

Statement of Essential Facts

Case TS0036

Transition review of countervailing duties applying to certain pneumatic tyres used for buses or lorries originating in the People's Republic of China (PRC)

27 August 2024

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SECTION A: Introduction

1. 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 the review (see also [SECTION C: Background](#)) and further detail on all aspects are set out in the remaining sections.
2. This SEF sets out the essential facts on which we will base our recommendation. It should be read in conjunction with other public documents available for this case on the [public file](#). The purpose is to set out our intended recommendation, provide interested parties with a summary of the facts considered during this review, and those facts which formed the basis of our intended recommendation. Additionally, we inform interested parties who have supplied information how we have used that information during the review, provide details of the analysis forming the basis of the intended recommendation and allow interested parties to make submissions in response.
3. Interested parties are invited to make submissions within 21 calendar days of the publication date of this SEF, *i.e.* before 23:59 hours British Summer Time on 17 September 2024.¹ We may consider submissions made after this date, but please note that we are not obliged to do so if we believe it would cause an unnecessary delay in the preparation of the final recommendation. Where we reject information for any reason, we will publish our reasons for rejection in our Final Recommendation.
4. Registered interested parties to the case can make any submissions on the [Trade Remedies Service](#) (TRS) online platform. All submissions must be accompanied by a non-confidential version or summary for the [public file](#). In exceptional circumstances it may not be possible to summarise confidential information. If this

¹ See [Regulation 62\(2\) of The Trade Remedies \(Dumping and Subsidisation\) \(EU Exit\) Regulations 2019 \(S.I. 2019/450\) \(as amended\)](#).

is the case, you must provide a 'statement of reasons'.² Those not registered on the TRS may send submissions by email to TS0036@traderemedies.gov.uk.

5. For further guidance and information regarding transition reviews please see our [public guidance](#).

A1. Legal framework

6. This SEF is made pursuant to regulation 62 of the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (S.I. 2019/450) (as amended) ('the D&S Regs.' or 'the Regulations'). It includes:

- the recommendation that the TRA intends to make;
- a summary of the facts considered during the transition review;
- those facts referred to in the summary which formed the basis of our recommendation;
- details of the analysis forming the basis of the intended recommendation; and
- details of how we have used the information supplied by interested parties in making the intended recommendation.

A2. About this review

7. This is a transition review of a United Kingdom (UK) trade remedies measure under regulation 97 of the Regulations. This UK measure gives effect to European Union (EU) Commission Implementing Regulation (EU) 2018/1690 of 9 November 2018.³

² A 'statement of reasons' means a statement setting out the reasons of a person supplying information to the TRA, explaining why summarisation of confidential information is not possible, as defined under [Regulation 45\(6\)\(b\) of the Regulations](#).

³ European Union (EU) Commission Implementing Regulation (EU) 2018/1690 of 9 November 2018 available at: [Implementing regulation - 2018/1690 - EN - EUR-Lex \(europa.eu\)](#)

8. This review concerns an anti-subsidy measure applying to certain pneumatic tyres, new or retreaded, of rubber, of a kind used for buses or lorries and with a load index exceeding 121 originating in the PRC. This review was initiated on 3 May 2023 and the [Notice of Initiation](#) (NoI) was published on that date.

9. The Period of Investigation (PoI) for the review was 1 January 2022 to 31 December 2022. In order to assess injury, we have determined the Injury Period (IP) as being 1 January 2019 until 31 December 2022.

SECTION B: Summary and Findings

B1. Interested parties and contributors

10. This review involves the following cooperating interested parties:

Table 1: Cooperating interested parties

Name	Abbreviation	Country	Category
Bulldog Remoulds Ltd / Bridgestone Europe NV/SA, UK Branch	Bulldog/Bridgestone	UK	Producer
Michelin Tyre PLC	Michelin	UK	Producer
Vaculug Limited	Vaculug	UK	Producer
Bandvulc Tyres Ltd (a Continental AG UK subsidiary)	Bandvulc	UK	Producer
Hankook Tyre UK Ltd.	HKT UK	UK	Importer
Chongqing Hankook Tire Co., Ltd.	CHKT	PRC	Exporter
Jiangsu Hankook Tire Co., Ltd.	JHKT	PRC	Exporter
Shanghai Hankook Tire Sales Co., Ltd.	SHT	PRC	Exporter
Ministry of Commerce of the People's Republic of China	MOFCOM	PRC	Foreign Government
British Tyre Manufacturers' Association	BTMA	UK	Trade Body
China Rubber Industry Association	CRIA	PRC	Trade Body
Imported Tyre Manufacturers Association (The)	ITMA	UK	Trade Body

11. The TRA decided to collapse the following related companies: Shanghai Hankook Tire Sales Co., Ltd; Chongqing Hankook Tire Co., Ltd; and Jiangsu Hankook Tire Co., Ltd. We will refer to this exporter group as the Hankook Group.

12. The following parties registered to the case but did not provide a response to the questionnaire issued to them:

Table 2: Non-cooperative parties

Name	Country	Category
RH Claydon Ltd	UK	Importer
Giti Tire (UK) Ltd.	UK	Importer
Aeolus Tyre Co., Ltd.	PRC	Overseas producer
Hefei Wanli Tire Co.,Ltd.	PRC	Overseas producer
Prinx Chengshan (Shandong) Tire Co., Ltd.	PRC	Overseas producer
Shandong Habilead Rubber Co., Ltd.	PRC	Exporter
Triangle Tyre Co., Ltd	PRC	Exporter
Weifang Shunfuchang Rubber And Plastic Products Co., Ltd.	PRC	Exporter
Shouguang Firemax Tyre Co., Ltd.	PRC	Exporter
Double Coin Group (Chongqing) Tyre Co., Ltd.	PRC	Exporter
Weifang Goldshield Tire Co.,Ltd	PRC	Exporter
Double Coin Group (Jiang Su) Tyre Co., Ltd.	PRC	Exporter
Shandong Yongfeng Tyres Co., Ltd.	PRC	Exporter
Shandong Haohua Tire Co., Ltd.	PRC	Exporter

13. In line with regulation 49 of the Regulations, the TRA has determined that these interested parties are non-cooperative as they failed to cooperate with the investigation. The TRA has determined that these parties have not acted to the best of their ability to cooperate and the request for information was not unreasonably burdensome.

14. The TRA granted anonymity to one interested party which made several submissions to the investigation.

15. Relevant non-confidential submissions are published and available on the [public file](#).

B2. Scope

16. Regulation 99A(2)(a)(ii) of the Regulations makes provision for the TRA to consider, within the conduct of a transition review, whether the goods or the description of the goods to which the countervailing amount is applicable should be varied.
17. The [NoI](#) describes the goods subject to review and sets out the scope of the measure under review as:

Certain pneumatic tyres, new or retreaded, of rubber, of a kind used for buses or lorries, with a load index exceeding 121.

18. Two commodity codes define the scope of the measure. The individual code definitions are fully described in [D3. Scope assessment](#).
19. The TRA received submissions which requested that we review the scope of the measure as UK industry only produces like goods falling under one commodity code. We conducted a scope assessment which concluded that the goods and the description of the goods to which the countervailing amount applies should not be varied in this transition review.

B3. Subsidy⁴

20. In accordance with regulation 99A(1)(a) of the Regulations we assessed whether the importation of the subsidised goods subject to review would be likely to continue or recur if the countervailing amount was no longer applied (the likelihood of subsidised imports assessment).

⁴ See also [SECTION G: Subsidy](#)

21. We determined that it is likely, on the balance of probabilities, that subsidised imports of the goods subject to review would recur if the measure was no longer applied.

B4. Injury⁵

22. In accordance with regulation 99A(1)(b) of the Regulations, we considered whether injury to a UK industry in the relevant goods would be likely to continue or recur if the countervailing amount no longer applied (the likelihood of injury assessment).

23. We determined that it is likely, on the balance of probabilities, that injury would recur if the countervailing amount on the goods subject to review were no longer applied.

B5. Economic Interest Test (EIT)⁶

24. Having considered all evidence gathered, including that presented by interested parties and contributors, and all factors listed in the legislation, we have concluded that the EIT is met for the proposed measure.

B6. Intended Recommendation to the Secretary of State

25. In accordance with regulation 100(1) of the Regulations, the TRA must make a recommendation following a transition review to vary or revoke the application of the countervailing amount to the relevant goods.

26. Our intended recommendation is to vary the application of the countervailing amount under regulation 100A of the Regulations so that it applies to the goods subject to review imported to the UK until 12 November 2028 – that is, five years

⁵ See also [SECTION H: Injury](#)

⁶ See also [SECTION I: Economic Interest Test](#)

subsequent to the date when the measure would have expired (13 November 2023) had no transition review been initiated.

27. As it has been possible to recalculate the countervailing amount, we intend to recommend recalculated rates, under regulation 100A(4)(a) of the Regulations. We have recalculated subsidy and injury margins which have been used to calculate the fixed duties which form our recommended countervailing duties. We have determined the residual rate using facts available as set out in [G3. Determination of residual rate](#).
28. The description of the goods to which the measure applies is set out in [B2. Scope](#). We have not varied the description of goods to which the measure applies. We intend to recommend that the duties specified in Table 3 shall be applied to the goods under the UK tariff codes listed.
29. We intend to make this recommendation on the grounds that we have assessed that it is likely that the importation of the subsidised goods would recur if the measure were no longer applied; we have determined that injury would recur to UK industry if the measure were no longer applied; and that the application of the varied measure meets the EIT.
30. In reaching this intended recommendation, we considered the current and prospective impact of the measure.
31. The rates of duty we intend to recommend are as follows:

Table 3: Intended recommended rates of countervailing duty

Overseas exporter	Duty amount GBP (£) per tyre
Hankook Group (Chongqing Hankook Tire Co., Ltd and Jiangsu Hankook Tire Co., Ltd)	0.00
All other overseas exporters (residual rate)	64.41

SECTION C: Background

C1. Initiation of the transition review

32. The UK chose to maintain certain trade remedy measures once it was outside the EU's common external tariff. The Department for International Trade (DIT) (now the Department for Business and Trade (DBT)) identified which measures were of interest to the UK following a call for evidence.
33. For each of these measures, the Secretary of State for International Trade (now the Secretary of State for Business and Trade) (the Secretary of State) published a Notice of Determination, under regulation 96(1) of the Regulations, setting out the decision to transition the corresponding EU trade remedies measure, and a Taxation Notice, on replacement of EU trade duty. We conduct transition reviews to determine if these measures should be varied or revoked in the UK.
34. On 31 December 2020 the Secretary of State published a [Notice of Determination](#) regarding the countervailing duty on bus and lorry tyres originating in the PRC, noting the decision to transition the EU countervailing measure so it continued to apply in the UK once the UK ceased to apply the EU's Common External Tariff. [Taxation Notice 2020/23](#) gave effect to the transition of the EU countervailing duty on bus and lorry tyres originating in the PRC to become an additional amount of UK import duty.
35. On 3 May 2023, the TRA published an [NoI](#) to initiate a transition review of a UK trade remedies measure relating to bus and lorry tyres originating in the PRC. This NoI had the effect of initiating the transition review.

C2. Previous measures in place

36. The European Commission (EC) imposed countervailing duties on imports of bus and lorry tyres originating in the PRC by [Commission Implementing Regulation \(EU\) 2018/1690 of 9 November 2018](#). This measure was transitioned under Taxation Notice 2020/22 to become the UK trade remedies measure that is subject to this transition review. The EC is conducting an expiry review into the EC measure.⁷

C3. Our transition review process⁸

C3.1 The transitioned measure

37. The EC measure transitioned into UK law and set out in the Taxation Notice took effect as a UK measure on replacement of EU trade duties. Under regulation 97C of the Regulations, this measure will continue until the Secretary of State publishes a notice accepting or rejecting a TRA recommendation to vary or revoke the application of the countervailing amount following the conclusion of this transition review.
38. The transitioned measure applies to bus and lorry tyres from the PRC. The current rates of countervailing duty which apply to the goods subject to review exported by the relevant companies are detailed in [Annex 1: Current countervailing duty rates](#).

C3.2 Information from participants in the review

39. The TRA invited interested parties and contributors to register to participate in the review. [Annex 2: Information from participants in the review](#) contains a summary of information received from all interested parties and contributors. Non-confidential versions of information received can be accessed on our [public file](#).

⁷ [Trade defence investigations \(europa.eu\)](#)

⁸ [Reg 100\(2\)\(b\)\(iii\)](#)

UK producers

40. Four UK producers registered an interest in the case and represented the UK industry. One of those producers, Bandvulc, did not provide detailed information on costs and sales within its questionnaire annex.
41. We are aware of approximately 20 additional producers within the UK industry which are micro-enterprises and SMEs but none of these registered an interest to the case or submitted information.
42. For the purposes of this review, we will consider UK industry as all the producers in the UK of like goods.

PRC exporters

43. 15 PRC companies registered an interest in the case as either exporters or overseas producers.
44. Due to the number of pre-sampling questionnaire responses received during the registration period, with respect to regulation 56(3)(b) of the Regulations, the TRA limited its examination of overseas exporters. The TRA published a [notification of sample](#) on 11 July 2023 that was based on sampling companies which exported the largest volume of the goods subject to review during the PoI.
45. The sampled overseas exporters were:
 - The Hankook Group
 - Shandong Yongfeng Tyres Co Ltd.
 - Shandong Haohua Tire Co Ltd.
46. The Hankook Group submitted questionnaire responses for each company within the group.

47. On 9 August 2023 Shandong Yongfeng Tyres Co Ltd. sent a [letter of withdrawal](#) confirming that it would not participate in the investigation. On 11 August 2023 Shandong Haohua Tire Co Ltd. also submitted a [letter of withdrawal](#) confirming that it would not participate in the investigation.
48. In a [notice](#) published on 15 November 2023, we expanded our sample to include all exporters registered to the case and stated that registered overseas producers of the like goods were also required to submit exporter questionnaire responses. We set a deadline of 15 December 2023 for questionnaire response to be submitted but we received no additional questionnaires by the deadline. As such, we did not limit our examination to a sample of overseas exporters.

Importers

49. Three importers registered their interest in the case.
50. The Hankook Group's related importer, HKT UK, was the only of these three importers to submit a questionnaire response.

Foreign governments

51. The Government of the PRC (GoC) registered its interest in the case through its Ministry of Commerce (MOFCOM). MOFCOM submitted a pre-sampling questionnaire, questionnaire response and additional submission.

Trade bodies

52. Three trade bodies registered an interest in the case. The BTMA represents UK producers and submitted a PSQ and questionnaire response. The ITMA represents imported tyre manufacturers and submitted a PSQ and questionnaire response. CRIA represents PRC producers and exporters. CRIA submitted a PSQ, questionnaire response and three additional submissions to the case.

C3.3 How we have used submitted data

53. Throughout this transition review, we have used submitted data as part of our evidence base upon which we have made our assessments and formed our conclusions. We have compared submitted evidence against the totality of relevant evidence available to us – whether this is evidence submitted by other interested parties; evidence taken from TRA data subscriptions or publicly available data from governmental, industry and other sources.
54. We have also used submitted data to corroborate or gain a level of assurance as to that data itself, or other evidence either submitted to us or gathered by us.

C3.4 Decision to recalculate

55. In line with regulation 99A(2)(a)(i), the TRA considered whether it was appropriate to recalculate the countervailing amount on this case.
56. On 20 December 2023 the TRA published a [notice](#) stating that at that stage of the investigation we did not expect to undertake detailed recalculations of the current countervailing amount.
57. Following the publication of that notice, we conducted verification activity with the one cooperating exporter group and further considered the information available to us. On 30 January 2024, the Hankook Group made an [additional submission](#) highlighting the reasons why, in its view, the TRA should recalculate the duties.
58. On 15 April 2024, after concluding verification activities and establishing that we had the data available to recalculate, the TRA published a [notice](#) stating that we intended to recalculate the countervailing amount. We have now recalculated this amount and our findings are outlined in this SEF.

C3.5 Verification of data

59. We undertook verification activities in relation to the information provided by the cooperating interested parties, during which we assessed the completeness, relevance, and accuracy of that information. We have had regard to the information supplied by the interested parties and contributors, provided that this:

- complied with our statutory obligations and 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.

60. Details of the in-person verification visits and links to the verification reports are below:

Table 4: Company visits and verification reports

Company	Verification Visit	Verification Report
Bulldog/Bridgestone	17 – 19 January 2024	Bulldog/Bridgestone Verification Report
Michelin	11 – 13 December 2023	Michelin Verification Report
Vaculug	15 – 17 January 2024	Vaculug Verification Report
Hankook Group	25 January – 2 February 2024	CHKT Verification Report JHKT Verification Report SHT Verification Report
HKT UK	7 March 2024	HKT UK Verification Report

61. When we refer to verified producers later in this SEF, we are referring to the three domestic producers for which we undertook verification activities:
Bulldog/Bridgestone; Michelin; and Vaculug.

SECTION D: The Goods and Like Goods

D1. Description of the goods

62. 'Goods subject to review' are defined in Regulation 2 of the Regulations as "the goods described in the notice of initiation of a review under paragraph 1 of Schedule 3."

63. The goods subject to review in this transition review are defined in the Nol as:

Certain pneumatic tyres, new or retreaded, of rubber, of a kind used for buses or lorries, with a load index exceeding 121.

D2. Like goods

64. 'Like goods' in this transition review are defined in relation to 'goods' under paragraph 7 of Schedule 4 to Part 1 of the Taxation (Cross-border Trade) Act 2018 as :

(a) goods which are like those goods in all respects, or

(b) if there are no such goods, goods which, although not alike in all respects, have characteristics closely resembling those of the goods in question.

D3. Scope assessment

65. Two commodity codes are covered by the measure. These are:

- 40 11 20 90 00 – New pneumatic tyres, of rubber of a kind used on buses and lorries with a load index exceeding 121;
- 40 12 12 00 10 – Retreaded tyres, of a kind used on buses or lorries with a load index exceeding 121.

66. Regulation 99A(2)(a)(ii) of the Regulations makes provision for the TRA to consider, within the conduct of a transition review, whether the goods or the description of the goods to which a countervailing amount applies should be varied.
67. In its questionnaire response, CRIA requested that new tyres should be removed from scope.⁹ We also received submissions from the Hankook Group requesting that the TRA excludes “multi-life” tyres from the product scope.¹⁰ Similarly, one domestic producer, Vaculug, requested that the scope of the investigation be limited to non-retreadable tyres only.¹¹
68. We confirmed that UK industry only produces like goods falling under the following commodity code:
- 40 12 12 00 10 - Retreaded tyres, of a kind used on buses or lorries with a load index exceeding 121.
69. We therefore assessed whether there were sufficient grounds to vary the scope by removing the commodity code for which we determined that there is currently no UK production, namely:
- 40 11 20 90 00 – New pneumatic tyres, of rubber of a kind used on buses and lorries with a load index exceeding 121.
70. In the Period of Investigation (2022), there were 173,442 new tyres (40112090) imported into the UK from the PRC and **zero** retreaded tyres (40121200). Since 2000, only **0.04%** of PRC imports of the goods subject to review were classified as retreaded. Similarly, when considering total PRC exports of the two commodity

⁹ [TS0036 CRIA Questionnaire Response](#) – page 9

¹⁰ [TS0036 Hankook - Product exclusion request](#)

¹¹ [TS0036 Vaculug Pre-Sampling Questionnaire](#) – page 11

codes globally since 2000, only **0.08%** were retreads.¹² Therefore, if the TRA were to remove new tyres from the scope of this review, it would almost certainly result in a recommendation to remove all measures as there would be negligible levels of imports to the UK and no likelihood of injury to domestic industry. This is not a factor that impacted the following scope assessment.

D3.1 Relationship between the goods subject to review and the like goods manufactured in the domestic market

D3.1.1 Physical, chemical and technical characteristics

71. When a tyre is worn or damaged to the extent that it is no longer usable as a tyre, it becomes a casing. Casings can then be considered for retreading. Around 85% of a retreaded tyre is made up of a casing.¹³ It follows that the physical characteristics and chemical makeup of a casing are the same as a new tyre except for the wear it has suffered through use.

72. There are two common retreading processes, hot and cold curing:

In the cold cure process a pre-cured tread strip moulded with the new tread pattern is bonded onto the prepared casing using a thin veneer of rubber compound. In the hot cure process a layer of new uncured rubber compound is applied to the prepared casing.¹⁴

73. In an additional submission on product scope, an anonymous interested party said that that “[a]lthough the chemical make-up of tyre rubber compounds can vary depending on usage and quality, it does not depend on whether the tyre is new or retreaded”.¹⁵ This statement is reasonable as we know that in both retreading methods outlined above, a rubber compound, which is similar to the original tyre

¹² [UN Comtrade](#) – six-digit HS codes 401120 & 401212. Accessed 16/07/2024.

¹³ [Retreading - The British Tyre Manufacturers' Association \(BTMA\) \(btmauk.com\)](#)

¹⁴ [How a retread is made - The British Tyre Manufacturers' Association \(BTMA\) \(btmauk.com\)](#)

¹⁵ [TS0036 240220 Anonymous submission in response to CRIA Hankook and GOC](#) – page 5

material, is added to the casing to replace the material that has worn away. Therefore, the materials that constitute a retreaded tyre are essentially the same as a new tyre.

74. In its questionnaire response, BTMA stated that “[t]yres are physically highly interchangeable due to international standardisation of dimensions, wheel rim types, etc. This has resulted in a truly global market for tyres”.¹⁶
75. In terms of appearance, CRIA described how new tyres are in pristine condition with new tread design whereas retreads typically have minor imperfections, albeit with identical tread designs to the original tyre.¹⁷ Several producers of retreaded tyres assert that it is difficult to differentiate a new tyre from a retreaded tyre.¹⁸ Our research suggests that the extent to which there are any differences in appearance may depend on the nature of the retreading production process. The appearance of a retreaded tyre produced using the hot-cured process is likely to be more akin to a new tyre than one produced through the cold-cure process because the sidewalls in the hot process have also been replaced with fresh rubber.¹⁹ Despite this, any differences are likely to be minimal and both products clearly share the same shape, size and colour.
76. In terms of technical characteristics, all tyres within scope are subject to extensive European and international regulations and it is illegal to sell any tyre in the UK without the required “E-mark” on the sidewall issued by a certified authority.²⁰ Retreaded bus and lorry tyres sold in the UK must adhere to UN ECE Regulation 109 which outlines the requirements for retreaded tyres to be fitted to commercial vehicles and their trailers.²¹ Similarly, across the UK and Europe, new truck tyres

¹⁶ [TS0036 BTMA Questionnaire Response](#) – page 8

¹⁷ [TS0036 CRIA Presentation TRA 19 April 2024](#) – slide 17

¹⁸ [Retread Myths in Trucking Whitepaper | MICHELIN COMMERCIAL \(michelinman.com\)](#) & [Retread Myths – Bandag SA](#)

¹⁹ [All about retreads \(transportengineer.org.uk\)](#) &

[Blowing hot and cold on tyre retreads | Article | Motor Transport](#)

²⁰ [BTMA-Tyre-Management-on-Heavy-Vehicles-Booklet.pdf \(btmauk.com\)](#)

²¹ [109r1e \(unece.org\)](#)

have to pass the same tests under UN ECE Regulation 54.²² There is additional legislation and guidance related to the condition and maintenance of tyres within scope but this is largely focused at vehicle operators rather than producers so not relevant for this assessment.

77. Based on the analysis above, we can conclude that the domestically produced like goods (retreaded tyres) and goods subject to review (principally new tyres) are alike in terms of their physical, chemical and technical characteristics.

D3.1.2 Production process

78. The production process (retreading) for the UK-produced like goods is different to the production process for new tyres.

Retreading

79. The main input for the UK-produced like goods (a casing) has previously undergone the same production process as a new tyre. The process to turn a casing into a retreaded tyre involves a number of steps:
- Inspection – this is to ascertain the degree of wear and damage to the casing and to assess whether the tyre can be retreaded. This inspection includes physical and visual inspection, x-ray inspection and shearographic inspection. A damaged casing is only retreaded if it can first be repaired by the retreader.
 - Repair – once assessed as suitable for retreading, the casing then typically undergoes a repair stage. This includes scarfing rubber from damaged areas and applying new rubber to reform the shape and integrity of the casing.
 - Preparation – once repaired, the casing is prepared for the application of the new tread. This entails removing the remaining old tread and preparing the surface of the casing so that it is suitable to attach the new rubber tread to.
 - Application of new tread – there are two methods for doing this:

²² [TS0036 240220 Anonymous submission in response to CRIA Hankook and GOC](#) – page 5

- The hot method entails applying raw rubber to the casing and then placing this in a high temperature and pressurised mould to cure the new rubber onto the casing with a new tread moulded into it.
- The cold method entails attaching a precured strip of tread onto the casing.
- It is only this stage where anything significant is added to the tyre. The new rubber making up about 15% of the finished product material.
- Inspection and testing – the retreaded tyres go through rigorous testing and inspection similar to that which is required for new tyres.

New tyres

80. The Hankook Group described the new tyre production process as comprised of eight stages:²³

- Mixing / Refining process: In the mixing process, raw materials and secondary materials are inputted and mixed to produce the rubber for the tyre as a compound.
- Extrusion process: In the extrusion process, mixed rubber produced in the mixing process is inputted for production of the tread (i.e., the part of the tyre that makes contact with the ground) and the sidewall.
- Beading process: Steel wires are coated with the rubber compound to produce beads. They are used to fix the tyre onto the wheel.
- Rolling (Calendering) process: In the rolling process, textile cords and steel cords to be inserted in the space between the tread and inner rubber are produced.
- Cutting process: The material produced in the rolling process and extrusion process is cut according to the specifications needed for the finished goods.
- Building process: The components produced from the above processes are assembled to produce cylindrical green tyres.

²³ [TS0036 Jiangsu Hankook Questionnaire Response](#) – page 40

- Curing (Molding) process: In the curing process, the tyre is strengthened (enhancing the quality of the product). In addition, branding and specifications etc. are added.
- Inspection: Lastly, the finished goods are inspected.

D3.2 Interchangeability and competitiveness

D3.2.1 Purpose/end use

81. Retreaded and new tyres have the same end use – both are fitted as tyres to buses or lorries. As discussed above, retreaded tyres must comply with UN ECE Regulation 109 which permits them to be fitted to commercial vehicles like new tyres. Retreaded tyres are claimed by their manufacturers to perform to the same standard as new tyres in terms of mileage, grip and road noise.
82. As a result of industry convention, companies advise against fitting a retreaded tyre to a front steering axle.²⁴ BTMA says that this was “born out of historical prudence before the introduction of present-day non-destructive testing methods”.²⁵ Nevertheless, we understand this remains common practice in the UK market and it is reflected in the reported sales of domestic producers where no retreaded “front” tyre sales are recorded.

D3.2.2 Channels of distribution, markets and customers

83. CRIA stated that the main customers of new tyres are specialised dealers and new bus or truck manufacturers whereas retreaded tyres are sold to transportation firms or automobile service companies.²⁶

²⁴ [Retread tyre Technologies | MICHELIN Commercial tyres United Kingdom](#)

²⁵ [BTMA-Tyre-Management-on-Heavy-Vehicles-Booklet.pdf \(btmauk.com\)](#)

²⁶ [TD0035-TS0036 - CRIA written comments](#) – page 11

84. We have seen no evidence of Chinese tyres being provided to new bus or lorry manufacturers in the UK as CRIA suggested. Retreads account for approximately one third of the UK replacement bus and lorry tyre market with the rest made up of purchases of new tyres.²⁷ Questionnaire responses from Hankook UK and the three domestic producers indicate that new and retreaded tyres are both sold to a mix of wholesalers, retailers and end-users. This suggests that retreaded tyres are supplied to the same types of customers as new tyres and, except for steering position tyres, compete directly with new tyres in the UK market. When making purchasing decisions, bus and lorry operators will consider: initial price; cost per mile; and other factors such as fuel efficiency, durability and sustainability.²⁸
85. Any new tyre sold into the UK market could potentially be suitable for retreading and could be sold as a UK-produced retreaded tyre in future, i.e., the goods subject to review have the potential to become the main input for the domestically produced like goods. Vaculug and Hankook UK have an agreement for Vaculug to produce Hankook Alphatread tyres (Hankook’s retread brand) using Hankook casings and sell back to Hankook UK for wider distribution.²⁹ This highlights the links between the goods as well as the circular nature of the industry.
86. Michelin and BTMA have described how many major commercial vehicle fleets adopt a four-life tyre policy which offers an avenue for both new tyre and retread sales. In this approach, a high-quality new tyre is initially purchased and then subsequently regrooved, retreaded and regrooved again to give it “four lives”. Producers claim this offers better overall performance and value than purchasing a standard “single-life” tyre which cannot be retreaded or regrooved. For economic and environmental reasons, this is likely to be an attractive policy for large fleet operators and many of these companies may choose to implement this by buying from larger retreaders (such as those participating in our investigation) which offer a range of high-quality, imported new tyres, as well as retreads.

²⁷ [TS0036 BTMA Questionnaire Response](#) – page 8

²⁸ [TS0036 240220 Anonymous submission in response to CRIA Hankook and GOC](#) – page 4

²⁹ [Hankook and Vaculug partner up for Hankook’s retreading business in UK and Ireland \(hankooktire-mediacycenter.com\)](#)

87. BTMA has also highlighted that SME retreaders (none of which have participated in our investigation) often rely on smaller hauliers and this is where the choice of buying either a UK-produced retread or a low-cost, single-use new tyre is likely to be most apparent.³⁰

D3.2.3 Quality

88. In the original investigation, the EC divided the Union market for bus and lorry tyres into three tiers:³¹

- Tier 1 - premium new tyres with the flagship brand of main manufacturers.
- Tier 2 - most non-premium tyres, both new and retreaded tyres, with prices and mileage performances ranging between approximately 65% and 80% of the price of tier 1 tyres.
- Tier 3 - both new and retreaded tyres with lower mileage performances and very limited retreadability.

89. We have found that these tiers, or similar classifications such as *budget*, *mid-range* and *premium*, are commonly used within the tyre industry. Whilst these terms are associated with differences in quality and performance which impact the price of tyres, there is no precise definition of what makes a particular brand or tyre fit within a certain category. It is also clear that brand perception and marketing play a role in this too rather than it being an objective classification based solely on quality. The BTMA says that the tier system is mainly for commercial convenience and has no technical basis.

Quality of new tyres

90. The one cooperating exporter in our investigation, the Hankook Group, has provided evidence that it is now recognised as a top tier bus and lorry tyre brand

³⁰ [TS0036 BTMA Questionnaire Response](#) – page 11

³¹ [Commission Implementing Regulation \(EU\) 2018/1690 of 9 November 2018](#) – paragraphs 86 - 91

by the European Tyre & Rubber Manufacturers' Association (ETRMA).³² We also know that Hankook tyres are retreaded in the UK by at least one UK producer, Vaculug.

91. The Hankook Group argues that the TRA should divide the UK market into two groups: “multi-life” and “single-life” tyres. The company highlights that many Chinese producers of the goods subject to review only produce single-life tyres.

Table 5: Segmentation of the UK tyre market by brand³³

	New tyres	Retreaded tyres
Premium brands manufacturing multi-life tyres	Bridgestone, Continental, Goodyear, Hankook, Michelin, Pirelli	N/A
Non-premium brands manufacturing single-life tyres	Aeolus, Apollo, Avon, BFGoodrich, Cooper, Firestone, Fulda, Formula, Giti, Kenda, Kormoran, Mitas, Nordman Semperit, Sava, Taurus, Uniroyal, Yokohama, Athos Autogrip, Aurora, Barum Dayton, Double Coin, Debica, Double Star Evergreen, Fullrun, Goodride, Jinyu, Kelly, Leao, Matador, Ovation, Primewell, Riken, Roadwing, Tigar, Toledo, Torque, Triangle, Westlake	Bandag, ContiRe, Michelin Remix, Goodyear (recure, UniCircle), Pirelli R, Vaculug, Treadmax, Bandag, ContiTread, Encore, Kraiburg, Laurent Retread, Newlife, Recamic, Ringtread, PRL, Unitread, NexTread

³² [TS0036 Hankook Tyre UK Questionnaire Response](#) – page 29

³³ [TS0036 Hankook - Product exclusion request](#) – page 3

92. Various other parties highlighted that there are many Chinese tyre producers which produce low cost, single-use tyres. Michelin said that although some of these tyres are labelled as regroovable, there are no specific instructions on how to do this and the casing is often not of sufficient quality for retreading.³⁴
93. In its pre-sampling questionnaire response, Vaculug claimed that whether a tyre could be retreaded or not was determined by the under-tread thickness of the rubber.³⁵ Through discussions with the UK's Vehicle Certification Authority (VCA) we confirmed that although individual retreaders do have their own criteria as to what they consider acceptable to retread, the VCA only certifies their retreading process and that theoretically any tyre which has an E marking (which denotes compliance with UN ECE regulations) could be retreaded. There is no formal undertread thickness check as part of the certification process.
94. It is clear from our research and submissions to the investigations that new tyres vary in quality and performance. It is likely that some brands' tyres are more likely to be suitable for retreading than others. However, we have concluded that there is no practical way to determine if a tyre is retreadable at the point of import. It is only retreaders, after careful inspection of a casing, that can ultimately judge if a casing is suitable to be retreaded.

Quality of retreads

95. BTMA and domestic producers claim that retreaded tyres are made to the same level of quality and performance specification as new tyres. On the other hand, CRIA state that the durability and lifespan of retreaded tyres are less than new tyres. CRIA also suggests that consumer perception of retreaded tyres is different to new tyres regarding quality and safety.³⁶

³⁴ [TS0036 Michelin Questionnaire Response](#) – page 21

³⁵ [TS0036 Vaculug Pre-Sampling Questionnaire](#) – page 13

³⁶ [TD0035-TS0036 - CRIA written comments](#) – page 11

96. In the original investigation, the EC accepted that some customers may perceive that retreaded tyres have a shorter lifespan or are considered less safe, but the same perception exists when comparing tyres across the tiers. The EC said that tier 3 tyres have lower mileage and may not be the preferred option for vehicles that need to comply to very high safety standards.³⁷
97. In terms of our own research, we have not seen any evidence that retreads are less safe than new tyres. We discussed earlier how both new and retreaded tyres sold in the UK must adhere to the relevant regulations and are subject to the same testing requirements which ensure they are safe to use. Indeed, a Bridgestone and Highways England study concluded that retreads were no more likely to fail than new tyres.³⁸ We have also found that the marketing materials of many producers are keen to dispel myths regarding the safety and performance of retreaded tyres.³⁹ Compared to single-use new tyres, retreaded tyres also have an environmental benefit which may be seen as an attractive quality to customers.

D3.3 Scope assessment conclusion

98. We have established that UK industry only produces retreaded tyres and the vast majority of the goods subject to review imported into the UK are new tyres. There are clear differences in the production processes.
99. We have concluded that both new and retreaded tyres share the same physical, chemical and technical characteristics. Some consumers may perceive that retreaded tyres have a shorter lifespan or are less safe than premium new tyres, but that same perception exists when comparing new tyres across the tiers.
100. We have found that new and retreaded tyres share similar channels of distribution and customers in the UK market with retreaded tyres directly competing against

³⁷ [Commission Implementing Regulation \(EU\) 2018/1690 of 9 November 2018](#) – paragraph 106

³⁸ [Bridgestone/Highways England tyre debris study results \(transportengineer.org.uk\)](#)

³⁹ [Retread Myths in Trucking Whitepaper | MICHELIN COMMERCIAL \(michelinman.com\)](#) & [Retread Myths – Bandag SA](#)

new tyres. This competition is particularly apparent when consumers are faced with a choice between a retreaded tyre and a budget, tier 3 new tyre. Importantly, both new tyres and retreads have the same end use – they are fitted as tyres to buses or lorries.

101. Regarding the argument that the scope of the investigation should be limited to single-use new tyres with multi-life tyres removed, we acknowledge that this would be an attractive option which would potentially provide a supply of quality tyres into the UK market whilst continuing to protect domestic industry against unfairly traded imports. However, we have concluded that there is no practical way to determine whether a tyre is retreadable at the point of import and therefore this is not an option we can pursue.

102. The only significant difference between new tyres and retreaded tyres sold in the UK market relates to the production process. On all other factors, retreaded tyres have characteristics closely resembling those of new tyres. Therefore we have decided not to vary the goods or the description of the goods in this transition review. Accordingly, the description of the goods remains unaltered from that detailed in the Nol.

SECTION E: The UK Industry and Market

E1. Overview

103. [D3. Scope assessment](#) has explored key aspects of the UK industry and market so this section will present a short overview and refer back to relevant analysis.
104. UK industry is comprised of the four UK producers registered to this review and, according to the BTMA, over 20 smaller retreaders across the UK.⁴⁰ BTMA claim the retreading sector supports over 5,500 UK jobs and contributes £230 million to the UK economy ever year.
105. We are aware of 77 businesses which imported the goods subject to review into the UK in the Pol.

E2. Production process

106. The production process used by UK producers to retread tyres is different to the process for producing new tyres. The retreading process is outlined in [D3.1.2 Production process](#).
107. As explained in this previous section, there are two different commonly used retread production processes. These two processes, hot curing and cold curing, are both used within the UK industry. The cold cure process is typically operated on smaller scales by micro-enterprises and SMEs, offering production flexibility and less need for initial investment. The hot cure process requires greater initial investment in equipment, but in the long term offers lower unit production cost and greater production output; this process is generally used by larger enterprises.

⁴⁰ <https://btmauk.com/retreading/sector-profile/> - date of access 01 August 2024

108. BTMA estimates that plants operating the hot cure process account for over 65% of UK production.⁴¹ All four domestic producers registered to the review operate the hot cure retreading process. One of these producers additionally produces cold cure retreads. We understand there to be approximately 20 smaller-scale UK producers, not registered to the review, operating the cold cure process.

E3. Market size and structure

109. Channels of distribution, markets, and customers were discussed in [D3.2 Interchangeability and competitiveness](#). This will be expanded on briefly here.

110. We estimate that UK producers have a market share of around 80% of the total sales of retreaded tyres and of around 34% of the total sales of all tyres (new and retreaded).

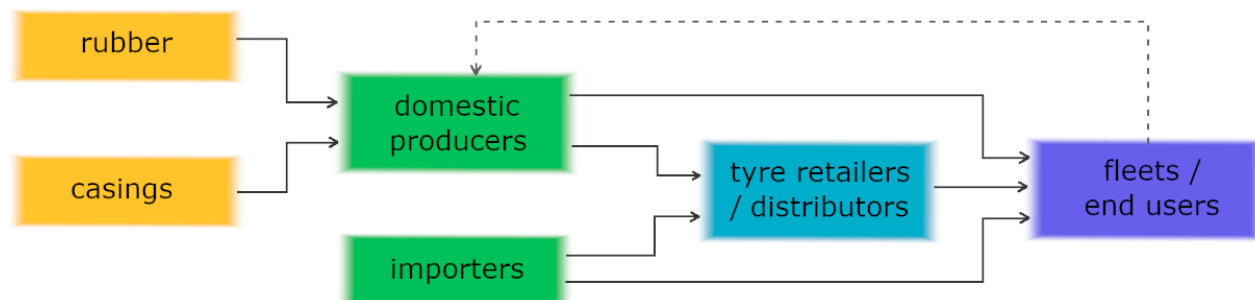
111. The UK market for bus and lorry tyres comprises a variety of different businesses. As will be discussed further in [SECTION I: Economic Interest Test](#), we are aware of over 400 businesses in the UK which have purchased bus and lorry tyres during the injury period; these include a mixture of retailers and fleet operators. The types of fleets range from HGVs for long-distance motorway transport to inner city buses, with fleet sizes ranging from a handful of vehicles up to fleets in excess of 1,000 vehicles.

112. We understand that smaller fleet operators' purchases are often made more reactively in response to need, and typically driven strongly by price. Meanwhile, larger fleet operators typically have long term contracts with suppliers. These ongoing contracts generally operate on a multi-life approach, where tyres are supplied, regrooved, and retreaded as part of an ongoing service.

⁴¹ [Sector Profile - The British Tyre Manufacturers' Association \(BTMA\)](#); date of access 02 August 2024

113. The supply chain for bus and lorry tyres is shown in Figure 1 below. The major inputs for domestic production of retreaded tyres are rubber and casings. Domestic producers and importers supply tyres to retailers and distributors, as well as making direct sales to end users such as truck fleets.

Figure 1: Supply chain for bus and lorry tyres



114. The dashed line in Figure 1, directed from end users back to domestic producers, illustrates the return of used casings – this may be done via a casing collection company. These can then be used as an input for the production of further retreaded tyres. As discussed in [D3.2 Interchangeability and competitiveness](#), only casings from tyres of sufficient quality may be used in the production of retreads; casings from cheaper, “single life”, used tyres would not be used by domestic producers as a production input.

E4. Market trends

115. Domestic demand for bus and lorry tyres, as well as domestic production, sales, and market share across the injury period, are discussed further in [H2.2 The current state of the UK industry](#).

116. Neither domestic production or sales have seen significant changes over this period, and the estimated market share held by domestic producers of the like goods has held approximately constant. Domestic demand saw some fluctuations, which are understood to have related to the COVID-19 pandemic, but there was no

overall trend towards either increasing or decreasing demand

117. The questionnaire responses received from domestic producers suggest that the UK industry was in decline prior to the introduction of the measures. This is corroborated by the closure of two Michelin UK sites before the measures were introduced and will be discussed further in [H2.3 Historic injury data](#).

118. We do not have sufficient information to reliably forecast future market trends. The best indication we have is that demand has shown no trend upwards or downwards across the injury period, which would indicate that significant changes in the near future are unlikely.

E5. Competition in the market

119. The tyre market are often segmented into three tiers based on perceived quality of different brands (see [D3.2.3 Quality](#)).

120. In [D3.2.2 Channels of distribution, markets and customers](#) we described how retreads account for approximately one third of the UK replacement bus and lorry tyre market with the rest made up of purchases of new tyres. Parties have stated that there is particular competition between UK-produced retreaded tyres and imported low-cost, single-use new tyres on the UK market.

SECTION F: Analysis of imports of the goods subject to review

F1. The significance of an analysis of the imports

121. It is well established within the bus and lorry tyre industry that the market is segmented into three tiers, representing three levels of different quality and price point of the product. We outlined these tiers in [D3.2 Interchangeability and competitiveness](#), with tier 1, or premium, tyres having the highest quality and price point, and tier 3, or budget, tyres having the lowest quality and price.
122. As discussed in [D3.2 Interchangeability and competitiveness](#), differences between the tiers are not completely physical or tangible. Some determining factors, such as quality of materials and brand recognition, are not possible to capture within a Product Control Number (PCN) structure.
123. Before the existing measures were introduced, the European investigation found that a significant proportion of imports of the goods subject to review fell into the tier 3, or ‘budget tyre’, category.⁴²
124. The Hankook Group’s tyres were classified as tier 1, or premium, in the original European investigation. HKT UK has stated in its questionnaire response that the “Hankook Group is recognized as a top tier producer by ETRMA [the European Tyre and Rubber Manufacturers’ Association]”.⁴³ We have been able to corroborate that this same classification as tier 1 applies within Europe from January 2024. We therefore consider the classification of the Hankook Group’s tyres as tier 1, or ‘premium’, to remain the same.

⁴² [Commission Regulation 2018/1690 of 9 November 2018](#)

⁴³ [TS0036 Hankook UK Questionnaire Response](#) – page 29

125. Since the only cooperating exporters in this review are from the Hankook Group, all available transaction level exporter sales data relates to tier 1 tyres.
126. In light of the findings of the European investigation, as well as the information submitted by other exporters in PSQ responses, we do not expect the Hankook Group to be representative of the wider PRC industry.
127. The differences between imported tyres from the Hankook Group and imported tyres from other Chinese manufacturers will be relevant to the analysis in both [G1. Likelihood of subsidy assessment](#) and [H2. Likelihood of injury assessment](#), especially if we see evidence that revocation of the measures would be expected to lead to increased levels of imports from other tyre manufacturers in the PRC.

F2. Injury period import analysis

128. We downloaded import data from HMRC, for all years from 2000 onwards, for imports under the two eight-digit commodity codes 40112090 and 40121200 from the PRC.⁴⁴ Taken together, these two commodity codes exactly comprise all goods that fall in the scope of the review.
129. The HMRC data includes the import value (CIF price in GBP) and import volume (in tyres) by month. This information can be used to calculate the total sales value and volume of all imports of the goods subject to review per year, for each year in the injury period. Average price per tyre (£/tyre) for each year may then be calculated by dividing the total import value for that year by the total import volume.
130. Each of the two Hankook Group exporters has submitted its total sales volume (in tyres) and total sales value (CIF price in CNY) of exports to the UK for each year in the injury period. We have used the average yearly exchange rates published by

⁴⁴ [HMRC UK Trade Info website](#) – data downloaded 4 March 2024

HMRC to convert the sales value for each year from CNY into GBP.⁴⁵ Again, this data may be used to calculate an average price per tyre (£/tyre).

131. The information contained within these two sets of data enables us to compare the volume and the average price of imports of the goods subject to review from the Hankook Group and imports from the rest of the PRC across the injury period.

132. Table 6 below shows the percentage of imports of the goods subject to review that were Hankook Group imports for each year in the injury period, and the difference for each year between the average price of Hankook Group imports and the average price of all other imports from the PRC. Since the Hankook Group data is confidential, the values in this table are all presented as ranges.

Table 6: Comparison of imports of the goods subject to review from the Hankook Group and the rest of the PRC across the injury period

	2019	2020	2021	Pol
Hankook Group % of total PRC import volume	50-65%	50-65%	65-80%	60-75%
Price difference between Hankook Group and other imports (£/tyre)	45-55	30-40	90-100	65-75

Source: HMRC import data; Hankook Group questionnaire responses

133. The data in Table 6 shows that Hankook Group tyres accounted for more than half of all imports of the goods subject to review for all years in the injury period.

134. This data also shows that, for all years in the injury period, Hankook brand tyres were imported at a higher average price than other brands.

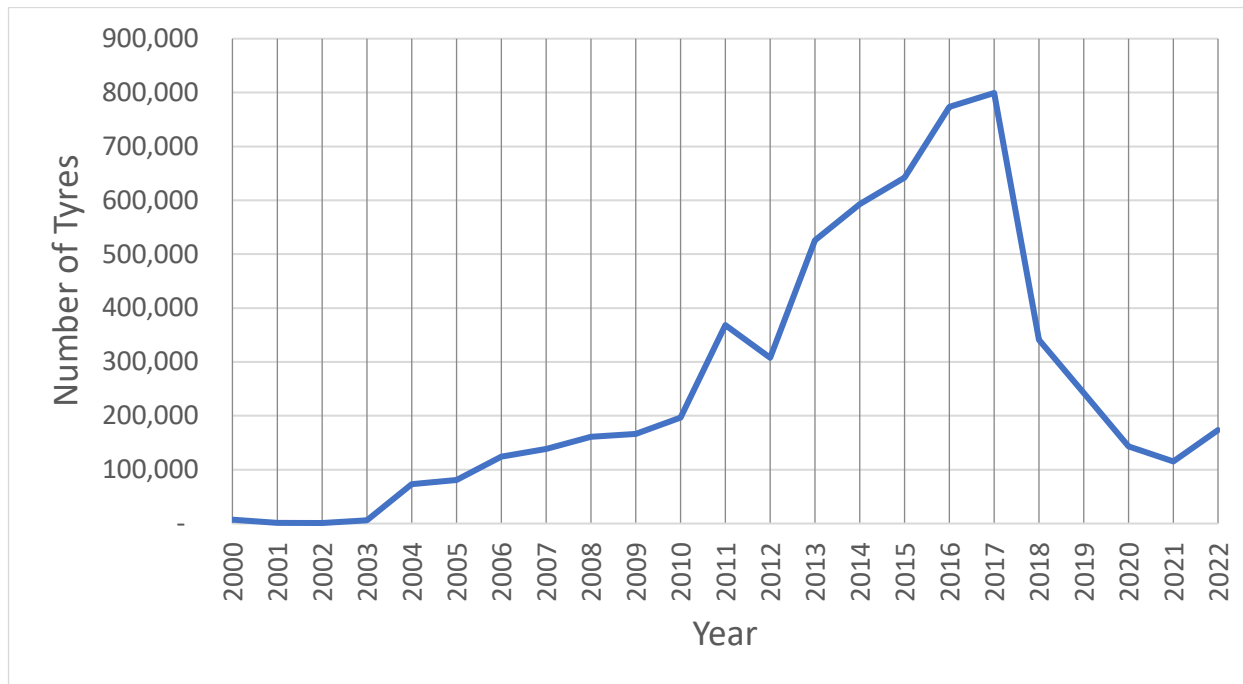
⁴⁵ [HMRC currency exchange average rates](#) – date of access 4 March 2024; 2019 data taken from [national archives](#) - date of access 4 March 2024.

135. Since imports from the Hankook Group accounted for more than 50% of the imports by volume represented in the HMRC data, it is necessary to subtract out the Hankook Group's tyres from this data in order to draw meaningful conclusions on imports of the goods subject to review from all other manufacturers.
136. This price differences shown in Table 6 are in line with the findings of the European investigation, in which Hankook Group tyres were classified as tier 1 while other PRC exporters were generally classified as tier 3.
137. The analysis presented here draws attention to a fact that is important to keep in mind throughout the likelihood analyses presented in [G1. Likelihood of subsidy assessment](#) and [H2. Likelihood of injury assessment](#): that the Hankook Group is not reflective of the wider PRC industry for the goods subject to review.

F3. Historic import analysis

138. The injury period for this transition review is 1 January 2019 – 31 December 2022. Since the European anti-dumping and countervailing measures came into effect on 4 May 2018, these duties have been in place for the entirety of the injury period.
139. It is therefore instructive to look back at imports of the goods subject to review from before the measures came into force and compare this against imports during the injury period when the measures were in place. This enables insight into what effect the measures had on imports of the goods subject to review, and what would be reasonable to expect if these measures were removed.
140. Figure 2 below shows the import volume of the goods subject to review, measured in number of tyres, for each year since 2000. The data used is the same HMRC import data described in [F2. Injury period import analysis](#) .

Figure 2: Graph showing import volume of the goods subject to review from 2000-2022

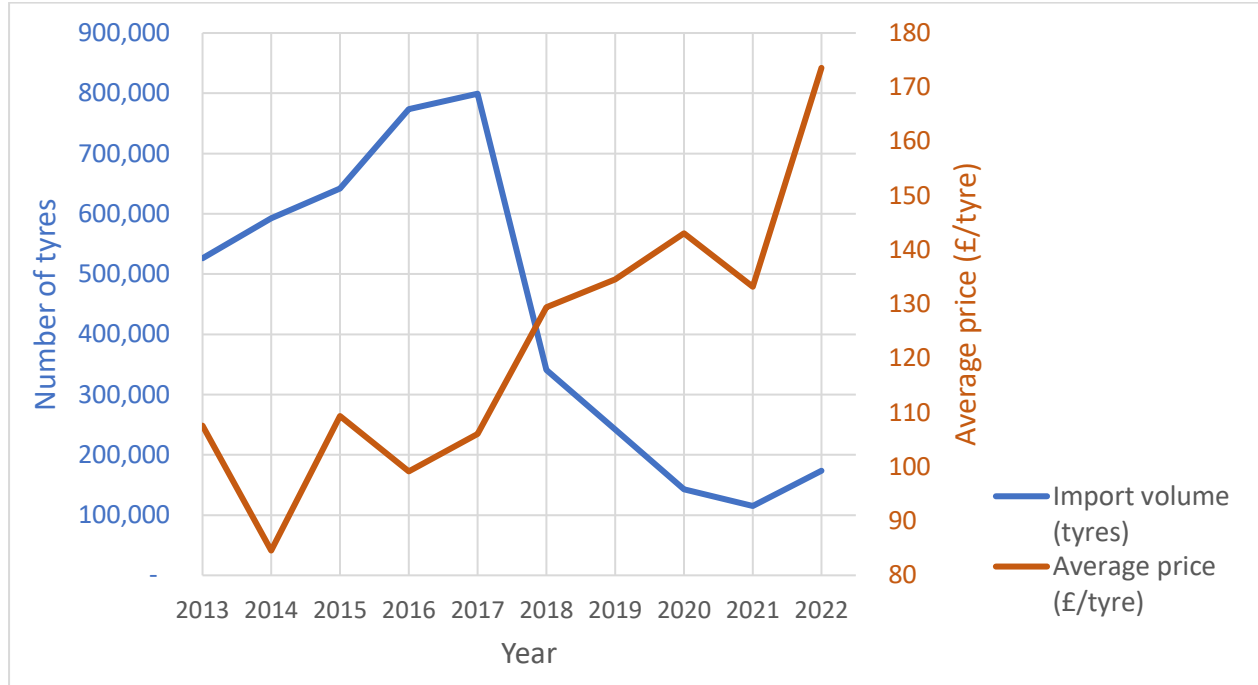


141. There was a rise in import volume from 2003 onwards. After 2010, this rise in import volume became steeper. Imports reached a peak in 2017 of approximately 800,000 tyres, or four times the number of tyres imported in 2010.

142. In 2018, the year in which the original measures were introduced, import volume of the goods subject to review decreased by more than half, before decreasing further during the injury period with a minimum of approximately 115,000 tyres in 2021.

143. The import volume and average price per tyre of the goods subject to review during the few years before and after the introduction of the original measures are of particular interest. Figure 3 below shows the import volume (number of tyres) and average price (£/tyre) for imports of the goods subject to review from 2013, five years before the measures were introduced, until the Pol.

Figure 3: Graph showing import volume and average price for the goods subject to review from 2013-2022



144. As discussed in reference to Figure 2, there was a clear decrease in the number of tyres imported from 2017 to 2018, when the measures were introduced.

145. Figure 3 additionally shows that this coincided with an increase in the average price of the imported goods. From 2013-2017 the average price per tyre fluctuated between £89 and £109, showing no overall trend. In 2018, the average price rose to £129, and continued to increase throughout the injury period.

146. The price effect seen in 2018 could correspond to an increase in price of the imported goods in response to the new tariffs – i.e. the same types of tyres being imported but now at higher unit prices. Alternatively, it could correspond to a shift in the product mix of imports of the goods subject to review, with a greater proportion of premium, or tier 1, tyres and a lesser proportion of budget, tier 3, tyres.

147. To better understand the effect, it is relevant to consider that the EC made the choice to implement the original measures as fixed duties. A fixed duty amount per tyre imported has a greater impact on cheaper tyres, because the cheaper the tyre, the greater the fraction of the tyre's sales value that is paid as duty. Such a measure would therefore be expected to decrease the volume of imports of cheaper, tier 3, tyres.
148. The EC countervailing report⁴⁶ shows that this form of measure was deliberately chosen with the aim of discouraging tier 3 imports. It states that “an *ad valorem* duty creates an incentive for a company to sell its lower end of its product mix” and that “an *ad valorem* duty could also lead to fairly high amounts in the high price tier of tier 1 and tier 2 tyres. Here, the risk is that such high-quality tyres could become too expensive, although it is exactly those tyres which may be beneficial to the Union retreading business.” The comment relating to the retreading business is particularly significant for UK industry, which consists solely of retreaders.
149. With the EC measure in mind, it is reasonable to infer that a significant part of the effects seen in 2018 were due to a shift towards exports of higher value goods. When the measures were introduced, the behaviour of PRC exporters, taken collectively, was seen to change.
150. When later considering the likelihood of recurrence of subsidised imports or injury, should the measures be revoked, this change in behaviour with the introduction of the measures is important to keep in mind.
151. From the PRC exporters and overseas producers which registered to the reviews, we know that there are numerous Chinese manufacturers producing tier 3 tyres that are still operational. Therefore, it is reasonable to expect that revocation of the measures could reverse the change in behaviour seen with their introduction. That

⁴⁶ [Commission Regulation 2018/1690 of 9 November 2018](#)

is, it is possible that these tier 3 tyre manufacturers would begin to export to the UK in larger quantities again without the deterrent of the fixed duty measures.

SECTION G: Subsidy

152. This section has been split into four subsections that fulfil different aspects of this review. Section G1 has assessed the likelihood that the importation of the subsidised goods subject to review would continue or recur if the measure were removed in accordance with regulation 99A(1). Section G2 has recalculated the individual subsidy amount of the Hankook Group in accordance with regulation 99A(2). Section G3 has determined a residual rate in accordance with regulation 38(3). Finally, section G4 has stated the TRA approach to ensure we avoid double remedies with the parallel case TD0035.

153. These subsidy assessments have used the definition of subsidy in paragraph 3(3) of Schedule 4 to the Taxation (Cross-border Trade) Act 2018 (“the Act”).⁴⁷ This defines a subsidy where either:

- a) a financial contribution by a foreign authority which confers a benefit; or
- b) a form of income or price support within the meaning of Article XVI of the General Agreement on Tariffs and Trade 1994 (part of Annex 1A to the WTO Agreement) received from a foreign authority which confers a benefit.⁴⁸

154. We have also used the definition in paragraph 3(2) of Schedule 4 of the Act that a subsidy is countervailable if it is specific and is granted either directly or indirectly for the manufacture, production, export, or transport of goods throughout these assessments.

⁴⁷ [The Taxation \(Cross-border Trade\) Act 2018](#) – Accessed 02/08/24

⁴⁸ [TEXT OF ARTICLE XVI AND INTERPRETATIVE NOTE AD ARTICLE XVI](#)

G1. Likelihood of subsidy assessment

155. In accordance with regulations 99A(1)(a) of the Regulations, we have assessed the likelihood that the importation of the subsidised goods subject to review would continue or recur if the measures were no longer applied. In doing so, and in conjunction with our consideration of the EIT, we have also had regard to the current and prospective impact of the countervailing amount, as required under regulation 100A(2)(b) of the Regulations.

156. We have considered the likelihood of the importation of subsidised goods on a countrywide basis, rather than an exporter-by-exporter basis, because we do not consider the single cooperating exporter as representative of the PRC tyre industry. The country level assessment has considered:

- Whether countervailable subsidy programmes are in place or likely to be put in place;
- Whether there was continued importation of subsidised goods;
- Exports of subsidised goods to third markets;
- The attractiveness of the UK market;
- Whether exporters have previously circumvented or absorbed measures; and
- Any other relevant factors.

157. We conducted this assessment of the bus and lorry tyre market to inform our determination as to whether the measure should be varied or revoked. We conducted the assessment of the likelihood of subsidised imports of the goods subject to review continuing or recurring on the balance of probabilities.

G1.1 Likelihood of continued subsidy in the PRC bus and lorry tyre market

158. The TRA have considered the likelihood that countervailable subsidies have continued in the PRC. This was done by determining whether each type of subsidy

found in the EC investigation likely continues to have financial contributions made by a foreign authority, benefits continue to be conferred, and the relevant subsidy programmes continue to be specific to products within scope of this review.

159. Within this assessment on the countervailability of subsidy programmes, we have assessed whether it is likely that the following types of subsidies that were found to be countervailable in the EC investigation continue to be countervailable:

- Preferential finance
- Preferential export credit insurance
- Grants
- Foregone revenue through direct and indirect taxation and import tariff exemption and reduction programmes
- Government provision of goods and services for less than adequate remuneration (LTAR)

160. These assessments were done in accordance with regulations 20, 21, and 22, applying regulation 99C.

G1.1.1 Preferential finance

G1.1.1.1 Financial contribution by a foreign authority

161. We have found evidence indicating that the Government of China (GoC) has significant influence over the provision of loans in the PRC with the goal of supporting industrial policy. We have found that all large banks that provided loans to the tyre producers sampled in the EC investigation are majority state-owned or have state owned institutions owning at least 30% of the shares in each bank, which has provided control over the appointment of individuals to important positions and gave influence over the decision making of the PRC banks. We consider it likely that these institutions were directed by the GoC to fulfil its industrial policies through the provision of preferential finance to encouraged industries.

162. We have found several laws compel financial institutions to act in the interests of the GoC to advance industrial policy. *The Company Law of the PRC* states in chapter one article 14 that all companies must “strengthen the construction of socialist culture and ideology and accept supervision of the government and the public”.⁴⁹ *The Law of the PRC on Commercial Banks* states in chapter 4 article 34 that “a commercial bank shall conduct its loan business in accordance with the need for the development of the national economy and social progress and under the guidance of the state industrial policy”.⁵⁰ *The General rules on loans* of the PRC Central Bank states in chapter one article 15 that “to promote the development of certain industries and regional economies, relevant departments may grant interest discounts for loans pursuant to state policies”.⁵¹ We also consider it likely that private financial institutions operating within the PRC were entrusted and directed by the GoC in a similar way to state owned banks, as demonstrated in 2022 when HSBC created a CCP committee in its Chinese investment banking subsidiary⁵² and the EC investigation found that loan rates provided by private financial institutions were similar and partially overlap with the rates provided by state owned financial institutions. We have therefore determined that there is no significant distinction between the direction provided by the GoC towards private or state-owned institutions regarding the provision of preferential finance in the PRC, which further indicates that the provision of preferential finance in the PRC is influenced by the GoC.
163. The EC investigation determined that China National Tire Group and Xingyuan Group benefited from preferential bonds. Both companies were given favourable interest rates despite adverse financial indicators such as generating losses during 2016 and 2017 that would otherwise result in less favourable terms for the bonds under market conditions. *The securities law of the PRC* states in article 16 that public issuances of corporate bonds must “comply with the industrial policies of the

⁴⁹ [The Company Law of the PRC](#), chapter one, article 14, accessed 02/08/2024

⁵⁰ [The Law of the PRC on Commercial Banks](#), chapter four, article 34, accessed 02/08/2024

⁵¹ [General rules on loans](#), The State Council of the PRC, chapter one, article 15, accessed 02/08/2024

⁵² [HSBC installs Communist party committee in Chinese investment bank](#), The Financial Times, accessed 02/08/2024

state”, that “the yield rate of bonds not surpassing the level of interest qualified by the state council”, and “meet any other requirements as prescribed by the state council”,⁵³ which describes a non-market mechanism that can be used by the GoC to provide preferential bonds to targeted industries. Article 17 of the securities law also outlines that all public issuances of corporate bonds require authorisation from the state council or the securities regulatory authority under the state council,⁵⁴ further indicating that bonds are directed by the GoC. We have therefore determined that it is likely that preferential bonds have continued to be provided under the direction of the GoC.

164. The EC investigation found that the China National Tire Group (CNRC) received significant financial support when it purchased a 65% stake in Pirelli tyres in November 2015 in the form of grants, loans, refunds, equity participation via the Silk Road Fund, and services for less than adequate remuneration. We have found news sources confirming that this purchase took place⁵⁵ and shareholder agreements indicating that CNRC continues to own Pirelli shares.⁵⁶ This support was found by the EC investigation as contingent on improved export performance and was provided by state-owned entities under the direction of the GoC. The subsidy amount was calculated based on a seven-year amortisation, which means that the amortised benefit extends into the Pol of this review. We consider it likely that this government support towards foreign investment is ongoing. This support requires opportunities for international investment, so despite there being no instance international investment of this scale since the EC investigation we have determined it is likely that support for foreign investment from the GoC continues to be accessible to tyre producers in the PRC.

⁵³ [Securities Law of the People's Republic of China](#), chapter 2, article 16, accessed 02/08/2024

⁵⁴ [Securities Law of the People's Republic of China](#), chapter 2, article 17, accessed 02/08/2024

⁵⁵ [THE MERGER PLAN BY ABSORPTION OF MARCO POLO INDUSTRIAL HOLDING INTO PIRELLI APPROVED BY THE RESPECTIVE BOARDS OF DIRECTORS](#), Pirelli & C.S.p.A, accessed 02/08/2024

⁵⁶ [Shareholders agreements](#), Pirelli & C.S.p.A., Essential information pursuant to art. 130 CR 11971/99, page one, accessed 02/08/2024

G1.1.1.2 Conferring a benefit

165. The EC investigation found that state owned banks made loans to all sampled exporters during its period of investigation. During this transition review, the Hankook Group was the only fully cooperative exporter and therefore we have no submissions indicating that the GoC no longer exerts influence over financial institutions that provide preferential loans or bonds to tyre manufacturers. We therefore consider it likely that these preferential loans and bonds have continued and are likely to continue in the future.

166. The benefit received by CNRC from foreign investment support as determined by the EC investigation was specific to a purchase made in 2015, and no submissions or independent research has identified instances of foreign investment by PRC tyre manufacturers during this investigation. However, the foreign investment in Pirelli has loans investment terms which likely extend into the PoI as the original loan terms last seven years and the Silk Road Fund equity participation likely has an investment term of seven to ten years based on the average investment term of the organisation.⁵⁷ Pirelli has continued the shareholder agreements with PRC state owned enterprises including China National Chemical Corporation Limited, China National Tire & Rubber Corporation Ltd, and CNRC International (Hong Kong) Limited as outlined in the 2022 Pirelli renewal of shareholder agreements⁵⁸. We consider it likely that PRC tyre manufacturers continue to receive a benefit from the support to foreign investments and that the GoC is likely to support future foreign investments with the intention of boosting export performance.

G1.1.1.3 Specificity

167. *The Notice of the Ministry of Science and Technology, the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs on the Issuance of the 2006 Edition of the "China High-tech Products Export*

⁵⁷ [The Silk Road Fund Begins Operations: An Interview with Zhou Xiaochuan](#), accessed 02/08/2024

⁵⁸ [Shareholders agreements](#), Essential information pursuant to art. 130 CR 11971/99, page one, accessed 02/08/2024

Catalogue" states that commodity code 401120 (New Pneumatic tyres of a kind used on buses or lorries) were considered a high-tech export industry,⁵⁹ which entitles it to subsidies reserved specifically for high tech industries. Similarly, *the China High-tech Products Catalogue* states that radial tires (code 06040015) were in the highest priority level for support,⁶⁰ and *the Catalogue for Guiding Industry Restructuring* stated in 2024 that "High performance radial tires using green technology" are in the encouraged category.⁶¹ This allows eligibility for numerous benefits including credit assistance and support from financial institutions as outlined in *The Temporary Provisions on Promoting Industrial Structure Adjustment*⁶² and in the article *China's 2024 Catalogue for Guiding Industry Restructuring*.⁶³ These catalogues all suggest that the radial tyres industry is an encouraged industry within industrial policy, and the *Temporary Provisions On Promoting Industrial Structure Adjustment* outlines that banking supervision should be used to ensure preferential finance supports industrial planning and benefits encouraged industries. We have therefore determined that it is likely that preferential finance specifically benefits the goods subject to review and is therefore a specific subsidy.

G1.1.1.4 Conclusion on countervailability

168. We have determined that it is likely that the GoC has continued to offer financial contributions from state-owned banks or banks directed by the GoC to comply with national industrial policy in the form of preferential finance. We have received no submissions that indicate that these conferred benefits have stopped since the EC investigation. We have also found significant evidence suggesting that these policies providing preferential finance are specific to the tyre industry as they are prioritised for support as a high-tech industry.

⁵⁹ [Notice of the Ministry of Science and Technology, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on the Issuance of the 2006 Edition of the "China High-tech Products Export Catalogue"](#), serial number 328, accessed 02/08/2024

⁶⁰ [China High-tech Products Catalogue](#), referenced and implementation outlined in [Notice on Issuing the 2006 Edition of China's High-tech Products Export Catalogue](#) with ongoing validity, accessed 02/08/2024

⁶¹ [Order of the National Development and Reform Commission of the People's Republic of China](#), page 25, accessed 02/08/2024

⁶² [TEMPORARY PROVISIONS ON PROMOTING INDUSTRIAL STRUCTURE ADJUSTMENT](#), Chapter three, accessed 02/08/2024

⁶³ [China's 2024 Catalogue for Guiding Industry Restructuring](#), China Briefing, accessed 02/08/2024

169. Having fulfilled all necessary criteria, we have determined that it is likely that the preferential finance identified during the EC investigation are ongoing and continue to be countervailable.

G1.1.2 Preferential export credit insurance

G1.1.2.1 Financial contribution by a foreign authority

170. Export credit insurance is primarily provided in the PRC by the China Export & Credit Insurance Corporation, commonly known as “Sinosure”.⁶⁴ It is a self-declared fully state-owned organisation, and therefore the GoC can direct its activities to provide contributions to targeted industries.

171. The article *The Ministry of Commerce and China Export & Credit Insurance Corporation jointly issued a notice on export credit insurance to support high-quality development of trade* outlines the use of low-cost export credit insurance to support the development of foreign trade.⁶⁵ This allows exporting producers in the PRC to gain the benefit of export credit insurance at a lower cost than what would otherwise be incurred at a market rate, which is a contribution by a foreign authority.

G1.1.2.2 Conferring a benefit

172. The TRA has not received evidence to indicate that the China National Tire Group and Xingyuan Group no longer receive the preferential terms for export credit insurance identified during the EC investigation. Sinosure remains a state-owned organisation with a clear mission statement to “implement the decisions and requirements of the state.” We therefore consider it likely that the provision of

⁶⁴ [China Export & Credit Insurance Corporation annual report 2022](#), accessed 02/08/2024

⁶⁵ [The Ministry of Commerce and China Export & Credit Insurance Corporation jointly issued a notice on export credit insurance to support high-quality development of trade](#), Ministry of Commerce of the PRC, accessed 02/08/2024

preferential bonds under the direction of the GoC has continued and is likely to continue.

G1.1.2.3 Specificity

173. As export credit insurance is only applied to exported products, the benefit of preferential export credit insurance is inherently export contingent as the more product that is exported the greater the subsidy benefit received. In accordance with regulation 22(2)(a)(ii), this means that export credit insurance is a subsidy that is specifically contingent upon export performance.

G1.1.2.4 Conclusion on countervailability

174. We have determined that it is likely that the GoC has continued to offer financial contributions from state-owned banks or banks entrusted by the GoC to comply with national industrial policy in the form of preferential finance. We have received no submissions that indicate that the previously identified conferred benefits have stopped since the EC investigation. We have also found evidence suggesting that these policies providing preferential finance are specific to the tyre industry as they are prioritised for support as a high-tech industry.

175. Having fulfilled all necessary criteria, we have determined that it is likely that the preferential export credit insurance subsidies identified during the EC investigation are ongoing and continue to be countervailable.

G1.1.3 Grants

G1.1.3.1 Financial contribution by a foreign authority

176. The EC investigation does not disclose specific grant programmes within its final determination. We also have found that most grant programmes exist for a limited timespan and are unlikely to remain accessible between the initial investigation

and this transition review. However, we have identified several publications that indicate that the types and frequency of grants found within the EC investigation have not changed significantly.

177. We have identified several GoC publications outlining the widespread use of grants that the tyre industry could utilise, including *Order of the President of the People's Republic of China No. 54* which amended the Law of the PRC on the Promotion of Cleaner Production to further emphasise grant programmes to support environmentally friendly production of products,⁶⁶ the notice on *Opinions on Completely, Accurately and Comprehensively Implementing the New Development Concept and Doing a Good Job of Carbon Neutrality at Peak Carbon*⁶⁷ in 2021 details that grants supporting environmental policy will continue to be available to businesses,⁶⁷ and in 2022 the GoC have developed the green product certification to award additional business support to businesses as reported by the China Tire Business Network.⁶⁸ These grants promote energy saving, conservation, technological upgrades, renovations, or transformations, suggesting that these types of grant programmes found during the EC investigation remain common within the PRC bus and lorry tyre market.

178. The Hankook group reported that it received grants during the PoI and continued to receive additional grants in 2023. We have received no submissions indicating that other PRC tyre producers no longer have access to grant programmes. We therefore consider it likely that grants continue to be accessible to PRC tyre producers.

⁶⁶ [Law of the People's Republic of China on the Promotion of Cleaner Production, Order No. 54 of the President of the People's Republic of China](#), The Ministry of Ecology and Environment of the People's Republic of China, accessed 05/08/2024

⁶⁷ [Opinions of the CPC Central Committee and the State Council on fully and accurately implementing the new development concept and doing a good job in carbon peak and carbon neutrality](#), Central People's Government of the People's Republic of China, accessed 05/08/2024

⁶⁸ [These wheel companies have obtained green product certification](#), Tirechina.net, Tire Business Network, accessed 05/08/2024

G1.1.3.2 Conferring a benefit

179. The Hankook Group has submitted grant programme information for its companies Hankook JHT and Hankook CHT which produce the goods subject to review. The recalculation of subsidy amount is outlined in [G2.2 Grants](#).

180. We have not received any submissions or found any information while researching indicating that the utilisation of grants on an industry-wide level has reduced since the EC investigation Pol. We have therefore determined that it is likely that the subsidy benefit conferred by grants has continued at a similar rate to that found in the EC investigation.

G1.1.3.3 Specificity

181. The Hankook Group has provided the grant document outlining the terms of each grant it benefited from during the Pol, each of which outlines the specific reason that Hankook was eligible for each loan. All grants were determined to be specific due to the grants being applicable only to organisations operating in specific regions, conducting specific activities, or incurred when purchasing of specific items such as capital or production inputs. These grants are all either explicitly specific towards certain enterprises, industries, or geographical regions in line with regulation 22(2)(a).

182. Similarly, the EC investigation determined that all grants are specific as defined by EC regulations since only companies operating in key technologies or in the production of tyres were eligible for grants. This was also based on publications from the state council and the Ministry of Industry and Information Technology (MIIT) such as the Industrial Green Development Plan (2016-2020),⁶⁹ which have since released further press releases such as China details plan to boost industrial energy efficiency in 2022 stating that there is a continued focus on promoting energy efficiency the petrochemical industry, which includes tyres through the use

⁶⁹ [Industrial Green Development Plan \(2016-2020\)](#), National Development and Reform Commission, accessed 05/08/2024

of rubber.⁷⁰ This indicates that grant programmes used by other tyre producers that have not participated in our review are likely to remain specific as industrial focus has remained on the tyre industry and promoting energy saving, conservation, technological upgrades, and other green programmes.

G1.1.3.4 Conclusion on countervailability

183. We have determined that it is likely that the GoC has continued to offer financial contributions in the form of grants for similar programmes to those found in the EC investigation. As part of the recalculation of the Hankook Group's individual margin we found that the margin contribution has increased from 0.06% to 0.38%, and we have received no submissions that indicate that the conferred benefits to noncooperative parties have changed significantly across the industry since the previous investigation. We have also found significant evidence suggesting that policies providing grants to the Hankook Group are specific and that it is likely that the grants provided to other tyre producers in the PRC have continued to be specific based on consistent industrial strategy and communication from the State Council and MIIT.

184. Having fulfilled all necessary criteria, we have determined that it is likely that the availability of grant programmes identified during the EC investigation is similar to the availability of grant programmes and these programmes continue to be countervailable.

G1.1.4 Foregone revenue through direct and indirect taxation and import tariff exemption and reduction programmes

G1.1.4.1 Financial contribution by a foreign authority

185. There are several programmes that reduce the amount of tax liability of the enterprise income tax of 25% (as defined within article 4 of the Law of the People's

⁷⁰ [China details plan to boost industrial energy efficiency](#), The State Council of the PRC, accessed on 05/08/2024

Republic of China on Enterprise Income Tax)⁷¹. Article 28 of the same law states that “high and new technology enterprise that needs key support by the State, the tax levied on its income shall be reduced at a rate of 15 per cent”, and several PRC tyre producers including Shandong Linglong Tire Co Ltd⁷² and Double Star Dongfeng Tire Co⁷³ have reported in their annual accounts that they benefited from this programme. Shandong Linglong also state that this assessment is valid for three years and it assesses this will be renewed into the future, providing precedence that this programme is likely to continue.

186. The duty drawback scheme identified during the EC investigation that is defined in chapter one article three of the Measures of the Customs of the People's Republic of China for the Supervision of Goods under Processing Trade has not been modified or altered since the EC investigation and is therefore likely ongoing.⁷⁴ This reduces the cost of import duties for the raw material input of rubber and constitutes a benefit conferred to tyre manufactures by the GoC. As the PRC had an 85% dependence on rubber imports in 2022 as reported by Sina News in 2023,⁷⁵ this subsidy is likely to continue to be beneficial to PRC tyre manufactures for the foreseeable future.

187. The VAT and import tariff exemptions found within the EC investigation that constitute the entirety of identified foregone indirect tax benefit is outlined in the Notice of the National Development and Reform Commission on Issues Concerning the Handling of the Confirmation Letter for Domestic and Foreign Investment Projects Encouraged by the State⁷⁶ and the Notice on the Confirmation of Domestic and Foreign Investment Projects Encouraged by the State which states that the 2006 policy is still in effect for foreign investments of less than \$30

⁷¹ [Law of the People's Republic of China on Enterprise Income Tax](#), Article 4, accessed on 09/08/2024

⁷² [Shandong Linglong tire annual report 2021](#), accessed 09/08/2024

⁷³ [Double Star Annual Report 2022](#), accessed 20/08/2024

⁷⁴ [Measures of the Customs of the People's Republic of China for the Supervision of Goods under Processing Trade](#), Central People's Government of the PRC, accessed 09/08/2024

⁷⁵ [Natural rubber | China's import volume increased year-on-year in 2022, but supply pressure remains](#), Sina Finance, accessed 09/08/2024

⁷⁶ [Notice of the National Development and Reform Commission on Issues Concerning the Handling of the Confirmation Letter for Domestic and Foreign Investment Projects Encouraged by the State \(NDRC\) No. 316 2006](#), Zhengzhou Vious Foreign Investment Service Centre, accessed 09/08/2024

million USD.⁷⁷ These state that certain capital investments are exempt from custom duties and import VAT, and it was found during the EC investigation that all sampled companies benefited from these policies. We have received no submissions or identified any evidence through research that these policies have been discontinued or are likely to be discontinued in the future.

G1.1.4.2 Conferring a benefit

188. The Hankook Group has submitted evidence that it has benefited from programmes allowing it to have reduced liability to certain direct and indirect taxes. The countervailability assessment of these programmes is outlined in [G2.3 Preferential tax programmes](#). This indicates that tyre manufacturers have continued to benefit from reduced rates of direct taxation during the PoI and are likely to continue to benefit from polices in the future.

189. Other direct tax reduction policies found within the EC investigation were reductions to corporate tax due to research and development (R&D) expenditure in high-tech industries, land-use tax exemptions, and local tax refunds. The local tax refund subsidy was found to only affect the Hankook Group, and as the programme is no longer in effect and we have verified that there is no benefit attributable to the PoI, there is no more benefit from this programme. The R&D expenditure and land-use tax exemptions benefited only the Giti group, and we have found and received no evidence suggesting that these programmes have been discontinued or that the Giti group has stopped receiving benefits from them. We therefore have determined that there are no longer any local tax refunds that benefit tyre producers in the PRC, but it is likely that corporate tax reductions conditional on R&D expenditure and land-use tax exemptions continue to confer a benefit to PRC producers of tyres.

⁷⁷ [Notice on Optimizing the Handling of the "Confirmation Letter for Domestic and Foreign Investment Projects Encouraged by the State" for Foreign Investment Projects \(Fagai Waizi \[2021\] No. 368\)](#), National Development and Reform Commission, accessed 09/08/2024

190. The duty drawback programmes of VAT and import duties for imported equipment and technology contributed between 0.04% and 0.13% to subsidy amounts for each sampled party during the EC investigation. We have calculated that Hankook continued to benefit duty drawback programmes during the Pol, and this is outlined in [G2.4 Tariff and VAT exemptions](#). We have not received or identified any evidence in our research of this programme indicating that any other PRC producers of tyres no longer receive a benefit from duty drawback programmes, so we have determined that it is likely that this benefit has continued.
191. A duty drawback scheme for rubber was found to provide a countervailable subsidy to all sampled exporters except for the Hankook Group during the EC investigation. We have received no submissions and found no information indicating that the process of import duty drawback on rubber has changed, or that the excessive drawbacks that the subsidy benefit was derived from has stopped since the EC investigation. We therefore consider it likely that other tyre producers in the PRC have continued to be conferred this benefit and will continue to benefit from it in the future.

G1.1.4.3 Specificity

192. The Hankook Group submitted all preferential tax programmes it benefited from during the Pol. The assessment of the specificity of these programmes is outlined in [G2.3 Preferential tax programmes](#).
193. We have determined that tyres likely continue to be defined as a high-tech industry in the PRC as stated in the Notice of the Ministry of Science and Technology, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on the Issuance of the 2006 Edition of the "China High-tech Products Export Catalogue",⁷⁸ the China High-tech Products Catalogue,⁷⁹ and

⁷⁸ [Notice of the Ministry of Science and Technology, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on the Issuance of the 2006 Edition of the "China High-tech Products Export Catalogue"](#), Ministry of Commerce of the PRC, accessed 02/08/2024

⁷⁹ [China High-tech Products Catalogue](#), referenced and implementation outlined in [Notice on Issuing the 2006 Edition of China's High-tech Products Export Catalogue](#) with ongoing validity, accessed 02/08/2024

the Catalogue for Guiding Industry Restructuring,⁸⁰ and the preferential tax programmes bound to specific land parcels and localities are likely to remain covered by geographic specificity. We therefore have determined it is likely that all preferential taxes included in the EC investigation's final margin remain specific.

194. We consider that the import and VAT exceptions for imported technology found within the EC investigation continue to be specific as the exceptions are limited to only specific encouraged industries or those defined by GoC curated catalogues, and as tyres likely remains an encouraged industry these subsidies remain specific to the tyres industry.

G1.1.4.4 Conclusion on countervailability

195. We have determined that it is likely that the GoC has continued to offer financial contributions in the form of preferential tax programmes and import duty or VAT exemption programmes that were found in the EC investigation. We have received no submissions that indicate that the subsidy benefits conferred to noncooperative parties has changed significantly since the previous investigation. We have determined that it is likely that the preferential tax programmes and import duty or VAT exemption programmes used by non-cooperating parties that were found to during the EC investigation have continued to be specific. The relevant subsidy programmes submitted by the Hankook Group are discussed in [G2.3 Preferential tax programmes](#) and [G2.4 Tariff and VAT exemptions](#), of which we have identified that several subsidy programmes are countervailable.

196. Having fulfilled all necessary criteria, we have determined that it is likely that the preferential tax programmes and import duty or VAT exemption programmes identified during the EC investigation are ongoing and these programmes continue to be countervailable.

⁸⁰ ["Guidelines for Industrial Restructuring \(2024 Edition\)" Order No. 7 of 2023, National Development and Reform Commission](#), accessed 09/08/2024

G1.1.5 Government provision of goods and services for less than adequate remuneration (LTAR)

G1.1.5.1 Financial contribution by a foreign authority

197. The management of land within the PRC is managed by the GoC and article 10 of the Constitution of the PRC states in law that no land can be privately owned and that “the state may, in order to meet the demands of the public interest and in accordance with the provisions of law, expropriate or requisition land and furnish compensation”⁸¹. The bidding process is outlined in PRC law “Provisions on the Transfer of State-owned Construction Land Use Rights through Bidding, Auction and Listing” which states in article 2 that all participants within the bidding process must be invited by the GoC transferor managing the sale of land-use rights for new construction projects⁸², which enables the GoC to effectively control the auction process by controlling attendance. Article five and six of the provisions outlines that government institutions determine the use conditions, transfer method and terms of the land, which allows the targeted allocation of land-use rights to support central planning of industrial development. Finally, article ten outlines that the government also determines a reserve price for the land-use right that must not be lower than the minimum price standard prescribed by the state, showing further state influence within the provision of land-use rights. These GoC releases demonstrate that the GoC has significant control and influence over the provision of land in the PRC and the process for allocating land-use rights is not done under free market conditions.

198. The EC investigation found that the Hankook Group and the Giti group received refunds on the initial land-use right agreement, the Xinyuan Group had not yet paid all land-use rights it was utilising, and the China National Tire Group had negotiated it would delay payment for some land-use rights until several years

⁸¹ [Constitution of the People's Republic of China](#), The State Council of the PRC, accessed 09/08/2024

⁸² [Order of the Ministry of Land and Resources of the People's Republic of China](#), Central People's Government of the PRC, accessed 09/08/2024

after the land was put into use, indicating that additional subsidy benefits are possible and frequently used after the allocation of land.

199. We also consider it likely that energy providers within the PRC are influenced by the GoC to advance industrial policy and provide benefits to encouraged industries like tyre producers. The Hankook Group has stated in its submissions that it purchased electricity from state owned institutions part of the State Grid Corporation of China.⁸³ We have also found that multiple regulations demonstrate that the GoC has significant influence over the running and goals of energy providers in the PRC, such as The National Development and Reform Commission and the National Energy Administration jointly issued policies to actively promote market-oriented electricity trading and further improve the trading mechanism which states that the electricity market will support industrial and commercial users,⁸⁴ the *Notice of the National Development and Reform Commission on fully liberalizing the power generation and consumption plans of commercial power users* which states that power users that are categorised for elimination or restriction in the “Guidelines for Industrial Structure Adjustment” will receive differentiated pricing from other power users which demonstrates industrial policy implemented through energy provision,⁸⁵ and the *Notice of the Development and Reform Commission of Guangdong Province on further deepening the reform of electricity prices in our province* which demonstrates the influence regional governments have over energy pricing policy in order to align with industrial policies.⁸⁶

200. The EC investigation found that energy was provided to large industrial users via direct purchasing contacts between power generators and users, including China National Tire Group, the Giti Group, and the Hankook Group. We have been able

⁸³ [Organization - State Grid Corporation of China](#), accessed 09/08/2024

⁸⁴ [The National Development and Reform Commission and the National Energy Administration jointly issued policies to actively promote market-based electricity transactions and further improve the trading mechanism](#), Central People’s Government of the PRC, accessed 09/08/2024

⁸⁵ [Notice of the National Development and Reform Commission on fully liberalizing the power generation and consumption plans of commercial power users](#), Central People’s Government of the PRC, accessed 09/08/2024

⁸⁶ [Notice of the Guangdong Provincial Development and Reform Commission on further deepening the reform of electricity prices in our province](#), Guangdong Provincial Development and Reform Commission, accessed 09/08/2024

to verify that the Hankook Group has continued to receive electricity via this agreement, so we consider it likely that all other users have continued to procure power on the same basis as was found during the previous investigation. In all these direct contracts found by the EC, the agreed price for electricity was lower than the fixed energy prices set at the provisional level for other large industrial clients, and the difference was found to be effectively a financial contribution by a foreign authority.

G1.1.5.2 Conferring a benefit

201. The Hankook Group has submitted land-use right and energy use information for its companies Hankook JHKT and Hankook CHKT which produce the goods subject to review. The recalculation of subsidy amount is outlined in [G2](#).

[Recalculation of the subsidy amount for cooperating exporters](#).

202. We have received no evidence from any tyre producers in the PRC that indicate they no longer benefit from land-use rights or energy provision for LTAR. Land use contracts are agreed over long timespans of over 10 years and we have found no information suggesting that the electricity procurement structure found during the EC investigation has changed, so we find it likely that the confirmed benefits from land-use rights and electricity for LTAR have continued since the EC investigation.

G1.1.5.3 Specificity

203. The subsidy benefits provided by the GoC in the form of land-use rights and energy provision at LTAR is specific to the tyre industry, as outlined in the Temporary Provisions on Promoting Industrial Structure Adjustment.⁸⁷ This publication from the state council of the PRC states that “All relevant administrative departments shall speed up the formulation and amendment of policies on [...] land, import and export etc., effectively intensify the coordination and cooperation with industrial policies, and further improve and promote the policy system on

⁸⁷ [TEMPORARY PROVISIONS ON PROMOTING INDUSTRIAL STRUCTURE ADJUSTMENT](#), State Council of the PRC, accessed 12/08/2024

industrial structure adjustment. The people's governments of all provinces, autonomous regions, and municipalities directly under the Central Government, the relevant administrative departments of [...], state land resources, [...], electric power supervision, [...] shall establish and improve the mechanism of organization and coordination, supervision and inspection for the industrial structure adjustment work, perform their respective duties, cooperate with each other closely, form a resultant force, and effectively intensify the effectiveness of implementing industrial policies". This provision is then guided by the "Catalogue for Guiding Industry Restructuring", which has been updated in 2011,⁸⁸ 2013,⁸⁹ 2019,⁹⁰ and 2024⁹¹ indicating that this remains an active part of industrial policy. These catalogues all include tyres as a guided industry within each respective catalogue, most recently in 2024 it was included as point 10 of "petrochemicals and chemicals" on page 25. *The Notice of the State Council on Issuing "Made in China 2025"* also states that the state council of the PRC will "support *The Notice of the State Council on Issuing "Made in China 2025"* also states that the state council of the PRC will "support key industries, [...] and promote the development of industries such as steel, petrochemicals, [...] to the high end of the value chain",⁹² and given that the "Catalogue for Guiding Industry Restructuring" categorises tyres as a petrochemical product this further increases the likelihood that tyres remains a guided industry. We therefore have determined that the subsidy benefit from land-use rights and energy for LTAR is likely specific to the tyres industry.

G1.1.5.4 Conclusion on countervailability

204. We have determined that it is likely that the GoC has continued to offer financial contributions in the form of land-use rights and energy for LTAR through its influence over the allocation process of land in the PRC and the control the GoC exercises in the energy industry. As part of the recalculation of the Hankook

⁸⁸ [Catalogue for the Guidance of Foreign Investment Industries \(Amended in 2011\)](#), Ministry of Commerce of the PRC, accessed 12/08/2024

⁸⁹ [Catalogue for Guiding Industry Restructuring \(2011 Version\) \(2013 Amendment\)\[Partially Invalid\]](#), State Development and Reform Commission, accessed 12/08/2024

⁹⁰ [China's 2019 Catalogue for Guiding Industry Restructuring](#), China Briefing, accessed 12/08/2024

⁹¹ [China's 2024 Catalogue for Guiding Industry Restructuring](#), China Briefing, accessed 12/08/2024

⁹² [Notice of the State Council on Issuing "Made in China 2025"](#), the State Council of the PRC, accessed 12/08/2024

Group's individual margin we found that the margin contribution has decreased from 1.34% to 0.38% and we have received no submissions that indicate that the conferred benefits to noncooperative parties have changed significantly since the previous investigation. We have also found significant evidence suggesting that land-use rights and energy for LTAR are specific to the tyre industry as they are a guided industry that is a target of industrial policy.

205. Having fulfilled the criteria of having a financial contribution from a foreign authority, that a benefit has likely been conferred, and that it is specific to the tyre industry, we have determined that subsidies providing land-use rights and energy at LTAR are likely to be countervailable.

G1.1.6 Conclusion on the likelihood of continued subsidy in the bus and lorry tyre market

206. Based on the conclusions in each section that it is likely that each subsidy type has continued and remains countervailable, we consider it likely that all tyre products exported from the PRC that fall within the definition of the goods subject to review are subsidised. This contributes to the likelihood that subsidised import of the goods subject to review has continued during the Pol and are likely to continue as any imports of tyres from the PRC are likely to be subsidised.

G1.2 Have subsidised goods continued to be imported into the UK?

207. In [G1.1 Likelihood of continued subsidy in the PRC bus and lorry tyre market](#) we determined that it is likely that products within the scope of this review continue to be subsidised. As will be described in Section G2, the TRA has calculated a subsidy margin for the cooperating exporter, the Hankook Group, of 0.88%. This margin is positive but minimal as it is less than 2% for developing countries, and the PRC identifies as a developing country at the WTO.

208. During the original EC investigation, the Hankook Group was found to have the lowest subsidy margin of all cooperating PRC exporters. This suggests that other PRC exporters' goods were subsidised to a greater extent than the cooperating exporter.

209. Table 7 demonstrates that imports of the goods subject to review have continued despite the measure being in effect.

Table 7: Total import value and volume of the goods subject to review during the PoI and injury period

	2019	2020	2021	PoI
Value (£)	32,627,634	20,450,230	15,334,738	30,104,827
Tyres	243,099	142,931	115,110	173,442

Source: HMRC Trade information

210. We have therefore concluded that it is likely that the importation of subsidised goods has continued.

G1.3 Do export trends to third countries indicate that subsidised imports to the UK will continue?

211. The third countries or trade blocs that currently have countervailing measures in force against the PRC are outlined in Table 8.

Table 8: Current countervailing measures against the PRC

Reporting member	Date existing measures came into force
The European Union	12 November 2018
India	24 June 2019
United States	15 February 2019
United Kingdom	01 January 2021

Source: WTO countervailing measures⁹³

⁹³ [Countervailing measures - Trade Remedies Data Portal \(wto.org\)](https://www.wto.org/trade-remedies-data-portal/)

212. No other WTO members have ongoing countervailing cases against any products covered by either Harmonised System (HS) code 401120 or 401212.

213. The PRC reports export values and volumes to UN ComTrade at a 6-digit HS code level. We have presented the reported trade flows of HS codes 401120 (New pneumatic tyres of a kind used on busses or lorries) and 401212 (Retreaded tyres of a kind used on motor buses or lorries) which corresponds closest to the goods subject to review. This information will include products outside of scope, so it is used only as an indicator of export flows during the Pol and 2023. The UN ComTrade data for 401120 or 401212 export flows between the PRC and the EU, United States of America (USA), India, and the UK is shown in Table 9.

Table 9: Total export volume and value for HS codes 401120 and 401212 in 2022 and 2023 for all countries with a countervailing measure against either HS code

	Pol (2022)			2023		
	Quantity (thousand tyres)	Net Weight (tonnes)	Trade Value (thousand USD)	Quantity (thousand tyres)	Net Weight (tonnes)	Trade Value (thousand US\$)
EU	2,868.75	168,144.10	442,013.54	3,063.85	202,026.15	544,660.70
India	176.12	13,232.63	27,135.65	270.87	23,858.84	48,151.73
USA	4,391.30	263,398.38	676,606.79	2,521.38	179,863.17	448,262.10
United Kingdom	477.70	28,028.30	73,601.30	572.80	36,870.50	101,827.60

Source: UN Comtrade, accessed 15/07/2024, <https://comtradeplus.un.org/TradeFlow>

214. This data shows that all countries with countervailing measures against the PRC still have some imports entering the market. The size of this trade flow remains significant relative to the 10 highest volume trade partners of the PRC in 2022 and 2023 (see Table 10), as the EC as a bloc is the third largest trade partner in 2022 and second largest in 2023, and India and the UK both have trade volumes of at least 175,000 tyres and \$25 million USD during both years.

Table 10: Highest 10 countries by total export volume and value for HS codes 401120 and 401212 in 2022 and 2023

	Pol (2022)			2023		
	Quantity (thousand tyres)	Net Weight (tonnes)	Trade Value (thousand USD)	Quantity (thousand tyres)	Net Weight (tonnes)	Trade Value (thousand US\$)
USA	4,391.30	263,398.38	676,606.79	2,521.38	179,863.17	448,262.10
Mexico	3,661.27	246,272.11	564,124.32	4,099.29	334,640.60	728,728.93
Russia	2,781.42	184,823.88	428,557.62	2,594.19	201,552.80	461,168.77
Saudi Arabia	2,459.71	189,710.70	378,988.95	2,465.26	226,678.56	438,247.78
United Arab Emirates	2,296.45	162,142.49	353,833.70	2,467.55	209,661.40	438,655.58
Australia	2,055.81	128,980.29	316,757.13	1,705.37	130,710.76	303,163.81
Canada	1,910.12	118,590.41	294,309.17	1,331.31	102,847.36	236,665.69
Iraq	1,749.16	133,666.19	269,508.71	1,773.00	164,561.43	315,185.89
Indonesia	1,581.92	106,468.03	244,076.97	1,530.34	122,306.04	272,760.86
Malaysia	1,545.14	106,623.68	238,081.13	1,800.52	148,079.38	320,079.07

Source: UN Comtrade, accessed 15/07/2024, <https://comtradeplus.un.org/TradeFlow>

215. The scale of tyre sales to third countries with or without countervailing measures indicates that if the measure were removed there is a high volume of product that could be diverted to the UK as it becomes a more attractive export destination. Given section D found that the UK is an attractive export destination, we consider it likely that trade diversion would occur from these countries to the UK to take advantage of the attractive nature of the UK market.
216. Based on these findings we consider that the current circumstances of PRC exports to third countries indicates an increased likelihood that import of subsidised tyres would continue if the measures were removed.

G1.4 Is the UK market an attractive export destination for the like goods?

217. The attractiveness of the UK market to exporters of tyres influences the likelihood that subsidised imports of the goods subject to review will continue and increase if the measures were removed as the more attractive a market is, the more likely it will be chosen by exporters as a destination for trade diversion. Relevant factors in assessing the attractiveness of the UK market include:

- Price trends and comparison to similarly developed countries;
- Market size and growth;
- Intensity of competition (including barriers to entry and exit);
- trends in the tyre industry; product differentiation; and the economic and business conditions of the UK.

G1.4.1 Price trends and comparison to similarly developed countries

218. The TRA has reviewed the values and volumes of producers that completed the verification process and HMRC import data to determine an average market price for the like goods and goods subject to review.

Table 11: Domestic producer, imports, and average market sales prices during the injury period for commodity codes 4012 20 90 and 4012 12 00

	2019	2020	2021	PoI
Domestic producer average price (£/tyre)	176.89	181.31	179.61	212.80
Import average price (£/tyre)	101.12	97.39	102.66	119.57
Average market price (£/tyre)	150.62	154.93	153.27	185.62

Source: Domestic producer questionnaire data that completed verification, import data from HMRC

Calculation: Sum of sales submitted by each producer that were produced in the UK and the total UK HMRC imports of the commodity codes 40121200 and 40112090

219. The average market price for tyres increased 2.9% in 2020, then decreased by 1.1% in 2021, before increasing by 21.1% in the Pol. Over the injury period the average market price increased by 23.2%. This price increase is driven via a general increase in average prices per tyre both from domestic and imported sources, as well as an increase in the market share by domestic producers which consistently have a higher average price than importers. This increasing market price increases the attractiveness of the UK as it indicates increased revenue potential, and we have no information indicating that this trend will not continue.

220. This 23.2% price increase is similar in scale to the price increases in prices in both the USA and the EU. Data from the US bureau of statistics shows that the truck and bus pneumatic tyre US producer price index increased from 150.3 in 2019 to 187.59 in 2022 (index year=1981) which is a 24.8% price increase,⁹⁴ and Eurostat data states that the producer price index for re-treaded rubber tyres 100.2 in January 2019 to 121.4 in December 2022 (index month=January 2015) which is a 21.2% price increase.⁹⁵ This indicates that the UK is an attractive market for exports as prices are growing rapidly and at a similar rate to geographically and developmentally similar countries.

G1.4.2 Market size and growth

221. The TRA has considered the market share and growth of the UK market for the goods within scope for this review using data submitted in questionnaires and HMRC data.

⁹⁴ [US Producer Price Index: Tire Manufacturing: Truck and Bus Pneumatic Tires](#), Bureau of Labor Statistics, accessed 12/08/2024

⁹⁵ [European Union - Producer prices in industry: Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres](#), Eurostat, accessed 12/08/2024

Table 12: Estimated market share of UK domestic producers and imports in terms of import value and volume

	2019	2020	2021	Pol
Domestic sales volume (thousand tyres)	242	225.4	280.6	281.3
Imports from all sources by volume (thousand tyres)	1,773.6	1,480.5	2,209.2	2,058.3
Domestic producer sales value (£ Million)	42.8	40.9	50.4	59.9
Imports from all sources by value (£ Million)	260.8	223.4	331.2	374.4
Total sales volume (thousand tyres)	2,015.7	1,705.9	2,489.7	2,339.7
Total sales value (£ Million)	303.6	264.3	381.6	434.3
Market share of UK domestic producers by value (%)	14.1%	15.5%	13.2%	13.8%
Market share of imports from all sources by value (%)	85.9%	84.5%	86.8%	86.2%

*Source: Questionnaire data of domestic producers that completed, HMRC trade info
Calculation: Sales value of domestic producer or import sales value divided by total sales value*

222. Table 12 shows that during the Pol the estimated total revenue generated in the UK market was £434.3 million with 2.3 million tyres sold and that domestic producers control a relatively small proportion of the UK market. It shows that a high proportion of the market is dependent on imports, which increases the attractiveness of the UK market to PRC importers.

223. The total volume of sales of tyres in the UK fell significantly in 2020, grew in 2021 and stabilised in 2022 at a volume, value, and average price higher in 2022 than in 2019 (see Table 12). The reduction in sales volume in 2020 is due to the decline in

the volume of import sales, which was likely caused by the COVID-19 pandemic. This is further supported as import volume recovered rapidly in 2021 once supply chains had stabilised and the slight decline in sales volume in 2022 once demand backlogs caused by the pandemic became less common.

Table 13: Imports of the goods subject to review during the injury period

	2019	2020	2021	PoI
Imports from the PRC by volume (tyres)	242,289	142,897	115,100	173,442
Imports from the PRC by value (£)	32,602,029	20,444,450	15,330,387	30,104,827
Average price (£/tyre)	£134.56	£143.07	£133.19	£173.57
Market share of PRC import value in the UK market	10.74%	7.74%	4.02%	6.93%

Source: HMRC import data for UK Trade Info

224. Table 13 shows that the PRC import UK market share is currently low. This indicates that the UK market is an attractive market for exports due to the potential for growth of market share in a significant market worth over £400 million.

225. We have also not had submissions from domestic parties indicating any investment in increasing production capacity is planned. In questionnaire responses, and in conversations throughout verification, all verifiable producers repeatedly mentioned challenging market conditions and pressures of cheap imports. This indicates that the domestic industry does not intend to grow significantly in capacity in the future and instead is limited in growth by its current production capacity.

226. Given that total volume of tyre sales increased during the injury period, this increases the import dependence and attractiveness of the UK market as increases in demand cannot be fulfilled by domestic production. This provides opportunities for importers to generate additional revenue.

227. The TRA considers that the UK is a large market for tyres of which the goods subject to review have a relatively low market share. It is likely that the UK market for tyres is growing, while the production capacity of the UK remains stable. This increases the attractiveness of the UK market to exporters, as growing markets have increased future revenue potential, which is further increased by the UK's import dependence within the bus and lorry tyre market.

G1.4.3 Intensity of the competition (including barriers to entry and exit)

228. BTMA published the following map⁹⁶ of UK tyre producers, showing a total of 25 sites engaged in either the manufacture or retreading of tyres:

Figure 4 UK producers



229. The TRA has researched the sites on this map and found that five locations have either shut down or make products that are out of scope. This leaves 20 locations that could act as competition within the UK market for the goods subject to review. This indicates that there is a moderate level of competition in the UK market.

⁹⁶ [Where are tyres made? - The British Tyre Manufacturers' Association \(BTMA\) \(btmauk.com\)](https://www.btmauk.com/), accessed 04/07/24

230. Table 13 also shows that the majority of UK supply of tyres within scope of this review are provided by imports from countries other than the PRC. This increases the attractiveness of the UK market to exporters of the goods subject to review as it indicates a preexisting import dependency within the UK market, and other country's exporters to the UK are more likely to divert trade flows away from the UK if they are either outcompeted in the UK (which is more likely to occur if measures were removed) or find more lucrative opportunities in other markets.

231. The value of fixed assets for all cooperating producers is at least £1 million with the largest producer owning over £200 million in assets (the value of assets appears to be between 20-40% of the value of annual revenue for each company), which shows that significant financial capital is required to enter the market. This indicates that there are barriers to enter and exit the market which prevent small business from entering due to financial start-up costs. This increases the attractiveness of the UK market to exporters, as the barriers to entry prevent the UK from effectively adjusting supply through the creating of new companies to meet domestic demand and leads to greater reliance on imports to meet demand.

G1.4.4 Conclusion on attractiveness of the UK market

232. The analysis above suggests that the UK market is an attractive market to exporters of the goods subject to review. The price of UK tyres has increased significantly over the injury period at a similar rate to markets such as the USA and the EU, the market is relatively large and likely to grow further due to increased imports and has a moderate level of competition that is import dependant to meet UK demand. This makes the UK an attractive export destination if exporters want to increase revenue and increase the likelihood that subsidised import into the UK would continue if the measure were removed.

G1.5 Have exporters previously or habitually circumvented the effects of trade remedy measures?

233. As outlined in [G1.2 Have subsidised goods continued to be imported into the UK?](#), currently the only countries with countervailing measures are as follows, as stated in the WTO trade remedies data portal.

Table 14: Current anti-dumping or countervailing measures against the PRC concerning products within the scope of this review

Country or trading bloc	Anti-dumping/ countervailing measure	Date existing measures came into force
European Union	Antidumping and Countervailing	12 November 2018
India	Countervailing	24 June 2019
United States	Antidumping and Countervailing	15 February 2019
SACU Member States	Antidumping	28 July 2023
Egypt	Antidumping	03 March 2021
EAEU member States	Antidumping	18 December 2015
Türkiye	Antidumping	20 August 2005
United Kingdom	Anti-dumping and Countervailing	01 January 2021

Source: WTO⁹⁷

234. The TRA has found that none of the ongoing anti-dumping or countervailing cases identified in Table 14 have initiated circumvention reviews on these measures.

⁹⁷[Trade Remedies Data Portal - Database of countervailing measures](#), WTO, accessed 12/08/2024

235. This case does not have any parties that have alleged that PRC exporters have habitually circumvented the measures while they have been in place. We therefore consider it unlikely that exporters have habitually circumvented the UK measures, or any other measures implemented by third countries.

G1.6 Any other factors

236. As part of this likelihood assessment, we consider any other factors additional to those set out at the beginning of the document which have implications in concluding whether the importation of the subsidised goods would be likely to continue if the countervailing amount were no longer applied to those goods.

237. We received no further evidence from interested parties and have found no other relevant factors through our own research.

G2. Recalculation of the subsidy amount for cooperating exporters

238. The TRA has recalculated subsidy amount in accordance with regulation 99A(2) of the Regulations. Calculating the subsidy amount involved the following stages in accordance with regulation 23:

- We established the countervailability of subsidies in accordance with regulations 20, 21, and 22.
- We determined the total amount of benefit conferred by each countervailable subsidy in accordance with regulation 24.
- We determined the amount of the subsidy that is attributable to the Pol in accordance with regulation 25.
- Determined which goods the countervailable subsidy may be allocated to during the Pol in accordance with regulation 26

239. The TRA have calculated the subsidy amount using verifiable data provided by the Hankook Group.

G2.1 Preferential finance

240. The Hankook Group has stated in all submitted questionnaires that it did not benefit from preferential finance during the PoI except access to credit lines and JHKT using short term bill discounting. We have assessed that the benefit conferred by preferential borrowing during the PoI is not countervailable as it is not specific as defined in regulation 22. No further calculations were undertaken regarding preferential finance as it failed the countervailability assessment, so it has a zero contribution to the recalculated subsidy amount.

G2.2 Grants

241. The Hankook Group provided evidence regarding all grants it received during the PoI for Hankook CHT, Hankook JHT, and Hankook SHT. We have assessed the countervailability for all grants and determined that all subsidy programmes except four received by the Hankook Group are countervailable as defined in paragraph 3(2) of the act. The four subsidy programmes that were determined to be not countervailable were all found to be not specific in accordance with regulation 22, and therefore these four grants were not included in the total subsidy amount in Table 15.

242. We have calculated the benefit received from each grant as the total value received by the Hankook Group for each programme as no deductions as described in regulation 24(3) were considered necessary. The subsidy amount was calculated in accordance with regulations 23 to 26, with all grants being fully attributable to the PoI and were not attributable to any specific good. Consequently, we considered that the benefit of all grants was attributable to the sales of all goods sold by its respective company within the Hankook Group.

243. The subsidy amount attributable to grants was calculated for the Hankook Group as stated in regulation 23 and is expressed in Table 15.

Table 15: Recalculated subsidy amount from grants

Organisation	Subsidy type	Subsidy rate
Hankook Group	Grants	0.38%

G2.3 Preferential tax programmes

244. The Hankook Group provided evidence regarding all preferential tax programmes it received during the PoI for CHKT, JHKT, and SHT. We have assessed the countervailability for these and determined that several programmes are not countervailable due to the programmes not being specific as defined in regulation 22. The only tax programme that was assessed to be countervailable as defined in paragraph 3(2) of the act. is the enterprise income tax reduction programme.

245. We have calculated the benefit received from this programme as the total value of the reduction in enterprise income tax liability due to the programme. The subsidy amount was calculated in accordance with regulations 23 to 26, with this subsidy benefit being fully attributable to the PoI and was not attributable to any specific good. Consequently, we considered that the subsidy benefit of all grants was attributable to the sales of all goods sold by CHKT.

246. The subsidy amount attributable to grants was calculated for the Hankook group as stated in regulation 23 and is expressed in Table 16.

Table 16: Recalculated subsidy amount from preferential tax programmes

Organisation	Subsidy type	Subsidy rate
Hankook Group	Preferential tax programmes	0.34%

G2.4 Tariff and VAT exemptions

247. The Hankook Group provided evidence regarding tariff and VAT exemption programmes that were attributable to the Pol for the Hankook Group. We have assessed that all subsidy programmes of this type are countervailable as defined in paragraph 3(2) of the act.

248. We have calculated the benefit received from this programme as the total value of the reduction in tariff and VAT liability due to the programme. The subsidy amount was calculated in accordance with regulations 24 to 26, with all tariff and VAT exemption programmes subsidy benefit being only partially attributable to the Pol. We assessed whether these subsidies are qualifying countervailable subsidies as defined in regulation 25(4), and all programmes did not pass this assessment. As a result, we have not included any part of these subsidies attributable to the Pol in the subsidy amount.

249. No further calculations were undertaken regarding tariff and VAT exemption subsidies all subsidies of this type are not qualifying countervailable subsidies, so it has a zero contribution to the recalculated subsidy amount.

G2.5 Provision of goods and services for LTAR

250. The Hankook Group provided evidence regarding how much CHKT and JHKT spent on land-use rights and electricity during the Pol and provided third country benchmark information that we used to assess the amount of benefit gained due to these services being provided at LTAR. We have assessed that all subsidy programmes of this type are countervailable as defined in paragraph 3(2) of the act.

251. We have calculated the benefit received from these programmes as the difference between the third country benchmark price of land-use rights or electricity and the

price that was paid by the Hankook Group based on actual usage during the Pol. We have selected the benchmark countries of Thailand for land-use rights and the USA for electricity. Thailand was selected as it is close to the PRC in terms of population density, has a similar level of development as assessed by the World Bank, and the accessibility of the data. The USA was selected as benchmark as it has a similar world bank assessment of its reliability of supply and transparency of tariff,⁹⁸ and the accessibility of electricity tariff information for the Pol.

252. We received a submission from the Hankook Group on 28 March 2024 stating that we should use PRC domestic benchmarks for land-use rights and electricity benefit calculations based on an interpretation of article 14(d) of the WTO SCM agreement that the assessment of subsidy benefit of goods or services for LTAR should be based on PRC domestic benchmarks. The submission also argued that if a third country benchmark was necessary, then the benchmark for electricity should be Thailand instead of the USA and provided relevant benchmark information. We have decided to maintain the benchmarks of Thailand and the USA for land-use rights and electricity respectively as we consider the domestic benchmarks for both industries to not be reflective of market conditions due to the state influence exerted over the provision of land and electricity that is outlined in [G1.1.5.1 Financial contribution by a foreign authority](#), and we have selected what we consider to be an appropriate benchmark.

253. The subsidy amount was calculated in accordance with regulations 23 to 26, with subsidy benefit from land-use rights for LTAR being only partially attributable to the Pol and electricity for LTAR being fully attributable to the Pol. We assessed whether the subsidies gained through land-use rights for LTAR are qualifying countervailable subsidies as defined in regulation 25(4), and both land use right subsidies did not pass this assessment. As a result, we have not included any part of these land-use right subsidies in the subsidy amount and the remainder of this section will only be concerned with electricity provision for LTAR.

⁹⁸ [Doing Business score - Getting Electricity](#), World Bank Group, accessed 12/08/2024

254. The electricity provision was used in the production of all goods produced by each Hankook company, so we considered that the benefit from these subsidies was attributable to the sales of all goods sold by each respective company within the Hankook Group.

255. The subsidy amount attributable to goods and services for LTAR was calculated for the Hankook Group as stated in regulation 23 and is expressed in Table 17.

Table 17: Recalculated subsidy amount from goods and service for LTAR

Organisation	Subsidy type	Subsidy rate
Hankook Group	Electricity provision for LTAR	0.16%

256. The calculated margin was 0.16%, which is a decline from the 1.11% calculated for the Hankook Group in the EC investigation for both land-use rights and electricity for LTAR. However, it is notable that the land benchmark in the EC investigation was from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, which no longer has publicly accessible data for land price quotes from the Industrial Development Bureau of the Ministry of Economic Affairs of Taiwan.⁹⁹

G2.6 Total recalculated margin for the Hankook Group

257. The total subsidy amount for the Hankook Group is reflected in Table 18.

⁹⁹ [Ministry of Economic Affairs](#), accessed 12/08/2024

Table 18: Recalculated subsidy amount for cooperating exporters

Organisation	Subsidy type	Subsidy amount
Hankook Group	Grants	0.38%
	Preferential tax programmes	0.34%
	Electricity provision for LTAR	0.16%
	Total Margin	0.88%

258. The recalculated subsidy amount is considered minimal as defined in regulation 2 as it is less than 2% and the PRC is declared at the WTO as a developing country. We have therefore determined in accordance with regulation 68(3) that we have found a minimal amount of subsidy in relation to the Hankook Group, and so we have given it a 0% countervailing duty. The lack of cooperation from all exporters except for the Hankook Group means that we cannot determine an individual rate for any other overseas exporter.

G3. Determination of residual rate

259. This section will state how we have determined a residual rate in accordance with regulation 38. In accordance with regulation 38(3), we may calculate a residual amount by any reasonable means.

260. We have determined that it is not suitable to use the highest countervailing rate of cooperating exporters as we have had cooperation only from the Hankook Group, and we have determined that this exporter is likely not representative of the subsidy benefits received by the tyre industry in the PRC during the PoI. We

determined that the Hankook Group is not representative for three reasons. Firstly, section G1 demonstrates that we consider it likely that all types of subsidy programmes that were used to establish the EC measure that was transitioned to the UK have continued, yet section G2 shows that several types of subsidy such as preferential finance did not have any subsidies that contributed to the total subsidy amount for the Hankook Group. Secondly, the individual subsidy margin calculated by the EC for the Hankook Group is lower than all other sampled parties (it is less than a third of the second lowest sampled subsidy margin and nearly 25 times smaller than the highest sampled subsidy margin) Finally, we estimate that the Hankook Group produces less than 15% of total PRC tyre production during the Pol. We therefore have used facts available to determine an appropriate residual rate.

261. We have selected the residual rate calculated within the EC investigation as an appropriate residual rate for this review, which was 51.08%. This residual rate has been selected because we have determined in [G1. Likelihood of subsidy assessment](#) that the availability of subsidies for the goods subject to review in the PRC has likely remained similar since the EC investigation. We have considered the use of publicly available information to determine a residual rate but have found there are no publicly available sources of information with appropriate detail to establish the likelihood of countervailability or the allocation of subsidy benefit to the goods subject to review during the Pol.

262. We considered the use of the residual rate calculated by the USA and India in their respective ongoing countervailing measures and consider the EC investigation residual rate is more appropriate for several reasons. Firstly, the EU is more similar to the UK in multiple of economic factors such as GDP per capita (EU GDP per capita was \$37,115¹⁰⁰ and UK GDP per capita was \$46,125 in the Pol,

¹⁰⁰ [Per capita gross domestic product \(GDP\) in the European Union in current prices from 2012 to 2022](#), Statista, converted into USD for comparison with average 2022 exchange rate from [Euro to US Dollar Spot Exchange Rates for 2022](#), Exchange rates.org, accessed 14/08/2024

compared to \$76,330 in the USA and \$2,411 in India in the Pol)¹⁰¹, or that in 2022 42% of the UK's Export value was exported to the EU¹⁰². Secondly, the scope of this review is identical to the EC investigation scope, whereas there are some differences between this review's scope and those of the USA and Indian investigations due to harmonisation differences between commodity code systems. Finally, the UK was a member of the EU during the initial EC investigation and so its residual rate determination was previously considered reasonable for the UK, making it more likely to be appropriate for the UK market than the determinations made concerning the American or Indian bus and lorry tyre markets. For these reasons, we consider the EC residual rate to be the most appropriate source for a facts available residual rate from the ongoing countervailing residual rates registered at the WTO.

263. We consider the high value of the residual rate relative to the individual rate for the Hankook Group to be appropriate as the findings of the EC investigation were that all other exporters of the goods subject to review had significantly higher subsidy amounts than the Hankook Group and we have determined that it is likely that all types of subsidies have continued and are likely to continue if the measure is removed.

264. The selection of this residual rate results in the following proposed rates for all exporters of the goods subject to review with a countervailing duty conditional on the Injury Assessment in Section H finding a higher injury amount than the subsidy amount:

¹⁰¹ [GDP per capita \(current US\\$\)](#), World Bank group, accessed 14/08/2024

¹⁰² [Statistics on UK-EU trade](#), House of Commons Library, accessed 14/08/2024

Table 19: Proposed recalculated subsidy amounts and countervailing duties

Organisation	Subsidy amount	Countervailing duty
Hankook Group	0.88%	0%
Residual rate	51.08%	51.08%

G4 Double remedies

265. As this case has been carried out in parallel with a separate anti-dumping case TD0035, there is a risk of double counting where dumping through Particular Market Situation (PMS) adjustments and subsidy overlap.

266. The recommended countervailing duty for the Hankook Group is 0% and so there is no risk of this occurring in its individual rate. However, there is still the risk of double counting in the determination of the residual rate as the recalculated dumping residual rate could include PMS adjustments that overlap with subsidies considered in the EC investigation.

267. The TRA determined that such an overlap occurred both in the case of electricity and natural rubber. In order to avoid double remedy, the TRA therefore did not adjust for these PMS factors in the calculation of its dumping residual margin.

SECTION H: Injury

H1. Introduction

268. In accordance with regulation 99A(1)(b) of the Regulations, we are required to consider whether injury to the UK industry would be likely to continue or recur if the countervailing measure were no longer applied to imports of goods subject to review.

269. In order to conduct the likelihood of injury assessment, we considered:

- relevant considerations on import volume and the existing measure;
- the current state of the UK industry;
- historic injury data;
- other factors that could cause injury (non-attribution);
- domestic and international market conditions; and
- undercutting of the UK industry.

270. We conducted this likelihood of injury assessment to inform our determination as to whether the measure should be varied or revoked. The assessment was considered on a balance of probabilities.

271. Regulation 99A(2)(b)(ii) states that we may also reassess the countervailing amount adequate to remove the injury to a UK industry in the relevant goods caused by the subsidised imports.

272. As outlined in [C3.4 Decision to recalculate](#), we have taken the decision to recalculate this amount within this transition review.

H2. Likelihood of injury assessment

H2.1 Considerations relevant for assessment of likelihood of injury

273. Throughout the injury period the UK industry has been afforded some protection from injury by the goods subject to review due to the existing measures that have been in place since 2018. This means that analysis of evidence of injury during this time, particularly within [H2.2 The current state of the UK industry](#), will only form a part of the picture; it is also important to consider what would be expected if those measures were removed.
274. In [F3. Historic import analysis](#), we saw that the fixed duty form of measure implemented by the EC has impacted the imports of the goods subject to review since the original measure came into effect in 2018. This resulted in markedly reduced import volumes, and a shift towards more premium or higher priced imported goods, compared to the period before the measures were introduced.
275. We also demonstrated in [F2. Injury period import analysis](#) that the Hankook Group, the one cooperating exporter group, is not representative of the broader PRC industry. The Hankook Group exports were materially more expensive than other PRC exports of the goods subject to review throughout the injury period, as shown in Table 6. Additionally, data from Qingdao Delphy Technology Development Co Ltd (DLFTECH) demonstrates that the Hankook Group does not represent a large proportion of bus and lorry tyre production within the PRC.¹⁰³ As seen from the report, the Hankook Group was not in the top ten PRC companies, ranked by production output of bus and lorry tyres, during the Pol.
276. The considerations in this section are relevant for the assessment of likelihood of injury. As concluded in [F3. Historic import analysis](#), these considerations indicate that revocation of the measures would be expected to result in an increase in

¹⁰³ [DLFTECH: Data analysis of China's tire ranking companies in 2023 and prediction of rankings in 2024](#) – relevant table labelled as “sheet 7”. Report dated 23 November 2023; date of access 08 August 2024.

import volume of the goods subject to review as well as a particular increase in the budget, tier 3, imports which we saw were largely eliminated by the introduction of the measures. As will be seen throughout the subsequent analysis, tier 3 tyres are the tyres universally identified by the registered domestic producers as being responsible for injury to the UK industry. Therefore, this expected consequence of revocation is important to keep in mind.

H2.2 The current state of the UK industry

277. In assessing the current state of the UK industry, we considered changes to the following injury indicators:

- actual and potential decline in:
 - sales;
 - profits;
 - output;
 - market share;
 - productivity;
 - return on investment;
 - utilisation of capacity;
- factors affecting domestic prices
- actual and potential negative effects on:
 - cash flow;
 - inventories;
 - employment;
 - wages;
 - growth;
 - ability to raise capital or investments.

278. We have considered each factor individually to get an understanding of the current state of UK industry, but our overall conclusion will be based on a holistic assessment of all relevant economic factors combined.

H2.2.1 Sales

279. Domestic sales volume decreased from 2019 to 2020. In 2021 it increased to a level above that of 2019, then remained constant from 2021 to the Pol.

280. Domestic sales value similarly decreased from 2019 to 2020, then increased above 2019 levels in 2021. Domestic sales value continued to increase from 2021 to the Pol, while sales volume remained constant.

Table 20: Domestic producers' sales volume and value during the injury period

	2019	2020	2021	Pol
Domestic sales volume index	100	93	116	116
Domestic sales value index	100	95	118	140

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

281. The year 2020 coincided with the peak of the COVID-19 pandemic. All registered domestic producers referred to the effects of the pandemic on their sales within their questionnaire responses, stating that this negatively impacted sales of the like goods during 2020.

282. Table 20 shows that there was no overall decline in sales volume or value across the injury period. Vaculug explains this in the context of the protection offered by the existing measures within its questionnaire response, stating “Since the introduction of tariffs on the goods subject to review, the market has been reasonably stable”.¹⁰⁴

283. Bulldog/Bridgestone states in its questionnaire response “If the existing countervailing measures no longer applied, there would be a strong likelihood that

¹⁰⁴ [TS0036 Vaculug Questionnaire Response](#) – page 37

this would lead to both reduced sales demand for our products and increased price competition”.¹⁰⁵

284. During the PoI, the UK inflation rate increased significantly compared to previous years. This is likely to have contributed to the increase in sales value in the PoI while sales volume held constant. The effect of inflation will be considered more extensively in [Factors affecting domestic prices](#).

H2.2.2 Profits

285. Profit margin of UK industry decreased from 2019 to 2020. In 2021, profit margin increased above its 2019 value, then held approximately constant from 2021 to the PoI.

Table 21: Domestic producers’ profit during the injury period

	2019	2020	2021	PoI
Profit margin for like goods	2.8%	1.1%	4.1%	4.0%
Profit margin for like goods index	100	41	148	146

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

286. As with the figures for sales, the profit figures for 2020 are considered to have been impacted by the COVID-19 pandemic.

287. Despite the increase in sales value during the PoI seen in [H2.2.1 Sales](#), Table 21 shows that the profit margin for the like goods did not increase in the PoI compared to the 2021 figure. Therefore, sales revenue only increased in line with comparable increases in costs and does not reflect an improvement in performance of the UK industry.

¹⁰⁵ [TS0036 Bridgestone Questionnaire Response](#) – page 33

288. In its questionnaire response, Michelin discusses target profit in the absence of injury: “In the European investigation, it was established that an expected target of profit for the goods subject to review ranged from 17.9% and 9.2% (EU Regulation 2018/1690, recital 904 and 924). Profits toward the upper level of the range should normally be achieved on our tyres on account of their quality.”¹⁰⁶ Even the lower end of these target profit margin figures exceeds the profit margin achieved by UK industry for any year within the injury period.

289. All three verified producers state in their questionnaire responses that revocation of the measures would result in a decrease in the profit that could be achieved.

H2.2.3 Production output

290. Production output by volume, measured in number of tyres produced, fluctuated across the injury period with no overall trend.

291. Production output by value fluctuated similarly from 2019 to 2021, but increased in the Pol while output by volume decreased.

Table 22: Domestic producers’ production output during the injury period

	2019	2020	2021	Pol
Output by volume index	100	83	103	95
Output by value index	100	86	107	111

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

292. When looking at the increase in output by value from 2021 to the Pol, it should be noted that this is likely to have been influenced by the high inflation rate in the Pol, as discussed in [Factors affecting domestic prices](#).

¹⁰⁶ [TS0036 Michelin Questionnaire Response](#) – page 40

293. In its questionnaire response, Michelin states that, if the measures were revoked, “[t]he reduction in price of imports, combined with the increase in volume of imported goods, will lead to a substitution of UK produced tyres for imports as demand for tyres is linked to economic activities rather than availability of tyres. As retreaded tyres are seldom exported, the reduction of outlets for UK produced tyres will result in a reduction of the UK production of the like goods. Reduction of UK production may also occur in the event that imports are sold at a price lower than the cost of production in the UK, making any sales unprofitable.”¹⁰⁷

H2.2.4 Capacity utilisation

294. Production capacity remained constant to within 5% across the injury period.

295. Capacity utilisation showed greater fluctuations, with a minimum in 2020 and equal maxima in 2019 and 2021. There was no overall trend across the injury period.

Table 23: Domestic producers’ capacity and capacity utilisation during the injury period

	2019	2020	2021	PoI
Production capacity index	100	104	103	105
Capacity utilisation index	100	80	100	91

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

296. Michelin states in its questionnaire response that “The major cause of variation [in capacity utilisation] is the sales of like goods.”¹⁰⁸ This could explain the decrease in capacity utilisation during 2020; as seen in [H2.2.1 Sales](#), 2020 showed a reduction in sales volume. There is no further conclusion that may be meaningfully drawn from the available capacity data.

H2.2.5 Market share

¹⁰⁷ [TS0036 Michelin Questionnaire Response](#) – page 51

¹⁰⁸ [TS0036 Michelin Questionnaire Response](#) – page 39

297. Domestic demand by year was estimated as being the sum of the sales volumes of each verified domestic producer, plus the import volume of goods subject to review and like goods from all countries using HMRC data.¹⁰⁹

298. Domestic demand fluctuated throughout the injury period. Demand decreased in 2020, then increased back above 2019 levels in 2021. In the PoI demand decreased, though remained above the figure for 2019.

299. The market share of domestic producers showed small fluctuations across the injury period, with no overall trend.

Table 24: Demand and market share of domestic producers during the injury period

	2019	2020	2021	PoI
Demand index	100	85	124	115
Domestic market share index	100	110	94	101

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug); HMRC import data

300. It should be noted that domestic market share has not increased throughout the injury period, despite the protection of the existing measures.

301. Market share may also be considered by tier. Michelin’s questionnaire response states that there has been a “Down-Tiering’ of the UK Truck Tyre Market where we have seen Tier 3 brands taking share away from Tiers 1 and 2”.¹¹⁰ Bandvulc corroborates this loss of market share from tiers 1 and 2, stating that “This pressure on the market price in these segments from Chinese budget imports, is causing demand for retread tyres to decline and makes it very challenging to

¹⁰⁹ [HMRC UK Trade Info website](#) – data downloaded 4 March 2024

¹¹⁰ [TS0036 Michelin Questionnaire Response](#) – page 23

profitably sell retread tyres in the UK”.¹¹¹ These statements demonstrate that the domestic producers perceive vulnerability in the market for the high quality retreaded tyres which are produced in the UK.

H2.2.6 Productivity

302. The productivity of domestic industry, measured as average output per employee, fluctuated throughout the injury period with no overall trend.

Table 25: Domestic producers’ productivity during the injury period

	2019	2020	2021	PoI
Output per employee index	100	88	104	95

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

303. The decrease in output per employee in 2020 may have been due to reduction in demand as a result of the COVID-19 pandemic. There is no further conclusion that may be drawn from this productivity data.

H2.2.7 Return on investment

304. Total investments across the industry increased throughout the injury period. Investments relating specifically to the like goods increased from 2019 to 2021, before decreasing in the PoI but remaining above the 2019 level.

Table 26: Investments during the injury period

	2019	2020	2021	PoI
Total company-wide investments index	100	155	341	440
Total like goods investments index	100	130	216	186

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

¹¹¹ [TS0036 Continental Questionnaire Response](#) – page 20

305. The net book value of fixed assets relating to the production of the like goods decreased across the injury period, reaching a minimum during the Pol. Return on fixed assets relating to like goods production fluctuated, in 2020 before increasing in 2021 and the Pol.

Table 27: Return on fixed assets during the injury period

	2019	2020	2021	Pol
Fixed assets relating to like goods index	100	92	88	86
Return on like goods assets index	100	36	188	209

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

306. The fluctuation in return on assets figures across the injury period is largely influenced by variation in profit, which, as seen in [H2.2.2 Profits](#), remained in the region of approximately 1-4% throughout the period. Due to these profit margins all being small, the 3% increase in profit margin from 2020 to 2021 represents an increase by almost a factor of four – hence the larger fluctuations observed in return on assets.

H2.2.8 Factors affecting domestic prices

307. This section considers factors at play during the injury period which may have impacted domestic prices.

Raw material costs

308. One expected driver of a retreaded tyre's sales price is the cost of production. The main contributor to cost of production listed by all three verified producers was raw materials, with the two major production inputs being casings and natural rubber.

309. The price of casings cannot be meaningfully tracked across the injury period, as these are supplied by arrangement with specialist casing management companies with prices negotiated between the producer and the casing company.

310. The cost of natural rubber is shown in Table 28 below, along with the domestic selling price each year. The cost per kilogram increased in 2020, then decreased in 2021 and again in the PoI, though it remained above the 2019 value.

Table 28: Domestic selling price and cost of natural rubber during the injury period

	2019	2020	2021	PoI
Average selling price index	100	102	102	120
Natural rubber cost (£ / kg)	1.29	1.38	1.37	1.31

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug); World Bank Group “Pink Sheet” Data¹¹² for ‘Rubber, RSS3’

311. The cost of natural rubber across the injury period does not particularly correlate with the domestic selling price.

312. There are some limitations to this natural rubber cost data. Notably, the cost data is not UK specific and, as detailed in the “Pink Sheet” Data source, was predominantly based on information from Singapore. Therefore, it is not necessarily representative of the costs actually incurred by domestic producers for purchases of natural rubber.

313. The limitations on the natural rubber cost data prevent much significance being placed on the lack of correlation with sales prices.

COVID-19 pandemic

314. During the injury period, the COVID-19 pandemic has been seen to impact domestic industry. In particular, this negatively affected demand and sales volume during 2020.

¹¹² [World Bank Group "Pink Sheet" Data](#) - date of access 02 July 2024. Prices converted from \$/kg to £/kg using [HMRC currency exchange average rates](#)

315. However, domestic producers have not stated that the pandemic affected selling prices. Further, as seen in Table 28, there was no decrease in the selling price from 2019 to 2020.

Inflation rates

316. As mentioned in [H2.2.1 Sales](#) and [H2.2.3 Production output](#), UK inflation rates across the injury period are likely to have impacted domestic selling prices – particularly due to the unusually high inflation rate of 9.1% in the Pol.

317. The UK inflation rate, using the Consumer Price Index (CPI) taken from the Office of National Statistics (ONS),¹¹³ across the injury period is shown in Table 29 below, alongside the average domestic selling price of the like goods. After smaller fluctuations in the inflation rate between 2019 and 2021, there is a larger increase in the Pol.

Table 29: Domestic selling price and UK inflation rate during the injury period

	2019	2020	2021	Pol
Average selling price index	100	102	102	120
UK inflation rate (CPI)	1.8%	0.9%	2.6%	9.1%

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug); Office of National Statistics (ONS)

318. The increase in CPI correlates with the increase in selling price in the Pol. It should be noted that the CPI is an average inflation rate, including all goods and services; inflation rates for cost factors specific to the tyre industry may have differed from these averaged values, but relevant sector-specific rates were not available at a sufficiently granular level.

¹¹³ [ONS Inflation and Price Indices](#) - date of access 11 June 2024

319. The correlation between the inflation rate and average domestic selling price indicates that inflation may have impacted domestic prices within the industry, but there is no definitive proof of causation.

320. Two registered producers refer to the effects of inflation in their questionnaire responses. Michelin states that energy inflation has driven up costs in the UK transport industry, with fleets “unable to pass much of this inflation on to their end users [and have therefore had to] take cost out of operation and this has affected their tyre purchasing habits”.¹¹⁴ Bulldog/Bridgestone states that the bus and lorry tyre market has been impacted by “inflation issues which have affected all industries”.¹¹⁵ Whilst not directly referring to an effect on sales prices, the points raised by these producers do demonstrate that inflation has impacted the industry.

H2.2.9 Cash flow

321. Cash flow fluctuated across the injury period. It increased from 2019 to 2020, before decreasing in 2021. In the PoI cash flow then decreased further, falling below 2019 levels.

Table 30: Cash flow during the injury period

	2019	2020	2021	PoI
Cash flow index	100	139	129	97

Source: verified producer questionnaires (Michelin, Vaculug)

322. Cash flow was positive throughout the injury period, though the decrease from 2020 through to the PoI could indicate some level of vulnerability.

323. Bulldog/Bridgestone did not submit cash flow information in its questionnaire annex, but stated in its questionnaire response that cash flow was “influenced by

¹¹⁴ [TS0036 Michelin Questionnaire Response](#) – page 23

¹¹⁵ [TS0036 Bridgestone Questionnaire Response](#) – page 21

Covid” and would be expected to “decrease without the tariff”.¹¹⁶

H2.2.10 Inventories

324. Information on stocks held at year end was submitted by the verified producers in reference to total stocks of the like goods (including domestically produced and imported goods), as well as referring specifically to the like goods domestically manufactured by that producer.

325. Total stock volume decreased in 2020, before increasing over the next two years to return to 70% of 2019 levels in the Pol.

326. The same trend is seen for stocks of domestically manufactured like goods – stock volume decreased in 2020, then increased over the remainder of the injury period and returned to 64% of 2019 levels in the Pol.

Table 31: Volume of stock held at year end during the injury period

	2019	2020	2021	Pol
Total stock volume index	100	40	57	70
Domestically manufactured stock volume index	100	42	53	64

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

327. It is difficult to read much into the decrease in stock levels from 2019 to 2020. Data from the Office of National Statistics (ONS)¹¹⁷ demonstrates that many UK companies were stockpiling items in 2019 in anticipation of Brexit, which may mean that the 2019 stock levels were abnormally elevated. Additionally, the levels in 2020 may have been impacted by COVID-19.

¹¹⁶ [TS0036 Bridgestone Questionnaire Response](#) – page 35

¹¹⁷ [ONS: Did UK firms stockpile items ahead of the Brexit deadline?](#) – date of publication 01 February 2021; date of access 05 August 2024

328. From 2020 onwards, the data shows an overall trend of stock building up with stock volume increasing from 2020 through to the PoI. This could suggest that domestic industry began struggling to shift stock, which would indicate vulnerability.

H2.2.11 Employment

329. The total number of employees decreased across the injury period.

330. Number of employees assigned to the like goods showed a considerably smaller fluctuation, with no overall trend.

Table 32: Number of employees during the injury period

	2019	2020	2021	PoI
Total employees index	100	69	58	60
Like goods employees index	100	94	99	100

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

331. For all three verified producers, the only goods produced are the like goods. For one producer, production of the like goods is the only activity of the business and therefore the total employee figures and like goods employee figures are identical. The remaining two producers additionally import goods for sale within the UK. These producers have assigned 100% of factory workers as 'like goods employees' and have assigned a fraction of employees from all other business areas to the like goods in proportion to sales of the domestically produced like goods as a fraction of all sales. Therefore, the difference between 'all employees' and 'like goods employees' is mainly a reflection of 'employees involved in production' vs 'employees involved in other aspects of the business'.

332. The decrease in total employees relative to like goods employees may indicate an attempt to cut costs in order to remain profitable, by reducing numbers of staff in non-essential or non-production roles. In [H2.2.2 Profits](#), we saw that domestic

industry has been operating at small profit margins in the range of 1-4% during the injury period. This is in line with the statement made by Bulldog/Bridgestone in its questionnaire response that “employment numbers are a direct reflection of our overall sales levels and production requirements”.¹¹⁸

333. All registered producers refer to the negative impacts that revocation of the measures would have on employee figures in their questionnaire responses. Michelin states that “Should the measures be revoked, it is likely that pressure on employment would significantly increase possibly leading in the short term to redundancy”.¹¹⁹ Michelin reinforces this claim by referencing a previous situation where pressure on imports forced it to close operations in Ballymena and Dundee, resulting in over 1600 redundancies.

H2.2.12 Wages

334. The median wage of employees engaged in activities related to the like goods increased during the injury period.

Table 33: Median wage of like goods employees during the injury period

	2019	2020	2021	Pol
Median wage index	100	97	105	110

Source: verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

335. The median wage increase from 2020 to the Pol must be considered in the context of the inflation rates presented in [Factors affecting domestic prices](#). The 5% increase from 2021 to the Pol is below the Pol’s inflation rate of 9.1%, so does not represent an increase in wages in real terms.

¹¹⁸ [TS0036 Bridgestone Questionnaire Response](#) – page 42

¹¹⁹ [TS0036 Michelin Questionnaire Response](#) – page 50

H2.2.13 Growth

336. We saw in [H2.2.5 Market share](#) that domestic demand fluctuated over the injury period, with no overall trend, and domestic market share held approximately constant. In [H2.2.3 Production output](#), we saw domestic production levels also fluctuated, again with no overall trend. There has therefore been no growth of the domestic industry or market during the injury period.
337. None of the domestic producers refer to plans to expand operations in their questionnaire responses. These responses repeatedly mentioned challenging market conditions and pressures of cheap imports. This outlook is indicative of an industry that is not in a position to expand.
338. Although outside the injury period, a 2024 news article states that “Bridgestone is investing nearly £5m in its retread tyre factory in Bourne” with the goal of switching a greater proportion of production from cold cure to hot cure retreads.¹²⁰ However, this article also acknowledges the issue that “retreads are facing stiff competition from budget-price new truck tyres, often with unfamiliar names, being shipped in from the Far East”.
339. Bulldog/Bridgestone states in its questionnaire response that “[i]f the existing countervailing measures no longer applied, in order to remain competitive we would need to review and almost certainly reduce overall employee numbers and levels of capital investment. Ultimately exit of the company from the market might occur...”.¹²¹ This implies that investment in any kind of expansion of operations would be unlikely to continue if the measures were revoked.
340. Vaculug states in its questionnaire responses that if the measures were revoked it would “most likely have to close down the company as we would be unable to

¹²⁰[Fleet News: Bridgestone targets hot-cure retread truck tyre market share growth](#) – date of publication 21 February 2024; date of access 04 July 2024

¹²¹ [TS0036 Bridgestone Questionnaire Response](#) – page 34

compete with brand new tyres produced in China due to massive price differences.”¹²²

341. Michelin states that “it should be noted that, due to the pressure of the imports before the imposition of the original measures, Michelin had to close its activities in Ballymena (NI) and Dundee (Scotland) resulting in +1600 redundancies”.¹²³ As will be discussed further in [H2.3 Historic injury data](#), the Michelin closures are confirmed by multiple news articles.^{124,125} These prior closures demonstrate the potential negative impact on growth of revocation of the measures.

342. The predictions from the other domestic producers, indicating that the industry would expect to shrink – with producers potentially even shutting down entirely – if the measures were to be revoked, are not possible to corroborate. We can conclude, however, that the industry perceives itself be in a vulnerable position; this is not indicative of an industry that is likely to expand.

H2.2.14 Ability to raise capital or investments

343. All three verified domestic producers have made clear that ability to raise capital or investments would be negatively impacted if the measures were to be revoked.

344. Bulldog/Bridgestone states in its questionnaire response that, if the measures no longer applied, then the resulting reduced sales demand and increased price competition “would lead to reduced profit margins and reduced ability to continue to invest in the business”.¹²⁶

345. As discussed in [H2.2.13 Growth](#), both Bulldog/Bridgestone and Vaculug have stated in their questionnaire responses that they may shut down entirely if the measures were to be revoked, and Michelin has referred to the need to shut down

¹²² [TS0036 Vaculug Questionnaire Response](#) – page 33

¹²³ [TS0036 Michelin Questionnaire Response](#) – page 50

¹²⁴ [BBC: Michelin Ballymena tyre factory to close in 2018](#) – date of publication 3 November 2015; date of access 15 July 2024.

¹²⁵ [BBC: Michelin's Dundee factory closes gates for final time](#) – date of publication 30 June 2020; date of access 15 July 2024.

¹²⁶ [TS0036 Bridgestone Questionnaire Response](#) – page 43

two other sites due to pressure from imports before the measures were introduced.

H2.2.15 Conclusion on situation of UK industry

346. Having considered the injury indicators as outlined above, a generally applicable point is that there is a limitation to the conclusions which may be drawn from trends in data for an injury period in which industry has been offered some protection by existing tariffs; especially when this time period has also been impacted by the COVID-19 pandemic.
347. None of the trends are indicative of an industry that is thriving or expanding, despite the protection of the existing measures.
348. Sales and production output volumes held approximately constant across the injury period, as did the market share held by the verified domestic producers. Given the predicted increase in imports of cheaper, tier 3, tyres if the measures were revoked, it is expected that domestic market share would decrease in this case, as may sales and output in absolute terms. This is indicative of likelihood of injury.
349. Throughout the injury period, profit margins remained far below target figures that were established during the EC investigation. This indicates vulnerability of the industry.
350. The decrease in employee numbers for non-production staff across the injury period may also be indicative of vulnerability, as it could represent producers attempting to cut non-essential costs in order to remain profitable. The trend in employee wages is inconclusive, with median wage increasing but at a rate below inflation.
351. There was no overall trend in productivity or capacity utilisation. However, the increase in inventories may suggest an inability to shift stock. Given the predicted

impact of revocation on imports of the goods subject to review, this effect would be expected to worsen in this case. The trend in inventories could be indicative of current vulnerability, and likelihood of injury in the event of revocation.

352. The trends in return on investment and cash flow were particularly influenced by COVID-19 and the abnormally high inflation during the Pol. These factors are inconclusive.
353. When looking at factors affecting domestic prices, inflation was the only factor found likely to have had impact. Whilst aiding in interpretation of the trends observed in certain other factors, this does not otherwise impact our conclusions.
354. There was no evidence of growth or investments in domestic industry during the injury period, with just one registered producer more recently planning an investment in changing its production process. A strong case has been presented that the industry would shrink considerably should the measures be revoked. This indicates vulnerability and likelihood of injury.
355. Overall, this analysis reveals an industry that is in a fragile, albeit currently mostly stable, position despite the protection afforded by the existing measure. This is indicative of an industry that is vulnerable to injury.

H2.3 Historic injury data

356. The European measures came into effect on 4 May 2018. The injury period for this review is 2019-2022. This means that, for the entirety of the injury period, the tariffs implemented by the EC were in effect. Considering historic information, from before the European measures came into effect, enables understanding of the state of UK industry without the protection of these measures.
357. In [F3. Historic import analysis](#), we saw that import volume of the goods subject to review by year steadily increased over the years up to and including 2017, when it

reached a maximum of approximately 800,000 tyres. During this time, the average price of these goods showed no overall trend. In 2018, when the measures were introduced, import volume decreased by more than half, and continued to decrease in the following years. Concurrently, average price increased in 2018, and continued to increase in subsequent years.

358. As concluded in [F3. Historic import analysis](#), the effects observed in 2018 can be understood to have resulted from the fixed duty measures implemented by the EC leading to a reduction in imports of budget, or tier 3, tyres from the PRC.
359. As discussed in [H2.1 Considerations relevant for assessment of likelihood of injury](#), the change in behaviour with the introduction of the measures is indicative of what could reasonably be expected should they be revoked. It was established in [F3. Historic import analysis](#) that numerous Chinese manufacturers producing tier 3 tyres are still operational, and that if the deterrent of the fixed duty measures was removed then an increase in imports of low-priced, tier 3, tyres from the PRC would be expected.
360. The analysis of the UK industry during the injury period presented in [H2.2 The current state of the UK industry](#) is therefore not only reflective of an industry protected by existing measures, but also of an industry during a period of time where the type and volume of products being imported was not representative of what would be expected without the measures.
361. In its questionnaire response, Michelin refers to closure of two manufacturing facilities in the UK prior to the introduction of the European measures, stating “... due to the pressure of the imports before the imposition of the original measures, Michelin had to close its activities in Ballymena (NI) and Dundee (Scotland) resulting in +1600 redundancies”.¹²⁷

¹²⁷ [TS0036 Michelin Questionnaire Response](#) – page 50

362. Closure of the Ballymena and Dundee plants is confirmed by numerous news articles.^{128,129} Only the Ballymena site had been a producer of the like goods, with the Dundee site producing passenger car tyres.
363. BTMA also refers to the closure of Michelin’s Ballymena factory in its submission, stating “The last remaining [new] truck and bus tyre factory in the UK, at Ballymena in N Ireland, closed in April 2018, victim of the growth of Chinese imports prior to the adoption of the current countervailing measures”.¹³⁰
364. Bandvulc states in its questionnaire response that “... we observe the UK market for retread tyres has been declining since 2016 – and correlates to the increase in Chinese budget imports sales”.¹³¹
365. The available historic information suggests that, prior to the introduction of the European measures, imports of the goods subject to review were causing injury to domestic industry.

H2.4 Undercutting of UK industry

366. As will be discussed in the context of the recalculation of the injury margin in [H3. Injury margin recalculation](#), we have used an undercutting methodology as the basis of the injury margin calculation. All discussion of the injury margin calculation will be presented in this later section.
367. It is important to note that the calculation presented later is specific to the Hankook Group. As detailed in [H2.1 Considerations relevant for assessment of likelihood of injury](#), we know this exporter group not to be representative of the broader PRC industry, nor of the imports of goods subject to review that would be expected if the measures were revoked – as corroborated by the historic analysis of imports in [F3](#).

¹²⁸ [BBC: Michelin Ballymena tyre factory to close in 2018](#) – date of publication 3 November 2015; date of access 15 July 2024.

¹²⁹ [BBC: Michelin's Dundee factory closes gates for final time](#) – date of publication 30 June 2020; date of access 15 July 2024.

¹³⁰ [TS0036 BTMA Questionnaire Response](#) – page 13

¹³¹ [TS0036 Continental Questionnaire Response](#) – page 21

[Historic import analysis](#). For the consideration of undercutting presented here in the context of injury likelihood, it is therefore not appropriate to base our conclusions on the result of the Hankook Group calculation.

368. Instead, we have performed a calculation of the amount of undercutting using import data from HMRC¹³² for all imports of the goods subject to review during the PoI, with the Hankook Group data removed from these figures. On the basis of the analysis in [SECTION F: Analysis of imports of the goods subject to review](#) and [H2.1 Considerations relevant for assessment of likelihood of injury](#), we believe this to be the best available reflection of the undercutting of the UK industry that would occur if the measures were to be revoked. As seen in these previous sections, PRC manufacturers other than the Hankook Group exported to the UK in larger quantities prior to the EC measures being introduced and could be expected to return to this behaviour measures were removed. However, during the PoI, the majority of imports of the goods subject to review were Hankook Group tyres – therefore a calculation without subtracting the Hankook Group data would be heavily skewed by Hankook Group products which are not reflective of the broader PRC industry or of the imports expected if the measures were removed.
369. Since the HMRC import data is not available at PCN level, the undercutting result presented here is based on a high-level calculation averaged over all imports of the goods subject to review and over all domestically produced like goods during the PoI.
370. The calculation returns an undercutting result of 42%. The fact that this result is positive indicates that the average import price during the PoI was cheaper than the average domestic price. Without the tariffs in place, imports from PRC exporters besides the Hankook Group would have been, on average, undercutting domestic industry by 42% during the PoI.

¹³² [HMRC UK Trade Info website](#) – data downloaded 4 March 2024

371. The undercutting result found here suggests that, if the measures were removed, imports of the goods subject to review may undercut the UK industry's selling price of the like goods. This is therefore indicative of likelihood of injury with removal of the measures.

H2.5 Other factors that could cause injury (non-attribution)

372. In this section we consider any other factors at play during injury period which may have caused injury to domestic injury during this time, and whether or not these may impact on our conclusions for likelihood of injury.

Imports from other countries

373. Using HMRC data,¹³³ we considered the countries with the highest volumes of exports of the like goods to the UK averaged across the four years of the injury period, to establish whether these could have caused injury to the UK industry. The analysis is separated into the top five EU countries, and the top five non-EU countries.

374. The volume of imports across the injury period from the top five EU countries is shown in Table 34 below. These countries are Germany, Spain, Poland, Slovakia, and France.

¹³³ [HMRC UK Trade Info website](#) – data downloaded 4 March 2024

Table 34: Import volume (in number of tyres) across the injury period from the five biggest exporters of the like goods within the EU

	2019	2020	2021	Pol
Imports from Germany (tyres)	352,310	325,551	691,711	180,518
Imports from Spain (tyres)	252,860	201,446	192,350	28,957
Imports from Poland (tyres)	110,802	121,032	154,202	51,592
Imports from Slovakia (tyres)	100,509	85,282	89,155	74,311
Imports from France (tyres)	53,424	30,789	44,718	194,139
Total imports from all five countries	869,905	764,100	1,172,136	529,517

Source: HMRC import data

375. There is no overall trend in the total volume of imports from these five countries across the injury period. On an individual country basis, imports from Spain and Poland decreased in the Pol to approximately 15% and 33% respectively of 2021 levels. Imports from France increased to 434% of 2021 levels in the Pol. Imports from Germany approximately doubled from 2020 to 2021, before decreasing again in the Pol.

376. The average price of imports for each of these EU countries in each year of the injury period is shown in Table 35 below. The average domestic sales price of the like goods for each year is also included for comparison.

Table 35: Average price per tyre of imports from each of the five biggest EU exporters of the like goods across the injury period

	2019	2020	2021	Pol
Germany average price (£/tyre)	140	147	145	156
Spain average price (£/tyre)	132	131	150	161
Poland average price (£/tyre)	157	166	133	222
Slovakia average price (£/tyre)	186	190	186	249
France average price (£/tyre)	173	165	230	217
Domestic average price (£/tyre)	177	181	180	213

Source: HMRC import data; verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

377. These import prices exhibit a similar trend to that seen in domestic sales prices.

For all countries except France, there is an increase in price in the Pol. This has already been discussed in the context of high inflation rates during the Pol.

378. We can see that the import prices shown in Table 35 are generally comparable to the domestic sales prices by year. It is further worth noting that the import prices shown in the table above are CIF values. By the time that these imports reach the UK market, the prices would be higher due to factors such as post-importation costs. Based on this, we may conclude that the imports from any of these five EU countries would not have caused material injury to domestic industry.

379. The volume of imports across the injury period from the top five countries outside the EU, excluding the PRC, is shown in Table 36 below. These countries are Thailand, South Korea, Türkiye, India, and Vietnam.

Table 36: Import volume (in number of tyres) across the injury period from the five biggest exporters of the like goods outside of the EU

	2019	2020	2021	Pol
Imports from Thailand (tyres)	132,231	113,806	168,301	199,001
Imports from South Korea (tyres)	135,834	96,966	129,369	139,867
Imports from Türkiye (tyres)	75,568	82,434	72,316	63,938
Imports from India (tyres)	1,542*	5,608	95,017	74,356
Imports from Vietnam (tyres)	1,608	22,143	41,482	102,331
Total imports from all five countries	346,783	320,957	506,485	579,493

Source: HMRC import data

*2019 figure for India based partially on an informed estimate due to an error identified in the HMRC data¹³⁴

380. Total imports from these five non-EU countries increased across the injury period, reaching a maximum in the Pol. The increase was particularly significant for India and Vietnam. For both these countries, the level of imports was under 2,000 in 2019. Imports from India then exceeded 95,000 in 2021, and those from Vietnam exceeded 100,000 in the Pol.

381. Since the European measures came into effect in 2018, an increase in imports from other countries over the few years following this could indicate a shift in exports from the PRC to these other countries – particularly when those countries are geographically close or economically similar to the PRC.

¹³⁴ One entry for volume in tyres during 2019 was incorrect in the HMRC data for India, and this has been replaced with an estimated figure based on a conversion from mass in kg and volume in tyres calculated from the remaining data; the overall figure in the table for 2019 can be reasonably taken as accurate to within ±50 tyres.

382. The average price of imports for each of these countries in each year of the injury period is shown in Table 37 below. As when considering EU countries, the average domestic sales price for each year is also included here for comparison.

Table 37: Average price per tyre of imports from each of the five biggest non-EU exporters of the like goods across the injury period

	2019	2020	2021	Pol
Thailand average price (£/tyre)	122	114	120	144
South Korea average price (£/tyre)	154	151	162	212
Türkiye average price (£/tyre)	164	189	180	214
India average price (£/tyre)	68	83	136	148
Vietnam average price (£/tyre)	114	113	138	159
Domestic average price (£/tyre)	177	181	180	213

Source: HMRC import data; verified producer questionnaires (Michelin, Bulldog/Bridgestone, Vaculug)

383. The average prices from South Korea and Türkiye across the injury period were comparable to the prices seen in Table 35 for the five biggest exporting countries of the like goods in the EU. However, the average prices for Thailand, India, and Vietnam were, on average, lower than prices of imports from the EU countries, and lower than the prices from domestic producers during the injury period. Imports from these three countries therefore have potential to be causing injury to domestic industry.

384. BTMA explicitly references imports from Vietnam and India in its questionnaire response: "...increasing supply of ultra-low-cost single-life tyres from Vietnam and India has exerted downward pressure on retread sale prices, squeezing the margin

on retread manufacture. In these circumstances the potential re-entry of large volumes of subsidised supplies from China would very likely be destabilising.”¹³⁵

385. The narrative provided by BTMA fits with the trends seen in the HMRC data. Import volume from both Vietnam and India has increased by more than an order of magnitude across the injury period, and the average prices were lower than those seen from the other countries considered.
386. We saw in [F3. Historic import analysis](#) that, before measures were introduced against the PRC, import volume of the goods subject to review reached a maximum of approximately 800,000 tyres/year in 2017. The total figure for imports from the top five non-EU countries during the PoI was 579,493 tyres. So, even taken together, these imports are less than 75% of the volume that was previously imported from the PRC.
387. If the increase in imports from Vietnam and India does represent a shift in the market from the PRC to these countries in response to the measures, then it is possible that removal of these measures could result in some or all of this production for export to the UK moving back to the PRC.
388. There is some evidence that imports from specific countries outside the EU could have caused a degree of injury to the UK industry during the injury period. However, as demonstrated in [F2. Injury period import analysis](#), the prices of exports from the PRC once the Hankook Group’s export sales are excluded, were comparable to or lower than the cheapest of the prices presented in Table 37. This is despite the measures in place increasing the cost incurred to export from the PRC to the UK.
389. As established in [H2.1 Considerations relevant for assessment of likelihood of injury](#), removal of the measure would be expected to increase the volume of these

¹³⁵ [TS0036 BTMA Questionnaire Response](#) – page 13

cheaper imports from the PRC. Therefore, whether or not these other imports are partially responsible for any injury over the injury period does not affect our judgement on the likelihood of injury if the measures were to be revoked.

Any other factors which could be causing injury

390. Two other factors have been identified as having had potential to cause injury to the UK industry during the injury period: the COVID-19 pandemic, and the high inflation rates in the Pol leading to increased costs.
391. Both these factors have been discussed throughout [H2.2 The current state of the UK industry](#). We saw how each has impacted some of the trends in the UK industry across the injury period, and considered the possible additional pressure placed on domestic producers.
392. However, neither of these factors will impact on our conclusions of injury likelihood. Neither factor can fully explain the fragile situation of domestic injury across the injury period, as detailed in [H2.2.15 Conclusion on situation of UK industry](#).
393. Additionally, these factors were both time-limited; the worst effects of COVID-19 were felt four years ago in 2020, and inflation rates returned to much lower levels the year after the Pol, so these factors cannot be considered impactful for future looking analysis on the likelihood of injury.

H2.6 Domestic and international market conditions

394. [H2.2.15 Conclusion on situation of UK industry](#) summarised our analysis of the state of UK industry throughout the injury period, concluding that it has been in a vulnerable state during this time. Michelin summarises this narrative in its questionnaire response, stating “As is apparent from the information provided [...], the overall situation of the company, with regard to the goods subject to review, has remained fragile over the IP. If the measures subject to review would cease to

apply, it is likely that the situation would further degrade due to loss of market shares to imports and difficulties to maintain margins.”¹³⁶

395. [H2.2.5 Market share](#) showed that domestic market share held constant during the injury period, with the existing measures in place. The historic analysis presented in [H2.3 Historic injury data](#) suggests that import volume of the goods subject to review would increase if the measures were removed, and that this increase would predominantly be in the cheaper end, tier 3, tyres which have been identified by all registered domestic producers as being the most significant threat for market share and injury more broadly.
396. We have found no evidence that demand for bus and lorry tyres in the UK is expected to increase.
397. Vaculug’s questionnaire response states that “the Retread industry in [the] UK (in fact the whole of Europe) has shrunk substantially since the commercialisation of cheap tyres (primarily coming from China)”,¹³⁷ and that in the domestic market there is “significant sensitivity to price as a £5.00 saving per tyre for a fleet fitting 25,000 tyres per year can result in over £130,000.00 saving per year.” This would suggest that any increase in imports, especially the cheaper tier 3 tyres which would be expected if the measures were removed, could lead to a decrease in domestic sales of the like goods in absolute terms as well as in loss of market share.
398. Regarding the international bus and lorry tyre market, a March 2023 report from Astute Analytica¹³⁸ states that the global bus and lorry tyre market has “seen significant growth over the past few years, and this growth is expected to continue over the forecast period” (which extends to 2031) but that “the fluctuation in raw

¹³⁶ [TS0036 Michelin Questionnaire Response](#) – page 38

¹³⁷ [TS0036 Vaculug Questionnaire Response](#) – page 20

¹³⁸ [Astute Analytica: Global truck and bus tyre market report](#) - date of access 04 July 2024

material prices is a challenging factor for tire manufacturers [...] which could potentially affect the growth of the market.”

399. This report also states that “Asia Pacific is the dominating region in the global Truck and Bus Tires Market in 2022, with a significant share of the market”, and refers specifically to the PRC as “witnessing significant growth” in the industry.
400. From the verified domestic producer questionnaire submissions, we know that two of the three verified producers exported a small number of domestically produced like goods during the Pol. Therefore, any growth in the global market may be of some relevance. However, the significance of this may be limited, as over the injury period the majority of producer sales have been domestic.
401. However, an article from 2022 in the European Rubber Journal (ERJ)¹³⁹ shows a different picture when looking specifically at global demand for retreaded tyres, the only kind produced within the UK. The report refers to high fuel costs leading to “pressure on replacement [retreaded] tire sales”.
402. Michelin provides a similar narrative in its questionnaire response. It states that an increase in fuel costs has forced the transport industry “to take cost out of operation [...] leading to a shift to cheaper T3 brands”,¹⁴⁰ suggesting that any factors which increase cost of operation for fleets, such as high fuel costs, typically lead to decline in demand for retreads in favour of cheaper single use tyres.
403. The ERJ article cites imports of tyres into Western regions from low-cost regions as a source of concern for Western manufacturers, and states that “demand for low-cost imports [...] has remained strong despite the imposition of anti-dumping (AD) duties and other tariffs by regulators in Europe and the US”. It further states that “In China, itself, the tire market had been growing very quickly until the Covid

¹³⁹ [ERJ: Economic trends reshaping the global tyre market](#) - date of publication 13 December 2022; date of access 04 July 2024

¹⁴⁰ [TS0036 Michelin Questionnaire Response](#) – page 23

lockdowns, which lowered OE [original equipment] sales”, and “Amid the market set-backs, Chinese tire makers have continu[ed] to increase production, hence there have been record exports of car tires and particularly truck tires worldwide”.

404. Overall, there is no evidence of growth in the domestic market, either currently or in terms of future projections. Globally, there is some evidence of projected increased demand for bus and lorry tyres. However, this may not apply to the retreaded tyres produced in the UK; and in fact any changes in global market conditions appear, if anything, to be increasing the pressure on retread producers.

H2.7 Conclusion on likelihood of injury

405. The analysis presented in the preceding sections is based on a period when domestic industry has been protected by trade remedy measures which have been demonstrated to impact the volume, and type, of imports of the goods subject to review.

406. Despite the protection of these existing measures, the assessment in [H2.2 The current state of the UK industry](#) revealed that the UK industry appears to have been in a mostly stable but vulnerable position throughout the injury period – with small profit margins, and no evidence of growth.

407. As explained in [H2.1 Considerations relevant for assessment of likelihood of injury](#) and further demonstrated through the discussion of historic import data in [H2.3 Historic injury data](#), the imports of the goods subject to review during the injury period were not reflective of the imports expected without the existing measures in place. We concluded that not only did import volume decrease when the measures were introduced, but that the majority of imports that did continue were of the more premium, higher priced, products. We further concluded that it is expected that import volume of cheaper, budget or tier 3, tyres would increase significantly if the measures were removed.

408. We found that, in the absence of the measures, imports of the goods subject to review would be estimated to undercut the UK industry's selling prices by 42%. It was noted that this is not reflective of what has occurred during the injury period, since the fixed duty measures have impacted the imports of goods subject to review; rather, this is a forward-looking estimate of the situation that would exist should the measures be revoked.
409. Throughout the assessment of UK industry in [H2.2 The current state of the UK industry](#), we have seen all registered producers put forward arguments to demonstrate that removal of the measures would be catastrophic, with potential to lead to complete shutdown of production. Such a prediction should evidently be treated with circumspection; however, it does not appear to be unfounded. We concluded that UK industry remained in a vulnerable position, despite the protection of the existing measures. We have also seen that the amount of undercutting expected without these measures is greater than that experienced by the UK industry currently, due to the expected increased level of budget, tier 3, tyres.
410. This assessment of the negative impact that increased imports of cheaper, tier 3, tyres would have on the UK industry is further evidenced by the understanding of the bus and lorry tyre market discussed in [H2.6 Domestic and international market conditions](#). Here, we saw no evidence of growth, or expected growth, in the domestic demand for bus and lorry tyres and no evidence of increased demand for retreaded tyres in the international market.
411. The narrative that has built up throughout this assessment makes clear that tier 3 tyres compete directly with retreads, with price pressures on customers influencing their purchasing decisions. Therefore, an increase in cheap tier 3 imports would be expected to take market share from domestic industry.

412. Taking all of this together, we see that domestic industry is currently in a state that leaves it vulnerable to injury. On the basis of the likelihood assessment as a whole, we can conclude that, on the balance of probabilities, there is likelihood of continued or recurring injury if the measures were to be revoked.

H3. Injury margin recalculation

413. In this transition review, we are recalculating the margins. In this section we outline the calculation of the injury margin, providing an explanation of the decisions taken and presenting the result of the calculation.

414. The calculation presented is for the one cooperating exporter group, the Hankook Group.

415. There are no other cooperating exporters in this review. Therefore, in addition to the Hankook Group injury margin, we present only a residual injury margin which applies to all other exporters of the goods subject to review.

H3.1 Injury margin methodology and decisions

416. When calculating an injury margin, we considered using either undercutting or underselling. An underselling margin constructs a UK target price at PCN level, based on cost to make and sell, and a reasonable margin for profit, and compares this against the landed price of imported goods by PCN. An undercutting margin uses the actual average domestic sales price by PCN, rather than a constructed target price.

417. For transition reviews, there will have been measures in place during the Pol. This will have provided some protection to domestic industry from imports of the goods subject to review during this period. Therefore, if the domestic selling price is not equal to the target price, this difference cannot be assumed to be the result of imports of the goods subject to review. Constructing a target price could be unfairly

punitive on exporters in this instance. For this reason, we took the decision to calculate an injury margin using undercutting.

418. The equation for an injury margin based on undercutting is shown below, where the sums are taken over all matched PCNs; that is, all PCNs present in the transaction data both for the domestically produced like goods and the imported goods subject to review.

$$\text{injury margin} = 100\% \times \frac{\sum_{PCNs}([\text{PCN domestic price} - \text{PCN landed price}] \times \text{PCN import volume})}{\sum_{PCNs}(\text{PCN CIF price} \times \text{PCN import volume})}$$

419. The domestic price for each PCN is calculated from the sales prices of the three verified producers, for all sales of tyres that fall within that PCN.

420. The usual approach to calculating a landed price and CIF price for each PCN is to start from the exporter sales transactions, removing any associated party sales as these may not be at market rate. In this instance, all exporter sales were from the Hankook Group, which only sold its products to the associated importer HKT UK. Therefore, every export sales transaction during the PoI was an associated party transaction and could not be used. In accordance with regulation 15(4)(a) of the Regulations, we instead used the price of the first independent sale, from HKT UK into the UK market, as the basis for establishing the landed price and CIF price by PCN.

421. Starting from the importer sales prices, the following adjustments are made to get to a landed price:

- the current anti-dumping and countervailing duty amounts paid are subtracted;
- the importer's AS&G costs are removed; and
- an adjustment is made for importer profit.

422. To obtain a CIF price, the following are additionally subtracted:

- regular customs duty;
- brokers fees; port charges; and
- storage fees.

423. These CIF price adjustments are in addition to the adjustments already made to reach the landed price. An additional adjustment is made specifically to those transactions made on CIP terms, to bring these to CIF level.

424. Since we use importer sales transactions in the calculation rather than exporter sales, the 'volume' quantity which corresponds to the data used to calculate the landed and CIF prices is the importer sales volume, not the volume of imports of that PCN during the Pol.

425. We established that there was near perfect correlation between importer purchase volume and importer sales volume by PCN. As a result, whether it is 'import volume' or 'importer sales volume' used in the injury margin calculation has no material impact on the output.

426. Given that the importer sales volume by PCN is the quantity which aligns to the transactions used to calculate the landed and CIF prices by PCN, we have chosen to use the importer sales volume as the volume quantity in the margin calculation. Therefore, in the injury margin equation shown above, the quantity labelled 'PCN import volume' is, in our instance, the importer sales volume for each PCN.

H3.2 Injury margin result

427. As described in regulation 36(2) of the Regulations, the injury margin represents the amount which the TRA "is satisfied is necessary to prevent injury to UK industry based on an assessment of the minimum increase in import prices of the dumped goods or subsidised imports that would remove injury."

428. Using the approach as outlined in [H3.1 Injury margin methodology and decisions](#), we calculate an injury margin, for the Hankook Group, of 5.1%.

429. The calculated injury margin is positive, and not minimal. It indicates that a tariff at the level of 5.1% would be necessary for imports of the goods subject to review from the Hankook Group, in order to prevent injury to the UK industry.

430. In accordance with regulation 38(3), we may calculate a residual amount by any reasonable means. The residual injury margin, which is applicable to all other exporters of the goods subject to review, has been calculated as the highest margin at PCN level from the Hankook Group calculation.

431. This results in a residual injury margin of 87.3%.

432. The injury margin results are summarised in Table 38 below.

Table 38: Calculated injury margins

Exporter	Injury margin
Hankook Group	5.1%
All non-cooperating exporters	87.3%

SECTION I: Economic Interest Test

I1. Introduction

433. The aim of the EIT is to determine whether making a recommendation to vary the measure and apply a countervailing amount on the goods subject to review imported from the PRC is in the economic interest of the UK.

434. In accordance with paragraph 25 of Schedule 4 to the Taxation (Cross-Border Trade) Act 2018 (“the Act”), the EIT is met in relation to the application of an countervailing remedy if the application of the remedy is in the economic interest of the United Kingdom.

435. In line with paragraph 25(4) of Schedule 4 to the Act, we have taken account of the following factors in conducting the EIT:

- the injury caused by subsidisation to the UK industry of the 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 goods, in the UK; and
- such other matters as the TRA considers relevant.

436. The sections that follow assess each of the factors of the EIT in turn.

I2. Injury caused by subsidisation and benefits to UK industry in removing injury

437. Section H2 sets out the injury likelihood assessment and injury analysis, which concludes that if the measure were revoked, injury to UK industry would be likely to recur owing to cheaper imports from the PRC. We established that UK industry remained in a vulnerable position despite the protection of existing measures. If the measures were removed, it is likely that there would be increased imports of the goods subject to review, particularly cheaper, lower quality tyres, which would result in continued or recurring injury for domestic industry.

I3. Economic significance of affected industries and consumers in the UK

438. We have identified the following groups as potentially being affected by the proposed measure:

- **Upstream businesses:** primarily suppliers of rubber, casings and used tyres
- **UK producers** of pneumatic tyres used for buses or lorries
- **Importers** of pneumatic tyres used for buses or lorries
- **Downstream users and retailers** of pneumatic tyres used for buses or lorries

439. There is substantial overlap between these groups (for instance, some UK producers are parts of the group with their upstream suppliers or downstream buyers and some importers and downstream businesses are also retailers), but we have attributed all known businesses to one group based on their main activity to avoid double counting.

440. We have identified a selection of businesses to analyse in more detail in each of these groups because it was not feasible to fully investigate all known businesses given case time constraints. For each selected business, we looked at the four most recent published financial statements.

13.1 Upstream businesses

441. From the questionnaire responses and own research, we identified 17 UK suppliers of raw materials used in the production of tyres, such as rubber and tyre casings. It is likely that there are more smaller recycling and waste-management businesses which supply used tyres for retreading. For instance, Hankook UK, an importer, is an upstream supplier of used premium tyres to Vaculug for retreading which they then sell in the UK market.
442. We looked at published financial statements for seven selected upstream businesses and found that tyres are likely to be at least somewhat important to them. They appear to be somewhat vulnerable to negative economic impacts as some upstream industries already have low growth and low profits.

13.2 UK producers

443. Through research and submitted evidence, we have identified eight UK producers of pneumatic tyres used for buses or lorries. There are four large producers: Michelin, Vaculug, Bandvulc and Bulldog/Bridgestone. The other businesses are likely to be small producers. BTMA claims that there are over 20 UK producers in total, with most of them small, but did not provide evidence we could use to identify all of them.
444. We looked at published financial statements and submitted evidence for the four large producers. Based on this we conclude that the product is important for them. BTMA claims that this product is most important for the smaller producers, because they are already in a weaker financial position. Unlike them, large producers are part of multinational groups which also import and sell their new tyres, and therefore could be considered more resilient. It is likely that the product is very important for all UK producers and they can be all considered vulnerable to negative economic impacts due to poor profitability in recent years.

I3.3 Downstream businesses

445. From evidence submitted and our own research, we are aware of over 400 businesses which purchase tyres for buses and lorries, but the true number could be even higher as we do not have evidence on purchases from importers which are not also UK producers. Some downstream businesses are also associated with UK producers, some are retailers and not the final users. The main groups are fleet managers and operators of buses and lorries. Businesses with smaller fleets usually purchase tyres as and when needed, often driven mainly by the price of tyres, while businesses with larger fleets usually have longer term leasing contracts with the suppliers which manage up to four life cycles of tyres they use, combining new and retreaded ones.

446. We included seven businesses in our selection, which represent a range of sizes and types of businesses. The largest selected business is significantly bigger than the others, accounting for over 95% of the turnover and employment of all selected businesses. We do not believe that bus and lorry tyres are an important product for this business but have included them because they submitted a pre-sampling questionnaire.

447. We consider that the product is at least somewhat important to downstream businesses and that they are not vulnerable to negative economic shocks as most have good growth and profits.

I3.4 Importers

448. From evidence submitted and our own research, we are aware of 77 businesses which imported tyres in the UK in the relevant period. Most of them are smaller businesses but some of them are very large and bus and lorry tyres represent only a fraction of their overall imports.

449. We included six businesses in our selection and we consider that the product is at least somewhat important to them. As most importers are profitable and have good growth, we do not believe they are vulnerable to negative economic shocks.

I3.5 Consumers

450. Bus and lorry tyres are not consumer goods. There is only an indirect and remote connection between these tyres and final consumers, through transportation of consumer goods and passengers by vehicles which use such tyres. Therefore, it is likely that the impacts on final consumers are negligible.

I3.6 Summary table

451. Table 39 summarises the economic significance metrics for the affected industries. It shows tyres are very important to UK producers and at least somewhat important to all groups. Downstream businesses are far more economically significant than other groups, but over 95% of the employment and turnover data presented in the table comes from a single downstream business for which tyres are unlikely to be a significant product. Expected vulnerability to economic shocks differs widely between groups and individual businesses, but UK producers are likely to be most vulnerable.



Table 39: Significance metrics for affected industries

	UK producers	Upstream businesses	Downstream businesses	Importers
Total known businesses	8	17	400+	77
Total selected	4	7	7	6
Estimated importance of pneumatic tyres to this group	<i>Very important (sales of tyres vs turnover)</i>	<i>Somewhat important (sales to UK producers vs turnover)</i>	<i>Somewhat important (tyres purchases vs turnover)</i>	<i>Somewhat important (% of imported commodity codes in scope)</i>
Total employment of selected businesses	1,440	848	68,596	1,676
Total GVA of selected businesses (£m)	63	43	3,274	116
Total turnover of selected businesses (£m)	888	157	6,274	1,147
Average EBITDA margin for selected businesses (%)	-2.16%	1.50%	12.06%	3.12%
Vulnerability to economic shocks	<i>High - poor profitability in the recent years</i>	<i>Somewhat vulnerable - some upstream industries have low growth and low profits</i>	<i>Not vulnerable - some downstream industries have good growth and low profits</i>	<i>Not vulnerable - most importers have good growth and are profitable</i>

Sources: Questionnaire responses, Companies House and Dun & Bradstreet.
Methodology: The importance of tyres to each group was estimated using the comparison metrics set out in brackets for each group. GVA was estimated by summing operating profits, employment costs, depreciation, and amortisation. Average EBITDA margin was estimated by dividing the sum of operating profit, depreciation, and amortisation by turnover. The assessment of vulnerability to



negative economic impacts was made by looking at financial data from the most recent four published financial statements.

14. Likely impact on affected industries and consumers

452. In this section, we assess the overall impact that the proposed variation of the measure might have on the affected groups identified. We do this by looking at how prices and quantities of goods in the supply chain might change (i) if the measure were to be varied as proposed, and (ii) if it were revoked. The likely impact of the measure is the difference between these two states.

453. The Hankook Group was the only cooperating exporter group, so it is the only one for which we had all the information we needed. The Hankook Group's share in the total imports of tyres to the UK from the PRC has been continuously very high: 67% in the PoI and between 58% and 74% in all years of the injury period. However, the average prices of tyres from other PRC producers were significantly lower than Hankook's. Therefore, as discussed in Section F Analysis of imports of the goods subject to review, the Hankook Group is not reflective of the wider PRC industry for the goods subject to review and we can assume that its costs and prices are also not representative of most of the PRC tyres industry.

454. Downstream demand for the product is relatively stable and we believe cost increases will be easily passed through to the final price of downstream services. Businesses which transport goods and services cannot operate without vehicles and their buses and lorries cannot operate without tyres. Also, the cost of tyres is unlikely to be the highest cost in their business. Therefore, we consider that the elasticity of demand is likely to be low.



14.1 Expected impacts on prices and quantities if measure is varied as proposed

455. Under the current measure, exporters have an individual fixed duty per tyre applied to their exports. If the measure is varied as proposed, all exporters, apart from the Hankook Group, will be grouped together and be subject to the residual duty per tyre.

456. Under the proposed measure, the Hankook Group will face a lower fixed duty per tyre compared to the existing measure, while other overseas exporters will face the same fixed duty as the existing measure. Table 40 compares the existing and proposed fixed duties.

Table 40: Comparison of existing and proposed measure

Overseas exporter	Countervailing duty GBP (£) per tyre (& ad valorem equivalent)	
	Current Measures	Proposed Variation
Hankook Group (Chongqing Hankook Tire Co., Ltd and Jiangsu Hankook Tire Co., Ltd)	3.14 (2.06%)	0 (0%)
All other overseas exporters (residual rate)	47.94 (51.08%)	64.41 (51.08%)

457. There is a parallel transition review of the anti-dumping duty on tyres imported from the PRC. For the purposes of our analysis in this transition review, we assess the impact of the countervailing duty alone.

458. Fixed duties may be eroded in their effectiveness by inflation over time. We do not expect the impact of inflation to be different should the measure be varied as proposed as the current measure and the proposed variation are both fixed duties.



459. Quantities of tyres imported from the Hankook Group would be likely to increase as their prices would be likely to decrease up to the level of reduction in their countervailing duty, around £3.14 per tyre. Prices for exporters currently subject to the residual rates will likely rise by the level of increase in their countervailing duty of £16.47 per tyre, and quantities imported from them would consequently be likely to fall. For other exporters currently on a lower duty, moving to the residual duty will see their prices rise by the level of increase in their countervailing duty. Given the size of the changes in prices, it is likely that the Hankook Group will replace imports from other PRC exporters to a substantial degree. We do not have sufficient evidence to conclude how the market shares of third country suppliers and UK producers are likely to be affected by the proposed variation of the measure, and whether the net effect on total UK imports is likely to be positive or negative.

460. Therefore, the overall impacts are likely to be positive for the importers of tyres from the Hankook Group and their downstream businesses, while their direct competitors within UK producers and their downstream businesses could be negatively impacted. There may be positive impacts for UK producers that compete directly with importers that are now subject to the higher residual duty.

14.2 Estimated impacts on prices and quantities if the measure is revoked

461. If the existing duties were to be removed, quantities of all tyres imported from the PRC would be likely to increase as their prices would be likely to decrease by up to the level of their current countervailing duties (£3.14 to £47.94 per tyre). That would likely lead to a proportionate reduction in quantities of tyres sold by domestic UK producers and third-country producers. The largest change would be the ability of other PRC producers outside of the Hankook Group, to enter the market and sell their tyres because the existing duties make most of their tyres prohibitively expensive to import.



462. Therefore, impacts are likely to be positive for importers of tyres from PRC producers and their downstream businesses, while importers from third country producers, UK producers and their downstream businesses could be negatively impacted.

14.3 Expected impacts on affected businesses and consumers

463. If the measure were to be varied as proposed, affected groups would be likely to experience the effects set out in Table 41.

Table 41: Likely impact on affected groups if the measure were varied as proposed rather than revoked

Group	Likely impact
UK producers	Positive impact since they would continue to be protected from cheaper PRC importers, notwithstanding the reduction in duties for the Hankook Group.
Upstream businesses	No direct impact, but possible small positive impact if demand from UK producers increases.
Downstream businesses	Negative impact on downstream businesses since they would likely face higher prices owing to duties on PRC imports.
Importers	Negative impacts since they would be unable to source cheaper imports from the PRC.

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

464. This section explores how impacts of the proposed measure are likely to be geographically distributed and whether any particular groups might be disproportionately impacted.



15.1 Likely impact on particular areas

465. We have assessed geographical significance of affected groups, using employment, at the level of Travel to Work Areas (TTWAs).

466. We used three sources for the employment analysis.

- Questionnaire responses: these included data on total employment by site;
- Dun and Bradstreet business directory: this provides the location of known sites and estimates of employment by site for listed companies.¹⁴¹
- ONS estimates of working age population by TTWA.

467. Questionnaire responses were our preferred source because those figures were verified. For businesses without questionnaire responses, we used Dun and Bradstreet to estimate employment by site but scaled down these estimates wherever the sum of employment from all sites exceeded the total employment in the most recent published financial statements. Where sites were listed without employment figures, we assumed employees were distributed equally between all sites.

468. We did not find any areas where the estimated employment from affected groups constituted a significant portion of the working age population of any TTWA.

15.2 Likely impact on particular groups

469. We considered whether there could be any likely impacts on particular groups including groups with protected characteristics as defined under the Equality Act 2010. No interested party suggested any such impacts and we have found no such evidence.

¹⁴¹ [Dun & Bradstreet](#)



16. Likely consequences for the competitive environment and for the structure of markets for goods in the UK

470. The assessment of likely consequences for the competitive environment and structure of the UK market considers four areas:

- 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
- The impact on the choices and information available to consumers.

471. The UK market for tyres appears to be very competitive with a large range of suppliers and brands. As first outlined in Section D The Goods and Like Goods, the market is segmented into three tiers, representing three levels of different quality and price points of the product: premium, value and budget. Both new and retreaded tyres are offered in the market and they can belong to any of three commercial tiers. We estimate that UK producers have a market share of around 80% of the total sales of retreaded tyres and of around 34% of the total sales of all tyres (new and retreaded).

472. If the measure is varied as proposed, it may help importers of tyres from the Hankook Group to reduce prices and become more competitive, while still providing protection for the UK producers from other PRC producers. Therefore, it is unlikely that the proposed measure would significantly affect the number or range of suppliers in the market. If the measure were to be removed, it would be likely to more significantly affect the range and suppliers in the market, as a large number of producers of cheaper tyres would be able to enter the market. In the longer term, this could force some of the smaller UK producers to exit the market.

473. There is no evidence to suggest that the ability of most suppliers to compete would be affected by the proposed measure. However, importers of tyres from the Hankook Group could increase their ability to compete in the market and



offer lower prices. Therefore, it is likely that the ability of suppliers to compete could slightly increase. Similarly, if the measure were removed against all PRC producers, that would increase their ability to compete compared to the application of the measure as proposed.

474. There is no evidence to suggest that the incentive for suppliers to compete vigorously would change, as the market is already highly competitive and such incentive is likely to remain, whether the measure is varied as proposed or removed.

475. Extending the measure against the majority of the PRC producers could continue limiting access to cheaper single-use tyres from the PRC. However, there would still be imported tyres of similar characteristics from other countries available in the market, albeit likely with higher prices on average. At the same time, new premium tyres from the Hankook Group could become more affordable and that could encourage other producers of premium tyres to reduce their prices. Therefore, we can expect that consumer choices will be slightly improved from the current situation if the measure is varied as proposed or revoked.

17. Such other matters as the TRA considers relevant

476. Within the EIT, we consider any other factors additional to those set out in the legislation which have implications in concluding whether the proposed measure is in the economic interest of the UK.

477. UK producers emphasised the environmental benefit of retreading used tyres of better quality in comparison to single-use tyres of lower quality which could not be retreaded and would increase amount of waste.



18. Form of measure

478. In the EIT we consider the most appropriate form of measure to recommend, in particular whether any changes to the length or coverage of the measure would minimise the negative impacts of the measure on some parties while retaining the overall benefits.

479. We have found no evidence to suggest that a different form of measure than the current one could be more appropriate. Therefore, a fixed duty remains the proposed form of measure.

480. The transitioned measures are in the form of fixed duties. This form of measure was chosen by the EC with the aim of discouraging imports of lower end, tier 3, tyres. The EC report states that “an ad valorem duty creates an incentive for a company to sell its lower end of its product mix. This would create additional pressure in tier 3, although it is precisely that tier of the market which needs the most protection against fierce unfair competition.” In addition, it states that “an ad valorem duty could also lead to fairly high amounts in the high price tier of tier 1 and tier 2 tyres. Here, the risk is that such high-quality tyres could become too expensive, although it is exactly those tyres which may be beneficial to the Union retreading business.”¹⁴²

481. The comment relating to the retreading business is particularly significant for UK industry, which consists solely of retreaders and we know that the UK market relies on high-quality, retreadable tyres imported from other countries. For this reason, we are recommending continuing fixed duties based on our recalculated margins.

482. The following formula outlines how fixed duties are calculated:

$$\text{Appropriate margin (percentage)} \times \text{Average price per unit} = \text{Fixed duty}$$

¹⁴² [Commission Regulation \(EU\) 2018/1690 of 9 November 2018](#)



483. We calculated the Hankook Group's average CIF price. In order to reach a suitable average CIF price to calculate residual rates, we utilised publicly available HMRC trade data for the PoI and removed the total value and volume of the Hankook Group to give an estimated average CIF price for remaining imports. Then, using the margins determined earlier in this report, and taking into account the lesser duty rule, we have calculated fixed duties outlined in Table 42 below.

Table 42: Recommended countervailing duties

Overseas exporter	Countervailing duty rate	Countervailing duty GBP (£) per tyre
Hankook Group (Chongqing Hankook Tire Co., Ltd and Jiangsu Hankook Tire Co., Ltd)	0.00%	0.00
All other overseas exporters (residual rate)	51.08%	64.41

19. Conclusion

484. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the application of an countervailing remedy, if the application of the remedy is in the economic interest of the UK. This test is presumed to be met unless we are satisfied that the application of the remedy is not in the economic interest of the UK.

485. In the injury section we concluded that if the measure were to be removed, there would be a likelihood of injury.



486. Our assessment of economic significance found tyres are very important to UK producers and somewhat important to all other groups. Downstream businesses are most economically significant in terms of all metrics, while UK producers were found to be most vulnerable to negative economic shocks.
487. When considering the impacts on affected businesses and consumers we found that varying the measure as proposed as compared to revoking it would benefit UK producers and their upstream suppliers, while importers and downstream businesses would not be able to benefit from cheaper tyres from the PRC.
488. In assessing the likely impacts on particular areas and groups, we found no evidence of disproportionate impacts on any area or groups.
489. In the competition assessment, we noted that PRC suppliers would be able to supply to the UK market more easily if the measure were revoked, with a risk of small UK producers no longer being able to compete in the long term but found no evidence to show any significant impacts.
490. In the other factors section, we found that varying the measure as proposed would be likely to reduce the use of single-use tyres and waste and encourage use of higher quality retreadable tyres and retreaded used tyres. This would likely have positive environmental impacts.
491. We have identified the following key positive impacts of extending the measure:
- Injury would be prevented as the UK producers would remain protected from imports of other PRC producers of cheap single-use tyres apart from Hankook Group. In addition, prevention of further injury will further support UK producers which are already vulnerable from negative economic shocks due to poor profitability.
492. The contrasting key negative impacts are:



- Importers and downstream businesses would not gain access to cheaper tyres from PRC producers.

493. Based on our consideration of the evidence submitted, we conclude that varying the measure as proposed is unlikely to cause disproportionate negative effects as compared to the benefits of removing injury to UK producers and, therefore, the EIT is met.



SECTION J: Findings and Proposed Recommendations

J1. Findings

494. The TRA has found that it is likely, on the balance of probabilities, that subsidised imports of bus and lorry tyres would recur if the countervailing amount were no longer applied.

495. It is likely, on the balance of probabilities, that injury to UK industry would recur if the countervailing amount were no longer applied.

496. The application of the countervailing duty meets the EIT.

J2. Intended Final Recommendation

497. Our intended recommendation is to vary the application of the countervailing amount under regulation 100A of the Regulations so that it applies to the goods subject to review imported to the UK until 13 November 2028 – that is, five years subsequent to the date when the measure would have expired (13 November 2023) had no transition review been initiated.

498. As it has been possible to recalculate the countervailing amount, we intend to recommend recalculated rates, under regulation 100A(4)(a) of the Regulations. The margins, included those calculated in the parallel anti-dumping review TD0035, are outlined below.



Table 43: Recalculated rates and duties

Overseas exporter	Dumping margin	Subsidy margin	Injury margin	Countervailing duty rate	Anti-dumping duty rate	Fixed countervailing duty amount GBP (£) per tyre	Fixed anti-dumping duty amount GBP (£) per tyre
Hankook Group (Chongqing Hankook Tire Co., Ltd and Jiangsu Hankook Tire Co., Ltd)	23.42%	0.88%	5.07%	0.00%	5.07%	0.00	10.03
All other overseas exporters (residual rate)	77.11%	51.08%	87.32%	51.08%	36.24%	64.41	45.70

499. We have not varied the description of goods to which the measure applies. We intend to recommend that the recalculated duties specified in Table 43 shall be applied to the goods under the UK tariff codes listed.

500. We intend to make this recommendation on the grounds that we have assessed that it is likely that subsidised imports of the goods subject to review would recur if the measure we no longer applied; we have determined that injury would recur to UK industry if the measure were no longer applied; and that the application of the varied measure meets the EIT.



Annex 1: Current countervailing duty rates

Overseas exporter	Duty amount GBP (£) per tyre
Aeolus Tyre Co., Ltd	41.065
Aeolus Tyre (Taiyuan) Co., Ltd	41.065
Chongqing Hankook Tire Co., Ltd	3.138
Giti Tire (Anhui) Company Ltd	9.264
Giti Tire (Fujian) Company, Ltd	9.264
Giti Tire (Hualin) Company Ltd	9.264
Giti Tire (Yinchuan) Company Ltd	9.264
Guangrao Xinhongyuan Tyre Co., Ltd	47.936
Jiangsu Hankook Tire Co., Ltd	3.138
Qingdao Yellow Sea Rubber Co., Ltd	41.065
Pirelli Tyre Co, Ltd	41.065
Xingyuan Tire Group Ltd, Co	47.936
Bayi Rubber Co. Ltd	23.173
Bridgestone (Huizhou) Tire Co., Ltd	23.173
Chaoyang Long March Tyre Co., Ltd	23.173
Double Coin Group (Jiang Su) Tyre Co., Ltd	23.173
Guizhou Tyre Co., Ltd	23.173
Jiangsu General Science Technology Co., Ltd	23.173
Megalith Industrial Group Co., Ltd	23.173
Michelin Shenyang Tire Co., Ltd	23.173
Nanjing Kumho Tire Co., Ltd	23.173
Ningxia Shenzhou Tire Co., Ltd	23.173
Prinx Chengshan (Shandong) Tire Co., Ltd	23.173
Qingdao Doublestar Tire Industrial Co., Ltd	23.173
Qingdao Fudong Tyre Co., Ltd	23.173
Qingdao Hairunsen Tyre Co., Ltd	23.173
Quindao GRT Rubber Co., Ltd	23.173
Sailun Group Ltd (formerly Sailun Jinyu Group Co., Ltd)	23.173
Shaanxi Yanchang Petroleum Group Rubber Co., Ltd	23.173
Shandong Kaixuan Rubber Co., Ltd	23.173
Shandong Changfeng Tyres Co., Ltd	23.173



Trade Remedies
Authority

Shandong Haohua Tire Co., Ltd	23.173
Shandong Hengfeng Rubber & Plastic Co., Ltd	23.173
Shandong Hengyu Science & Technology Co., Ltd	23.173
Shandong Homerun Tires Co., Ltd	23.173
Shandong Huasheng Rubber Co., Ltd	23.173
Shandong Hugerubber Co., Ltd	23.173
Shandong Jinyu Tire Co., Ltd	23.173
Shandong Linglong Tyre Co., Ltd	23.173
Shandong Mirage Tyres Co., Ltd	23.173
Shandong Santai Rubber Co., Ltd	23.173
Shandong Vheal Group Co., Ltd	23.173
Shandong Wanda Boto Tyre Co., Ltd	23.173
Shandong Wosen Rubber Co., Ltd	23.173
Shandong Yongfeng Tyres Co., Ltd	23.173
Shandong Yongsheng Rubber Group Co., Ltd	23.173
Shandong Yongtai Group Co., Ltd	23.173
Shanghai Huayi Group Corp Ltd	23.173
Shengtai Group Co., Ltd	23.173
Toyo Tire (Zhucheng) Co., Ltd	23.173
Triangle Tyre Co., Ltd	23.173
Weifang Goldshield Tire Co., Ltd	23.173
Weifang Shunfuchang Rubber and Plastic Products Co., Ltd	23.173
Xuzhou Armour Rubber Company Ltd	23.173
Briway Tire Co., Ltd	47.936
Goodyear Dalian Tire Co., Ltd	47.936
Shandong Hawk International Rubber Industry Co., Ltd	47.936
Sichuan Kalevei Technology Co., Ltd	47.936
Zhongce Rubber Group Co., Ltd	47.936
All other overseas exporters (residual rate)	47.936



Annex 2: Information from participants in the review

UK Industry

Party	Submission(s)
Bulldog Remoulds Ltd / Bridgestone Europe NV/SA, UK Branch	Pre-Sampling Questionnaire (PSQ) Questionnaire Response
Michelin Tyre PLC	PSQ Questionnaire Response
Vaculug Limited	PSQ Questionnaire Response
Bandvulc Tyres Ltd (a Continental AG UK subsidiary)	PSQ Questionnaire Response

Importers

Party	Submission(s)
Hankook Tyre UK Ltd.	PSQ Questionnaire Response Request to Amend Scope
RH Claydon Ltd	PSQ
Giti Tire (UK) Ltd.	PSQ

PRC Industry

Party	Submission(s)
Chongqing Hankook Tire Co., Ltd.	PSQ Questionnaire Response Request to Amend Scope Submission on Recalculation (on behalf of the Hankook Group) Submission on the Countervailable Subsidies (on behalf of the Hankook Group)



Jiangsu Hankook Tire Co., Ltd.	PSQ Questionnaire Response Request to Amend Scope
Shanghai Hankook Tire Sales Co., Ltd.	PSQ Questionnaire Response Request to Amend Scope
Shandong Habilead Rubber Co., Ltd.	PSQ
Triangle Tyre Co., Ltd	PSQ
Weifang Shunfuchang Rubber And Plastic Products Co., Ltd.	PSQ
Shouguang Firemax Tyre Co., Ltd.	PSQ
Double Coin Group (Chongqing) Tyre Co., Ltd.	PSQ
Weifang Goldshield Tire Co.,Ltd	PSQ Letter of Withdrawal
Double Coin Group (Jiang Su) Tyre Co., Ltd.	PSQ
Shandong Yongfeng Tyres Co., Ltd.	PSQ Letter of Withdrawal
Shandong Haohua Tire Co., Ltd.	PSQ Letter of Withdrawal
Aeolus Tyre Co., Ltd.	PSQ
Hefei Wanli Tire Co.,Ltd.	PSQ
Prinx Chengshan (Shandong) Tire Co., Ltd.	PSQ

Foreign Governments

Party	Submission(s)
Ministry of Commerce of the People's Republic of China	PSQ Questionnaire Response



	Observations on Initiation
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Trade bodies

Party	Submission(s)
British Tyre Manufacturers' Association	PSQ Questionnaire Response
China Rubber Industry Association	PSQ Questionnaire Response Additional Submission Presentation Rebuttal to Anonymous Submission
Imported Tyre Manufacturers Association (The)	PSQ Questionnaire Response

Anonymous interested party

Party	Submission(s)
Name withheld by request	Questionnaire Response Submission on Product Scope, Legitimacy of Measures, Injury and Economic Interest Test