap arrangements in place.

Due to the bespoke nature of each wind tower, all of Keppel Prince's sales and delivery schedules are pre-determined by contracts entered into with customers.

Generally sales contracts between Keppel Prince and its customers contain a schedule listing payments at certain milestones, or agreed periods. These milestones differ from contract to contract. As requested by the Commission and provided by Keppel Prince, for



Sales were requested by the Commission and verified for the Mortons Lane and Gullen Range projects, both of which Keppel Prince delivered wind towers to the customer during 2012 and 2013.

5.2 Verification of sales data to audited financial statements

Information requested by the Commission, supplied by Keppel Prince and verified to the audited financial statement gave a reasonable level of assurance that the sales information provided by Keppel Prince in the application was complete and relevant.

Keppel Prince's sales revenue is an item in the general ledger. This account code, [REDACTED], contains all external sales revenue earned across its business, including wind towers.

The revenue line in the audited financial statement for 2012, Note 2, revenue from operating activities (services) reconciled to the account code [REDACTED] in the general ledger, less work in progress and to the profit and loss report from JobPac. This confirmed that the account [REDACTED] captured all sales revenue for 2012 consistent with

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the audited financial statements. These documents are at **Confidential Attachment Sales 1**.

Each line in account [REDACTED] also contained a reference code for the project or business unit to which the sale was attributable to. Within the wind energy business unit, Keppel Prince allocated project codes to each wind tower project. For example, as requested by the Commission and provided by Keppel Prince the Mortons Lane codes are

[REDACTED]. The Gullen Range codes are [REDACTED].

As requested by the Commission, Keppel Prince provided a detailed Appendix A4 listing sales for its financial year 2012. The listing was for sales in its Darts Road workshop division, prefixed with 'W', where sales for wind towers are recorded. As requested by the Commission and verified by Keppel Prince, sales for wind towers for 2012 comprised continuing sales for the MacArthur wind farm project (commenced in 2011), Mortons Lane and [REDACTED] for Gullen Range.

When filtered for the applicable project codes for Gullen Range and Moretons Lane, the sales revenue collected for each project reconciled with Appendix A4 and to the Appendix A6.1 provided with the application. As requested by the Commission, Keppel Prince also provided a detailed Appendix A6 which itemised costs and sales in each calendar year, from which we reconciled sales from the general ledger to the detailed Appendix A6. These documents are at **Confidential Attachment Sales 2**.

Sales for wind towers for 2013 comprised continuing sales for Gullen Range and ten embeds for Mt Mercer. Keppel Prince accounts for the half year to July 2013 are not audited. As requested by the Commission, Keppel Prince provided a profit and loss report to June 2013 from JobPac, an A4 listing of sales for wind towers and a detailed Appendix A.6 for the first half of 2013 and detailed Appendix A.6 for the Gullen Range and Mt Mercer projects. The A4 listing reconciled to the A.6 sales, these documents are at **Confidential Attachment Sales 3**.

As requested by the Commission, Keppel Prince also provided a detailed Appendix A6 listing that showed total revenue and costs for each project. This document is at **Confidential Attachment Sales 4**.

As previously noted wind tower sales can occur over a period of more than one financial year. The MacArthur project was commenced in 2011 and finished in 2012, Gullen Range commenced in 2012 and finished in 2013. The Commission intends to examine injury by project in its analysis of revenue and costs.

5.3 Verification of sales data to source documents

The Commission requested and verified the sales information provided by Keppel Prince to commercial source documents which gave a reasonable level of assurance that data captured in Keppel Prince's application was accurate.

As requested by the Commission, Keppel Prince provided the Commission with verification for the Mortons Lane project. Mortons Lane was a project for 13 wind towers, embeds and internals. Keppel Prince offered the project manager,

[REDACTED]. The price was an [REDACTED] and a purchase order for the towers was issued [REDACTED].

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As requested by the Commission and provided by Keppel Prince, all invoices reflected Appendix A4, and also information in Keppel Prince's project-based accounting software, JobPac. Proof of payment by the customer was requested by the Commission and collected, and payment verified as accurately reflective of the invoiced amount. There were invoices issued and payments received for extra items to the contract,

[REDACTED]. As requested by the Commission evidence relating to Mortons Lane is at **Confidential Attachment Sales 5**.

Verification of Gullen Range sales was also requested by the Commission and provided.

[REDACTED]. All information collected relating to sales for Gullen Range reflected consistent information, and provided a reasonable level of assurance that the sales information provided by the applicant to the Commission was accurate.

As requested by the Commission and provided by Keppel Prince, terms [REDACTED] matched to the payments in regards to delivery and credit terms. For Gullen Range, delivery was included in the sales contract. Delivery is provided by a third party unrelated to Keppel Prince.

[REDACTED] A delivery charge between Keppel Prince and its transport provider related to the Gullen Range project was selected for further verification. The Commission requested copies of documents relating to Gullen Range which are at **Confidential Attachment Sales 6**.

5.4 Sales – conclusion

We consider that Keppel Prince sales data in Appendix A6, is a reasonably complete, relevant and accurate reflection of sales of wind towers during the period from 1 January 2012 to 30 June 2013.

Accordingly, we consider the Keppel Prince sales data in Appendix A6 is suitable for analysing the economic performance of its wind tower operations from 1 January 2008.

6 COST TO MAKE AND SELL

6.1 General

Keppel Prince operates on a January to December financial year, and the most recent audited full year accounts are for the year ended 31 December 2012. The investigation period is from 1 January 2012 to 30 June 2013. We verified costs on a per project basis, for the investigation period, as the cost to make and sell varies project-to-project and to the audited accounts for the relevant parts of the project for that year.

6.2 Verification of cost to make and sell data to audited financial statements

To assess the cost to make and sell data for completeness and relevance, as requested by the Commission verification to audited financial statements was undertaken. In the application, Keppel Prince provided a copy of the chart of accounts (**Confidential Attachment Costs1**) and the audited financial statements (**Confidential Attachment Costs2**). During the verification visit, as requested by the Commission Keppel Prince provided a copy of a detailed profit and loss report (**Confidential Attachment Costs3**) that could be verified up to the audited financial statements and down to the specific ledger accounts and relevant operating division, business (wind energy business) and products, allowing reconciliation of transactions and amounts with the data submitted in the Appendix A6. As requested by the Commission and provided by Keppel Prince, Appendix A6 itemised costs and sales on a per project basis according to calendar years.

6.3 Verification of production costs to source documents

To assess cost data for accuracy, the Commission requested and undertook verification to source documents.. Within different cost categories, transactions and amounts were selected, and Keppel Prince was asked to provide source documents to support figures submitted to the Commission.

As requested Keppel Prince provided the Commission with a job costing diagram (**Confidential Attachment CTM1**) depicting the costing process applied by Keppel Prince to all projects and supporting advice on the differing tiers of reports (e.g. job, divisional and company) leveraged to manage projects.

The job costing diagram shows the organisational operating divisions, with a number of divisions accruing costs in the construction of wind towers (e.g. quality division for non-destruction testing), with costs for each division recovered by respective divisions.

As requested by the Commission, Keppel Prince provided a combination of print outs from JobPac, exported excel reports, internal memorandums, meeting minutes, payroll reports and source commercial documents for verification testing.

As requested by the Commission, verification testing commenced with a review of all cost types associated with the Morton's Lane project for Goldwind. The Morton's Lane project consisted of the provision of 13 towers, internals and embeds. Within the wind energy business unit, Keppel Prince allocates a code for each project, for Morton's Lane the overarching project code is [REDACTED]. A project code is applied to each individual tower within the project, [REDACTED] (**Confidential Attachment CTM2**); [REDACTED] for internals and [REDACTED] for embeds.

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The Gullen Range project was also subject to verification testing, a project consisting of 17 towers completed with internals and embeds for Keppel Prince, noting the total project comprises 73 wind towers of which Keppel Prince was successful in providing 17 towers. For the Gullen's Range project, the codes are [REDACTED].

The Commission requested and Keppel Prince provided cost information; costs examined were actual costs and successfully reconciled on a per project basis. For example, as requested by the Commission information showed the material costs of \$[REDACTED] relating to the Morton's Lane project, was reconciled to a total business level and then through to the audited statement of comprehensive income for the year ended 31 December 2012. Different components of the material costs were then verified in further detail to source documents as requested (**Confidential Attachment CTM3**), followed by verification of key project cost types to source documents.

The Commission requested verification testing, reviewing the job enquiry sheet from JobPac for the Morton's Lane Project. Material costs make up approximately [REDACTED]% of the total project cost to manufacture wind towers. Information requested by the Commission showed the three key material costs accounted for about [REDACTED]% of total material costs, reflecting steel plate ([REDACTED]%), internals ([REDACTED]%) and flanges ([REDACTED]%).

Wind tower sections are cut from rectangular steel plates and roll-formed, and welded into cone sections. Each tower comprises multiple sections (top, middle and bottom parts), differentiated in size and tapered vertically. As requested by the Commission, Keppel Prince provided a listing from its ledger of the total steel costs for Mortons Lane. From that listing we selected steel plate transactions from BlueScope Distribution Pty Ltd (BlueScope) for verification testing. We requested and examined commercial invoices, coupled with the original quotes, remittance advice and evidence of payment (**Confidential Attachment CTM 4**). The steel plate for the towers is cut to size for each section by BlueScope, the price of the steel was a fixed price for delivery in February to April 2012.

Internal material costs refer to the parts which form the interior of the wind towers. These parts relate to aspects such as ladders and brackets, platforms, electrical cables and cable trays, internal lighting and tower doors. On request we verified internal costs associated with project code [REDACTED] (**Confidential Attachment CTM5**), specifically cable clamps and guides, and imported flange bolts (speciality high tensile bolts) in further detail, reviewing source documents, reconciling costs to the general ledger account. We verified the costs on a free into store (FIS) basis. As part of the verification process for internals, we requested and examined source documents supporting internal transfers, from the School Road division into [REDACTED].

Steel flanges are welded on each side of the rolled sections of the wind tower and connected by high strength bolts and are imported from Korea. We requested and examined the direct material general ledger account [REDACTED] for flanges relating to [REDACTED] and reconciled reported costs with the commercial invoice (**Confidential Attachment CTM6**).

We requested and reviewed paint material costs which accounted for about [REDACTED]% of total material costs. A coating agent is applied to wind towers to protect the structure from the corrosive effects of the elements. Protective coatings are applied to both the interior and exterior of the wind towers. Paint material costs [REDACTED] were verified. Actual costs were \$[REDACTED].

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attributable to set-up costs, maintenance, and transportation. We also requested and verified costs associated with the performance of quality assurance activities (**Confidential Attachment CTM12**). Data was verified and reconciled with labour costs in Appendix 6 as requested by the Commission.

The depreciation charge for the year ended 31 December 2012 was \$ [REDACTED]. Keppel Prince provided a reconciliation of divisional depreciation up to the audited financial statements for verification testing. We selected two transactions for examination (**Confidential Attachment CTM13**) showing the calculation of depreciation for costs for building works and equipment, with supporting commercial invoices and purchase order. We are satisfied with the basis in which depreciation costs have been presented.

6.3.1 Accuracy of production costs - conclusion

Having regard to all of the above we consider the production cost data provided is a reasonably accurate account of the actual costs to manufacture wind towers during the period from 1 January 2012 to 30 June 2013.

6.4 Verification of selling, distribution and administration costs to source documents

The allocation method for selling, general and administration (SG&A) cost apportionment was requested by the Commission and reviewed, noting the percentage of SG&A over net sales revenue at a total business level

[REDACTED]

[REDACTED] . Keppel Prince explained

[REDACTED] . Furthermore, Keppel Prince also advised higher finance costs for Wind projects are often incurred due to the holding costs for raw materials and it often funding from the parent company to cover working capital.

We requested further detail on the approach and data to substantiate the methodology applied. Keppel Prince indicated administrative costs may be understated and will consider lodging a further submission at a later date. We informed Keppel Prince, the Commission would apply the company wide SG&A rate for the present time.

6.4.1 Accuracy of selling, distribution and administration costs - conclusion

Having regard to all of the above we consider the selling, distribution and administration cost data provided is a reasonably accurate account of the actual costs to sell wind towers during the period from 1 January 2012 to 30 June 2013.

6.5 Costs to make and sell – conclusion

We consider that Keppel Prince cost to make and sell data in Appendix A6, is a reasonably complete, relevant and accurate reflection of the actual costs to manufacture and sell wind towers during the period from 1 January 2012 to 30 June 2013.

Accordingly, we consider the Keppel Prince cost to make and sell data in Appendix A6 is suitable for analysing the economic performance of its wind tower operations from 1 January 2008.

7 ECONOMIC CONDITION

7.1 Approach to injury analysis

At the consideration stage, the Commission stated in Consideration Report 221 that it did not consider it appropriate to assess on reasonable grounds the injurious effects of the alleged dumping using trend analysis over a fixed injury assessment period. Instead, the injury and causal link assessment would be more meaningful if each tender was examined individually in the first instance, followed by an overall assessment as to whether injury caused by dumping is material.

The Commission came to this reasoning as the information before it showed:

- Wind towers are made to the purchasers' specifications on a project-by-project basis. Therefore, no two wind tower projects are identical. However, each wind tower must accord with the OEM's specifications regardless of its origin;
- The tender for wind towers may call for ex-works price offers, or pricing delivered to site. Local currency is used for wind tower pricing. However, at times tenders call for offers based on a mix of free-issue material components; and
- The time lag between the awarding of the tender and the actual delivery of the wind towers may result in injury being experienced a considerable time after the tender has been lost.

Following the visit to Keppel Prince the Commission remains of the view that the injury analysis, as detailed in this section, be primarily based on information in respect of specific tenders, but also consider general financial information verified with Keppel Prince.

7.2 Injury claims

Keppel Prince claimed that material injury in respect of wind towers commenced impacting profits and profitability in 2010 and identified the injurious effects as:

- loss of sales volume;
- loss of market share;
- price depression;
- price suppression;
- reduced profits; and
- reduced profitability.

At the visit Keppel Prince also claimed it had been injured through reduced revenue, reduced staff numbers, reduced production and capacity utilisation, reduced return on investment and reduced investment.

The Commission examined the economic performance of Keppel Prince from 2008 on a calendar year basis taking into the account the contracts won for that year.

7.3 Volume effects

Tender volumes

In assessing volume effects the Commission has examined the number of wind towers placed for tender over the investigation period; the number of wind towers that Keppel

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Prince successfully bid for; and the number of wind towers where Keppel Prince was unsuccessful.

The Commission requested information in relation to lost bids, and Keppel Prince claimed it had bid for and lost the following tenders in the investigation period to the allegedly dumped imports from China and Korea.

- The Gullen Range project in NSW originally comprised 73 wind towers; Keppel Prince quoted for 73 and was awarded 17 whilst 56 were sourced from China.
- The Snowtown II project in South Australia comprised 90 wind towers; Keppel Prince quoted for 90 and was unsuccessful, E&A were awarded 20, whilst 70 were sourced from offshore.
- The Mt Mercer project in Victoria comprised 64 wind towers; Keppel Prince quoted for 64 and was unsuccessful with the 64 wind towers sourced from Korea.

Keppel Prince was successful in the following other available tenders.

The Morton's Lane project in Victoria comprised 13 wind towers of which Keppel Prince was successful was awarded all 13.

All of the above tenders were awarded in the 2012 calendar year; the total available for tender was 240 wind towers of which Keppel Prince was successful in obtaining 30 wind towers and another industry member E&A obtained 20 wind towers.

There was one tender available in the first six months of 2013 that is part of the investigation period; the Taralga project in Victoria that comprised 51 wind towers. Keppel Prince quoted for and was awarded all 51 towers.

Keppel Prince was awarded 30 wind towers for 2012.

The Commission considers that Keppel Prince has suffered injury in the form of reduced volumes given the outcome of the tenders in 2012.

Market share

As noted at section 4.7 the market can vary substantially in size from year to year.

Information to date shows that there were 240 wind towers that were open to tender and awarded in 2012. The available information requested by the Commission shows that suppliers from China were successful in winning the contracts for 126 wind towers (51% of the available tenders), suppliers from Korea for 64 wind towers (26% of tenders) and Keppel Prince for 30 wind towers (12.5% of tenders) whilst another industry member, E&A, won 20 wind towers (8% of tenders).

Keppel Prince won the only tender available in the first half of 2013.

However, the Commission considers that Keppel Prince has suffered injury in the form of reduced market share given the outcome of the tenders in 2012.

7.4 Price suppression and depression

Price depression occurs when a company, for some reason, lowers its prices.

Price suppression occurs when price increases for the applicant's product, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

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Keppel Prince claimed it had suffered price depression on contracts it had bid for during the investigation period when it was forced to lower its prices to compete with bids against imported wind towers.

The Commission requested evidence relating to Keppel Princes bids during the investigation period that showed it had lowered its prices in response to pressure from prices of wind towers from China and Korea.

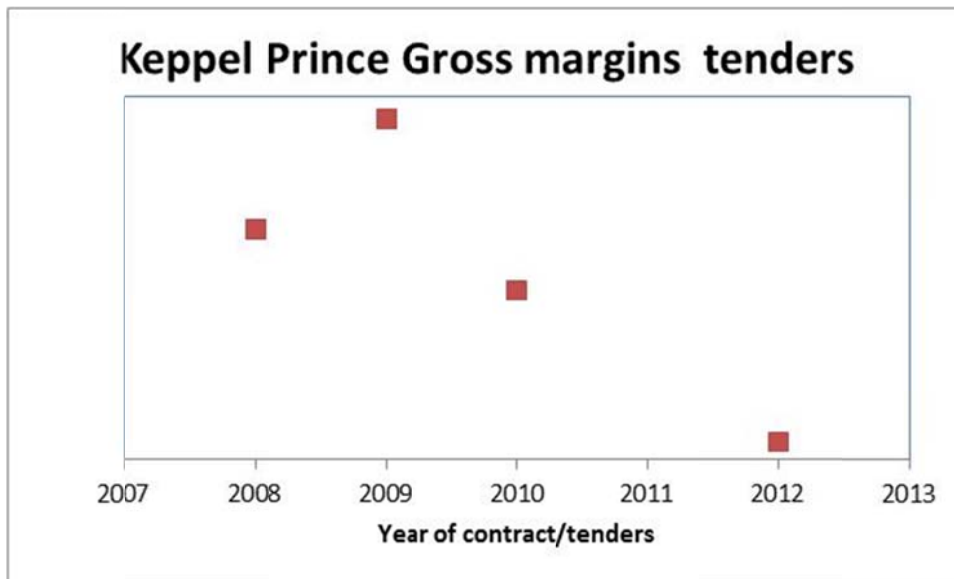
The evidence included

[REDACTED] for the following projects in the investigation period:

- Sno wtown II;
- Gull n Range;
- Mortons Lane;
- Mt Mercer; and
- Taralga.

The Commission considers that on the basis of this information that Keppel Prince has suffered injury in the form of price depression.

Keppel Prince also claimed that its gross profit and net profit margins had been reduced, Keppel Prince said that all bids are assessed on the basis of their gross profit contribution to the company. The Commission compared the margins that Keppel Prince achieved over the injury period as shown in the following chart.



The chart shows that Keppel Prince's margins increased in 2009 before decreasing in 2010 and 2012. Note that Keppel Prince did not win any tenders in 2011.

The Commission considers that on the basis of this information that Keppel Prince has suffered injury in the form of price suppression.

7.5 Price undercutting

Price undercutting occurs when imported product is sold at a price below that of the Australian manufactured product. The Commission requested and Keppel Prince

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provided evidence that showed it had to meet prices of wind towers from China and Korea and when it could not it lost those tenders.

The Commission considers that on the basis of this information that Keppel Prince has suffered injury in the form of price undercutting.

7.6 Profits and profitability

The graph on margins at section 7.4 shows that Keppel Prince's profitability has been declining from 2009. The Commission considers that on the basis of this information that Keppel Prince has suffered injury in the form of reduced profitability.

Keppel Prince's profit amounts are determined by the number of tenders it wins in the market, in a fluctuating market its profits are affected as much by the number of tenders available as to how many it does win.

Given that Keppel Prince lost volumes, suffered price depression and price suppression in 2012 the Commission considers that Keppel Prince has suffered injury in the form of reduced profits.

7.7 Other economic factors

Keppel Prince provided an Appendix A7 for wind towers from 2009 to July 2013.

Assets

The value of assets in the production of power transformers has declined since 2009.

Capital investment

Capital investment increased from 2009 to 2011 but has steadily fallen since then.

Keppel Prince provided copies of minutes of board meetings to show that it had plans to invest more in its wind towers business through increasing its capacity to ■■■ towers per year. Keppel Prince claimed that these plans were contingent on Keppel Prince being able to secure wind tower contracts and the planned expansion was put on hold due to the entry of the alleged dumped imports from China and Korea

Research and development (R&D) expenditure

R&D expenditure was not provided.

Revenue

Revenue is influenced by the type of wind towers awarded for tender, for example height and inclusion of embeds and internals and the terms of delivery, for example free on truck or ex-works.

Revenue for wind towers was relatively stable from 2009 to 2010 and has decreased in 2012. This decrease can be attributed to Keppel Prince not winning tenders in 2012.

Return on investment

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Return on income, measured as earnings before interest and tax over total assets, fell consistently from 2009 to 2013.

Capacity

Capacity has remained at [REDACTED] wind towers per year over the period.

Capacity utilisation

Capacity utilisation fell from 2009 to 2010 and has fallen steadily since then.

Employment

Employment was relatively stable from 2009 to 2011 but staff numbers have reduced each year since then.

Productivity

Productivity was relatively stable in 2009, 2011 and 2012 with declines in 2010 and 2013.

Wages

The wage bill declined from 2009 to 2010, increased in 2011 and decreased from then in line with production.

7.8 Conclusion

The information and data indicates that Keppel Prince suffered injury through:

- loss of sales volume;
- reduced market share;
- price undercutting;
- price suppression;
- price depression;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced investment;
- reduced capacity utilisation; and
- reduced employment.

8 CAUSATION

We discussed with Keppel Prince whether the alleged dumping of imported wind towers can be demonstrated to be causing material injury to the Australian industry.

8.1 Price effects

Keppel Prince advised that all sales for wind towers are via a tender process as discussed at section 4.4.

Each project is generally unique in the tower specifications and requirements. Information on Price requested by the Commission and supplied by Keppel Prince showed Pricing can be affected by a range of factors applying to the project including:

- Delivery, terms may be free on truck (FOT) to site or ex-works, delivery can add [REDACTED] or more to the price of each tower;
- Free issue, items such as bolts, flanges and internals may be free issued or to be included in the price. Flanges and internals can be worth another \$ [REDACTED] each in the pricing of the towers;
- Generating capacity, a tower designed to support a generating capacity of 2.5 MW will require thicker steel, and thus be more expensive, than one designed to support a generating capacity of 1.5 MW;
- Embeds; some towers may use embeds and others bolts cages as the base for the wind towers. Bolt cages are basically segmented embeds using bolts and segments concreted into the ground to form the base.

The Commission considers at this stage that bolt cages, given their similarity to embeds, also form part of the goods.

When requested by the Commission, Keppel Prince also advised that the different project managers have different payment and delivery terms that also affect pricing.



Storage fees for towers may be charged for unplanned delays by the project manager.

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All project managers have bought wind towers from Australian industry and have used imports in their projects. None have shown a preference for industry or imported product and price appears to be the main criteria.

When the Commission requested further details about pricing pressures, Keppel Prince said that it first began experiencing price pressures during the Macarthur NSW wind farm project in 2010 when

[REDACTED]. Keppel Prince said that it was forced to reduce its pricing for Macarthur. The Macarthur project was agreed to in late 2010, production and delivery of the 80 towers occurred in 2011 and 2012. As requested by the Commission evidence relating to the Macarthur project are at **Confidential Attachment INJ1**.

There were only two wind tower projects for tender in 2011; the Western Australia Albany II project for six wind towers and the Tasmanian Mussleroe project for 56 wind towers. Keppel Prince did not bid for either project.

In examining causal link the Commission will only focus on injury caused during the investigation period as this is the period where the exported goods are assessed for dumping. The projects listed below were all decided during the investigation period.

There were four projects available for tender during 2012:

- Snowtown II, 90 wind towers;
- Gullen Range, 73 wind towers;
- Moretons Lane, 13 wind towers; and
- Mt Mercer, 64 wind towers.

There was one project available for tender in the first half of 2013, the Taralga project that had 51 wind towers for tender.

As requested by the Commission, Keppel Prince provided evidence of price pressure for both successful and unsuccessful tenders in order to establish the causal link between the allegedly dumped imports and the injury suffered as a result of price undercutting and price suppression.

The evidence requested by the Commission

[REDACTED].

Successful tenders – price suppression and price depression

Moretons Lane – 13 towers

Information regarding the Mortons Lane tender was requested by the Commission and provided by Keppel Prince. The project included 11 wind towers without lifts, 2 wind towers with lifts with 13 embeds and internals, Goldwind was the project manager and purchaser of the wind towers. Terms were ex-works.

As requested by the Commission Keppel Prince provided quote information regarding Mortons Lane. Keppel Prince first quoted in March 2011 and made two further quotes in December 2011, reducing its price each time. Keppel Prince explained that

[REDACTED]

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[REDACTED]
Keppel Prince advised that there were [REDACTED]

[REDACTED] Keppel Prince made a revised offer on 5 December 2011 that was [REDACTED] % below its March offer. Keppel Prince noted that it had priced the internals at import parity pricing and that the [REDACTED]

Goldwind advised [REDACTED]

[REDACTED]. Keppel Prince revised its offer down by a [REDACTED] % on 25 December 2011, this offer was accepted and a purchase order issued in January 2012.

Mortons Lane – 11 towers without lift, 2 with lifts – 13 embeds and internals

[REDACTED] The Mortons Lane project was completed in the investigation period. Information requested by the Commission and provided by Keppel Prince showed that its gross margin on the Moreton Lane project was negative [REDACTED] %, this margin is lower than the gross margin achieved on wind towers prior to 2012.

Gullen Range – 17 towers - 85 metres - 1.5MW

The Commission requested information on the Gullen Range project which was provided by Keppel Prince. The Gullen Range tender was for 73 wind towers with embeds and internals, terms were delivered to site. 17 towers were 85 metres high designed for a 1.5 MW capacity, whilst 56 towers were 80 metres high designed for a 2.5 MW capacity. Keppel Prince was successful in winning the tender for the 17 wind towers 85 metres high, the unsuccessful bid for the 56 towers is examined in the next section. Goldwind was the project manager and purchaser of the wind towers.

The Commission requested Keppel Prince to provide the bid details. Keppel Prince initial bid for the 85 metre wind towers was in early May 2012 [REDACTED] per tower. Keppel Prince was advised by Goldwind in late May that its price was [REDACTED] high. Keppel Prince submitted a revised bid of \$ [REDACTED] per tower, Goldwind advised Keppel Prince in July 2012 that the price was too high [REDACTED]. Keppel Prince revised its price and was awarded the contract in October 2012 for a price of \$ [REDACTED] per wind tower.

Gullen Range – 17 towers 85 metres high 1.5 MW - embeds and internals

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The Gullen Range Project was █% complete as at August 2013, final net margins for the project are not available. Gross margins are calculated monthly based on committed costs and forecast costs, committed costs comprise over 80% of the costs. Information requested by the Commission and provided by Keppel Prince showed that its gross margin on the Gullen Range project was negative █%, this margin is similar to the Mortons Lane margin.

Taralga – 51 towers

The Commission requested information regarding the Taralga tender from Keppel Prince. The Taralga tender was for 51 wind towers, no embeds or bolt cages, internals and flanges were free issue. There were 30 heavier towers that required more steel due to the generating capacity. Terms were loaded onto truck at Keppel Prince. The project had changed managers since its first proposal in 2004; Vestas are the project managers for the current proposal.

As requested by the Commission, Keppel Prince showed the initial bid for the wind towers was in early December 2012. It lowered its bids in January and May 2013

█

Taralga 51 towers – 30 heavy (h) 21 light (l)

█

Keppel Prince advised that it only won the project due to intervention by the Clean Energy Finance Corporation on the overall project which enabled local wind towers to be used in the project. Keppel Prince also

█

█. Keppel Prince was awarded the contract for the 51 towers after five consecutive and significant price reductions between December 2012 and May 2013.

The Taralga project has not yet commenced and margins for the project are not available. Keppel Prince notes that the offer to Vestas was a one off offer that was below cost that could not be offered for future projects.

Keppel Prince claimed that the price pressures it was experiencing for the above tenders were all from wind towers sourced from China, evidence requested by the Commission and provided by Keppel Prince supports the claims.

The evidence and information requested and provided by Keppel Prince support its claim of price pressures from the allegedly dumped imports that have caused price suppression and price depression. There is evidence of reduced prices and reduced margins. The evidence also support the claim that price is the major factor in determining the tender.

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Evidence requested by the Commission relating to the Mortons Lane, Gullen Range and Taralga tenders, [REDACTED] are at **Confidential Attachment INJ2**.

Unsuccessful tenders – price undercutting

Gullen Range – 56 towers - 80 metres - 2.5MW

Information requested by the Commission and provided by Keppel Prince showed that the 80 metre towers are more expensive than the 85 metre towers as the tower is designed to support a larger generating unit, 2.5MW v 1.5MW, and thicker steel is required in the towers for this purpose.

Information requested by the Commission showed the initial bid from Keppel Prince for the 80 metre wind towers was in early April 2012 for \$ [REDACTED] per tower, which was revised to \$ [REDACTED] in May 2012. Keppel Prince was advised by Goldwind in late May that its price was [REDACTED] too high. Keppel Prince submitted a revised bid of \$ [REDACTED] per tower in July 2012. Goldwind advised Keppel Prince in July 2012 that the price remained too high [REDACTED].

Keppel Prince did not submit another offer and Goldwind awarded the contract to an overseas supplier from China.

Snowtown II - 90 towers

Information requested by the Commission and provided by Keppel Prince showed the Snowtown II project was 90 towers, bolt cages were to be used but were not priced, [REDACTED]. Siemens was the project manager. The first bids were in 2011, there was then a delay of a year until Keppel Prince made its next offer to Siemens.

Information requested by the Commission illustrated Keppel Prince made four successively lower bids to Siemens from May 2012 to October 2012.

[REDACTED]

Keppel Prince did not revise its offer further. Siemens awarded 70 of the towers to an overseas supplier and 20 of the towers to E&A, a new Australian manufacturer of wind towers. Keppel Prince was unsure of the country that the overseas towers were sourced from but believed it may have been China.

Mt Mercer – 64 towers

The Mt Mercer project bid was originally managed by REpower in 2009 when Keppel Prince made its first offer for the towers. In 2010 Siemens became project manager and Keppel Prince made revised offers based on the different requirements. In 2012 REpower was again project manager. Keppel Prince made two offers for the project in 2012 to REpower.

Information requested by the Commission and provided by Keppel Prince showed the first 2012 bid was in August for \$ [REDACTED] per tower, this was revised downwards to \$ [REDACTED] in September 2012 and then a further lower bid to \$ [REDACTED] in September

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2012 following requests from REpower that Keppel Prince needed to be significantly lower if they were to be awarded the project.

Keppel Prince was advised by REpower in September 2012 that the contract had been awarded to a Korean supplier

Keppel Prince advised that it and Haywards were awarded 10 embeds each for the Mt Mercer project, however these embeds were not used at Mt Mercer and are planned to be used at the proposed Bald Hills project.

We noted that REpower required prequalification from suppliers for the project. Keppel Prince advised that this was not an issue as it was working through a pre-qualification process with REpower, and had been informed that pre-qualification status did not preclude a contract award, however meant that whilst they were progressing through this process and if pre-qualification had not been met, they could still be awarded a Tower contract but this would require REpower Quality personnel to be present during the initial stages of production. Keppel Prince advised that they have manufactured Towers for previous REpower projects and that this issue had never previously prevented Tower orders being placed on Keppel Prince.

The evidence and information requested by the Commission and provided by Keppel Prince support its claim of price pressures from the allegedly dumped imports (for Gullen Range and Mt Mercer) that resulted in price undercutting and injury. There is evidence of reduced prices, reduced margins and lost contracts leading to lost revenue. The evidence requested by the Commission also appear to support the claim that price is the major factor in determining the tender.

Evidence requested by the Commission and provided by Keppel Prince relating to the Gullen Range, Snowtown II and Mt Mercer tenders,

at Confidential Attachment INJ3.

8.2 Volume effects

Keppel Prince has provided evidence that it lost tenders to the allegedly dumped imports of wind towers from China and Korea for the Gullen Range and Mt Mercer projects. The evidence, referenced in the sections above support its claim of volume injury from the allegedly dumped imports for the Gullen range and Mt Mercer projects.

8.3 Other possible causes of injury

As noted in the consideration report the applicants noted that the strong Australian dollar has made imported wind towers more affordable but submitted that if the strong Australian dollar was the only factor affecting the affordability and price competitiveness of imported wind towers, then it would expect to see strong gains in market share from other import sources besides China and Korea. The applicants stated that the impact of the strong Australian dollar does not detract from the submission that dumping has caused material injury to the Australian industry.

The applicants noted that demand for the supply of wind towers in the Australian market is driven by government renewable energy policy that saw the Australian market contract in 2010 and 2011. The applicants submitted that notwithstanding the contraction in the

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size of the Australian market, the Australian industry lost market share to dumped imports in 2010, but recovered market share in 2011, through significant price undercutting, before again losing market share in a growing market in 2012.

The applicants stated that they have always satisfied the prequalification standards of its OEM clients for quoted Australian wind farm projects and submitted that the issue of qualification has never been a factor causing it not to be awarded a project.

The applicants submitted that the factors other than dumping did not detract from the conclusion that material injury is based on the price, volume and profit factors caused by the dumped imports.

The Commission has noted the changes in the market and has assessed the industry market share taking into account those changes.

The Commission also notes that evidence submitted by the applicants as part of the application and information verified with Keppel Prince show that the applicants were considered as viable suppliers for those tenders and appear to have met any prequalification standards required.

9 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.

The Commission 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.

The Commission'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, the Commission then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export free on board 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.

Keppel Prince advised that it will provide a submission on the unsuppressed selling price and injury in due course.

10 GENERAL COMMENTS AND OTHER MATTERS

10.1 Upcoming tenders/contracts

Keppel Prince said that it was still experiencing ongoing price pressures for upcoming projects at the time of this report as noted below.

Boco Rock

Boco Rock comprises 122 wind towers of which 67 were offered in the first stage in July 2013. The project manager for Boco Rock is GE Energy. Keppel Prince said it had bid on the project but had believed it had lost this bid to an overseas supplier.

Bald Hills

Bald Hills comprises 52 wind towers, the project manager is REpower. Keppel Prince advised it submitted its first bid in May 2013 and had submitted subsequent lower bids.

Keppel Prince said that REpower may require it to supply a number of towers for prequalification for the project or all could be supplied with REpower overseeing the qualification process.

A decision on the project has not yet been made.

Stockyard Hills

The Stockyard Hills project is for 154 wind towers, Keppel Prince said it had submitted initial offers but that the project was now on hold. The project manager is REpower.

Evidence relating to Boco Rock, Bald Hills and Stockyard Hills is at **Confidential Attachment INJ4**.

10.2 Capacity to handle tenders

Keppel Prince emphasised, that had it been provided with confidence that its order book would grow with adequate returns as a result of increased demand, it would have been provided with unequivocal support from its Head Office that it would receive the necessary financial support to expand facilities and employ more people to meet any growth in demand.

Keppel Prince said that it has a clear direction from its board that when a forward list of projects can be achieved, then the board is prepared to commit. Keppel Prince continues to look at other methods of expansion of capacity and currently has a new concept that it hope to put to the board in November 2013 that will require around \$■ million of capital but will increase capacity to around ■■ towers per year. This concept could also be implemented within 4 months.

Keppel Prince commented on the splitting of contracts the split contracts are concerned noting that for Macarthur, Vestas split the supply to guarantee tower supply to the project which had a very aggressive build schedule.

Keppel Prince said that the Gullen Contract was accepted with the main intent of at least keeping key workshop staff employed.

11 APPENDICES AND ATTACHMENTS

CONFIDENTIAL APPENDIX 1	Injury assessment
NON-CONFIDENTIAL ATTACHMENT G1	Keppel Prince overview and capabilities
Confidential attachment P1	Capacity
Confidential attachment Sales 1	General ledger Sales
Confidential attachment Sales 2	Reconciliation sales to accounts
Confidential attachment Sales 3	Reconciliation A4 to A6
Confidential attachment Sales 4	Appendix 6 detailed listing
Confidential attachment Sales 5	Mortons Lane sales
Confidential attachment Sales 6	Gullen Range sales
Confidential attachment Costs 1	Chart of accounts
Confidential attachment Costs 2	Audited financial report year ended 31 December 2012
Confidential attachment Costs 3	Profit and loss report
Confidential attachment Costs 4	Appendix A6
Confidential attachment CTM 1	Job costing diagram
Confidential attachment CTM 2	Morton's Lane project costs
Confidential attachment CTM 3	Morton's Lane material costs
Confidential attachment CTM 4	Documents for tower shell plates
Confidential attachment CTM 5	Documents cable clamps and guides and flange bolts
Confidential attachment CTM 6	Documents flanges
Confidential attachment CTM 7	Documents paint, welding consumables Isoladers
Confidential attachment CTM 8	Documents internals Gullen Range
Confidential attachment CTM 9	Documents delivery Gullen Range
Confidential attachment CTM 10	Labour costs allocation

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Confidential attachment CTM 11	Labour costs false flanges
Confidential attachment CTM 12	Labour costs quality assurance
Confidential attachment CTM 13	Depreciation documents
Confidential attachment INJ 1	MacArthur project tender details
Confidential attachment INJ 2	Moretons Lane, Gullen Range and Taralga project tender details
Confidential attachment INJ 3	Gullen Range, Snowtown II and Mt Mercer project tender details
Confidential attachment INJ 4	Boco Rock, Bald Hills and Stockyard Hills project tender details