

Annex E.1.
(Non-Confidential version)

Constructed Normal Value (Turkey) - Narrative

Construction of the Normal Value in Turkey

1. Introduction

1. The Complaint has established that the optical fibre cable industry in China, including its production and sales costs, is heavily distorted under Points 7(1), 7(2)(b), 7(4)(c) of the Regulation. Therefore, it is necessary to establish the normal value (hereinafter – the “NV”) based on the costs of production and sales in a reference country.
2. Turkey was chosen by Complainant as appropriate reference country as explained in detail in the Complaint.
3. This annex sets out the detailed methodology used to establish the Constructed Normal Values (hereinafter – the “CNV”) of the four most representative types of the product concerned (with 12, 36, 48 and 96 fibres).
4. As a *first step*, the Complainant confirms that the optical fibre cable production processes are globally identical and that therefore there are no significant differences between the production processes in China, Turkey and the UK.
5. In a *second step*, the Complainant established the type of costs (raw materials, other inputs, labour, overheads, etc.) incurred in the production of optical fibre cables as well as the consumption of raw materials and inputs per unit produced (i.e. km of optical fibre cable), based on its own internal production and consumption ratios.
6. The following sections explain in detail the sources and methodologies used to construct NVs.

2. Costs of production and sale

7. The main costs of production and sale are (i) raw materials (fibres, jacketing compounds, coatings, reinforcement materials, other materials and inputs), (ii) labour, (iii) variable and manufacturing overheads, (iv) depreciation, as well as (v) sales, general and administrative (SG&A) costs and (vi) profit.
8. Public price/cost information is available in the reference country (Turkey) for: (i) raw materials, (ii) labour costs, (iii) SG&A expenses and (iv) profit.
9. No public price/cost information is available in the reference country for (i) other materials and inputs and (ii) overheads (variable and manufacturing). An average % for these cost elements

was used based on the intelligence of the Complainant to construct the normal values for each of the four most representative models of optical fibre cables.

2.1. Main raw materials

10. The prices of raw materials and inputs are based on Turkish import statistics for the HS codes mentioned in the table below. An applicable customs duty was added depending on the country of origin of imports (except for China whose imports were excluded from the statistics due to heavy distortions in this country). The production of 1 km of optical fibre cable of the most representative types requires the following consumption of raw materials and other inputs, as demonstrated in the table below.

Raw material	HS Code	Average amount (in g, kg or units) needed to manufacture 1 km of optical fibre cable
Fibres	9001.10.90.91.00	[Sensitive business information removed]
Jacketing compounds (e.g. Borstar)	39.01.10.90	[Sensitive business information removed]
Reinforcing materials (e.g. steel strand brass)	72.17.30.90	[Sensitive business information removed]
Coating materials (e.g. Ultracoat Herkula and Cablelite)	32.06.49.70	[Sensitive business information removed]

2.2. Other

11. Other includes materials, such as compounds (e.g. polyethylene, resins, polymers, ethylene, etc.), metals (e.g. aluminium tapes, steel ropes, tapes, wires) and other raw materials (e.g. gel fills, glass tapes, glass yarns, insulation filler, etc.).

[Sensitive business information removed concerning the consumption ratio of raw materials]

2.3. Labour costs

12. The costs of labour related to manufacturing are established based on publicly available data on average wages in Turkey in the respective sector, obtained from the website of Turkish Statistical Institute http://www.turkstat.gov.tr/PrelstatistikTablo.do?istab_id=2090 (see **Annex E.2 – Turkish source data**).
13. Information was obtained for the Turkish manufacturing sector for 2016, for the economic activity C.23 (Manufacture of other non-metallic mineral products) according to NACE Rev.2 classification. Data for 2016 is the latest one available as reported by the Turkish Statistical Institute. As a result, the 2016 average monthly value was then duly adjusted for inflation using the domestic producer price index as published by the Turkish Statistical Institute (see **Annex E.2 – Turkish source data**).
14. More specifically, according to the information of the Turkish Statistical Institute, the 2016 monthly labour cost for the relevant economic activity was 3,325 TRY. The average domestic prices in 2016 were 257,81 TRY and 579,58 TRY during the IP (2021). Therefore, the **average monthly labour cost** for the relevant economic activity duly adjusted for the inflation between 2016 and the IP is $3.325 / 257,81 * 579,58 = 7.474,90$ TRY, or **721.52 GBP** when converted using the average exchange rate for the IP (1 GBP = 10,36 TRY), based on official exchange rate of the Turkish Central Bank (<https://evds2.tcmb.gov.tr/index.php?evds/serieMarket>).
15. The Complainant then obtained information on the total number of direct employees working in the production of OFC in its optical fibre cable plant in the UK as well as the total production output of that plant (see sheet “4-Turkey data” of the attached **Annex E.3 – Dumping** for calculation of the total number of employees). Based on that information, the total monthly direct labour costs were calculated as follows:

[Sensitive business information removed concerning labour cost]

16. The above-mentioned direct labour cost per km of cable is very conservative since it is based

on the average monthly wage in Turkey for the whole industry (Manufacture of other non-metallic mineral products). This figure does not accurately reflect the fact that both 'blue-collar' personnel and other employees generally fetch significantly higher wages for this high-end and complex industry sector.

17. Non-manufacturing related labour costs, including labour costs related to administrative, sales and general activities, are included in the SG&A costs (see below).

2.4. Variable overheads, manufacturing overheads & Depreciation

18. The Variable overheads have been estimated as a percentage of raw materials and inputs and varies between [10-30]% depending on OFC type.
19. The manufacturing overheads & Depreciation have been estimated as a percentage of Total variable production costs and varies between [0-10]% for manufacturing overheads and [0-10]% for Depreciation, depending on OFC type.

2.5. SG&A costs

20. The SG&A costs are based on publicly available financial statements of one Turkish producer of optical fibre cables, Demirer Kablo Tesisleri Sanayi Ve Ticaret A.S., for 2020 (see **Annex E.2 – Turkish source data** as well as sheet “4-Turkey data” of the attached **Annex E.3 – Dumping**). The SG&A rate used is [5-15]%.

2.6. Profit

21. The profit rate is based on publicly available financial statements of one Turkish producer of optical fibre cables, Demirer Kablo Tesisleri Sanayi Ve Ticaret A.S., for 2020 (**Annex E.2 – Turkish source data** as well as sheet “4-Turkey data” of the attached **Annex E.3 – Dumping**). This company achieved a profit rate of 20% in 2020. The available financial statements of another Turkish producer of optical fiber cables, ETK Kablo Sanayi Ve Ticaret A.S., show the profit margin of [15-20]% reached in 2020. As a result, an industry-wide profit margin of **20%** has been used for constructing of NVs.
22. The detailed calculations are attached **Annex E.3 – Dumping** (see sheet “2-Constructed Normal Value”).
23. The resulting Constructed Normal Values are as follows:
 - Optical fibre cable with 12 fibres: **[100-400] GBP/km,**
 - Optical fibre cable with 36 fibres: **[400-700] GBP/km,**
 - Optical fibre cable with 48 fibres: **[800-1100] GBP/km,**
 - Optical fibre cable with 96 fibres: **[1200-1500] GBP/km.**