



Trade Remedies
Authority

Statement of Essential Facts

INVESTIGATION No. AD0047

Dumping investigation into certain excavators imported into the
United Kingdom from the People's Republic of China

25 November 2024



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Section A: Introduction

A1. Investigation

1. This investigation covers the alleged dumping of certain excavators imported into the United Kingdom (UK) from the People's Republic of China (PRC). A full description of the goods subject to this investigation can be found in [Section D](#).
2. This section briefly summarises the legal framework for this Statement of Essential Facts (SEF) and the Trade Remedies Authority (TRA)'s main findings. The background to and details of the investigation are explained fully in the subsequent sections.
3. This SEF sets out a summary of the facts considered by the TRA during the investigation, those facts that have formed the basis of the TRA's intended final determination and the anti-dumping measure that the TRA intends to recommend to the Secretary of State for Business and Trade (Secretary of State).
4. It should be read in conjunction with other public documents available for this case, which are available on the public file at <https://www.trade-remedies.service.gov.uk/public/case/AD0047/>.
5. This SEF also informs parties who have supplied information how the TRA has considered and used what it has provided. The SEF provides details of the analysis forming the basis of the intended determination and allows interested parties to make submissions in response.
6. Interested parties, contributors and any other person who has supplied information to the TRA are invited to make submissions within 21 calendar days of the publication date of this SEF, i.e., before 23:59 hours (BST) on 16 December 2024, as per regulation 62(2) of The Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (S.I. 2019/450) (as amended) (the Regulations).
7. Any submissions received after this date may not be accepted by the TRA if to do so would significantly impede the progress of this investigation. Where the TRA rejects information for any reason, it will publish the reasons for rejection in the final determination.
8. Registered interested parties to the case can make submissions on the Trade Remedies Service online platform (TRS). These submissions must be accompanied by a non-confidential version of the submission for the public file. Those not registered on the TRS may send submissions by email to AD0047@traderemedies.gov.uk. These submissions must also be accompanied by a non-confidential version for the public file.



9. In exceptional circumstances it may not be possible to summarise confidential information. If this is the case, interested parties must provide a 'statement of reasons' setting out the reasons why the TRA should treat the information as confidential and why summarisation of the information is not possible, as defined under regulation 45(6)(b) of the Regulations.
10. For further information about the TRA's investigations, please see its [public guidance](#).

A2. Legal framework

11. This SEF is made pursuant to regulation 62 of the Regulations. It includes:
 - the recommendation that the TRA intends to make;
 - a summary of the facts considered during the investigation;
 - those facts referred to in the summary that formed the basis of the intended recommendation;
 - detail on how the TRA has used the information supplied by interested parties in making the intended final determination; and
 - details of the analysis forming the basis of the intended recommendation.

A3. Period of investigation and injury period

12. The period of investigation (POI) is 1 July 2022 to 30 June 2023.
13. To assess injury, the TRA has chosen to examine the period from 1 July 2019 to 30 June 2023 as the injury period.



Section B: Summary and findings

B1. Dumping

14. In accordance with paragraph 1(1) and 8(1)(a) of Schedule 4 to the Taxation (Cross-border Trade) Act 2018 (the Act) the TRA has examined whether dumping of the goods concerned (for definition see [Section D](#)) has occurred.
15. The TRA has concluded that the relevant goods, in relation to which this determination is made (as identified in [Section D2](#) and defined in paragraph 17(2) of Schedule 4 of the Act) are being dumped into the UK from the PRC (see [Section F](#)).

B2. Injury

16. In accordance with paragraphs 5 and 8(1)(b) of Schedule 4 to the Act, the TRA has examined whether the dumping of the relevant goods has caused or is causing injury to a UK industry in the like goods.
17. The TRA has concluded that the UK industry has suffered injury and that the dumped goods from the PRC have caused injury to the UK industry (see [Section G](#)).

B3. Economic Interest Test (EIT)

18. The TRA has considered the evidence before it and the following factors set out under paragraph 25 of Schedule 4 to the Act:
 - the injury to UK industry in the like goods caused by dumping of the relevant goods and the benefits to that UK industry in removing that injury;
 - the economic significance of affected industries and consumers in the UK;
 - the likely impact on affected industries and consumers in the UK;
 - the likely impact on particular geographic areas, or particular groups, in the UK;
 - the likely consequences for the competitive environment, and for the structure of markets for like goods, in the UK; and
 - such other matters as the TRA considered relevant.
19. The TRA has concluded that the application of the anti-dumping measure it intends to recommend to the Secretary of State meets the EIT (see [Section I](#)).



B4. Intended final determination and recommended measure

20. In accordance with regulation 62(1) of the Regulations, before making a final affirmative determination for the purpose of paragraph 11(5) of Schedule 4 to the Act, the TRA must publish a SEF that sets out the intended final determination, a summary of the facts considered during the investigation, and a summary of those facts that formed the basis of the intended final determination.
21. For the purposes of making final determinations under paragraph 11(7) of Schedule 4 to the Act the TRA may make different final determinations in relation to different goods.
22. The TRA intends to make a final affirmative determination in respect of the relevant goods originating from the PRC that fall under commodity code 8429 5210 00.
23. As set out in [Section D2](#), the relevant goods are:

Self-propelled track-laying (i.e. tracked) excavators with a 360° revolving superstructure and with an operating weight of 11,000 kg (i.e., 11 tonnes) or more but less than 80,000 kg (80 tonnes).
24. The TRA has determined that the relevant goods have been or are being dumped in the UK and that the dumping of these goods has caused injury to UK industry in those goods. The TRA has determined that the application of the anti-dumping measure it intends to recommend to the Secretary of State meets the EIT.
25. The TRA intends to make a final negative determination in respect of the goods concerned originating from the PRC that fall under commodity code 8429 5210 00 with an operating weight of 80 tonnes and above.
26. The goods concerned subject to the final negative determination are not manufactured by the UK industry and the TRA has determined that these goods have not or are not causing injury to the UK industry.
27. The TRA intends to recommend that the Secretary of State impose an ad-valorem duty for a period of five years on the relevant goods that are the subject of the final affirmative determination.
28. The rates of anti-dumping duty the TRA intends to recommend are stated in Table 1:



Table 1: Recommended ad-valorem duty rates

	Duty amount (%)
Sampled exporter/producer	
Liugong Group	59.00%
Sany Group	33.03%
Non-sampled cooperating exporter/producer	
XCMG Group	56.24%
Sunward	56.24%
All other overseas exporters/producers	
Residual dumping margin	83.50%

Please see [Section C2](#) for a further description of the named parties

29. On 6 March 2024 a [public notice](#) was published by the Secretary of State in accordance with paragraph 29(1) of Schedule 4 to the Act. This notice instructed HM Revenue & Customs (HMRC) to register the importation of the goods concerned.
30. In accordance with regulation 91 of the Regulations, the TRA will duly consider this information to inform its recommendations in its final affirmative determination regarding the application date for the countervailing amounts.



Section C: Background

C1. Initiation

31. On 21 September 2023, the TRA received an [application](#) from JCB Heavy Products Ltd (JCB) alleging that goods concerned imported into the UK from the PRC have been or are being dumped and that the dumping has caused or is causing injury to the UK industry.
32. The TRA was satisfied that the application contained sufficient evidence of dumping and resulting injury to justify the initiation of the investigation, and that the requirements referred to in paragraph 9 of Schedule 4 to the Act and regulation 50, 51, and 52 of the Regulations had been met.
33. An additional application was received from JCB alleging the same excavators imported into the UK from the PRC were in receipt of countervailable subsidies. Please note these claims are being considered separately under case [AS0046](#).
34. The dumping investigation was initiated by the TRA on 15 November 2023, and the [Notice of Initiation](#) was published on that date.
35. The Secretary of State, the foreign government of the PRC and other interested parties and contributors were notified accordingly and invited to register on the [Trade Remedies Service](#) to participate in the investigation.

C2. Participation in the investigation

36. A full list of all parties who registered to the investigation, and the links to the information these parties provided, can be seen in Table 33 in [Annex A](#).

C2.1 UK producers

37. One UK producer, JCB, registered an interest in the case following its submission of its application in September 2023. It completed an application, pre-sampling questionnaire and a producer questionnaire. JCB has also provided further documents responding to submissions received from other interested parties and contributors.
38. Please also refer to [Section E1](#) for how the TRA's will consider UK industry.



C2.2 Exporters/producers from the PRC

39. Ten PRC companies registered an interest in the case as exporters of the goods concerned.
40. Due to the number of responses received during the questionnaire period, the TRA limited its examination of overseas exporters. The TRA published a notice of its [sampling approach](#) on 11 June 2024.
41. The sampled PRC exporters were:

Sany Group	Sany Heavy Machinery Co., Ltd.	Overseas Exporter
	Sany Heavy Machinery Limited	Overseas Exporter
Liugong Group	Liugong Changzhou Machinery Co., Ltd.	Overseas Exporter
	Liuzhou Liugong Excavator Co., Ltd.	Overseas Exporter
	Guangxi Liugong Machinery Co., Ltd.	Overseas Exporter
	Liugong Machinery Hongkong Co., Limited	Overseas Exporter

42. The individual companies within both the Liugong Group and the Sany Group completed exporter questionnaires.
43. The Sany Group also provided additional commentary regarding the alleged particular market situation in the PRC. It also provided further submissions regarding the TRA's proposals on a possible representative country and changes to structure of the Product Control Numbers.
44. The following overseas exporters provided pre-sampling questionnaires, with the XCMG Group companies also completing exporter questionnaires. The data provided from these overseas exporters was not verified and they will be considered non-sampled and cooperating:

XCMG Group	XCMG Excavator Machinery Co., Ltd	Overseas Exporter
	XCMG European Sales and Services GmbH	Overseas Exporter
	Xuzhou Construction Machinery Group Imp. & Exp. Co., Ltd.	Overseas Exporter
Sunward	Sunward Intelligent Equipment Co., Ltd	Overseas Exporter

C2.3 Importers

45. Three importers registered their interest in the case. All three importers were associated companies of the PRC exporters that had already registered.



46. The following two importers were sampled as part of the wider consideration of the relevant PRC group of companies:
- Sany Heavy Machinery (UK) Ltd
 - Liugong Machinery (UK) Limited
47. Due to the number of responses received during the questionnaire period, the TRA limited its examination of UK importers. The TRA published a notice of its [sampling approach](#) on 11 June 2024.
48. The following importer was not sampled:
- XCMG UKSS

C2.4 Foreign government

49. The Government of the PRC (GoC) registered its interest in the case through its Ministry of Commerce (MOFCOM). MOFCOM submitted a pre-sampling questionnaire and additional commentary about the alleged particular market situation in the PRC.

C2.5 Contributors

50. One trade body registered an interest in the case. The China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) represents the PRC industry in the goods concerned. It submitted a pre-sampling questionnaire and subsequently provided commentary regarding the substantiation of the alleged injury to UK industry, as well as the alleged particular market situation. It also provided responses to address JCB subsequent submissions.
51. One third country producer registered an interest in the case following publication of the TRA's [benchmark country consultation](#) note on 20 February 2024. This note invited producers in Brazil to participate in the investigation and provide certain sales and costs data. JCB do Brasil Limitada (JCB Brasil) submitted a completed pre-sampling questionnaire and a third country producer questionnaire.
52. Seven UK based companies registered an interest in the case as downstream users of the goods. Each provided a pre-sampling questionnaire. These companies are dealers that excavator producers use to distribute and market their goods to customers.

C3. Verification of data

53. The TRA undertook verification activities in relation to the information provided by the cooperating interested parties, during which the completeness,



relevance, and accuracy of that information was assessed. The TRA has had regard to the information supplied by interested parties and contributors, provided that this information:

- complied with the applicable statutory requirements and the TRA's public guidance;
- was verifiable;
- could be used without undue difficulty; and
- was supplied within an applicable time limit and in a form that the TRA requested.

54. Details of the in-person and remote verification visits, as well as links to the associated verification reports, are set out below:

Company	Verification visit	Verification report
JCB Heavy Products Ltd	9 July – 12 July 2024	Verification report
JCB do Brasil Limitada	11 June – 12 June 2024*	Verification report
Sany Heavy Machinery Co., Ltd.	24 June – 28 June 2024	Verification report
Sany Heavy Machinery Limited	24 June – 28 June 2024	Verification report
Sany Heavy Machinery (UK) Ltd	17 July – 18 July 2024*	Verification report
Liugong Changzhou Machinery Co., Ltd	17 June – 24 June 2024	Verification report
Liuzhou Liugong Excavator Co., Ltd.	17 June – 24 June 2024	Verification report
Liugong Machinery (UK) Limited	13 – 14 June 2024*	Verification report

*Remote verification visit

55. Secondary source information was used in accordance with the Regulations. This secondary information was treated with special circumspection and, where practicable, verified using independent sources. This included, but was not limited to, official import statistics and data pertaining to relevant markets. Where the TRA did not consider the data to be verifiable, the areas have been highlighted and the TRA has drawn conclusions where possible.



Section D: The goods

D1. Goods concerned

56. The goods concerned are defined in regulation 2 of the Regulations as “the goods described in the relevant Notice of Initiation of a dumping investigation under regulation 65(1) [of the Regulations]”.

57. The [Notice of Initiation](#) describes the goods concerned as:

Self-propelled track-laying (i.e. tracked) excavators with a 360° revolving superstructure and with an operating weight of 11,000 kg (i.e., 11 tonnes) or more.

58. The goods concerned are imported into the UK under the following UK Global Tariff commodity code 8429 5210 00. This code is only given for information and includes ‘mini’ excavators under 11 tonnes, which are not in scope of this investigation.

D2. Relevant goods

59. In accordance with paragraph 17(2) of Schedule 4 to the Act, the goods to which a final affirmative determination is made are referred to as the ‘relevant goods’.

60. The relevant goods are:

Self-propelled track-laying (i.e. tracked) excavators with a 360° revolving superstructure and with an operating weight of 11,000 kg (i.e., 11 tonnes) or more but less than 80,000 kg (80 tonnes).

D3. Goods concerned not included in the SEF and the recommended measure

61. The TRA has identified that excavators with an operating weight that is equal to or greater than 55 tonnes (PCN categories XXL and XXXL) are not currently being manufactured by the UK industry (see [Section E1](#)). However, the TRA is satisfied that an excavator with an operating weight between ≥ 30 tonnes and < 55 tonnes (XL) produced in the UK and an excavator with an operating weight of ≥ 55 tonnes and < 80 tonnes (XXL) imported to the UK from the PRC share physical and commercial characteristics closely resembling one another. Further detail on this assessment can be found in [Section D6](#).



62. The TRA has also determined there are no goods produced in the UK that are like the excavators with an operating weight of 80 tonnes (XXXL) or above.
63. At this time, the TRA has not received any information to suggest that XXXL excavators should reasonably be considered as part of this investigation. There is no evidence to show these excavators are being manufactured by the UK industry or causing injury to the UK industry. It follows the TRA intends to make a final negative determination in respect of the XXXL excavators goods originating from the PRC.

D4. Goods produced by the UK industry

64. JCB's [application](#) stated that the goods it produces are the same as those described in the definition of the goods concerned in the [Notice of Initiation](#). JCB asserted that there are no differences in the physical and technical characteristics of the excavators imported from the PRC and those it produces in the UK or in their end use.
65. JCB also claimed that the basic operating weight is the primary differentiator between in-scope excavators, and this is what determines the key models in the market.
66. During verification, the TRA identified that JCB offer a range of different weighted excavators on the UK market. This information was supported by the TRA's review of the sales transactions during the POI. These specifically included the 131X model (13 tonne) as well the JS370 model (36 tonne), which represented the respective lower and upper tier of weights of the models produced by JCB in that period. More recently it was noted that the JS370 had been superseded by the 370X model (35-40 tonne) and that JCB had previously produced a JS500 model (46 tonne).
67. The TRA's initial assessment was that the goods produced in the UK are similar to the goods concerned and are classified under the same UK Global Tariff commodity code (8429 5210 00).
68. However, the TRA has subsequently received comments from both the [Sany Group](#) and the [Liugong Group](#) suggesting that the larger excavators produced in the PRC constituted a distinct category from those produced in the UK. It was suggested that the larger excavators (i.e. those that exceeded the weight of the JS370 – 36 tonnes) were substantially different to smaller excavators produced in the UK in terms of essential characteristics and intended usage. It was also highlighted that there were also electric-powered excavators being produced in the PRC and these should not be compared against the UK produced excavators which use an internal combustion engine.



69. JCB [subsequently commented](#) that on the UK market the end use of excavators above 50 tonnes and those between 30 and 50 tonnes is identical. It stated that, “There are very few circumstances on the UK market in which a ≥50T Excavator is the most appropriate machine, and most – if not all – ≥50T Excavators sold on the UK market will have an operating weight rather close to ≥50T.”
70. JCB also alleged it was undisputed that electric and internal combustion engine excavators have the same basic physical characteristics and end uses. It explained that this meant these excavators would directly compete. It also noted that it appeared that none of the electric-powered excavators produced by the sampled exporters were available on the relevant EU/UK websites. JCB was therefore of the view that in lieu of any actual sales in the UK, the claims about concerning electric excavators were, “...hypothetical and moot”, making the point that there was little or no practical relevance.

D5. Product control numbers (PCNs)

71. The TRA uses product control numbers (PCNs) to define and group different types of products that fall under the goods description in [Section D1](#) and [Section D2](#).
72. PCNs are created based on the main physical characteristics differentiating the types of products, providing that those characteristics have an impact on price.
73. The TRA completed a further assessment of the PCN structure, which was originally set out in the registration and questionnaire documents. The initial structure had been limited to four weight classes with XL covering all excavators above 30 tonnes. On the [11 July 2024](#), the TRA advised it would revise the PCN structure to allow for better analysis of the goods concerned and domestic sales of excavators in the PRC. The proposed revision to the PCN structure was as follows:



Table 2: PCN structure

Category	Description	Basic Operating Weight
S	Small Excavators	>= 11 tonnes < 15 tonnes
M	Medium Excavators	>=15 tonnes < 20 tonnes
L	Large Excavators	>= 20 tonnes < 30 tonnes
XL	Extra-Large Excavators	>= 30 tonnes < 55 tonnes
XXL	Extra-Extra-Large Excavators	>= 55 tonnes < 80 tonnes
XXXL	Extra-Extra-Extra-Large Excavators	>= 80 tonnes

74. The TRA received comments regarding the change to the PCN structure from the [Sany Group](#) and [JCB](#). The Sany Group welcomed the proposal and elaborated on the previous submission it had made suggesting the TRA limit the scope of the investigation. JCB submitted that it was unnecessary for the PCN structure to be changed.
75. The TRA duly considered the comments it received. However, it was concluded that the proposed changes to the PCN structure were necessary. The need for this change was further highlighted in [Section D6](#).

D6. Like goods assessment

76. As noted above, based on the evidence before it, and in accordance with paragraph 11(1) of Schedule 4 to the Act, the TRA has determined that the dumping of the relevant goods has caused injury to the UK industry in those goods. The TRA has carried out a like goods assessment as part of the injury assessment to determine which of the goods concerned are like goods, and are causing injury to the UK industry, and in turn can be referred to as the relevant goods in relation to which this SEF is made.
77. In accordance with paragraph 7 of Schedule 4 to the Act, the TRA refers to 'like goods' as those which are like the goods concerned in all respects, or if there are no such goods, have characteristics which closely resemble them and are produced by the UK industry.
78. In assessing whether the goods produced by the UK industry are like the goods concerned in all respects or with characteristics closely resembling them, the TRA has considered:



- physical likeness, including physical characteristics; and
 - commercial likeness, including competition and distribution channels.
79. It was identified that during the POI, JCB produced and sold excavators in four PCN categories (S, M, L and XL). All these excavators were powered by internal combustion engines.
80. The TRA has found that when comparing UK produced like goods to the goods concerned, within the same PCN category, there are no fundamental differences in physical or commercial characteristics. The available evidence would suggest the basic components are the same and the manufacturing processes are similar. This includes whether the excavator is electric-powered or powered by internal combustion. It was therefore concluded that the UK produced excavators have characteristics which closely resemble the goods concerned within their respective PCN categories.
81. It was also noted, across the submissions the TRA received, there is some competition in the UK market between excavators in the XL and XXL categories. The Sany Group's questionnaires referenced that excavators around 50 tonnes have similar capacities and specifications. It was also explained there would be varying degrees of efficiency that may be exhibited by different weight classes of excavators, which would suggest some level of direct interchangeability between weight classes.
82. The TRA understands that the efficiency of an excavator is determined by multiple factors including, but not limited to, productivity, fuel consumption and maintenance costs.
83. Based on the submitted evidence, and its own independent review, the TRA is satisfied that a XL excavator produced in the UK and a XXL excavator imported to the UK from the PRC will share physical and commercial characteristics closely resembling one another and could therefore be substitutable or interchangeable for one another.
84. The TRA considered the request to either exclude or further differentiate electric-powered excavators in the investigation. However, it concluded that this was not required. This would be the case irrespective of whether these excavators were sold in the UK (with it being noted that if no sales occurred during the POI, it is unlikely these excavators would have caused any injury to UK industry).
85. It is accepted that an electric-powered excavator may not always be an alternative to an internal combustion excavator in various settings, based on battery life and the need to recharge. For example, where the excavator is operating in an area where the infrastructure to recharge the battery does not exist or is sufficiently distant to make it impractical.



86. The TRA also does not dispute there may be further production and/or manufacturing processes that differ between the two different engine types. However, the available evidence would indicate that the UK produced goods, with an internal combustion engine, still have characteristics closely resembling those of an electric-powered excavator from the PRC. These excavators are also alike in all other respects including physical characteristics and end use.
87. Further, the TRA considers the circumstances described for an electric-powered excavator not being an alternative option in some settings are sufficiently rare that they are not likely to be a deciding factor in purchasing decisions of downstream users. The available information the TRA obtained about electric-powered excavators still suggests these are intended to be a direct substitute for those powered by internal combustion. It follows such considerations are not dissimilar to a customer making an ordinary purchase of an excavator based on its physical size, intended end use and the level of efficiency required.
88. The TRA therefore considers that electric excavators should not be treated separately. This also means that it will continue to differentiate excavators by weight alone in accordance with the existing PCN structure.
89. The TRA has determined that the goods produced by the UK industry have characteristics closely resembling the relevant goods for PCN's S, M, L, XL and XXL, and therefore constitute "like goods" for the purposes of paragraph 7 of Schedule 4 to the Act.
90. There are no goods produced in the UK that are like the XXXL category of the goods concerned.

D7. PCN analysis

91. The TRA's calculations of dumping and injury margins are performed at a PCN level to ensure an accurate comparison of the sub-categories of goods.
92. For dumping margin calculations, the TRA compares the PCNs produced and sold by overseas exporters in their domestic market with the matching PCNs produced and exported by these overseas exporters into the UK. This does mean that the TRA has excluded any sales of the goods concerned in the XXXL categories, as applicable, from its PCN analysis.
93. For injury margin calculations, PCN-by-PCN calculations were possible for PCNs that were both sold in the UK as domestically produced like goods and exported from PRC to the UK as the relevant goods. This included sales across four PCNs (S, M, L and XL). It was determined that the PCNs included in the calculations were sufficiently representative to proceed with this methodology.



Section E: The UK industry and market

E1. UK industry

94. In accordance with paragraph 6(1) of Schedule 4 of the Act, the UK industry is defined as:
- a) all the producers in the UK of like goods, or
 - b) those of them whose collective output of like goods constitutes a major proportion of the total production of those goods in the UK.
95. Information provided in JCB's [application](#) and its [questionnaire responses](#), alongside the TRA's own independent research, were used to identify all UK producers of excavators to meet the description of the goods in the [Notice of Initiation](#).
96. The TRA identified two UK producers, JCB and Komatsu UK Limited (Komatsu).
97. However, it was concluded that JCB's volume of production was sufficiently representative (in terms of total production share but also PCN coverage) to consider it having a major proportion of the total production in the UK. The TRA therefore initiated the case on 15 November 2023 on this basis.
98. When the case was initiated all known UK producers were invited to register to the investigation. However, only JCB subsequently completed and returned a registration document.
99. The TRA has considered whether it would be practical to attempt to incorporate open-source information about Komatsu's production and potential injury from the relevant goods. However, it was concluded that such an approach would mean the TRA would be reliant on information that could not be fully substantiated or limited to in-scope, UK produced like goods. It was therefore determined that the most transparent methodology would be to solely define JCB as UK industry. This would ensure the TRA's injury assessments in [Section G](#) are based on verifiable data and one where it can still proceed in a timely manner.
100. The TRA has determined JCB to be the 'UK industry' as it meets the required definition under paragraph 6(1)(b) of Schedule 4 of the Act. It will therefore be treated accordingly for the purposes of this investigation.

E2. UK market

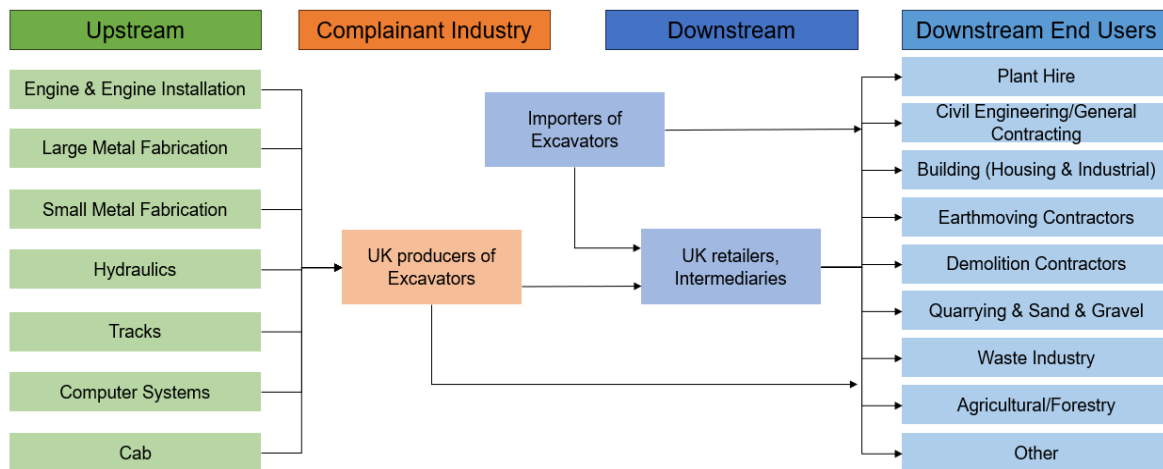
101. The UK market for excavators generally consists of companies active in:



- Housebuilding and groundworks,
- Civil construction and roadbuilding,
- Waste and recycling,
- Demolition,
- Landscaping; or
- Irrigation.

102. Excavator manufacturers typically use a network of dealers to distribute and market their goods to customers.
103. Approximately 180,000 tonnes of excavators were sold in the UK during the POI, with UK industry supplying between 10% to 25% of this volume.
104. The TRA considers the market for excavators to be mature, with an established customer base, which is further segmented based on the individual needs (e.g. housebuilding and groundwork versus civil construction). As a mature industry, the TRA would not expect substantial growth in the customer base or the market. However, there are ongoing trends in demand for high quality and new innovations at competitive prices.

Figure 1: Supply chain for excavators in the UK



105. UK industry has explained historically there has been significant competition in the UK market between domestically produced goods and imported excavators, primarily from the EU, Japan and South Korea. It has been indicated that it was in the mid-2010s that PRC excavators slowly started penetrating the UK market.
106. [Section G](#) addresses relevant market trends in detail as part of the TRA's injury assessment.
107. [Section I](#) addresses competition, as well as upstream and downstream industries, in detail as part of the TRA's EIT assessment.



Section F: Dumping

108. In accordance with paragraph 1(1) of Schedule 4 to the Act, goods are 'dumped' in the UK when those goods are imported into the UK and their export price is less than their normal value.
109. The TRA has assessed whether the relevant goods are being dumped in accordance with paragraphs 1(1) and 8(1)(a) of Schedule 4 to the Act.
110. Paragraph 1(2) of Schedule 4 to the Act defines the 'normal value' of goods as:
- a) the comparable price, in the ordinary course of trade, for like goods when destined for consumption in the exporting foreign country or territory, or
 - b) such other price or value as may be determined in accordance with provision made by regulations for specified cases where it is not appropriate to use the price in paragraph (a).
111. The dumping margin is the difference between the export price and the normal value of the goods being dumped, described as a percentage of the export price at a level of the Cost, Insurance and Freight (CIF).
112. The TRA has calculated dumping margins in accordance with paragraph 2 of Schedule 4 to the Act and regulation 6(2) of the Regulations. Calculating the dumping margin involved the following stages:
- calculating the normal value of the relevant goods;
 - determining the export price;
 - ensuring a fair comparison between the normal value and the export price;
 - calculating the dumping margins.
113. The TRA has calculated the dumping margin using verifiable data provided by the Liugong Group and the Sany Group.
114. The TRA did request further information with regards to the steel content (and steel origin) of an excavator (at PCN level and input level) from the sampled overseas exporters, JCB and the third country producer. All parties submitted additional information and the data provided was used to make precise calculations in the SEF.

F1. Exporting country analysis

115. Based on information provided by interested parties, the TRA established that there were at least eight overseas producers in the PRC of the goods concerned during the POI, of which at least four of them had exported the goods concerned into the UK.



116. During the POI, exports of the goods concerned accounted for an estimated export value of £87 million. This represents an export share of 9.7% of the goods concerned to the UK in comparison with total imports of the goods based on volume. This data was sourced from HMRC.

F2. Normal value

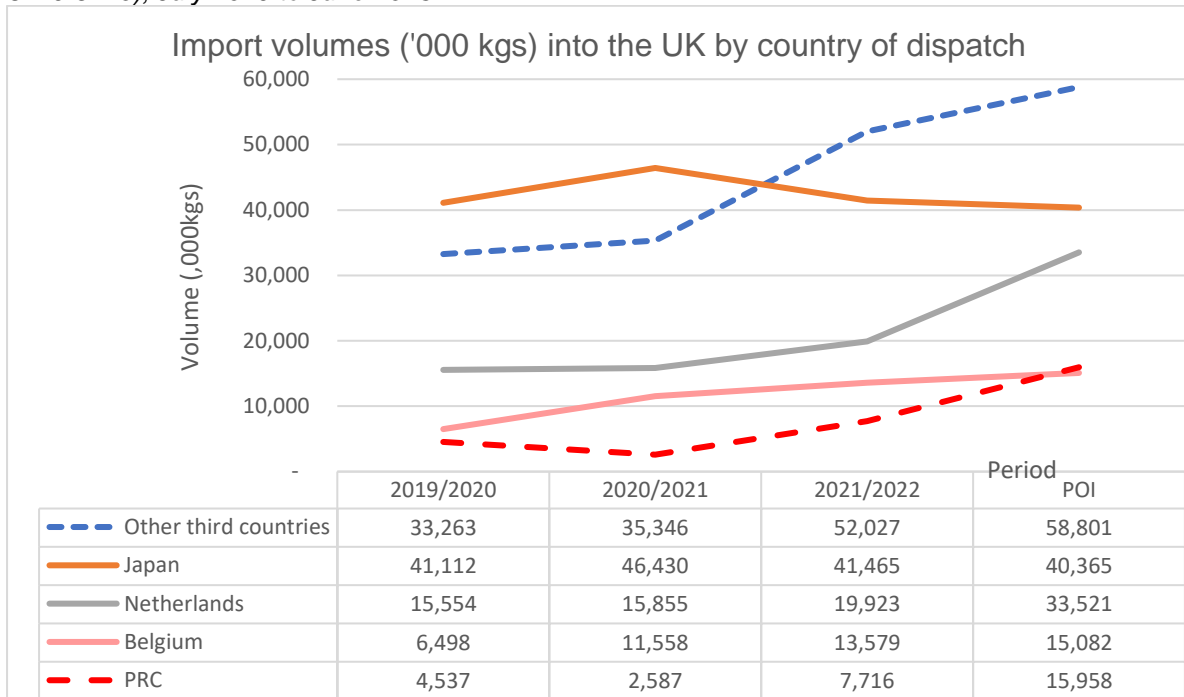
117. In accordance with regulation 6(1) of the Regulations, Part 2 of the Regulations applies where the TRA is required to determine whether goods have been or are being dumped into the UK in accordance with paragraph 1 of Schedule 4 to the Act. To make such a determination the TRA must determine the normal value of the relevant goods in accordance with regulation 6(2)(a) of the Regulations.
118. In accordance with regulation 7(1) of the Regulations, the TRA must use the comparable price to determine the normal value unless it is not appropriate to use that price.
119. Regulation 7(2) of the Regulations sets out the circumstances in which it is not appropriate to use the comparable price to determine the normal value of the relevant goods. This includes where, because of a particular market situation (PMS) or the low volume of sales in the domestic market of the exporting country or territory, such sales do not permit a proper comparison between the like goods destined for consumption in the exporting country or territory and the relevant goods, in accordance with regulation 7(2)(b) of the Regulations.
120. Regulation 7(4) of the Regulations sets out that for the purposes of regulation 7(2)(b) a PMS includes situations where prices are artificially low, there is significant barter trade, or prices reflect non-commercial factors.
121. JCB made allegations of a PMS in the excavator domestic market in the PRC which causes prices to be artificially low and reflect non-commercial factors. It said that this distortion affects 'all costs and prices in the PRC, both for inputs and for Excavators'.
122. The TRA investigated the allegations to determine whether the overseas exporters' prices are artificially low or reflect non-commercial factors and cause a PMS in the domestic excavator market in the PRC, to the extent that the exporters' domestic sales do not permit a proper comparison. The TRA's detailed assessment of each specific allegation can be found in [Section F2.1](#).
123. Following these assessments, the TRA concluded that a PMS exists in the domestic excavator market in the PRC, as the price of excavators reflect non-commercial factors as a result of government influence and control in steel and key excavator component costs.



124. The TRA considered whether the PMS identified in the domestic excavator market in the PRC prevents a proper comparison between the like goods in the PRC and the relevant goods.
125. JCB alleges in its [application](#) that:
- “The PMS in the PRC affects prices on the domestic market in the PRC in a different way than prices on the UK market”.
 - “Chinese Excavator manufacturers benefit from artificially low, distorted costs for all cost areas”, ... “This cost advantage gives Chinese Excavator manufacturers a competitive advantage when selling Excavators to the UK market”, ... “Chinese Excavator manufacturers do not have this competitive advantage when selling on the Chinese domestic market, because all Chinese Excavator manufacturers, including those manufacturers that do not export to the UK benefit from the same cost advantage”.
126. Questionnaire responses from the exporters registered as interested parties assert that:
- No PMS exists within the PRC excavator market.
 - The PRC excavator market is highly competitive and is driven by market forces.
 - The PRC’s scale of manufacturing and cost sharing is uniquely advantageous, with a significant cost advantage.
124. The TRA determined that the prevailing conditions of competition differ between the UK excavator market (the PRC export market) and the PRC domestic excavator market, due to the PMS in the PRC domestic excavator market reflecting the non-commercial factors mentioned above. This prevents a proper comparison due to domestic prices not being reflective of market conditions, while the export prices are affected by the market conditions within the UK.
127. The differing conditions of each market are identifiable in the import and export levels of each country. In the UK market, a significant proportion of the demand is met by imports from all third countries, indicating that the UK is an open market with a high level of competition coming from imports, as seen in Figure 2:



Figure 2: Changes in the import volumes based on country of dispatch (based on HMRC OTS data for 8429 5210), July 2019 to June 2023



Source: HMRC OTS data (extracted from uktradeinfo.com in October 2023)

128. In contrast to the UK, according to the [Global Trade Tracker](#) data, exporters within the PRC market exported 98.6% more than they imported during the POI, suggesting that the PRC is a restricted market with limited competition from imports.
129. Furthermore, the TRA considers that the non-commercial factors identified in [Section F2.1](#) are reflected in the cost of steel and key excavator components which has the effect of lowering the PRC producers' costs. This leaves little incentive for companies to import excavators into the PRC as it is unlikely imported excavators can be purchased at a price which is competitive with domestically sold excavators which benefit from these lower costs of manufacture.
130. As highlighted in [Section F2.1](#), prices in the PRC are not driven solely by consumer demand, but also by government industrial strategy and economic plans which give different incentives to producers operating in the market. As explained in [Section F2.1.2](#), the GoC puts measures in place or removes measures to control steel production which make exporting steel less attractive to steel producers and serves to lower the prices paid by domestic buyers of steel, such as the excavator industry. Additionally, state driven overcapacity puts an artificial downwards pressure on prices, distorting the cost of inputs for excavators.
131. Competitors within the PRC all benefit from the same level of access to the inputs that reflect non-commercial factors where exporters into the PRC do



not benefit from these same inputs. As a result, although there may be competition between excavator producers in the PRC within their domestic market, the conditions of competition are distorted by the presence of non-commercial factors meaning it is not a level playing field between imported excavators and domestically produced excavators in the PRC.

132. Exporters of excavators from the PRC can use their artificially reduced costs to price their exports to gain UK market share from competitors who do not benefit from an artificially low-cost base. This is demonstrated in [Section G1.1.1](#) which shows that imports of all excavators into the UK from the PRC during the injury period increased by 252%, whilst total imports into the UK from all third countries (excluding the PRC) during the same period only increased by 53%, indicating that the PRC has been able to increase its market share by a significantly greater degree than competing exporting countries. This data has been further analysed within [Section G2.4](#).
133. The TRA has determined that it is unlikely other countries have benefitted from artificially low costs, as detailed in [Section F2.2.2](#), to enable them to increase market share in-line with the PRC exporters.
134. The TRA has therefore concluded that the price at which exporters of excavators from the PRC sell the goods concerned into the UK (export price) is influenced by different considerations to those which influence the price at which they sell their like goods domestically (comparable price), which means it is not possible to conduct a proper comparison.
135. Where it is not appropriate to use the comparable price in accordance with regulation 7(2) of the Regulations the TRA must determine the normal value of the goods in accordance with regulation 8 of the Regulations.
136. The TRA calculated the normal value of the relevant goods by determining the costs of production plus a reasonable amount for administrative, selling and general (AS&G) costs and for profits in accordance with regulation 8(1)(a) of the Regulations. Full details can be seen in [Section F2.2](#).

F2.1 Particular market situation (PMS)

137. Within its application, JCB alleges that a PMS exists in the PRC which distorts the domestic excavator market. It suggests that this PMS results in prices which are artificially low and reflect non-commercial factors.
138. In order to substantiate these claims, JCB provided evidence of policy supervision and guidance from the GoC influencing the activities of companies operating within the PRC and state support affecting manufacturers' costs of production.



139. JCB also provided evidence to support more specific allegations about the excavator industry in relation to the following costs:
- Raw materials;
 - Energy;
 - Labour;
 - Shipping and logistics;
 - Research and development;
 - Land and rent;
 - Finance;
 - Tax and regulations.
140. Questions relating to PMS were included in the questionnaires issued to overseas exporters in the PRC. The TRA also invited MOFCOM to respond to a questionnaire concerning the alleged existence of non-commercial factors affecting the excavator market in the PRC. MOFCOM responded and the comments were published to the [public file](#).
141. CCCME has also now provided its own additional commentary regarding JCB's allegations. This was published to the [public file](#) on 20 September 2024.
142. The TRA investigated the allegations to assess the validity of the claims and determine whether the overseas exporters' prices reflect non-commercial factors or are artificially low and cause a PMS in the PRC domestic excavator market, to the extent that they do not permit a proper comparison.

F2.1.1 State Influence Over the Economy

143. JCB alleges that all aspects of the excavator supply chain within the PRC are influenced by the GoC and are subject to government policy supervision. It provides evidence to support the claim that the GoC both directly intervenes in the allocation of resources and indirectly influences company activities through the use of government issued guidelines. It suggests that this results in prices being artificially low and reflecting non-commercial factors.
144. As the sole governing party in the PRC, the CCP (Chinese Communist Party) assumes an [all-encompassing leadership role within the country](#). This includes the ability to exercise control over the PRC's economy via both state owned enterprises (SOEs) and private enterprises. For example, Article 19 of the 2018 revision of the [Companies Law of the PRC](#) states that not only must PRC companies "establish CCP branches in companies to carry out activities of the Chinese Communist Party" when required, but that they must "provide necessary conditions to facilitate the activities of the Party." The impact of this can be seen in the fact that in 2021 over [92% of the top 500 companies](#) in the PRC hosted government party cells, with the expectation that this number will rise to 100% given [a change in governance requirements in 2018](#).



145. This influence is clearest in SOEs such as the Liugong Group, which is not only entirely state-owned, but [actively promotes its alignment with government policy](#). However, the influence of the GoC also extends to the private sector. For example, while the Sany Group is not an SOE, the TRA identified that there was at least one leading PRC politician and a senior member of the GoC either holding a director position or being a member of the board.
146. As [detailed](#) by the GoC's National Development and Reform Commission, the GoC has aimed to strengthen its role in the economy in this way since at least 2012, following a period of relative relaxation of party control of the economy:
- “Economic development is the central task of the Party, and the Party should lead all aspects of economic work. [...] Since the 18th CPC National Congress [2012], the Party Central Committee with Comrade Xi Jinping at its core has stayed true to our fundamental purpose of [...] a] fully enhanced top-level design and overall layout for major work in the economic field.”
147. This sentiment has been [repeated](#) in a government issued book entitled *Xi Jinping's Economic Thought Study Outline* published just before the POI (June 2022), whose first chapter is dedicated to “strengthening the party's overall leadership over economic work.”
148. JCB alleges that further evidence of this control can be seen in the ‘market-distorting objectives’ of the [14th Five Year Plan](#) (14th FYP), which ostensibly aims to provide general guidance on the development of a wide range of economic policies in 2021-2025. The plan states that it “reasonably allocates public resources, guides and controls social resources, and ensures completion as scheduled,” and will “reduce the production and operating costs of enterprises, and enhance the rootedness and competitiveness of the manufacturing industry.” Although the plan does state that it ‘mainly relies on the role of market players to achieve these tasks’, it also outlines that ‘responsible parties’ should allocate public resources and guide and control social resources to these ends, which indicates the kind of incentive structure that the plan intends to set up in order to get the market players to behave in the desired way.
149. Although JCB point out the 14th FYP mentions the excavator industry indirectly in its discussion of agricultural machinery, the plan is also implemented through a more specific set of guidance for the construction machinery industry. The CCMIA's [own report](#) on the industry guidance indicates that this guidance is not interpreted as an optional set of guidelines by the industry:
- “In the face of the [...] **new requirements** [新要求] of the "14th Five-Year Plan", the construction machinery industry will implement six major industrialization innovation projects at a new historical starting point[...] focus on the innovation-driven development strategy, accelerate scientific and



technological innovation, and strive to realize the modernization of the construction machinery industry.”

150. The CCMIA presents the ‘guidelines’ of the 14th FYP as a set of requirements for its members to follow, rather than suggestions. This is also supported by [statements](#) made by the state owned Liugong group, which refers to ‘obligations’ under the 14th FYP.
151. JCB also points to the [Made in China 2025](#) (MIC25) industrial strategy, which aims to reduce PRC reliance on imported technology by improving its industrial capacity. The plan details objectives to “accelerate improvements to product quality” and “[c]oordinate the layout and promote the R&D and industrialization” in the construction machinery sector. Indeed, CCCME [specifically point to](#) a company within the Sany Group when making the case that “enterprises should enhance their international competitiveness in ‘going global’.”
152. The impact of these plans on the excavator industry can also be seen from the fact that both the Sany Group and the Liugong Group have publicly stated their intentions to work towards the objectives laid out by the GoC. For example, the Sany Group refer to 14th FYP and its intentions to “unswervingly [implement] the strategies of ‘digitization, electrification and internationalization’,” in its 2021 [Corporate Social Responsibility Report](#). Similarly, the Liugong Group has stated on its website in December 2020 that, “the company seeks to fully implement its obligations under the 14th Five-Year Plan, its long-term development goals, and its broader vision for the industry.”
153. In response to these allegations, the Liugong Group and the Sany Group both stated that state measures such as the 14th FYP were simply roadmap plans aimed at boosting growth. They argued that such plans were not legally binding and had no impact on the cost of production for the manufacturing of excavators. To support this claim, the Liugong Group stated that they were “not aware of any government measures, policies, laws or directives that may have intervened any aspect of supply chains of Certain Excavators” and that it considered itself to be operating in a competitive market, a sentiment that was echoed by the Sany Group.
154. As was established above, however, the 14th FYP is not just a guidance document, but something that is understood as a set of requirements by the main PRC excavator industry body when communicating with their members. It was also established that it determines the allocation of public resources which are used to bring its ‘guidelines’ into reality and thus direct the behaviour of companies that would like access to that support. Whether this interference has a material impact on the supply chains of excavators will be addressed in more detail below.



155. Finally, the Liugong Group also highlighted that its parent company is listed on the stock market:

“This means it shall strictly follow a package of laws and rules in operation. It must act as a responsible market player, must respect the laws and market development. The Company operates through Board of Directors, responsibility of managers and duty of working staffs within legal framework. The rights to management are duly protected by laws, no third party can intervene in the operation of a company. As the Company Law provides it is the shareholders’ meeting and the board of directors who are entitled to take corporate decisions concerning commercial activities.”

156. However, as outlined above, Article 19 of the 2018 revision of the Companies Law of the PRC states that all companies operating in the PRC must ‘provide necessary conditions to facilitate the activities of the Party’. The fact that a company operating in the PRC is partially or even wholly traded on the stock market does not absolve it of this responsibility. Contrary to the Liugong Group statement above, the ‘legal framework,’ as stated, is precisely what guarantees that a third party can in fact intervene in the operation of their, or any other, company operating within the PRC.

157. On balance, the TRA has determined that there is evidence that government influence is present within both SOEs and private organisations, including the sampled exporters. The TRA has found evidence that government influence causes the price of excavators to reflect non-commercial factors. This is evidenced above through; article 19 of the Companies Law of the People's Republic of China, the 14th Five-Year Plan for Economic and Social Development (2021-2025), and the Made in China 2025 strategy. To assess the impact of the GoC influence on costs of production and determine if adjustments are necessary where these costs are artificially low, specific factors will be discussed in subsequent sections.

F2.1.2 Cost of raw materials - Steel

158. JCB has alleged that, due to GoC control and intervention, the costs associated with all key raw materials to manufacture excavators are artificially low and reflect non-commercial factors. Steel is the main input used in the production of the goods concerned. JCB provides evidence in its allegation that the steel industry in the PRC is distorted and reflects non-commercial factors. The allegation provides further evidence of non-commercial factors affecting the costs associated with other components, such as hydraulics. The allegations relating to the steel industry and the costs of other inputs will be considered separately.
159. The PRC is the world’s [largest steel producer](#). Distortions in the Chinese steel market are well known, leading to [significant overcapacity](#). The steel industry in the PRC is heavily subsidised, though the true extent of these subsidies can be difficult to determine as many of the subsidies may be [received at local](#)



- [government level](#). Despite PRC reform pledges, a [report](#) published in 2024 found that the steel industry in the PRC is still subject to government intervention which results in market distortion.
160. As JCB point out in their allegation, steel forms a key part of the [14th FYP](#). The plan contains explicit commitments to “transform and upgrade traditional industries, promote the optimization and structural adjustment of raw material industries such as [...] steel”. Similar statements can be found in the [14th Five-Year Plan for Development of Raw Materials Industries](#) such as an intention to “[e]ncourage regions with conditions to promote the coupled development of industries such as [...] steel, establish industrial coupled development parks for raw materials, and realize the cascade utilization of energy resources.” As established above, although such programs are generally phrased in terms of aims and ambitions for the GoC rather than explicit actions, they form the basis for government support in the PRC.
161. JCB also alleged that the steel industry in the PRC, and the industries providing steel inputs, [is dominated by SOEs](#). Although SOEs are not always indicative of market distortions, in the PRC SOEs are used as “vehicles to pursue the government’s economic policies” and thus [likely to attract state support](#). There is also [evidence](#) that the level of subsidisation from the GoC has been on the rise in recent years, with subsidies coming in numerous forms ranging from currency policies to cash grants. A recent [study](#) found that “preferential treatment [subsidies] of these specific SOEs [in the PRC’s steel industry] induced them to engage in price cutting behaviour, harming competitiveness in the market”.
162. When looking at inputs into the steel industry, JCB also alleges that key inputs to the steel industry are [provided and controlled by the state](#). The allegation considers that the GoC is actively controlling the raw materials market for steel which, in turn, distorts the steel market. For example, the SOE CMRG, a group buyer of raw materials for the steel industry, [has looked to purchase](#) iron ore for many of the largest steelmakers in the PRC, giving the GoC [bargaining power over pricing](#). The Sany Group have submitted evidence as part of its submission showing that it purchases the majority (by both value and mass) of its steel from SOEs.
163. The TRA has also found evidence that the GoC puts measures in place or removes measures to control steel production, for example, [adjusting export tariffs](#) for steel inputs such as pig iron and the adjustment of VAT rebates for exports of certain steel products. Where these changes make exporting steel less attractive to steel producers, they serve to lower the prices paid by domestic industries, such as the excavator industry. Overall, these changes demonstrate the high level of control the GoC has over the steel industry and the [significant steel overcapacity](#) which has resulted from this.
164. In relation to raw material costs, both the Liugong Group and the Sany Group did not respond to the evidence provided by JCB directly, but stated that they

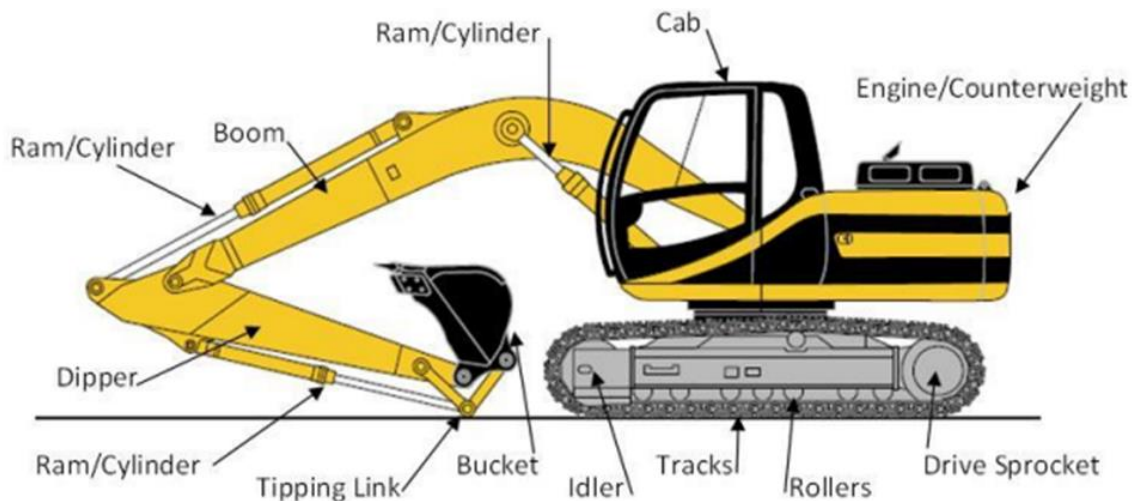


believed there were no distortions, government measures, policies, laws or directives which had an impact on costs.

F2.1.3 Cost of raw materials – Other key inputs

165. JCB states that all key material inputs to excavators are distorted in the PRC, including pre-fabricated excavator components. It has listed some of these inputs to the like goods such as hydraulics, the cab, the undercarriage, the engine, the tracks, the counterweight, the boom, the dipper, and fasteners. These parts are either produced by the excavator manufacturers or purchased.
166. Figure 3 below shows where the main components of an excavator are located. The hydraulics system is located in the rear (near the engine and counterweight), the undercarriage is the collective term for the section underneath the cab/engine/counterweight (consisting of the tracks, rollers, etc), and the fasteners are the nuts and bolts which attach the various individual components together.

Figure 3: Main components of an excavator



Source: <https://www.lamanvatraining.co.uk/PDF/360%20excavator%20training%20manual.pdf> (accessed 28 May 2024)

167. Although there is a clear distinction between the production of steel and the various excavator components listed above, the high proportion of steel in many excavator components means that many of the non-commercial factors that are reflected in the price of PRC steel flow through into the price of the components themselves. Information provided by a sampled exporter showed that for the six major components of excavators, all but the counterweight contained more than 50% steel, with some components being 100% steel. As such, even if there was no other evidence of state intervention in the excavator component market, it becomes difficult to see how the prices of



these inputs could not reflect non-commercial factors due to the high proportion of steel present in these inputs.

168. A drive towards consolidation has also meant that many PRC steel companies have [consolidated with and acquired](#) companies that manufacture steel machinery components directly, meaning that the state support available to steel producers is effectively directly available to these companies. As a result, the impact of Chinese steel industry “[ripple\[s\] throughout critical and strategic global markets](#) and make[s] it difficult if not impossible for market-based producers to compete,” including in “high-end markets like the automotive, energy, machinery and equipment, and bearings sectors.”
169. There is further evidence of direct state interference in the excavator parts market. For instance, the [Catalogue of Industrial Base Innovation and Development \(2021\)](#) lists excavator parts in its list of products needed for “upgrading the industrial base and modernizing the industrial chain, and to implement the task requirements of the Party Central Committee and the State Council.” The [14th Five-Year Development Plan for the Construction Machinery Industry](#) cited earlier also refers to the need to develop “high-end [construction machinery] parts” and of the requirement to implement the “construction machinery industry chain strong foundation development project”. It also [lists](#) over 119 kinds of products, parts, and technologies from the construction machinery industry which should be encouraged.
170. There are also a multitude of SOEs which manufacture excavator parts. To list a few examples: Shanghai Jintai which supplies diesel engines for excavators is owned by the state-owned Liugong Group; Shantui Construction Machinery which supplies track assembly is part of state-owned Shandong Heavy Industry; and Yongsheng Heavy Industry which also manufactures track assemblies is part of state-owned Jining High tech Holding Group. Although, as noted above, SOEs are not necessarily indicative of market distortions, in the PRC, they are often used as vehicles to pursue the government’s economic policies. This can be seen in public statements by the Liugong Group, for instance, which [states](#) that it “seeks to fully implement its obligations under [the 14th FYP]”.
171. The degree of state involvement in these firms is extensive. For example, Yongsheng Heavy Industry, which [reports](#) employing more than 20 party members, states that “since its establishment, the company’s party branch has always played a political leading and core role, actively exploring the path of enterprise party building [...] focusing on building the party building brand of lifting the flag.” It also states that it has “coordinated development between enterprise party building and enterprise development”. These statements indicate a high likelihood of prices reflecting non-commercial factors.
172. JCB has also provided evidence of specific intervention in the hydraulics industry in the PRC. It cites the [Made in China 2025](#) policy document which outlines the GoC’s intention to “[a]ccelerate the development of smart



manufacturing equipment and products” including “the research and development of high-end CNC machines [and] industrial robots” which utilise hydraulics extensively. That such ‘guidelines’ have resulted in state support by the GoC is confirmed by several PRC hydraulic producers. For example, Lijin Pneumatic Hydraulic Factory [states](#) that “with the support of government policies, the hydraulic support industry has been vigorously developed, and the quality of various support products has also been guaranteed.”

173. While a [2020 report](#) states there is evidence that the PRC was at least partially dependent on imports for the most high-end hydraulic components at the time, the industry in the PRC had been growing rapidly. The report suggests that this growth was at least partially due to the GoC bolstering the construction industry following the global financial crisis. The result of this was that “domestic companies [had] overcapacity in medium and low-end products and [which created] severe homogeneity competition.” Such state driven overcapacity puts an artificial downwards pressure on prices, distorting the cost of these inputs for excavators. There is little evidence of the GoC attempting to mitigate this effect, and the continuing state support and emergence of several high-end domestic hydraulic component companies in the PRC, suggests that this issue is continuing.
174. Both the Liugong Group and the Sany Group allege that there are no government measures, policies, laws or directives that have impacted any aspect of cost of production of the excavators they manufacture, including material inputs. They did not provide any specific evidence to support this claim or offer any direct responses to the evidence provided by JCB.
175. The Liugong Group additionally pointed out that during the POI more than 75% of the diesel engines it used in production were provided by wholly owned subsidiaries of Cummins US, a leading producer of diesel engines. Although the majority of these are still produced in the PRC, it alleges that as far as it is aware, there are no government measures or policies influencing Cummins's cost of production or its sales price. It also lists additional suppliers of travel motors and reducers which are ‘sino-foreign’ joint ventures, which it similarly suggests would not have been recipients of GoC state support.
176. As explained above, however, the high proportion of steel in many excavator components like engines means that many of the non-commercial factors that are reflected in the price of PRC steel flow through into the price of these components. For example, according to information provided by a cooperating exporter, around 60% of an engine is made of steel. Given the large overcapacity and low volume of imports in the PRC steel market, it is highly unlikely that a PRC based producer of engines would not benefit from GoC intervention in this market, regardless of whether the company is foreign owned, a joint venture, or an SOE. Similar considerations apply in the case of labour, land, and energy, as set out below.



177. The Liugong Group also states that some of its motors are imported and so could not be affected by non-commercial factors resulting from PRC state intervention. Although the price of imported inputs may not always be free of the impact government interference, the TRA accepts it would not be appropriate in this context to make adjustments to imported engines.

F2.1.4 Energy

178. JCB alleges that there is distortion in the energy market caused by GoC intervention, which results in distorted energy costs incurred by excavator manufacturers in the PRC.
179. The TRA concluded in previous investigations, [AD0012 Aluminium Extrusions](#) and [AD0021 Optical Fibre Cables](#) that a PMS exists in the energy market in the PRC at a national and local level, causing prices to be artificially low. In particular, the TRA pointed to the [Trade Policy Review of the PRC](#) (published September 2021 by the World Trade Organization (WTO)) which found that electricity transmission and distribution were subject to GoC price controls.
180. Such intervention is enshrined in the law of the PRC. For instance, the [Price Law](#) exists in order “to standardize pricing [and] give play to the role of pricing in rationally allocating resources,” including giving the GoC the power to “guide or fix the prices” for important public utilities like power. Although the mere existence of a law does not guarantee that its power is utilised, [a notice from 2021](#) demonstrates GoC intervention in this sector is in fact occurring. Among other stipulations, the notice states that for users that switch to a non-state provider “the price shall be 1.5 times the price of electricity purchased by power grid enterprises.” It also requires regional authorities to guide power companies “to consider the operating benefits of upstream and downstream businesses as a whole.”
181. The products and services that are subject to price controls are also listed in a [Central Government Pricing Catalogue](#). The list includes “provincial and above provincial power grid transmission and distribution prices”. The relevant authority is the Department of Pricing, which sits within the National Development and Reform Commission (NDRC). In 2022, the NDRC released [a press notice](#) stating that ‘80 percent of electricity [prices ...] are set by the market.’ This indicates that 20 percent of electricity prices are not at market-levels.
182. In relation to energy costs, both the Liugong Group and the Sany Group did not respond directly to the allegations, but stated that there were no distortions, government measures, policies, laws or directives which had an impact on costs.



F2.1.5 Labour

183. JCB has provided evidence that the structure of the labour market in the PRC may affect the bargaining power and rights of employees leading to artificially low wages. JCB has also cited the availability of subsidies for employment of those out of work. The specifics of these allegations will be considered in turn. In relation to the cost of labour, the TRA has previously determined in [AD0021 Optical Fibre Cables that](#) there was evidence that the labour market reflects non-commercial factors.
184. The [Trade Union Law](#) of the PRC governs establishment and operation of labour unions. Under the Article 3 of the Trade Union Law, workers have the theoretical right to organise or join trade unions according to law, and no organisations or individuals should obstruct or restrict them. However, as JCB point out, workers in the PRC cannot freely choose or establish a trade union in which they want to organise themselves. This is because there is only one legally recognized trade union, the ACFTU.
185. [Article 33 of the CCP constitution](#) states that unions within non-public sector entities shall be controlled by CCP organisations in order to implement government policy. The constitution itself states that labour unions are to be overseen by CCP organisations and so would not be independent. There is also no longer an official recognition of the right to strike, which was removed in 1982, according to the [ITUC Global Rights Index](#), which removes a key element of workers collective bargaining power on wages.
186. Article 290 of the [Criminal Law](#) of the People's Republic of China states that any gathering that disturbs public order by preventing "work in general, production, business operation, teaching or scientific research," the exact purpose of strike action, is punishable by no less than three years imprisonment for the leaders, and no more than three years for participants. There are [reports](#) of workers being detained and charged for being involved in labour disputes. Such limitations cause the price of labour to reflect non-commercial factors by undermining or otherwise exerting influence over the collective bargaining process.
187. JCB has also suggested that the workforce in the PRC is negatively impacted by the *hukou* household registration system by creating a pool of labour with artificially low wages. The [hukou registration system](#) divides the population of the PRC into agricultural and non-agricultural citizens, restricting where people are able to live and work. Restricted movement for rural workers artificially creates a pool of underprivileged labourers who are willing to work for less than their urban counterparts. [Reports](#) from 2013-2015 suggest that the pay differential between agricultural and non-agricultural hukou registrations for public and non-public workers is between 5-13%.
188. Initially established in 1958, this system was reformed in 2020, as detailed in the 'New-type urbanization construction and urban-rural integration



development in 2020 (Development and reform planning)' notice. Under the [reformed system](#) city authorities are urged "to abolish restrictions on settlement of key groups of people such as the agricultural transfer population who have been living in the city for more than 5 years and moving their families." However, as stated it only forms a [recommendation](#), and explicitly excludes the largest cities, where many excavator producers are located. For these cities the rural population should only be settled "as much as possible." As such, even with recent reforms, the same structure still applies.

189. The [Centre for Strategic & International Studies](#) states that "centrally directed hukou reforms have largely been watered down by local governments and offset by more migration, suggesting that recently announced hukou reforms will have little effect on the millions of rural migrants in major cities." [China Briefing](#) reported in January 2019 on the impact of hukou on the PRC's economy, and noted that, "since hukou restricts the free mobility of Chinese workers, it strains overall economic growth. These effects are exacerbated because the PRC has a shrinking workforce that peaked in 2011 and has decreased every year since then, leading to double-digit growth in labour costs."
190. JCB also provides evidence that employers in the PRC do not have to pay social protection insurance for migrant workers who have no contract of employment. It has explained this would therefore confer a financial advantage to the employer. The TRA identified a [report](#) from 2017 which indicated that just over one third of migrant workers in the PRC had a signed labour contract with their employer. However, more [recent research](#) from 2022 indicates this number has increased to just under 50%. In either case, the TRA did not identify any evidence that the sampled exporters employ migrant workers without a contract of employment (though, by their nature, workers without employment contracts may be difficult to identify).
191. In relation to labour costs, both the Liugong Group and the Sany Group stated that there were no distortions, government measures, policies, laws or directives which had an impact on costs.
192. The Liugong Group further stated that the Chinese government has not intervened in the determinations of labour costs and that "[o]n the contrary, the Chinese Government has been promoting market-oriented reforms, breaking up monopolies, promoting competition and regulating economic activities on the basis of the market mechanism" with labour prices being exclusively determined by the market.
193. The TRA notes that, although market-based reforms may indicate that the non-commercial factors will have a lower impact on prices than would otherwise be the case, the fact that market-based reforms are needed at all implies that the market is not yet driven by market forces. Promotion of such reforms is also not the same as implementing them, and as mentioned above



there is evidence that such reforms have been watered down by local governments in the PRC.

F2.1.6 Shipping and Logistics

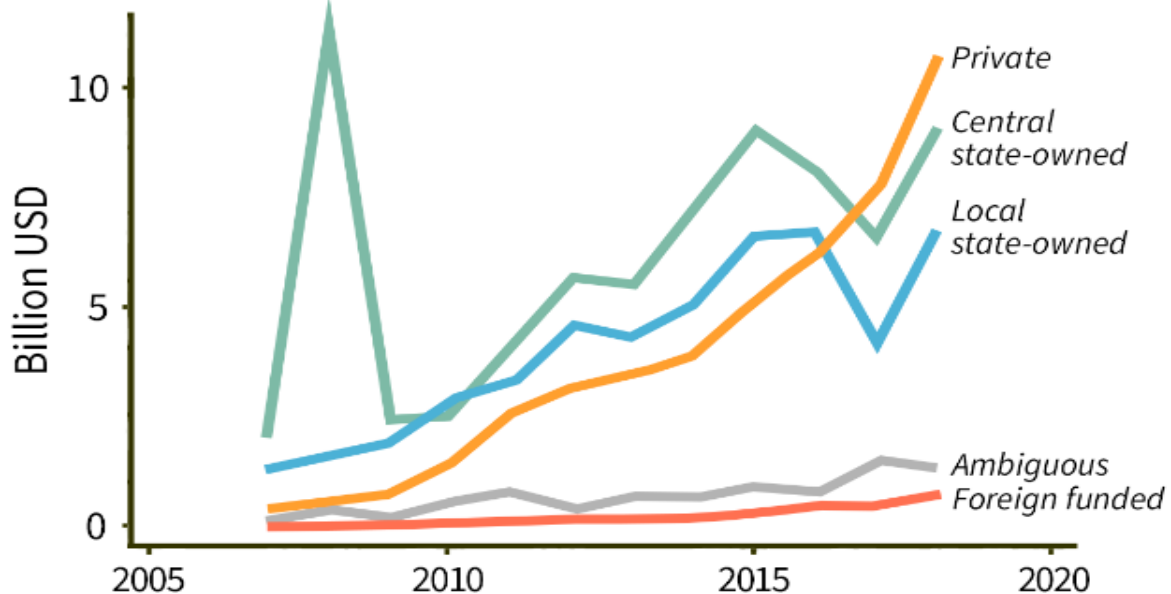
194. JCB alleges that prices for freight, and port services are set by the GoC.
195. The products and services subject to price controls are listed in a [Central Government Pricing Catalogue](#). The list includes “port services” which covers the pricing of “services such as ship entry and exit, berthing and port security”.
196. The TRA has identified [reports](#) that stated shipping companies from the PRC are in receipt of substantial subsidies from the GoC. The available information indicates that state support for the shipping industry in the PRC is [multi-faceted](#). [Examples of the benefits](#) provided by the GoC to the shipping industry include, “financing from state banks, direct subsidies, indirect subsidies, state-backed fundraising, preferential borrowing rates, and other nonmarket advantages from the PRC’s state capitalist system”.
197. In relation to shipping and logistics costs, both the Liugong Group and the Sany Group stated that there were no distortions, government measures, policies, laws or directives which had an impact on costs.

F2.1.7 Research and development

198. JCB alleges that excavator producers in the PRC can benefit from direct funding from MOFCOM in relation to R&D costs.
199. Research conducted by the Stanford Center on China’s Economy and Institutions on the PRC’s Economy and Institutions suggests that both state-owned and private enterprises benefit from billions of US dollars’ worth of subsidies including those intended for ‘R&D and innovation’. This is further illustrated in Figure 4, below:



Figure 4: GoC subsidy distribution by firm ownership over time



Source: Stanford Center on China's Economy and Institutions, 2024.

200. In the PRC, listed enterprises are required to indicate the level of subsidisation directly received from the GoC via financial reports.
201. The sampled exporters report that R&D costs account for between 20-65% of their total AS&G costs. These figures are in line with JCB's own submission for these costs, as well as its general commentary that the industry is research-intensive and R&D represents a significant cost centre. The TRA has identified that JCB Brasil's own R&D costs are significantly less than the other interested parties. However, the TRA is satisfied this is likely an outlier based on its business model as an associated company of JCB.
202. The [2022 annual report](#) for Sany Heavy Equipment International Holdings Company Limited confirmed that parts of the Sany Group receive, "certain [PRC] government incentives relating to the development of our products". These incentives are described as being, "preferential treatment, incentives and favourable support". This report also refers to "super-deduction of research and development costs" with regards to income tax and mentions that "government grants have been received for the purchase of certain items of property, plant and equipment or finance of research and development projects".
203. JCB has referred to the numerous R&D developments made by the Sany Group and Liugong Group. The TRA was able to identify evidence from open-source research to confirm this is the case, with the Sany Group and Liugong Group opening global R&D centres in [2015](#) and [2022](#) respectively.



204. In relation to R&D costs, both the Liugong Group and the Sany Group stated that there were no distortions, government measures, policies, laws or directives which had an impact on costs.
205. The TRA was initially satisfied there was sufficient evidence to suggest that GoC influence in R&D results in prices which reflect non-commercial factors. However, it conducted further analysis to assess the impact on the production costs of excavators. The TRA has since reviewed the details of grants submitted by the sampled exporters that appear to be related to R&D in their submissions, alongside information relating to preferential tax programmes.
206. The information provided by the sampled PRC exporters relating to R&D subsidies supports JCB's allegation that the R&D costs of those exporters reflect non-commercial factors as a result of GoC funding. This information indicates a high level of GoC influence in the R&D sector. This influence is not restricted to the excavator industry but is representative of GoC involvement across multiple industries.
207. JCB also alleged that excavator manufacturers may benefit from tax breaks and exemptions due to R&D activities. Some elements of these allegations, for example 'super deduction rules' applicable to R&D expenses, will be investigated further under tax and regulatory cost, below.

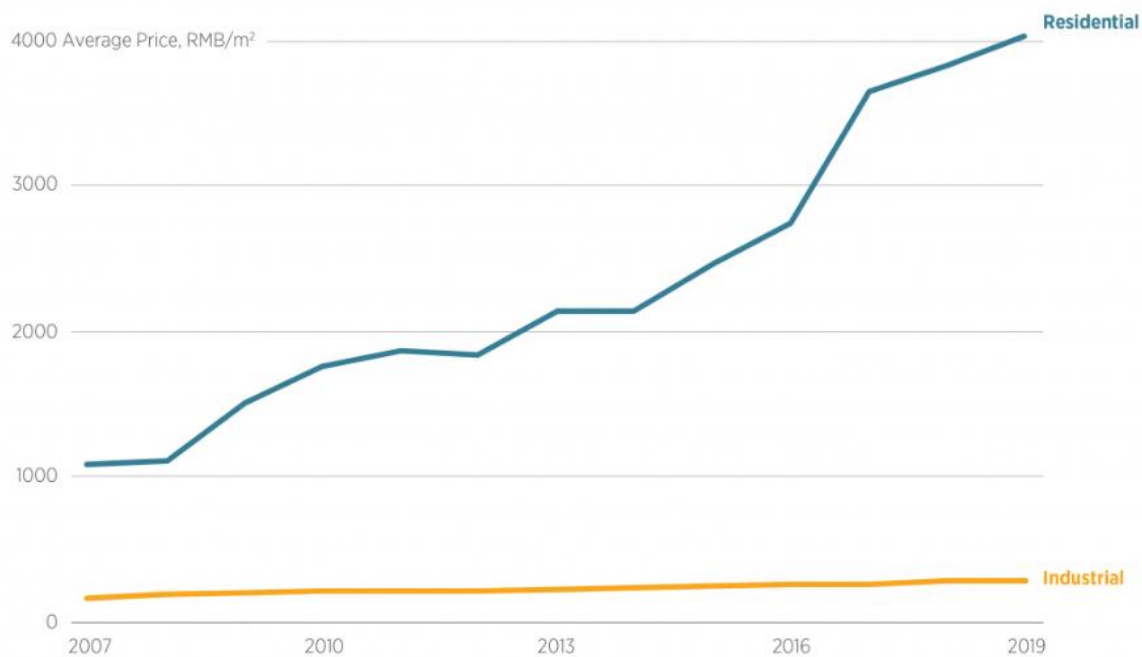
F2.1.8 Land

208. JCB has alleged that all land is owned by the GoC, that land use rights are set by authorities, and that land is allocated at either artificially low prices or free to certain favoured industries.
209. In relation to the cost of land or rent, the TRA has previously determined in [AD0021 Optical Fibre Cables](#) that the land market in the PRC reflects non-commercial factors. This was due to land not being owned by a private citizen or company within the PRC, and instead land being leased by local authorities to the users of that land for a fixed term. There is evidence that this practice is not an open process and leads to land prices and rent rates that are artificially low and/or reflect non-commercial factors. Despite this, in AD0021, the TRA concluded that the cooperating overseas exporter's land costs did not appear to be artificially low in comparison to the selected benchmark.
210. Article 10 of the [Constitution of the PRC](#) states that land in cities is owned by the state. Land in the rural and suburban areas is owned by collectives, except for those portions which belong to the state in accordance with the law. House sites and privately farmed plots of cropland and hilly land are also owned by collectives.
211. Research published in August 2023 in the [Cities journal](#) provides evidence that land may be allocated to certain industries based on government policies.



212. With regards to the buying and selling of land, Article 10 of the Constitution of the PRC provides that, “the State may, in the public interest and in accordance with the provisions of law, expropriate or requisition land for its use and shall make compensation for the land expropriated or requisitioned. No organization or individual may appropriate, buy, sell or unlawfully transfer land in other ways. The right to the use of the land may be transferred in accordance with the law.”
213. The TRA considers that Article 10 reasonably indicates land is not bought and sold at prices determined by free market supply and demand. This conclusion is supported by research conducted by [CEPR](#) and the [Becker Friedman Institute for Economics](#), the latter noting ‘land zoned for residential use selling at roughly a ten-fold higher price than land zoned as industrial’.
214. Average land prices by land use in the PRC from 2007 to 2019 are shown in Figure 5, below:

Figure 5: Average land prices over time by land use: industrial vs. residential



Note: This figure reports the average price of residential and industrial land weighted by land size that are sold through auctions for each year during 2007-2019.



Source: *Becker Friedman Institute for Economics, 2022.*

215. In response to the allegation relating to cost of land or rent, the Liugong Group stated that “land is publicly purchased or rent in the market”, and that “no preferential policies were granted in the sale or rent of land. The sale of land shall comply strictly with Land Administration Law of the People’s Republic of China.” The Sany Group did not provide any specific reply to this allegation,



but responded that there are no government measures, policies, laws or directives that would impact the allocation of land for excavator producers.

F2.1.10 Finance

216. JCB has alleged that excavator producers in the PRC benefit from a number of advantageous loan and credit lines.
217. The PRC's [General Rules on Loans 1996](#) gives local authorities the legal right to support preferential loans for preferred industries. Article 15 states that "[i]n accordance with the State's policy, relevant departments may subsidise interests on loans, with a view to promoting the growth of certain industries and economic development in some areas." Similarly, article 12(5) of the PRC's [Regulations on the Administration of Corporate Bonds \(January 2011\)](#), states that all funds raised must be "in line with the national industrial policy," indicating that they are not issued according to market demand.
218. In the PRC, the banking system is [largely controlled by the government](#) with [preferential treatment given to SOEs](#). Even where a bank is not wholly state owned, it is typically a joint-stock enterprise where the government holds a significant number of shares, as shown in [the list of China's systemically important banks 2022](#) or the [reference to the four biggest Chinese banks](#). The [result](#) of this is that under "the controlled economy, state-owned banks tended to see lending to state-owned enterprises as a mechanism for distributing fiscal funds." It is therefore likely that the Liugong Group, as an SOE, benefits from preferential financial arrangements such as fiscal and credit support.
219. The credit rating system in the PRC is distorted, offering far higher credit ratings than would be found elsewhere. For instance, at the end of 2020, [98.49% of Chinese bonds were rated as AA or higher](#) compared to only 6% in the US. This allows PRC based companies to receive better rates than they would otherwise on international financial markets. One reason for this much higher average rating may be the relatively high number of credit rating agencies. As pointed out in the [Commission Working Document](#), this allows borrowers "to choose whichever rating agency can give them a higher rating." The Sany Group is part of a group consisting of a commercial bank, [Sanxiang Bank](#), which also increases the likelihood that the Sany Group has access to preferential financial arrangements on this basis.
220. The Liugong Group stated that "[p]olicy is not binding on any organization in China, it functions as a guidance, which means a bank will have to evaluate a company's financial situation on the basis of banking standards." It also asserted that "When negotiating with the bank, the Company did not know, or have knowledge, about the loans were motivated by non-market forces." The Sany Group did not offer a specific response but reiterated that there are no government measures, policies, laws or directives that benefit the excavator industry in the PRC.



F2.1.11 Tax

221. JCB alleges that excavator producers in the PRC receive central tax breaks as well as tax breaks in relation to R&D and land use. In relation to reducing manufacturing costs and burdens, [14th FYP](#) states that the GoC will, “consolidate and expand the achievements of tax reduction and fee reduction.” JCB argues this artificially reduces tax and regulatory costs for excavator producers in the PRC.
222. The TRA has identified that the PRC has a range of tax incentives in place for the [manufacturing industry](#):
- The standard rate for corporate tax in the [PRC is 25%](#) though this rate may be [reduced to 15%](#) for enterprises ‘encouraged’ by the GoC. Such enterprises are classed as [High and New Technology Enterprises \(HNTE\)](#).
 - Evidence of [incentives in relation to R&D](#) in the PRC is available from [open-sources](#). [KPMG](#) detailed in May 2021 ‘super deduction rules’ with regards to R&D expenses and the [OECD](#) has subsequently reported on two incentives related to R&D (namely, tax allowance and accelerated depreciation for R&D capital assets).
 - Certain enterprises are [exempt from paying urban land use tax](#) in the PRC, for example, certain heating companies and drinking water projects.
 - Certain industries, including the manufacturing industry, are eligible for [VAT rebates in the PRC](#). The standard rate for value-added tax (VAT) in the [PRC is 17%](#) though this rate may be reduced to 13% for ‘certain necessities’.
223. The Sany Group stated in its [2023 interim report](#) that a number of the companies in the group were classed as HNTEs in 2023 and therefore subject to a 15% corporate income tax rate. The Sany Group provided confirmation in its submission that it was in receipt of “Preferential income tax programme for high tech enterprises” and received “Income tax reduction for R&D”. Further, in the 2022 annual report for Sany Heavy Equipment International Holdings Company Limited, it was reported under income tax that ‘entities subject to lower statutory income tax rates’ were subject to a rate of 9% for income tax in 2022.
224. The Liugong Group provided confirmation in its submission that it benefited from multiple preferential tax programmes – including ‘Western Development Enterprise Income Tax’ (WDEIT) Benefit. The most recent [Commission Working Document](#) details multiple cases in which other trade remedies authorities have identified tax policies within the PRC that create distortions within the PRC market. Specific reference to the WDEIT was made. The TRA previously determined in [AD0021 Optical Fibre Cables](#) that the WDEIT laws are an example of government support. Further policies that offer lowered



corporate income tax as a part of a larger bundle to encourage foreign investment were also referenced.

225. On reviewing the income statements from the POI from the sampled PRC exporters, the TRA identified there was a difference in the levels of tax expenses between the sampled exporters. However, the income statements of both the sampled PRC exporters indicate that for the goods concerned they paid tax at a lower level than the standard PRC corporate rate. Given that the [14th FYP](#) states that the GoC will 'consolidate and expand the achievements of tax reduction and fee reduction' for the manufacturing industry, it is likely that this has resulted in a corporate tax reduction for excavator producers in the PRC.
226. In response to the allegation on tax and regulatory costs, the Liugong Group stated that "The preferential policy on taxation is neither new in the world, nor unique to China. As far as the Company knows, the UK government also provides favourable tax treatment in the UK. It is not a standard to evaluate whether a market or industry is distorted." The Sany Group did not offer a specific response but reiterated that there are no government measures, policies, laws or directives that benefit the excavator industry in the PRC.

F2.1.11 GoC Response to Allegations

227. The GoC responded to the PMS allegation, stating that the PRC excavator market is determined by market forces. They asserted that the GoC is prohibited from interfering with decision-making and the operations of companies, and that SIEs and SOEs have the same rights in the market and operate with the aim of making profit. The GoC claimed that regardless of ownership, companies are required to carry out business in accordance with the Company Law of China, free from interference from any other entities or individual.
228. They also asserted that the Five-Year Plan is not legally binding and should not be considered government intervention. Rather, the "[f]ive-year plan may be used by commercial enterprises to anticipate the direction of the economy and economic development so as to make informed investments according to the anticipated direction." They maintained that the GoC does not interfere with business operations and pricing practices.
229. As previously determined by the TRA in [TD0035](#) (Bus and Lorry Tyres from China), the GoC's claim in relation to the five-year plans appears to be inconsistent, in that it suggests that the government will not interfere to bring the plans to fruition, but the plan will help business make 'informed investments.' If the plan was just an outline of the desired direction the GoC would like the economy to take, it is not clear how this would help businesses make informed investments.



230. The GoC argue that prices are set in accordance with Articles 6, 8 and 18 of the Price Law, and therefore reflect supply-and-demand within the given market. They maintain that there is no government interference or control involved in the price-setting of excavators or the main inputs.
231. However, it is not necessary for prices to be set directly by the GoC in order for the TRA to find that those prices reflect non-commercial factors. Significant state support of preferred industries in the manner outlined above is enough to significantly impact prices, by reducing the operating costs of manufacturers in the PRC. Such intervention also alters the conditions of competition, which in many cases results in over-production or over-capacity, which also creates downwards pressure on prices.
232. The GoC also suggested that the TRA should consider whether the white paper "Industrial Strategy - Building a Britain fit for the future" causes a PMS in the UK economy.
233. However, the task of the TRA as an investigating authority is to establish if there is a PMS in the exporting market so that relevant adjustments can be made if appropriate. The existence of an industrial plan in the UK does not bear on the question of whether a PMS exists in the exporter market.

F2.1.4 Conclusion on existence of a PMS

234. Based on the evidence provided by JCB, findings in previous TRA investigations, and case specific research, the TRA has concluded that a PMS exists in the PRC for the industry of the like goods in the exporting market on the basis that the market reflects non-commercial factors.
235. JCB has provided evidence of significant direct interference by the GoC which is reflected in the price of steel and key excavator components. There is clear evidence that the GoC supports many of the industries that supply the inputs for the manufacture of excavators in accordance with their national industrial strategy rather than on the basis of market principles, resulting in prices of these inputs reflecting non-commercial factors.
236. The evidence provided in JCB's submission also demonstrates the prices of finance, land, energy, R&D, and labour reflect non-commercial factors, due to government intervention and policies.

F2.2 Constructed normal value

237. As noted in [Section F2](#), the TRA has determined, in accordance with regulation 7(2) of the Regulations, that it is not appropriate to use the comparable price of the like goods in the PRC to calculate the normal value. Consequently, the TRA has used an alternative method to calculate the normal value.



238. JCB requested that the TRA construct normal value in accordance with regulation 14(1)(b) of the Regulations.
239. Regulation 8 of the Regulations provides a set of methodologies that the TRA may use to determine normal value. Regulation 8(1)(c) permits the TRA to construct normal value using Regulation 14 in certain circumstances. However, the TRA does not consider that those circumstances exist in this case and it is more appropriate to construct using regulation 8(1)(a). The TRA will therefore determine the normal value for the sampled PRC exporters based on the facts of the case before it and in accordance with regulations 7 – 13 of the Regulations.
240. The TRA has constructed the normal value of the goods in accordance with regulation 8(1)(a) of the Regulations, which requires the TRA to determine the costs of production plus a reasonable amount for administrative, selling and general costs and for profits, in accordance regulations 11 and 12 of the Regulations.

F2.2.1 Costs of production

241. Where the TRA determines the costs of production for the purposes of regulation 8(1)(a) of the Regulations, it will do so in accordance with regulation 11 of the Regulations.
242. Regulation 11(2) of the Regulations sets out that where regulation 11(3) of the Regulations applies, the TRA will normally calculate the costs of production of the like goods on the basis of records kept by the overseas exporter.
243. Regulation 11(3) of the Regulations applies when the records of the overseas exporter are in accordance with Generally Accepted Accounting Principles (GAAP) and reasonably reflect the costs associated with the production and sale of the like goods.
244. The TRA has determined through verification activities that the records of the sampled overseas exporters of the relevant goods are in accordance with generally accepted accounting principles (GAAP) of the exporting country or territory. Given the professional opinion of the independent auditor of the financial accounts of the sampled PRC exporters, the TRA is also content that the records reasonably reflect the costs associated with the production and sale of the like goods in the exporting country or territory.
245. However, the TRA has determined that the price of steel and key excavator components reflect non-commercial factors, which is reflected in a PMS in the excavator market. As these are not considered normal circumstances, the exporters' costs of production have been adjusted in accordance with regulation 13 of the Regulations. The TRA has made an adjustment to the cost of steel and key excavator components as set out in [Section F2.2.2](#).



F2.2.2 PMS adjustments

246. In accordance with regulations 11(6) and 12(4) of the Regulations, the TRA may make adjustments to costs of production or AS&G costs under regulation 13 of the Regulations.
247. Under Regulation 13(1) of the Regulations, the TRA may make adjustments for the purpose of regulation 13(2) where regulation 13(3) applies.
248. The TRA has determined that regulation 13(3) of the Regulations, applies because the cost of steel and key excavator components in the PRC reflect non-commercial factors, and so do not reasonably reflect the costs in a market if those costs were substantially determined by free market forces.
249. In accordance with regulation 13(2) of the Regulations, the purpose of making adjustments is to calculate what an exporter's costs would be in their domestic market, if costs were substantially determined by market forces.
250. In adjusting steel and key excavator component costs the TRA has had regard to corresponding costs in an appropriate representative country, in accordance with regulation 13(4)(a) of the Regulations.
251. Regulation 13(5) of the Regulations sets out what should be considered when selecting a representative third country or territory under regulation 13(4)(a) of the Regulations.
252. JCB proposed Brazil as a suitable benchmark country. The TRA considered whether Brazil met the requirements in accordance with regulation 13(5) of the Regulations.
253. Brazil was identified as suitable owing to:
- The availability of reliable information – this included JCB Brasil and a number of other identified manufactures of excavators.
 - A similar level of economic development to the PRC – determined by reference to an income-based assessment of the World Bank, and the United Nations Development Programme country classification by human development level.
 - A significant volume of exports of excavators from Brazil – based on an assessment of export data from the Global Trade Tracker (GTT).
254. A note was published on the [public file](#) indicating that the TRA was considering Brazil as a potentially appropriate benchmark country. Interested parties were given a period of 10 calendar days to provide comments on the proposed selection of benchmark country.



255. Comments were received from the Sany Group on 1 March 2024 stating that the TRA should make a positive finding of PMS prior to selecting a benchmark country. The Sany Group also requested that the TRA does not limit itself to using Brazil and instead consider using price or cost data from alternative third countries with a similar economic development status to the PRC should a positive finding of PMS be made.
256. Having reviewed the one submission received during the period for comments, the TRA determined that Brazil would be used as the appropriate benchmark country if a positive PMS finding was made.
257. The TRA invited producers from Brazil, via a note to the public file, to register to the case and to participate as a 'third country producer'. One producer from Brazil registered to the case and submitted a third country producer questionnaire. This company is:
- JCB Brasil
258. To determine whether the sampled PRC exporters' input costs are artificially low, the TRA used comparator values from Platts Connect (part of S&P Global Inc.) and the selected benchmarking country, Brazil.
259. Although a PMS was found in all of the areas identified in JCB's application, it was determined that it was not necessary or possible to assess all of these areas to determine the material impact of the PMS for the following reasons:
- The Secretary of State for Business and Trade has issued [Statutory Guidance](#) to the TRA on how to conduct its PMS assessments. This guidance indicates that the TRA should only make adjustments in relation to significant cost or profit elements. We have determined that tax, energy and land costs are not significant in this case;
 - In relation to finance costs, there is evidence that GoC influence in the finance market results in prices which reflect non-commercial factors. However, whilst the TRA has concluded that finance costs reflect non-commercial factors, it has not determined that these costs are artificially low
 - Finally, the TRA has concluded that shipping and logistic costs also reflect non-commercial factors. However, due to these costs being removed as part of the fair comparison adjustments ([Section F4](#)) made to the constructed normal value they have not been investigated further.

Cost of raw materials

260. The main raw material inputs for excavators identified above were steel and prefabricated excavator components. Steel was also identified as the major input in many of the prefabricated excavator components. In order to assess



the material impact of the PMS on the cost of raw materials in a way that was representative of the country of origin, the TRA therefore elected to make an adjustment for the total value of PRC steel present in each PCN (including that present in the individual components themselves), before then making an overall adjustment for the remainder of the value of non-steel inputs of these components.

261. The TRA requested further information from the sampled PRC exporters, JCB and the third country producer to establish the steel content (by mass) of an average excavator in each PCN category. This information was provided by all parties. Using the data provided, the TRA was able to determine the cost of steel within each PCN (~20%) and how much of the steel was manufactured in the PRC. This provided the basis for assessing comparator values with the PRC steel within the direct costs for the PRC sampled exporters.
262. The TRA was provided with steel purchase transactions by the Sany Group. The actual costs paid by the Sany Group were compared with the comparator values.
263. No equivalent data was provided by the Liugong Group, so the TRA used data from Platts Connect to obtain PRC steel plate prices to act as a benchmark. Given the high-level nature of the data available through Platts Connect, the TRA used two datasets to allow for a range of steel types to be included, reflecting the range of steel types that are used in excavator manufacturing. The following datasets were extracted from Platts Connect for the POI:
 - SBO1082 – CRC (cold-rolled coil) Ex-stock Shanghai
 - SB01360 – HRC (hot-rolled coil) Ex-stock Shanghai

An average price over the POI was taken for these two datasets to establish the cost of steel for the Liugong Group.

264. Due to the wide-reaching nature of the distortions identified in the steel industry in the PRC ([Section F2.1.3](#)), the TRA considered the overseas exporters' production costs in respect of steel to be unrepresentative as they do not reasonably reflect the exporters' costs in the PRC market if they had been substantially determined by market forces. The TRA was not able to identify a price substantially determined by market forces in the PRC and opted to use a benchmark from Brazil for the reasons outlined in the previous section.
265. The selected benchmarking producer in Brazil, JCB Brasil, reported that they purchase excavator parts and, as such, do not purchase steel for the purposes of constructing excavators. At the TRA's request, JCB Brasil provided transaction level data for steel they purchase for other means. However, the steel purchased by the Sany Group is steel plate whereas JCB Brasil purchase structural steel alloy. Due to the difference in the type of steel



purchased, a reasonable comparison could not be conducted with these datasets.

266. Platts Connect was used to obtain Brazilian steel plate prices to act as a benchmark. As the data available is not at a sufficiently granular level, the TRA used two datasets to allow for a range of steel types to be included, reflecting the range of steel types that are used in excavator manufacturing. The following datasets were extracted from Platts Connect for the POI:

- SB01080 – CRC (cold-rolled coil) Brazil Dom Prod
- SB01138 – HRC (hot-rolled coil) Brazil Dom Prod

An average price over the POI was taken for these two datasets to provide a steel price for comparison with PRC steel prices.

267. To ensure a representative comparison, and to compensate for the lack of granularity of the available data, the TRA made an adjustment to the Brazilian Platts Connect data equal to the percentage difference between the equivalent PRC Platts Connect data and the price reported by the Sany Group. This was to adjust for potential variations in steel types between the datasets, as well as differences in level of trade. As the Sany Group steel prices were found to be 3-12% higher than the PRC Platts Connect steel prices, the Brazil Platts Connect steel prices were increased by 3-12% prior to comparison with the Sany Group steel prices.

268. As PRC Platts Connect steel prices were used for the Liugong Group, no adjustment to the Brazilian Platts Connect steel prices was required to ensure a representative comparison.

269. The TRA considered whether further adjustments to the Brazilian benchmark data were needed to ensure a representative comparison with the PRC. The purchase data utilised were at ex-works level, excluded VAT and covered the POI. The TRA determined that no further adjustments were required to allow a reasonable comparison between the Brazilian benchmark and the data being used for the sampled exporters.

270. Using the steel content information provided by the sampled PRC exporters, the TRA separated the PRC steel element from the total direct costs (excluding direct labour). Table 3 shows how the PRC steel cost element was compared:



Table 3: PRC steel cost - how comparisons were made

Exporter Costs	Benchmark
Liugong Group – PRC steel benchmark price (from Platts Connect)	Brazilian steel benchmark price (from Platts Connect)
Sany Group – actual steel prices paid	Adjusted Brazilian steel benchmark price (from Platts Connect)

271. The percentage difference between the costs detailed in Table 3 was determined for each PCN and an overall average was taken. The percentage differences were then calculated for each sampled exporter (Table 4):

Table 4: Direct costs comparison (percentage difference)

Exporter	Percentage difference
Liugong Group – PRC steel benchmark price (from Platts Connect)	Brazilian steel benchmark price found to be 55 - 75% higher
Sany Group – actual prices paid	Adjusted Brazilian steel benchmark price found to be 55 - 75% higher

272. This analysis showed that the Brazilian benchmark steel prices are significantly higher than the average PRC steel costs paid by the sampled exporters. As such, the TRA has determined that steel prices in the PRC are artificially low. For both the Liugong Group and the Sany Group, the cost of PRC steel was increased based on the associated percentage difference.

273. The TRA then sought to determine if the remainder of the excavator component cost was artificially low by comparing the remainder of the exporter's component cost on a per kilogram basis to the benchmarking producer in Brazil. Although a per component comparison was considered, it was ultimately determined that there was too much variation in size and weight between components to make such a comparison meaningful.

274. In order to ensure that the comparison was fair, the TRA:

- Excluded the steel element of these inputs, so that the benchmark comparison was more representative of the exporting country(i.e. by making a proportional adjustment for steel and only to that proportion of the steel produced in the PRC);
- Calculated the per kilogram cost of the remaining inputs, in order to allow for differences of design and weight between the like goods produced by the benchmarking producer and the like goods produced



by the exporters. This was particularly important as JCB Brasil produces a smaller number of PCNs compared to the PRC exporters;

- Excluded all material inputs that were not excavator components as outlined in [Section F2.1.3](#) when applying the adjustments, as the allegation of the relevant PMS factor pertained only to this industry.

275. Additionally, because of differences of input categorisation, the Liugong Group listed a significantly higher number of excavator components in its submission than the Sany Group. Since all excavators will necessarily contain the same basic components, a proportional adjustment was therefore made to Sany’s non-specified ‘other’ input costs in order to compensate for the difference in this categorisation.
276. TRA considered whether further adjustments to the Brazilian benchmark data were needed. However, it was determined that the adjustments listed above were sufficient to ensure a representative comparison.
277. Using the information provided by the sampled PRC exporters and the benchmarking producer, the TRA then compared the cost of the non-steel elements of the excavator components. The percentage differences were then calculated for each sampled exporter (Table 5):

Table 5: Direct costs comparison (percentage difference)

Exporter	Percentage difference
Liugong Group	Brazilian benchmark price found to be 95-120% higher
Sany Group	Adjusted Brazilian steel benchmark price found to be 70-85% higher

278. This analysis showed that the Brazilian benchmark costs are significantly higher than the average PRC costs paid by the sampled exporters. As such, the TRA has determined that the non-steel elements of excavator components in the PRC are artificially low. For both the Liugong Group and the Sany Group, the cost of the non-steel elements of the excavator components was increased based on the associated percentage difference.

Cost of Labour

279. In order to assess the material impact of the price of labour reflecting non-commercial factors, the TRA compared the price of manufacturing labour in Brazil to the amount paid by the participating exporters. The TRA sourced data from the international labour organisation which collected data from the Brazilian ‘Continuous National Household Sample Survey’ for 2022 and 2023.
280. Upon comparison, the labour costs in Brazil were found to be lower than the costs reported by the sampled exporters. As a result, the TRA has opted not make any further adjustments to the labour data of the sampled PRC exporters.



Cost of R&D

281. While there is evidence that GoC influence in R&D results in prices which reflect non-commercial factors, when compared to the R&D costs of JCB UK, the actual R&D costs paid by the sampled PRC exporters do not appear artificially low. Instead, these costs are more generally offset by subsidies, which ultimately means that the sampled exporters are not required to use their own capital to drive their investments in R&D. Given the lack of evidence to support a conclusion that R&D costs are artificially low, the TRA has decided not to make any adjustments to the sampled PRC exporters' recorded R&D costs.

F2.2.3 Other factors

282. To determine whether the difference in the exporter costs and the comparator values is due to a PMS, and to consider whether the material impact identified for steel costs could be attributed to any other factor, the TRA considered whether there is any other legitimate reason that may be causing the price difference.
283. As detailed in [Section F2.1.2](#), the steel market in the PRC is distorted by overcapacity caused by intervention by the GoC. The TRA therefore consider the price difference to be largely due to overcapacity.
284. A further factor the TRA considered is economies of scale. The production levels of the sampled exporters are higher than those of JCB Brasil. Therefore, the costs associated with key excavator inputs may be lower due to bulk purchasing by the PRC producers.
285. Compared to the sampled exporters, JCB Brasil produced between 5 – 45% of the number of excavators during the POI.
286. JCB Brasil is still considered to be producing a significant number of excavators, despite this being a relatively low number when compared to the sampled exporters.
287. JCB Brasil is expected to benefit from economies of scale but potentially not to the same extent as the sampled PRC exporters. However, despite it being likely that the sampled PRC exporters will benefit from greater economies of scale, given their significantly bigger volumes of production, the TRA do not consider that such economies will be so large that they would account for the entirety of the difference between the sampled exporter's actual costs and the benchmark costs. Therefore, the TRA has concluded that this factor does not break the chain of causation between the PMS identified and prices being low.



F2.2.4 Administrative, selling, and general costs (AS&G) and profit

288. Where the TRA determines a reasonable amount for administrative, selling, and general (AS&G) costs for the purposes of regulation 8(1)(a) of the Regulations, it will do so in accordance with regulation 12 of the Regulations.
289. Regulation 12(2) of the Regulations sets out that, subject to regulation 12(3) of the Regulations, the TRA must determine reasonable amounts for both AS&G costs and for profit on the basis of the actual data pertaining to the production and sales by the overseas exporter of the like goods, in the ordinary course of trade, in the domestic market of the exporting country or territory.
290. Both sampled exporters were asked to provide AS&G costs for the like goods produced for their domestic market and if there were differences in costs for the same cost type between their goods concerned and like goods. Both sampled exporters responses indicated no differences in AS&G costs between their goods concerned and like goods. The TRA considers that the AS&G data submitted by both sampled exporters represents the actual data pertaining to the production and sales costs in the domestic market for the purposes of regulation 12(2) of the Regulations.
291. Having considered the full range of available information, the TRA concluded it could determine reasonable amounts for both AS&G and for profit in accordance with regulation 12(2) of the Regulations, as there were sufficient transactions that were made in the ordinary course of trade. The TRA conducted the ordinary course of trade test on the sampled exporters' domestic sales data in accordance with regulation 9 of the Regulations. In considering whether sales were made in the ordinary course of trade, total domestic sales were considered over the POI. It was determined that for some PCNs, the weighted average sales price per unit was less than the weighted average cost to make per unit and the total percentage of unprofitable sales were equal to or greater than 20% of the volume sold.
292. The TRA therefore calculated a reasonable level of profit using the weighted average profit made on the profitable domestic sales to non-associated parties in the ordinary course of trade during the POI. A separate profit margin was calculated for each sampled exporter.
293. The TRA calculated a reasonable amount for AS&G based on the average AS&G per unit costs (excluding delivery) using only PCNs sold in the ordinary course of trade. A separate AS&G amount was calculated for each sampled exporter.



F3. Export price

294. In accordance with regulation 15(1) of the Regulations, the export price is the price the relevant goods are sold for, or the agreed price at which they are to be sold, to either an importer in the UK or a third party outside of the UK for export to the UK.
295. In accordance with regulation 15(2) of the Regulations, the TRA determined that the export price is unreliable because of associations between both groups of overseas exporters and the importers of the relevant goods in the UK. Therefore, for both sampled exporters, the TRA has constructed the export price on the basis of the actual price and profits at which the relevant goods are first sold to an independent buyer in the UK, in accordance with regulations 15(3) and 15(4)(a) of the Regulations.
296. Under regulation 15(6)(f) of the Regulations, the adjustments that the TRA may make in accordance with regulation 15(5) include adjustments in relation to a reasonable margin for profit as determined by the TRA. The TRA made an adjustment for a reasonable level of importer profit to reflect the price the goods would need to be sold at for an independent importer to be able to resell the goods and still make a profit.
297. To establish a reasonable level of importer profit, the TRA looked at open-source data to obtain a profit margin for a non-associated importer. Given the difficulty in obtaining this information, the TRA instead used the financial statements for Sany Heavy Machinery (UK) Ltd, and the management accounts provided by Liugong Machinery (UK) Limited to obtain a reasonable profit margin.
298. The TRA determined that adjustments to the export price were necessary to bring the export prices to an Ex-Works (EXW) level. In accordance with regulation 15(6) of the Regulations the TRA has deducted the following adjustments from the relevant export price:
- AS&G Overheads
 - Transportation costs
 - Commission
 - Pre-delivery inspection costs
 - Transport to depot
 - Port fees
 - Customs fees
 - Warranty costs
 - Domestic freight
 - Insurance
 - Bank Charges
 - Credit
 - Ocean freight and handling



F4. Fair comparison

299. To ensure a fair comparison, the normal value and export price need to be compared at the same level of trade; normally on an EXW level and in respect of sales made as near as possible the same time, in accordance with regulation 16(1) of the Regulations.
300. In accordance with regulation 16(2) of the Regulations the TRA may make adjustments for any differences which affect price comparability including differences relating to:
- Conditions and terms of sale;
 - Taxation;
 - Levels of trade;
 - Quantities;
 - Physical adjustments.
301. The sampled exporters produce both electric and combustion engine excavators. Both sampled exporters have stated that electric excavators should be excluded from the scope of the current investigation. The TRA has decided that electric excavators remain in scope and no adjustments in relation physical characteristic differences have been made.
302. Both the Liugong Group and the Sany Group reported fair comparison adjustments to their sales data.
303. The TRA considered whether the fair comparison adjustments made to the domestic sales would need to be made to the constructed normal value to be able to compare to the export price at the same level.
304. For the Sany Group, fair comparison adjustments for credit, as per conditions and terms of sale, were deducted from the constructed normal value in accordance with the data received. For the Liugong group, it was determined no fair comparison adjustments to the constructed normal value were required.

F5. Dumping margins

305. In accordance with regulation 17(1)(a) of the Regulations, the TRA compared a weighted average normal value with a weighted average export price for prices for all comparable export transactions to calculate the dumping margin for each sampled overseas exporter.
306. Where the TRA has limited its examination of overseas exporters in accordance with regulation 56 or 57 of the Regulations, it must determine an anti-dumping amount for non-sampled overseas exporters.



307. In accordance with regulation 37(3) of the Regulations, the dumping amount for cooperating non-sampled overseas exporters is calculated as the weighted average of the amounts determined for the overseas exporters in the sample.
308. In line with the [sampling and collapsing decision](#) dated 11 June 2024, the TRA calculated a combined dumping margin for each group of the sampled overseas exporters who cooperated in the investigation.
- The Liugong Group margin was calculated by combining the data received from Liuzhou Liugong Excavator Co., Ltd. and Liugong Changzhou Machinery Co., Ltd. due to the close nature of their business and governance.
 - The Sany Group margin was calculated by combining the data received from Sany Heavy Machinery Co., Ltd. and Sany Heavy Machinery Limited due to the close nature of their business and governance.
309. In accordance with regulation 38(4)(b) of the Regulations the TRA established a residual amount for all other overseas exporters in the PRC. This has been determined by using a method of selecting the highest dumping margin established for a PCN that had a high export sales volume for each sampled exporter. From these PCNs a weighted average dumping margin was calculated.
310. The dumping margins are shown in the table below:

Table 6: Dumping margins

	Dumping margin (%)
Sampled exporter/producer	
Liugong Group	73.21%
Sany Group	33.03%
Non-sampled cooperating exporter/producer	
XCMG Group	56.24%
Sunward	56.24%
All other overseas exporters/producers	
Residual dumping margin	83.50%



Section G: Injury

311. Injury is the term used when there is evidence of a UK industry being harmed by dumped goods. Paragraph 5 of Schedule 4 to the Act defines 'injury' to a UK industry in particular goods as:
- material injury, or the threat of material injury, to the industry, or
 - material retardation of the establishment of the industry.
312. In accordance with regulation 27(2) of the Regulations, as the TRA has determined that goods have been dumped into the UK, it must determine whether:
- a UK industry has suffered or is suffering injury in accordance with regulation 30 of the Regulations (determination of injury); and
 - the dumped goods have caused or are causing that injury to that UK industry.
313. To determine whether a UK industry is suffering or has suffered injury from imports of the relevant goods, in line with regulation 30 of the Regulations, the TRA has examined the following factors:
- a) the volume of the dumped goods during the injury period;
 - b) the effect of the dumped goods on prices of the like goods in the UK market during the injury period;
 - c) the consequent impact of the dumped goods on UK industry during the injury period;
 - d) any other factors it considers relevant.
314. To determine whether the dumped goods have caused or are causing injury to UK industry, in line with regulation 35 of the Regulations, the TRA has also examined whether any known factors other than the dumped goods (other known factors) have caused or are causing injury to a UK. The TRA has considered the following factors:
- the economic impact of the COVID-19 pandemic;
 - demand reduction;
 - inflation of raw material costs; and
 - third country imports and prices.

G1. Injury analysis

315. To conduct the injury analysis, the TRA has used the information relating to the UK industry that was provided in the questionnaire responses. Due regard was given to all the further information provided, including the commentary



from [CCCME](#) that included the allegation that, "...the evidence and indicators of injury submitted by the Applicant [are] unsubstantiated and speculative..."

316. Secondary sources of information were also used in accordance with the Regulations, treated with special circumspection and, where practicable, verified using other independent sources. Secondary sources include, but are not limited to, official import statistics published by HMRC and data pertaining to relevant markets.
317. A full list of the information provided by interested parties is set out in Table 33 in [Annex A](#). The TRA has determined that the published non-confidential versions of the information are adequately redacted and provide external readers with appropriate context.
318. The import data used in the injury analysis was extracted in October 2023 from the [HMRC website](#). This Overseas Trade in Goods Statistics (OTS) data is based on country of dispatch, which refers to the country where the last commercial transaction took place. This is not necessarily the country of origin/manufacture or the last country from which the goods were shipped to the UK.
319. As part of this investigation, the TRA assessed whether further information from HMRC could be obtained which would allow further analysis of imports based on country of origin. In September 2024 the TRA received HMRC raw customs declarations data for this purpose.
320. The HMRC OTS data is at an eight-digit commodity code level (8429 5210) and has been considered by value (£) and by volume (kgs). The TRA recognises some limitations in using volume by kgs as the weights of excavators can differ significantly between different PCN categories. In addition, this also means the TRA is unable to restrict its injury analysis solely to the relevant goods because this data does include imports of smaller excavators with an operating weight of less than 11,000 kg (i.e., 11 tonnes) and those of 80,000 kg (80 tonnes) and above.
321. The additional HMRC raw customs declarations data is at the ten-digit commodity code level (8429 5210 00) and is subject to the same value and volume limitations already referenced. However, while the HMRC OTS data is an accredited official statistic, the HMRC raw customs declaration data is not. This data reflects the information that was declared at the time of importation. As a result, this will naturally include errors as well as incorporate non-trade items.
322. The HMRC raw customs declaration data also does not cover the full injury period. This does mean the TRA is unable to completely reassess the injury factors referenced in [Section G](#) using this new data. Instead, the TRA has used the HMRC raw customs declaration to test of its initial analysis where



- possible, in particular where the country-of-origin information has been referenced.
323. The TRA previously identified some discrepancies between the HMRC OTS data, and the export data submitted by the registered PRC exporters: according to the collated data submitted by the registered exporters, the total number of kgs exported to the UK of the goods concerned in both 2020/2021 and 2021/2022 are higher than the kgs registered by HMRC for all excavators under the relevant commodity codes. Based on the TRA's analysis of the HMRC raw customs declaration data it is likely this discrepancy is due to this HMRC OTS data being based on country of dispatch rather than country of origin.
324. The TRA does appreciate the use of kgs in its volume assessment could result in some distortions with the incorporation of out-of-scope excavators under 11 tonnes. It should be noted it is likely that similar issues would still be encountered if the HMRC import data was to differentiate the goods into individual units.
325. It is also expected that the HMRC data will include excavators in the XXXL category for which the TRA has determined there are no like goods produced in the UK. However, based on the available evidence, it is considered this is unlikely to greatly impact the TRA's ability to obtain generalised trends from this information. This is because the available evidence indicates the import share of XXXL excavators is very low and therefore these are unlikely to over inflate any import volume and value analysis.
326. Further, the HMRC OTS data is the only source for import data that the TRA has been able to identify that provides a full and complete dataset for the injury period. More importantly, it is the only source for data that includes imports from third countries (imports from countries other than the PRC) and the use of it means a level of consistency when analysing import trends and market shares from different countries. Therefore, and despite its limitations, the TRA has determined that the HMRC OTS data is still the most appropriate source of import data to estimate import volume trends and market share. In the full circumstances, the TRA will treat the analysis using the HMRC OTS data with the appropriate level of caution.
327. In contrast, for the price analysis, the TRA does have the ability to use data obtained from the sampled PRC exporters. This allows for a direct comparison between the goods concerned and the like goods produced in the UK, using an average price. The TRA converted the information provided in Chinese Yuan based on a five-year [average exchange rate](#). The TRA can still reasonably compare the two data sets when using the average prices, even when considering the completeness of available data and the variances identified between the volumes of goods.



G1.1 Volume of dumped goods

328. In accordance with regulation 31 of the Regulations, when determining whether the UK industry is suffering injury, the TRA has considered whether there has been a significant increase in the dumped goods in the UK either in absolute terms (the volume of dumped goods being imported into the UK market) or relative to domestic production or consumption.

G1.1.1 Volume of dumped goods in absolute terms

329. Information on absolute volume of the relevant goods gives an indication of the rate at which imports of these goods increased or decreased during the injury period.

330. The following table provides the import volumes (kgs) of all excavators from the PRC throughout the injury period. These import volumes are compared with the total import volumes of excavators into the UK:

Table 7: Import volume ('000 kg) of all excavators from the PRC and total import volumes (based on HMRC OTS data for 8429 5210), July 2019 to June 2023

Imports	2019/2020	2020/2021	2021/2022	POI
Total imports into the UK ('000s kgs)	100,963	111,775	134,709	163,727
Total imports into the UK (indexed)	100	111	133	162
Imports into the UK from PRC ('000 kgs)	4,537	2,587	7,716	15,958
Imports into the UK from PRC (indexed)	100	57	170	352
Imports from PRC as a percentage of total imports	4.5%	2.3%	5.7%	9.7%
Imports from PRC as a percentage of total imports (indexed)	100	52	127	217

Source: HMRC OTS data (extracted from uktradeinfo.com in October 2023)

331. Table 7 shows that total import volumes of excavators into the UK increased year on year during the injury period. Total imports were 62% higher in the POI than at the beginning of the injury period.

332. Imports from the PRC initially decreased by 43% from 2019/2020 to 2020/2021. Thereafter, the volume of imports recovered and were 252% higher in the POI when compared to the beginning of the injury period.



333. The TRA’s analysis of the HMRC raw customs declaration data suggests this supports the identified trends in Table 7 for the period this data covered.
334. UK industry’s application noted that due to the COVID-19 pandemic, the figures for 2020 are unrepresentative of the normal UK market. The timing of the COVID-19 pandemic would directly correspond with the decrease identified in the import of the PRC imports of excavators between 2019/2020 to 2020/2021. To further assess the potential disruptive effects of the COVID-19 pandemic in the volume of imports to the UK during 2020 and 2021, the TRA looked at the changes to import levels each calendar year between 2019 and 2022:

Table 8: Import volume ('000 kg) of excavators from the PRC and total import volumes (based on HMRC OTS data for 8429 5210), Jan 2019 to December 2022

Imports	2019	2020	2021	2022
Total imports into the UK ('000s kgs)	144,874	88,414	128,664	159,970
Total imports into the UK (indexed)	100	58	89	110
Imports into the UK from PRC ('000 kgs)	6,203	2,117	4,252	10,058
Imports into the UK from PRC (indexed)	100	34	69	162
Imports from PRC as a percentage of total imports	4.3%	2.5%	3.3%	6.3%
Imports from PRC as a percentage of total imports (indexed)	100	59	77	147

Source: HMRC OTS data (extracted from uktradeinfo.com in October 2023)

335. Secondary sources of data also suggest that [global trade was negatively impacted](#) due to disruptions affecting transport, increased shipping costs and the fact parties experienced [temporary difficulties in producing goods due to pandemic restrictions](#). The TRA identified transport was disrupted during the COVID-19 pandemic as there were fewer available containers and ships. [Transportation costs subsequently increased, particularly in 2020](#).
336. It is worth noting that the decrease in imports of all PRC excavators during the calendar years 2020 and 2021 is generally in line with the import trends observed for excavators from all third countries during the same period. That said the reductions in year-on-year imports and the level of recovery in 2022 were much greater for PRC excavators.
337. UK industry suggested that due to the impact of the COVID-19 pandemic the TRA should add an additional year to the injury period. On review there is no evidence to suggest the current injury period is not representative. It is



appreciated that the use of an index with a starting point in a period impacted by the COVID-19 pandemic could superfluously inflate subsequent increases in the remaining years of the injury period. However, it remains the overall trends stayed the same even if import data before July 2019 is incorporated.

338. Table 7 also shows that imports from PRC made up 9.7% of total imports of excavators in the POI, which is an increase from 4.5% at the beginning of the injury period (this upwards trend is also seen in Table 8). It is noted that PRC imports increased 252% over the injury period while total imports into the UK increased by 62%. Imports of excavators from the PRC therefore retained an increased share of imports across the injury period following the initial decrease in 2020/2021.
339. Given the known effects of the COVID-19 pandemic in 2020 and 2021, it is noted there was still an increase of PRC imports from the beginning of the injury period to the POI.
340. The TRA has determined that during the injury period there has been a significant increase in imports of excavators from the PRC in absolute terms (an increase of 252%).

G1.1.2 Volume of dumped goods relative to domestic production

341. Information on import volumes of the relevant goods in relative terms gives an indication of the rate at which imports of these goods increased or decreased during the injury period when compared to the UK domestic production of the like goods.
342. The following table provides the import volumes (kgs) of excavators from the PRC throughout the injury period in comparison to total UK domestic production of the like goods:

Table 9: Relative change in the total import volume ('000 kg) of excavators from PRC (based on HMRC OTS data for 8429 5210) in relation to UK production, July 2019 to June 2023

Imports and UK domestic production	2019/2020	2020/2021	2021/2022	POI
Imports into the UK from PRC ('000 kgs)	4,537	2,587	7,716	15,958
Imports into the UK from PRC (indexed)	100	57	170	352
UK domestic production (kgs) (indexed)	100	99	118	143
PRC imports relative to UK domestic production (indexed)	100	57	144	246

Source: Questionnaire responses and HMRC OTS data (extracted from uktradeinfo.com in October 2023)



343. Total imports from the PRC relative to UK domestic production significantly increased by 146% during the injury period. Although the earlier effects of the COVID-19 pandemic in 2020 and 2021 disrupted the upward trends at this time, PRC imports quickly recovered. This includes an increase of 102 percentage points relative to UK production between 2021/2022 and the POI.
344. UK domestic production did increase by 43% over the injury period. However, this increase was at a lower level than the 252% increase in PRC imports over the same period indicating that PRC imports to the UK increased by 146% relative to UK production.
345. The further HMRC raw customers declaration data did not allow the TRA to complete the same analysis in Table 9, as it does not fully cover the injury period. The import data did show that the level of PRC imports did increase over the available time period.. This import data also indicated there was a limited year-on-year decrease of the level of PRC imports relative to UK domestic production. However, without the full dataset for the entirety of the injury period, it is unclear whether this represents any type of departure from the overall trends for the injury period as identified in Table 9 (based on a full and complete data set for the injury period).
346. In conclusion, based on the available evidence, the TRA still considers that the increase in import volumes from the PRC in the injury period was significant. This can be seen in the relevant periods for both sets of HMRC import data the TRA extracted. UK domestic production has also increased over the injury period. When considering this change against the HMRC OTS data (which incorporates data for the full injury period) this does establish that there was a significant increase in imports of the relevant goods relative to UK production.

G1.1.3 Volume of dumped goods relative to domestic consumption

347. To assess the imports relative to UK consumption, the TRA calculated the overall UK consumption of the relevant goods. UK consumption was established on the basis of import volumes of excavators from all countries (using HMRC OTS data) and domestic sales volumes of the UK industry. The TRA then calculated the market share of PRC imports by dividing total imports of the relevant goods by the total UK consumption figure. The UK's market share was calculated by dividing its domestic sales volumes by the total UK consumption figure:



Table 10: Relative change in the total import volume ('000 kg) of excavators from PRC (based on HMRC OTS data for 8429 5210) in relation to UK consumption, July 2019 to June 2023

Imports and UK consumption	2019/2020	2020/2021	2021/2022	POI
Imports into the UK from PRC ('000 kgs)	4,537	2,587	7,716	15,958
Imports into the UK from PRC (indexed)	100	57	170	352
UK consumption (kgs) (indexed)	100	109	132	160
Imports from PRC relative to UK consumption/ PRC market share (indexed)	100	52	129	220
UK producer's market share (indexed)	100	91	90	89

Source: Questionnaire responses and HMRC OTS data (extracted from uktradeinfo.com in October 2023)

348. UK consumption of excavators has increased over the injury period. After analysing the evidence provided by parties and secondary sources of data, the TRA is satisfied the COVID-19 pandemic restrictions placed by the UK government did impact demand for excavators in 2020 and to a lesser extent in 2021. However, it remains that these do not materially alter the identified trends across the injury period.
349. It is explained in [Section G1.1.1](#) that it is considered that the COVID-19 pandemic had the effect of limiting imports into the UK during 2020 and 2021. It follows that the decrease in relative imports during those years, when compared to other years of the injury period, can be attributed to the effects of the COVID-19 pandemic.
350. UK industry's market share has decreased by 11% over the injury period. This decrease occurred while PRC import volumes increased by 252% in the same period and overall, UK consumption increased by 60%. Therefore, imports of the relevant goods were increasing at a significantly higher rate than UK consumption during the injury period.
351. However, as already noted in [Section G1](#), the HMRC OTS data used to calculate total UK consumption incorporates imports of goods out of scope of this investigation. This is likely to suppress the market share figures for the UK industry (as actual sales of like goods in scope are being considered) as well as inflating the figure of the total PRC imports. While the TRA is satisfied that the overall trends are unlikely to be affected, it cannot currently determine to what extent the individual figures were impacted.
352. The HMRC raw customs declaration data is still subject to the same issues the TRA identified with the earlier data set, with the information not being



limited to the relevant goods. However, the TRA's ability to complete substantive analysis of PRC imports relative to UK consumption was impacted more by the fact this information did not cover the full injury period.

353. In conclusion, based on the best available evidence, the TRA still consider that the increase in import volumes from PRC in the injury period was significant. This can be seen in the relevant periods in both sets of HMRC import data that was extracted. When reviewing this increase based on the HMRC OTS data (which incorporates data for the full injury period) the TRA identified a decrease in market share for UK industry. This occurred alongside an increase in both UK consumption and the market share of imports from the PRC. These changes would evidence a significant increase in imports of the relevant goods relative to UK consumption.

G1.2 Effect of dumped goods on prices

354. In accordance with regulation 32 of the Regulations, to assess the effect of the dumped goods on prices of the like goods in the UK during the injury period, the TRA has considered whether:

- there has been significant price undercutting by the dumped goods as compared with the price of the like goods produced in the UK; or
- the dumped goods have depressed or suppressed domestic prices of the like goods produced in the UK to a significant degree.

G1.2.1 Price undercutting

355. Price undercutting is where the imported goods are consistently sold at a price below that of the like goods in the UK.

356. An undercutting margin is calculated by comparing the UK sales price (ex-factory) with the import price (the landed price) for similar products during the POI. The landed price is the price of the relevant goods when they arrive at a UK port. It equates to the CIF import price plus any relevant import duties and other costs associated with importing.

357. An undercutting margin (%) reflects the extent to which landed prices of the relevant goods imported from the PRC are lower than the UK sales prices of the like goods.

358. The TRA determined that it would not be appropriate to calculate the landed price using the CIF import prices for the relevant goods provided by the sampled PRC exporters. This was because of the direct association between the PRC exporters and the associated importers of the relevant goods in the UK. Therefore, for both sampled exporters, the landed price was constructed by recalculating the CIF import price with the relevant adjustments for post-importation costs being applied.



359. The recalculation of the CIF import price was done on the basis of the actual price and profits at which the relevant goods were first sold to an independent buyer in the UK. This action is in accordance with regulations 15(2) and 15(4)(a) of the Regulations. The initial calculation to obtain a CIF import price was completed using the same methodology used as part of the construction of the export price in the dumping margin calculation. Further detail of this calculation is set out in [Section F3](#) and [Section F4](#).
360. The TRA found significant evidence of price undercutting, calculating an average undercutting margin of 23.39% in the POI.
361. The TRA also assessed price undercutting for the entirety of the injury period based on the available information. This involved considering the non-adjusted import values of the goods concerned obtained from the sampled PRC exporters at a per tonne level. This assessment is set out in the table below:

Table 11: Undercutting analysis per tonne for UK industry and sampled PRC exporters, July 2019 to June 2023

	2019/2020	2020/2021	2021/2022	POI
Undercutting margin (%)	17.36%	17.98%	31.49%	26.68%
Undercutting margin (%) (indexed)	100	104	181	154

Source: Questionnaire responses

362. Table 11 illustrates that PRC imports undercut the UK industry's sales price throughout the injury period. The level of undercutting increased over the injury period and the margin was 9.32 percentage points higher in the POI than at the start of the injury period. Based on the available information, the TRA would therefore conclude the price of PRC imports have significantly undercut UK industry's sales price during the injury period.
363. The TRA subsequently considered the price impacts of the relevant goods from the PRC on the UK like goods during the course of the injury period and whether these has led to either price depression or price suppression.

G1.2.2 Price depression

364. Price depression occurs when the UK industry is forced to reduce its prices to compete against lower priced dumped goods.
365. The TRA would ordinarily consider price depression by directly comparing the average domestic sales prices of UK industry's like goods to the average import prices of the relevant goods during the injury period. However, the TRA



did not consider this approach can be strictly applied given the limitations of the HMRC import data noted in [Section G1](#).

366. The TRA has therefore assessed the changes during the injury period between UK industry's domestic sales prices for its like goods and the sales prices of the goods concerned (as provided by the sampled PRC exporters).
367. The average domestic sale prices of the like goods were calculated by both unit price and by kgs. The average unit price was calculated by dividing total domestic sales values by number of units sold. The per kg value was calculated by dividing total domestic sales values by total domestic sales volumes (kgs). This information was obtained from UK industry's questionnaire responses.
368. For comparison purposes, the TRA calculated a per kg value for the goods concerned based on the collated turnover data for sales to the UK submitted by the sampled PRC exporters. This was also calculated by dividing total sales values by total sales volumes (and subsequently converted in line with [Section G1](#)). An average unit price was not calculated as the TRA did not obtain sales information at this level beyond the POI.
369. The following table and graph show how average prices of the like goods produced by UK industry and the goods concerned developed throughout the injury period:

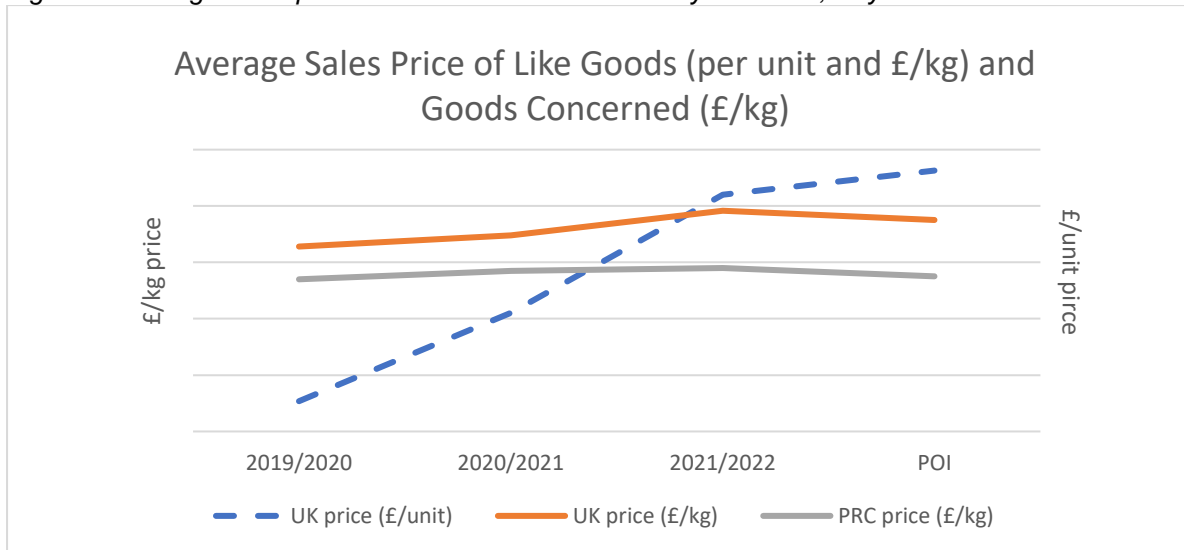
Table 12: Average sales price of excavators per kg for UK industry and PRC, July 2019 to June 2023

Average sales price per kg	2019/2020	2020/2021	2021/2022	POI
Average domestic sales price of the like goods per kg (indexed)	100	106	119	114
Calculated average sales price of the goods concerned per kg (indexed)	100	106	107	102

Source: Questionnaire responses



Figure 6: Average sales price of excavators for UK industry and PRC, July 2019 to June 2023



Source: Questionnaire responses

370. Figure 6 and Table 12 show that during the injury period the UK industry's sales price initially increased and subsequently reduced in the POI. The indicative sales price of the goods concerned was 2% higher in the POI than at the start of the injury period. The sales price of the goods concerned also followed the same pattern as UK industry's domestic sales prices with year-on-year increases between 2019/2020 to 2021/2022 and decreasing by 5 percentage points in the POI.
371. The unit price for the UK industry's sales of the like goods increased year-to-year during the entirety of the injury period.
372. It has been noted that UK industry did increase its sales prices over the injury period, which could suggest there was no evidence of price depression. However, there is no requirement for the price depression assessment to be considered against the entirety of the injury period.
373. It has been noted that Table 12 shows a reduction in the UK industry's sales price (per kg) during the POI. This coincided with the significant increase of PRC imports as seen in Table 7 in [Section G1.1.1](#). This change to the UK sales price would be suggestive of price depression. However, given the level of the decrease to the sales price, as well the applicable changes in unit prices in the same period (see Figure 6 and Table 13 below), the TRA would conclude this is not representative of significant price depression.

G1.2.3 Price suppression

374. Price suppression occurs where price increases for the like goods, which otherwise would have occurred, have been prevented to a significant degree due to the price of the relevant goods.



375. To assess whether there was any evidence of price suppression, the TRA examined changes to domestic sales prices and changes to the cost of production for the like goods produced in the UK during the injury period. The figures are based on questionnaire responses and are presented in the table below:

Table 13: UK industry's average domestic sales unit price and unit cost of production, July 2019 to June 2023

Sales price and cost of production per unit	2019/2020	2020/2021	2021/2022	POI
Average domestic sales price per unit (indexed)	100	104	110	112
Average cost of production per unit (indexed)	100	100	106	113

Source: Questionnaire responses

376. Table 13 shows both the cost of production and domestic sales prices increased throughout the injury period. Only between 2021/2022 and the POI did the cost of production of the like goods increase at a faster rate than the domestic sales price.
377. In isolation, Table 13 suggests that UK industry was able to effectively increase its prices at the same rate as the increases to its costs of production during the injury period. However, the TRA has now established its consideration of the changes to UK industry's domestic sales price and costs of production does require further context.
378. UK industry stated in its [questionnaire](#) its current sales prices are below its target sales prices due to price pressure from the goods concerned, and alleged that it is, "...left with no choice but to sell its Excavators on the UK market below its costs of production..."
379. On review it has been identified that throughout the injury period UK industry was in fact selling its like goods at a loss. Further, the increases to the domestic sales price during the injury period were not sufficient to allow UK industry to meet its costs of production, also see [Section G1.3.2](#). As set out in [Section G1.2.2](#) this occurred while the average PRC import prices continued to be significantly below that of the UK industry's domestic sales prices.
380. The TRA has assessed that this evidence would suggest significant price suppression. It has been determined that the considerably lower priced dumped imports of the relative goods have prevented the UK industry from further price increases in order to remain competitive.



G1.3 Impact of dumped goods on UK industry during the injury period

381. In considering, for the purpose of regulation 30(2)(c), the impact of the dumped goods on the UK industry, the TRA must take into account all relevant economic factors and indices having a bearing on the UK industry. Regulation 33 of the Regulations notes that these include:

- actual and potential decline in sales, profits, market share, output, productivity, return on investment or production capacity utilisation;
- actual and potential negative effects on employment and wages, ability to raise capital or investments and cash flows, stock levels and growth; and,
- factors affecting domestic prices.

382. The following sections will address each of these factors in turn before undertaking a holistic assessment of the impact on UK industry.

383. In accordance with regulation 33(c) of the Regulations, the TRA has also considered the impact to UK industry based on the magnitude of the actual margin of dumping. The TRA is satisfied that this is significant, and it cannot be considered to be negligible given the volume and the prices of the relevant goods.

G1.3.1 Sales

384. The TRA assessed the changes in the volume and the value of the UK industry's sales during the injury period. This includes both domestic and export sales.

385. The following table shows how the UK industry's domestic sales of excavators, as well as the average domestic sales prices, developed throughout the injury period:

Table 14: UK industry's domestic sales (per unit), July 2019 to June 2023

Domestic sales	2019/2020	2020/2021	2021/2022	POI
Domestic sales volumes (unit) (indexed)	100	101	128	147
Domestic sales values (indexed)	100	105	141	163
Average domestic sales price (indexed)	100	104	110	112

Source: Questionnaire responses



386. As can be observed in Table 14, the volume of domestic sales increased year-on-year throughout the injury period and was 47% higher in the POI than its initial level. The value of the domestic sales increased 63% during the injury period.
387. In 2020/2021, the level of sales remained static when compared to the first year of the injury period. It was assessed that this lack of movement, alongside the subsequent year-on-year increase, is associated with the impact of the COVID-19 pandemic. This is further demonstrated by the changes in the level of imports, as illustrated in Table 7 in [Section G1.1.1](#). The TRA remains satisfied that the COVID-19 pandemic by itself would not account for the overall changes in domestic sales across the injury period, with these increasing year-on-year after 2020/2021.
388. The TRA assessed the significance of export sales of excavators to the UK industry by analysing the trends in the volumes and values of export sales of excavators throughout the injury period. The following table also sets the percentage of the exports against total sales volume:

Table 15: UK industry's export sales (per unit), July 2019 to June 2023

Export sales	2019/2020	2020/2021	2021/2022	POI
Export sales volumes (unit) (indexed)	100	125	153	212
Export sales values (indexed)	100	126	162	259
Average export sales price (indexed)	100	101	106	122
Exports as % of total sales volume (units)	47%	52%	51%	56%

Source: Questionnaire responses

389. Export sales increased by both volume and value during the injury period, increasing by 159% in terms of value and 112% in terms of volume at the end of the injury period. Exports as a percentage of total sales increased by 9 percentage points throughout the injury period.
390. As already identified in [Section G1.1.1](#), it is reasonable to suggest the scale of the identified increases are likely to be inflated due to indexing in a period impacted by the COVID-19 pandemic.
391. Average sales prices for both export sales and domestic sales increased during the injury period. Export sales prices increased by 159% and domestic sales prices increased by 63%. While the unit prices for export sales were higher than domestic sales to the UK industry, there is no evidence to suggest



that the changes to the level of UK industry’s domestic sales was due to a focus on sales to overseas markets.

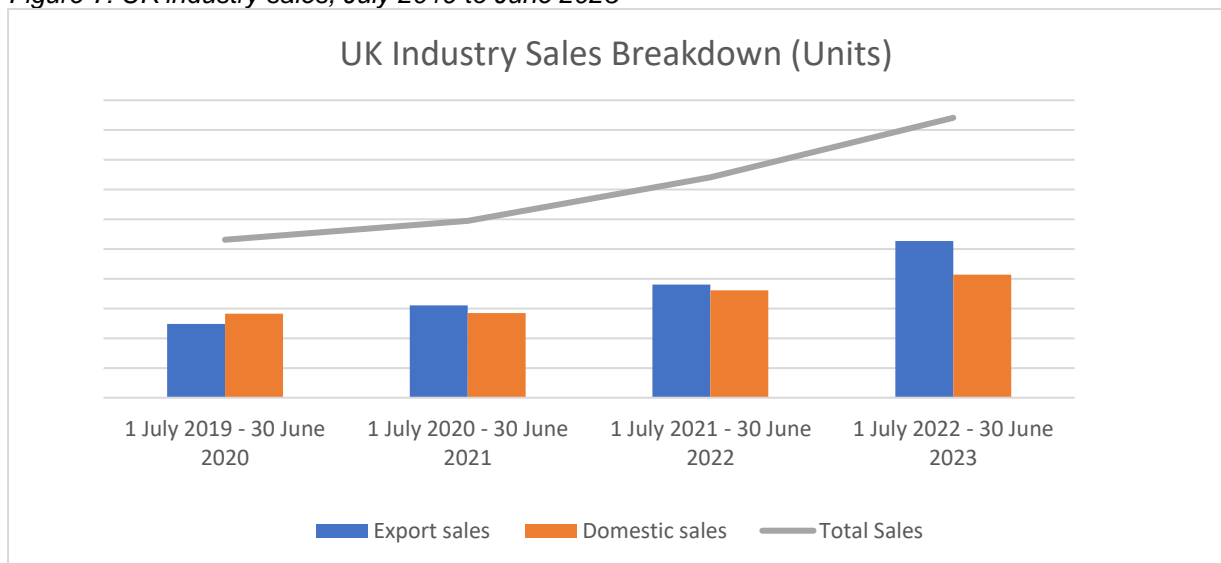
392. This takes into consideration that while there were increases in the proportion of exports sales against total sales for the UK industry over the injury period, this remained around 50%. Further, the slower increases in domestic sales across the injury period appear to be aligned to UK industry’s inability to capture market share as illustrated in [Section G1.1.3](#).
393. Further, UK industry argued in its [application](#) that the price of the goods concerned meant it had to maintain unsustainably low prices domestically. However, the price pressures of PRC imports did not have the same effect on its pricing in its export markets.
394. UK industry also suggested that the higher prices of its exports sales was also suggestive of injury. However, the TRA has concluded it could not use the identified gap in pricing for the injury analysis without full consideration of the associated forces and conditions in the individual export markets:

Table 16: UK industry’s total sales volume and value, July 2019 to June 2023

Total sales	2019/2020	2020/2021	2021/2022	POI
Total sales volumes (unit) (indexed)	100	112	139	177
Total sales values (indexed)	100	116	151	212

Source: Questionnaire responses

Figure 7: UK industry sales, July 2019 to June 2023



Source: Questionnaire responses



395. While increases can be observed both for domestic and export sales of excavators, it was found that domestic sales have not increased at the same rate as UK consumption (as seen in [Section G1.1.3](#)). This has subsequently led to a decrease in market share. Export sales have increased at a higher rate than domestic sales. However, there is no evidence to suggest that this increase was at the expense of domestic sales due to an increased focus on export markets. The increase of exports as a percentage of total sales or the production capacity utilisation for excavators (as seen in [Section G1.3.4](#)) have not increased significantly. Instead, it would appear domestic sales were impacted by price pressure from the relevant goods as described in [Section G1.2.3](#).

G1.3.2 Profits

396. The TRA assessed the changes in profitability of the UK industry during the injury period.

397. The following table shows how the UK industry’s profits and profit margins, solely for the domestically sold like goods, developed throughout the injury period. These figures represent net operating profit/loss after tax (NOPAT) for these sales:

Table 17: Profitability of sales of the domestically sold like goods, July 2019 to June 2023

Profits	2019/2020	2020/2021	2021/2022	POI
Average NOPAT margin of domestically sold like goods (% of sales turnover) (indexed)	(100)	(85)	(77)	(71)
NOPAT from like goods (£) (indexed)	(100)	(90)	(109)	(116)

Source: Questionnaire responses – () brackets denote negative amounts

398. Regulation 30(3) of the Regulations explains the TRA must conduct its examination only by reference to data that relates to the production of the like goods in the UK which are not exported.

399. UK industry provided additional NOPAT information in September 2024. This was based on actuals (profit margin being net profit divided by UK turnover) using the same dataset for injury that the TRA previously verified.

400. The NOPAT information provided shows UK industry has made losses on its sales of domestically sold like goods in every year of the injury period. However, the data illustrates that the operating profit level in the POI is lower than at the beginning of the injury period.



401. The average NOPAT margin of the like goods has also remained negative across the injury period. However, the margin levels have gradually improved and in the POI this was 5.9 percentage points lower when compared to the start of the injury period.
402. The identified trends are in line with what the TRA would expect to see based on its findings in [Section G1.2.3](#). UK industry had advised it was selling its like goods on the UK market below its costs of production, due to price suppression from imports of the relevant goods from the PRC. The TRA is satisfied that this would represent a challenge to the financial and operational health of the UK industry, as demonstrated by the revised information.

G1.3.3 Market share

403. The TRA assessed the changes in the market share by volume (kgs) of the UK industry during the injury period.
404. Market share has been calculated as per the methodology described under [Section G1.1.3](#).
405. The following table and figure show how the UK industry's and the PRC's market share developed throughout the injury period:

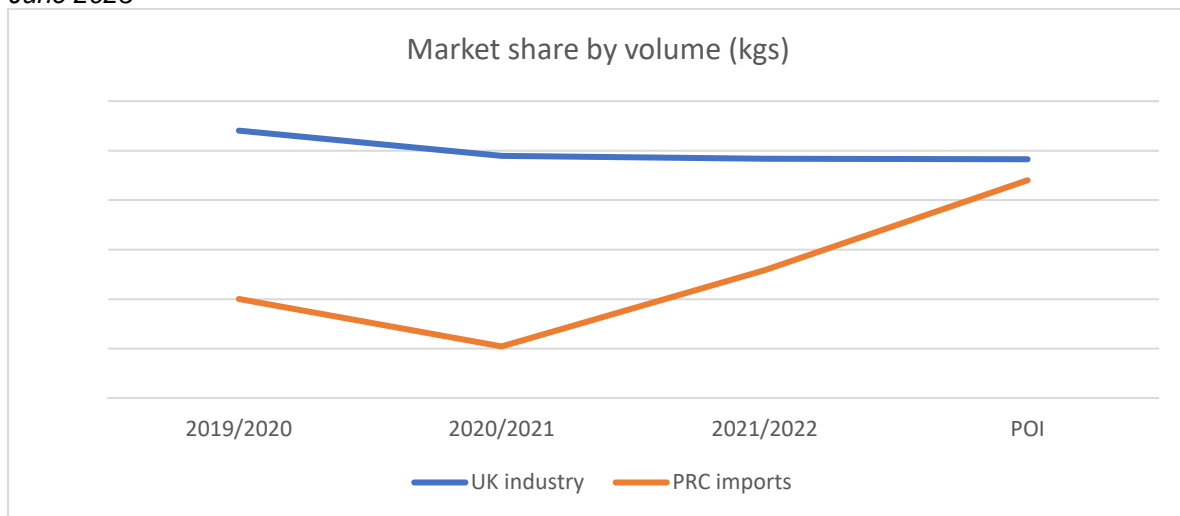
Table 18 Evolution of UK industry's market share (based on HMRC OTS data for 8429 5210), July 2019 to June 2023

Market share	2019/2020	2020/2021	2021/2022	POI
UK industry domestic market share (kg) (indexed)	100	91	90	89
Imports from PRC market share in UK (indexed)	100	52	129	220

Source: Questionnaire responses and HMRC OTS data (extracted from uktradeinfo.com in October 2023)



Figure 8: Market share (%) by volume (kgs) (based on HMRC OTS data for 8429 5210), July 2019 to June 2023



Source: Questionnaire responses and HMRC OTS data (extracted from uktradeinfo.com in October 2023)

406. During the injury period UK industry has lost market share overall. Imports from the PRC initially decreased in 2020/2021 but have continued to increase thereafter, peaking in the POI.
407. The UK industry's market share decreased in the injury period despite increasing sales volumes. However, while the reduced volume of imports from the PRC in 2020/2021 caused a reduction in its market share, the increased import volumes since then have continued to capture market share.
408. It should be noted the analysis of market share does need to be considered with a level of caution. The TRA has been unable to accurately identify to what level the HMRC OTS data used to calculate UK consumption is impacted by incorporating data that is not restricted to the relevant goods. However, the TRA remains satisfied that this data represents the best facts available and would generally return a similar trend to that which would be expected given the totality of the information reviewed.

G1.3.4 Outputs (production) and production capacity utilisation

409. The TRA assessed the changes in the output and production capacity utilisation of the UK industry during the injury period.
410. Output is measured by the volume of like goods (per unit rather than by kgs) produced by the UK industry during the injury period. Production capacity is a measure of the maximum of excavators that can be produced over a respective period. Production capacity utilisation contrasts these two figures to illustrate how much of the industry's capacity is being used over a set period to produce excavators.



411. The TRA assessed total output by analysing the volumes of all excavators, including those destined for export markets, produced by the UK industry during the injury period based on figures it provided. The production of the domestic sold like goods was also considered separately. The TRA has also observed the volume trends relative to production capacity for both sets of figures.
412. The following table shows how the UK industry’s total output and production capacity for excavators developed during the injury period based on the questionnaire responses:

Table 19: UK industry’s production (per unit) and production utilisation during injury period

Output and production capacity utilisation	2019/2020	2020/2021	2021/2022	POI
Total production capacity (unit) (indexed)	100	100	100	100
Total production (unit) (indexed)	100	112	139	177
Total production capacity utilisation (%)	15%	17%	21%	26%
Production of domestically sold like goods (indexed)	100	101	128	147
Capacity utilisation for domestically sold like goods(%)	8%	8%	10%	12%

Source: Questionnaire responses

413. Total production capacity has remained stable during the injury period.
414. Both total production and production of the domestically sold like goods have increased year-on-year and in the POI were 77% and 47% above their initial levels.
415. Production capacity utilisation followed the same upwards pattern as production. However, it has been observed there is a significant difference between how much UK industry can produce (production capacity) and how much it actually produces (production).
416. The increases in the production and production capacity utilisation factors can be directly linked to total sales during the injury period, as outlined in [Section G1.3.1](#). This takes into consideration UK industry’s [application](#) where it explains that the like goods are generally built to order.
417. While the trends in output and production capacity utilisation were positive over the injury period it was found that UK production did not increase at the same rate as the relative increases to the level of PRC imports. Therefore,



despite the increases in production UK industry has still failed to gain market share when UK consumption has also increased.

G1.3.5 Growth

418. The TRA has assessed the changes in the growth of the UK industry during the injury period.
419. Growth has been measured by comparing trends in total UK consumption of excavators with the UK industry’s domestic sales volumes, UK industry’s market share, and production.
420. The following table shows how these trends developed throughout the injury period:

Table 20: Growth indicators, July 2019 to June 2023

UK consumption, sales, market share and employment	2019/2020	2020/2021	2021/2022	POI
UK consumption (kgs) (indexed)	100	109	132	160
UK domestic sales volumes (kgs) (indexed)	100	99	118	143
UK market share (indexed)	100	91	90	89
UK domestic production (kgs) (indexed)	100	99	118	143
Employment for domestically sold like goods (indexed)	100	75	75	73

Source: Questionnaire responses and HMRC import data extracted in October 2023

421. UK consumption of excavators increased by 60% in the injury period. However, over the same period UK industry’s relative market share reduced.
422. The UK industry’s sales volumes increased by 43% over the injury period. It was established in [Section G1.3.4](#) that the increase in sales volume is mirrored by the UK industry’s production output, as the industry produces its goods to order. It is to be expected that the use of production model would itself restrict growth beyond its sales, particularly in a period when prices of goods are suppressed. This model reacts to changes in market conditions and therefore changes to the level of sales would also dictate employment numbers.
423. UK industry provided additional employment figures in September 2024. These show that despite increases in sales the number of employees engaged in the production of the domestically sold like goods decreased by 27% over the injury period (also see [Section G1.3.6](#))



424. In relative terms, UK industry’s increased sales volume did not translate into an increase to its market share or employee numbers, even with increased UK consumption. Therefore, the TRA does not consider this be reflective of any industry growth.

G1.3.6 Employment and productivity

425. The TRA assessed the changes in the employment and productivity of the UK industry during the injury period.

426. Employment trends were assessed by analysing how the number of employees in the production for the domestically sold like goods have changed throughout the injury period in absolute terms and relative to the UK industry’s total number of employees. Productivity is measured by establishing the output (number of like goods produced) per employee during the injury period.

427. The following table provides figures of the UK industry’s employment and productivity throughout the injury period based on information it provided:

Table 21: UK industry employment and productivity, July 2019 to June 2023

Employment and productivity	2019/2020	2020/2021	2021/2022	POI
Total number of employees (indexed)	100	90	82	88
Number of employees for all like goods (indexed)	100	87	83	97
Number of employees for domestically sold like goods (indexed)	100	75	72	73
Proportion of employment in domestically sold like goods	40%	33%	35%	33%
Average productivity (indexed)	100	135	178	201

Source: Questionnaire responses

428. Regulation 30(3) of the Regulations explains the TRA must conduct its examination only by reference to data that relates to the production of the like goods in the UK which are not exported.

429. As noted in [Section G1.3.5](#), UK industry provided additional employment and productivity information in September 2024. The employment figures for domestically sold excavators were apportioned based on production volume of the like goods. For the purposes of this assessment, the TRA consider this to be a reasonable approach.



430. The employment information shows that the average productivity of the UK industry has increased over the injury period. However, there is a noticeable change in the number of employees when solely considering the production of the domestically sold like goods. There was a reduction of 3% in employee numbers when considering all like goods, but this increases to 27% when apportioned to the domestically sold like goods.
431. Productivity increased throughout the injury period, with the POI figure being 101% higher than at the start of the injury period. This indicates a positive trend. However, the overall increase in productivity is to be expected when this has run concurrently with the increase in UK industry's domestic sales and a reduction in employee numbers. The increasing demand has resulted in more production being required as more orders are made.

G1.3.7 Wages

432. The TRA assessed the changes in the level of wages paid by the UK industry during the injury period.
433. Wages were assessed by analysing the trends in the wage levels of employees engaged in the production of the like goods over the injury period. The TRA considered whether this indicator has been trending positively or negatively, which may contribute to its determination of the current state of the UK industry.
434. The following table provides the mean wage of the UK industry based on information provided by UK industry and the minimum wage in the UK:

Table 22: UK industry wages for employees involved in the like goods, July 2019 to June 2023

Wages	2019/2020	2020/2021	2021/2022	POI
Hourly mean wage for FTE engaged in activities related to the like goods (indexed)	100	90	120	130
Hourly minimum wage in the UK (indexed)	100	106	109	116

Source: Questionnaire responses and www.gov.uk (minimum wage)

435. The average mean wage paid by the UK industry has increased by 30% over the injury period. Outside of 2020/2021, the year-on-year increases to the mean wage were above the increases to the minimum wage in the UK, which itself increased 16% over the injury period.
436. The mean wages by UK industry remained above what the UK industry was legally required to provide when compared to the minimum wage. While the mean wage did decrease in 2020/2021 this corresponds with the reduction in the number of staff as identified in [Section G1.3.6](#).



G1.3.8 Investments and cash flow

437. The TRA assessed the changes in the level of investments, the return on these investments (ROI) and UK industry’s cash flow for the domestically sold like goods during the injury period.
438. The following table shows how these factors developed throughout the injury period:

Table 23: UK industry’s ROI, Cash flow and investments in relation to the like goods, July 2019 to June 2023

Investment, ROI and cash flow	2019/2020	2020/2021	2021/2022	POI
ROI (% of net assets) (indexed)	(100)	(103)	(90)	(8)
Cash flow for the domestically sold like goods (£) (indexed)	(100)	(90)	(111)	(119)
Investments in relation to like goods (£) (indexed)	100	103	111	225

Source: Questionnaire responses – () brackets denote negative amounts

439. The level of investments increased during the injury period.
440. During the injury period, the ROI, defined as the profit in percentage of the net book value of investments, remained negative in line with UK industry’s profitability as set in [Section G1.3.2](#). However, there was a significant improvement to the ROI during the POI.
441. Regulation 30(3) of the Regulations which explains the TRA must conduct its examination only by reference to data that relates to the production of the like goods in the UK which are not exported.
442. UK industry provided additional net cash flow information in September 2024. This was based on actuals using the same dataset for injury that was previously verified.
443. The net cash flow information shows this was negative throughout the whole injury period. This negative amount continued to grow in the POI.

G1.3.9 Stock levels

444. The TRA assessed the changes to the UK industry’s inventories of the like goods during the injury period.



445. Inventories would normally be assessed by analysing the volumes of excavators in stock throughout the injury period in absolute terms and relative to production.
446. However, as referenced in [Section G1.3.4](#), UK industry has advised that its products are made to order and therefore it does not hold stock. This does mean there is no data for the TRA to analyse in relation to this factor.

G1.3.10 Factors affecting domestic prices

447. The TRA has assessed factors affecting domestic prices in [Section G1.2](#) above.

G1.4 Other factors considered relevant

448. In accordance with regulation 30(2)(d) of the Regulations, in order to determine whether a UK industry has suffered injury the TRA must consider other factors if deemed relevant.
449. Having regard to the information provided in the application, in questionnaire responses and other submissions, and from verification activity, the TRA has not identified any additional factors that it deems relevant for this injury analysis.

G1.5 Conclusion on injury

450. Having fully considered the available information the TRA has determined, in accordance with regulation 27(2)(a) of the Regulations, that:
- UK industry has suffered or is suffering injury in accordance with regulation 30 of the Regulations (determination of injury);
451. The TRA is satisfied that the majority of the economic factors indicate that UK industry has suffered injury by showing negative developments during the injury period.
452. The TRA will now consider whether the dumped goods have caused or are causing that injury to that UK industry in line with regulation 27(2)(b) of the Regulations.

G2. Causation and non-attribution

453. In accordance with regulation 35 of the Regulations, injury caused by other known factors must not be attributed to dumped imports of the relevant goods. The TRA considered whether any other known factors, other than the dumped goods, caused or are causing injury to the UK industry. The TRA has assessed the following factors:



- economic impact of the COVID-19 pandemic;
- demand reduction;
- inflation of raw material costs; and
- third country imports and prices.

454. These factors were identified on review of the submissions from all parties. The TRA also considered the other known factors specifically identified within regulation 35(3) of the Regulations.

G2.1 Economic impact of the COVID-19 pandemic

455. As set out in [Section G1.1.3](#), UK consumption was established on the basis of import volumes of excavators from all countries (based on HMRC OTS data) and domestic sales volumes of the UK industry. During the injury period UK consumption developed as follows:

Table 24: Total excavators consumption in volume (kgs) (based on HMRC OTS data for 8429 5210), July 2019 to June 2023

UK consumption	2019/2020	2020/2021	2021/2022	POI
UK consumption (kgs) (indexed)	100	109	132	160

Source: Questionnaire responses and HMRC OTS data (extracted from uktradeinfo.com in October 2023)

456. It was established in [Section G1.1.1](#) and [Section G1.3.1](#) that the volume of imports and the volume of domestic sales increased over the injury period.
457. It was concluded in the relevant sections that there were disruptions to both PRC imports of excavators and domestic sales/production of the like goods due to the COVID-19 pandemic. This is supported by the submissions received and in the open-sources the TRA has reviewed.
458. However, the COVID-19 pandemic by itself would not account for the overall trends in domestic sales of the like goods across the entirety of the injury period. It remains that the analysis of non-attribution and the effects of the COVID-19 pandemic would always be focussed on 2020 and 2021. This is based on the time frame during which it was actually having an impact due to governmental restrictions. It follows it cannot be used to explain any identified injury after 2021 (i.e. after any COVID-19 pandemic related restrictions were removed).
459. The TRA has determined the COVID-19 pandemic did not break the link between the relevant goods and the indicative injury suffered by UK industry.



This is due to material injury being evident before and after the COVID-19 pandemic restrictions.

G2.2 Demand reduction

460. The TRA also assessed potential demand reduction. However, it was determined in [Section G1.1.3](#), that during the injury period UK consumption of certain excavators did in fact increase. It follows that there is no evidence to suggest demand has reduced.
461. The TRA has determined that demand reduction was not present and therefore did not break the link between the relevant goods and the injury suffered by UK industry.

G2.3 Inflation in raw material costs

462. During the injury period, the overall cost of production for UK industry increased, as seen in [Section G1.2.3](#). Steel is the main raw material used in the many of the component parts of the like goods. The TRA therefore assessed how the development of steel prices may have affected the overall cost of production.
463. Information from [S&P Global](#) confirm steep increase in the steel prices particularly during the middle part of the injury period (2020-2021). Reasons for the increase in the price of steel include the increase in costs of raw materials (iron ore and scrap), delays of imports from Europe [due to adjustments from the EU exit](#) and low supply due to strict lockdowns in the PRC. Prices of steel started to decline in 2022, [due partly to weaker demand](#), but were still above their long-term average.
464. However, the negative trends observed in UK industry's profitability pre-date the steep increases in steel prices. It follows that the TRA cannot directly link the identified injury to UK industry to these steel price developments. It can be seen in [Section G1.3.2](#) there was an upward movement in UK industry's profit margins over the course of the injury period (albeit these remained negative throughout). This increase occurred at the same time there were steady increases to the costs of production which were effectively mirrored by increases in the domestic sales price, as illustrated in Table 12. These changes would suggest the increases in raw-material prices did not have a significant impact on UK industry.
465. That is not to say the rising costs of raw materials during the injury period would not have had any negative impact on UK industry's profits whatsoever. However, it has been established that the effect of rising material costs are less significant than the impact of the imports of the relevant goods.



466. The TRA has determined that the increase in raw material costs did not break the link between the relevant goods and the indicative injury suffered by UK industry.

G2.4 Third country imports and prices

467. Imports from third countries, that is imports from countries other than the PRC, were examined to ascertain whether these had caused injury to the UK industry.
468. As previously noted, HMRC OTS data is only available at the eight-digit commodity code level and the TRA has considered this by value (£) and by volume (kgs). This does mean there remains some limitations when trying to differentiate between different models of excavators. This is especially relevant as this means the TRA is unable to restrict its analysis solely to the relevant goods because this data does include imports of smaller excavators with an operating weight of less than 11,000 kg (i.e., 11 tonnes) and those of 80,000 kg (80 tonnes) and above.
469. A level of circumspection also has to be applied on the basis that HMRC OTS data is based on the country of dispatch. This is of particular importance as excavators from Japan, the Netherlands and Belgium represent 49% of the total imports of excavators into the UK in the POI (and historically are the main exporters of excavators into the UK).
470. UK industry's application also highlighted this issue and went on to state, "This explains why these statistics report significant import values from Belgium, in which there is no Excavator production. Further, there are Excavator manufacturers who finish Excavators manufactured outside the EU in the EU (e.g., assembling imported sub-assemblies) before exporting them to the UK." TRA's own independent research identified that PRC exporters have European subsidiaries and operate dealer networks in Europe.
471. As previously referenced in [Section G1](#), the HMRC raw customs declaration data is based on the country of origin at the ten-digit commodity code level. The TRA's analysis of this data does suggest the commentary provided by UK industry regarding imports from Belgium is likely to be correct.
472. The TRA compared the HMRC OTS data against that the HMRC raw customs declaration data. The TRA's analysis of the overlap of the data sets did suggest it is more likely than not there are higher levels of imports originating from both Japan and the PRC than what was initially identified. It appears these higher import levels were offset by reductions in imports from other third countries, including Belgium.
473. The following table shows how the imports of excavators have developed throughout the injury period. The TRA has compared the imports from all other countries excluding the PRC:



Table 25: Imports from third countries (excluding PRC) (based on HMRC OTS data for 8429 5210), July 2019 to June 2023

	2019/2020	2020/2021	2021/2022	POI
Imports from all third countries ('000 kg)	96,427	109,188	126,993	147,770
Imports from all third countries (indexed)	100	113	132	153
Market share of imports from all third countries	85.2%	88.1%	85.1%	81.5%
Market share of imports from all third countries (indexed)	100	103	100	96
Price of imports from all third countries (£/kg)	£4.49	£4.74	£5.25	£5.83
Price of imports from all third countries (indexed)	100	106	117	130
Imports from Japan ('000 kg)	41,112	46,430	41,465	40,365
Imports from Japan (indexed)	100	113	101	98
Market share of imports from Japan	36.3%	37.5%	27.8%	22.3%
Market share of imports from Japan (indexed)	100	103	77	61
Price of imports from Japan (£/kg)	£4.91	£5.09	£5.26	£6.06
Price of imports from Japan (indexed)	100	104	107	124
Imports from Belgium ('000 kg)	6,498	11,558	13,579	15,082
Imports from Belgium (indexed)	100	178	209	232
Market share of imports from Belgium	5.7%	9.3%	9.1%	8.3%
Market share of imports from Belgium (indexed)	100	163	159	145
Price of imports from Belgium (£/kg)	£5.15	£5.17	£5.60	£6.31
Price of imports from Belgium (indexed)	100	100	109	113
Imports from the Netherlands ('000 kg)	15,554	15,855	19,923	33,521



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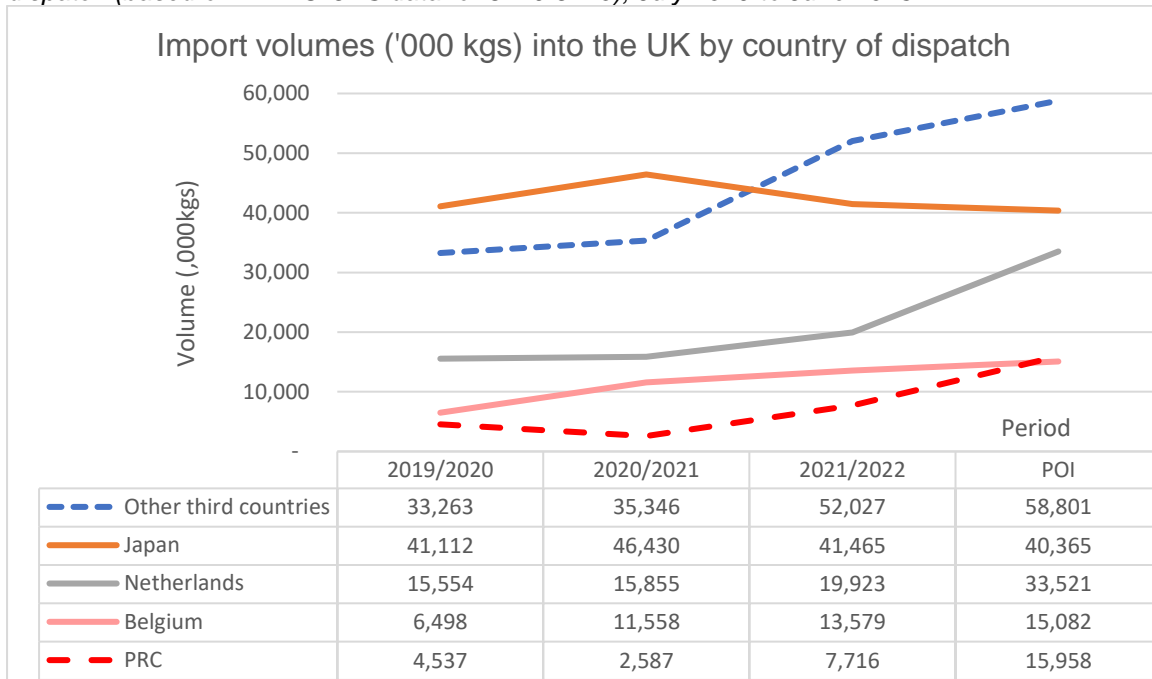
Imports from the Netherlands (indexed)	100	102	128	216
Market share of imports from the Netherlands	13.7%	12.8%	13.4%	18.5%
Market share of imports from the Netherlands (indexed)	100	93	97	135
Price of imports from the Netherlands (£/kg)	£4.66	£4.67	£5.07	£5.92
Price of imports from the Netherlands (indexed)	100	100	109	117
Imports from other third countries excluding Japan, Belgium and the Netherlands ('000 kg)	33,263	35,346	52,057	58,801
Imports from other third countries excluding Japan, Belgium and the Netherlands (indexed)	100	106	156	177
Market share of imports from other third countries excluding Japan, Belgium and the Netherlands	29.4%	28.5%	34.9%	32.4%
Market share of imports from other third countries excluding Japan, Belgium and the Netherlands (indexed)	100	97	119	110
Price of imports from all other third countries excluding Japan, Belgium and the Netherlands (£/kg)	£3.77	£4.17	£5.21	£5.51
Price of imports from all other third countries excluding Japan, Belgium and the Netherlands (indexed)	100	111	138	146

Source: HMRC OTS data (extracted from uktradeinfo.com in October 2023)

Notes: The TRA reports UK imports from Japan, Belgium and the Netherlands, which are the three main source countries of UK imports of excavators



Figure 9 (repeat of Figure 2 in [Section F2](#)): Changes in the import volumes based on country of dispatch (based on HMRC OTS data for 8429 5210), July 2019 to June 2023

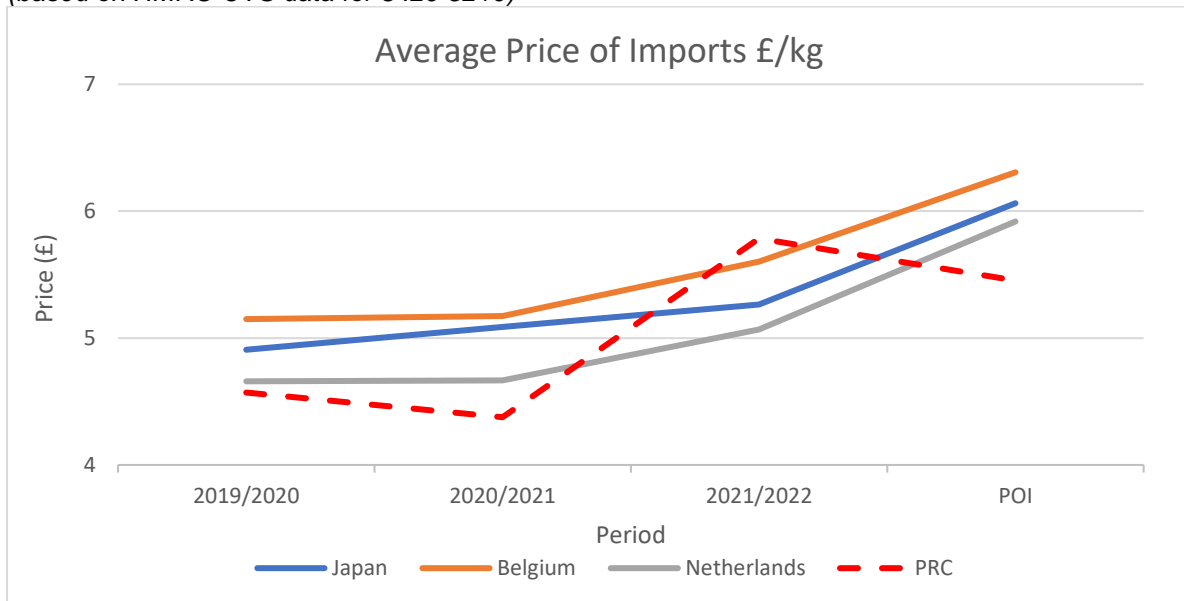


Source: HMRC OTS data (extracted from uktradeinfo.com in October 2023)

474. The volume of imports from all third countries other than the PRC increased 53% during the injury period. The volume of imports from all third countries other than the PRC, taken as a whole, was approximately 147,770 tonnes during the POI, which equated to a market share of 81.5%.
475. As noted above, the majority of third country imports were dispatched from Japan, the Netherlands and Belgium. The volume of imports from Japan declined 2% over the injury period, which significantly reduced its overall market share. In comparison import volumes from both the Netherlands and Belgium increased over the injury period, which translated to respective indexed increases to market share of 35% and 45%. The volume of imports from other third countries also increased significantly in the final two years of the injury period. In the POI, the imports of other third countries were 58,801 tonnes, which was a 77% increase when compared to the beginning of the injury period:



Figure 10: Average import price of excavators from Japan, Belgium, the Netherlands and the PRC (based on HMRC OTS data for 8429 5210)



Source: HMRC OTS data (extracted from uktradeinfo.com in October 2023)

476. The average prices of imports also increased across the injury period within a range of 13% to 30%. The PRC import price was below that of imports from Japan, Netherlands and Belgium's throughout most of the injury period. This is particularly evident in the POI. This remains the case when the TRA compared imports from the PRC to all other third countries.
477. It follows that the impact of imports from third countries are clearly less significant than those of imports from the PRC. While imports from the other third countries (excluding Japan, Belgium and the Netherlands) increased during the injury period, this was not at the same rate as imports of the relevant goods. Importantly, the market share of imports from all third countries decreased over the injury period, and this share was captured by imports of the goods concerned.
478. The TRA has been unable to complete a further assessment of the potential effects of the third country imports and prices using the HMRC import data extracted in September 2024. The TRA does not have information for the full injury period in which to complete a full trend analysis or allow us to compare its existing findings.
479. The TRA determined that the impact of third country imports was not sufficient to break the causal link between the relevant goods and the indicative injury suffered by the UK industry.



G3. Conclusion

480. The TRA has holistically assessed and verified, all the evidence provided to date by the parties registered to the case. It has been concluded that the UK industry has suffered injury during the injury period which is caused by the imports of the relevant goods.

Volume of dumped imports

481. The TRA determined that there has been a significant increase in the import volumes from the PRC during the injury period. It was also established that at the same time there had been a significant increase in the dumped imports relative to UK production and UK consumption.

Effect of dumped imports on UK prices

482. The TRA determined that in the POI there had been significant price undercutting of 23.39% by the dumped imports of the goods concerned when compared with the price of the like goods produced in the UK.

483. The TRA identified evidence of price depression in the POI as UK industry reduced its sales prices (per kg). However, given the level of the decrease, and the applicable changes in unit prices in the same period, the TRA did not conclude there had been significant price depression.

484. The TRA obtained evidence of price suppression and determined that this was caused by the considerably lower priced dumped PRC imports. Throughout the injury period UK industry was selling its like goods at a loss while the average PRC import price continued to be significantly below that of the UK industry's domestic sales price

Impact on UK industry

485. The TRA assessed the trends of the economic factors throughout the injury period and determined that the following factors indicate that UK industry has suffered injury:

- **Profits:** UK industry reported negative profit margins and increased losses on sales of its domestically sold like goods over the injury period.
- **Market share:** UK industry's market share decreased by 11% over the injury period (based on the best available information covering the full injury period).
- **Growth:** UK industry did not grow its market share despite increased domestic sales, UK production and UK consumption.
- **Employment and productivity:** Both total employment and number of employees involved in the production of the domestically sold like goods decreased during the injury period. Productivity increased over the



entirety of the injury period. However, this is to be expected based on the increase in sales volumes.

- **Investments and cash flow:** The level of investments increased during the injury period. However, UK industry continued to experience a negative cash flow for the domestically sold like goods.

486. The following factors showed improving developments in absolute terms while in relative terms indicate that UK industry has suffered injury:

- **Sales:** Domestic and export sales increased in both volume and value during the injury period. However, UK industry still failed to gain market share in the period when both UK consumption and UK production was increasing.
- **Output and production capacity utilisation:** Output and production capacity utilisation increased over the injury period in line with increasing demand and sales. However, UK industry still failed to gain market share in the period when UK consumption was increasing and did not utilise its full production capacity.

487. The TRA assessed that the following factors did not suggest that UK industry has suffered injury:

- **Wages:** Wages increased over the injury period.
- **Stocks:** UK industry does not hold stocks of the like goods and the TRA are therefore unable to attain either a positive or a negative determination regarding whether the UK industry has suffered injury using this factor.

Dumped goods causing injury to UK industry

529. The TRA is satisfied that the identified volume trends and the associated price effects of the imports of the relevant goods, show a timely coincidence with corresponding negative changes in economic factors to indicate causation.

488. The TRA has identified there was a significant increase in import volumes of the relevant goods from the PRC in absolute terms during the injury period. The available information would also suggest these goods were priced considerably lower than UK industry's domestic sales price throughout the injury period. The goods from the PRC were also generally priced lower than all other imports into the UK, including in the POI. The increase in these lower priced imports directly coincided with the negative developments in the economic factors that indicated UK industry has suffered injury.

489. Despite increased domestic sales, and with increased UK consumption, UK industry has still lost market share during the injury period. Imports of the relevant goods from the PRC have not only captured market share from UK industry but during the injury period also increased its share of all imports into the UK. The TRA is satisfied this was as a direct result of the pricing levels of the dumped goods.



490. It is accepted that certain economic factors, such as wages and productivity, have shown considerable improvement over the injury period. However, this is to be expected with the increased sales activity, which would always positively impact UK industry's output and production capacity utilisation (particularly with the reduction in employment). That said the further analysis of NOPAT, employment and net cash flows, based solely on domestic sales of the like goods, now emphasise the previously identified negative impact of the lower priced PRC imports. The operating profit on UK industry's domestic sales decreased over the injury period and net cash flow remained negative.
491. The TRA has concluded that UK industry has suffered injury based on the full consideration of import volumes, price effects and the economic factor analysis. The totality of the available information reasonably evidences injury across multiple economic factors despite increased UK consumption during the injury period. It remains that although UK industry experienced increased sales and production of the like goods, it continued to be loss making and did not experience growth (as measured by comparing trends in total UK consumption of excavators, UK industry's domestic sales volumes, UK industry's market share, production and total employment figures).
492. It has also been determined that dumped PRC imports, which suppressed the domestic sales prices of like goods, were the main cause of injury to UK industry during the injury period. There were also no other known factors that broke that causal link.
493. The TRA has therefore concluded that it is the dumped imports of the relevant goods, which suppressed the domestic sales prices of like goods, that have caused injury to UK industry during the injury period.

Other known factors and causation

494. As part of the causation assessment, the TRA considered whether there are any other known factors that may be impacting the economic indicators and thereby be the cause of the injury. The impact of the COVID-19 pandemic, demand reduction, inflation of raw material costs and third country imports and prices were considered.
495. The TRA determined that the COVID-19 pandemic would have disrupted imports of the relevant goods and domestic sales/production of the like goods. However, the COVID-19 pandemic would not account for the overall trends across the full injury period. This factor was of a temporary nature, which mainly affected business activity in 2020 and 2021. However, the negative impacts of the relevant goods on the economic factors were still evident after the pandemic restrictions had been lifted.



496. The TRA considered the potential impact of a reduction in demand for certain excavators. However, the available evidence shows UK consumption, or demand, did increase during the injury period rather than reduce.
497. The inflation of raw material costs was primarily experienced during the middle part of the injury period (2020–2021). This is when the cost for steel, the main input material for excavator components, saw a steep rise. However, the TRA determined that the rising costs of raw materials did not have a significant impact on UK industry. It was established that the rising material costs are not the cause of injury, as the profit indicators of injury pre-date the steep increases.
498. With regards to third country imports and prices, it was identified that the volumes of imports did increase during the injury period. However, this was not at the same rate as PRC imports. Importantly, the market share of imports from all third countries decreased over the injury period, and this share was captured by imports from the PRC. In addition, PRC import prices were below that of imports from third countries throughout the injury period and in particular in the POI. The TRA therefore determined that the impact of third country imports was not sufficient to break the causal link between the relevant goods and the injury suffered by the UK industry.

G4. Injury margin

499. The TRA is required under regulation 36(2) of the Regulations to determine an injury margin. This is relevant amount which it is satisfied is necessary to prevent injury to UK industry. The default method is to base the injury margin for each exporter on its underselling margin. This is calculated by comparing a benchmark UK price (the target price) with the import price (the landed price) for each matching PCN.
500. As referenced in [Section D7](#), PCN-by-PCN calculations were possible for PCNs that were both sold in the UK as domestically produced like goods and exported from PRC to the UK as the relevant goods. This included sales across four PCNs (S, M, L and XL):

Table 26: Average unit values for injury margin calculations by PCN (£/unit)

Category	Average Landed price (£/unit)	Average Target price (£/unit)	Underselling per unit (£/unit)
S	£47,500 - £64,500	£83,500 - £113,500	£37,000 - £49,000
M	£51,000 - £69,000	£92,000 - £125,000	£41,000 - £56,500
L	£68,500 - £93,000	£115,000 - £155,500	£46,000 - £63,000
XL	£122,000 - £165,500	£134,500 - £182,500	£12,500 - £17,000

Source: Questionnaire responses



501. The total amount of underselling is then expressed as a percentage of the total CIF import value of the goods concerned. This method was used to calculate an injury margin for each sampled cooperating exporter.
502. The TRA calculated the injury margin for non-sampled cooperating exporters; this was the weighted average of the injury margins calculated for each of the sampled, cooperating exporters.

G4.1 Target price

503. The target price is the price that a UK producer would expect to sell its like goods at if it were not being affected by the dumped goods.
504. The target price was calculated by using the UK industry cost of production for the like goods, adding its AS&G costs, and applying a normal rate of profit. The normal rate of profit was set at 11% in this instance, which was based on UK industry's submissions for the rate of net profit it said it would reasonably achieve in the absence of injury from the relevant goods. The TRA noted that the 11% submitted by UK industry was in line with the identified profit margin for unrelated UK importers of the excavators and also supported when compared to the calculated profit margins for the sampled PRC exporters.

G4.2 Landed price

505. The landed price is the price of the relevant goods when they arrive at the UK port. It equates to the CIF import price plus any relevant import duties and other costs associated with import.
506. Further to [Section G1.2.1](#), given the full circumstances of this case the TRA constructed the landed price by recalculating the CIF import price with the relevant adjustments.

G4.3 Residual injury margin

507. The TRA determined a residual injury margin for overseas exporters where it has not determined an individual dumping amount and the exporter is not a non-sampled overseas exporter within the meaning of regulation 37 of the Regulations.
508. Regulation 38(3) of the Regulations states that the TRA may determine the residual amount using any reasonable means.
509. In line with regulation 38(4)(b) of the Regulations the TRA has determined the residual injury margin taking account of information received from other interested parties during the investigation.



G4.4 Injury margins

510. The injury margins are shown in the table below:

Table 27: Injury margins

	Injury margin (%)
Sampled exporter/producer	
Liugong Group	59.00%
Sany Group	66.08%
Non-sampled cooperating exporter/producer	
XCMG Group	62.00%
Sunward	62.00%
All other overseas exporters/producers	
Residual injury margin	86.26%



Section H: Lesser duty rule, alternative measures and forms of measures

511. In accordance with paragraph 11(1) of Schedule 4 to the Act, the TRA has determined that:

- the relevant goods have been or are being dumped in the UK; and
- the dumping of the relevant goods has caused or is causing injury to a UK industry in those goods.

512. The TRA calculated anti-dumping amounts and injury margins for the Sany Group and the Liugong Group, for XCMG Group and Sunward as well as for all other PRC exporters. In accordance with paragraph 18(7) of Schedule 4 to the Act, and regulation 36 of the Regulations, the recommended import duty should be set at a level that does not exceed the anti-dumping amount, in relation to the goods as determined by the TRA as part of its final affirmative determination, or the amount which the TRA is satisfied would be adequate to remove the injury to the UK industry in the goods if that amount is less than the anti-dumping amount.

513. Given the circumstances of this case the recommended import duty would therefore equate to an ad valorem duty based the lower of the dumping amounts and the injury margins as shown in Table 28 below:

Table 28: Dumping and injury margins by group

	Dumping Margin (%)	Injury Margin (%)	Duty Amount (%)
Sampled exporter/producer			
Liugong Group	73.21%	59.00%	59.00%
Sany Group	33.03%	66.08%	33.03%
Non-sampled cooperating exporter/producer			
XCMG Group	56.24%	62.00%	56.24%
Sunward	56.24%	62.00%	56.24%
All other overseas exporters	83.5%	86.26%	83.50%



Section I: Economic Interest Test

I1. Introduction

514. The aim of the Economic Interest Test (EIT) is to determine whether the application of an anti-dumping measure on the relevant goods is in the economic interest of the UK. The test is presumed to be met unless the TRA are satisfied that the application of measure is not in the economic interest of the UK.
515. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the application of an anti-dumping measure if the application of the measure is in the economic interest of the UK.
516. In line with paragraph 25(4) of Schedule 4 to the Act, the TRA has taken account of the following in conducting the EIT:
- the injury caused by the dumping of the goods to a UK industry in the like goods and the benefits to that UK industry in removing that injury;
 - the economic significance of affected industries and consumers in the UK;
 - the likely impact on affected industries and consumers in the UK;
 - the likely impact on particular geographic areas, or particular groups, in the UK;
 - the likely consequences for the competitive environment, and for the structure of markets for like goods, in the UK; and
 - such other matters as the TRA considers relevant.

I2. Evidence base

517. The TRA received the following questionnaire responses which contained information relevant to the EIT:
- one producer of excavators in the UK, JCB Heavy Products Limited (JCB);
 - three importers of excavators, Sany Heavy Machinery (UK) Limited, XCMG UK Sales and Services Limited, Liugong Machinery (UK) Limited; and
 - one downstream retailer of excavators, Fox Group Equipment Sales Limited.
518. The TRA has supplemented these submissions with background research and collated additional data and information from sources such as Companies House, Dun & Bradstreet, ONS (Nomis) and HMRC (Overseas Trade in Goods Statistics and Find UK Traders tool).



13. Injury caused by dumping and benefits to UK industry in removing injury

519. In the injury section, the TRA found that the UK industry has been suffering injury as a result of the dumped goods from the PRC.
520. The injury assessment concluded that there would be further injury to UK industry were a measure not imposed. It is expected that the proposed measure will remove the material injury to UK industry.

14. Economic significance of affected industries and consumers in the UK

521. The TRA has identified the following groups as potentially being affected by the proposed measure:
- Upstream industries: this group includes suppliers of engines, hydraulics, cabs, tracks and computer systems. It also includes businesses involved in large and small metal fabrication.
 - UK producers of excavators.
 - Retailers and importers of excavators: the TRA has chosen to group these together due to the significant overlaps between them.
 - End users: this group includes businesses in civil engineering, construction, demolition, quarrying, agriculture and forestry.
522. As certain excavators are typically bought by end user companies rather than private individuals, final consumers have not been factored into the TRA's analysis. The term 'consumer' for the purposes of the EIT analysis refers to end user companies rather than final consumers.
523. For each affected group the TRA selected businesses and analysed data from Companies House and Dun & Bradstreet to calculate employment, Gross Value Added (GVA), Turnover, Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), and the EBITDA margin.
524. Using available evidence, the TRA assessed the financial vulnerability of each industry group, as well as the importance of excavators to them.

14.1 Upstream industries

525. The TRA identified 16 upstream businesses that supply raw materials and inputs to UK producers of excavators. Of these, the TRA selected seven upstream businesses. The businesses were proportionally selected to cover a range of purchased component costs based on cost to the producer.



526. On average, over the five most recent years for which financial accounts have been published, the selected businesses employed approximately 2,000 workers, had a total GVA of around £100m, turnover of £588m and an average EBITDA of £6.5m.
527. On average around 5% of the selected upstream businesses' turnover was linked to their sales to UK producers of excavators. Therefore, the TRA concluded that excavators are somewhat important for upstream businesses.

14.2 UK producers of excavators

528. Excavators produced in the UK are manufactured by two businesses: JCB Heavy Products Limited (JCB) and Komatsu UK Limited (Komatsu).
529. The TRA estimated that during the POI UK producers of excavators employed around 900 workers, had a GVA of around £51m, turnover of just under £500m and an average EBITDA of £0.5m.
530. The data in JCB's questionnaire response indicated that excavators are a very important product to them and the TRA consider the same is likely to be true for Komatsu.

14.3 Retailers and importers

531. The TRA identified a total of 136 retailers and importers of excavators that source excavators from UK and non-UK producers.
532. The TRA selected nine businesses to analyse the economic significance of this group. Many retailers are small businesses and so they only publish abbreviated accounts. The businesses were selected to represent sales of excavators from all major excavator producers.
533. During the POI these selected retailers employed around 3,000 workers, had a total GVA of around £239m, turnover of £1,452m and an average EBITDA of £87.1m.
534. Although less than 10% of turnover of selected retailers was related to purchases of excavators, the TRA considers excavators to be important to them. In the TRA's quantitative analysis it could not fully assess the importance of excavators to the overall business model of downstream retailers, which is likely to involve other excavator related activities, including sale and hire of excavators, and services, for which the TRA does not have accurate data and information.



14.4 End users

535. The selected end users of excavators cover a range of principal business activities, including waste management, house building, quarrying, civil engineering, demolition and earthmoving, identified from market data.
536. During the POI these selected end users employed around 30,500 workers, had a total GVA of around £3,559m, turnover of £12,460m and an average EBITDA of £1,996m.
537. The TRA assessed that excavators are a somewhat important product to downstream end users.
538. It is important to note that end users are a diverse group, where businesses are likely to be varied in the nature and the size range from small and medium-sized contracting businesses to large businesses in construction industries.

14.5 Summary table

539. Table 29 presents data on the economic significance of different industries, which could be impacted by the measure on excavators.
540. Based on data, as discussed and as set out in the table, the TRA find that excavators are a very important product for the UK producers and an important product for retailers and importers. The TRA assess that for upstream businesses and end users excavators are a somewhat important product, although there is likely to be variation between different businesses.



Table 29: Significance metrics for the UK stakeholders potentially affected by the proposed measure

	Upstream industries	UK producers of excavators	Downstream industries: retailers	Downstream industries: end users
Sample details				
Number of known UK businesses	16	2	136	8
Number of selected UK businesses	7	2	9	8
Sample statistics ^{a)}				
Total employment	2,050	880	3,020	30,480
Total GVA (£m) ^{b)}	100	51	239	3,559
Total turnover (£m)	588	499	1,452	12,460
Total EBITDA (£m) ^{c)}	7	1	87	1,996
Average EBITDA margin (%) ^{d)}	1.1%	0.1%	6.0%	16.0%
Conclusions				
Economic vulnerability (financial data) ^{e)}	Low level of vulnerability to negative economic shocks*	Medium level of vulnerability	Overall low level of vulnerability	Overall low level of vulnerability
Estimated importance of excavators to this group ^{f)}	Somewhat important (5%)	Very important (55%)	Important (8%)*	Somewhat important (8%)

Source: Questionnaire responses submitted by interested parties to TRA; *Companies House, 2023*; *Dun and Bradstreet, 2023*; *HMRC, trader data, 2023*.

Notes:

^{a)} The significance metrics are derived by taking an average or weighted average of financial data for selected businesses over the most recent five years of published financial accounts.

^{b)} GVA (Gross Value Added) was calculated as follows: GVA = operating profits + employment costs (total employees remuneration and total directors' remuneration) + depreciation + amortisation.

^{c)} EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) was calculated as follows: EBITDA = operating profit + depreciation + amortisation.

^{d)} EBITDA margin was calculated as follows: EBITDA margin = EBITDA / turnover.



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e) Economic vulnerability is assessed using financial data of the sampled businesses, including profitability (EBITDA and EBIDTA margin), turnover and employment, and relevant trends over the injury period (from 1 July 2018 to 30 June 2022) and in more recent period (using most recent financial data available).

f) The estimated importance metrics are derived by taking a weighted average of sales and financial data from participating and selected businesses during an accounting period that covers the POI. Where financial data is not reported between POI dates, the closest accounting period reported is selected. This is true for importance analysis of all sectors excepting the end user sector, in which, financial data from the five most recent published financial accounts is used.



15. Likely impact on affected industries and consumers

541. In this section the TRA assess the overall impact that the imposition of the anti-dumping measure might have on the affected groups identified. The TRA do this by looking at how prices and quantities of goods in the excavators supply chain might change under two scenarios: (i) if the anti-dumping measure was to be imposed, and (ii) if the anti-dumping measure was not to be imposed. The possible impacts for affected industries and end users (i.e. consumers) are then considered and compared across the two scenarios.

15.1 Inputs and assumptions in quantification of economic impacts

542. There are two UK producers that sell in the UK market: JCB and Komatsu. Only JCB participated in this investigation, and supplied data and evidence to the TRA. The assessment of the quantity, the value and the unit price of excavators supplied to the UK market by Komatsu was informed by data from Systematics that JCB shared.

543. JCB Brasil was the sole third country producer that participated in this investigation, and supplied data and evidence to the TRA. With limited data and evidence from third country producers, the assessment of the quantity, the value and the unit price of excavators supplied to the UK market by third country producers was also informed by data from Systematics that JCB shared.

544. In the quantification of economic impacts, the TRA considered one scenario with the anti-dumping measure and two counterfactuals without the anti-dumping measure, as detailed in Table 30. The TRA also considered the effects of different assumptions of tariff to price pass through (PT) and different assumptions of price elasticity of demand (PED).

Table 30: Scenario and counterfactuals used in quantification of economic impact

Scenario	Description
Scenario with the anti-dumping measure	Scenario 1: PRC producers exit the market.
Counterfactuals without the anti-dumping measure	Counterfactual 1: There are no changes to prices of excavators and quantities of excavators sold in the UK.
	Counterfactual 2: UK producers exit the UK market as a result of competition from PRC producers.

Notes: PT stands for tariff to price pass through. PT of 75% indicates that where an import tariff increases by 1%, prices increase by 0.75% as a result. PT of 100% indicates that where an import tariff increases by 1%, prices increase by 1% as a result.



545. In the TRA's analysis for the level of the measure it used a weighted average of the individual and residual duties set out in [Section G](#) using current import values. This equates to an average duty of 48.08%.
546. The TRA's assumption of PED for excavators was based on the PED estimates from the work of Ghodsi et al. (2016).¹ In the different quantification scenarios the TRA used PED for Excavators ranging from -0.6 (low PED) to -1.0 (high PED).
547. The TRA's assumption of PT for excavators was based on internal research by the Department for Business and Trade (DBT) which found that the proportion of tariff costs passed on to downstream businesses typically range between 75% and 100%.
548. For UK producers, the TRA assumed that their marginal cost was equal to the sum of variable costs that are involved in production and sale of excavators. For UK downstream retailers, it was assumed that their marginal cost was equal to the price of the excavators that they purchased.
549. The TRA expect that prices of PRC excavators sold in the UK would increase if the anti-dumping measure was imposed. This would cause prices of PRC excavators to exceed those of other excavators leading to PRC producers exiting the market.
550. The scenario with the anti-dumping measure assumes that UK and third country producers will not raise their prices as a result of competition between them in an attempt to remain price competitive.
551. In the TRA's analysis it has two counterfactuals, which covered two extremes, where the anti-dumping measure is not imposed as recommended.
552. The first counterfactual assumes that there is no change in the UK market for excavators: prices, quantities and market shares remain as they are.
553. The second counterfactual assumes that as a result of price competition and injury to UK industry, UK producers exit the UK market in the event where the anti-dumping measure is not imposed as recommended. Under this counterfactual, UK market for excavators is only served by PRC and third country producers. Market shares previously held by UK producers are redistributed proportionally between PRC and third country producers. PRC and third country producers do not increase their prices because they compete with each other.

¹ Ghodsi, M., Grübler, J. and Stehrer, R. (2016) Import Demand Elasticities Revisited, The Vienna Institute for International Economic Studies, Wiener Institut für Internationale Wirtschaftsvergleiche, available at: <https://wiiw.ac.at/import-demand-elasticities-revisited-p-4075.html>.



I5.2 Impact on prices and quantities if the anti-dumping measure was imposed

554. For the scenarios with the measure, the TRA has assumed that the first-round effect would be PRC producers raising their prices by the level of the measure – by between 36.06% (low PT of 75%) and 48.08% (high PT of 100%).
555. With the average PRC prices now higher than the average UK prices and the average third country prices, the TRA has assumed that PRC producers would exit the UK market as a result of the anti-dumping measure leading to a redistribution of UK market shares between UK and third country producers.
556. The TRA has assumed that the UK market exit of PRC producers would lead to no further price changes in the UK market. This is because the TRA has assumed that UK and third country producers compete with each other on price and as a result do not change their prices.
557. The exit of PRC producers from the UK market would result in higher average prices of excavators sold in the UK because lower priced PRC excavators would not be sold in the UK. This would lead to a reduction in quantities of excavators sold to end users. Assuming that UK and third country producers compete on price and held their prices constant, any reduction in quantities of excavators sold in the UK is likely to be marginal (around 1%).

I5.3 Impact on prices and quantities if the anti-dumping measure was not imposed

558. For the counterfactuals without the measure, the TRA has assumed that either there are no changes to the existing UK market structure or UK producers exit the UK market as a result of competition from PRC producers (which may not be sustainable for UK producers in the medium- to long-term).
559. Under the first counterfactual, the prices and the quantities of excavators supplied to the UK market by UK producers, PRC producers and third country producers will remain unchanged.
560. Under the second counterfactual, there could be a small reduction in average prices of excavators and a small increase in quantity of excavators sold in the UK market. This however is on the assumption that competition between PRC and third country producers prevents any considerable price rises. The TRA would nonetheless expect some future price rises in the medium- to long-term in line with inflation.

I5.4 Likely impacts on affected industries and consumers

561. The TRA estimated welfare impacts for each scenario by looking at the change in producer and consumer surplus. Consumer surplus is the welfare a



consumer gets from buying a product. Producer surplus is the welfare a producer gets from selling a product. The surplus was estimated using the following formulas:

$$PRODUCER SURPLUS = (Price\ per\ unit - Marginal\ cost) \times Quantity\ sold$$

$$\Delta CONSUMER SURPLUS = -\frac{1}{2} \times (Q_{TARIFF} + Q_{NO TARIFF}) \times (P_{TARIFF} - P_{NO TARIFF})$$

where:

Q_{TARIFF} is the quantity of excavators consumed with a proposed measure

$Q_{NO TARIFF}$ is the quantity of excavators consumed without a proposed measure

P_{TARIFF} is the average price of excavators with a proposed measure

$P_{NO TARIFF}$ is the average price of excavators without a proposed measure

562. Table 31 shows the welfare impacts for different affected industries and consumers for each of the modelled scenario with anti-dumping measure and counterfactuals without anti-dumping measure.² The impacts on different groups are explained in the following sections.
563. The quantification suggests that the net impact on welfare could be a reduction of up to £7.8m per annum if the anti-dumping measure is imposed, with welfare gains for UK producers but welfare losses for UK retailers and importers, and UK end users. This, however, is highly uncertain because it does not take into account the effect of other economic events that could impact the UK industry and the wider UK economy within the next five years.
564. At the time of publishing this SEF, there is an ongoing subsidy investigation concerning imports of certain excavators from the PRC. This investigation may or may not result in a countervailing measure being recommended. The combined impact of an anti-dumping measure and a countervailing measure would increase the magnitude of the likely welfare changes for different groups of stakeholders: increase welfare gains of UK producers, but also increase welfare losses of retailers and importers, and end users, resulting in a greater overall welfare loss.

² In the TRA's quantification of the likely impact it reports the likely welfare changes per annum. If the anti-dumping measure is imposed for a period of five years, the TRA need to multiply the likely welfare changes by five.



Table 31: Estimated welfare impact of imposing the proposed anti-dumping measure (as compared to not imposing it) on affected UK industries and consumers

Stakeholder group	Expected annual impact from the measure (£m)	
	Scenario 1 (counterfactual 1)	Scenario 1 (counterfactual 2)
UK producers (£m)	£0.2 to £0.2	£3.4 to £3.4
UK retailers and UK importers (£m)	£-0.5 to £-0.3	£2.0 to £2.2
UK end users (£m)	£-7.6 to £-7.6	£-10.2 to £-10.1
Total change in welfare (£m)	£-7.8 to £-7.6	£-4.8 to £-4.5
Impact per excavator purchased (£/unit)	£-1,116 to £-1,113	£-1,550 to £-1,495

Notes: Total change in welfare is the sum of the change in producer surplus for UK producers, UK retailers and UK importers, and the change in consumer surplus for UK end users (where end users are defined as downstream end user businesses and not as consumers that are private individuals). The TRA could not quantify change in welfare for UK upstream businesses. Total change in welfare does not account for change in tariff revenue because the TRA cannot directly attribute as a benefit or a cost to any affected industries and consumers.



15.4.1 Upstream industries

565. In this assessment the TRA could not quantify change in welfare for upstream industries due to a lack of participation from upstream businesses.
566. JCB said that the measure could lead to increased production of excavators in the UK, which could increase the need for inputs benefitting upstream industries. The TRA acknowledges that while any increased production of excavators in the UK will benefit upstream industries in the UK that supply UK producers, any increase in average prices of excavators will have the effect of reducing demand for excavators from end users of excavators. This will potentially reduce the benefit of the measure for upstream industries.

15.4.2 UK producers of excavators

567. The TRA estimates that compared to the current state of play in the UK market, UK producers may benefit from the anti-dumping measure by up to £0.2m per annum. This increase in producer surplus is due to an increase in average prices of excavators sold in the UK.
568. In the event that not imposing the anti-dumping measure could lead to the exit of UK producers from the UK market, this potential benefit from the anti-dumping measure rises up to £3.4m per annum.

15.4.3 UK retailers and importers

569. The measure is likely to have a negative effect on UK retailers, whose producer surplus could decrease by between £0.3m and £0.5m per annum compared to the current state of play in the UK market. Although UK downstream retailers will benefit from their ability to sell excavators to end users at higher prices, they will see a reduction in sales volume and value leading to an overall reduction in welfare.
570. In the event that not imposing the anti-dumping measure could lead to the exit of UK producers from the UK market, the anti-dumping measure could arguably lead to an increase of £2.2m per annum in producer surplus for UK retailers and importers. This however is driven by the benefit derived by UK retailers that sell UK-produced excavators.

15.4.4 End users

571. In this assessment the TRA quantified change in welfare for end users, which it considers to be downstream end user businesses.
572. The TRA's analysis suggests that the anti-dumping measure is likely to be welfare reducing for end users and could decrease consumer surplus of end users by up to £7.6m per annum when compared to unchanged UK market conditions and by up to £10.2m per annum when compared to counterfactual with exit of UK producers from



the UK market.³ This negative impact of the proposed anti-dumping measure on end users outweighs the positive impact of the measure on UK producers. This is because end users are a more economically significant group in terms of economic size (employment, GVA, turnover) than other affected groups in the supply chain for excavators taken together.

16. Likely impact on particular geographic areas or particular groups in the UK

573. This section explores how impacts of the proposed measure are likely to be geographically distributed and whether any particular groups might be disproportionately impacted. The spatial units of analysis are Travel to Work Areas (TTWAs).

16.1 Likely impact on particular areas

574. This section considers those companies for which the evidence suggests that certain excavators are a significant product: the UK producers, the upstream sector, the downstream (retailer) sector and the downstream (end user) sector.

575. The TRA used three sources of evidence for its employment analysis:

- Questionnaire responses: these provided employment by site and employment relating to the production of certain excavators for the participating UK producer, JCB;
- Dun and Bradstreet business directory: this provides the location of known sites and estimates of employment by site; and
- ONS estimates of working age population across the indicators: median earnings, job density, economic inactivity, and level of education by Travel To Work Areas (TTWAs).

576. To estimate employment by site, the TRA identified all known immediate subsidiaries of the companies selected in its analysis alongside their registered office address and known employment. Where there is no employment information for sites, the known remaining employment of the parent company is split evenly across sites.

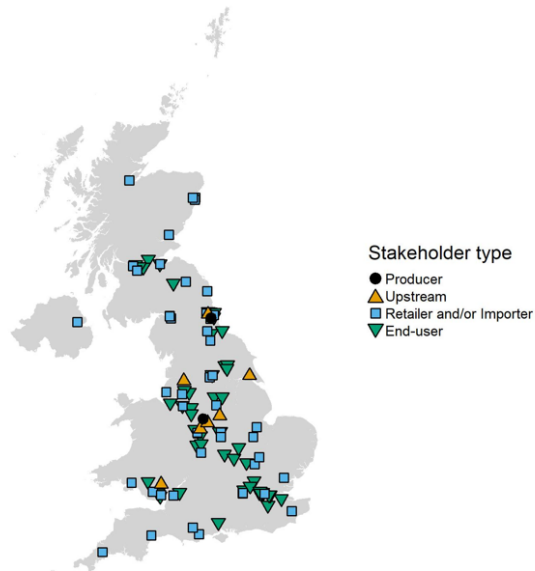
577. Figure 11 shows the geographic distribution of businesses locations that are part of excavators supply chain in the UK. The TRA identified two concentrated areas of businesses around the main production sites of the two UK producers. However, estimated employment in these areas does not indicate a significant proportion of the working age population would be impacted by a measure.

³ This wide range of possible reduction in consumer surplus of end users is because of uncertainty about the possible reaction of UK producers and third country producers in response to the measure. In the event where UK producers and third country producers do not increase their prices, any reduction in consumer surplus would be less than it would be in the event where all producers raise their prices in response to the measure.



Figure 11: Locations of UK businesses that are part of UK supply chain for excavators

Locations of UK businesses that are part of UK Excavators supply chain.



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Notes: This map shows location of all known UK producers of excavators, sampled upstream businesses, sampled downstream retailers and importers, and sampled downstream end users.

UK producers, upstream, retailers and importers

578. The TRA did not find any areas where the estimated employment from UK producers, upstream industries, and retailers and importers constituted a significant proportion of the working age population of any TTWA.

End users

579. The TRA found the selected end user businesses employed a large portion of the working age population in the York and Leicester TTWAs so these areas could potentially be significantly affected by the proposed measure.

580. Neither area is very deprived with York being above average for all measures of deprivation considered and Leicester being above or close to the average for all.

581. The estimated employment in these areas comes from construction companies. Given the site-based nature of construction, and the relatively small impact that the TRA expect the measure to have on individual end user businesses, it is not considered there are likely to be significant economic impacts on either area as a result of the proposed measure.



16.2 Likely impact on particular groups

582. The TRA considered the likely impact on particular groups including those with protected characteristics as defined by the Equality Act 2010.
583. No party provided any evidence with respect to potential impacts on any particular groups, either as workers or consumers. There is no evidence to suggest that there will be disproportionate impacts on particular groups.

17. Likely consequences for the competitive environment, and for the structure of the market, in the UK

584. The assessment of the likely consequences for the competitive environment and structure of the UK market considers four factors:
- the impact on the number or range of suppliers;
 - the impact on the ability of suppliers to compete;
 - the impact on the incentives to compete vigorously; and
 - the impact on the choices and information available to consumers.

17.1 Background

585. There are two UK producers and over 10 known manufactures importing excavators. The Herfindahl-Hirschman Index (HHI) calculated for the UK excavator market implies the UK market is concentrated.

17.2 The impact on the number or range of suppliers

586. There are high barriers to entry into the UK excavator market such as high capital investment and technological expertise. The TRA believes there is unlikely to be an increase in the number of UK producers with the imposition or non-imposition of an anti-dumping measure.
587. If an anti-dumping duty were not imposed, it is possible that UK industry will exit the market. As such, non-imposition of the measure could reduce the range and number of excavator suppliers to the UK market.
588. The TRA anticipates that the imposition of a measure could reduce the range or number of excavator manufacturers in the UK market due to the possible market exit of PRC excavator manufacturers. Additionally, the measure will make the UK market less attractive for new PRC producer entrants.
589. Regardless of whether the measure is imposed, the TRA anticipates the UK market will maintain a similar level of concentration due to the presence of suppliers from other countries exporting competitively priced excavators to the UK.



17.3 The impact on the ability of suppliers to compete

590. Imposing the measure will increase the prices of PRC excavators, which will limit the ability of PRC producers to compete.
591. The TRA expects the measure to have a positive effect on UK and third country producers' ability to compete.

17.4 The impact on the incentives to compete vigorously

592. There is no evidence to suggest that suppliers would face reduced incentives to compete vigorously with the imposition or non-imposition of a measure.

17.5 Impact on the choices and information available to consumers

593. The TRA does not anticipate any impact on the choices or information available to customers. More than 50% of the UK excavator market is supplied by third country producers, as such, consumer choice across all PCNs will remain high.

18. Such other matters as the TRA considers relevant

594. As part of the EIT, the TRA considers any other factors additional to those set out in the legislation, which could have implications in concluding whether the proposed trade remedy measure is in the economic interest of the UK.
595. The TRA has found no evidence of any other relevant factors for this anti-dumping investigation and no evidence was submitted to it by interested parties.

19. Forms of measure

596. In the EIT, the TRA also considers the most appropriate form of measure to recommend, in particular whether any changes to the length, scope or type of measure would minimise the negative impacts of the measure on some parties while retaining the overall benefits.
597. The TRA has found no evidence suggesting that a form of measure, other than the type which the TRA recommends imposing, would be more appropriate.

110. Conclusion on Economic Interest Test

598. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the proposed measure if the application of the proposed measure is in the economic interest of the UK. This test is presumed to be met unless the TRA is satisfied that the application of the proposed measure is not in the economic interest of the UK.



599. As described in previous sections, the TRA determined that the UK industry has suffered injury due to the dumped goods from the PRC. The [injury assessment](#) concluded that there would be further injury were the proposed anti-dumping measure not imposed.
600. The [economic significance section](#) assessed the financial metrics of the different groups that make up the supply chain for certain excavators in the UK. The TRA found that certain excavators were very important to UK producers, important to retailers and importers, and somewhat important to upstream businesses and end users.
601. In the TRA's assessment of the [likely economic impact](#) it was concluded that the imposition of the proposed anti-dumping measure would have an overall welfare reducing effect on the UK economy. The TRA's quantification of the likely impact confirmed that the proposed measure would have a welfare reducing effect on UK end users, and for the most part also a welfare reducing effect on retailers and importers, which will be greater than the welfare enhancing effect on UK producers. The welfare reduction would come from an increase in the price of excavators imported from the PRC up to the level of the measure, which could lead to an increase in the price of domestically produced excavators and the price of excavators imported from third countries. This increase in prices of different excavators would benefit UK producers but would impose a cost on retailers and importers, as well as end users. In the TRA's assessment it was unable to quantify change in welfare for upstream industries due to a lack of participation from upstream businesses.
602. The TRA concluded that the imposition or non-imposition of the anti-dumping measure is not expected to have any [geographical impacts](#) due to sites being distributed across the UK and employment for each site being a small proportion of total employment in each area. There was no evidence of impacts on [particular groups](#).
603. In the [competition section](#), the TRA determined that the anti-dumping measure would not alter the current competitive environment.
604. There were [no other matters](#) that the TRA identified as relevant for this anti-dumping investigation.
605. The TRA has identified the following positive impacts of the proposed anti-dumping measure:
- The proposed measure will remove the material injury to UK industry.
 - UK producers could benefit from an increase in producer surplus of up to £3.4m per annum.



606. The contrasting negative impacts are:

- Prices of excavators from the PRC will increase as a result of the proposed measure, which will have a negative impact on retailers and importers, and on end users.
- The proposed measure will have welfare reducing impact on the UK economy because welfare loss for retailers and importers, and users will be greater than welfare gain for UK producers.
- Total welfare in the UK economy could decrease by up to £7.8m per annum.

607. Having considered the evidence submitted by interested parties and all of the factors listed in the legislation, the TRA does not consider that the negative impacts are disproportionate to the need to remove injury, and therefore conclude that the EIT is met for the proposed anti-dumping measure.



Section J: Intended final determination and recommendations

608. The TRA's intended final determination is set out below.
609. The TRA intends to make a final affirmative determination on imports of the relevant goods originating from the PRC that fall under the commodity code 8429 5210 00.
610. As set out in [Section D2](#), the relevant goods are:

Self-propelled track-laying (i.e. tracked) excavators with a 360° revolving superstructure and with an operating weight of 11,000 kg (i.e., 11 tonnes) or more but less than 80,000 kg (80 tonnes).
611. The TRA has determined that the relevant goods that are the subject of the intended final affirmative determination have been or are being dumped into the UK and the dumped goods have caused or are causing injury to a UK industry in those goods. The TRA therefore intends to recommend to the Secretary of State that an anti-dumping measure is imposed.
612. The TRA intends to make a final negative determination in respect of the goods concerned originating from the PRC that fall under commodity codes 8429 5210 00 with an operating weight of 80 tonnes and above.
613. The goods concerned subject to the final negative determination are not manufactured by the UK industry and the TRA has determined that these goods have not or are not causing injury to the UK industry.
614. The TRA intends to recommend that the Secretary of State impose an ad-valorem duty for a period of five years on the relevant goods subject to the final affirmative determination.
615. The TRA has determined that it is not appropriate to recommend alternative forms of measures to the Secretary of State. The decision has taken into consideration, the EIT being met, market conditions of excavators, and no alternative forms of measures being proposed by interested parties.
616. In accordance with paragraph 18(6) of Schedule 4 to the Act, the TRA intends to recommend that the Secretary of State impose the lower of the two margins as the anti-dumping duty. Individual margins as well as the residual amount are shown below:



Table 32: Recommended ad-valorem duty rates

	Injury Margin	Dumping Margin	Anti-Dumping Duty
Sampled exporter/ producer			
Liugong Group	59.00%	73.21%	59.00%
Sany Group	66.08%	33.03%	33.03%
Non-sampled co-operating exporter/ producer			
XCMG Group	62.00%	56.24%	56.24%
Sunward	62.00%	56.24%	56.24%
All other overseas exporters/ producers			
Residual margin	86.26%	83.50%	83.50%



Annex A: Interested parties and contributors

The table below lists the information submitted to the TRA by interested parties and contributors to date that form part of its consideration to reach its decisions.

Table 33: List of interested parties and submissions

Interested party	Category	Submissions
China Chamber of Commerce for Import and Export of Machinery and Electronic Products	Trade Body	Pre-sampling questionnaire Contributor questionnaire Comments from CCCME CCCME reply to JCB comments
Dennison Commercials Limited	Contributor	Pre-sampling questionnaire
Fox Group Equipment Sales Limited	Contributor	Pre-sampling questionnaire
Greenshields JCB Limited	Contributor	Pre-sampling questionnaire
Guangxi Liugong Machinery Co., Ltd.	Exporter	Exporter questionnaire
Gunn JCB Limited	Contributor	Pre-sampling questionnaire
Holt JCB Limited	Contributor	Pre-sampling questionnaire
JCB do Brasil Limitada	Contributor	Pre-sampling questionnaire Third Country producer questionnaire
JCB Heavy Products Limited	Applicant	Application Pre-sampling questionnaire Producer questionnaire Comments on submissions and questionnaires Comments on sampling approach Comments on PCNs Response to comments on PCN changes Additional evidence of injury Response to CCCME's submissions



Liugong Changzhou Machinery Co., Limited	Exporter	Pre-sampling questionnaire Exporter questionnaire
Liugong Machinery (UK) Limited	Importer	Pre-sampling questionnaire Importer questionnaire
Liugong Machinery Hong Kong Co Limited	Exporter	Associated company questionnaire
Liuzhou Liugong Excavator Co., Limited	Exporter	Pre-sampling questionnaire Exporter questionnaire
Ministry of Commerce, P.R.C.	Foreign Government	Pre-sampling questionnaire Comments on PMS
Sany Heavy Machinery (UK) Limited	Importer	Pre-sampling questionnaire Importer questionnaire
Sany Heavy Machinery Limited	Exporter	Pre-sampling questionnaire Exporter questionnaire
Scot JCB Limited	Contributor	Pre-sampling questionnaire
Sany Heavy Machinery Co., Limited	Exporter	Pre-sampling questionnaire Exporter questionnaire Comments on PMS and possible representative country Comments on change to PCN structure
Sunward Intelligent Equipment Co., Limited	Exporter	Pre-sampling questionnaire
T. C. Harrison Group Limited	Contributor	Pre-sampling questionnaire
XCMG European Sales and Services GmbH	Exporter	Pre-sampling questionnaire Exporter questionnaire



XCMG Excavator Machinery Co., Limited	Exporter	Pre-sampling questionnaire Exporter questionnaire
XCMG UK Sales and Services Limited	Importer	Pre-sampling questionnaire Importer questionnaire
Xu Zhou Construction Machinery Group Import & Export CO., Limited	Exporter	Pre-sampling questionnaire Exporter questionnaire

Source: [Trade Remedies Service](#) (TRS)