

BEFORE THE UNITED STATES INTERNATIONAL TRADE COMMISSION

UTILITY SCALE WIND TOWERS FROM CHINA AND VIETNAM

FINAL PHASE

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VICE PRESIDENT, SALES & PROPOSALS

SIEMENS ENERGY

Good afternoon. I am Mike Revak, and I am happy to return here to assist the Commission in its investigation as I did last January. I am responsible at Siemens Energy for the selling of wind turbine generators and their delivery, installation and commissioning. I deal directly and personally with customers and the evolving market.

As Kevin has just testified, our first obligation is to our customers, the wind farms and public utilities that choose us to install wind power for them. We design our wind turbines

uniquely to suit their specific needs. After we win a contract with them, we seek suppliers for the proprietary towers we will need.

Our towers are unique. We contract their manufacture and they are delivered directly to us. No one else could use them. We contract only for what we need. Although petitioners may believe the many different designs are all similar, towers of one design cannot substitute for towers of another design, and the towers designed for one OEM can never substitute for the towers of any other OEM. More than one manufacturer can make the same tower, but because of licensing and intellectual property none can make the same tower without a specific contract, and will never make a Siemens tower for anyone but Siemens. Although all towers are being used as the base for wind turbines, making them all like products, because they are uniquely made for each OEM, they are, in our view, distinct like products.

Petitioners now seem to think that we pass ocean freight costs on to our customers. We don't. We can't. The tower manufacturers enjoy a pass-through provision in contracts with us. We have no such benefit from our customers.

The reason for the difference is easy to explain. We compete fiercely for the opportunity to supply wind farms. We believe in the long term future of wind power in the United States and we intend to be around when the future is brighter than it is today.

There are many bidders for the opportunity to supply wind farms. There are not a lot of tower manufacturers, and their geographic dispersal means they do not have to compete very hard for business. They know that OEMs need to buy towers close to wind farm sites, and the tower manufacturers are spread out so far apart that we rarely have more than one initial choice for a supplier.

While we may inquire about quotes from time to time, we do not contract for towers until we know we will need them. Throughout the POI in this case, we have been buying towers on the spot market. The expiration of the PTC and the consequent consolidation among tower manufacturers – Trinity acquiring DMI while converting some production to rail cars; Martifer Hirschfeld’s exit, along with Katana Summit – is forcing us to consider supply guarantees with the few remaining producers, but we know that such arrangements will only increase the hold the small and dispersed manufacturers will have on us.

Everyone wants to limit risk, but not everyone complains and sues when they cannot pass risk onto others. In effect, petitioners have sued us – a high technology American industry innovating for the future and creating much more employment than they create -- because we would not assume all of their risk.

The issues in this case did not arise from Chinese or Vietnamese towers. They arose when government incentives expanded market demand that domestic tower manufacturers could not meet, only to see the incentives expire. We, domestic turbine manufacturers, responding to the new demand, bought as many towers from the domestic manufacturers as they could produce and would sell to us. When they would not or could not supply more – and they always told us it was because they did not have the capacity to do so – then we looked for alternatives, as we always had to do for coastal and island projects. When the incentives started going away, the tower manufacturers started quitting. We did not. We are still here, although it is not easy.

Eight years ago I became the first Siemens Energy employee for wind power in the United States. Before we had to lay off 615 employees and over 200 contractors in the United States a few months ago, we had reached almost 2000 American

employees. We employ far more in wind energy than any of the tower manufacturers, and we have lost more than they because of the expected expiration of the Production Tax Credit. But it is the expiration of the tax credit, not foreign competition, that has impacted employment and profits in wind energy. Unlike the tower manufacturers, we are committed to wind energy, for the long haul. We just have to hope that the Commission will not make the business even more difficult for us.