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Keppel Prince Engineering Submission to the Anti-Dumping Commission's Investigation into Wind Towers

16/12/2013

Mr. Rod Jones
Operations 1
Anti-Dumping Commission
5 Constitution Ave
Canberra ACT 2601

PUBLIC FILE VERSION

Dear Rod

Re: Dumping Investigation ADC 221 – Wind Towers exported from China and Korea
Submission by Keppel Prince Engineering Pty. Ltd.

We wish to respond to submissions made to date in this investigation. Keppel Prince Engineering Pty. Ltd., one of the applicants in this investigation, is a Wind Tower manufacturer, maintenance services and infrastructure installation business based in Portland Victoria, which has been very heavily focused on Wind Tower manufacture and supply of related services to renewable energy projects since the market commenced in Australia in 2001.

For some time we have been active proponents on all issues which engender the healthy growth of the Australian Wind Energy sector, for the benefit of all participating stakeholders in the industry.

The first point we would like to make is we have had no choice but to participate in this application because of the severe impacts dumped imported Towers have had on our business, local employee numbers and our on-going viability.

Further, when taking a position on these claims, we would ask each stakeholder in the Wind industry to consider their own ethical position on the industries claims with regards to whether they condone dumped imported Towers coming into the Australian Wind market, with full knowledge that a significant number of local renewable energy jobs are being destroyed.

Response to REpower Australia Pty. Ltd. submission, 7th November, 2013

Keppel Prince Engineering (KPE) strongly refutes the claim in the REpower submission (page 3) that the Australian industry is not specialized in the production of Wind Towers. Keppel Prince has primarily focused on Tower manufacture since 2001, and has invested heavily in specific Tower manufacturing plant and equipment [REDACTED] since this time. Wind Tower revenues have been a major source of income and local employment during the past decade for our business.

The submission proposes (page 4) that the Australian Tower manufacturing industry is at a disadvantage to overseas competitors due to short Wind project construction deadlines and the lengthy REpower pre-qualification process. Up until the Mt Mercer project (2012/13) KPE had manufactured all REpower Towers within Australia (which includes the following Tower supply projects: Wonthaggi, Cape Bridgewater PWEF 2, Cape Nelson South PWEF 3, Cullerin, and Hepburn) and this issue had never previously been a concern for these projects. Whilst we understand the REpower pre-qualification system went through some changes during 2012, we have always been informed by REpower that this would not disadvantage KPE or other local suppliers with regards to bidding for and winning new projects, and that whilst we were progressing through pre-qualification activities we clearly understood KPE are always eligible to manufacture Towers under supervision from REpower QA personnel – which we have always found to be the case in previous projects.

We also strongly argue that no matter what pre-qualification processes are put in place by Wind Tower OEMs, Australian Tower manufacturers must have ‘fair and reasonable’ opportunity to bid for Australian Wind Energy projects based on numerous grounds, including our right to ‘fair trade’, and the growing need for Australian Taxpayers to see job creation being provided by critical renewable energy projects.

According to the REpower submission (page 4), Australian suppliers failed the new REpower pre-qualification accreditation requirements in 2012, and ... “the relevant circumstances were that [DELETED – NAME OF SUPPLIERS] were unsuccessful in bidding for the supply of 64 wind towers for the Mt Mercer wind farm...” Keppel Prince Engineering did not go through the pre-qualification audit for this process until November 2012, which was after the award of the contract for supply of Mt Mercer Towers during late September 2012. [REDACTED]

[REDACTED]

[REDACTED]

██████████ Whilst the new audit format uncovered some deficiencies, there was agreement between KPE and REpower that we would work together to resolve any outstanding issues.

Having manufactured Wind Towers to global standards for over a decade, we are very much aware of the requirement for manufacturers to be compliant to International Design Certification demands. We have a proven track record of being able to meet these Standards for REpower and all of our other global Wind OEM customers.

In their submission (page 4), REpower claim that in one Portland project ... “the Towers rusted in parts and this was subject of a warranty claim that was eventually resolved.” With due respect, we would like to provide the facts surrounding this assertion:

- All Towers manufactured by KPE have at all times been inspected by REpower QA, and signed of as compliant to all specifications;
- At the early stages of this project, KPE discussed its concerns with REpower regarding the ██████████ system which was specified by REpower as we felt it was not suitable for the coastal environment;
- In good faith, when the issues unfolded, although we felt the responsibility was not ours as we were complying with the REpower specifications, we agreed to share the cost of rectifying the issue for the ██████████ project.

We fully understand the critical need to meet all agreed manufacturing production schedule and delivery deadlines. The submission claims (page 6) that ... “there have been issues in the past with the Australian industry whereby there were delays in providing embedment’s due to a quality issue which arose.” Whilst we are not aware of KPE causing any such quality issues, KPE did receive mixed signals and different expected delivery dates of embeds for the recent Mt Mercer project. KPE were informed by REpower Australian project managers that the Mt Mercer embeds were not urgent and delivery dates could be extended. The REpower Germany office had provided earlier delivery dates. ██████████
██████████

The submission states (page 6) ... “KPE is now sourcing internal components from China for some of its wind towers.” We would like to clarify that our priority is to always source local materials and components wherever possible, and that KPE has never purchased internal components from sources outside Australia where this has been permitted or possible to do so. At this point in time, KPE is continuing to manufacture internals in order to keep local Australian workers in jobs. In any event, the internal components do not constitute a substantial process in the manufacture of the goods.

In their submission, REpower claim (page 7) that injury has been caused by factors other than dumping. We strongly disagree and wish to respond to these factors individually:

3.1 Currency Movements:

Whilst there is little doubt movements in the Australian Dollar against the United State Dollar has caused difficulties for Australian manufacturers, we maintain the Wind Tower Industry application clearly points out the level of dumped imported Tower prices has gone far beyond any related impacts which might be generated by exchange rate movements. We firmly believe this issue has been clearly addressed in the application. In conjunction, we see there being little coincidence that increasing numbers of dumped imported Towers from Asian manufacturers are trying to 'find a home' in the Australian market after the recent success of the US Wind Tower dumping case where the United States Government has set final Tower dumping duties of between 44.99 and 70.63 percent.

3.2 Demand Variability:

Since KPE commenced Wind Tower manufacturing approximately 12 years ago, the Australian market has experienced demand variability for reasons as has been outlined in the industry application. Whilst this has been an ongoing concern for KPE and all Wind industry participants for over a decade, the most severe level of injury to KPE which threatens our very existence has been instigated by dumped imported Wind Towers in recent years which has directly reduced manufactured Tower profitability [REDACTED] and generated a significant loss of sales.

3.3 Overseas Producers Have Higher Economies of Scale:

We agree that some Chinese and Korean manufacturers would manufacture a greater number of Towers per year which can bring some economies of scale benefits, however most production processes are undertaken in the same manner as KPE, and we strongly contend the injury impacts of dumped imported Towers far outweigh any possible volume scale advantages.

3.4 The Full Cost Impacts of Transportation Costs Need to be Considered:

We agree with the submission that when the Commission undertakes its investigation as part of the injury analysis, the full detailed costs of all transport services and activities of Towers must be taken into account. This must include but not be limited to: the loading and unloading costs borne by Tower exporters at each transportation exchange point; from the OS factory to storage, to trucks to be shipped to OS port, OS port storage movements, movements to ship, unloading at Australian ports to storage, to trucks for transportation to site, and unloading at

site. Such transportation costs which require movement of approximately 20 to 70 tonne Tower sections is very expensive, as is overseas shipping costs and inland freight from ports.

REpower submit (page 10) that should dumping duties be imposed, this will result in Australian Wind projects becoming less viable. We maintain the local industry has a right to fair trade against the current level of dumping, and any such potential changes would be minor when considering the overall installed project cost. Furthermore, we are constantly informed by participants in the Australian market that if local Tower supply was on a 'level playing field' against imported Towers and they were not competitively disadvantaged by the purchase decision, the use of local Towers in projects would not cause any such issues. We also understand fluctuations in Turbine prices caused by market forces would have a much greater impact on project economics as compared to Tower prices.

We strongly refute the claim (page 10) that Australian made Wind Towers have ... "fundamental issues of quality, reliability, timeliness of supply..." and do not ... "provide a complete 'turnkey' solution to customers through an integrated and streamlined supply chain." As a local manufacturer of Towers, and having very strong capabilities to support clients with a complete package market offer of Tower supply, logistics and installation, KPE is very well placed to provide very broad supply chain solutions. Keppel Prince is extremely proud of its long track record of reliability and world class Tower manufacture quality, and we have very recently been informed by another major global Wind OEM customer [REDACTED] that we are ranked top 3 in the world across all key measured Tower supplier criteria, including; Quality, Weld Defects, Coating Systems, Manufacturer Lead Time, and Production Plan Fulfillment.

Response to GE Wind Australia submission, 19th November, 2013

In their submission, GE Wind Australia propose that the financing of Taralga Wind Farm by the Clean Energy Finance Corporation (CEFC) ... "highlights the need to further develop the local manufacturing supply chain capacity." With respect, we firmly disagree and argue that the CEFC have been playing a critical role in the Australian renewable energy sector to provide much needed and well supported loans to help initiate clean energy projects, and most critically enabled the local supply of Australian manufactured Towers during this current period of imported Tower dumping, so that the available Australian supply chain can be fully optimized by providing much needed local jobs and economic payback to the domestic economy.

In their submission GE Wind Australia also contend the application of dumping margins would cause a ... "dramatic reduction in the number of economically sound wind development

investments”; and that any injury to the local Tower manufacturing industry is more due to the RET and local policy issues. As already discussed in our submission, we vigorously refute these assertions for the reasons which have already been discussed.

In conclusion, we firmly believe we have had no choice but to participate in this application because if we do not achieve a level playing field against dumped imported Towers our industry does not have a future, and therefore we will lose hundreds of clean energy manufacturing jobs. At Keppel Prince we understand we have to compete in a global market. We are very confident however, that if we are enabled through this process to compete with OS Tower manufacturers on fair and reasonable terms, our industry can grow and prosper, and provide much needed local jobs and trade skills in this critical sector. We also ask each and every member of the Australian Wind Energy industry to pose the following question: when you consider the issue of imported Wind Towers being dumped into the Australian market and destroying local jobs, what is your position and do you condone this practice?

Finally, on behalf of the members of this application to the Federal Government, we wish to thank those members of the industry who have provided their show of support on this issue.

Yours Faithfully

A handwritten signature in blue ink, appearing to read 'Steve Garner', with a long horizontal flourish extending to the right.

Mr. Steve Garner
General Manager
Keppel Prince Engineering Pty. Ltd.