



Australian Government  
Department of Industry,  
Science and Resources

Anti-Dumping  
Commission

**中船澄西船舶修造有限公司**  
**CHENGXI SHIPYARD CO.,LTD.**

**Exporter Questionnaire**

**Case number:** 621  
**Product:** Wind Towers  
**From:** The People's Republic of China  
**Response due by:** 19 June 2023  
**Email enquiries to:** [investigations3@adcommission.gov.au](mailto:investigations3@adcommission.gov.au)  
**Anti-Dumping Commission website:** [www.adcommission.gov.au](http://www.adcommission.gov.au)

**Responses to the exporter questionnaire must be submitted via SIGBOX. Please contact the commission on the above email address to request access to SIGBOX.**

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## INSTRUCTIONS

### Why you have been asked to fill out this questionnaire?

The Anti-Dumping Commission (the commission) is conducting a continuation inquiry of the anti-dumping measures for wind towers exported to Australia from the People's Republic of China (China).

The commission will use the information you provide to assess whether material injury will continue or recur if the anti-dumping measures expire.

The commission will collect and use information in accordance with the commission's Collection and Use of Information Policy. Any information provided may be used by the Commission for any purpose consistent with its statutory functions.

### What happens if you do not respond to this questionnaire?

You do not have to complete the questionnaire. However, if you do not respond, do not provide all the information sought, do not provide information within a reasonable time period, or do not allow the commission to verify the information, we may deem your company to be an uncooperative exporter. In that case we may replace the information we requested in the questionnaire with all relevant information, including information contained in the application, other questionnaire responses and other secondary sources.

Therefore, it is in your interest to provide a complete and accurate response to this exporter questionnaire, capable of verification.

### Extension requests

If you require a longer period to complete your response to this exporter questionnaire, you must submit a request to the commission, in writing, for an extension to the due date for all or part of the questionnaire. This request must be made prior to the due date. A request for extension will be rejected if received after the due date.

When considering the extension request, the commission will have regard to:

- the commission's responsibility to conduct the case in a timely and efficient manner;
- the reasons why you could not provide a response within the whole period and not only the period remaining between the request and the due date;
- ordinary business practices or commercial principles;
- the commission's understanding of the relevant industry;
- previous correspondence and previous dealings with your company; and
- information provided by other interested parties.

More information on extensions can be found in the Customs (Extension of Time and Non-cooperation) Direction 2015 at <https://www.legislation.gov.au/Details/F2015L01736>.

You will be informed of the decision whether your request for an extension has been rejected, granted in full or granted in part. For example, you may be granted an extension to submit all sections except for Section A or you may be granted a shorter extension than you requested.

A summary of any requests and grants of extensions to submit a response to this exporter questionnaire will be published in the public record.

### **Submitting a response to the exporter questionnaire**

Responses to the exporter questionnaire should be lodged via email or SIGBOX, a secure online document repository. Please contact the commission on the email address listed on the cover page to request access to SIGBOX.

### **Confidential and non-confidential responses**

You are required to lodge a confidential version (OFFICIAL: Sensitive) and a non-confidential version (for publishing on the public record) of your response to this exporter questionnaire by the due date. Please ensure that *each page* of information you provide is clearly marked either “**OFFICIAL: Sensitive**” or “**PUBLIC RECORD**”.

All information provided to the commission in confidence will be treated accordingly. The public record version of your questionnaire will be placed on the public record, and must contain sufficient detail to allow a reasonable understanding of the substance of the information without breaching confidentiality.

A person is not required to provide a summary for the public record if the commission can be satisfied that no such summary can be given that would allow a reasonable understanding of the substance of the information.

All questionnaires are required to have a bracketed explanation of deleted or blacked out information for the public record version of the questionnaire. An example of a statement to accompany deleted/blacked out text is:

[Explanation of cost allocation through the divisions, by reference to machine hours or weight].

If such an explanation is not provided, the commission may disregard the information in the submission. Where the public record version of your response to the exporter questionnaire does not contain sufficient detail, your company may be requested to resubmit your response with the required level of detail or, if deadlines have passed, the Commission may not have regard to it.

### **Verification of the information that you supply**

The commission may wish to verify your questionnaire response for completeness, relevance and accuracy.

The verification is not meant to be a chance for you to provide new or additional information. The Commission expects your response to the questionnaire to be relevant, complete, and accurate.

Note that the Commission may disregard any data or information that is not verified, including new or additional information provided after verification.

For information on the Commission’s verification procedures, refer to ADN 2016/30 available on the Commission’s website.

### **Important instructions for preparing your response**

- All questions in this exporter questionnaire must be completed. If a question is not applicable to your situation, please answer the question with “Not Applicable” and provide an explanation as to why.
- All questions must be answered in English. An English translation must be provided for documents not originally in English. To the extent that the foreign language version differs, the English translation will be given priority as a matter of interpretation in Australia.
- Clearly identify all units of measurement (e.g. KG) and currencies (e.g. AUD) used. Apply the same measurement consistently throughout your response to the questionnaire.

**FOR PUBLIC RECORD**

- Label all attachments to your response according to the section of the questionnaire it relates.
- If you have used formulas to complete spreadsheets, these formulas must be retained and not hard-coded.
- You must retain all worksheets used in answering the questionnaire. Be prepared to provide these worksheets during the Commission's verification of your data.
- If you cannot present electronic data in the requested format contact the case officer as soon as possible.

## CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

| <b>Section</b>                            | Please tick if you have responded to all questions |
|---|--|
| Section A<br>Company information          | ✓  |
| Section B<br>Australian market            | ✓  |
| Section C<br>Exported goods & like goods  | ✓  |
| Section D<br>Domestic market              | ✓  |
| Section E<br>Production                   | ✓  |
| Section F<br>Supply and demand factors    | ✓  |
| Exporter's declaration                    | ✓  |
| Non-confidential version of this response | ✓  |

## GOODS UNDER CONSIDERATION / GOODS SUBJECT TO ANTI-DUMPING MEASURES

The goods subject to anti-dumping measures (the goods) are:

*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.*

*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.*

### Additional information

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

The goods may be classified to 7308.20.00 in Schedule 3 to the Customs Tariff Act 1995 (see below). 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, provided 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 item 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, and has a classification to subheading 8502.31.10.

### Tariff classifications

The goods, as per the description above, may be classified to tariff subheadings 7308.20.00 (statistical codes 03 and 04); 7308.90.00 (statistical codes 52, 53, 54, 55, 56, 63 and 65); and 8502.31.10 (statistical code 31) in Schedule 3 to the *Customs Tariff Act 1995*.

## SECTION A COMPANY INFORMATION

### A-1 Company representative and location

1. Please nominate a contact person within your company:

|  |   |
|--|---|
| <b>Name:</b>                             | [CONFIDENTIAL TEXT DELETED]                           |
| <b>Position in the company:</b>          | In-house Counsel                                      |
| <b>Address:</b>                          | 1 Hengshan Road Jiangyin City Jiangsu<br>214433 China |
| <b>Telephone:</b>                        | [CONFIDENTIAL TEXT DELETED]                           |
| <b>E-mail address of contact person:</b> | [CONFIDENTIAL TEXT DELETED]                           |

2. If you have appointed a representative, provide their contact details:

|  |  |
|--|--|
| <b>Name</b>  | Charles Zhan   |
| <b>Address</b>   | 6/2 Brindabella Circuit<br>Brindabella Business Park<br>Canberra International Airport<br>Australian Capital Territory<br>Australia 2609 |
| <b>Telephone</b>   | +61 2 6163 1000  |
| <b>Facsimile number</b>  | +61 2 6162 0606  |
| <b>Email address of contact person</b>   | charles.zhan@moulislegal.com   |
| <b>All communications in relation to this matter should be directed to Moulis Legal in the first instance.</b> |  |

*In nominating a representative, you are granting authority to the commission to discuss matters relating to the case with the nominated representative, including your company's confidential information.*

3. Please provide the location of where your company's financial records are held.

Chengxi keeps its company financial records at the same address as provided in A-1.1 above.



4. Please provide the location of where your company's production records are held.

Chengxi keeps its company financial records at the same address as provided in A-1.1 above.

5. Please provide the location of your company's production plant manufacturing the goods under consideration.

Chengxi's production plant manufacturing the wind towers is at the same address as provided in A-1.1 above. In addition, Chengxi operates manufacturing facilities located in Yangzhou City via a toll processing arrangement with its subsidiary Chengxi Shipyard (Yangzhou) Co., Ltd ("Chengxi Yangzhou"). The factory address is Ship Industrial Park, Yanjiang Development Zone, Daqiao Town, Jiangdu District, Yangzhou City, Jiangsu Province.

## A-2 Company information

1. What is the legal name of your business?

The legal name of the company is Chengxi Shipyard Co., Ltd ("Chengxi").

2. Does your company trade under a different name and/or brand? If yes, provide details.

No.

3. Was your company ever known by a different legal and/or trading name? If yes, provide details

No.

4. Provide a list of your current board of directors and any changes in the last two years.

The list of Chengxi's current board of directors and changes in the last two years is provided at CONFIDENTIAL Attachment A-2.4.

5. Is your company part of a group (e.g. parent company with subsidiaries, common ownership, joint ventures)? If yes, provide:

- (a) A diagram showing the complete ownership structure; and
- (b) A list of all related companies and its functions

Please see the detailed diagram showing the ownership structure with companies associated with Chengxi at CONFIDENTIAL Attachment A-2.4.

6. Is your company or parent company publicly listed?

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If yes, please provide:

- (a) The stock exchange where it is listed; and
- (b) Any principal shareholders<sup>1</sup>

If no, please provide:

- (a) A list of all principal shareholders and the shareholding percentages.

**Chengxi is 100% owned by its parent company China CSSC Holdings Limited. China CSSC Holding Limited is a publicly listed company on the Shanghai Stock Exchange. The only principal shareholder with more than 5% of shareholding of China CSSC Holdings Limited is China State Shipbuilding Corporation Limited, who held 44.47% shares in the company as at the end of May 2023.**

7. What is the overall nature of your company's business? Include details of the products that your company manufactures and sells and the market your company sells into.

**Chengxi's main business is reflected in its four business divisions, which are:**

- **Shipbuilding and offshore equipment building and repairing;**
- **Defence ship repairing;**
- **Industry appliances; and**
- **Maritime services;**

**The production and sales of wind towers is part of the steel structure sub-division under the industry appliances division. Chengxi manufactures and sells wind towers both to the domestic and overseas markets.**

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- (a) produce or manufacture;
- (b) sell in the domestic market;
- (c) export to Australia; and
- (d) export to countries other than Australia.

**Chengxi performs all of the functions listed above. That is, Chengxi is responsible for the functions of:**

<sup>1</sup> Principal shareholders are those who are able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company.

- marketing/bidding
- contract negotiation;
- sales (globally including Australia and China); and
- production

As established in Accelerated Review 597, Chengxi most recently exported the GUC during 2020 and the first half of 2021. For those exports, Chengxi was responsible for the entire sales process from responding to the requests for quotation (“RFQ”) to negotiation and sale. Chengxi was also responsible for the production of the GUC exported to Australia.

[CONFIDENTIAL TEXT DELETED – detailed explanation of commercial arrangement concerning production]

9. Provide your company’s internal organisation chart.

Please find Chengxi’s internal organisation chart at CONFIDENTIAL Attachment A-2.9.

10. Describe the functions performed by each group within the organisation.

Please see the relevant explanation at CONFIDENTIAL Attachment A-2.9.

11. Does your company produce brochures, pamphlets or other promotional material? If yes, please provide them.

Please see Chengxi’s company brochure at CONFIDENTIAL Attachment A-2.11.

## SECTION B AUSTRALIAN MARKET

### B-1 Australian exports

Please provide the names, contacts, email addresses, and telephone numbers of all Australian importers of your company's goods for the period 1 July 2021 to 31 December 2022.

Chengxi confirms that it did not export wind towers during this period. Its most recent exportation to Australia was during [CONFIDENTIAL TEXT DELETED – project delivery period].

### B-2 Australian export sales process

1. Provide details (and diagrams if appropriate) of the export sales process of your company and representatives (e.g. agents) including:

- (a) Marketing and advertising activities
- (b) Price determination and/or negotiation process
- (c) Order placement process
- (d) Order fulfilment process and lead time
- (e) Delivery terms and process
- (f) Invoicing process
- (g) Payment terms and process

[CONFIDENTIAL TEXT DELETED – detailed explanation of project bidding process, corporate and commercial arrangement, and sales terms of Australian sales]

2. Does your organisation/business entity engage in the tender process for new wind tower projects?

- (a) If yes, please explain your tender process.

Chengxi is invited to respond to requests for project quotations from time to time via email. Chengxi responds to these requests in the same manner outlined in the above section at B-2.1.

- (b) What elements are taken into account in tender bids – eg: price, lead times, technical specifications, transportation distance etc.

Wind towers form a critical supporting part to wind turbines, which are infrastructure capital assets that require long term planning and significant investments. As such, all of the elements identified in (b) are important aspects of wind tower procurement and sales, with the tower manufacturer's capability to meet technical, logistical, project delivery

timeframe being the fundamental quality for being considered and selected for supplying wind farm projects. The wind tower supplier's ability to offer cost competitive solutions that both deliver quality product in a timely way and the project's transportation need (from both practical and cost perspective) are also important to the customer, who are often under broader obligations for the overall delivery and normal operation of the wind farm project.

[CONFIDENTIAL TEXT DELETED – detailed explanation of elements taken into account in tender bids]

- (c) Provide details of all tenders submitted for the period 1 July 2021 to 31 December 2022, including unsuccessful tenders.

Please see a list of Australian projects for which Chengxi provided response to RFQs for the period in CONFIDENTIAL Attachment B-2.2.

### B-3 Prevailing conditions of competition in the Australian market

6. Describe the Australian market for the goods and the prevailing conditions of competition within the market, including:

- (a) Provide an overall description of the Australian market for the goods which explains its main characteristics and trends over the past five years;

In this regard, Chengxi notes that the applicant for this inquiry, KPE did not provide sufficient information as requested by the Commission and the required information under Section 269ZHC of the *Customs Act 1901*. Instead, KPE stated it “will provided [sic] Confidential Appendix A-6 and Confidential Appendix A-7 at a later stage”<sup>2</sup>.

As a [CONFIDENTIAL TEXT DELETED – position in the Australian market] to the Australian market that has [CONFIDENTIAL TEXT DELETED – supply volume] projects, Chengxi has limited information with respect to the Australian market as a whole.

Nonetheless, in order to assist this inquiry to the fullest extent possible, Chengxi respectfully provides its current knowledge of the Australian market based on its observations and experiences gained through responding to RFQs.

Based on Chengxi's observation, the Australian market demand for wind towers is strong but the customer's decision-making cycle/process for each project is relatively long. The Australian market is experiencing healthy growth, which appears to be driven by the stronger legislative and policy directions as well as financial support for renewable projects from the Australian governments at both Federal and State levels.

There is strong regulatory and financial support for wind farm projects, and more recently, a strong emphasis on the prospective offshore wind projects. Both policy and funding for wind towers and renewables generally have been fast-moving in recent years, driven by concerns

<sup>2</sup> EPR621-001, Attachment A, p. 16.

surrounding a sufficient supply of energy in the face of ongoing closures of non-renewable energy plants.

- (b) Provide the sources of demand for the goods in Australia, including the categories of customers, users or consumers of the product;

The sources of demand for wind towers in Australia are the same as in Chengxi's domestic market in China. That is the development of wind farms. Customers on the Australian market are all OEM WTG suppliers.

Here too, Chengxi would like to highlight that KPE has failed to provide any details regarding the demand for wind towers in Australia in its application.<sup>3</sup> It simply stated "demand for wind towers is driven by the demand for wind turbines, which is in turn driven by demand for wind energy".<sup>4</sup>

- (c) Provide an estimated proportion (%) of sales revenue from each of those sources of demand listed in (b);

[CONFIDENTIAL TEXT DELETED – experiences with Australian market and number of customers]

- (d) Describe the factors that influence consumption/demand variability in Australia, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;

Wind towers are long-term capital assets equipment used in wind farms. Key factors driving demand variability in Australia are government regulation, policy and financial support for renewable energy, the overall energy market supply and demand conditions, and the relevant developments in technology.

- (e) Provide details of any government regulations that affect consumption/supply/demand in the Australian market;

As mentioned above, the source of demand for wind towers is the development of wind farms. However, the demand for and ability to supply wind farm developments is strongly influenced by State and Federal policy support and state-backed funding. Due to the multitude of government regulations and policies supporting wind energy, Chengxi is unable to provide a comprehensive description of all government regulations. However, to assist the Commission in its considerations, Chengxi provides some prominent examples of government regulation and funding below.

At the Federal level, the Australian government has recently enacted the *Offshore Electricity Infrastructure Act 2021 (Cth)*, to facilitate and regulate the development of electricity infrastructure in Commonwealth waters. This empowers the government to declare certain areas of the coastline

<sup>3</sup> EPR621-001, Attachment A, p. 5.

<sup>4</sup> EPR621-001, Attachment A, p. 5.

as suitable for offshore wind development, and creates a National Framework to regulate and license offshore energy generation. As of August 2022, six regions have been proposed as offshore wind development areas around Australia. The Registration of Interest (ROI) process conducted for these regions throughout 2022 identified fifteen offshore wind projects totalling 37.4 GW of proposed energy generation. One proposed zone, named “Star of the South Offshore Windfarm”, has already been officially declared as a suitable area for offshore renewable energy infrastructure. In addition, it has been granted “Major Project Status”, which provides the projects with additional government support and coordinated approvals. It also signifies that the project has met key criteria to obtain that status – it is of “strategic significance to Australia”.<sup>5</sup> Supported by the Offshore Electricity Infrastructure Act and Major Project Status, Star of the South has indicated that it intends to start construction around 2025, signalling that the offshore wind industry will see significant development and demand in the near future.

Chengxi notes that the offshore wind projects in particular would be more likely to be awarded to domestic suppliers in Australia. This is due to the unique nature of offshore projects, which involves wind towers with much larger sizes and significantly more complex and challenging transportation requirements.

The Federal government has also established a National Reconstruction Fund of \$15 billion, of which \$3 billion has been committed to financing renewables and low emissions technologies. The government has recently engaged in public consultation regarding the NRF’s investment mandate, which includes submissions regarding the importance of investment in the wind energy sector.<sup>6</sup>

Each State has also enacted legislation and policy which will further reinforce and facilitate Federal support for wind energy. In particular, States set their own renewable energy targets, which are supported by their own specific renewable energy plans and dedicated renewable energy zones. Various legislation and funds have been implemented to improve investment certainty and attract greater investment into renewable projects such as wind farms.

For example, the Victorian Government is currently aiming for a 50% renewable energy target by 2030 under its Renewable Energy (Jobs and Investment) Act 2017. A program called “Victorian Renewable Target Auctions” allows developers of renewable energy projects to bid for long-term supply contracts with the State, in turn creating investment certainty. The first round of the auction, “VRET1” was awarded solely to the wind energy sector, awarding contracts to five wind farms totalling over 800MW. Similarly, the Victorian Government has also established the Energy Innovation Fund, which grants funding to renewable energy initiatives in amounts ranging from \$2 to \$20 million.<sup>7</sup> The first round of funding which opened in 2021 was wholly dedicated to offshore wind, and

<sup>5</sup> [https://www.industry.gov.au/news/offshore-windfarm-development-awarded-major-project-status#:~:text=Major%20Project%20Status%20\(MPS\)%20means,Australian%20Government%20Regulatory%20approvals%20process](https://www.industry.gov.au/news/offshore-windfarm-development-awarded-major-project-status#:~:text=Major%20Project%20Status%20(MPS)%20means,Australian%20Government%20Regulatory%20approvals%20process)

<sup>6</sup> <https://consult.industry.gov.au/national-reconstruction-fund/submission/view/149>

<sup>7</sup> <https://www.premier.vic.gov.au/powering-investment-renewable-energy-innovation>

provided a total of \$37.9 million to three Victorian offshore wind projects for scoping studies, pre-feasibility works and pre-construction developments.<sup>8</sup>

In sum, Australian Federal and State programs provide significant support for the development of wind farms and contribute to an increased demand for wind farm developments, and in consequence, wind towers.

- (f) Describe any market segmentations in Australia; such as geographic or product segmentations;

Chengxi understands that wind tower markets can typically be divided based on the type of tower, ie, onshore and offshore, and geographic areas. The Australian market is mainly divided by geographic regions due to the distances and freight costs as well as differences in industrial and renewable energy policies between each state/territory jurisdiction in Australia. The Australian market for wind towers is solely onshore project-based to date. However, as identified at (e) above, offshore projects are quickly developing and will provide significant market demand in the near future.

- (g) Provide an estimated proportion of sales revenue from each of the market segments listed in (f);

Chengxi understands that onshore wind towers enjoyed 100% of the market share in Australia. Chengxi does not have sufficient market intelligence regarding the market share based on geographic regions.

- (h) Describe the way in which Australian manufactured and other imported goods compete in the Australian market;

Chengxi understands that competition for most if not all projects in Australia is between imported products during recent years. This is likely due to the fact that there are only one or two domestic suppliers in Australia, with only KPE located on the mainland of Australia, with small capacity and constraints on their ability to supply. This is in addition to the geographical factors – for instance, Chengxi understands that products offered by KPE may be more viable for supply to projects in Victoria, as compared to the large projects located in Queensland, Western Australia and New South Wales, etc due to a combination of KPE's limited capacity and capability and the logistical and transportation cost constraints. Competition between suppliers is based on capacity/technical capability, reliability of supply, and price. Furthermore, Chengxi understands that Australian manufacturers such as KPE largely rely on Victorian State-funded projects, that have "local content" requirements. This means KPE's options for raw material purchases are also limited due to its inability to access materials from the broader competitive market. For example, Victorian state projects are mandated to use at least 60 percent local content or more, with requirements set project-by-project. On the other hand, for such projects, the domestic producer and imported towers are not in direct competition, as it would

8

<https://www.energy.vic.gov.au/grants/energy-innovation-fund>



be impossible or impracticable for the latter to meet the local content requirements.

- (i) Describe the ways that the goods are marketed and distributed in the Australian market; and

Wind towers are project-based customised infrastructure product, not marketed or distributed.

- (j) Describe any other factors that are relevant to characteristics or influences on the market for the goods in Australia.

Based on Chengxi's own experience, Australian projects usually have strict quality requirements, which places higher requirements on the tower manufacturer's capability and stricter supplier selection considerations.

*Provide documentary evidence to support the responses made to questions 1(a) to (j).*

2. Provide a diagram which describes the Australian market structure for the goods, ensuring that all the categories of participants are included. In this diagram use linkages to illustrate the different levels of trade and distribution channels within the Australian market.

Based on Chengxi's own experiences, all wind towers are procured and supplied between WTG OEM and wind tower suppliers in the Australian market.

3. Describe the regulatory framework of the Australian market for the goods as it relates to competition policy, taxation, product standards and the range of the goods. Provide a copy of any regulation described, if available.

The key regulatory instruments affecting demand and supply would include:

*Safeguard Mechanism (Crediting) Amendment Bill 2023 (Cth)*

*Offshore Electricity Infrastructure Act 2021 (Cth)*

The Australian Federal Government's National Reconstruction Fund, which will provide \$3 billion in finance to renewables and low emissions technologies.

The *Local Jobs First Act 2003 (Victoria)* mandates certain local content requirements for projects financially supported by the state. Local content requirements are higher for projects which have been declared as "strategic projects", which have budgets of \$50 million or more. Chengxi understands that all Victorian-backed wind projects under the VRET auctions have been considered "strategic projects", local content

requirements as high as 90%.<sup>9</sup>

We note that other State governments such as New South Wales have been further looking to implement such similar local content requirements for wind projects.<sup>10</sup>

4. Describe any entry restrictions for new participants into the Australian market for the goods. Your response could include information on:

- resource ownership;
- patents and copyrights;
- licenses;
- barriers to entry;
- import restrictions; and
- government regulations (including the effect of those government regulations).

As mentioned above, wind tower procurements are carried out by WTG OEM suppliers, who are themselves large multinational companies operating globally. Some of these WTG OEMs also participate in the development of the wind farms themselves. As such, wind tower supplies are closely linked to tower manufacturer's commercial relationship with these customers on the global markets, as well as the credentials and quality recognition/certification that tower manufacturers are able to obtain/achieve with the WTG OEM customers. Achieving such qualified/certified supplier status is one of the key entry threshold for any suppliers. As identified above, [CONFIDENTIAL TEXT DELETED – OEM supplier status].

#### B-4 Goods in the Australian market

1. Generally describe the range of the goods offered for sale in the Australian market. The description should include all goods under consideration including those produced by your company. Your description could include information about:

- quality differences;
- price differences;
- supply/availability differences;
- technical support differences;

<sup>9</sup> [https://localjobsfirst.vic.gov.au/strategic-projects/list?result\\_74356\\_result\\_page=12&queries\\_project\\_name\\_query=VRET&queries\\_project\\_type\\_query\\_posted=1&queries\\_project\\_type\\_query=&queries\\_project\\_region\\_query\\_posted=1&queries\\_project\\_region\\_query=&queries\\_project\\_delivery\\_agency\\_query\\_posted=1&queries\\_project\\_delivery\\_agency\\_query=&search\\_page\\_74356\\_submit\\_button=Apply+filters#!](https://localjobsfirst.vic.gov.au/strategic-projects/list?result_74356_result_page=12&queries_project_name_query=VRET&queries_project_type_query_posted=1&queries_project_type_query=&queries_project_region_query_posted=1&queries_project_region_query=&queries_project_delivery_agency_query_posted=1&queries_project_delivery_agency_query=&search_page_74356_submit_button=Apply+filters#!)

<sup>10</sup> Attachment B-3.3 – KPE financial report 2021, pp. 3–4.

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- the prevalence of private labels/customer brands;
- the prevalence of generic or plain labels;
- the prevalence of premium labels; and
- product segmentation.

**Wind towers vary in terms of height and weight, capacity, design, depending on customer needs and project requirements. As advised above, wind towers are project-based customised infrastructure products and are highly driven by customers' designs and requirements of the relevant wind farm site. Quality control and capability of the tower manufacturer is a key factor for wind towers. Provided that the tower meet the extensive engineering and quality specification of the customer, there are insignificant differences in the quality of towers manufactured by qualified suppliers.**

**Projects are typically "tendered" for and awarded following the customer issuing request for quotation and response to such RFQs and any negotiation. As such, price differences between suppliers for the same project would relate to each supplier's own cost, its own procurement and cost management abilities, proximity to the project, the freight costs involved, reliability and capacity to supply, pricing strategies, etc.**

2. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influencers in order of importance.

**Quality, and ability to deliver the towers on time, transportation distance and the associated technical handling complexity and costs factors, are considered as key attributes that influence wind tower customers' purchasing decisions.**

3. Have there been any changes in market or consumer preferences in the Australian market for the goods in the last five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

**The Australian market has experienced strong growth over the last five years, due to the improved policy clarity and Government commitment towards emission reduction and the development of renewable energy. There has also been a trend for the size of wind towers to become larger over time. The emergence and potential for the development of offshore wind projects is also a significant development for the Australian market.**

## B-5 Relationship between price and cost in Australia

1. Describe the importance of the Australian market to your company's operations. In your response describe:
  - (a) The proportion of your company's sales revenue derived from sales of the goods in Australia; and
  - (b) The proportion of your company's profit derived from sales of the goods in Australia.

*In responding to question 1 please provide evidence supporting calculations.*

Unlike many other wind tower suppliers, Chengxi Shipyard is mainly a shipbuilding and ship repair company, with wind tower production forming only one part of its "steel structure business" under the "Industrial appliances" division. In the past five years, the Australian market has accounted for [CONFIDENTIAL TEXT DELETED – proportion] of both Chengxi's total company turnover, and total company profit. Please see CONFIDENTIAL Attachment B-5.1 for supporting calculations.

2. Describe the nature of your product pricing (e.g., market penetration, inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in Australia. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

Wind tower projects are priced and awarded on a project basis. There is limited transparency in pricing on the market. Chengxi responds to RFQ and tenders by way of preparing price and supply proposals based on its own technical capacity, cost estimation and the reasonable and realistic level of profit it hopes to achieve. [CONFIDENTIAL TEXT DELETED – price determination process]

3. Explain the process for how the selling prices of the goods for the Australian market by your business are determined. Provide copies of internal documents which support how pricing is determined.

For the Australian market, Chengxi is invited to respond to request for project quotation from time to time via email. The prospective customer would also provide Chengxi with its drawing package for the project together with anticipated delivery dates.

[CONFIDENTIAL TEXT DELETED – detailed sales price, bidding, production and delivery process]

4. How frequently are your Australian selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review. Provide the names and positions of all persons involved.

As mentioned above, wind towers are highly customised project-based engineering products. As such, Chengxi reviews its price offers on a project-by-project basis. Chengxi conducts cost accounting based on the

size of the project and the prices of raw materials in the market and carry out internal reviews on costs and bidding strategies. The Head of commercial department and other relevant marketing managers are involved.

5. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:

- Competitors' prices
- Purchase price of raw materials
- Cost to make and sell the goods
- Level of inventory
- Value of the order
- Volume of the order
- Value of forward orders
- Volume of forward orders
- Customer relationship management
- Supplier relationship management
- Desired profit

Other [please define what this factor is in your response]

[CONFIDENTIAL TEXT DELETED – factors influence pricing decisions]

6. Describe the relationship between selling price and costs to make and sell in the Australian market. Does your company maintain a desired profit margin for the goods? If not, does your company seek to maintain a desired profit margin for the goods? Provide copies of internal documents which support your response to this question.

[CONFIDENTIAL TEXT DELETED – factors influence pricing decisions]

As also advised above, Chengxi's commercial team would prepare responses to RFQs based on its own technical understanding of the project, cost estimation and pricing strategy that is designed to balance a profitable operation and the competitiveness of its offer to meet the customers' requirement. For projects that Chengxi has exported to Australia in the past, Chengxi respectfully refers the Commission to the information verified by the Commission in Review 597, and the additional information in B-5.1 above.

Separately, Chengxi notes that KPE's application alleges that importers are incentivised to forego export market profit in order to capture market

share in Australia,<sup>11</sup> and simply relied on the Commission's Report 590 to support such allegation. However, Chengxi understands that Report 590 pertains to Hollow Structural Sections ("HSS") from China, not wind towers. From Chengxi's experience and understanding of the wind towers market, the HSS and wind towers do not belong to the same or comparable market or industry and any conditions or practices observable from the HSS industry could have no probative value for the Commission's understanding of the wind towers market. The mere fact that wind towers use steel as a key input does not make wind towers somehow comparable or analogous to HSS. Unlike HSS, the supply and demand dynamics of the wind tower market are mainly influenced by wind farm development and the market for renewable energy, not the basic steel or construction market.

7. Do you offer price reductions (e.g., commissions, discounts, rebates, allowances or credit notes) in the Australian market? If yes, provide a description and explain the terms and conditions that must be met by the customer to qualify. Explain how the cost to make and sell are considered in establishing these price reductions. Provide copies of internal documents which support your claims in response to this question.

**Not applicable, in that prices for wind towers are determined on a project by project basis based on the customer's requirements and specifications.**

8. Do you offer bundled pricing in the Australian market? If yes, explain how the pricing for bundled sales is determined. Explain how the costs to make and sell are considered in establishing these bundled prices for the goods. Provide copies of internal documents which support your claims in response to this question.

**Not applicable, in that prices for wind towers are determined on a project by project basis based on the customer's requirements and specifications.**

9. Does the volume of sales to a customer or the size of an order influence the selling price? If yes, advise how volume is used to determine selling prices. Explain how the costs to make and sell are considered in establishing volume-based prices for the goods. Provide copies of internal documents which support your claims in response to this question.

**Not applicable, in that prices for wind towers are determined on a project by project basis based on the customer's requirements and specifications.**

10. Does your organisation/business entity use sales contracts in the Australian market? If yes:
- (a) What proportion of your sales revenue would come from contracted sales versus uncontracted sales?
  - (b) Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?
  - (c) How frequently are sales contracts renegotiated?

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<sup>11</sup> citation

- (d) How frequently are price reviews conducted between contracts?
- (e) Do you provide opportunities for price reviews for customers within contracts? If yes, provide a description of the process and an explanation of the circumstances that might lead to a price review.
- (f) Do changes in your costs to make and sell enable you to review prices for customers within contracts?
- (g) Provide a list of the customers under contract for the period 1 July 2021 to 31 December 2022 and copies of the two largest contracts in terms of sales revenue.

**Wind towers are contracted on a per-project basis. Once the WTG OEM customer awards the project to Chengxi, the WTG OEM customer will issue a project supply contract. Usually, project prices are not subject to further variation, unless there is a change to the design, material specification, or parts required for the project. Chengxi did not have any Australian projects during 1 July 2021 to 31 December 2022.**

11. Provide copies of any price lists for the goods used in the Australian market for the period 1 July 2021 to 31 December 2022. If you do not use price lists, describe the transparency of your prices in the Australian market.

**Chengxi did not export wind towers to Australia during this period. Nonetheless, Chengxi can confirm that it did not use price lists for the sales of wind towers in any market during this period.**

12. How do you differentiate pricing for different products/models of the goods in the Australian market? Describe how your products are grouped for price differentiation and the methodology used. Describe any cost to make or selling cost differences between differentiated products. Describe how these cost differences (if any) influence pricing decisions. Provide copies of internal documents which support your claims in response to this question.

**Each project is priced differently based on Chengxi's deconstruction of the customers' project design, the technical requirements, and Chengxi's estimation and evaluation of the likely cost and potential profit.**

13. Do you tier or segment your Australian customers for the goods in terms of pricing? If yes, provide:
- (a) a general description of how this is done;
  - (b) list the factors that influence pricing differentiation in different tiers or segments; and
  - (c) explain how cost to make and selling costs are considered in making pricing decisions for different tiers or segments.

*Provide copies of internal documents which support your claims in response to this question.*

**No.**

14. Do you sell the goods to related entities in Australia? If yes, describe how prices are set for related party transactions and specify what proportion of your sales in terms of sales revenue

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are to related party entities. If available, provide copies of any internal documents relevant to establishing pricing to related parties.

No.



## SECTION C EXPORTED GOODS & LIKE GOODS

### C-1 Wind towers exported to Australia

1. Provide a list of the goods exported to Australia for the last five years. Please detail, whether the wind towers are part of a project, the project name, the number of wind towers, the number of sections, location, whether for onshore or offshore projects, customer name. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the goods exported to Australia.

The list of goods exported to Australia for the last five years is in **CONFIDENTIAL Attachment C-1**.

### C-2 Models sold in the domestic market

1. Provide a general description of the wind towers sold on the domestic market for the last five years.

Over the last five years, the scale of wind towers for domestic market in China has expanded, marked by an increase in both height and megawatt capacity. **[CONFIDENTIAL TEXT DELETED – details of wind towers sold on the domestic market]**

2. Provide an explanation of the differences where those goods sold domestically (i.e., the like goods – see explanation in glossary) are not identical to goods exported to Australia.

| EXPORTED TYPE   | DOMESTIC TYPE   | IDENTICAL? | DIFFERENCES   |
|---|---|------------|---|
| Product code of each model of the goods exported to Australia | Product code of comparable model sold on the domestic market of the country of export |            | Where the goods exported to Australia are not identical to the like goods, describe the specification differences. If it is impractical to detail specification differences in this table, refer to documents which outline differences |

As advised above and previously in Review 597 and Review 615, wind tower projects are highly customised project based product. Chengxi respectfully refers the Commission to the detailed by project information it has provided in Review 597 and Review 615 with respect to both the wind towers Chengxi exported to Australia and those sold in the domestic market. **[CONFIDENTIAL TEXT DELETED – details of wind**

towers sold on the domestic market]

### C-3 Wind towers sold in the third country markets

1. Provide a general description of the wind towers sold to third country markets for the last five years.

In Chengxi's experience wind towers sold to third-country markets have been for onshore use, and have generally also trended towards taller and higher capacity over the last five years. [CONFIDENTIAL TEXT DELETED – details of wind towers sold in third countries]

2. Provide a list of the third country markets.

Please see CONFIDENTIAL Attachment C-3.2.

3. Are your sales processes to any third country (i.e. exports to countries other than Australia) different to the sales process described in B-2.1? If yes, provide details of the differences.

No.

### C-4 Product attributes

1. **Product shifting** – Describe how easily your company can shift its sales of the goods between the Australian market and alternative third country markets. In your discussion, please describe any contracts, other sales arrangements, or other constraints (including any third-country trade barriers such as tariffs, quotas, or other non-tariff barriers) that would prevent or impede your company from shifting exports of the goods between Australia and alternative country markets within a 12-month period.

Due to the highly customised and project based nature of wind farm and wind tower projects, there is little interchangeability between markets for wind towers. Wind towers are completely order and project based – production is entirely driven by project won/awarded. As such, Chengxi cannot shift its sales of the goods between the Australian market and alternative third-country or domestic markets, *vice versa*.

2. **Product range** – Is the product range, product mix, or marketing of the goods in your domestic market different from that for your exports to Australia or to third-country markets?

Not applicable, in that wind towers are supplied exclusively as a customised product on a project by project basis in all markets. Product range is based on Chengxi's production capability and the kind of tower required by each project.

3. **Product changes** – Have there been any significant changes in the product range, product mix, or marketing of the goods in your domestic market, for export to Australia, or for export to third-country markets in the last five years, or do you anticipate any future changes?

As indicated above in C-2 and C-3 above, there has been a general trend in both domestic and export markets towards taller and higher capacity tower designs. In the foreseeable future, offshore tower projects are also likely to feature strongly in both markets. However, due to the cost and technical issues related to transportation of offshore towers, Chengxi anticipates that offshore projects would more likely to benefit/favour suppliers with closer proximity to the wind farm site. In the case of Australia, this would be more likely to be the domestic suppliers from the geographic location perspective, provided the domestic suppliers has the capability and capacity to handle such large and demanding products.

**C-5 Price comparisons**

1. Please compare market prices of the goods in your company’s domestic market, the Australian market, and third-country markets. Provide information as to time periods and regions for any price comparisons and note the sources for your market knowledge.

Chengxi considers that the term “market prices” does not aptly describe the pricing dynamics of the wind tower market. This is because wind tower pricing is driven by the unique and specific needs of each wind tower project, which differ across a singular market and certainly across the domestic and export markets. Further, as discussed above, customers would also need to take into account the tower procurement/supply’s impact on the overall project management and lifecycle as a whole. [CONFIDENTIAL TEXT DELETED – profit comparisons].

**C-6 Your company’s sales to each market**

1. Complete the following table as it relates to the period 1 July 2021 to 31 December 2022:

|  |                                      |
|--|--------------------------------------|
| Total company sales revenue            | [CONFIDENTIAL TEXT DELETED – number] |
| Goods under consideration / like goods | [CONFIDENTIAL TEXT DELETED – number] |
| - Domestic Sales                       | [CONFIDENTIAL TEXT DELETED – number] |
| - Australian Sales                     | 0                                    |
| - Third Country Sales                  | [CONFIDENTIAL TEXT DELETED – number] |

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2. Are the goods exported subject to anti-dumping/countervailing duty/safeguard findings, remedies, or proceedings in any jurisdictions?

| No | Yes | If yes— List the products(s), countries affected, and the date of such findings/remedies/proceedings |
|----|-----|--|
|    | ✓   | Yes, the goods exported to the European Union and Mexico are subject to anti-dumping duty.           |
|    |     | <b>Jurisdiction:</b> European Union  |
|    |     | <b>Product:</b> Wind towers  |
|    |     | <b>Date of findings:</b> 15 December 2021  |
|    |     | <b>Jurisdiction:</b> Mexico  |
|    |     | <b>Product:</b> Wind towers  |
|    |     | <b>Date of findings:</b> 5 October 2020  |

## SECTION D DOMESTIC MARKET

### D-1 Domestic sales process

1. Provide details (and diagrams if appropriate) of the domestic sales process of your company and any other related entities including:
  - (a) Marketing and advertising activities
  - (b) Price determination and/or negotiation process
  - (c) Order placement process
  - (d) Order fulfilment process and lead time
  - (e) Delivery terms and process
  - (f) Invoicing process
  - (g) Payment terms and process

[CONFIDENTIAL TEXT DELETED – detailed explanation of project bidding process, corporate and commercial arrangement, and sales terms of domestic sales]

### D-2 Prevailing conditions of competition in the domestic market

1. Describe the domestic market for the goods and the prevailing conditions of competition within the market, including:
  - (a) Provide an overall description of the domestic market which explains its main characteristics and trends over the past five years;

The Chinese wind power market has experienced strong growth over the last five years, due to the demand for renewable energy and the Chinese Government's commitment towards emission reduction, climate change target, and transition towards renewable energy. In the past two years, Chengxi has been able [CONFIDENTIAL TEXT DELETED – sales trends].

- (b) Provide the sources of demand for the goods in the domestic market, including the categories of customers, users or consumers of the product;

The main source of demand for wind towers in domestic market is the development of new wind farms. More specifically, wind farms developed by investors with the wind turbine equipment supplied by OEM WTG suppliers, who in turn source wind towers from tower suppliers such as Chengxi.

- (c) Provide an estimated proportion (%) of sales revenue from each of those sources of demand listed in (b);

Chengxi is [CONFIDENTIAL TEXT DELETED – position on the domestic market], therefore has limited knowledge about the overall market share. Based on Chengxi’s sales department’s understanding, estimated market shares of OEM WTG suppliers are as follows: Mingyang - [CONFIDENTIAL TEXT DELETED – number]%, Goldwind - [CONFIDENTIAL TEXT DELETED – number]%, Envision - [CONFIDENTIAL TEXT DELETED – number]%, others [CONFIDENTIAL TEXT DELETED – number]%.

- (d) Describe the factors that influence consumption/demand variability in the domestic market, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;

Wind towers are long term capital equipment used in wind farms and is not a “consumption” driven product. Key factors driving demand are the push to develop renewable energy and energy prices and demands.

- (e) Provide details of any government regulations that affect consumption/supply/demand in the domestic market

The operation and the market of wind tower are more influenced by wind farm development and the renewable energy market. The primary driver of demand for wind towers in the domestic market is the construction of new wind farms. OEM wind turbine generator suppliers fuel this demand, purchasing wind towers from various providers.

Based on Chengxi’s limited understanding, government regulations appear primarily focused on the power market and facilitating renewable energy in general. The Renewable Energy Law serves as the primary legal framework for the renewable energy sector in China, advocating for the advancement of renewable energy sources, including wind power. It could therefore be considered as encouraging demand for renewables at large.

- (f) Describe any market segmentations in the domestic market; such as geographic or product segmentations;

The market segments for wind tower installation can be based on onshore and offshore projects. Further, due to the significance of freight/transportation/installation cost involved for wind towers, the market can also be segmented based on geographical areas and its proximity to the tower facilities.

- (g) Provide an estimated proportion of sales revenue from each of the market segments listed in (f);

Onshore projects comprise approximately [CONFIDENTIAL TEXT DELETED – number]% of sales revenue, while offshore projects comprise [CONFIDENTIAL TEXT DELETED – number]% of sales revenue. With respect to geographical segmentation, please see CONFIDENTIAL Attachment D-2.1(g). As shown, Jiangsu Province, where Chengxi’s

facilities are located, accounted for over [CONFIDENTIAL TEXT DELETED – number]% of Chengxi's total domestic sales. This is consistent with Chengxi's explanation that tower supplier's proximity to the site is one of the key factors for customers' procurement consideration.

- (h) Describe the way in which domestically produced goods and imported goods compete in the domestic market;

Chengxi understands that the Chinese domestic market is mostly supplied by domestic suppliers. This is likely because of the large number of well-established specialist suppliers in China, industry leading technical capability of the domestic suppliers, strong competition, and the cost involved for shipping wind towers either to the major large scale inland based wind farm sites or the offshore sites in China.

- (i) Describe the ways that the goods are marketed and distributed in the domestic market; and

The wind tower projects in China are highly competitive and market oriented. Many projects are awarded through tender process. The marketing approach involves collecting bidding information from main WTG OEM customers on public tender websites. After registration, participants submit their bids according to the requirements stated in the tender announcement. Ultimately, the tendering customers evaluate the bids based on the evaluation rules provided.

- (j) Describe any other factors that are relevant to characteristics or influences on the domestic market for the goods.

*Provide documentary evidence to support the responses made to questions 1(a) to (j).*

Wind towers are the supporting components for green and clean energy. With the continuous technological advancement of wind turbine manufacturers – both domestically and internationally, the power generation efficiency is constantly improving. Key factors driving demands are the demand power generation, and specifically the demand for renewable energy.

2. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the domestic market. Rank these preferences or purchasing influencers in order of importance.

Transportation distance, quality, and the reputation and reliability of tower suppliers could be considered as key attributes that influence purchasing decisions for domestic projects.

3. Have there been any changes in market or consumer preferences in the domestic market for the goods in the last five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

Based on Chengxi's own experiences and [CONFIDENTIAL TEXT DELETED – position on the domestic market] located only in the Jiangsu Province, there has been a trend towards offshore wind tower projects in Chengxi's domestic market in recent years. This is consistent with the overall global trend in the development of offshore wind power projects over the last couple of years.

### D-3 Relationship between price and cost in the domestic market

1. Describe the importance of the domestic market to your company's operations. In your response describe:
  - (a) The proportion of your company's sales revenue derived from sales of the goods in the domestic market; and
  - (b) The proportion of your company's profit derived from sales of the goods in the domestic market.

*In responding to question 1 please provide evidence supporting calculations.*

Chengxi's main business is shipbuilding and ship repair. The wind tower business falls under Chengxi' steel structure business and accounts for a relatively small portion of Chengxi's overall revenue.

From 2018 to 2022, Chengxi's domestic sales of wind towers accounted for [CONFIDENTIAL TEXT DELETED – number]% of Chengxi's company total revenue. Chengxi's domestic sales of wind towers accounted for [CONFIDENTIAL TEXT DELETED – number]% of Chengxi's company-wide profit in the same period.

Please see CONFIDENTIAL Attachment D-3.1 for supporting calculations.

2. Describe the nature of your product pricing (e.g., market penetration, inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in the domestic market. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

Wind tower projects are priced and awarded on a project basis. There is a low level of price transparency on the market. Chengxi responds to RFQs and tenders by way of preparing price and supply proposals based on its own technical capacity, cost estimation and the reasonable and realistic level of profit it hopes to achieve. [CONFIDENTIAL TEXT DELETED – price determination process]

3. Explain the process for how the selling prices of the goods for the domestic market by your business are determined. Provide copies of internal documents which support how pricing is determined.



Chengxi has provided detailed explanation of the sales and pricing process in its response to D-1 above.

4. How frequently are your domestic selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review. Provide the names and positions of all persons involved.

As mentioned above, wind towers are a highly customised project and based engineering product. As such, Chengxi prepares and determines selling prices on a project-by-project basis. Chengxi conducts cost accounting based on the number of products and the prices of raw materials in the market and carry out internal reviews on costs and bidding strategies. The Head of commercial department and other relevant marketing managers are involved.

5. Rank the following factors in terms of their influence on your pricing decisions in the domestic market, with the most important factor ranked first and the least important factor ranked last:

- Competitors' prices
- Purchase price of raw materials
- Cost to make and sell the goods
- Level of inventory
- Value of the order
- Volume of the order
- Value of forward orders
- Volume of forward orders
- Customer relationship management
- Supplier relationship management
- Desired profit
- Other [please define what this factor is in your response]

[CONFIDENTIAL TEXT DELETED – factors influence pricing decisions]

6. Describe the relationship between selling price and costs to make and sell in the domestic market. Does your company maintain a desired profit margin for the goods?

[CONFIDENTIAL TEXT DELETED – factors influence pricing decisions]

7. Do you offer price reductions (e.g., commissions, discounts, rebates, allowances or credit notes) in the domestic market? If yes, provide a description and explain the terms and conditions that must be met by the customer to qualify. Explain how the cost to make and sell

are considered in establishing these price reductions. Provide copies of internal documents which support your claims in response to this question.

**Not applicable, in that prices for wind towers are determined on a project by project basis based on the customer's requirements and specifications.**

8. Do you offer bundled pricing in the domestic market? If yes, explain how the pricing for bundled sales is determined. Explain how the costs to make and sell are considered in establishing these bundled prices for the goods. Provide copies of internal documents which support your claims in response to this question.

**Not applicable, in that prices for wind towers are determined on a project by project basis based on the customer's requirements and specifications.**

9. Does the volume of sales to a customer or the size of an order influence your selling price in the domestic market? If yes, advise how volume is used to determine selling prices. Explain how the costs to make and sell are considered in establishing volume-based prices for the goods. Provide copies of internal documents which support your claims in response to this question.

**Not applicable, in that prices for wind towers are determined on a project by project basis based on the customer's requirements and specifications.**

10. Does your organisation/business entity use sales contracts in the domestic market? If yes:
- (a) What proportion of your sales revenue would come from contracted sales versus uncontracted sales?
  - (b) Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?
  - (c) How frequently are sales contracts renegotiated?
  - (d) How frequently are price reviews conducted between contracts?
  - (e) Do you provide opportunities for price reviews for customers within contracts? If yes, provide a description of the process and an explanation of the circumstances that might lead to a price review.
  - (f) Do changes in your costs to make and sell enable you to review prices for customers within contracts?
  - (g) Provide a list of the customers under contract for the period 1 July 2021 to 31 December 2022 and copies of the two largest contracts in terms of sales revenue. Provide a complete translation of the documents.

**Wind towers are contracted on a per project basis. Once the OEM customer awarded the project to Chengxi, the OEM customer will issue project supply contract. Usually, project prices are not subject to further variation, unless there is a change to the design, material specification, or parts required. For a details of Chengxi's domestic sales of wind tower**

projects during 1 July 2021 to 31 December 2022, please refer to Chengxi's exporter questionnaire response to Review 615. A list of the domestic customers during that period are as follows:

[CONFIDENTIAL TEXT DELETED – list of domestic customers]

Please see CONFIDENTIAL Attachment D-3.10 for the relevant sales documents for two of the largest domestic projects sold by Chengxi during the period 1 July 2021 to 31 December 2022, one by invoice value and one by the number of towers.

11. Provide copies of any price lists for the goods used in the domestic market for the period 1 July 2021 to 31 December 2022. If you do not use price lists, describe the transparency of your prices in the domestic market.

Chengxi did not use price list for wind tower projects.

12. How do you differentiate pricing for different products/models of the goods in the domestic market? Describe how your products are grouped for price differentiation and the methodology used. Describe any cost to make or selling cost differences between differentiated products. Describe how these cost differences (if any) influence pricing decisions. Provide copies of internal documents which support your claims in response to this question.

Each project is priced differently based on Chengxi's deconstruction of the customers' project design, the technical requirements, and Chengxi's estimation and evaluation of the likely cost and desirable profit.

13. Do you tier or segment your domestic customers for the goods in terms of pricing? If yes, provide:
- (a) a general description of how this is done;
  - (b) list the factors that influence pricing differentiation in different tiers or segments; and
  - (c) explain how cost to make and selling costs are considered in making pricing decisions for different tiers or segments.

*Provide copies of internal documents which support your claims in response to this question.*

No.

14. Do you sell the goods to related entities in the domestic market? If yes, describe how prices are set for related party transactions and specify what proportion of your sales in terms of sales revenue are to related party entities. If available, provide a copy of any internal document relevant to establishing pricing to related parties.

[CONFIDENTIAL TEXT DELETED – sales to related parties and revenue contribution]

## SECTION E PRODUCTION

### E-1 Production process

1. Describe the production process for the goods and provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

Please refer to Attachment E-1.1 wind tower manufacturing process flow chart. The production process can be summarised as follows:

(a) Cutting and Bevelling - cut steel plates into the shape as per technical design and bevel the edges of plates for next process

(b) Rolling - roll the steel plates into steel "cans"

(c) Welding - weld the long seam on each steel can and NDT inspection needed for the welding seam

(d) Fitting-up - weld a certain amount of steel cans together as one wind tower section and install the flange on the two ends of each section

(e) Blasting and Painting - using steel grids blasting machine to remove the rust on the inner and outer surface of each section and then spray the paint on surface

(f) Internals - install the internal parts for each section.

The scrap generated in the above production is scrap steel, which is sold by material department as steel scrap.

2. Are any of your suppliers related to your company (regardless of whether it is relevant to the manufacture of the goods)? If yes, please provide details including the product or services supplied by the related company.

[CONFIDENTIAL TEXT DELETED – purchase of steel plate from related steel trader, and engagement of related company for certain processing tasks]

### E-2 Production of the goods under consideration

1. Describe how your company determines its volume of production for the goods, product mix of production and the factors that contribute to these decisions. How frequently are production volumes determined for the goods? How frequently is the product mix determined for the goods?

Not applicable, in that Chengxi's wind tower productions are strictly project based. Each project is secured through bidding process, with the customer providing the tower design for each project.

2. What lead times are typically needed to adjust volumes of production for the goods?

Not applicable, in that Chengxi's wind tower productions and delivery are based on the requirements under specific project and the delivery timeframe as set out for each project.

### **E-3 Changes in operations**

- Please indicate whether your company has experienced any of the following changes in relation to the production of the goods in the last five years.

[CONFIDENTIAL TABLE DELETED – changes in operations]

- Does your company anticipate any changes in the character of its operations in relation to the production of the goods in the future?

| No | Yes | If yes, supply details as to the time, nature, and significance of such changes and provide underlying assumptions. |
|----|-----|---|
| ✓  |     |   |

### **E-4 Capacity Utilisation**

- Provide information about your company's total production in the following table:

|   | Period 1 July 2021 to 31 December 2022 |
|---|--|
| A – Production capacity (sections)*         | [CONFIDENTIAL TEXT DELETED – number]   |
| B – Actual production in volume (sections)  | [CONFIDENTIAL TEXT DELETED – number]   |
| C – Capacity utilisation (%)<br>(B/A x 100) | [CONFIDENTIAL TEXT DELETED – number]   |

\* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example, assuming normal levels of maintenance and repair, a number of shifts and hours of operation that is not abnormally high, and a typical production mix. \*

- Explain how the production capacity and capacity utilisation has been calculated.

Please see CONFIDENTIAL Attachment E-4.2 for further detail on the above figures.

- Do you have warehousing facilities for the goods? If no, what do you do with excess inventory? If yes:

(a) What is the capacity of these facilities?

(b) What was the monthly amount of inventory maintained for the period 1 July 2021 to 31 December 2022?

(c) What is the average period of time that inventory is retained (describe how this is calculated)?

(a) Chengxi has yard spaces to manage excess inventory. This includes [CONFIDENTIAL TEXT DELETED – capacity of warehousing facilities].

(b) As explained above, wind towers are ordered and produced to specific projects and are not produced to or sold from inventory. Inventory in the sense of finished goods products being kept in Chengxi’s facility waiting for delivery varies depending on production and delivery schedule, [CONFIDENTIAL TEXT DELETED – monthly amount].

(c) The average retention period can be calculated in the following way: total number of days any tower sections were stacked during the inquiry period divided by the total number of tower sections stacked during the same period. For the required period the average retention period is [CONFIDENTIAL TEXT DELETED – average period of time calculation].

4. Have there been any changes to the type of capital or technology utilised by your company in the manufacturing of the goods in the last five years? If yes, provide details.

No.

5. For each plant capable of producing inputs that could be utilised to make the goods, provide the date that production facility came into operation and the production capacity of the plant over the past five years. The production capacity should be based on an actual production capacity, not a budgeted production capacity.

As advised in sections A-1.1, A-1.5, and A-2.8, Chengxi produces the goods at its production facility in Jiangsu and Yangzhou.

The Jiangyin production facility came into operation in [CONFIDENTIAL TEXT DELETED – date].

The Yangzhou production facility came into operation in [CONFIDENTIAL TEXT DELETED – date].

Please see CONFIDENTIAL Attachment E-4.2 for further details. [CONFIDENTIAL TEXT DELETED – explanation of Chengxi’s statistical records for production capacity].

6. List any significant investments in the past five years to either upgrade, refurbish or build any of the plants used in the production of the goods.

[CONFIDENTIAL TEXT DELETED – investment details].

7. Please describe the constraint(s) that set the limit(s) on your company’s practical overall capacity over the last five years. If different constraints were binding over different periods reported, please specify when each constraint was limiting your reported practical overall capacity. If a constraint was not actually binding over the period reported but was still a

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constraint to achieving the installed capacity level, indicate at what level it would have been binding.

**[CONFIDENTIAL TABLE DELETED – constraints on capacity]**

## SECTION F SUPPLY AND DEMAND FACTORS

### F-1 Changes in factors affecting supply

1. Have changes in any factors affecting supply (e.g., changes in availability or prices of energy or labour; transportation conditions; capacity and/or methods of production; technology; export markets; or alternative production opportunities) affected the availability of the goods for production and export to the Australian market, other export markets, or the domestic market, since 1 July 2021? If yes, please describe.

**Chengxi has not observed any significant changes that affected the supply of wind towers since July 2021.**

2. Has the COVID-19 pandemic or have any government actions taken to contain the spread of the COVID-19 virus resulted in changes in your company's supply chain arrangements, production, and shipments (including exports to Australia)? In your response, please discuss the duration and timing of any such changes as they relate to your operations.

**[CONFIDENTIAL TEXT DELETED – details of changes in Chengxi's supply chain arrangements, production and shipments].**

**Despite these disruptions, Chengxi had maintained its supply chain arrangement, production and shipment of the goods which met project order requirements in a relatively normal fashion. As noted above, wind tower is a relatively minor part of Chengxi's overall business operation.**

3. Do you anticipate any factors that may affect supply to the Australian market, other export markets or the domestic market over the next year?

**As noted above, Chengxi does not consider itself to be a strong contender for supplying the emerging and significant offshore wind tower projects in Australia, which is affected by the geographic distance involved and the higher costs and technical complexity for transportation.**

4. Describe any changes to, and the effects of, increased cost associated with exporting the goods to Australia (e.g., shipping and other post-exportation expenses) and the consequential effects on supply and demand for wind towers.

**As discussed above, Chengxi understands that the Australian market for wind towers is mostly if not entirely supplied by overseas suppliers. This suggests that increases in costs such as ocean freight and transportation tend to have limited impact on customer's procurement decision so far. This is particularly the case given geographical size of Australian market and the small number of facilities local suppliers in Australia with limited capability in meeting the demand for the domestic projects. Such costs factors are also likely to have relatively insignificant impact from the customer's perspective, in comparison to the overall commercial value of wind farm projects and the importance of meeting project delivery timeframe. A potential change to such factors is the upcoming offshore projects in Australia. As advised, offshore wind towers projects generally**



require significantly higher freight and handling costs due to the difficulty and exceptional complexity associated with transporting large tower sections and equipment to the offshore sites. Based on Chengxi's experience, customers typically prefer to procure offshore project towers from suppliers in closer proximity to the project site in order to reduce costs and complexity in transportation. This would bring more challenge for overseas suppliers located farther away from the project site as well as supplier that does not have capacity to handle both the production and transportation needs for such projects.

5. Do you anticipate any factors that may affect supply to the Australian market, other export markets or the domestic market over the next 5 years?

The key factor affecting supply in any market is the demand for renewable energy, in particular, wind energy projects, and the development in technology and project designs. As highlighted in Chengxi's response above, there has been strong growth in wind farm projects in both Chengxi's domestic market in China and elsewhere, including in Australia. In recent years, there has been a general trend toward larger and taller towers, and the fast-growing need for offshore towers. These developments both provide opportunity and challenges for suppliers – in that tower suppliers will need to have the strong experiences and capability to properly handle such projects in order to meet the quality, quantity and delivery timeframe requirements.

## F-2 Changes in factors affecting demand

1. Indicate how demand in the following markets for the goods has changed in the last five years and how you anticipate demand will change in the future. Explain any trends and describe the principal factors that have affected, and that you anticipate will affect, these changes in demand.

| Market                             | Overall increase | Fluctuate up | No change | Fluctuate down | Overall decrease | Explanation and factors |
|------------------------------------|------------------|--------------|-----------|----------------|------------------|-------------------------|
| <b>Demand since 1 January 2019</b> |                  |              |           |                |                  |                         |
| Domestic market                    | ✓                |              |           |                |                  |                         |
| Australia                          |                  | ✓            |           |                |                  |                         |
| Other markets                      |                  | ✓            |           |                |                  |                         |
| <b>Anticipated future demand</b>   |                  |              |           |                |                  |                         |

|                 |  |   |  |  |  |  |
|-----------------|--|---|--|--|--|--|
| Domestic market |  | ✓ |  |  |  |  |
| Australia       |  | ✓ |  |  |  |  |
| Other markets   |  | ✓ |  |  |  |  |

Over the past five years, the domestic demand for wind towers has been on a rise overall. Similar to other markets, this is mainly driven by the demand for renewable energy projects and the Chinese government’s policy commitment towards carbon emission reductions. Chengxi anticipates that this overall trend will continue for the foreseeable future.

As a [CONFIDENTIAL TEXT DELETED – position in wind tower markets], Chengxi has limited information about Australia and third countries markets. Based on the number of inquiries Chengxi received from customers over the years, the demand level has been relatively stable from Chengxi’s perspective.

On the other hand, Chengxi understands in more recent times, the Australian Government at both Federal and State levels have made significant legislative, policy and financial commitments to carbon emission reduction and energy transition, with strong focus on the development of renewable energy projects, including wind farm projects. Chengxi anticipates that this will ensure long term growth in the wind industry in Australia and that strong demand for wind towers are likely to continue/further increase.

**F-3 COVID-19 pandemic**

1. What impacts have COVID-19 had on your business operations specifically, and the wind tower industry in general?

Please refer to Chengxi’s response above at E-3 and F-1. In addition, Chengxi observed that the significant increases in freight cost that followed Covid-19 outbreak had more noticeable impact for some markets. For instance, Chengxi noticed [CONFIDENTIAL TEXT DELETED – impacts of the increase in freight cost on operations].

**F-4 Anti-dumping and countervailing measures**

1. Describe the significance of the existing antidumping/countervailing measures on your company’s capacity, production, domestic market shipments, exports to Australia and other markets, and inventories. You may wish to compare your company’s operations before and after the imposition of the measures.

In relation to the Australian market, the anti-dumping duty imposed since 2014 has [CONFIDENTIAL TEXT DELETED – impact of anti-dumping

duties]. Chengxi did not export any wind towers to Australia during the investigation period of the original investigation, therefore it has not contributed to the imposition of the anti-dumping measure. Since then, Chengxi exported wind towers to Australia that had applicable anti-dumping duty rates of 15.6% and 10.9% respectively. The applicable anti-dumping duty rate for wind towers exported from Chengxi changed to 0% from effective from 14 January 2022 following Accelerated Review 597. Chengxi has [CONFIDENTIAL TEXT DELETED – export volume to Australia].

As explained above, [CONFIDENTIAL TEXT DELETED – Chengxi’s market distribution]. Wind tower production is also a relatively minor part of Chengxi’s overall business, which is mainly focused on shipbuilding and ship repairing. As such, Chengxi’s overall business is not significantly impacted by any fluctuation in wind tower production and sales.

2. Would you anticipate any changes in the character of your operations or organisation, including capacity, production, exports to Australia, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, or asset values relating to the production of the goods in the future if the countervailing duty/antidumping duty measures were to be revoked?

If yes please supply details as to the time, nature, significance of such changes and provide underlying assumptions along with relevant portions of business plans or other supporting documentation that addresses this issue. Include in your response a specific projection of your capacity to produce the goods for the Australian market in the next 1 to 5 years.

Chengxi does not foresee that any significant changes would occur to the character of its operations or organisation following the revocation of anti-dumping measures. Chengxi has a proven record of not engaging in dumping with respect to the Australian market. This has been the case in the original investigation, when Chengxi did not have any exports to Australia; the review period for Accelerated Review 597 when Chengxi’s exports were not at dump price; and continues to be the case since Chengxi obtained its 0% anti-dumping duty rate at the start of 2022.

## **EXPORTER'S DECLARATION**

I hereby declare that Chengxi Shipyard Co., Ltd.

have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

**Name :** Lu Ziyou

**Signature:**

**Position in Company:** Company Legal Representative

**Date:** 19 June 2023

## APPENDIX GLOSSARY OF TERMS

This glossary is intended to provide you with a basic understanding of technical terms that appear in the questionnaire.

### **Cost of production/manufacturing**

The cost of production or manufacture consists of all manufacturing costs associated with the goods. It is the sum of direct materials, direct labour and factory overheads.

### **Cost to make and sell**

The cost to make and sell is the sum of the cost of production or manufacture, and the selling, general and administration costs associated with the sale of those goods.

### **Direct labour cost**

Direct labour is categorised as a variable cost, i.e. the value varies with the level of production.

### **Exporting country**

The country of export is normally the country of origin from which the goods are shipped. The country of export may be an intermediate country, except where the products are merely transhipped through that country, or the products concerned are not produced in that country, and there is no comparable price in that country.

### **Factory overheads**

Factory overheads consist of variable costs e.g. power, supplies, indirect labour and fixed costs e.g. factory rent, factory insurance, factory depreciation etc.

### **Goods under consideration (the goods)**

The goods to which the application for anti-dumping action relates. That is, the goods that you have exported to Australia allegedly at dumped prices.

### **Like goods**

Like goods are goods sold on the domestic market of the country of export (or to a third country) that are identical in all respects to the goods or that, although not alike in all respects have characteristics closely resembling those of the goods. The term 'like goods' also refers to the goods produced by the Australian industry allegedly being injured by dumped imports.

### **Selling, general and administration expenses (SG&A)**

The selling, general and administration expenses includes all selling, distribution, general and administration expenses including finance costs that would be incurred if the goods were sold for domestic consumption in the country of export. The amounts are determined in each case using all the available information and may include expenses incurred in:

- . domestic sales of like goods;
- . sale of goods of the same general category by the exporter; or
- . sales in the industry in the country of export.

The expenses must, however, reflect the selling, general and administration costs of the goods. Administrative and selling expenses include: director's fees, management salaries and benefits, office salaries and benefits,

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office supplies, insurance, promotion, entertainment, depreciation and corporate overheads.