

## Subsidy Specific Questionnaire (UK Producer) Case TS0038: electric bicycles exported from the People's Republic of China

Period of Investigation (POI):	1 April 2022 – 31 March 2023
Injury period:	1 April 2019 – 31 March 2023
Deadline for response:	13 August 2023
Contact details:	TS0038@traderemedies.gov.uk
Completed on behalf of:	<i>Brompton Bicycle Ltd</i>

When you have completed this form, indicate the **confidentiality status** of this document by placing an X in the relevant box below:

Confidential

Your completed response must comprise this questionnaire and the corresponding annex. Please note that you will have to provide a **Confidential** and a **Non-Confidential** version of both the questionnaire and annex, as well as any additional documents you append. All documents should be uploaded to the Trade Remedies Service ([www.trade-remedies.service.gov.uk](http://www.trade-remedies.service.gov.uk)) by 13 August 2023.

## Table of Contents

<b>Introduction</b> .....	<b>3</b>
About us, this case, and this questionnaire.....	3
Instructions on completing this questionnaire .....	4
Preparing confidential and non-confidential copies.....	5
Providing information from subsidiaries or associated parties .....	6
What happens next.....	6
<b>The scope of this review</b> .....	<b>8</b>
Goods subject to review.....	8
Like goods.....	8
<b>SECTION K: Subsidies</b> .....	<b>9</b>
K1 General.....	9
K2 Any other subsidy programmes .....	9
<b>SECTION L: Injury to your company</b> .....	<b>11</b>
<b>SECTION M: Supplementary questions</b> .....	<b>14</b>
M1 Adjustments .....	14
<b>SECTION N:</b> .....	<b>15</b>
<b>Checklist and appendices</b> .....	<b>15</b>

# Introduction

## About us, this case, and this questionnaire

The Trade Remedies Authority (TRA) investigates whether trade remedies are needed to prevent injury to UK industry. The TRA has been established to provide the UK with its own independent trade remedies system.

This transition review will consider whether the importation of electric bicycles originating in the People's Republic of China and injury to the UK industry in the Like Goods would be likely to continue or recur if the countervailing amount currently applicable were no longer applied to those goods.

A subsidy exists if there is:

- a financial contribution by a foreign authority which confers a benefit on the recipient (usually an industry or business manufacturing goods); or
- a form of income or price support.

Not all subsidies are countervailable (meaning they can be offset through trade remedies). A subsidy is countervailable if it is specific to certain companies or industries and granted either directly or indirectly for the manufacture, production, export or transport of goods.

## Why should I take part?

We are asking domestic producers registered to complete this questionnaire to help us understand the industry and market for this product and assess if injury to the UK industry in the like goods would be likely to continue or recur if the countervailing amounts currently applicable were no longer applied to those goods.

The information your company provides will help us to reach a fair and proportionate decision.

## How do I respond?

Detailed guidance on how to complete the questionnaire is provided in the [instructions](#) section below.

Please provide all the information requested by 13 August 2023. We may need to issue a deficiency notice if we determine that the information supplied in the questionnaire is incomplete or inadequate. We may also send a notice requesting clarification or supplementary information if necessary. Therefore, please provide as much detail as possible in your responses.

## Where can I find more information?

Our [trade remedies guidance](#) provides general information about our investigations and processes we follow.

If you have any specific questions relating to the case, now or while you're completing the questionnaire, please contact the Case Team at [TS0038@traderemedies.gov.uk](mailto:TS0038@traderemedies.gov.uk).

You can also find out more about the regulatory basis of our investigations. The TRA investigates cases under the provisions of *Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 as Amended by the Trade Remedies (Amendment) (EU Exit) Regulations 2019* and under the *Taxation (Cross-border Trade) Act 2018*.

## Instructions on completing this questionnaire

### Preparing your response

This section sets out guidance on how to complete this questionnaire.

If you think you won't be able to complete the questionnaire within the required time, please contact the Case Team ahead of the deadline using the contact details on the cover of this questionnaire. You should outline the length of extension you need and the reasons why. We will notify you of our decision.

If we can accommodate an extension, we will publish a note on our [public file](#) to record both the request and the extension granted.

### How to answer the questions

**This questionnaire contains sections K-N only.**

Please read and follow all the instructions carefully. In addition to completing this questionnaire which specifically relates to subsidies, you will also need to complete the separate **TD0037 & TS0038 Producer Combined Questionnaire** and **TD0037 & TS0038 - Producer Questionnaire Combined Annex**.

Your company will need to substantiate all claims with relevant data and information. You may be asked to attach supporting documents in appendices to supplement your responses. To help us verify your information, please retain all these documents, your completed spreadsheet annex, and any calculations you made when developing your responses.

Please also note the following points:

- Do not leave any questions blank. If the question is not relevant to your organisation, please explain why. If the answer to a question is "zero", "no" or "none", please write this.
- Please complete the spreadsheet annex titled '**TS0038 - Questionnaire - Producer (Subsidy)**' as requested. If you feel you cannot present the

information as requested, please contact your Case Team as soon as possible.

- Please note, this questionnaire contains sections K-N only.
- Please provide all formulas and calculations used within your questionnaire response.
- If there is insufficient space in any part of the questionnaire to provide the details requested, or we ask for copies of additional information, please submit this information as appendices. Please ensure that any attachments are given a corresponding appendix reference in the title of the document and that these are referenced in the boxes provided.
- Any documents not in English should be accompanied by an English translation.
- Please provide all dates in the format DD/MM/YYYY (e.g., 23/05/2019).
- Unless otherwise stated, 'year' or 'calendar year' refers to the period 1 January – 31 December and 'quarter' refers to the associated three-month periods e.g., 1 January – 31 March, 1 April – 30 June, etc.
- Identify all units of measurement and currencies used in tables, calculations, and lists, if not provided by the corresponding instructions, and use units of measurement consistently (e.g., do not use kg and metric tonnes interchangeably).
- For all numerical figures, where appropriate please express every third number with a comma (e.g., '1,300' for one-thousand three hundred, '1,300,000' for one million and three-hundred thousand).
- Please limit all sales/currency/income figures to two decimal places, apply a full point as a decimal separator and use the appropriate currency symbol or abbreviation (e.g. £1,300.00).
- Provide all costing figures as actual amounts. Where actual amounts cannot be provided and you have reported standard costing instead, please indicate this in the relevant answer, and explain the variance from actual costs, if any.
- All figures should be reported net of recoverable tax unless otherwise stated.
- Please refer to the case number, TS0038, in any correspondence with the TRA.

## Preparing confidential and non-confidential copies

You will need to submit one confidential version and one non-confidential version of your questionnaire and the corresponding spreadsheet annex by the due date. We will publish the non-confidential version on the public file. **Please ensure that each page of information you provide is clearly marked either “Confidential” or “Non-Confidential” in the header.**

Please see our guidance on [how to submit information](#) for further details on what can be considered confidential and how to prepare a non-confidential version of this questionnaire.

In preparing your response, please note the following:

- It is your responsibility to ensure that the non-confidential version does not contain any confidential information.

- Remember to include a statement explaining why information obtained in your response should be treated as confidential e.g. the data is commercially sensitive.
- Provide the source for all information or data you don't own and clearly state any restrictions on sharing it.
- If you do not provide a non-confidential summary (or a statement of reasons why you cannot provide this) each time you provide confidential information, the TRA may disregard the information you give us.

All information provided to the TRA in confidence will be treated accordingly and only used for this transition review (except in limited circumstance as permitted by regulation 46 of the *Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019*) and will be stored in protected systems. The non-confidential version of your submission will be placed on the public file, which is available on [www.trade-remedies.service.gov.uk/public/cases](http://www.trade-remedies.service.gov.uk/public/cases).

## Providing information from subsidiaries or associated parties

Although this questionnaire is intended for your company, our investigation covers all subsidiaries and any other associated companies involved in the import, production, sale, R&D, distribution and/or supply of the like good and/or goods subject to review.

Please note, both natural persons (individuals) and legal persons (e.g. companies) are considered to be associated where they meet the definition of 'Related Persons' in [Regulation 128 of the Customs \(Import Duty\) \(EU Exit\) Regulations 2018](#).

- If any of your subsidiaries or associated companies are also a UK producer of like goods, they should **also** complete a Producer questionnaire. Please make sure you provide your subsidiaries with access to it.
- Where your subsidiaries or associated companies are not producers but are involved in the sales of the like goods, your questionnaire response should include information from those companies.

If you have any queries about this part of the process, please contact the Case Team using the details provided on the cover of this questionnaire.

## What happens next

Once you have completed your questionnaire responses including the corresponding annex and any additional documents requested, you must upload both confidential and non-confidential versions through our [Trade Remedies Service](#).

Following this:

- you will receive an email confirming the documents have been uploaded successfully
- the Case Team will contact you if further information is required
- the non-confidential responses will be placed on the public file; and

- the Case Team may contact you to arrange a visit to verify the information contained in your responses.

## The scope of this review

### Goods subject to review

This transition review covers **electric bicycles** originating from **the People's Republic of China**, described as:

- **Cycles, with pedal assistance, with an auxiliary electric motor.**

These **electric bicycles** are currently classifiable within the following commodity codes: **8711 60 10 00** and **8711 60 90 10**. These codes are only given for information.

In this questionnaire, these goods will be referred to as '**the goods subject to review**'. Any reference to 'goods subject to review' in this questionnaire refers to the goods description above, regardless of the commodity code under which they are exported.

### Like goods

Any reference to '**like goods**' in this questionnaire refers to goods produced in the UK or imported to the UK from a country other than the People's Republic of China which are like the goods subject to review in all respects, or with characteristics closely resembling them.

**Please follow the instructions for each question to provide the appropriate information regarding the like goods or goods subject to review. Instructions relating to the completion of the annexes can be found within the relevant annex.**

## SECTION K: Subsidies

Please note that all questions in this section are optional. If you choose not to provide information to a question in this section, please state this or write 'N/A' in the respective text box.

### K1 General

1. The programmes being investigated are listed in the table below. Please use this section of the questionnaire to provide any information you have on the programmes listed. You can also provide information on any other subsidy programmes that you believe relate to the production and/or sale of the goods subject to review.

#### Subsidy programmes

No.	Subsidy name	Subsidy type
1	Grants by municipal/regional authorities	K2 – Grants
2	Preferential loans	K3 - Loans
6	Provision of land use rights	K4 – Land use rights
5	Export credit insurance	K5 – Export credits and financing
3	Provision of electrical engines	K6 – Provision of goods and services
4	Provision of batteries	K6 – Provision of goods and services
7	Preferential tax programmes	K7 – Preferential tax programmes
8	Enterprise Income Tax ('EIT') reduction for High and New technology enterprises	K8 - Tariff and VAT Exemptions
9	Enterprise Income Tax ('EIT') offset for research and development expenses	K8 - Tariff and VAT Exemptions
10	Exemption of tax of dividend income	K8 - Tariff and VAT Exemptions
11	VAT exemptions and tariff rebates for use of imported equipment and technology	K8 - Tariff and VAT Exemptions

+Add/remove additional rows as required.

### K2 Any other subsidy programmes

1. Please complete **Annex 15 – Subsidies**, in the **TS0038 Producer Subsidy Specific Questionnaire Annex** providing as much information for each of the subsidies listed as possible. Please substantiate with any evidence if possible

Add additional lines for any further subsidy you would like the TRA to consider into the relevant tables depending on the type of subsidy it is (i.e., grants, loans etc).

2. Please provide any further information on subsidies that you feel is relevant to the transition review.

*No further subsidies needed.*

Appendix reference:

## SECTION L: Injury to your company

Injury to UK industry occurs as a result of dumped, subsidised, or a surge of imports. This could come in the form of:

- material injury to UK industry;
- threat of material injury to UK industry; or
- material retardation of the establishment of such an industry

Material injury is where there is evidence of the UK industry being injured by the dumped goods or subsidised imports.

Threat of material injury is material injury which has not yet occurred but is clearly foreseen and imminent.

Material retardation of the establishment of an industry is a type of injury in which efforts to establish an industry have been materially hindered because of dumped goods or subsidised imports. It may apply where there has been some production but not at sufficient levels to allow us to consider material injury, or where production has not even begun.

1. Would your company suffer from injury if the existing countervailing measure on the goods subject to review no longer applied? If so, please describe the nature and degree of the injury. If your company is already suffering injury, would the nature or source of the injury change if the measures were to no longer apply?

*Unfair subsidies can distort the UK market, create unfair competition, and therefore damage UK industry. The UK has imposed duties to counteract such subsidies. These subsidies are used to pursue domestic or social policies, for example supporting industries – so why have the governments approach changed from protecting UK E-bike industry.*

*We would imagine this would lower prices for domestic review goods, which could put other bicycle manufacturers potentially out of business. By doing this we could see customer behaviours buying habits change, as they would opt for the cheapest alternative rather than other buying factors that have already been stated previously in this document. But we should reaffirm the offering that Brompton Bicycle has, where we are a bespoke manufacturer, and we have clear differences from standard e-bikes put on the market.*

Appendix reference:

2. How would your costs to make and sell change if the existing countervailing measure on the goods subject to review no longer applied, what measures would your company have to take to remain competitive. If possible, please provide annual estimates (e.g., projections or forecasts) for the next five years for any

changes and use the text box below to explain the methods used to calculate these estimates.

*Brompton has always positioned itself as a differentiator, offering a better designed product, manufactured with more advance materials and techniques. This allows Brompton to operate at an appropriate price point, for a highly engineered product which will last years.*

*However, there are strict limitations to the price sensitivity of consumers. Should the current measures be removed, it is expected that there will be materially significant reductions in the domestic and international sales of the goods subject to review, and consumers will instead be encouraged to buy products made using inferior materials and methods, which will ultimately be disposed of in a short time frame, after posing safety threats to consumers and the public.*

*We would imagine this would lower prices for domestic review goods, which could put other bicycle manufacturers potentially out of business. By doing this we could see customer behaviours buying habits change, as they would opt for the cheapest alternative rather than other buying factors that have already been stated previously in this document. But we should reaffirm the offering that Brompton Bicycle has, where we are a bespoke manufacturer, and we have clear differences from standard e-bikes put on the market.*

*For our goods under review and the like goods any reduction in customs duties or anti-dumping mechanisms, would result in a reduced demand. This would mean a reduction in procured parts, reduction in manufacturing volumes and potential cost saving initiatives having to be deployed by the business.*

3. If your company is suffering from injury, please explain and indicate the degree to which this has been caused by the alleged subsidisation of the goods subject to review. Please also explain and indicate the degree to which any other factors might have caused the injury, for example:
- volume and prices of imports not sold at subsidised prices
  - contraction in demand or changes in patterns of consumption
  - restrictive trade practices of, and competition between, third country and UK producers
  - developments in technology; and
  - export performance and the productivity of the UK.

Please substantiate your claim(s) with evidence.

Would the cause(s) or degree of injury change if the existing countervailing measure on the goods subject to review no longer applied? Please describe the nature of any change and substantiate your claims with evidence.

*No comment here as safeguard measures are currently in place.*

Appendix reference:
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4. Would there be any indirect effects on your industry and/or company if the existing countervailing measure on the goods subject to review no longer applied? Please substantiate your claims with evidence.

*Total trade in goods and services (exports plus imports) between the UK and China was £107.5 billion in the four quarters to the end of Q1 2023, an increase of 11.3% or £10.9 billion in current prices from the four quarters to the end of Q1 2022.*

*Of this £107.5 billion:*

- Total UK exports to China amounted to £38.0 billion in the four quarters to the end of Q1 2023 (an increase of 37.3% or £10.3 billion in current prices, compared to the four quarters to the end of Q1 2022);*
- Total UK imports from China amounted to £69.5 billion in the four quarters to the end of Q1 2023 (an increase of 0.8% or £562 million in current prices, compared to the four quarters to the end of Q1 2022).*

*China was the UK's 4th largest trading partner in the four quarters to the end of Q1 2023 accounting for 6.1% of total UK trade. In 2021, the outward stock of foreign direct investment (FDI) from the UK in China was £10.7 billion accounting for 0.6% of the total UK outward FDI stock. In 2021, the inward stock of foreign direct investment (FDI) in the UK from China was £5.0 billion accounting for 0.3% of the total UK inward FDI stock.*

*The UK generally imports more than it exports meaning that it runs a trade deficit. A deficit of £231 billion on trade in goods was offset by a surplus of £144 billion on trade in services in 2022. The overall trade deficit was £87 billion in 2022.*

*Indirect impact can be seen through changes in sales, jobs, and income within in the UK economy resulting from their operation in supplying industries supporting the change in direct demand. This will be impacted through any regulatory changes, but due to Brompton's supply chain, this is difficult to interpret.*

Appendix reference:
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5. For your like goods only, please state what level of profit, before tax and as a percentage of turnover, your company would expect to achieve in the absence of injury and explain how you arrived at this figure. Would your level of profit, before tax, as a percentage of turnover for the like goods be affected if the existing countervailing measure on the goods subject to review no longer applied? Please describe the nature of any change and substantiate your claims with evidence.

*There is no challenge for the "like" goods as these don't have safeguard measures in place.*

Appendix reference:
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6. Explain how you set your current sales price for your like goods. Is this the same as your target sales price? If not, please explain the reasons for this. Would your sales price for your like goods be affected if the existing countervailing measure on the goods subject to review no longer applied? Please describe the nature of any change and substantiate your claims with evidence.

*Brompton Bicycles are a made to order company profile, not a provider in low price mass manufactured products. The level of production is driven by market volumes, and as a business we have long supply chain lead times due to the quality and type of materials that are used. The manufacturing process is driven by demand, so if demand drops, so does the procurement – and with such long lead times there is no feasibility to change such levels of production as it is market driven.*

*Pricing at Brompton is always set via a discount percentage against the suggested retail price (MSRP). The appropriate discount is set via reference to the positioning of Brompton’s customers (B2B), as either distributors or dealers. This means that the gross cost to most of Brompton’s customers is aligned. Pricing is therefore critical not only as it is a key piece of market positioning, but also because MSRP will drive Company revenue through Brompton Bicycle Limited’s B2B network. Pricing is the responsibility of the Global Pricing Manager.*

Appendix reference:
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7. Explain any variances between your actual and forecasted budgets over the injury period, with reference to your cash flow statements. Would your forecasted budgets be affected if the existing countervailing measure on the goods subject to review no longer applied? Please describe the nature of any change and substantiate your claims with evidence.

*As stated previously Brompton forecasted budgets are driven by actual demand, and any UK manufacturer within this segment would be impacted by the influx of cheaper product offerings.*

*Brompton’s target market is anyone who can ride a bike. But not everyone can afford a Brompton. The company's famous product is priced between £850 and £3,785, depending on the specification. It is premium pricing for a premium product is due to the materials and craftsmanship that goes into a Brompton bicycle. Our customer journey is unique just like the Brompton brand, we would obviously see changes in the marketplace with products available at a much lower price point.*

*This will impact our operations, to what extent that is hard to forecast – but Brompton will continue to provide unique products to our valued client portfolio*

Appendix reference:
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8. Please explain whether your company's ability to make investments and/or ability to raise capital would be affected in the next five years if the existing countervailing measure on the goods subject to review no longer applied. Please substantiate your claims with evidence (e.g., company investment plans, etc) and if you have provided estimates explain how you calculated them.

*Until FY23, all previous financing had been from ongoing operating cashflow from recurring business activities. Whilst this is still largely the case, in FY23, the Company acquired a Revolving Credit Facility which it utilises to aid working capital requirements as well as investing activities. More recently, in FY24, equity financing was acquired. In part, this was used to repay the RCF (in full), as well as being marked for future investment.*

*The Company has positive cash operating flows, and hence the proceeds of investment are not required to support the daily operations of the business, but instead to promote future growth.*

*Return on Capital Employed (ROCE) is a major KPI which is monitored by the Company. The company has been investing heavily in R&D over the injury period, as well as in the preceding years, which has resulted in a fall in ROCE. The Company has also been investing in its D2C sales channels, through various investment strategies which have not yet met maturity, which is also resulting in temporary suppression of this metric. Strong closing sales performance in Q4 of the injury period did, however, result in a spike in this measure at the end of the year. In February this year, Brompton announced it will be building a new factory at Ashford in Kent, which is expected to open in 2027. Brompton is currently the largest manufacturer of bikes in the UK, producing 100,000 per year across its current factory in Greenford, West London, and its specialist titanium facility in Sheffield, in the north of England. The new factory in Ashford will increase production capacity to approximately 250,000 bikes per year, with staff numbers rising from 850 to 1,500.*

*Brompton hopes the factory will change the image of manufacturing away from a remote industry to one more entwined with the local community and ready to find solutions to the world's problems.*

*This investment is a clear goal of Brompton's aspiration, but any impact on our business operations could impact this project – as business needs protection from the UK authorities as a thriving exporter and UK domestic market leader.*

Appendix reference:

9. Would your forward sales contracts be affected if the countervailing measure on the goods subject to review no longer applied? Please describe the nature of any change and substantiate your claims with evidence.

*As a business, Brompton does not have any forward sales contracts/ongoing supply agreements for “like goods.”*

Appendix reference:

10. Would there be any other effects on your industry and/or company if the existing countervailing measure on the goods subject to review no longer applied? Please substantiate your claims with evidence.

*For our like goods any reduction in customs duties or anti-dumping mechanisms, would result in a reduced demand. This would mean a reduction in procured parts, reduction in manufacturing volumes and potential cost saving initiatives having to be deployed by the business.*

*If we look at latest trends, included in the latest Purchasing Managers' Index (PMI) from S&P Global and CIPS UK, Manufacturing fell to 45.3 last month, its lowest reading in the year-so-far and joint-weakest since May 2020. It has remained at a sub-50.0 level – signalling a deterioration in operating conditions – in each of the past 12 months.*

*It is our belief that with UK manufacturing falling by 0.5% year on year in the last 55 years, that there should be a prime protectionist approach by the government to protect the UK industries that we have left. The Government has forgotten about the U.K. manufacturing sector. This has hit many areas of the country harder than others. In industry-heavy parts of the U.K., such as Northern Ireland and the Midlands, company after company has fallen in financial trouble or even been put out of business. This means those who once had jobs have moved into others, usually underpaid positions and have taken those skills with them.*

*After a rapid decline in U.K. manufacturing over the last 30 years, the country will struggle to reindustrialise quickly. The way forward is to focus on new manufacturing sectors and ensure those sectors deliver high-quality, high-paying jobs. One of the main approaches the country can take is to focus on green and renewable energy. In the last two years, the U.K.'s usage of green energy has gone from strength to strength. In 2020, 20% of the energy we used in the U.K. was renewable, which shot up to 42.8% in the last year alone. Therefore, the demand is there and is an excellent sector for U.K. manufacturing to set its sights on to replenish the reputation we once held.*

*If the trade barrier was removed then obviously consumers would be able to have greater choice of “like” goods, and different price points. It is to be seen if the impact of quality and durability would drive consumers to more reliable brands in the future, but the market would have more options to the consumer.*

*But with recent reports on E-bike fires, would extending the market options create greater risks for the general public from non-conformant products and as such put them at risk.*

*Focus should be geared towards high quality and highly skilled products being delivered onto the UK and global marketplace, otherwise this decline will continue – and cheap imports will only increase the throw away commercial culture.*

*Brompton's opinion is that there are varying other factors that need to be considered. Why is the TRA not pushing for them to remain, and Chinese manufacturers utilise Customs Special Procedures like Brompton does?*

*They could be alleviated of such trade barrier restrictions if they used End Use, Inward Processing or Customs Warehousing authorisations. This would have the impact of investment in the UK, setting up warehouse or manufacturing facilities, employment of UK manpower etc.*

*That would be strategic approach to take and that would provide protection for the UK market but also provide economic boosts for the UK economy. Rather than removing trade barriers, provide incentives to setup manufacturing locations or warehouses in the UK, and benefit from Customs Special Procedures.*

Appendix reference:

## SECTION M: Supplementary questions

### M1 Adjustments

1. If you are aware of any factors, other than the provision of subsidies, that could mean costs or profits of the goods subject to review are not substantially determined by market forces, please provide details and any supporting evidence.

*We are not aware of any*

Appendix reference:

## SECTION N: Checklist and appendices

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

Section	Please tick if you have responded to all questions
Section K – Subsidies	√
Section L – Injury to your company	√
Section M – Supplementary questions	√

+Add additional rows as required

Please list any appendices that you have referenced in your responses and are attaching with this questionnaire.

Appendix reference	Document title

+Add additional rows as required