



Australian Government
Department of Industry,
Science and Resources

Anti-Dumping
Commission

Australian Industry Verification Report

Verification & Case Details

Initiation Date	12 May 2023	ADN:	2023/030
Case Number	621		
The goods under consideration	Certain utility scale wind towers		
Case type	Continuation Inquiry		
Australian Industry	Keppel Prince Engineering Pty Ltd		
Verification method	Onsite verification		
Review/inquiry Period	1 July 2021 to 31 December 2022		

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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PREFACE

The Anti-Dumping Commission (commission) has verified data Keppel Prince Engineering Pty Ltd (KPE) provided, relevant to Review of Measures No 615 and Continuation Inquiry No 621 applying to certain utility scale wind towers (the goods) exported to Australia from the People's Republic of China (China). This report details the evidence gathered and the key findings from the verification of the data.

This report has been prepared for publication on the electronic public record for Continuation 621.

This report provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

KPE is a metal fabrication and construction contractor company based in Portland, Victoria. KPE is the Australian subsidiary of Keppel Infrastructure and as such is a privately-held company.

KPE produces and markets a range of value-added coated and painted flat steel products for the Australian market.

1.2 Related parties

The verification team examined the relationships between any related parties involved in the manufacture and sale of the goods.

In its application, KPE stated that it did not sell like goods to related party customers during the review/inquiry period.

2 THE GOODS AND LIKE GOODS

2.1 The goods

The goods subject to anti-dumping measures 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.

Goods specifically excluded from the anti-dumping measures 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.

There are two tariff concession orders (TCOs) for wind towers under tariff classification 7308: TCO 1761480, and TCO 1813104. Interim dumping duty (IDD) does not apply to goods subject to TCO 1761480 with an effective date of 21 September 2017 due to Ministerial Exemption Instrument No 2 of 2018. IDD does not apply to goods subject to TCO 1813104 with an effective date of 16 May 2018 due to Ministerial Exemption Instrument No 5 of 2018.

2.2 Manufacturing in Australia

Based on information gathered at the verification visit and information obtained from previous investigations, reviews, and inquiries in relation to the goods, KPE represented the Australian industry for like goods.

The commission notes that the Australian industry did not produce like goods during the review/inquiry period. However, KPE retains the ability to produce like goods.

Details of the production process are contained in the verification work program at **Confidential Attachment 1**.

2.3 Like goods

2.3.1 Legislation

Like goods are defined under section 269T(1) of the Act as:

Certain utility scale wind towers - Australian Industry Verification Report – Keppel Prince Engineering Pty Ltd

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

2.3.2 Verification team's assessment

The Manual outlines that the commission will assess whether there is an Australian industry for like goods, having regard to various factors, which are outlined below.

2.3.2.1 Physical likeness

Based on the information KPE presented at the visit and the commission's understanding from previous investigations, reviews and inquiries into this product, the primary physical characteristics of the goods exported to Australia and locally produced goods are similar. Notwithstanding that there are variations in technical specifications (i.e. size of the wind tower sections, shape, height, content etc.) from project to project, the appearance is similar.

2.3.2.2 Commercial likeness

Based on the information KPE presented and the commission's understanding from previous investigations, reviews and inquiries into this product, the goods exported to Australia and locally produced goods are commercially alike. They are sold to Original Equipment Manufacturers (OEM's) and directly compete in the same market. The channels to market are similar and often projects are bid on by multiple suppliers through competitive tender processes. OEMs are mostly able to switch between sources.

2.3.2.3 Functional likeness

Based on the information KPE presented and the commission's understanding from previous investigations, reviews and inquiries into this product, the goods exported to Australia and locally produced goods are functionally alike. They have a similar end-use (i.e. electricity generation).

2.3.2.4 Production likeness

Based on the information the commission has previously verified in previous investigations, reviews and inquiries, the goods exported to Australia and locally produced goods are manufactured in a similar manner using the same raw materials.

2.3.3 Conclusion – like goods assessment

The verification team is satisfied that:

- KPE manufactures like goods²
- the like goods are wholly manufactured in Australia³ and
- there is an Australian industry, consisting of KPE.⁴

² Section 269T(1).

³ Section 269T(2).

⁴ Section 269T(4).

2.4 Model control codes

Based on the information KPE presented and the commission's understanding from previous investigations, reviews and inquiries into this product, model control codes are not applicable for the goods as they are locally produced on a project-by-project basis and in accordance with the purchaser's specifications.

3 AUSTRALIAN MARKET

3.1 Background

The Australian market for certain utility scale wind towers is able to be supplied by two domestic producers, Keppel Prince Engineering Pty Ltd and Crisp Bros & Haywards Pty Ltd. The Australian market is also supplied by producers from other countries who supply Australian distributors or end-users via multiple channels (direct from overseas mills, via international traders).

The verification team understands that as wind towers are considered a project-based product, OEM's in the Australian market request wind tower sections according to a specific diameter directly relating to a wind farm project.

3.2 Market structure and end use

3.2.1 Background

The industry that consume certain utility scale wind towers in Australia is the renewable energy industry, consisting of wind power, hydroelectricity, solar photovoltaics, heat pumps, geothermal, wave and solar thermal energy.

The renewable energy industry for wind towers in Australia is then split into the following segments:

- free market projects; and
- government projects.

Projects are facilitated and controlled by OEM's. KPE stated during verification that there are eight main wind turbine OEMs supplying to the Australian market, with related local entities undertaking the development of the associated wind farms. These local entities are:

- Vestas Wind System A/S (Vestas);
- GE Energy (GE);
- Goldwind Australia Pty Ltd (Goldwind);
- Senvion Australia (formerly Repower Australia);
- Siemens Gamesa Ltd Australia (Siemens);
- Acciona Nordex;
- Suzlon Energy Australia (SEA); and
- Enercon Australia Pty Ltd (Enercon).

OEM's are responsible for sourcing the three essential components required to construct a wind turbine. These components are the tower sections, rotor blades and the nacelle.

Locally produced and imported wind tower sections are used interchangeably across the two key market segments in Australia.

3.2.2 Demand

The primary demand driver for certain utility scale wind towers is the renewable energy industry.

Demand for KPE's like goods is therefore impacted by factors that impact renewable energy in Australia. KPE identified economic factors (availability for capital, domestic conditions, consumer confidence), and government regulation and projects (standards, policies, state government projects) as relevant factors that influence demand.

3.3 Australian market pricing

KPE claims that prices for the like goods are typically set through a tendering process, in which KPE will tender for a specific project and advise what can be supplied to the OEM in respect to a particular wind farm project in Australia. KPE's manufacture of wind tower sections is to order.

Following verification, KPE provided additional supporting materials including partial tender correspondence with OEM's. This is to support KPE's claim that it has been unable to win recent project tenders. This is further documented in **Confidential Attachment 2**.

3.4 Australian market size

The verification team has estimated the size of the Australian market for certain utility scale wind towers using the domestic sales data from KPE and data sourced from the Australian Border Force (ABF) import database. The information sourced from the ABF import database was determined using the relevant tariff subheadings and statistical codes for certain utility scale wind towers and additional filtering to remove imports that were not considered to be the goods.

The verification team considers that its approach to estimating the size of the Australian market for certain utility scale wind towers is relevant and reasonable as:

- the ABF import database is an independent and reliable source of data in relation to imported certain utility scale wind towers; and
- the completeness, relevance and accuracy of the sales data compiled by KPE was verified by the verification team (chapters 4 and 5 of this report refers).

The commission noted that the majority of ABF entries indicated the weight of the shipment in tonnes, while some entries provided only a number of wind tower sections. Where the ABF entries recorded sections, the commission has converted the entry to a weight in tonnes using best estimates. The commission considers that this provides a reasonable basis for estimating the size of the Australian market for the purpose of this report.

Figure 1 below depicts the verification team's estimate of the size of the Australian market for certain utility scale wind towers from fiscal year 2017 to 2022.

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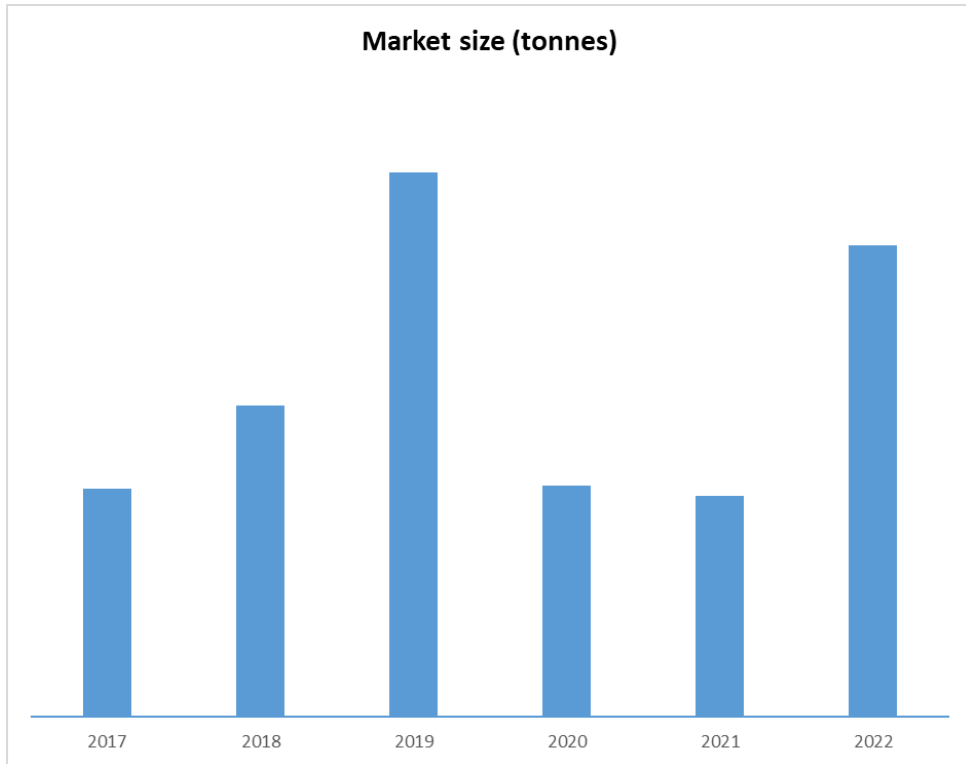


Figure 1 – Australian market size (tonnes)

The verification team’s analysis of the Australian market is in **Confidential Attachment 2**.

4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

4.1 Background

The verification team conducts verification of completeness and relevance by reconciling selected data submitted 'upwards' through management accounts to audited financial accounts. The verification team reconciles total sales value and quantity to management reports, with particular attention given to including all relevant transactions and excluding all irrelevant transactions. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the Australian sales listings submitted by reconciling these to audited financial statements, management accounts and various accounting systems in accordance with ADN No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

4.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data KPE provided is complete and relevant. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5 VERIFICATION OF SALES ACCURACY

5.1 Background

The verification team verified the accuracy of KPE’s sales listing submitted in the application by reconciling these to source documents in accordance with ADN No 2016/30 .

The verification team identified an issue outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachment at **Confidential Attachment 1**.

5.2 Exceptions during verification of sales accuracy

Table 1 outlines the exception found during the verification of sales accuracy.

Description	Resolution
Incorrect project sections recorded in A6.1 listing under fiscal year 2021.	Revised listing to include correct section allocation from 2021 to 2020.

Table 1: Exceptions during verification of accuracy of sales data

5.3 Related party customers

The verification team did not find any information to suggest that KPE had made sales to related parties during the review/inquiry period.

5.4 Sales accuracy finding

The verification team is satisfied that the sales data KPE provided is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

6.1 Background

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information KPE provided in its application by reconciling it to audited financial statements in accordance with ADN No 2016/030.

The verification team notes that KPE conducts management accounting on a project-by-project basis.

The verification team noted some minor cost variances in respect of specific projects. KPE was able to provide an explanation of why this had occurred. The verification team is satisfied with the methodology applied by KPE and is satisfied that variances have been fully and accurately captured and allocated to relevant wind tower projects.

The verification team did not identify any material issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6.2 CTMS completeness and relevance finding

The verification team is satisfied that the CTMS data KPE provided is complete and relevant.

7 VERIFICATION OF CTMS ACCURACY

7.1 Cost allocation method

The verification team verified the reasonableness of the method KPE used to allocate the cost information, in accordance with ADN No 2016/030.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

Table 2 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials – plate steel	Costs of plate steel sourced from an unrelated supplier are based on the actual purchase price.
Raw Materials – flanges	Costs of flanges purchased from an unrelated Chinese supplier based on actual purchase price.
Labour	Standard costs, using bill of materials and production cost worksheets.

Table 2: Cost allocation method

7.2 Exceptions during verification of CTMS accuracy

Table 3 outlines the exception found during the verification of CTMS accuracy.

Description	Resolution
Incorrect allocation of imported flanges in local raw materials	Revised listing to include imported flanges in the imported raw materials in A6.1.

Table 3: Exceptions during verification of CTMS accuracy

7.3 Verification of accuracy of CTMS data

The verification team verified the accuracy of KPE’s CTMS data by reconciling it to source documents in accordance with ADN No 2016/030.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachment, at **Confidential Attachment 1**.

7.4 CTMS verification finding

The verification team is satisfied that the CTMS data KPE provided is complete, relevant and accurate.

Accordingly, the verification team considers KPE’s CTMS data is suitable for analysing the economic performance of its like goods’ operations.

8 ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY

8.1 Background

On 16 April 2014, anti-dumping measures in the form of IDD were imposed on wind towers exported from China and Korea.

The anti-dumping measures were continued for China and ceased for Korea in 2019 following Anti-Dumping Commission Report No 487.⁵ The anti-dumping measures also ceased for Shanghai Taisheng Wind Power from China following an Anti-Dumping Review Panel review, refer to ADRP Report No. 100.⁶

In its application that led to Continuation Inquiry 621, KPE claims that the expiration of the measures would lead, or be likely to lead, to a recurrence of the material injury that the measures are intended to prevent.

This chapter considers the economic condition of the Australian industry since 1 January 2017.

8.2 Approach to economic condition analysis

The verification team has assessed the economic condition of the Australian industry from 1 January 2017 using the verified financial information KPE provided. The data was aggregated on an annual basis for years ending 31 December. This preliminary assessment is at **Confidential Attachment 2**.

8.3 Volume effects

8.3.1 Sales volume

Figure 2 below shows KPE's sales volume of wind towers from 2017 to 2022.

⁵ [REP 487](#)

⁶ [ADRP Report No. 100](#)

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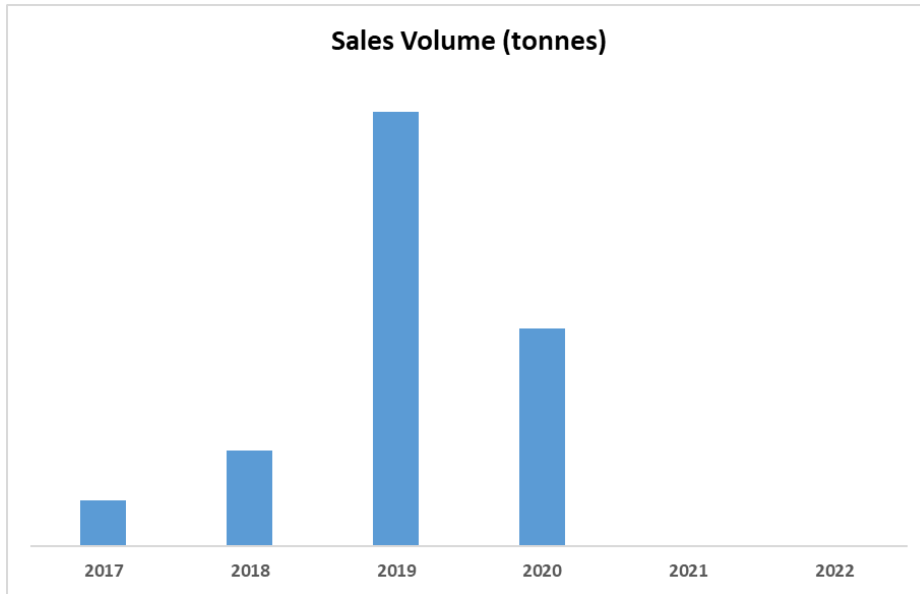


Figure 2: Sales volume

Figure 2 indicates that KPE's sales volume increased until 2019 and then decreased in 2020. There were no sales in 2021 and 2022.

8.3.2 Market share

Figure 3 below details the proportion of the Australian market that has been supplied by the Australian industry, imports from China and from other countries⁷.

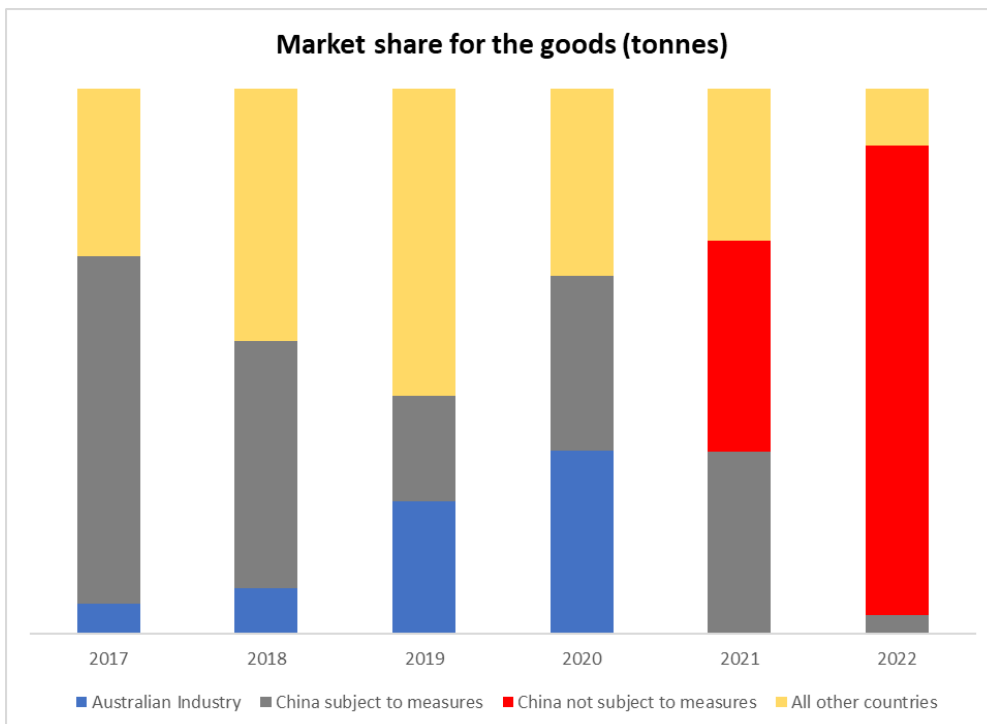


Figure 3: Market share

⁷ Section 3.4 details use of CRE data in determining the size of the Australian market for the like goods.

Figure 3 indicates that the Australian industry increased its market share up until 2020 compared to 2017 levels.⁸ KPE held no market share in 2021 and 2022.

8.3.3 Conclusion – volume effects

Based on the available information, the verification team consider that KPE have experienced a deterioration in volume related economic performance during the review/inquiry period.

8.4 Price effects

8.4.1 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between price and costs.

Figure 4 charts KPE’s unit selling price and unit CTMS from 2017 to 2020.⁹

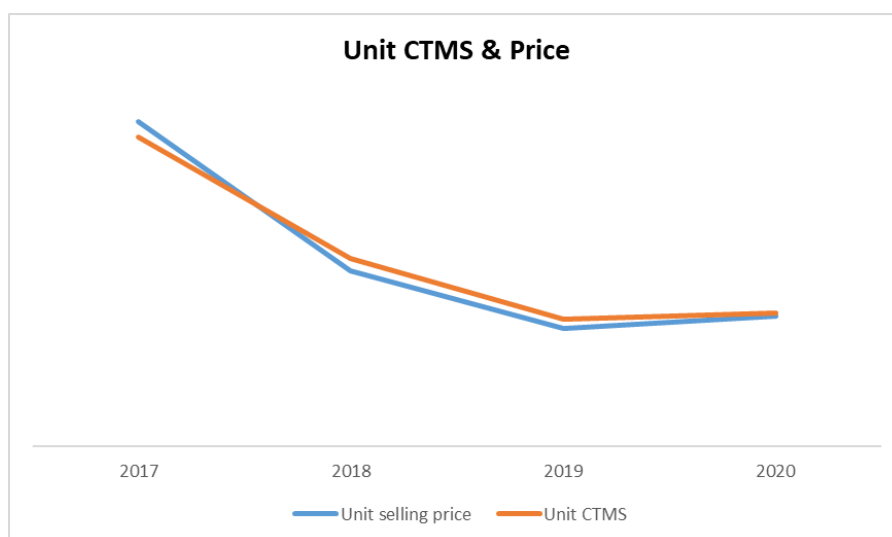


Figure 4: Unit CTMS and unit selling price (\$ per tonne)

Figure 4 indicates that:

- Unit CTMS trended downward from 2017 to 2019. Unit CTMS slightly increased in 2020.
- Unit selling prices have trended downward from 2017. Unit selling prices increased in 2020.
- The selling prices exceeded CTMS in 2017. During 2018 to 2020, unit CTMS exceeds unit selling price.

8.4.2 Conclusion – price effects

The verification team notes that it is difficult to draw conclusions regarding trends in prices for products that involve tenders. However, it is reasonable to expect that a

⁸ Australian industry market share is based on verified sales data for KPE and an estimate for sales of other Australian industry participants as supplied by KPE.

⁹ As KPE did not sell the goods in 2021 and 2022, Figure 4 does not include those years.

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company's selling prices would normally exceed CTMS. Based on the available information, KPE have not achieved this in 2018 to 2020. KPE's prices appear to be suppressed between 2018 and 2020. The verification team can make no findings specific to the review/inquiry period as KPE did not sell like goods.

8.5 Profit effects

8.5.1 Profit and profitability

Figure 5 charts KPE's profit and profitability as a percentage of revenue from 2017 to 2022.

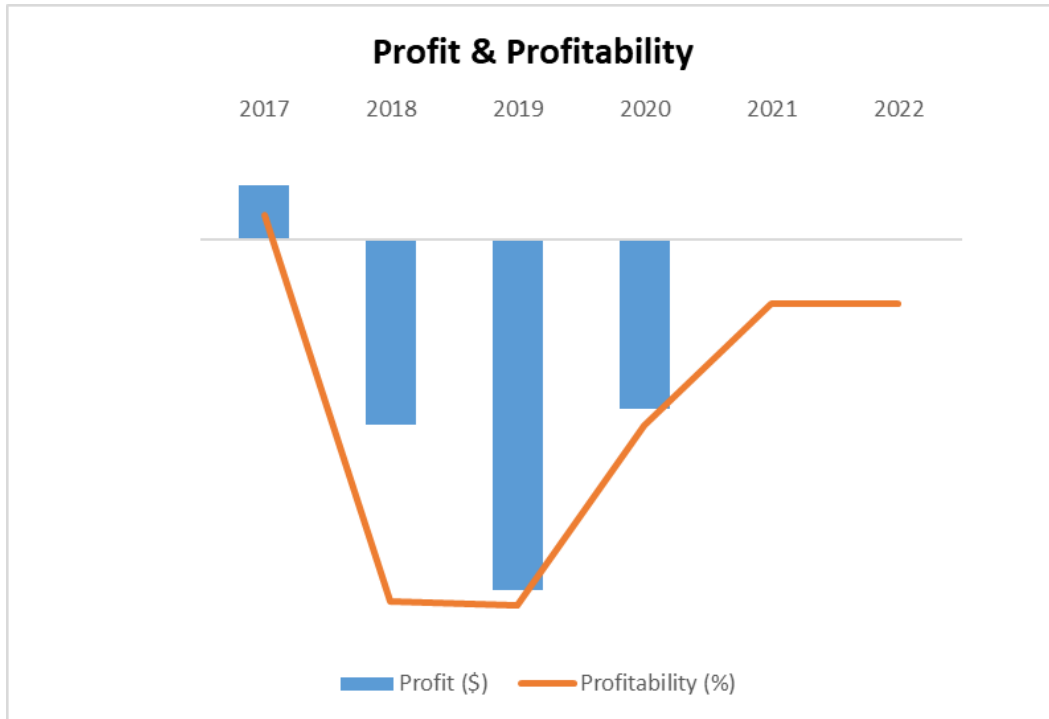


Figure 5: Profit (\$) and profitability (profit % of revenue)

Figure 5 indicates that KPE recorded a positive profit and profitability in 2017. It experienced negative profit and profitability between 2018 and 2020. There was no profit or profitability in 2021 and 2022, due to no sales taking place in those years.

8.5.1 Conclusion – profit effects

KPE experienced negative profit and profitability between 2018 and 2020 which indicates that its profit related economic condition was impacted prior to the review/inquiry period. The verification team can make no findings specific to the review/inquiry period as KPE did not sell like goods.

8.6 Other economic factors

As part of its application, KPE provided data in relation to a range of other economic factors. The following sections summarise the trends and the commission will consider these other economic factors in the statement of essential facts (SEF).

8.6.1 Assets

Figure 6 depicts the value of KPE's assets used in the production of like goods from 2017 to 2022.

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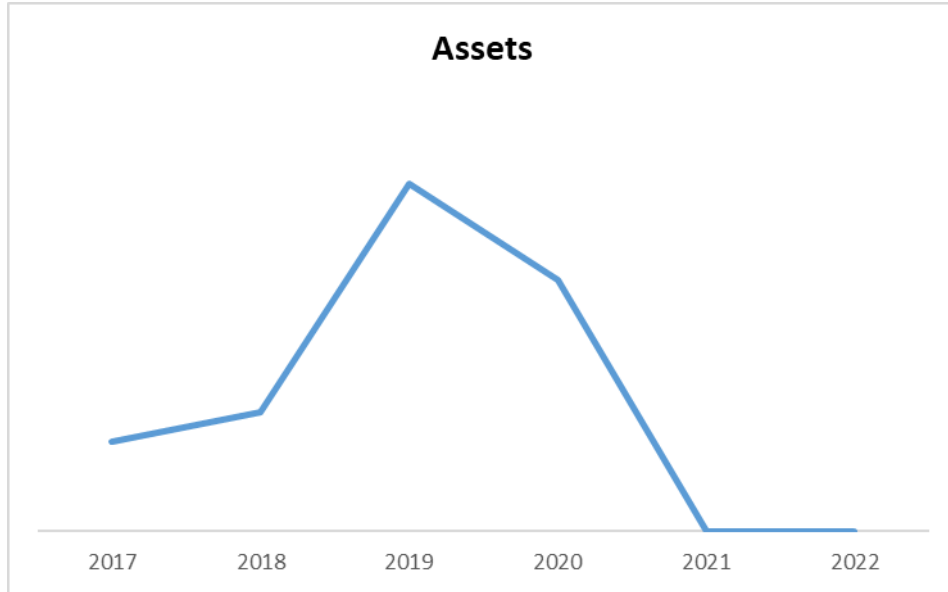


Figure 6: Assets

Figure 6 indicates that KPE had an increase in the value of assets from 2017 to 2019 before decreasing in 2020 and flat lining in 2021 and 2022.

8.6.2 Capital investment

Figure 7 depicts KPE's capital investment from 2017 to 2022.

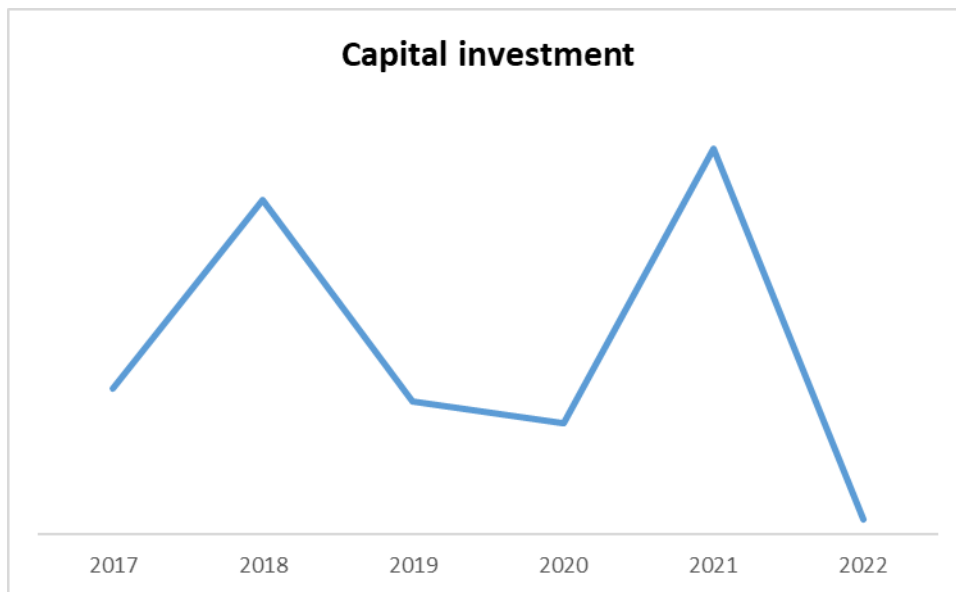


Figure 7: Capital Investment

Figure 7 indicates that KPE's capital investment experienced a sharp increase from 2017 to 2018 before decreasing in 2019. This increased again in 2021 before falling in 2022.

8.6.3 Revenue

Figure 8 depicts KPE's revenue from the sale of like goods from 2017 to 2022.

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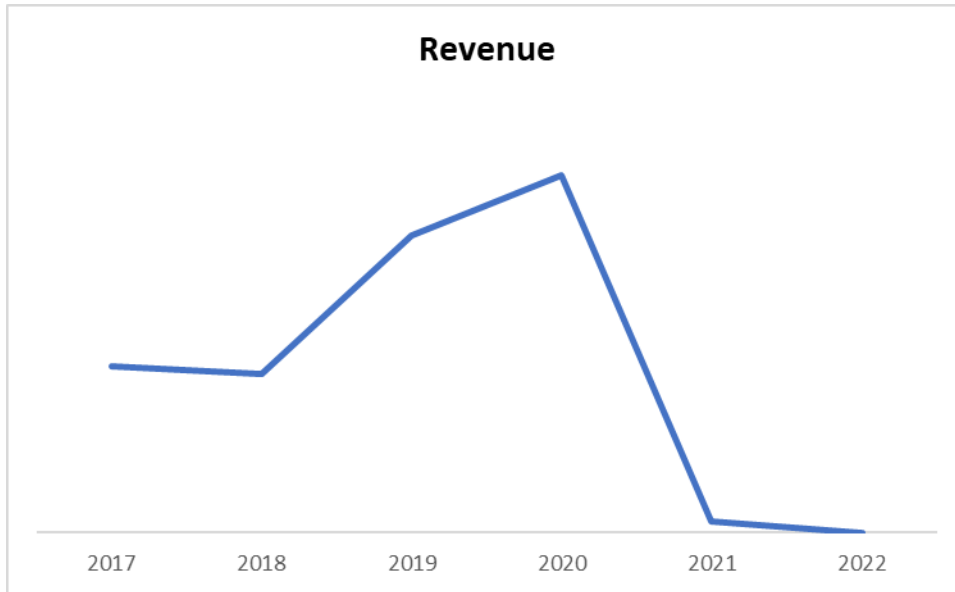


Figure 8: Revenue

Figure 8 indicates that KPE experienced a gradual increase in revenue on sales of like goods from 2018 to 2020, after which there was a period of strong decline in 2021 and no revenue in 2022.

8.6.4 Return on investment

Figure 9 depicts KPE's return on investment (ROI) from 2017 to 2022.

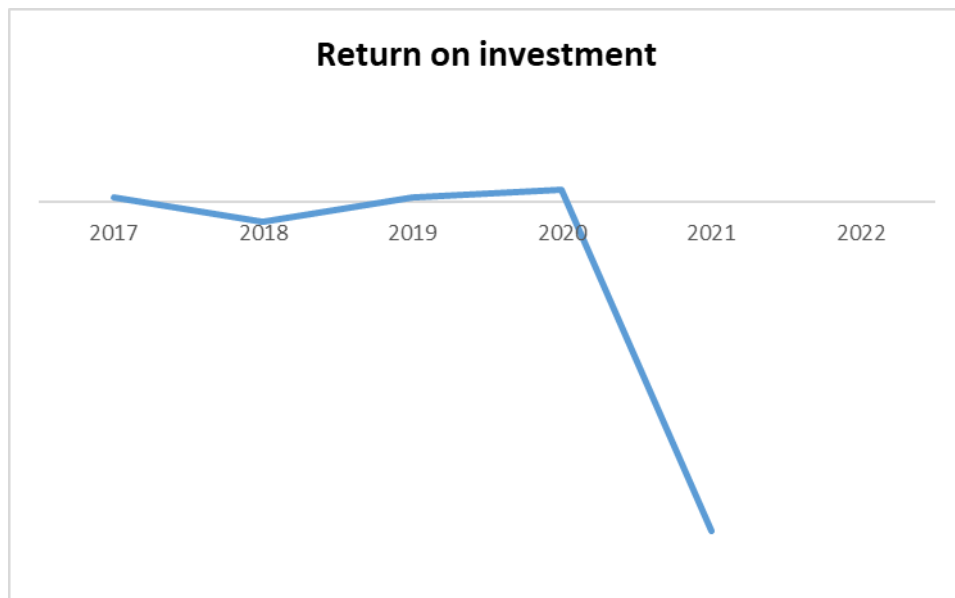


Figure 9: Return on investment

Figure 9 indicates that KPE experienced negative ROI in 2018, 2021 and 2022, with its lowest ROI in 2021.

8.6.5 Capacity utilisation

This data was not presented by KPE. The verification team have a general indication of KPE’s capacity from prior investigations, reviews and inquiries and discussion at the visit. However, the verification team understand that capacity utilisation can vary for KPE depending on the number of projects it wins.

8.6.6 Employment

Figure 10 depicts KPE’s employment numbers from 2017 to 2022.

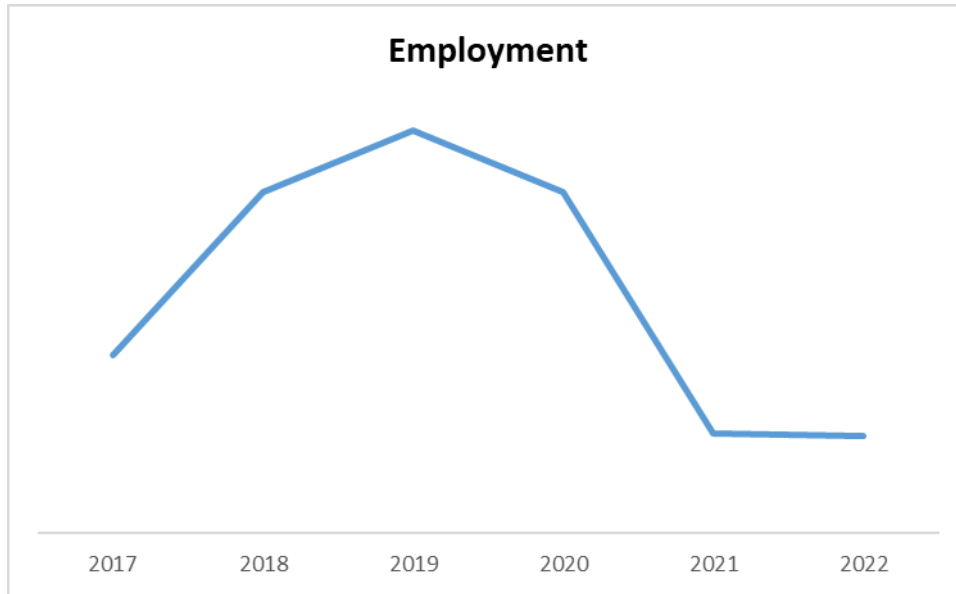


Figure 10: Employment

Figure 10 indicates that employment numbers increased from 2017 to 2019, before decreasing in 2020.

8.6.7 Wages

Figure 11 depicts KPE’s wages bill from 2017 to 2022.

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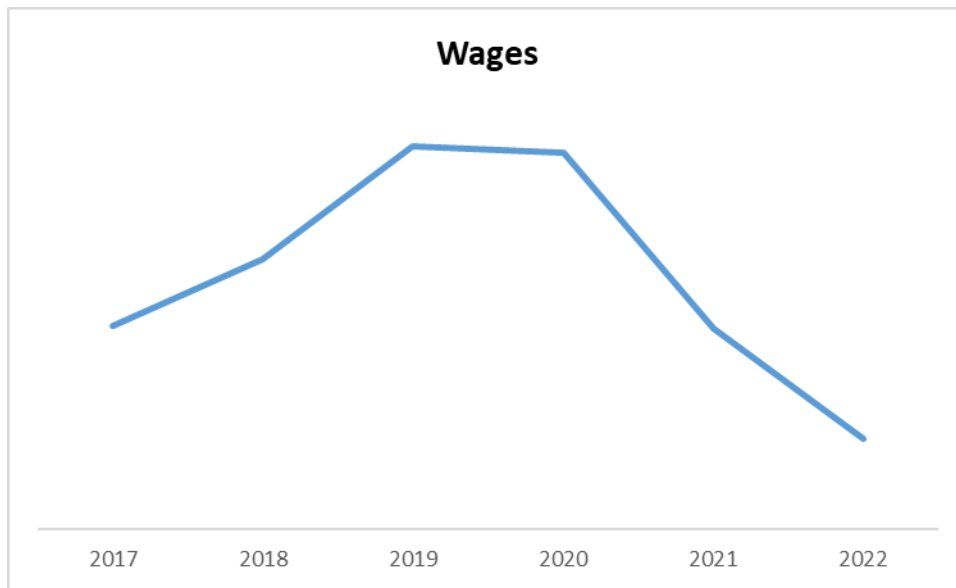


Figure 11: Wages

Figure 11 indicates that KPE's wage bill increased steadily from 2017 to 2019, before decreasing slightly in 2020. This was followed by a strong decrease after KPE did not manufacture the goods in 2021 and 2022.

9 IMPACT OF EXPIRY OF MEASURES

Under the terms of section 269ZHF(2), in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping and/or subsidisation and
- the material injury that the anti-dumping measure is intended to prevent.

The verification team sought KPE's views on these matters, and received a submission, including evidence, to support these views.¹⁰ Matters raised in this submission will be considered by the case team in preparing the SEF.

¹⁰ [EPR 615, document no. 4.](#)

10 ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Attachment 2	Economic condition of the Australian industry