PUBLIC RECORD

Australian Government
Department of Industry, Innovation and Science

Anti-Dumping Commission

CONTINUATION INQUIRY NO. 487

INQUIRY INTO THE CONTINUATION OF ANTI-DUMPING MEASURES APPLYING TO WIND TOWERS EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND THE REPUBLIC OF KOREA

VISIT REPORT - AUSTRALIAN INDUSTRY

KEPPEL PRINCE ENGINEERING PTY LTD

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

December 2018

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1 BACKGROUND

On 22 June 2018, an application for the continuation of anti-dumping measures was lodged by Keppel Prince Engineering Pty Ltd (KPE) in respect of certain wind towers exported to Australia from the People's Republic of China (China) and the Republic of Korea (Korea).

Public notification of the initiation of the continuation inquiry was published on the website of the Anti-Dumping Commission (the Commission) on 16 July 2018 (Anti-Dumping Notice (ADN) No. 2018/115 refers).[1]

The inquiry period for the purposes of the continuation inquiry is from 1 January 2017 to 30 June 2018.

Following the initiation of the continuation inquiry, the Commission organised a visit to KPE to conduct verification of information provided in its application, as well as to gather further information regarding the assertion that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation, or a recurrence of, the dumping and the material injury that the anti-dumping measures are intended to prevent.

[1] Document 2, EPR 487.

2 THE GOODS

2.1 The goods

The goods subject to the anti-dumping measures and therefore this inquiry 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 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*. 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 are insufficient sections in a shipment to be considered 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.

These tariff classifications and statistical codes may include goods that are both the subject and not the subject of this inquiry. The listing of these tariff classifications and statistical codes are for convenience or reference only and do not form part of the goods description. Please refer to the goods description for authoritative detail regarding goods the subject of this inquiry.

There are two tariff concession orders (TCOs) for wind towers under tariff classification 7308: TCO 1761480, and TCO 1813104.[2]

[2] Details of these TCOs are available on the Department of Home Affairs website.

3 THE AUSTRALIAN INDUSTRY

3.1 Manufacturing in Australia

The Australian industry consists of two wind tower section manufacturers, KPE (based in Portland, Victoria), and Haywards Pty Ltd (based in Tasmania). Ottoway Fabrication Pty Ltd (based in South Australia), which used to be another manufacturer of wind tower sections, went into administration in July 2018.[3] KPE is the largest domestic producer of wind tower sections in Australia.

KPE purchases steel plate of specific grades for the purpose of manufacturing wind tower sections. The steel grade is selected based on the design of the tower and the relevant engineering specification. All other aspects of the towers (such as the lifts, stairs, floors and internals) are also required to meet relevant Australian safety standards.

The verification team visited KPE's production facility at Portland, which is where its wind tower sections are produced, to observe its manufacturing process.

The verification team observed that the manufacture of like goods by KPE involves the following stages:

- rolling of the processed plate into individual cylindrical steel cans, or "strakes", meeting the precise specification diameter and curvature requirements;
- welding according to specification to join edges and seams to form a tower section. This is followed by the precise fitting up of steel flanges;
- surface treatment (including sand blasting) and then painting of steel surfaces; and
- internal fit out of mechanical parts (platforms are either bolted or welded in, along with ladders, cable trays and safety fall arrest devices. All electrical main power cables, junction boxes and electrical lighting are installed).

Based on its observation of KPE's manufacturing facilities and the processes undertaken by KPE in manufacturing like goods, the verification team considers that KPE carries out, in Australia, at least one substantial process in the manufacture of like goods.

The verification team considers the processes undertaken by KPE are more than simple assembly, packaging or labelling and that the rolling, welding, and surface treatment of the steel plate undertaken by KPE is what lends the final product its essential characteristics.

The verification team concludes that the goods manufactured by KPE are produced in Australia.

3.2 Like goods

Like goods are defined under section 269T (1) of the *Customs Act 1901* (the Act)[4] as:

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

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[3] Ottoway ASIC notice

[4] All legislative references in this report are to the *Customs Act 1901*, unless otherwise specified.

KPE manufactures wind tower sections matching the purchaser's specifications on a project-by-project basis. KPE considers that the wind tower sections it produces are like goods to wind towers that are exported to Australia from China and Korea. Specifically, KPE claims that the like goods it produces and the imported goods:

- are alike physically (all wind towers share basic physical characteristics – they are large tubular steel towers that support wind turbine nacelles);
- compete directly in the same market for each project;
- are manufactured in a similar manner; and
- have the same end-uses.

Based on discussions and verification with KPE, at this stage, the verification team considers that:

- the primary physical characteristics of the goods and locally produced goods are similar;
- the goods and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;
- the goods and locally produced goods are functionally alike as they have the same end-use; and
- from the information that is available, it appears that the goods and locally produced goods are likely to be manufactured in a similar manner.

Accordingly, the Commission is satisfied that the Australian industry produces like goods to the goods the subject of the application, as defined in section 269T.

3.3 Conclusion

The verification team is satisfied that:

- the goods produced by KPE are like to the imported goods;[5]
- at least one substantial process of manufacture in the production of like goods is carried out by KPE in Australia;[6]
- the like goods are, therefore, wholly or partly manufactured (and thus produced) in Australia by KPE;[7] and
- there is an Australian industry, which includes KPE, that produces like goods.[8]

5 Subsection 269T(1).

6 Subsection 269T(3).

7 Subsection 269T(2).

8 Subsection 269T(4).

4 AUSTRALIAN MARKET

4.1 Market structure and supply arrangements

The Australian market for wind towers is supplied by KPE, other Australian industry members and imports from China, Denmark, the Socialist Republic of Vietnam (Vietnam) as well as the Republic of Indonesia (Indonesia).

The market can be segmented according to scale into:

1. Large scale commercial wind farms; and
2. Community wind farms which are largely owned by local community members.

Australian manufactured wind towers and imported wind towers compete in both market segments, but the vast majority of the market is comprised of the commercial segment. KPE's sales have been exclusively to this segment during the inquiry period.

4.1.1 Wind farm development

The development of a wind farm project is generally undertaken by an Australian entity which is a related party of a wind turbine original equipment manufacturer (OEM).

KPE stated in its application that there are seven 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:

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

The development of a wind farm can take place over several years. There are two key phases, the first being the project planning and confirmation, the second being the delivery of components and construction of the wind farm.

Project phase

Wind farms are generally established under a Power Purchase Agreement (PPA) between a wind farm developer and a government authority. Each wind farm project is specific to the proposed site, with completion of the wind farm anticipated to occur within a specific timeframe and on an agreed price. This process may take from one to two years and may also see changes in sizes and project managers.

As the wind farm developer is usually related to the OEM and can draw on experience from previous projects (both in Australia and internationally in terms of its related parties) when preparing a bid for a wind farm project, the developer usually has existing relationships with suppliers that it can utilise to refine its proposal. This process will generally involve an invitation to pre-qualified suppliers (e.g. KPE) to bid for components of the project, which then forms part of the information that the developer submits to try to win the project.

In respect of the wind towers, the wind farm developer usually approaches its preferred potential suppliers (typically, pre-qualified tower manufacturers both locally and overseas) with information about the number of towers, height and specifications and requests indicative pricing. The developer subsequently refines its request for the supply of the towers; it may call for ex-works price offers or pricing delivered to site, and an indicative delivery timeframe. The specification is usually very detailed, covering all dimensions of each component of the tower, its finish, internal components and engineering expectations.

KPE advised that it submits its response in Australian dollars, and addresses all aspects of the specification. KPE's response is generally inclusive of:

- steel plate;
- flanges;
- flange bolts;
- paint;
- mechanical internal components;
- main electrical cables and allied components; and
- lifts.

KPE also works with the developer to identify potential deviations from the specification, which could deliver the tower at a lower cost without compromising the integrity of the design. This may result in KPE being invited to resubmit a proposal inclusive of KPE's cost saving suggestions, but in some cases the developer only wants submissions based on the original specification.

It is during this process that price negotiations take place between the tower supplier and the developer. After KPE submits its first estimate it usually gets feedback on its initial offer within a month or two. This is then followed by more discussion, with KPE typically being asked to find cost savings. The second round estimate is completed within three months. During the bidding process KPE indicated that it will likely be made broadly aware of approximate import price offers that the developer has claimed to be available to it, and has lowered its bids in response to win the work (such as on the Ararat and Mt Gellibrand wind farm projects).

During the preparation of its own submission to the developer, KPE attempts to secure pricing on its own cost inputs (e.g. steel plate) to manage potential cost movements over the life of the project (noting that the construction phase may be several months after the negotiations have occurred and prices have been agreed). KPE observed that it is not out of the ordinary to negotiate a price that would see it ultimately making a loss on its towers, but noted that there are substantial costs associated with slowing down or ramping up production (e.g. training new staff) and that it was better to maintain production throughput in these circumstances.

KPE also noted that wind towers are large, bulky and difficult to transport long distances, which adds to the cost borne by the developer. As a result, KPE has a natural geographic advantage for supply of towers in Victoria and across parts of South Australia and New South Wales, but beyond a certain range the cost of transport is prohibitive. This impacts on KPE's ability to bid for more distant projects, regardless of whether it is competitive on the price of the towers themselves.

Delivery phase

If successful on its bid, the wind farm developer is then responsible for the delivery of the project. It is the Australian entity that liaises with all of the relevant stakeholders (such as local and state government entities, wholesale electricity suppliers, wind farm operators) and suppliers (such as road and services construction, electricity transmission infrastructure providers etc., including the suppliers of the towers). In almost all cases the wind turbine is supplied by the parent company of the Australian entity, and it is the turbine specifications and the wind farm site requirements which substantially determine the wind tower specification.

If selected to supply the wind towers, KPE produces the towers in sections at its facility in Portland (as per the process described in section 3.1). Payment is arranged around relevant milestones for the project (e.g. some proportion up front, progress payments and a final payment once the project is finished). If it is responsible for delivery to the wind farm site, KPE arranges for road transport of the tower section based on the delivery timetable previously agreed with the developer. When the tower sections are delivered to the wind farm site, they are then erected and the nacelle installed. There is then a final process of commissioning the tower before it begins to generate electricity.

4.2 Market size, demand and future trends

Generally, KPE considers that the broad driver of wind farm installations has been the growing international trend of nations increasing in-country supply of renewable energy sources. The primary driver of renewable energy demand has been Commonwealth Government legislation found in the *Renewable Energy (Electricity) Act 2000*, which requires electricity retailers to source an increasing proportion of their electricity from accredited renewable sources, via the Renewable Energy Target (RET).[9] These sources principally include wind and solar.

As noted in KPE's application, there are no commercially significant market substitutes for wind towers in the Australian market. Possible substitutes for wind towers are cylindrical concrete wind towers and lattice steel towers. However, given the Australian market's needs and preferences, neither of the two possible substitutes are considered an option and their use or consideration has not been identified in the Australian market.

The Australian market size for wind towers has fluctuated over the years.

Figure 1, below depicts KPE's estimate of the Australian market size based on

- the date of contract for supply from 1 January 2008 to 30 June 2018; and
- Australian wind tower market estimate from 1 July 2018 onwards to end of December 2019.

9 The Renewable Energy Target scheme (RET)

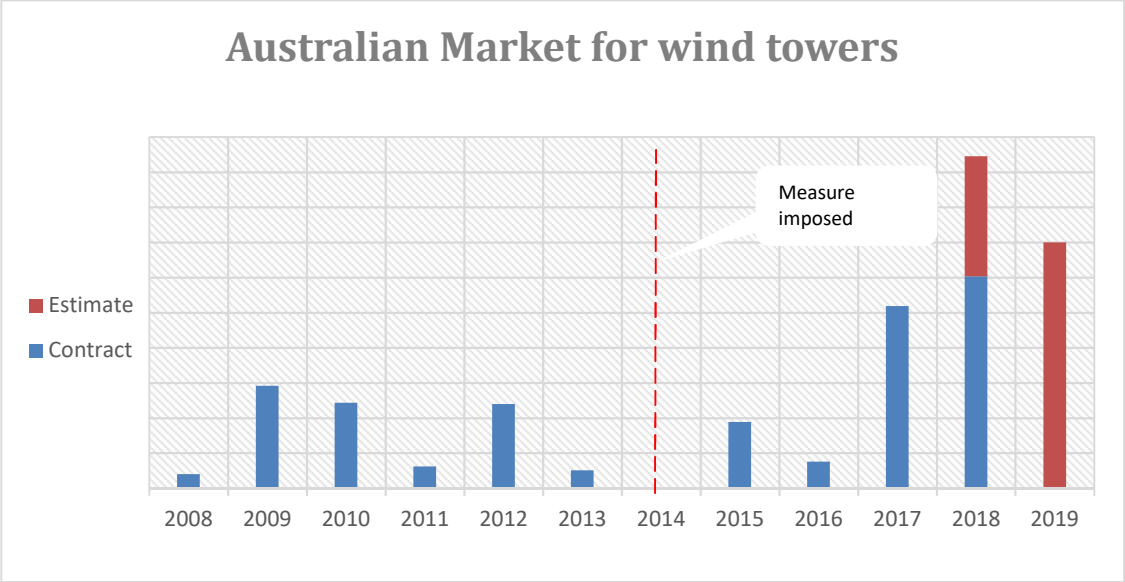

Figure 1: Size of Australian wind tower market – number of towers

Figure 1 indicates that there have been fluctuations in the market since anti-dumping measures were imposed on wind towers exported to Australia from China and Korea in April 2014. Since 2016, there has been a marked increase in the size of the Australian market.

KPE estimated that the market will see yet another decline in 2019, however the total market size is still expected to be larger than 2017.

KPE also stated that, over time, the size of the energy output by each wind tower has increased as a result of using larger, heavier nacelles and therefore larger wind towers as support. It is expected that this trend will continue. KPE indicated that it is not able to produce towers to all specifications currently being tendered due to diameter constraints in its production facilities.

The Commission will assess and refine KPE's claim by using information from other stakeholders as the inquiry proceeds.

4.3 VRET and the Victorian market

Victoria Renewable Energy Target (VRET) is the Victorian Government's legislated target for renewable energy, which has been set to be 25 per cent of electricity generation by 2020 and 40 per cent by 2025. The relevant legislation is the *Renewable Energy (Jobs and Investment) Act 2017*.[10]

In order to execute the VRET the Victorian Government established the Victorian Renewable Energy Auction Scheme (VREAS). VREAS awards a 'support agreement' to successful bidders for Victorian projects.

10 Renewable Energy (Jobs and Investment) Act 2017

The first energy auction was finalised in September 2018. From this auction, a local content target of 64 per cent was set for all projects, as well as a target of 90 per cent for local operations and 90 per cent for local steel.[11] Subsequently, six wind farm projects have been awarded. The verification team understands that VREAS is aiming to achieve a higher proportion of local content and contribute to the development of skills and employment in Victoria.

11 VRET September 2018 Auction Result

5 VERIFICATION OF SALES

5.1 Verification of sales data to audited financial statements

The verification team verified the completeness and relevance of KPE's sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

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

The verification team did not find any issues with the verification of the sales listing to audited financial statements.

5.2 Verification of sales data to source documents

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

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

The verification team noticed some minor variances in sales data; these were corrected and reconciled during the visit.

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 inquiry period.

5.4 Imports by applicant

The verification team analysed data from the Australian Border Force (ABF) import database and found that KPE imported small volumes of materials used for the internals of the wind tower (ladders, platforms etc.). These are not classified as the goods.

5.5 Export sales

KPE does not export any wind tower sections.

5.6 Sales – conclusion

The verification team considers that KPE's sales in the Appendix A4 sales data are reasonably complete, relevant, and accurate reflection of the sales of wind towers during the period from 1 January 2017 to 30 June 2018.

Accordingly, the verification team considers KPE's sales data is suitable for analysing the economic performance of its wind towers operations during the inquiry period.

6 VERIFICATION OF COST TO MAKE AND SELL

6.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of KPE's cost data by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

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

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.

KPE submitted revised cost to make and sell (CTMS) spreadsheets that reconcile the correct costs for wind tower projects.

The verification team did not find any further issues with the verification of the cost data to audited financial statements.

6.2 Verification of costs to source documents

The verification team verified the accuracy of KPE's cost data by reconciling it to source documents in accordance with ADN No. 2016/30.

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

The verification team did not find any issues with the verification of the costs data to source documents.

6.3 Relationship with suppliers

KPE advised that it typically sourced its steel plate from BlueScope Steel Limited. It imports flanges from overseas and sources other components either locally or from overseas.

KPE advised that it has no relationship or association with its raw material suppliers. The verification team did not obtain any evidence to suggest that KPE's transactions with suppliers were not at arms' length.

6.4 Selling, distribution and administration costs

Having regard to all of the above, the verification team considers that the selling, distribution, and administration cost data provided is reasonable during the inquiry period.

6.5 Costs to make and sell – conclusion

The verification team considers that KPE's CTMS data in Appendix A6 is a complete, relevant and accurate reflection of the actual costs to manufacture and sell wind towers during the period from 1 January 2017 to 30 June 2018.

Accordingly, the verification team considers KPE's CTMS data is suitable for analysing the economic performance of its wind towers operations during the inquiry period.

7 ECONOMIC CONDITION OF THE INDUSTRY

7.1 Commencement of measures and injury analysis period

On 16 April 2014, anti-dumping measures in the form of interim dumping duties (IDD) were imposed on wind towers exported from China and Korea. IDD does not apply to goods subject to TCO 1813104 with an effective date of 16 May 2018. For more information, please refer to *Anti-Dumping Commission Report No. 221*[12] and ADN No. 2014/33.[13]

The verification team has examined the Australian market and the economic condition of KPE from 1 January 2014 to 30 June 2018 for the purposes of its injury analysis.

7.2 Approach to analysis

The injury analysis, as detailed in this section, is based on information in respect of individual wind tower projects.

KPE's financial year is recorded on a calendar year basis, from 1 January to 31 December. The following analysis is based on verified financial information submitted by KPE and on a calendar year basis. As a result, the data indicated for 2018 is based on the six months ending 30 June.

The verification team has also relied on importation data obtained from the ABF import database.

Details of the analysis are contained at **Confidential Attachment 2**.

7.3 Volume trend

The following analysis is based on Appendix A2 provided by KPE in its application and the updated copy following the verification visit.

7.3.1 Sales volume

Following the implementation of the anti-dumping measures in 2014, KPE has experienced some recoveries in its sales volumes. KPE considers that the gradual recovery of the Australian wind tower market demonstrates some stabilities in the RET as well as the increasing renewable energy demand. However, the wind tower market in Australia remains volatile such as a visible decrease in demand in 2016.

In assessing volume effects, the verification team has examined:

- the number of wind tower projects placed for tender over the injury analysis period;
- the number of wind tower projects that KPE successfully bid for; and
- the number of wind tower projects where KPE was unsuccessful.

Figure 2 depicts the sales volume of towers won by KPE from 1 January 2014.

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12 REP 221

13 ADN 2014/33

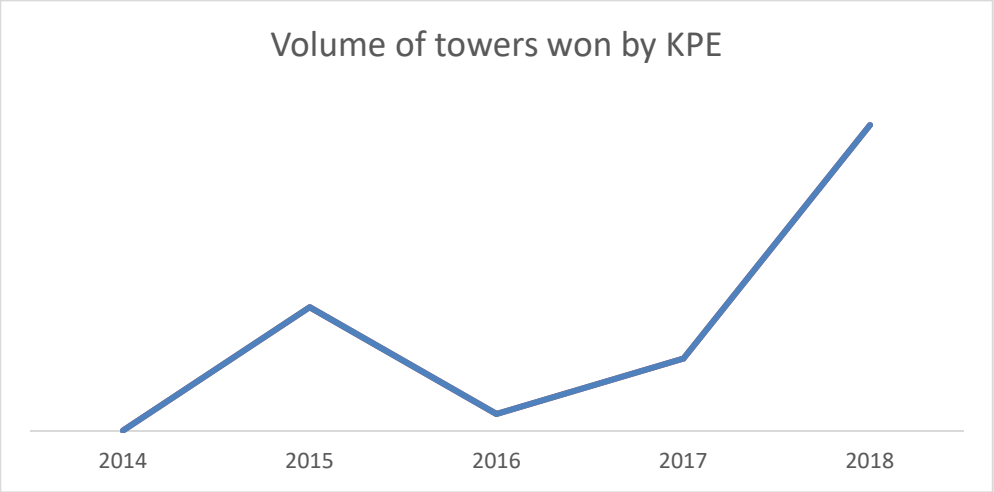

Figure 2: sales volume of towers by KPE (based on contract date)

Figure 3 depicts the wind tower projects available for tender during the inquiry period. Approximately half were for wind farm projects located in Victoria.

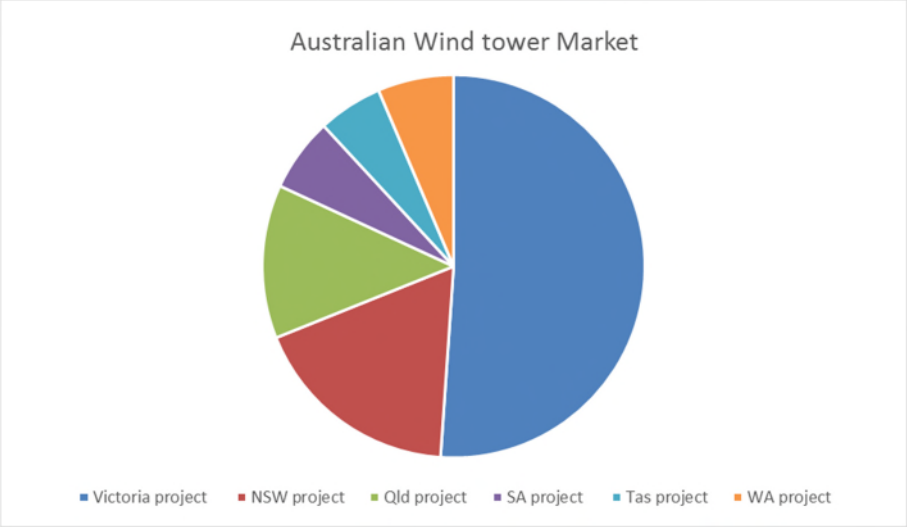

Figure 3: Wind tower projects (by number of towers) and locations during inquiry period

Figure 4 depicts the Victorian wind tower market only.

Wind tower suppliers from China were successful in winning projects which accounted for almost half of the wind towers sold during the inquiry period. KPE was the other chief supplier of towers, with the remainder supplied from Indonesia and by Ottoway Fabrication Pty Ltd (OF).

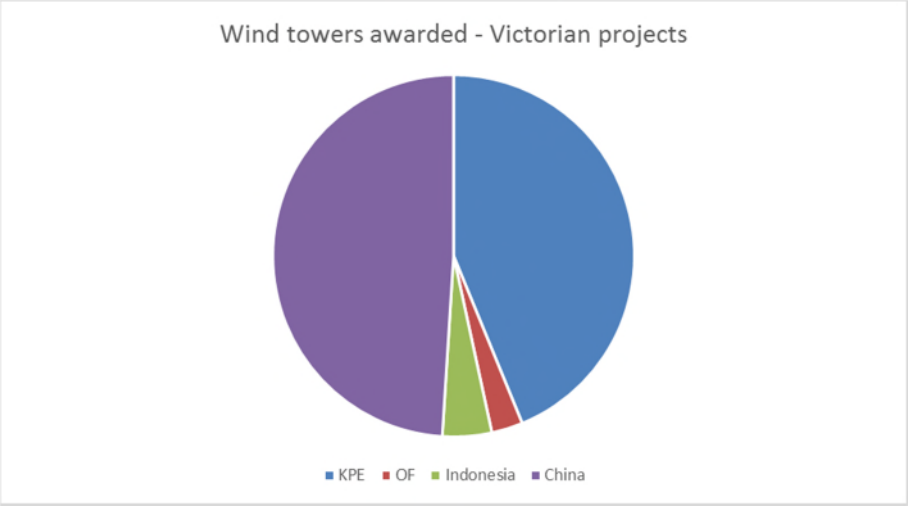

Figure 4: Wind towers awarded - Victorian projects only during inquiry period

The verification team's detailed assessment is outlined in **Confidential Attachment 2**.

7.3.2 Market share

Figure 5 demonstrates the proportion of the Australian market that has been supplied by the Australian industry, imports from China and from other countries. As shown in figure 1, there have been significant fluctuations from year to year in terms of the number of towers contracted for supply to the market.

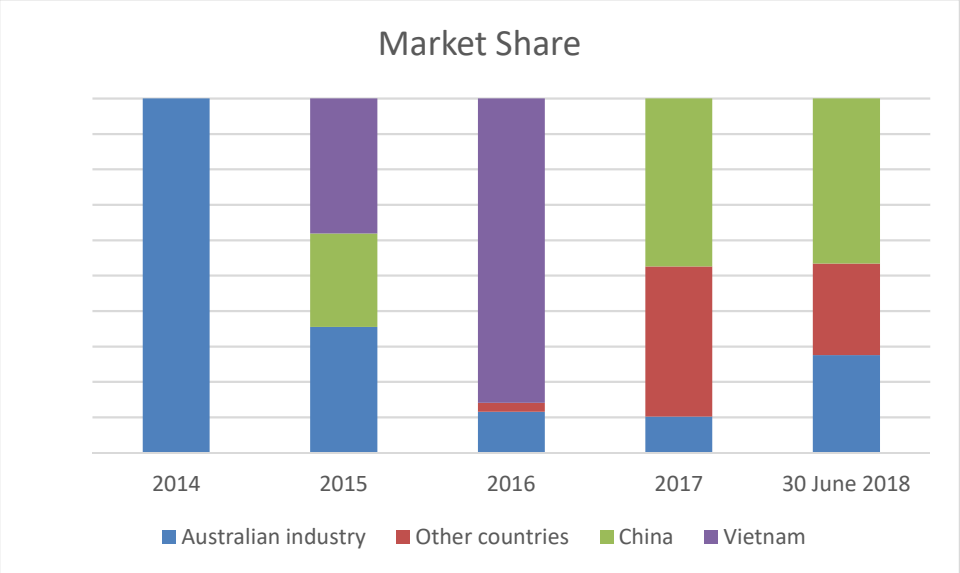

Figure 5: Market share – wind tower contracts awarded

The Commission is aware of a further 342 towers that have been sought from the market as at 30 June 2018, but which are not yet confirmed under contracts and will be delivered after the conclusion of the inquiry period.

Given the fluctuations in demand, it is difficult to discern clear trends in this data. However, the Commission observes that exports from China, as a proportion of all wind tower projects awarded, have frequently represented a significant part of the market.

A conclusion on market share and sales volume will be made after further consideration of the methodology proposed by KPE, and an analysis of data gathered at visits to importers and exporters.

The verification team's detail assessment is outlined in **Confidential Attachment 2**.

7.4 Price effects

Figure 6 depicts that unit CTMS per wind tower and unit sales revenue per wind tower data follow a similar trend over the injury analysis period. Unit CTMS per wind tower is consistently higher than unit sales revenue per wind tower until 2016 where there is some improvement in margin and a move to a profit making position.

In the final 12 months of the injury analysis period, the profit position of KPE has deteriorated.

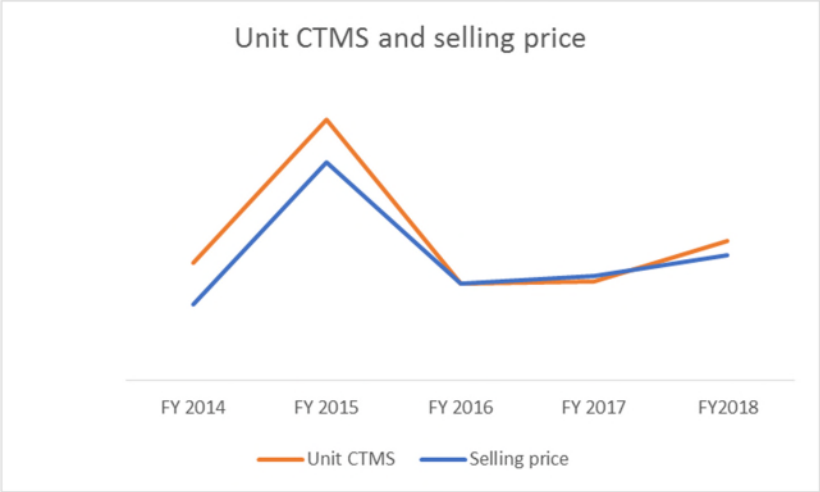

Figure 6: Comparison of KPE unit CTMS and unit price (per tower, by year of production)

7.5 Profit and profitability

Figure 7 shows that KPE experienced an improvement in its profit and profitability following the imposition of the anti-dumping measures.

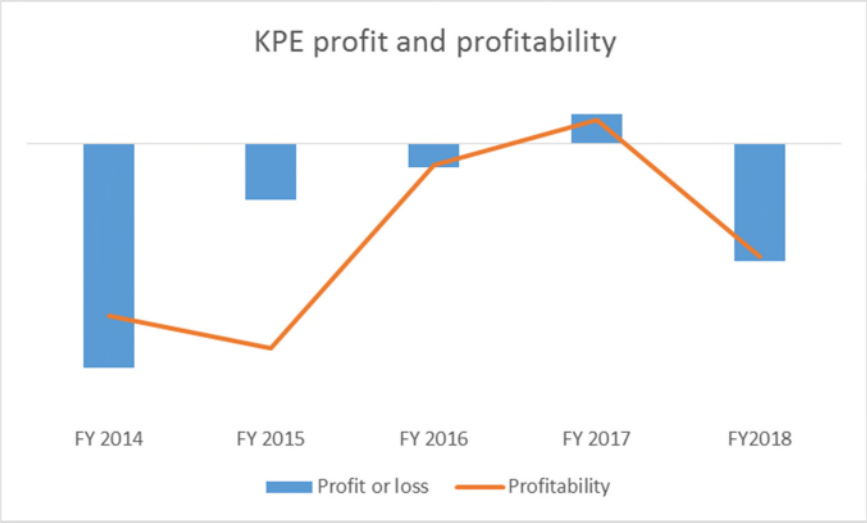

Figure 7: KPE profit and profitability

Whilst the chart indicates a reduction in profit and profitability in 2018, the verification team notes that KPE's accounting practices mean that this six month period may not be comparable to the previous full year positions.

7.6 Other injury factors

In its application, KPE claimed that it had experienced injury in the form of other injury factors regarding:

- reduced capacity utilisation;
- constraint on capital investment;
- reduced ROI; and
- reduced revenues.

KPE completed a revised Appendix A7 after the visit in respect of other injury factors over the injury analysis period.

Assets

The asset values have trended down between 2014 and 2016, before improving in the years to 2018.

Capital investment

Capital investment has continued to increase since 2015; KPE indicated that its parent company might consider further investment to respond to increasing Australian market demand for wind towers.

Return on investment

The KPE application calculates return on investment (ROI) based on gross profit over assets. Reduced profit consequently resulted in a reduced ROI. The ROI has seen a marginal decline between 2015 and 2017.

Employment

Employment decreased sharply in 2014, explained by the retrenchments of employees because of temporarily ceasing wind tower operations in 2014. Since 2014, Employment levels have steadily improved from 2014 and through the injury analysis period.

Capacity

KPE has remained its steady capacity and showing marginally increases between 2016 and 2017.

Capacity utilisation

Capacity utilisation has seen significant decrease in 2014 before rising again from end of 2015 to 2016. However, during the injury analysis period, KPE did not reach full capacity at any time.

Productivity

Productivity increased between 2014 and 2016, and has trended down generally during the injury analysis period.

Wages

Overall, gross wages reduced sharply from 2014 to 2015 with some recovery since 2015 and through the injury analysis period. The recovery is in line with its production and sales volume increase during the period.

Details of the verification are contained at **Confidential Attachment 2**.

8 IMPACT OF THE EXPIRY OF ANTI-DUMPING MEASURES

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

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

Accordingly, the verification team sought KPE's views on these matters. KPE was of the view that the expiration of the anti-dumping measures would lead to a continuation of, or a recurrence of, dumping and material injury to the company.

8.1 Continuation or recurrence of dumping and material injury

8.1.1 Exports from China

KPE claimed in its application that exports from China have continued despite the anti-dumping measures. The verification team has ascertained from the ABF import database that exports from China have continued since the anti-dumping measures were imposed in 2014; the supply of wind towers from China increased during the inquiry period.

The verification team also accepts that, while KPE has a geographical advantage for projects in south-eastern Australia, a substantial proportion of the Victorian towers market have been supplied from China. In the absence of the anti-dumping measures, KPE claims that it would lose an even greater proportion of the wind tower projects available in this region.

8.1.2 Exports from Korea

Korea ceased to export to Australia in 2014. KPE considers this indicates the effectiveness of the anti-dumping measures in respect of Korea. KPE claims that the expiry of the anti-dumping measures will result in a recurrence of dumping from Korea, either directly or via third countries.

8.1.3 Pricing for tender bids

KPE provided the verification team with an example of its price being compared with a Chinese price in the course of a negotiation for a contract. It demonstrated that price competition was a key factor in losing the tender.

In the absence of the anti-dumping measures, KPE stated that Chinese exporters would be even more price competitive, resulting in injury in the form of price depression and price suppression during contract negotiations.

8.1.4 Distribution links in Australia

KPE claims that Chinese and Korean exporters have maintained their distribution links in Australia with the main OEMs.

The verification team's analysis of the ABF import database, as well as information concerning successful tenderers of wind tower contracts, support KPE's statement

regarding China. However, the verification team has not found similar evidence of ongoing relationships involving Korean exporters.

8.1.5 Anti-dumping measures in other jurisdictions

KPE advised in its application that the United States International Trade Commission (USITC) imposed anti-dumping measures on wind towers exports from China and Vietnam since 2012, with a review of these anti-dumping measures announced in April 2018.

9 UNSUPPRESSED SELLING PRICE

As part of the inquiry, the Commission will establish an unsuppressed selling price (USP). The USP is generally established by using the following hierarchy:

- market approach: industry selling price at a time when the Australian market was unaffected by dumping;
- construction approach: the Australian industry's CTMS, plus a reasonable rate of profit; or
- selling prices of un-dumped imports in the Australian market.

Having calculated the USP, the Commission then calculates a non-injurious price by deducting costs incurred in getting the goods to the FOB point at export (or another point if appropriate). The deductions normally include overseas freight, duty, insurance, into store costs and amounts for other importer expenses and profit.

KPE remains of the view that, given the unique design of each wind tower from each OEM and each project, it is not practicable to calculate and establish a USP. Each OEM has a range of tower designs unique to that OEM that are suited for the type of project, and these tower designs differ significantly by cost and price. In addition, there may be a range of free issue items, including flanges and internals that affect the cost and final pricing of the tower.

10 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Attachment 2	Economic Condition and Injury Analysis
Confidential Attachment 3	Revised A2 market spreadsheet
Confidential Attachment 4	Revised Appendix A4 sales data spreadsheet
Confidential Attachment 5	Revised A6 jobs spreadsheet
Confidential Attachment 6	Revised A7 other factors spreadsheet