



Verification Report – UK Producer

Case AS0046: Certain excavators from China

Period of Investigation (POI):	1 July 2022 to 30 June 2023
Injury Period:	1 July 2019 to 30 June 2023
Date of report:	19 August 2024
Case team contact details:	AS0046@traderemedies.gov.uk
Interested party verified:	JCB Heavy Products Ltd.

For further details, please see the [Notice of initiation](#) on the public file.



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Executive Summary

The Trade Remedies Authority (TRA) is conducting an anti-subsidy investigation to determine whether injury is being caused to the UK excavator industry due to subsidisation of certain excavators imported into the United Kingdom (UK) from the People's Republic of China (PRC).

More information about the case can be found on the public files:

[AS0046 – Certain excavators from the PRC](#)

JCB Heavy Products Ltd. (JCB UK), a domestic producer of like goods, returned a completed, domestic producer questionnaire ('questionnaire response'). The TRA sought to verify the completeness, relevance and accuracy of the information submitted.

- We conducted a walkthrough of the accounting system to gain an appreciation of JCB UK's accounting systems and to assess the level of reliance to place on the data produced by these.
- We conducted an on-site verification to evaluate the completeness, relevance and accuracy of information provided in the questionnaire response.
- We compared information provided in the questionnaire response regarding general company setup and associates against information on the company's website and financial statements for consistency.
- We reconciled questionnaire responses with information held in JCB UK's Accounting System and its financial statements to ensure completeness, relevancy, and accuracy.
- We conducted a tour of the factory to gain an understanding of its production facilities and processes.



Based on the verification activity undertaken the TRA have a reasonable level of assurance on the completeness, relevance and accuracy of the information provided by JCB UK and can rely on it for the purpose of this investigation.

Purpose of verification

The purpose of the TRA's verification activity is to determine whether the information provided by interested parties is complete, relevant, and accurate and can be used in our investigation. This verification report sets out the conclusions reached for each component that covers the scope of our work. JCB UK also provides an overall conclusion stating the level of assurance reached.

The information verified may then be considered in our assessments and analysis to determine whether subsidisation has occurred and if this subsidisation is causing injury to the UK industry. This will form the basis for establishing appropriate measures where necessary, and to assess whether these are in the UK's economic interest.

We carried out verification activities remotely and onsite. The TRA did not seek to verify all information provided, but undertook the work considered appropriate and possible within the time constraints of the investigation to obtain assurance upon which to base our case decision.

This verification report documents the work completed, providing an overview of the range and scope of verification procedures performed, for each component that covers the scope of our work, on the information submitted by JCB UK. It details the conclusions reached regarding completeness, relevance, accuracy and provides an overall conclusion stating the level of assurance reached.



Confidential information

JCB UK must provide a non-confidential version of the verification report marked as 'non-confidential' in the header.

If any information contained in the verification report is considered confidential, JCB UK should delete or redact those sections and provide a non-confidential summary of the information which has been removed. It must provide reasons as to why the particular information is considered confidential (see also [public guidance](#)).

The non-confidential version of the verification report will be placed on the public file.



Verification

Please find below a summary of work completed by the TRA to determine whether the information provided by JCB UK in its questionnaire response is complete, relevant, and accurate.



A. Company structure and associations

What information was considered

- Company details
- Organisational structure, management, and ownership
- Associated companies
- Product range

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

Company details

We cross checked information submitted by JCB UK on year of establishment, company address, reliability of financial statements, and product range by examining Companies House and JCB UK's website.

Organisational structure, management, and ownership

We viewed the audited financial statements for the year ending 31 December 2022. We confirmed board members, ownership and shareholders by comparing submitted information to audited financial statements and information published at Companies House website.

Associates

Declared associated companies were compared with JCB UK's audited financial statements for year ending December 2022. We reviewed JCB UK's associated



and independent cost and sales transactions and identified these were correctly categorised. We have not identified any other associated parties which were undeclared.

We found that the information from audited financial statements, Companies House and JCB UK's website aligns with information provided in its questionnaire response.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

The information relating to company structure and associations provided by JCB UK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



B. Accounting Systems and Procedures

What information was considered

- Information Technology Systems and Applications
- Accounting policies, significant risks, and accounts
- Sales / customer order process and procedures
- Purchase order / invoice approval process and procedures

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

We conducted a walkthrough of the company's accounting applications to gain an appreciation of the system and to assess the level of reliance to place on the data provided.

Information Technology Systems and Applications

JCB UK uses *[Sensitive information removed – JCB UK's business operations]*.

Accounting policies, significant risks, and accounts

During verification we examined various accounting policies such *[Sensitive information removed – JCB UK's business operations]*. We identified no significant risks.

Sales/customer & Purchase order/invoice order process and procedures

We conducted a sale and purchase order process walkthrough. JCB UK showed us how each selected transaction was processed, step by step through the



accounting system from inception to being recorded in the appropriate system/ ledger.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

Based on the work performed, we have obtained a basic understanding of the relevant accounting and associated business systems of JCB UK. This enabled us to plan appropriate verification procedures.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



C. Goods

What information was considered

- Goods description of the like goods assigned to PCN's
- Internal coding systems

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

We reviewed sales documentation provided by JCB UK to ascertain whether PCNs were accurately allocated to the goods in scope.

During verification:

- We reviewed JCB UK's submitted weight provided in the questionnaire response against the allocated PCN to ensure the correct weight had been declared and subsequently classified into the correct PCN.
- We compared the operating weight of each product listed in the annex data to *[Sensitive information removed – JCB UK's business operations]* to gain an understanding of products it sells.
- We examined JCB's internal coding system to check goods in scope were declared correctly.
- We reviewed and were satisfied that goods listed as 'other company products' were outside the scope of the investigation.

We conducted a physical inspection of its factory to gain an understanding of its production facilities and processes and to check that goods declared are consistent with its production. Our findings indicate that the PCN structure has been consistently applied across submitted data.



If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

The information relating to the company's goods provided by JCB UK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



D. Costs

What information was considered

- Direct and indirect cost components
- Sample of raw material purchases
- Direct labour, administration selling and general (AS&G) costs

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

Upwards verification

We carried out upwards verification work to check the completeness of the total costs for all goods and the like goods provided in JCB UK's questionnaire annex by comparing it to *[Sensitive information removed – JCB UK's business operations]*.

During verification, JCB UK showed us how it populated the figures for cost reconciliation and how it aligned costs to the POI by extracting the data from *[Sensitive information removed – JCB UK's business operations]*.

We reconciled the total cost of production of all goods to JCB UK's *[Sensitive information removed – JCB UK's business operations]*. JCB UK explained to us that *[Sensitive information removed – JCB UK's business operations]*. We consider the methodology applied to be reasonable.

We reconciled the total cost to make for like goods to *[Sensitive information removed – JCB UK's business operations]*. Actual material costs were calculated



using *[Sensitive information removed – JCB UK's business operations]*. Direct labour and all manufacturing overheads are taken from *[Sensitive information removed – JCB UK's business operations]* and have been apportioned appropriately. Calculations for *[Sensitive information removed – JCB UK's business operations]* were explained and considered appropriate.

During verification, JCB UK updated the annex data it had provided. The updates made included *[Sensitive information removed – JCB UK's business operations]*. Management explained these changes to us and demonstrated its workings.

We consider all calculation methods to be reasonable.

Downwards verification

We carried out downwards verification to check the accuracy and relevance of the cost transactions listed in the questionnaire response. Prior to our verification visit, the TRA requested and were provided source documents for a sample of cost transactions by JCB UK. We found no discrepancies between sampled annex data and documents provided.

During verification, we asked management to show us the general ledger codes that make up each category of AS&G costs, we then selected one random transaction for each category and traced this back to the relevant supporting documentation. The AS&G costs provided appeared relevant and proportionate to our understanding of the business.

JCB UK explained its allocations of raw materials to PCNs, the methodology used to allocate the raw materials costs is considered reasonable and the calculations provided have been accurately performed in line with this methodology.



Overall, we were able to reconcile cost information provided by JCB UK to aligned [Sensitive information removed – JCB UK's business operations] with minor, satisfactorily explained variances. We were also able to trace sampled transactions to source documents with no material issues.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

During verification, JCB UK made minor iterations to its annex data, [Sensitive information removed – JCB UK's business operations]. JCB UK have updated and amended its questionnaire response accordingly.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

The information relating to costs provided by JCB UK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



E. Sales

What information was considered

- Sample of relevant sales transactions
- Price reductions
- Domestic sales reconciliations
- Domestic freight cost

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

Upwards verification

We conducted upwards verification to ascertain the completeness of the sales figures provided in the questionnaire response.

During verification, JCB UK showed how it aligned the total revenue of all goods and like goods reported in the questionnaire response to the sales figures in its *[Sensitive information removed – JCB UK's business operations]*. We were able to reconcile revenue to *[Sensitive information removed – JCB UK's business operations]* without any issues identified.

Downwards verification

We performed downwards sales verification to check the completeness of sales data provided by JCB UK.



We requested the source documentation relating to a sample of sales transactions involving the like goods during the POI. No differences were identified between the sales order and the sales invoices. *[Sensitive information removed – JCB UK's business operations]*. These amounts were declared separately in the T-by-T listing and correctly removed in the T-by-T listing to obtain an ex-works price.

[Sensitive information removed – JCB UK's business operations] listed in the questionnaire response were compared to documents showing *[Sensitive information removed – JCB UK's business operations]* which we were able to agree to the T-by-T listing. No differences were identified. *[Sensitive information removed – JCB UK's business operations]*.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

The information relating to sales provided by JCB UK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



F. Injury

What information was considered

- Total turnover related to the like goods
- Domestic and export sales value and volume for the like goods
- Proportion of turnover related to like goods compared to the turnover of all goods
- Profitability for all goods and like goods
- Production output by volume and value for the like goods
- Market share of the like goods
- The utilisation of capacity for the like goods
- Cashflow for all goods
- Inventory of the like goods
- Employment, median wage, and productivity for the like goods

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

Total turnover related to the like goods

JCB UK demonstrated how the turnover for like goods was extracted from the *[Sensitive information removed – JCB UK's business operations]*. We identified no issues between figures reported in *[Sensitive information removed – JCB UK's business operations]* and the figures reported in the annex submitted.

Domestic and export sales value and volume for the like goods



JCB UK demonstrated how domestic sales of like goods were extracted from the *[Sensitive information removed – JCB UK's business operations]*. The weight was calculated by *[Sensitive information removed – JCB UK's business operations]*.

Export sales were calculated by *[Sensitive information removed – JCB UK's business operations]*. We are satisfied with how domestic and export sales value and volume were calculated.

Proportion of turnover

The proportion of turnover of like goods was calculated as *[Sensitive information removed – JCB UK's business operations]*. We are satisfied with this methodology.

Profitability for all goods and like goods

JCB UK demonstrated how profitability figures were extracted from the *[Sensitive information removed – JCB UK's business operations]*. JCB UK explained how calculations and formulas were used to complete the profitability section of the annex. We are satisfied with the methodologies it used.

Production output by volume and value for the like goods

For the POI and each year of the Injury Period JCB UK demonstrated how output by volume and value have been extracted from *[Sensitive information removed – JCB UK's business operations]*. We are satisfied that the method used is accurate.

Market share of the like goods



The estimation of market share uses a third-party data source. We cannot verify how accurate this data is, but we have reviewed the method used by JCB UK to get to its market share and we consider it to be appropriate.

The utilisation of capacity for the like goods

The utilisation of capacity for the like goods has been calculated based on the *[Sensitive information removed – JCB UK's business operations]*. Production capacity utilisation was calculated by *[Sensitive information removed – JCB UK's business operations]*. We are satisfied that the method used is appropriate.

Cashflow for all goods

The cash flow figures are derived from *[Sensitive information removed – JCB UK's business operations]*.

Inventory of the like goods

[Sensitive information removed – JCB UK's business operations].

Employment, median wage, and productivity for the like goods

The total number of employees *[Sensitive information removed – JCB UK's business operations]*. We reviewed its calculations and considered them to be reasonable.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments



None.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

The information relating to injury factors provided by JCB UK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



G. Economic Interest Test

What information was considered

- Employment figures
- Change in market share
- Change in price of imported goods on the domestic price and production

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

How the information was checked

Employment figures

JCB UK [*Sensitive information removed – JCB UK's business operations*]. We are satisfied with this explanation.

Change in market share

In JCB UK's questionnaire it explained it would be able to maintain its market share and increase its absolute sales volume as the market expands if the measure is imposed. In addition, JCB UK would be able to sell at profitable price levels, so that the company can increase its profitability.

If the measure is imposed, it is reasonable to expect that the prices of Chinese excavators imported to the UK will increase, and probable that the end users may



shift to buy JCB UK excavators and JCB UK may stop losing its market share to Chinese excavators. We consider the information provided by JCB UK regarding the change in market share if a measure is imposed as reasonable.

Change in price of imported goods on the domestic price and production

In JCB UK’s questionnaire response it forecast that the price and the production of excavators would be increased if a measure is imposed. During the verification visit, JCB UK reiterated its answers as stated in the questionnaires without further elaboration. However, we find JCB UK’s forecasted changes in price and production reasonable if a measure is implemented.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Exceptions/Findings/Adjustments

None

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Conclusions

The information relating to economic interest provided by JCB UK is verifiable. Based on the work performed, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for injury assessments and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



Conclusions

We verified company details, product information and ownership information provided by JCB UK by comparing it with audited financial statements, Companies House and its website. We reviewed goods in scope and PCN allocation for consistency and accuracy.

We identified potential injury indicators and assessed its relevance and likelihood, we also considered the effect on the company in regard to employment, market share and domestic selling price.

During verification, JCB UK demonstrated how it generated cost and sales information from accounting applications. A sample of cost and sales transactions were traced back to source documents with no material or unresolved issues.

JCB UK provided sufficient and appropriate evidence, which enabled us to conduct verification work on a sample basis as detailed in the above sections. Based on the work performed, we have a reasonable level of assurance that the information provided in its questionnaire response is complete, relevant, and accurate for the purpose of this investigation.



Annexes

Annex 1: Meetings

Date and duration	Type of authentication	Company representatives	TRA representatives
25 June 2024 4 hours	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	<i>[Sensitive information removed – Personal information]</i>	<i>[Sensitive information removed – Personal information]</i>
9 July to 12 July 2024 21 hours	<input type="checkbox"/> remote <input checked="" type="checkbox"/> on-site	<i>[Sensitive information removed – Personal information]</i>	<i>[Sensitive information removed – Personal information]</i>