

Statement of Essential Facts

Case TD0035

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

27 August 2024

Contents

SECTION A: Introduction	3
SECTION B: Summary and findings	6
SECTION C: Background	12
SECTION D: The Goods and Like Goods	18
SECTION E: The UK Industry and Market	31
SECTION F: Analysis of imports of the goods subject to review	35
SECTION G: Dumping	43
SECTION H: Injury	93
SECTION I: Economic Interest Test	133
SECTION J: Findings and Proposed Recommendations	150
Annex 1: Current anti-dumping duty rates	152
Annex 2: Information from participants in the review	154

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 TD0035@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) 2018/1579 of 18 October 2018.³
8. This review concerns an anti-dumping measure applying to certain pneumatic tyres, new or retreaded, of rubber, of a kind used for buses or lorries and with a

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) 2018/1579 of 18 October 2018 available at: [Implementing regulation - 2018/1579 - EN - EUR-Lex \(europa.eu\)](#)

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. Tructyre Fleet Management Ltd., a company associated with the UK producer Michelin, submitted sections of the UK producer questionnaire annex which can be viewed on the [public file](#). This information was not used in our analysis or calculations as we established that the relationship had no effect on prices and therefore the associated company's sales were not required.

15. The TRA granted anonymity to one interested party which made several submissions to the investigation. We also granted anonymity to one Brazilian producer which submitted a pre-sampling questionnaire but did not return a questionnaire response, and we did not use this information in our analysis.
16. Relevant non-confidential submissions are published and available on the [public file](#).

B2. Scope

17. 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 anti-dumping amount is applicable should be varied.
18. 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.

19. Two commodity codes define the scope of the measure. The individual code definitions are fully described in [D3. Scope assessment](#).
20. 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 anti-dumping amount applies should not be varied in this transition review.

B3. Dumping⁴

21. In accordance with regulation 99A(1)(a) of the Regulations we assessed whether dumping of the goods subject to review would be likely to continue or recur if the anti-dumping amount was no longer applied (the likelihood of dumping assessment).
22. We determined that it is likely, on the balance of probabilities, that dumping of the goods subject to review would recur if the measure was no longer applied.

B4. Injury⁵

23. 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 anti-dumping amount no longer applied (the likelihood of injury assessment).
24. We determined that it is likely, on the balance of probabilities, that injury would recur if the anti-dumping amount on the goods subject to review were no longer applied.

B5. Economic Interest Test (EIT)⁶

25. 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

26. 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 anti-dumping amount to the relevant goods.

⁴ See also [SECTION G: Dumping](#)

⁵ See also [SECTION H: Injury](#)

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

27. Our intended recommendation is to vary the application of the anti-dumping amount under regulation 100A of the Regulations so that it applies to the goods subject to review imported to the UK until 23 October 2028 – that is, five years subsequent to the date when the measure would have expired (23 October 2023) had no transition review been initiated.
28. As it has been possible to recalculate the anti-dumping amount, we intend to recommend recalculated rates, under regulation 100A(4)(a) of the Regulations. We have recalculated dumping and injury margins which have been used to calculate the fixed duties which form our recommended anti-dumping duties.
29. 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.
30. We intend to make this recommendation on the grounds that we have assessed that it is likely that dumping 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.
31. In reaching this intended recommendation, we considered the current and prospective impact of the measure.
32. The rates of duty we intend to recommend are as follows:

Table 3: Intended recommended rates of anti-dumping duty

Overseas exporter	Duty amount GBP (£) per tyre
Hankook Group (Chongqing Hankook Tire Co., Ltd and Jiangsu Hankook Tire Co., Ltd)	10.03
All other overseas exporters (residual rate)	45.70

SECTION C: Background

C1. Initiation of the transition review

33. 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.
34. 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.
35. On 31 December 2020 the Secretary of State published a [Notice of Determination](#) regarding the anti-dumping duty on bus and lorry tyres originating in the PRC, noting the decision to transition the EU anti-dumping measure so it continued to apply in the UK once the UK ceased to apply the EU's Common External Tariff. [Taxation Notice 2020/22](#) gave effect to the transition of the EU anti-dumping duty on bus and lorry tyres originating in the PRC to become an additional amount of UK import duty.
36. 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

37. The European Commission (EC) imposed anti-dumping duties on imports of bus and lorry tyres originating in the PRC by [Commission Implementing Regulation \(EU\) 2018/1579 of 18 October 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 EU measure.⁷

C3. Our transition review process⁸

C3.1 The transitioned measure

38. The EU 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 anti-dumping amount following the conclusion of this transition review.
39. The transitioned measure applies to bus and lorry tyres from the PRC. The current rates of anti-dumping duty which apply to the goods subject to review exported by the relevant companies are detailed in [Annex 1: Current anti-dumping duty rates](#).

C3.2 Information from participants in the review

40. 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](#).

UK producers

41. 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.

⁷ [Trade defence investigations \(europa.eu\)](https://ec.europa.eu/eu-anti-dumping/)

⁸ [Reg 100\(2\)\(b\)\(iii\)](#)

42. 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.
43. For the purposes of this review, we will consider UK industry as all the producers in the UK of like goods.

PRC exporters

44. 15 PRC companies registered an interest in the case as either exporters or overseas producers.
45. 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 [notice of proposed sample](#) on 3 July 2023 and [notification of final sample](#) on 11 July 2023 that was based on sampling companies which exported the largest volume of the goods subject to review during the Pol.
46. The sampled overseas exporters were:
 - The Hankook Group
 - Shandong Yongfeng Tyres Co Ltd.
 - Shandong Haohua Tire Co Ltd.
47. The Hankook Group submitted questionnaire responses for each company within the group.
48. On 27 July 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.

49. In a [notice](#) published on 7 November 2023, we proposed expanding our sample to include all exporters registered to the case and stated that all registered overseas producers of the like goods were also required to submit exporter questionnaire responses. This was confirmed in a [notice](#) on 15 November 2023 and we set a deadline of 15 December 2023 for questionnaire responses to be submitted. We received no additional questionnaires by the deadline. As such, we did not limit our examination to a sample of overseas exporters.

Importers

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

Foreign governments

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

Trade bodies

53. Three trade bodies registered an interest in the case. BTMA represents UK producers and submitted a PSQ and questionnaire response. 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

54. 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.

55. 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

56. In line with regulation 99A(2)(a)(i), the TRA considered whether it was appropriate to recalculate the anti-dumping amount on this case.
57. 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 anti-dumping amount.
58. 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.
59. 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 anti-dumping amount. We have now recalculated this amount and our findings are outlined in this SEF.

C3.5 Verification of data

60. 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.

61. Details of the in-person verification visits and links to 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

62. 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

63. '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."
64. 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

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

66. 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.

67. 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 an anti-dumping amount applies should be varied.
68. 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
69. 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.
70. 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.
71. 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 [TD0035 CRIA Questionnaire Response](#) – page 9

¹⁰ [TD0035 Hankook - Product exclusion request](#)

¹¹ [TD0035 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

72. 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.

73. 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

74. 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 [TD0035 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.

75. 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
76. 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.
77. 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 bus and

¹⁶ [TD0035 BTMA Questionnaire Response](#) – page 8

¹⁷ [TD0035 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 [UN ECE Regulation 109](#)

lorry tyres 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.

78. 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

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

Retreading

80. 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 [TD0035 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

81. 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 [TD0035 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

82. 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.
83. 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

84. CRIA stated that the main customers of new tyres are specialised dealers and new bus or lorry manufacturers whereas retreaded tyres are sold to transportation firms or automobile service companies.²⁶
85. 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

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

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 HKT 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

86. 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 HKT UK have an agreement for Vaculug to produce Hankook Alphantread tyres (Hankook's retread brand) using Hankook casings and sell back to HKT UK for wider distribution.²⁹ This highlights the links between the goods as well as the circular nature of the industry.
87. 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 [TD0035 BTMA Questionnaire Response](#) – page 8

²⁸ [TD0035 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 \(hankooktire-mediacycenter.com\)](#)

88. 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

89. 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.

90. 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. BTMA says that the tier system is mainly for commercial convenience and has no technical basis.

Quality of new tyres

91. 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 by the European Tyre & Rubber Manufacturers' Association (ETRMA).³² We also

³⁰ [TD0035 BTMA Questionnaire Response](#) – page 11

³¹ [Commission Regulation \(EU\) 2018/683 of 4 May 2018](#) – paragraph 55

³² [TD0035 Hankook Tyre UK Questionnaire Response](#) – page 29

know that Hankook tyres are retreaded in the UK by at least one UK producer, Vaculug.

92. 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

93. Various other parties highlighted that there are many Chinese tyre producers which produce low cost, single-use tyres. Michelin said that although some of

³³ [TD0035 Hankook - Product exclusion request](#) – page 3

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

94. 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 the retreading process and 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.
95. 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 likely to be more 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

96. 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
97. 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

³⁴ [TD0035 Michelin Questionnaire Response](#) – page 21

³⁵ [TD0035 Vaculug Pre-Sampling Questionnaire](#) – page 13

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

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

98. 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

99. 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.
100. 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.
101. 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 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,

³⁷ [Commission Regulation \(EU\) 2018/683 of 4 May 2018](#) – paragraph 73

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](#)

both new tyres and retreads have the same end use – they are fitted as tyres to buses or lorries.

102. 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.

103. 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

104. [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.
105. 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 every year.
106. We are aware of 77 businesses which imported the goods subject to review into the UK in the Pol.

E2. Production process

107. 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](#).
108. 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.
109. 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

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

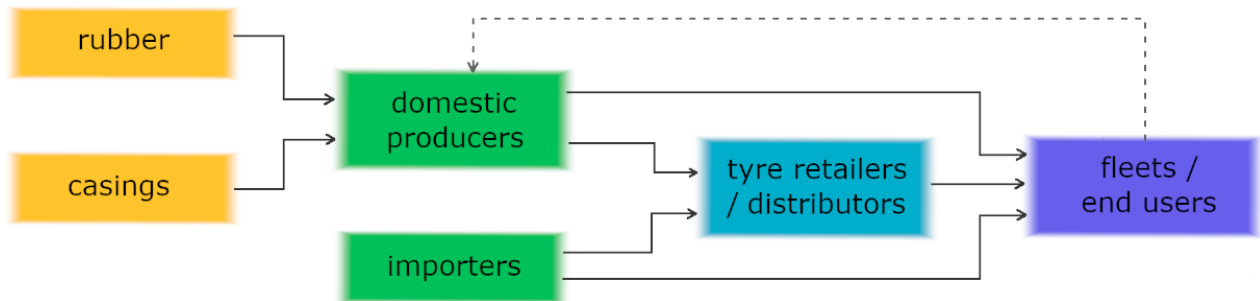
⁴¹ [Sector Profile - The British Tyre Manufacturers' Association \(BTMA\)](#); date of access 02 August 2024

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

110. Channels of distribution, markets, and customers were discussed in [D3.2 Interchangeability and competitiveness](#). This will be expanded on briefly here.
111. 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).
112. 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.
113. 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.
114. 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



115. 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

116. 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](#).

117. 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

118. 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](#).

119. 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

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

121. 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

122. 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.
123. 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.
124. 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
125. 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.
126. 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.

⁴² [Commission Regulation 2018/683 of 4 May 2018](#)

⁴³ [TD0035 Hankook UK Questionnaire Response](#) – page 29

127. 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.

128. The differences between imported tyres from the Hankook Group and imported tyres from other Chinese manufacturers will be relevant to the analysis in both [G3. Likelihood of dumping 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

129. 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.

130. 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.

131. 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 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).

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

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

132. 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.

133. 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	PoI
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

134. 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.

135. 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.

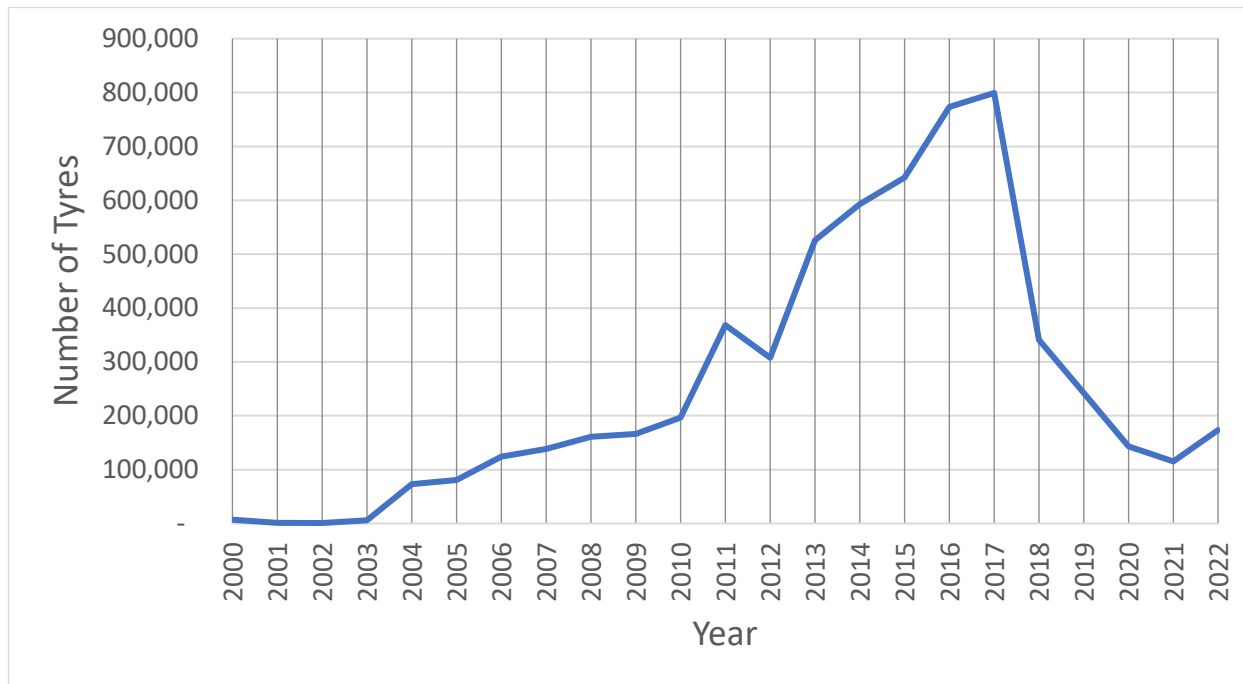
136. Since imports from the Hankook Group accounted for more than 50% of the imports by volume represented in the HMRC data, it is necessary to subtract out the Hankook Group's tyres from this data in order to draw meaningful conclusions on imports of the goods subject to review from all other manufacturers.

137. 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.
138. The analysis presented here draws attention to a fact that is important to keep in mind throughout the likelihood analyses presented in [G3. Likelihood of dumping 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

139. 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.
140. 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.
141. 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

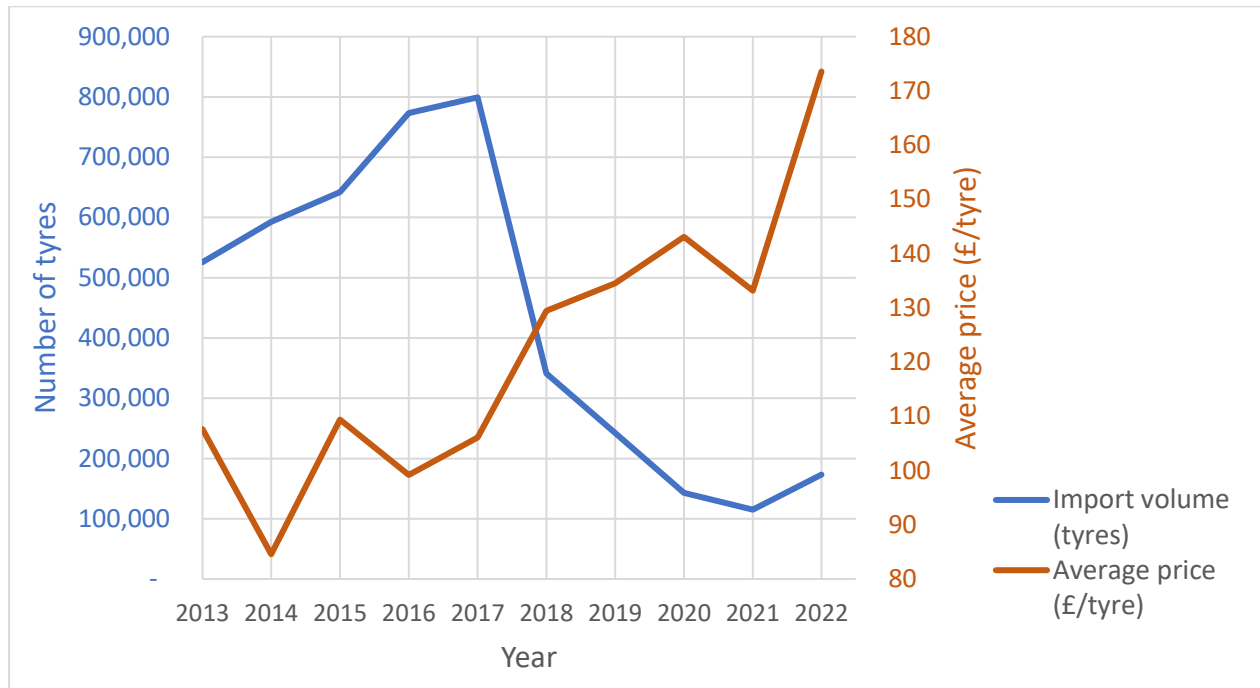


142. There was a rise in import volume from 2003 onwards. After 2010, this rise in import volume became steeper. Imports reached a peak in 2017 of approximately 800,000 tyres, or four times the number of tyres imported in 2010.

143. 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.

144. 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 PoI (2022).

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



145. 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.

146. 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.

147. 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.

148. 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.
149. The EC provisional anti-dumping 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.
150. 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.
151. When later considering the likelihood of recurrence of dumping or injury, should the measures be revoked, this change in behaviour with the introduction of the measures is important to keep in mind.
152. 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 2018/683 of 4 May 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: Dumping

G1. Introduction

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

154. Regulation 99A(2)(b)(i) states that we may also reassess the anti-dumping amount adequate to remove the injury to a UK industry in the relevant goods caused by the dumped goods. As outlined in [C3.4 Decision to recalculate](#), we have recalculated this amount.

G2. Recalculation of the anti-dumping amount

155. The TRA has recalculated dumping margins in accordance with paragraph 2 of Schedule 4 to the Act and regulation 99A(2) of the Regulations. Calculating the dumping margin involved the following stages:

- calculating the normal value of the like goods;
- determining the export price;
- ensuring a fair comparison between the normal value and the export price;
- calculating the dumping margins.

156. The TRA based the dumping margin on verifiable data provided by the Hankook Group.

G2.1 Normal Value

157. The TRA assessed whether the goods subject to review were being dumped in accordance with paragraphs 1(1) of Schedule 4 to the Act.

158. In accordance with regulation 6(1) of the Regulations, Part 2 of the Regulations applies where the TRA is required to determine whether goods have been or are being dumped into the UK in accordance with paragraph 1 of Schedule 4 to the Act. To make such a determination the TRA must determine the normal value of the like goods in accordance with regulation 6(2)(a) of the Regulations.
159. Regulation 9(1)(b) states that the TRA may consider the sales of the like goods in the exporting country or territory as not being in the ordinary course of trade where the goods are sold between parties that the TRA considers to be associated unless the TRA is satisfied that the relationship has no effect on prices. The TRA considers that the transactions between JHKT and CHKT with SHT were not in the ordinary course of trade, and as there are no transactions from JHKT and CHKT to independent companies the TRA has compared sales to the first independent customer by SHT.
160. In accordance with regulation 7(1) of the Regulations, the TRA must use the comparable price to determine the normal value unless it is not appropriate to use that price.
161. Regulation 7(2) of the Regulations sets out the circumstances in which it is not appropriate to use the comparable price to determine the normal value of the like goods. This includes where, because of a particular market situation (PMS) or the low volume of sales in the domestic market of the exporting country or territory, such sales do not permit a proper comparison between the like goods destined for consumption in the exporting country or territory and the goods subject to review.
162. Regulation 7(4) of the Regulations sets out that for the purposes of paragraph 7(2)(b), a PMS includes situations where prices are artificially low, there is significant barter trade, or prices reflect non-commercial factors.

163. The TRA received allegations of a PMS in the bus and lorry tyres market in the PRC, on the basis that market conditions, and in particular costs and prices, are not determined by market forces of supply and demand but, rather, are distorted by the intervention of the State in the economy. The TRA investigated these allegations to determine if a PMS exists in the bus and lorry tyres market in the PRC and whether this prevents a proper comparison. The TRA's detailed assessment can be seen in [G2.2 Particular Market Situation](#).
164. Following these assessments, the TRA concluded that a PMS exists in the PRC domestic market for bus and lorry tyres, as the price of bus and lorry tyres reflects non-commercial factors, as a result of government influence and control in raw material, energy and loan costs, and land allocation (see [G2.2 Particular Market Situation](#) for more details).
165. The TRA considered whether the PMS in the PRC bus and lorry tyres market prevents a proper comparison between the like goods in the PRC and the goods subject to review (i.e., bus and lorry tyres imported into the UK from the PRC).
166. The TRA determined that the prevailing conditions of competition differ between the UK bus and lorry tyres market (the PRC export market) and the PRC domestic bus and lorry tyres market, due to the PMS reflecting the non-commercial factors mentioned above. This prevents a proper comparison due to the domestic prices not being reflective of market conditions, while the export prices are affected by the market conditions within the UK.
167. The differing conditions of each market are highlighted through the import and export levels of each country. In the UK market there is a relatively large amount of competition through imports, estimated at 66% of the UK market during the Pol. This was calculated using BTMA's submission to the review, together with HMRC import data.

168. The TRA considered imports and exports of bus and lorry tyres in the PRC market, using goods traded under the relevant commodity codes. In contrast to the UK, imports account for less than 1% of the PRC market.
169. Our analysis of production in the PRC ([G3.2.1 Production and production capacity](#)) shows bus and lorry tyres producers in the PRC appear to consistently make more product than is demanded in their domestic market. When factored in with the distorted price of raw materials available to bus and lorry tyres producers in the PRC, this results in lower prices for buyers of bus and lorry tyres. There is then little incentive for companies or government authorities to import bus and lorry tyres into the PRC.
170. Any competition that is present within the PRC market benefits from access to the inputs that reflect non-commercial factors, as well as other subsidies that are present. Competition within the PRC is different to that which is present in the UK bus and lorry tyre market in which the goods subject to review are competing, with the PRC domestic market not responding to the same market forces. Prices in the PRC are not driven solely by consumer demand, but also by government industrial strategy and economic plans which give different incentives to those operating in the market (as discussed in [G2.2.1 State Influence Over the Economy](#)). This leads to excess production over and above the domestic demand for bus and lorry tyres in the PRC.
171. Since almost all the bus and lorry tyre supply in the PRC is domestic and producers have access to many of the same (or equivalent) low-priced inputs (as mentioned in [G2.2.2 Raw Materials](#)) and subsidies (as mentioned in [G2.2.1 State Influence Over the Economy](#)), there is scope to make a profit both through domestically sold products and exports. When competing internationally, these reduced prices allow PRC producers to gain market share abroad in markets where competitors do not benefit from an artificially low-cost base.

172. The TRA concluded that the export price and comparable price are driven by different considerations which means it is not possible to conduct a proper comparison.
173. Where it is not appropriate to use the comparable price, the TRA must determine the normal value of the goods in accordance with regulation 8 of the Regulations.
174. The TRA calculated the normal value of the like goods by determining the costs of production plus a reasonable amount for administrative, selling and general (AS&G) costs and profit in accordance with regulation 8(1)(a) of the Regulations. Full details are presented in [G2.3 Constructed Normal Value](#).

G2.2 Particular Market Situation

175. A submission from an anonymous party alleges that in the PRC bus and lorry tyres market state intervention is widespread.⁴⁷ Resulting in prices reflecting non-commercial factors. The submission provides evidence of this in six distinct areas:

- state influence over the economy;
- raw materials;
- finance;
- energy;
- labour;
- land.

176. Questions relating to PMS were included in the questionnaires issued to overseas exporters in the PRC. The TRA also invited MOFCOM to respond to the alleged existence of non-commercial factors affecting the bus and lorry tyre market in the PRC. The GoC response is discussed in [G2.2.7 GoC Response](#) below.

⁴⁷ [TD0035 Anonymous Questionnaire Response](#)

177. The TRA investigated the allegations to assess the validity of the claims and determine whether the overseas exporters' prices are artificially low and cause a PMS in the PRC domestic bus and lorry tyres market, to the extent that they do not permit a proper comparison.

G2.2.1 State Influence Over the Economy

178. An anonymous party provided evidence that the PRC economy is planned and that prices reflect non-commercial factors. The party argues that prices are largely disconnected from market-based principles and overwhelmingly the result of non-commercial factors stemming from massive and systemic government intervention.

179. The submission alleges that the GoC's five-year plans, that set the priorities and goals of the economy in the PRC, hinder the free functioning of the market. It cites the current 14th Five-year plan as evidence of this. The plan states that "the responsible parties and schedule requirements, reasonably allocates public resources, guides and controls social resources, and ensures completion as scheduled."⁴⁸ Although the plan does state that the plan 'mainly relies on the role of market players to achieve these tasks', the earlier clarification that 'responsible parties' should allocate public resources and guide and control social resources to these ends, indicates the kind of incentive structure that the plan intends to set up in order to get the market players to behave in the desired way.⁴⁹

180. The submission also provides evidence that Chinese exporters have benefited from state support for high and new technology enterprises (including tyres)⁵⁰ in the form of preferential tax regimes and research and development funding that result in the market reflecting non-market factors.

⁴⁸ [Outline of the People's Republic of China 14th Five-Year Plan](#) -- Article LXV section 1.

⁴⁹ [Outline of the People's Republic of China 14th Five-Year Plan](#) -- Article LXV section 1.

⁵⁰ [Export Catalogue of High-Tech Products of China](#) -- Entry 06040015 子午线轮胎 (radial tyre)

181. The submission cites regulations that provide six kinds of tax breaks for PRC producers:

- a. Enterprise Income Tax (EIT) privileges for high and new technology enterprises which offers tax privileges for high and new technology enterprises with a reduced rate of 15% rather than the standard 25%;⁵¹
- b. EIT offset for research and development expenses preferential treatment in certain areas determined by the state, including ‘high-performance radial tyres’.⁵² This is enabled by Article 30 of the Law of the People’s Republic of China on Enterprise Income Tax allows for weighted deductions for “expenses on research and development incurred for developing new technologies, products or techniques.”
- c. Land use tax exemption, including evidence that tyre producers have benefited from this directly;
- d. VAT exemptions and import tariff rebates for use of imported equipment and technology, as well as information on the existence of a subsidy programme providing VAT exemption and tariff rebates on capital equipment used for tyre production.
- e. Reduced tax rates for enterprises in the Western Region which establishes a reduced tax rate of 15% in certain provinces for ‘encouraged industries’ (of which tyres and many of the inputs are classified in several of those provinces)
- f. Rebates on export VAT which are applicable to exports of tyres, and detail of the benefit provided to Chinese tyre producers.

182. Supporting encouraged industries through tax breaks in this manner results in the costs of benefiting enterprises reflecting non-market factors as it gives them benefits based on their place in the industrial strategy of the PRC rather than based on their success in the market.

⁵¹ [Law of the People's Republic of China on Enterprise Income Tax](#)

⁵² [Law of the People's Republic of China on Enterprise Income Tax](#)

183. The submission also provides evidence that the tyre industry in the PRC benefits indirectly from tax breaks on new energy vehicles. Although the policy does not explicitly limit itself to domestic brands, of the eligible lorries provided, all are produced by domestic Chinese companies.⁵³ The anonymous party argues that this benefits the domestic tyre industry by artificially expanding the outlet for its production, particularly due to large Chinese tyre producers having deals with downstream industries.
184. The submission provides evidence of direct interference in the tyre industry by the GoC that results in the market reflecting non-market factors. For example, the ‘Guiding Opinions on Promoting the High-quality Development of the Petrochemical and Chemical Industry during the 14th Five Year Plan’ states that the government will aim to “[i]ncrease the proportion of green products in industries such as fertilizers, tires, paints, dyes, and adhesives.”⁵⁴ The submission argues that these are areas that are therefore likely to attract state support at the local level, i.e. the production of tyres that are better for the environment and supply chain monitoring.
185. The ‘Fiscal Support for the work of Carbon Neutral Peak’ from the Ministry of Finance states that “by 2025, fiscal policy tools will be enriched, and a financial and tax policy framework conducive to green and low-carbon development will be initially established to strongly support regions and industries”.⁵⁵ This includes the promotion and creation of 1,000 green factories that includes 29 tyre related enterprises, as well as a green product certification scheme that will receive support from the government.

⁵³ [Catalogue of New Energy Vehicle Models Exempt from Vehicle Purchase Tax \(13th Batch\)](#)

⁵⁴ [Guiding Opinions on Promoting the High-quality Development of the Petrochemical and Chemical Industry during the 14th Five Year Plan.](#)

⁵⁵ [Financial support for the work of carbon neutral carbon peak](#)

G2.2.2 Raw Materials

186. The anonymous submission provides evidence of intervention in upstream raw material and energy sectors, arguing that favourable policies target inputs including petrochemicals, rubber, steel, energy, and textiles, lowering the cost of these for Chinese producers:

- a. *Petrochemicals*: The 14th FYP for the development of the raw materials industry explicitly mentions petrochemicals, which includes carbon black and “synthetic rubber.”⁵⁶ The ‘Guiding Opinions on Promoting the High-quality Development of the Petrochemical and Chemical Industry during the 14th Five Year Plan’ also states that the GoC will improve the supply of quality chemical products including ‘high performance rubber and plastic materials’ with specific reference to the tyre industry.⁵⁷ The guidance on fulfilling the 15th FYP by Chinese Rubber Industry Association’s (CRIA) also indicates Chinese industry should be ‘guided’ to complete the development of 2-3 series of ‘green tyre carbon black’ and establishing 2-3 new patents of ‘core technology’ for the production of carbon black.⁵⁸
- b. *Steel*: The PRC is the world’s largest steel producer.⁵⁹ Distortions in the Chinese steel market are well known, leading to significant overcapacity.⁶⁰ The submission cites an example of the China Iron and Steel Association (CISA) announcing the implementation of export restrictions on low grade steel products, preventing the free functioning of the market.⁶¹ Steel wire rods that are used in tyres have also been the subject of multiple investigations worldwide, including by the TRA in the TD0007 transition review.⁶² Although the TRA did not consider the presence of PMS in the wire rod industry, it did

⁵⁶ [Fourteenth Five-Year Plan for the development of raw materials industry \(2020\)](#). Specifically, the document lists ‘bionic synthetic rubber’, which is intended for use in aircraft tyres, however this is just a specific kind of synthetic rubber (or ‘rare earth isoprene rubber’) and so it is reasonable to assume that state support for its production will also use the lower grade product used in bus and lorry tyres. See, [CN113929803A - High-strength aircraft tire tread bionic rubber and preparation method and application thereof - Google Patents](#)

⁵⁷ [Guiding Opinions on Promoting the High-quality Development of the Petrochemical and Chemical Industry during the 14th Five Year Plan](#).

⁵⁸ [The “14th Five-Year Plan” of the Rubber Industry was Released to Create a New Era of Glory \(2020\)](#)

⁵⁹ [World-Steel-in-Figures-2023-4.pdf \(worldsteel.org\)](#)

⁶⁰ [Steel Overcapacity and the Global Trading System by Sherzod Shadikhodjaev :: SSRN](#)

⁶¹ [CISA Actively adjust production intensity \(CN\)](#)

⁶² [TD0007 Wire Rod from China Final Determination - Trade Remedies Service - GOV.UK \(trade-remedies.service.gov.uk\)](#)

conclude that there was a likelihood of dumping and argued for the maintenance of measures, which may indicate the presence of overproduction due to state interference in the market.

- c. *Natural Rubber*: The PRC is the world's fifth largest producer of natural rubber and production looks set to expand, with regional plans to boost output.⁶³ The Yunnan government, a major rubber producing region in the PRC, aims to increase the value of the rubber industry in the region from 18 billion yuan in 2021 to 25 billion in 2024, and explicitly mention the expansion of the production of special rubber for tyres.⁶⁴ CRIA also aims at increasing industrial concentration to more than 75% by 2024 for rubber production, reducing the amount of competition within the market.⁶⁵
- d. *Textile*: The FYP states that the GoC plan to transform and upgrade the "supply of high-quality products in sectors such as... textiles."⁶⁶ The submission also includes a notice from the China National Textile and Apparel Council, which states that the council aims to, among other things, 'accelerate the application of new technologies and equipment' to the sector, which includes industrial textiles like nylon tyre cord.⁶⁷

187. The submission also provides evidence of how the presence of these raw material inputs in the 14th FYP and other guidance documents filters down to direct intervention on the local level, resulting in the price paid by PRC producers of the like goods reflecting non-commercial factors. These include:

- e. A Sanmen county plan to promote and support the construction of a synthetic rubber production facility in the Sino-German (Taizhou) Industrial Park,⁶⁸

⁶³ [Rubber in China | The Observatory of Economic Complexity \(oec.world\)](#)

⁶⁴ [Three Year Action Plan - Notice of the General Office of the People's Government of Yunnan Province](#)

⁶⁵ [The "14th Five-Year Plan" of the Rubber Industry was Released to Create a New Era of Glory \(2020\)](#)

⁶⁶ [Outline of the People's Republic of China 14th Five-Year Plan](#) -- Article VIII section 1

⁶⁷ [Notice of the General Office of the Ministry of Industry and Information Technology on Carrying out the 2022 Textile and Apparel "Excellent Supply and Promoting Upgrading" Activity](#)

⁶⁸ [Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives for the Year 2035 in Sanmen County](#)

- f. A state-owned enterprise investing in a Fujian county carbon black production facility operated by Sinochem Quanzhou;⁶⁹
- g. A Sanmen county plan to promote and support the construction of multiple natural rubber processing facilities;⁷⁰
- h. Hubei government stating they will focus on the construction of Wuhan, Jingmen, Shiyan, Huangshi and other large-scale radial tire production bases.⁷¹

G2.2.3 Finance

188. The submission provides evidence that the GoC has a controlling stake in most of the large Chinese banks, giving it the ability to dictate the investment practices of these institutions and distorting the operations of the market.⁷² This remains true today, with most of the major banks either being wholly state owned or joint-stock enterprises where the government holds a significant number of shares.⁷³

189. A previous investigation by the TRA (AD0021) also cited the General Rules on Loans 1996, which gives local authorities the legal right to support preferential loans for preferred industries.⁷⁴ Article 15 states that “[i]n accordance with the State's policy, relevant departments may subsidize interests on loans, with a view to promoting the growth of certain industries and economic development in some areas.”⁷⁵ Similarly, article 12(5) of the Regulations on the Administration of Corporate Bonds states that all funds raised must be “in line with the national industrial policy,” indicating that they are not issued according to market demand.⁷⁶

⁶⁹ [Sinochem Quanzhou launched a 70,000-ton high-performance carbon black project \(2023\)](#)

⁷⁰ [Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives for the Year 2035 in Sanmen County](#)

⁷¹ [Outline of the 14th Five-Year Plan for National Economic and Social Development of Jingmen City, Hubei Province and the Long-term Goals for 2035 \(2021\)](#) -- Chapter V, Section 2

⁷² [Commission Staff Working Document On Significant Distortions In The Economy Of The People's Republic Of China For The Purposes Of Trade Defence Investigations \(2024\)](#) – Section 6.3

⁷³ [Ibid; PBC and CBIRC Release List of China's Systemically Important Banks for 2022; S&P Global - The world's 100 largest banks, 2023](#)

⁷⁴ [AD0021 Optical Fibre Cable from China Final Determination - Trade Remedies Service](#)

⁷⁵ [General Rules on Loans – 1996](#)

⁷⁶ [Enterprise Bond Management Regulations 2011](#)

190. The submission provides evidence that the tyre industry benefits from this situation directly. They point to a report by the Shanghai Huayi group which established different accounting methodologies depending on the existence of ‘policy-based preferential loan subsidies’.⁷⁷ A similar situation is found in the annual report of Prinx Chengshan holdings which lists two loans from publicly owned banks and one from a foreign bank which allowed a Chinese Communist Party committee within its subsidiary.⁷⁸

191. The credit rating system in the PRC also appears to be distorted, offering far higher credit ratings than would be found elsewhere. For instance, at the end of 2020, 98.49% of Chinese bonds were rated as AA or higher compared to only 6% in the US.⁷⁹ This allows PRC based companies to receive better rates than they would otherwise. One reason for this much higher average rating may be the relatively high number of credit rating agencies. As pointed out in the Commission Working Document, this allows borrowers “to choose whichever rating agency can give them a higher rating.”⁸⁰

192. The submission also provides evidence that the PRC tyre market benefits from this arrangement. Evidence is provided that numerous PRC tyre producers, including ChemChina, Shanghai Huayi, Guizhou Tire Co., and others were evaluated as AA or above by domestic rating agencies, while foreign agencies rate them lower.⁸¹

⁷⁷ [Shanghai Huayi Group Co., Ltd. 2022 Annual Report](#) – page 105

⁷⁸ [HSBC installs Communist party committee in Chinese investment bank](#)

⁷⁹ [China pushes ahead with reform of credit rating sector in campaign to cut financial risk; China debt: will self-disclosed scandal bring back ratings credibility after series of bond defaults?](#)

⁸⁰ [Commission Staff Working Document On Significant Distortions In The Economy Of The People's Republic Of China For The Purposes Of Trade Defence Investigations \(2024\)](#) – page 158

⁸¹ [Shanghai Huayi Group Co., Ltd. 2022 Annual Report](#) ; [Fitch Revises Outlook on Shanghai Huayi to Stable from Positive; Affirms at 'BBB-' \(fitchratings.com\)](#) ; [Credit Ratings - Financial Information Results | Hankook Tire Global Official Website.](#)

G2.2.4 Land

193. The anonymous submission offers a series of laws and policies that establish the legal basis for the land market within the PRC. As established in the Land Administration Law, it is not possible to own land as a private citizen or company within China.⁸² Instead, the law claims that the PRC “implements socialist public ownership of land, that is, ownership by the whole people and collective ownership by the working masses.”⁸³ What this means in practice is that, instead of being sold, land is leased by local authorities to the users of that land for a fixed term.

194. In principle, this process is supposed to happen according to market principles. However, in previous investigations by the EC, it was found that this was not how the process operated in practice, where in some cases leases were agreed without any bidding process at all.⁸⁴

195. More generally, the process is (or can be) dictated by the local government’s economic and industrial planning. As article 5 of the ‘Order of the Ministry of Land and Resources of the People's Republic of China’ states:

The land and resources administrative department of the people's government of the city or county shall, in accordance with the economic and social development plan, industrial policy, overall land use plan, annual land use plan, urban planning and land market conditions, formulate an annual plan for the assignment of state-owned construction land use rights, and report it to the same level.⁸⁵

This explicitly states that the GoC’s expectation is that land allocation will reflect non-market factors.

⁸² [Land Administration Law of the People's Republic of China](#) -- Article 2

⁸³ [Land Administration Law of the People's Republic of China](#) -- Article 2

⁸⁴ [Council Implementing Regulation \(EU\) No 215/2013 of 11 March 2013 imposing a countervailing duty on imports of certain organic coated steel products originating in the People's Republic of China](#) -- Section 114

⁸⁵ [Order of the Ministry of Land and Resources of the People's Republic of China](#)

196. The submission explicitly ties these distortive practices to domestic tyre manufacturers by citing the 'Reply to the proposal of the NDRC to give policy preference to the relocation and renovation of old industrial areas in Xixia District', which explicitly mentions the tyre company Yinchuan Giti Tire Co., Ltd as a beneficiary of this renovation.⁸⁶ The submission also provides evidence that Sailun group has been allocated land since the initial investigation.⁸⁷

G2.2.5 Energy

197. The anonymous submission provides evidence that the energy market reflects non-market factors, with the GoC distorting the costs of production by artificially setting prices with a view to reducing the operating costs of companies.

198. The submission from the anonymous party refers to a recent US countervailing investigation from 2023, into pressure washers from the PRC,⁸⁸ which presents findings of government price setting for electricity.

199. The USDOC report cites the 2015 'Notice on Reducing the Feed-in Tariff for Coal-fired Power Generation and the Price of General Industrial and Commercial Electricity (No. 3105)', which states that "it has been decided to reduce the national coal-fired power generation feed-in tariff and general industrial and commercial electricity price," a situation that would clearly benefit PRC producers of tyres as users of industrial energy within the PRC.⁸⁹

200. Although the TRA notes that this notice is nine years old, a subsequent notice from 2021 (No. 1439) reaffirms GoC intervention in this sector, including a stipulation for

⁸⁶ [Reply to the Proposal of the National Development and Reform Commission to Give Policy Preference to the Relocation and Transformation of Old Industrial Areas in Xixia District \(CPPCC No. 30\) Development and Reform Commission of Ningxia Hui Autonomous Region](#)

⁸⁷ [Sailun is generous! 17.5 billion yuan invested in the new factory in Dongjiakou - China Rubber Industry Association \(cria.org.cn\)](#)

⁸⁸ [USDOC, Decision Memorandum for the Preliminary Determination in the Countervailing Duty Investigation of Gas Powered Pressure Washers from the People's Republic of China, 30 May 2023, p. 27](#)

⁸⁹ [Notice on Reducing the Feed-in Tariff for Coal-fired Power Generation and the Price of General Industrial and Commercial Electricity \(2015\)](#)

users that switch to a non-state provider “the price shall be 1.5 times the price of electricity purchased by power grid enterprises.”⁹⁰ It also requires regional authorities to guide power companies “to consider the operating benefits of upstream and downstream businesses as a whole.”⁹¹

201. The submission makes reference to the 2017 European Commission Report on China – repeated in the 2024 report -- which states that “the prices for electricity and domestic natural gas are regulated by NDRC” and that “users falling in the ‘encouraged’ sectors according to the NDRC catalogue [including tyres] pay the basic electricity rate,” without a surcharge that applies to other users.⁹² The submission also notes that the original EC countervailing investigation into the goods subject to review found intervention in the energy market directly benefiting the domestic producers of the goods subject to review.⁹³

G2.2.6 Labour

202. The anonymous submission suggests that the PRC labour market reflects non-commercial factors, as it does not allow wages to be freely bargained between the workers and management in an undistorted economic environment. The submission specifically claims that the labour market is distorted by three key factors: household registration (*hukou* system), the laws on unionisation, and forced labour.

203. The *hukou* registration system divides the population of the PRC into agricultural and non-agricultural citizens, restricting where people are able to live and work. Restricted movement for rural workers artificially creates a pool of underprivileged labourers who are willing to work for less than their urban counterparts. Reports from 2013-2015 suggest that the pay differential between agricultural and non-

⁹⁰ [Notice on Reducing the Feed-in Tariff for Coal-fired Power Generation and the Price of General Industrial and Commercial Electricity \(2015\)](#)

⁹¹ [Notice on Reducing the Feed-in Tariff for Coal-fired Power Generation and the Price of General Industrial and Commercial Electricity \(2015\)](#)

⁹² [Register of Commission Documents - SWD\(2024\)91 \(europa.eu\)](#) p272; [Register of Commission Documents - SWD\(2017\)483 \(europa.eu\)](#) p 222

⁹³ [Implementing regulation - 2018/1690 - EN - EUR-Lex \(europa.eu\)](#)

agricultural *hukou* registrations for public and non-public workers is between 5-13%.⁹⁴

204. Initially established in 1958, this system was reformed in 2020, as detailed in the ‘New-type urbanization construction and urban-rural integration development in 2020 (Development and reform planning)’ notice. Under the reformed system city authorities are urged “to abolish restrictions on settlement of key groups of people such as the agricultural transfer population who have been living in the city for more than 5 years and moving their families.”⁹⁵

205. However, as stated it only forms a recommendation, and explicitly excludes the largest cities, where many tyre producers are located. For these cities the rural population should only be settled “as much as possible.”⁹⁶ As such, even with recent reforms, the same structure still applies.

206. The laws on unionisation also provide reason to think that the labour market is distorted. There are many limitations to the theoretical guarantee of the free association of workers within the PRC. For example, the submission points to the fact that there is only one recognised trade union, the ACFTU which is subject to the GOC’s leadership.⁹⁷

207. There is also no longer an official recognition of the right to strike, which was removed in 1982,⁹⁸ and there is an absence of specific legal protection for any form of industrial action.⁹⁹ Although this does not equate to a legal prohibition on strike action,¹⁰⁰ it does limit the ability of workers to hold such actions.

⁹⁴ [Wage Discrimination in Urban China: How Hukou Status Affects Migrant Pay; The Turning Period of China’s Income Distribution: Executive Summary](#)

⁹⁵ [New-type urbanization construction and urban-rural integration development in 2020](#)

⁹⁶ [New-type urbanization construction and urban-rural integration development in 2020](#)

⁹⁷ [2023 Report to Congress on China’s WTO Compliance](#) – page 42

⁹⁸ [The ITUC Global Rights Index: China](#)

⁹⁹ Cooney, S and Nice, T (2018): Creating a Right to Strike in China: Some Lessons from the Australian Experience. In: Chan, A. ed. Chinese Workers in Comparative Perspective. Ithaca, NY: Cornell University Press, p. 193.

¹⁰⁰ Chan, Chris King-chi (2010) ‘History of Labour Conflict in Shenzhen’, in *The Challenge of Labour in China: Strikes and the Changing Labour Regime in Global Factories* (Routledge: London), p. 28.

208. Article 290 of the *Criminal Law of the People's Republic of China* states that any gathering that disturbs public order by preventing “work in general, production, business operation, teaching or scientific research,” the exact purpose of strike action, is punishable by no less than three years for the leaders, and no more than three years for participants.¹⁰¹ There are reports of workers being detained and charged for being involved in labour disputes.¹⁰² Such limitations cause the price of labour to reflect non-commercial factors by undermining or otherwise exerting influence over the collective bargaining process.

209. The submission also provides evidence that some tyre producers in the PRC may benefit from forced labour in the Xinjiang region. Although article 244 of the Criminal Law of the PRC ostensibly prohibits forced labour,¹⁰³ the submission cites the 2022 United Nations High Commission for Human Rights' report that concluded that “labour and employment schemes [in the region] appear to be discriminatory in nature or effect and to involve elements of coercion.”¹⁰⁴

210. The party also points to a study by Sheffield Hallam University that indicates that a subsidiary of a Chinese tyre firm DoubleCoin called DoubleCoin Xinjiang, is involved in a labour transfer program in the region.¹⁰⁵

G2.2.7 GoC Response

211. In its response to the PMS questionnaire provided by the TRA, the GoC argues that the five-year plans do not constitute intervention as such, but just provide guidance to economic actors within the economy:

¹⁰¹ [Criminal Law of the People's Republic of China](#)

¹⁰² [Commission Staff Working Document On Significant Distortions In The Economy Of The People's Republic Of China For The Purposes Of Trade Defence Investigations \(2024\)](#), pp. 335-7

¹⁰³ [Criminal Law of the People's Republic of China](#)

¹⁰⁴ [OHCHR Assessment of human rights concerns in the Xinjiang Uyghur Autonomous Region, People's Republic of China](#) – page 40

¹⁰⁵ Murphy, L (et al.) (2022): *Driving Force: Automotive Supply Chains and Forced Labour in the Uyghur Region* (Sheffield Hallam University: Sheffield), page 47

The primary purpose of China's five-year plan is to provide a framework guidance for economic and social development during the plan period. The plan is not self-executing and is not binding. The GoC does not interfere with business operations and pricing practices accordingly. The plan should not be considered to be government intervention. Five-year plan may be used by commercial enterprises to anticipate the direction of the economy and economic development so as to make informed investments according to the anticipated direction.¹⁰⁶

212. However, this claim appears to be inconsistent, in that it suggests that the government will not interfere to bring the plans to fruition, but that the plan will help business make 'informed investments'. If the plan was just an outline of a desire of the direction the GoC would like the economy to take, it is not clear how this would help business make informed investments.

213. As the EU outline in the commission working document, "China's formal plans are more than just strategic visions, they determine the direction of the Chinese economy, set out priorities and prescribe the goals which the central and local governments and their related bodies must strive to implement."¹⁰⁷ Although the main high-level five-year plan issued by the central government is less specific than previous five-year plans, they dictate policy at different administrative levels that dictate the use of state resources.

214. For instance, the submission cites local plans from Shandong and Hubei that demonstrate how the national level five-year plans filter through to direct intervention. For example, in the 'Notice of the Provincial Department of Economy and Information Technology in Hubei Province', which outlines how the regional

¹⁰⁶ [TD0035 Submission of the GOC on PMS](#) – section 3.2

¹⁰⁷ [Commission Staff Working Document On Significant Distortions In The Economy Of The People's Republic Of China For The Purposes Of Trade Defence Investigations \(2024\)](#) – page 57

government plans to “provide industrial support for accelerating [a new chapter of economic development],” the Hubei government states that it will:

focus on the construction of Wuhan, Jingmen, Shiyan, Huangshi and other large-scale radial tire production bases, and further increase the proportion of radial tire production.¹⁰⁸

215. The GoC also points to the UK’s own industrial strategy ‘Building a Britain fit for the future (2017)’,¹⁰⁹ and argue that the PRC’s Five-Year plan is the same in intent:

The white paper "Industrial Strategy - Building a Britain fit for the future", by the UK government in November 2017, generally has the same intention and scope as the 14th Five-Year Plan. The GoC request TRA to determinate whether the white paper demonstrates that the UK government intervenes or controls business and would cause a PMS in the UK economy. Therefor [sic], GoC requests TRA give equal treatment to China's five-year plans and this UK white paper rather than implement double standard.¹¹⁰

216. However, the task for an investigating authority is to establish if the exporting market is distorted so that relevant adjustments can be made. The existence of an industrial plan in the UK does not bear on the question of whether distortions exist in the exporter market.

G2.2.8 Conclusion on existence of a PMS

217. Based on the evidence provided by the anonymous submission, and that collected during previous TRA investigations, the TRA considers there to be sufficient evidence to conclude that a PMS exists in the PRC for the industry of the like goods on the basis that the market reflects non-commercial factors.

¹⁰⁸ [Outline of the 14th Five-Year Plan for National Economic and Social Development of Jingmen City, Hubei Province and the Long-term Goals for 2035 \(2021\)](#)

¹⁰⁹ [Industrial Strategy: building a Britain fit for the future](#); In fact, this plan was withdrawn and replaced with the 'Plan for Growth', however the point being made would remain the same.

¹¹⁰ [TD0035 Submission of the GOC on PMS](#) – section 3.2

218. The anonymous submission demonstrates significant direct interference by the GoC in the input raw materials of tyres. There is clear evidence that the GoC supports many of the input industries on the basis of national industrial strategy rather than market principles, resulting in prices of these inputs reflecting non-commercial factors.

219. The submission also demonstrates the prices of finance, land, energy, and labour reflect non-commercial factors, due to government intervention and policies...

G2.3 Constructed Normal Value

220. As set out in [G2.1 Normal Value](#), the TRA found that it is not appropriate to use the comparable price to determine the normal value of the like goods.

221. The TRA has determined the normal value of the goods in accordance with regulation 8(1)(a) of the Regulations, which sets out that the TRA must determine the costs of production (COP) plus a reasonable amount for AS&G costs and for profits, as detailed in regulations 11 and 12 of the Regulations.

222. Regulation 11(2) of the Regulations sets out that where regulation 11(3) of the Regulations applies, the TRA will normally calculate the costs of production of the like goods based on records kept by the overseas exporter.

223. Regulation 11(3) of the Regulations applies when the records of the overseas exporter are in accordance with Generally Accepted Accounting Principles (GAAP) in the PRC and reasonably reflect the costs associated with the production and sale of the like goods in the PRC. Given that the Hankook Group's financial statements have been independently audited and were found to be in accordance with International Financial Reporting Standards, we are content that the records reasonably reflect the costs and are in accordance with GAAP.

224. Although we accept that overall Hankook Group's records reasonably reflect costs and are in accordance with GAAP, we do not consider these costs to reflect normal circumstances with the bus and lorry tyre market in the PRC. As described in [G2.2 Particular Market Situation](#), we believe the price of raw materials; land use rights; loan interest rates; energy and labour to reflect non-commercial factors, which is reflected in a PMS in the bus and lorry tyre market. As such this is not considered normal circumstances, and we will therefore not calculate the exporter's COP of the like goods on the basis of records kept by the overseas exporter, as described in Regulation 11(2). Instead, these will be adjusted.
225. As set out in regulation 11(6) of the Regulations the TRA has powers to make adjustments in accordance with regulation 13 of the Regulations in certain circumstances. The TRA has made an adjustment to cost of bus and lorry tyres as set out in [G2.4 PMS Adjustments](#).

G2.4 PMS Adjustments

226. In accordance with regulations 11(6) of the Regulations, the TRA may make adjustments to costs of production in accordance with regulation 13.
227. The TRA may make adjustments where paragraph 13(3) of the Regulation applies, and for the purpose of paragraph 13(2) of the Regulations.
228. In accordance with regulation 13(2) of the Regulations, the purpose of making adjustments is to calculate what an exporter's costs would be in the market in the exporting market, if costs were substantially determined by market forces.
229. Therefore, in accordance with regulation 13(3) of the Regulations, the TRA considers the factors listed above in G2.2 to be unrepresentative because the costs reflect non-commercial factors, and so do not reasonably reflect the costs in a market if those costs were substantially determined by free market forces.

230. Where it has made adjustments to these inputs the TRA has had regard to corresponding costs in an appropriate representative country, in accordance with regulation 13(4)(a) of the Regulations.
231. Regulation 13(5) of the Regulations sets out what should be considered when selecting a representative third country or territory under regulation 13(4)(a) of the Regulations.
232. The TRA decided Brazil met the requirements of the Regulations and concluded it has a similar level of economic development to the PRC, in accordance with regulation 13(5)(b) of the Regulations. Both countries are classified as upper-middle income countries by the World Bank, and have a similar level of GDP per capita, life expectancy at birth, literacy rate, and human development index score.¹¹¹
233. The TRA published our preferred choice of benchmark country receiving feedback from the Hankook Group and CRIA. Both suggested that Brazil was not an appropriate benchmark country due to the implementation of trade remedies measures to protect the Brazilian like goods market.
234. The TRA disagreed with the suggestion of CRIA and Hankook group that Brazil is unsuitable. The TRA will be adjusting the price of individual inputs in the production process to represent how much they would cost in a market where prices are substantially determined by market forces. Therefore, it is the cost of the inputs that is the relevant factor here, and not the price of the final product. The fact that Brazilian producers may benefit from the imposition of trade remedies measures that protect them from dumped goods from the PRC is not relevant to the cost of these inputs.

¹¹¹ World Bank (2024): [Middle Income Countries Overview: Development news, research, data | World Bank](#) [accessed 12/08/2024]

235. The Hankook Group and CRIA both suggested Thailand was more representative than Brazil on certain metrics. The TRA noted the information provided by the Hankook Group and CRIA but decided that on balance Brazil is more representative across many of the factors considered, while accepting that no benchmark country will be fully representative in all aspects.

236. The Hankook Group is the only cooperative exporter on the case. Although a PMS was found on all of the factors mentioned in the anonymous submission, it was determined that two of the factors were not applicable to the Hankook Group. First, it does not appear that the company benefits from any long-term loans from PRC based banks, and so there are no adjustments to be made on this factor. Second, the cost of land appears to be a negligible amount of the Hankook Group's overall cost to make, and so the case team opted not to adjust for this factor in this case.

Labour

237. In order to assess the material impact of the price of labour reflecting non-commercial factors, the TRA compared the price of manufacturing labour in Brazil to the amount paid by the exporter. The TRA sourced data from the international labour organisation which collected data from the Brazilian 'Continuous National Household Sample Survey' for 2022.

238. Upon comparison, the labour costs in Brazil were found to be lower than the costs reported by the exporter. As a result, the TRA has opted not make any further adjustments to the labour data of the exporter.

239. The reason for this discrepancy is likely because the Brazilian manufacturing data was reported at a high level and so does not capture the fact that many of the workers involved in the production of tyres are high-skilled and can command a higher wage than the average worker in the manufacturing sector. The TRA was unable to access lower-level data, and so has opted not to adjust for this factor.

Energy (Electricity)

240. In order to assess the material impact of the price of electricity reflecting non-commercial factors, the TRA compared the price of industrial electricity in Brazil to the amount paid by the exporter. The TRA sourced industrial Brazilian energy data from Statista and Climate Scope/Bloomberg for 2022 and took an average to establish a reasonable price for the Brazilian market.
241. As can be seen below, there was a substantial 30-45% difference between electricity costs paid by Hankook, and those it could be expected to pay in the Brazilian market. This represents an adjustment of 15-30% for energy costs taken as a whole.
242. The case team therefore concluded that an adjustment may be necessary in order to correct for the fact that the PRC energy market reflects non-commercial factors.
243. The TRA assessed whether the material impact identified for electricity could be attributed to any other factor. We noted that the energy markets of the PRC and Brazil are different in several aspects. Most notable is the composition of electricity generation between the two countries. While the PRC relies largely on coal for its energy generation (60.6% of the total), Brazil relies on an almost equivalent amount on hydropower for its electricity (63%).¹¹²
244. This could suggest that the difference in price is due to the difference in form of energy generation. However, according to an International Renewable Energy Agency report from 2022, the cost of hydropower was still “lower than the cheapest new fossil fuel-fired electricity option in 2022, despite the fact that global weighted average costs increased by 18% that year”.¹¹³ If anything, this fact suggests that the adjustment may be underestimating the material impact on prices of the non-commercial factors listed above.

¹¹² [China - Countries & Regions - IEA](#); [Brazil - Countries & Regions - IEA](#)

¹¹³ [Renewable power generation costs in 2022: Executive summary \(elettromagazine.it\)](#), page 11 [accessed 12/08/2024]

Raw Materials

245. In order to assess the material impact on the cost of the price of natural rubber, synthetic rubber, nylon tyre cord, steel wire rod, and carbon black reflecting non-commercial factors, the TRA compared the price of these inputs in Brazil to the amount paid by the exporter.
246. To ensure the analysis was as representative as possible, the case team calculated the relevant benchmarks in two steps:
- First, the case team referred to 2022 import/export data available through GTT¹¹⁴ for the raw material inputs to calculate the average import/export price in Brazil.
 - Second, to ensure the comparison was representative and to compensate for the high-level nature of the available data, the case team then made a further adjustment to the Brazilian benchmark data equal to the percentage difference between the equivalent PRC import/export data and the price reported by the exporter. This was to adjust for potential variations in product mix between the average good imported under that commodity code, and the specific kind of input used in the manufacture of tyres, as well as adjust for differences in level of trade.
247. Carbon black and steel wire rod have easily identifiable commodity codes, and the case team were able to find an exact match for natural rubber reported by the exporter. However, the case team were unable to find an exact match at the 10 digit level for the commodity codes provided by the exporter for nylon tyre cord or synthetic rubber.
248. In the case of nylon tyre cord, the case team determined that despite the difference in the commodity codes, the product referred to in both the Brazilian and exporter data was substantially the same. 10-digit commodity codes can differ from country to country, and so this is not unexpected.

¹¹⁴ [Solutions - Global Trade Tracker Global Trade Tracker](#)

249. Synthetic rubber is a more complex product with significant deviations in price between commodity codes. The case team therefore elected to make an overall adjustment for the average of all the synthetic rubber inputs against the benchmark data. This resulted in a low adjustment that likely underestimates the impact of the non-commercial factors, however, without more fine-grained data, the case team determined this was the most representative adjustment.
250. Compared to the Brazilian benchmark, the data showed non-commercial factors had a material impact on the cost of production of between 2-19% for each input.
251. The case team therefore concluded that an adjustment may be necessary in order to correct for the fact that these raw material inputs reflect non-commercial factors.
252. The TRA assessed whether the material impact identified above for these raw material inputs could be attributed to any other factor. For steel wire rope, carbon black, and nylon tyre cord, we determined that the material impact was likely caused by significant overproduction during the PoI in the PRC market, made possible by the PMS.
253. For natural and synthetic rubber, the picture is more complex. Although there is evidence of intervention by the GOC in the production of natural and synthetic rubber, the PRC is a net importer of both inputs. The PRC imported \$3.82 billion natural rubber and \$8.77 billion of synthetic rubber in the POI,¹¹⁵ and exported only \$1.72 billion and \$55.3 million respectively. It is therefore possible that these prices are more responsive to market conditions.¹¹⁶
254. However, given the high levels of domestic production and consumption of these inputs, we believe there is still sufficient evidence to suggest that these prices are reflective of non-market conditions.

¹¹⁵ [Rubber in China | The Observatory of Economic Complexity \(oec.world\)](#)

¹¹⁶ [Global and China Synthetic Rubber Industry Report, 2021-2027 - ResearchInChina](#)

255. In particular, the anonymous submission presented evidence that demonstrated that the Yunnan government is specifically supporting the production of natural rubber for use in tyres. It is likely that the presence of such programs causes a downward pressure on the costs of imports that meet the quality requirements for use in the production of tyres.¹¹⁷

G2.5 Reasonable Level of Profit

256. The TRA found that it could determine a reasonable level of profit in accordance with regulation 12(2) of the Regulations, as there were sufficient transactions that were made in the ordinary course of trade (OCOT) to allow for a meaningful calculation based on profitable sales to be performed.

257. In accordance with regulation 12(2) of the Regulations, the TRA calculated a reasonable level of profit using the actual amounts incurred and realised by the overseas exporter in question in respect of production and sales in the domestic market of the exporting country of the same general category of goods.

258. Profit was calculated for each PCN that was sold both domestically and for export to the UK during the PoI. The amount of profit was calculated by taking the domestic sales value to the first independent customer and removing the costs of production, AS&G costs and associated company profit. A weighted average profit was then calculated.

259. The weighted average profit was used to construct the normal value together with the appropriate cost of production and AS&G costs to give a representative figure.

¹¹⁷ [Three Year Action Plan - Notice of the General Office of the People's Government of Yunnan Province](#)

G2.6 Export Price

260. In accordance with regulation 15(1) of the Regulations, the export price is the price the goods subject to review are sold for, or the agreed price at which they are to be sold, to either an importer in the UK or a third party outside of the UK for export to the UK.

261. The TRA found that the Hankook Group export sales were all made to an associated party in the UK. We therefore used the sales to the first independent buyer in the UK submitted by the Hankook Group for the export price in accordance with regulation 15(4)(a) of the Regulations.

G2.7 Fair Comparison

262. To ensure a fair comparison, the normal value and export price need to be compared at the same level of trade; normally on an ex-factory level and in respect of sales made as near as possible the same time, in accordance with regulation 16(1) of the Regulations.

263. In accordance with regulation 16(2) of the Regulations the TRA may make adjustments for any differences which affect price comparability including differences relating to:

- a. conditions and terms of sale
- b. taxation
- c. levels of trade
- d. quantities
- e. physical adjustments

264. The Hankook Group reported fair comparison adjustments to its export sales data, which the TRA determined were necessary to bring the export price to an ex-factory level. Fair comparison adjustments were made to the following factors:

- Domestic Freight
- Ocean Freight / Insurance
- Forwarding
- Handling
- Customs Duties
- Brokers Fees
- Port Charges
- Storage Fees
- Import Tariff
- Importer AS&G
- Importer Transportation Costs
- Importer Sales Rebates
- Credit on Sales to Independent Buyers

265. The TRA made an additional adjustment specifically to those transactions made on CIP¹¹⁸ terms, to account for price differentials with other sales at CIF level before applying the adjustments to compare the values at EXW.¹¹⁹

266. The TRA considered whether the fair comparison adjustments made to the domestic sales would need to be made to the constructed normal value to be able to compare to the export price at the same level. Fair comparison adjustments for transport, insurance and handling were deducted from the constructed normal value and the OCOT calculations in accordance with the data received by the participating overseas exporters.

267. The TRA analysed the differences in transaction value reported by Hankook Group in its sales to clients at a differing level of trade. To ensure fair value in accordance

¹¹⁸ CIP is an abbreviation of 'Carriage and Insurance Paid To'. For CIP transactions, the seller is responsible for the cost of transport until the freight reaches the named place of destination. This differs from CIF transactions, in which the seller only covers costs up to the port of destination.

¹¹⁹ EXW is an abbreviation of 'Ex-Works'. It accounts for costs only to the point the product leaves the selling company.

with regulation 16(2) the TRA has adjusted the domestic transactions to ensure fair comparison between level of trade sales in the PRC and the UK.

G2.8 Dumping Margins

268. In accordance with regulation 17(1)(a) of the Regulations, the TRA compared a weighted average normal value with a weighted average export price for all comparable export transactions from the cooperating overseas exporters to calculate the dumping margin.

269. The TRA calculated a combined dumping margin for the Hankook Group. There are no other cooperative overseas exporters.

270. The TRA calculated a dumping margin for all other non-participating overseas exporters from the PRC. This is the residual amount.

271. The TRA has determined the residual amount taking account of information provided by overseas exporters in accordance with regulation 38(4)(b). The residual amount, shown in the table below, has been set by using a method of selecting the highest dumping margin established for a PCN during the Pol.

Table 7: Dumping Margins

Exporter	Dumping Margin
Hankook Group	23.42%
All non-cooperating exporters	77.11%

G2.8 Double remedies

272. As this investigation was carried out in parallel with a separate anti-subsidy investigation (TS0036), there is a risk of double counting where dumping, through PMS adjustments, and subsidy overlap.

273. The recommended countervailing duty for the Hankook Group is 0% and so there is no risk of this occurring in the individual rate. However, there is still the risk of double counting in the calculation of the residual rate as the original EC subsidy rate has been used as the basis of the calculation.

274. 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 factors in the calculation of the dumping residual margin.

G3. Likelihood of dumping assessment

275. In accordance with regulation 99A(1)(a) of the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (as amended) ("Regulations"), we have considered whether the dumping of the goods subject to review would be likely to continue or recur if the anti-dumping amount were no longer applied to those goods.

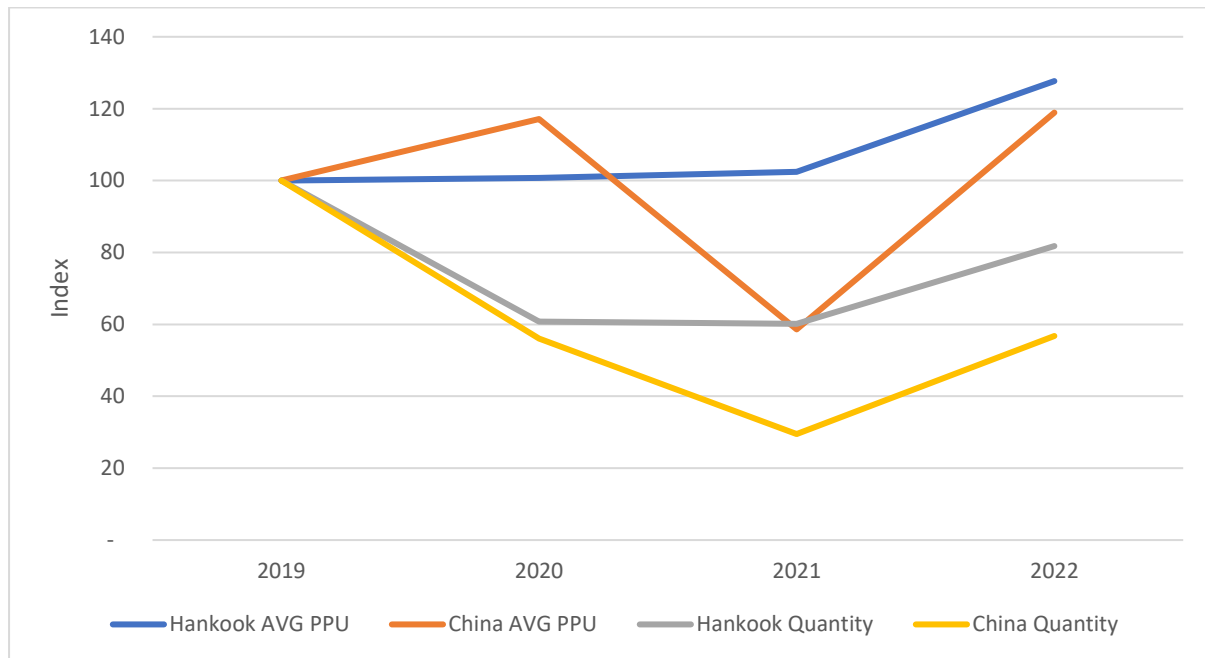
276. We conducted a likelihood of dumping assessment on a countrywide basis. The assessment considered the following at country level:

- Continued dumping;
- Production levels & production capacity (current and future);
- Inventories;
- Ability to shift production to the goods subject to review;
- Market prices in the UK and the overseas exporters' market;
- Exports to third countries;
- Conditions in exporter's domestic market;
- Attractiveness of the UK market to exporters;
- Whether exporters have previously circumvented or absorbed the effects of trade remedy measures; and
- Any other relevant factors.

G3.1 Continued Dumping

277. The TRA has calculated a dumping margin for the cooperating exporter, the Hankook Group, of 24.73%. This margin is positive, not minimal, and therefore confirms that dumping continued throughout the Pol.
278. During the original EC investigation, the Hankook Group was found to have a lower dumping margin than other companies with only the GITI Group subject to a lower dumping margin. Whilst no other PRC exporters have returned full questionnaire responses to this review, we did examine the pre-sampling questionnaire responses to estimate high-level dumping margins using average prices submitted. It is important to note that this data is unverified, not at PCN level, and does not include any PMS adjustments. Nevertheless, all other registered companies had a higher estimated dumping margin than the Hankook Group which suggests these companies were dumping at a higher level than the cooperating exporter.
279. [SECTION F: Analysis of imports of the goods subject to review](#) has described how the Hankook Group was responsible for more than half of the imported goods subject to review in each year of the injury period and increased its share of PRC imports over the period. In addition, Section F showed that the average price per unit of PRC imports increased across the injury period while the total value and quantity of imports decreased. This suggests that the measures generally deterred low price tyres from entering the UK market.
280. Figure 4: below shows that the Hankook Group's average prices have remained relatively steady while other PRC companies' prices have fluctuated. This has coincided with a significant decline in the volume of non-Hankook imports. This suggests that other exporters, besides the Hankook Group, have struggled to maintain volume and consistent pricing in the injury period.

Figure 4: PRC imports into the UK comparing Hankook Group and other PRC exporters



281. The TRA has confirmed that the Hankook Group has continued to dump during the Pol by calculating a positive dumping margin. We have considered the findings of the original EC investigation and our own PSQ analysis which suggests that PRC companies may be dumping into the UK market at rates in excess of the Hankook Group.

G3.2. Do the conditions for dumping exist?

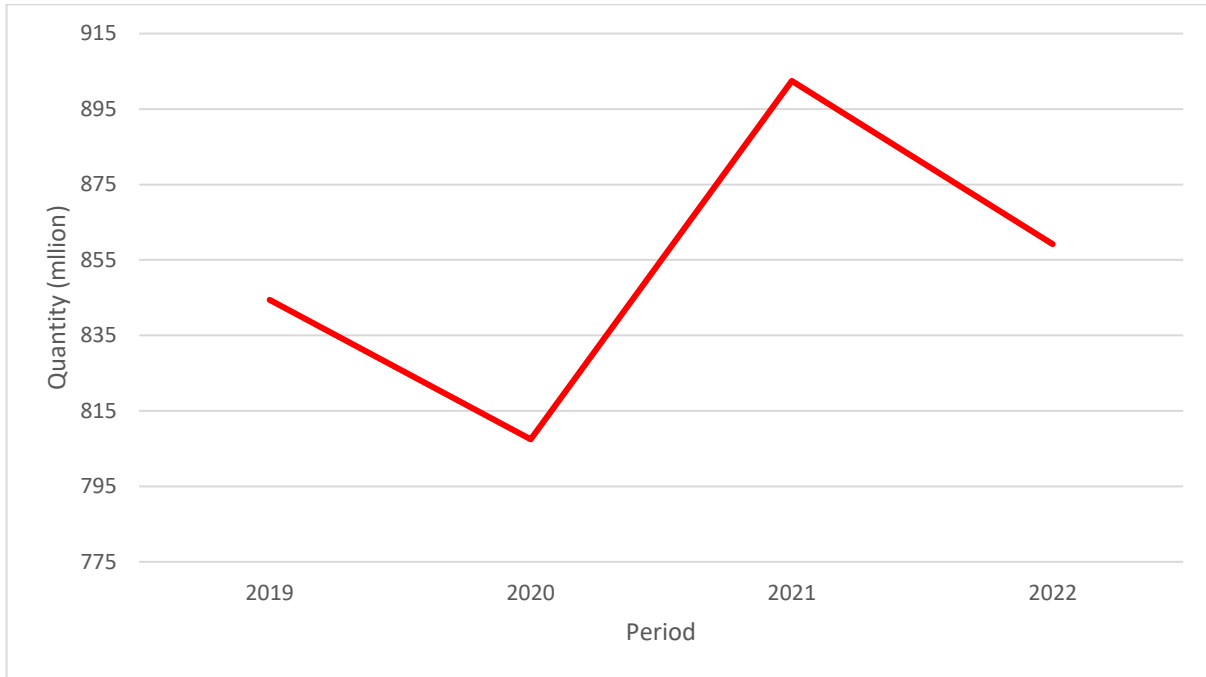
G3.2.1 Production and production capacity

282. According to data from CRIA, the main PRC companies produced 122.39 million bus and lorry tyres in 2021 which represented a 4.12% increase on the previous year.¹²⁰ For context, production of the like goods in the UK is estimated to be in the region of 800,000 units. This represents just 0.65% of total PRC production.

¹²⁰ Tirereview.com (2022): [China Tire Industry Still Recovering from COVID Lockdowns](#) [accessed 09/08/2024]

283. We have been unable to obtain data specific to production of bus and lorry tyres in the PRC for the whole injury period. Figure 5 shows that production levels for all tyre variations in the PRC have increased during the injury period.

Figure 5: Production of tyres in the PRC during the injury period



Source: Statista¹²¹

284. UK domestic industry informed us that there was a decline in production in 2020 and subsequent unusual rise in 2021 as a result of the COVID-19 pandemic, which corrected itself in 2022. We can see this also affected PRC manufacturers. Figure 5 shows a decrease in production in 2020 as the pandemic was at its most restrictive, followed by increased production in 2021 and returning to a more usual level in 2022.

285. The Hankook Group has provided us with detailed information on its lines that produce bus and lorry tyres although these same lines do also produce car and light truck tyres. Throughout the injury period the company operated these lines at

¹²¹ Statista.com (2023): [China: tire production](#) [accessed 02/07/24]

over 75% theoretical capacity every year, averaging 83.45% over the course of the period.

Table 8: Hankook Group Production Capacity Utilisation

	2019	2020	2021	PoI
Total capacity utilisation for goods subject to review/like goods (%)	84.32%	84.54%	77.37%	88.15%

286. We are also aware that Hankook Tire is investing in a new European production line capable of producing 800,000 bus and lorry tyres per annum.¹²² It is possible that the company could move some production from the PRC to this new factory which would potentially create additional capacity within its PRC factories.

287. Reports of overproduction within the Chinese tyre industry are commonplace. One article reported in 2023 that "...the once popular all-steel radial tyres (generally truck tyre products) have gradually experienced overcapacity..."¹²³ A 2021 article outlined the risks facing the Chinese domestic market at the time, with a focus on the stagnation of domestic purchases and rapid increases in capacity.¹²⁴ Another reported on a 40-million-unit expansion within mainland China by Cheng Shin showing that production capacity continues to grow.¹²⁵ A more recent article notes that "...Chinese tire makers are continuing to add new capacity – as evidenced by announcements in 2024 from Aeolus, Guizhou Tyre, Sentury Tire, Sailun Group and ZC Rubber".¹²⁶

288. The anonymous submission cites a CRIA report which shows that total capacity for bus and lorry tyres in the PRC is 142 million units, and that the PRC is operating at

¹²² Hankooktire.com (2023): [Hankook Tire to add truck and bus tire production line to its European plant](#) [accessed 01/07/24]

¹²³ Tyrepress.com (2024): [Chinese tyre industry projects new in 2023](#) [accessed 01/07/24]

¹²⁴ MGLTyre.com (2022): [Already overcapacity, why tyre factories still keep production expanding insanely?](#) [accessed 22/07/2024]

¹²⁵ Tyrepress.com (2023): [40 million unit expansion by 'Cheng Shin'](#) [accessed 31/07/2024]

¹²⁶ European Rubber Journal (2024): [Chinese tire makers in expansion mode after sales-rebound | European Rubber Journal \(european-rubber-journal.com\)](#) [accessed 01/08/2024]

86% capacity. This suggests Hankook’s capacity usage is broadly representative of the PRC industry across the period. The same submission states that there are plans for a further 33.1million units of production to be added by PRC manufacturers. Were these producers to maintain the capacity usage described above this would reflect a further 28.5million units produced each year.

289. The information above shows that production levels within the PRC have increased during the injury period. The information we have seen from the Hankook Group suggests that there is some scope for spare capacity within its current production lines and there is evidence to suggest that more broadly there is currently spare and increasing capacity across PRC companies that could be used to produce the goods subject to review.

G3.2.3 Inventories

290. During the injury period, the Hankook Group’s closing stock levels fluctuated slightly with a peak in 2021. The closing stock figure in 2022 is only a small difference from the opening stock figure in 2019 and closing stock as a percentage of production remains within the range of 5-10% each year. This demonstrates that the Hankook Group maintained inventories throughout the period, but as this is just one exporting group, we cannot draw any significant conclusions from this data.

Table 9: Hankook Group combined stock flow

	2019	2020	2021	Pol
Opening stock	100	109	158	174
Closing stock	109	158	174	99

291. We do not have access to data regarding the inventory of other Chinese companies producing the goods subject to review.

292. A May 2022 article quotes a Chinese tyre company executive as saying *“The current situation is that the domestic market is severely shrinking, and factory inventories continue to rise.”*¹²⁷ The same article goes on to cite CRIA statistics which stated that *“10 key tyre companies’ output fell by more than 10 per cent month-on-month, and their inventories increased by more than 40 per cent.”*
293. Similarly, the anonymous submission claims that high levels of production and spare capacity resulted in “enormous inventories” for Chinese producers. The party cites a CRIA report which states that in 2021, within the Chinese tyre market *“raw material prices still rose, the domestic demand market started less than expected, and inventories surged.”*¹²⁸ We note the period being described followed the COVID-19 pandemic which heavily affected global trade.
294. Whilst the data is limited, the analysis above points to a trend of rising inventories in 2021. The Hankook Group reduced its inventory levels in 2022 but we have little information on the wider PRC market. Given the high levels of production and production capacity noted in Section G3.2.1, it is likely that PRC producers have significant inventory levels which increases their ability to export to the UK market.

G3.2.3 Ability to shift production to the goods subject to review

295. The production process for all types of new tyre is highly similar. Regardless of the vehicle the tyre is designed for, similar or identical raw materials are processed into the components used to construct the tyre. These components are fed into a ‘tyre making machine’, which outputs a green tyre. The green tyre is cured to add the tread. Then, the final product is inspected prior to shipping.
296. The TRA understands that the equipment used to perform these tasks is similar for all types of new tyre. The exception is the ‘tyre making machine’ used to combine

¹²⁷ Tyrepress.com (2022) [The Chinese tyre industry’s current struggle for survival](#) [accessed 22/7/2024]

¹²⁸ [Non-confidential Section F Questionnaire TD0035.docx](#) Section F2.2

components, which we understand to be specific to a particular tyre category.

297. Documentation submitted to the review indicates that a ‘tyre making machine’ would have a high installation cost, and a useful life of between 10 and 15 years. However, as discussed in [G2.2.3 Finance](#), we have seen that tyre manufacturers in the PRC are able to access low-cost credit. Considering both the availability of financing and long machine lifetime, we consider that tyre manufacturers would face relatively low financial risk in changing production lines to produce different categories of tyre.
298. We have noted the high degree of similarity in the manufacturing methods of different categories of tyre. This similarity means it is reasonable to expect that there would only be a minimal amount of retraining required for staff currently employed to produce one category of tyres to become suitably trained to produce other types of tyre.
299. On the basis of the analysis presented here, we consider it to be likely that tyre manufacturers which currently produce new tyres for other types of vehicles would be able to shift production to increase production levels of the goods subject to review. It is therefore possible that tyre manufacturers in the PRC would choose to do this if there was demand or commercial incentive, either in the domestic or export market, for greater output of bus and lorry tyres.

G3.3 Do incentives to dump into the UK exist?

G3.3.1 Market prices in the UK and the overseas exporters’ market

300. The UK market price is taken to be the average UK selling price during the PoI, calculated from the domestic producer questionnaire responses. This selling price is calculated from the producer data using sales prices of both like goods that are domestically produced and those imported from third countries. Using this methodology, the TRA calculates an indicative UK market price as £274.

301. We compared this against the market price for the like goods in the PRC. The PRC market price is not straightforward to establish. We only have domestic sales data from one exporter group, the Hankook Group. We have established this group is not representative of the PRC industry either in terms of product quality or pricing. However, it represents the only data available on domestic PRC prices.
302. The average selling price of Hankook tyres into the PRC market, calculated using the Hankook Shanghai sales transaction data, is found to be £150 – 165 lower than the UK market price.
303. We are not able to calculate a reliable indicative PRC price on Hankook Group’s data alone due to the PMS affecting the PRC domestic market making normal value unreliable, as outlined in [G2.1 Normal Value](#). Therefore, it is not possible to meaningfully or accurately compare a PRC market price to a UK market price.

G3.3.2 Exports to third countries

304. The third countries/trade blocs that currently have anti-dumping measures in force against the PRC are outlined in Table 10.

Table 10: Current anti-dumping measures against the PRC

Reporting member	Date Measures came into force
SACU Member States ¹²⁹	28 July 2023
Brazil	16 June 2008
Egypt	3 March 2021
The European Union	12 November 2021
EAEU member States ¹³⁰	18 December 2017
Türkiye	20 August 2005
United States	25 February 2016

Source: WTO¹³¹

¹²⁹ Botswana, Eswatini, Lesotho, Namibia, and South Africa.

¹³⁰ Armenia, Kazakhstan, Kyrgyz Republic, and Russian Federation.

¹³¹ [Antidumping measures - Trade Remedies Data Portal \(wto.org\)](https://www.wto.org/trade-remedies/)

305. In addition, other WTO members have either initiated investigations or recently terminated anti-dumping cases against the goods subject to review. Mexico initiated a new anti-dumping investigation on 5 April 2023, and India previously had measures against PRC imports, but these were terminated on 15 December 2022.

306. The USA applied tariffs on tyres originating in the PRC as part of the third section 301 tariff list, with a 10% tariff imposed in September 2018 before it rose to 25% in June 2019.¹³² Although this is not a trade remedy measure, it does increase the likelihood that trade flows from the PRC would be redirected as the US market becomes less attractive for exports, potentially towards the UK market.

307. Despite having measures in place, all countries mentioned above continue to receive exports from the PRC, as can be seen in Table 11 below.

Table 11: Total export volume and value for HS codes 401120 and 401212 2022-2023 for countries with measures in place, currently are investigating alleged dumping, or have revoked measures within the injury period

	PoI (2022)			2023		
	Quantity (thousand tyres)	Net Weight (tonnes)	Trade Value (thousand USD)	Quantity (thousand tyres)	Net Weight (tonnes)	Trade Value (thousand US\$)
SACU	888.62	62,197.27	136,917.57	944.43	80,783.41	167,890.73
Egypt	561.82	41,287.92	86,565.15	624.46	52,184.24	111,009.62
EU	2,868.75	168,144.10	442,013.54	3,063.85	202,026.15	544,660.70
EAEU	3,544.57	237,081.22	546,175.24	3,236.14	252,139.99	575,294.35
Türkiye	86.26	5,658.39	13,290.35	126.63	10,178.19	22,511.46
Mexico	3,661.27	246,272.11	564,124.32	4,099.29	334,640.60	728,728.93
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

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

¹³² Tirereview.com (2019) [U.S. Clarifies Timing of 25% Tariff Hike on Chinese Imports](#) [accessed 01/08/2024]

308. Many of these countries remain significant destinations for PRC manufactured products. The three largest export destination for PRC bus or lorry tires was the USA, Mexico, and the Russian Federation in both 2022 and 2023, and they all either have measures in place (Russian Federation via the EAEU) or are currently investigating alleged dumping.

309. As can be seen the exports to the UK are relatively small in comparison to exports to other countries and trading blocks.

Table 12: Highest 10 countries for total export volume and value and the UK 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
United Kingdom	477.7	28,028.3	73,601.3	572.8	36,870.5	101,827.6

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

310. We have identified numerous third countries/trading blocs which currently have anti-dumping measures against the PRC for the goods subject to review. The presence of these measures increases the chance that PRC exporters would view the UK as an attractive market were measures to be removed.

G3.3.3 Conditions in exporters' home market

311. The anonymous submission describes how domestic consumption in the PRC is not expected to exceed 70 to 80 million units per year. It cites a CRIA report which states that low-price competition is increasing in the PRC market and producers without economies of scale will struggle. Therefore, the increased domestic competition and desire to realise economies of scale will incentivise producers increase exports.¹³³

312. One 2022 article from an Asia-Pacific based consultancy firm¹³⁴ suggests that the PRC tyre industry has experienced some large changes over the last decade with the GOC intervening in the tyre industry from 2017 onwards once tariffs from other countries had started to affect the industry. It states that the GOC encouraged the closure of underperforming companies in an attempt to increase capacity utilisation and eliminate excess price competition. Further to this, regional governments supported the remaining tyre companies to remain competitive internationally.

313. Examples of this can be drawn in the number of tyre manufacturers in specific regions such as Shandong, and the high level of subsidy applied to Chinese companies in the original EC investigation. The claims made in this article shows the high level of intervention imposed by the GOC on the tyre industry in the PRC. Whilst this incentivises exports it can be seen to have some negative connotations for the domestic market.

¹³³ [Non-confidential_Section F Questionnaire_TD0035.docx](#) Section F2.2

¹³⁴ YCP Solidiance (2022) [China Tire Market Analysis: Factors for Long-Term Success \(ycpsolidiance.com\)](#) [accessed 19/07/2024]

314. Another December 2022 article states that growing the production base in the PRC was supplying a domestic market that was “...*growing very quickly until the Covid lockdowns...*”¹³⁵ However the Covid lockdowns “...*lowered OE (Original Equipment) sales... while replacement tire sales have been sluggish for the last couple of years.*” It further states that “*Amid the market set-backs, Chinese tire makers have continuing (sic) to increase production, hence there have been record exports of car tires and particularly truck tires worldwide.*”
315. These factors indicate that the PRC market is oversupplied, with companies that have been supported by the state to foster intense competition. However, these companies face a shrinking number of international markets where they can sell their products without tariffs, as was seen in G3.3.2 Exports to third countries.
316. This scenario will likely lead to lower prices and reduced profitability within the PRC domestic market.

G3.3.4 Attractiveness of the UK market to exporters

317. 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.

¹³⁵ European Rubber Journal (2022): [Economic trends reshaping the global tire market](#) [Accessed 22/7/2024]

Table 13: 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

318. 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 POI. 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, and 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. We have no information to indicate that this trend will not continue.

319. This 23.2% price increase is similar in scale to the price increases 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.¹³⁶ 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.¹³⁷ This indicates that the UK is an attractive market for exports, as prices

¹³⁶ [US Producer Price Index: Tire Manufacturing: Truck and Bus Pneumatic Tyres](#), Bureau of Labor Statistics, accessed 21/08/2024

¹³⁷ [European Union - Producer prices in industry: Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres](#), Eurostat, accessed 21/08/2024

are growing rapidly and at a similar rate to countries geographically and developmentally like the UK.

320. 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.

Table 14: Estimated market share of UK domestic producers and imports in terms of import value and volume

	2019	2020	2021	PoI
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

321. Table 14 shows that during the PoI 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.

322. 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 14). 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 15: 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

323. Table 15 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.

324. The TRA has had no submissions from domestic parties indicating any investment in increasing production capacity is currently planned. In questionnaire responses, and in conversations throughout verification, all verified 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 is limited in growth by its current production capacity.

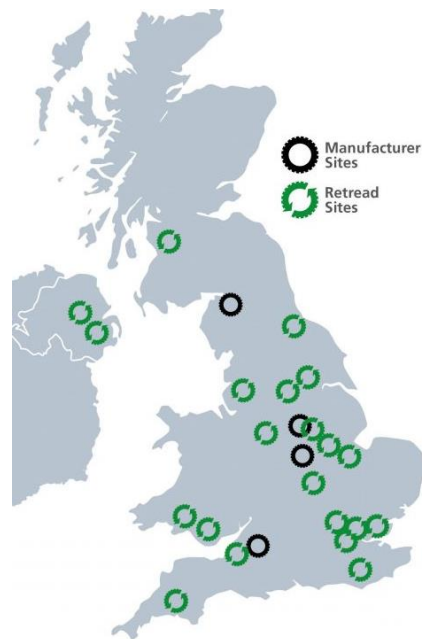
325. Given that the volume of tyre sales increased during the injury period, this increases the import dependence and attractiveness of the UK market, as increases in demand cannot be fulfilled by domestic production. This provides opportunities for importers to generate additional revenue.

326. 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 tyres market.

327. BTMA published the following map¹³⁸ of UK tyre producers, showing a total of 25 sites engaged in either the manufacture or retreading of tyres:

¹³⁸ BTMA.com: [Where are tyres made? - The British Tyre Manufacturers' Association \(BTMA\) \(btmauk.com\)](https://www.btmak.com/where-are-tyres-made/) [accessed 4/7/24]

Figure 6 UK producers



328. 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.

329. Table 14 and Table 15 above show that the majority of UK supply of the like goods is 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. 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.

330. 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.

331. This indicates that there are barriers to enter and exit the market, preventing 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 creation of new companies to meet domestic demand and leads to reliance on imports to meet demand.
332. 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 dumping into the UK would continue if the measure were removed.

G3.4. Whether exporters have previously or habitually circumvented or absorbed the effects of trade remedy measures

333. As has been shown, the Hankook Group has continued to trade in the UK despite the measures being in place. It is therefore fair to conclude that the Hankook Group has adapted its business to account for the current measures. However, other tyre manufacturers, many considered less premium than the Hankook Group, have not been able to trade at previous levels and have mostly left the market since measures were introduced. We see this is in the increasing average price per unit of imports from the PRC into the UK.
334. As seen in [G3.3.2 Exports to third countries](#), the TRA has identified a number of countries with anti-dumping duties in place. The TRA has found that none of the ongoing anti-dumping cases have initiated circumvention measures on these investigations.

335. This case does not have any parties that have alleged that PRC parties have habitually circumvented the measures while they have been in place. We therefore have no evidence that exporters have habitually circumvented the UK measures, or any other measures implemented by third countries.

G3.5 Other factors

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

G3.6 Conclusion on dumping

337. On the balance of probabilities, dumping is likely to continue to occur if the measures are removed. That dumping is occurring whilst measures are in place is the strongest indication that were they to be removed, providing the opportunity for the UK price to be lowered, it is likely that dumping would continue.

338. The removal of measures would further allow those companies which currently produce lower value tyres, which are affected more greatly by the fixed duty tariff, to enter the UK market. The price pressures of the Chinese market and the low financial risk of entering a UK market with prices rising will encourage companies to dump their products.

SECTION H: Injury

H1. Introduction

339. 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 anti-dumping measure were no longer applied to imports of goods subject to review.

340. 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.

341. 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.

342. Regulation 99A(2)(b)(ii) states that we may also reassess the anti-dumping amount adequate to remove the injury to a UK industry in the relevant goods caused by the dumped goods.

343. 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

344. 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.
345. 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.
346. 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.¹³⁹ 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.
347. 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 import volume of the goods subject to review as well as a particular increase in the

¹³⁹ [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.

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

348. 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
- the magnitude of the margin of dumping
- actual and potential negative effects on:
 - cash flow;
 - inventories;
 - employment;
 - wages;
 - growth;
 - ability to raise capital or investments.

349. 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

350. 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.

351. 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 16: 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)

352. 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.

353. Table 16 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”.¹⁴⁰

354. Bulldog/Bridgestone states in its questionnaire response “If the existing anti-dumping measures no longer applied, there would be a strong likelihood that this

¹⁴⁰[TD0035 Vaculug Questionnaire Response](#) – page 37

would lead to both reduced sales demand for our products and increased price competition”.¹⁴¹

355. During the Pol, the UK inflation rate increased significantly compared to previous years. This is likely to have contributed to the increase in sales value in the Pol while sales volume held constant. The effect of inflation will be considered more extensively in [H2.2.8 Factors affecting domestic prices](#).

H2.2.2 Profits

356. 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 Pol.

Table 17: Domestic producers’ profit during the injury period

	2019	2020	2021	Pol
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)

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

358. Despite the increase in sales value during the Pol seen in [H2.2.1 Sales](#), Table 17 shows that the profit margin for the like goods did not increase in the Pol 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.

¹⁴¹ [TD0035 Bridgestone Questionnaire Response](#) – page 33

359. 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.”¹⁴² 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.

360. 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

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

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

Table 18: Domestic producers’ production output during the injury period

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

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

¹⁴² [TD0035 Michelin Questionnaire Response](#) – page 40

363. When looking at the increase in output by value from 2021 to the PoI, it should be noted that this is likely to have been influenced by the high inflation rate in the PoI, as discussed in [H2.2.8 Factors affecting domestic prices](#).

364. 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.”¹⁴³

H2.2.4 Capacity utilisation

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

366. 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 19: 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)

¹⁴³ [TD0035 Michelin Questionnaire Response](#) – page 51

367. Michelin states in its questionnaire response that “The major cause of variation [in capacity utilisation] is the sales of like goods.”¹⁴⁴ 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

368. 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.¹⁴⁵

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

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

Table 20: Demand and market share of domestic producers during the injury period

	2019	2020	2021	Pol
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

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

¹⁴⁴ [TD0035 Michelin Questionnaire Response](#) – page 39

¹⁴⁵ [HMRC UK Trade Info website](#) – data downloaded 4 March 2024

372. 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”.¹⁴⁶ 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 profitably sell retread tyres in the UK”.¹⁴⁷ 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

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

Table 21: Domestic producers’ productivity during the injury period

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

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

374. 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.

¹⁴⁶ [TD0035 Michelin Questionnaire Response](#) – page 23

¹⁴⁷ [TD0035 Continental Questionnaire Response](#) – page 20

H2.2.7 Return on investment

375. 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 Pol but remaining above the 2019 level.

Table 22: Investments during the injury period

	2019	2020	2021	Pol
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)

376. 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 23: 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)

377. 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

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

Raw material costs

379. 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.

380. 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.

381. The cost of natural rubber is shown in Table 24 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 24: 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" Data¹⁴⁸ for 'Rubber, RSS3'

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

¹⁴⁸ [World Bank Group "Pink Sheet" Data](#) - date of access 02 July 2024. Prices converted from \$/kg to £/kg using [HMRC currency exchange average rates](#)

383. 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.

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

COVID-19 pandemic

385. 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.

386. However, domestic producers have not stated that the pandemic affected selling prices. Further, as seen in Table 24, there was no decrease in the selling price from 2019 to 2020.

Inflation rates

387. 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.

388. The UK inflation rate, using the Consumer Price Index (CPI) taken from the Office of National Statistics (ONS),¹⁴⁹ across the injury period is shown in Table 25 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.

¹⁴⁹ [ONS Inflation and Price Indices](#) - date of access 11 June 2024

Table 25: 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)

389. 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.

390. 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.

391. 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”.¹⁵⁰ Bulldog/Bridgestone states that the bus and lorry tyre market has been impacted by “inflation issues which have affected all industries”.¹⁵¹ Whilst not directly referring to an effect on sales prices, the points raised by these producers do demonstrate that inflation has impacted the industry.

¹⁵⁰ [TD0035 Michelin Questionnaire Response](#) – page 23

¹⁵¹ [TD0035 Bridgestone Questionnaire Response](#) – page 21

H2.2.9 Magnitude of the margin of dumping

392. In [G2. Recalculation of the anti-dumping amount](#) we calculated a dumping margin for the Hankook Group of 23.42%. We further calculated a residual dumping margin, applicable to all non-cooperating exporters, of 77.11%.
393. The magnitude of the dumping margin indicates the extent of an exporter's capacity to dump. This, in turn, may be reflective of the level of competition in the exporter's home market.
394. The residual rate was calculated using data from within the Hankook Group calculation, as outlined in [G2. Recalculation of the anti-dumping amount](#). Therefore, this residual rate is not directly indicative of the actual current behaviour of other PRC exporters. However, the margins for other exporters determined in the EC investigation, in conjunction with the import analysis presented in [SECTION F: Analysis of imports of the goods subject to review](#) and the conclusion of the dumping likelihood assessment presented in [G3. Likelihood of dumping assessment](#), suggest that other PRC exporters of the goods subject to review would be expected to be dumping with comparable or greater margins than the 23.42% calculated for the Hankook Group.
395. The Hankook Group dumping margin of 23.42% is positive, and more than 20% above the minimal threshold of 2%. A margin of this magnitude could suggest that the PRC market is protected from competition, or that conditions are otherwise such as to enable or incentivise PRC bus and lorry tyre manufacturers to dump into an export market on a sustained basis. The dumping margin alone is not sufficient to make this conclusion; however, this narrative is in line with the findings presented in [G3. Likelihood of dumping assessment](#).
396. In [H2.4 Undercutting of UK industry](#), we will see that imports of the goods subject to review would currently be undercutting domestic producers if the existing measures were not in place. An ability for PRC exporters to continue dumping into

the UK market on a sustained basis would therefore translate into an ability to undercut domestic producers on a sustained basis, should the measures be revoked.

H2.2.10 Cash flow

397. 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 26: Cash flow during the injury period

	2019	2020	2021	PoI
Cash flow index	100	139	129	97

Source: verified producer questionnaires (Michelin, Vaculug)

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

399. Bulldog/Bridgestone did not submit cash flow information in its questionnaire annex, but stated in its questionnaire response that cash flow was “influenced by Covid” and would be expected to “decrease without the tariff”.¹⁵²

H2.2.11 Inventories

400. 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.

¹⁵² [TD0035 Bridgestone Questionnaire Response](#) – page 35

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

402. 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 27: 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)

403. It is difficult to read much into the decrease in stock levels from 2019 to 2020. Data from the Office of National Statistics (ONS)¹⁵³ 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.

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

H2.2.12 Employment

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

¹⁵³ [ONS: Did UK firms stockpile items ahead of the Brexit deadline?](#) – date of publication 01 February 2021; date of access 05 August 2024

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

Table 28: 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)

407. 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'.
408. 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".¹⁵⁴

¹⁵⁴ [TD0035 Bridgestone Questionnaire Response](#) – page 42

409. 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”.¹⁵⁵ 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.

H2.2.13 Wages

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

Table 29: 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)

411. The median wage increase from 2020 to the Pol must be considered in the context of the inflation rates presented in [H2.2.8 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.

H2.2.14 Growth

412. 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.

¹⁵⁵ [TD0035 Michelin Questionnaire Response](#) – page 50

413. 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.
414. 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.¹⁵⁶ 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”.
415. Bulldog/Bridgestone states in its questionnaire response that “[i]f the existing anti-dumping 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...”.¹⁵⁷ This implies that investment in any kind of expansion of operations would be unlikely to continue if the measures were revoked.
416. 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 compete with brand new tyres produced in the PRC due to massive price differences.”¹⁵⁸
417. 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”.¹⁵⁹ As will

¹⁵⁶[Fleet News: Bridgestone targets hot-cure retread truck tyre market share growth](#) – date of publication 21 February 2024; date of access 04 July 2024

¹⁵⁷[TD0035 Bridgestone Questionnaire Response](#) – page 34

¹⁵⁸[TD0035 Vaculug Questionnaire Response](#) – page 33

¹⁵⁹[TD0035 Michelin Questionnaire Response](#) – page 50

be discussed further in [H2.3 Historic injury data](#), the Michelin closures are confirmed by multiple news articles.^{160,161} These prior closures demonstrate the potential negative impact on growth of revocation of the measures.

418. 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.

H2.2.15 Ability to raise capital or investments

419. 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.

420. 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”.¹⁶²

421. As discussed in [H2.2.14 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 two other sites due to pressure from imports before the measures were introduced.

H2.2.16 Conclusion on situation of UK industry

422. 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

¹⁶⁰ [BBC: Michelin Ballymena tyre factory to close in 2018](#) – date of publication 3 November 2015; date of access 15 July 2024.

¹⁶¹ [BBC: Michelin's Dundee factory closes gates for final time](#) – date of publication 30 June 2020; date of access 15 July 2024.

¹⁶² [TD0035 Bridgestone Questionnaire Response](#) – page 43

protection by existing tariffs; especially when this time period has also been impacted by the COVID-19 pandemic.

423. None of the trends are indicative of an industry that is thriving or expanding, despite the protection of the existing measures.
424. 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.
425. Throughout the injury period, profit margins remained far below target figures that were established during the EC investigation. This indicates vulnerability of the industry.
426. 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.
427. 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.

428. 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.
429. The calculated dumping margin of 23.42%, taken alongside the conclusions of the dumping likelihood assessment, is indicative of an ability for PRC exporters to dump in a sustained way. This suggests likelihood of continued or recurring injury, should the measures be revoked.
430. 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.
431. 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.
432. 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

433. 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.

434. 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.
435. 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.
436. 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.
437. 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.
438. 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”.¹⁶³

439. Closure of the Ballymena and Dundee plants is confirmed by numerous news articles.^{164,165} Only the Ballymena site had been a producer of the like goods, with the Dundee site producing passenger car tyres.

440. 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 [anti-dumping] measures”.¹⁶⁶

441. 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”.¹⁶⁷

442. 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

443. 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.

444. 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](#)

¹⁶³ [TD0035 Michelin Questionnaire Response](#) – page 50

¹⁶⁴ [BBC: Michelin Ballymena tyre factory to close in 2018](#) – date of publication 3 November 2015; date of access 15 July 2024.

¹⁶⁵ [BBC: Michelin's Dundee factory closes gates for final time](#) – date of publication 30 June 2020; date of access 15 July 2024.

¹⁶⁶ [TD0035 BTMA Questionnaire Response](#) – page 13

¹⁶⁷ [TD0035 Continental Questionnaire Response](#) – page 21

[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. 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.

445. Instead, we have performed a calculation of the amount of undercutting using import data from HMRC¹⁶⁸ for all imports of the goods subject to review during the Pol, 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 Pol, 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.

446. 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 Pol.

447. The calculation returns an undercutting result of 42%. The fact that this result is positive indicates that the average import price during the Pol was cheaper than the average domestic price. Without the tariffs in place, imports from PRC

¹⁶⁸ [HMRC UK Trade Info website](#) – data downloaded 4 March 2024

exporters besides the Hankook Group would have been, on average, undercutting domestic industry by 42% during the Pol.

448. 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)

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

Imports from other countries

450. Using HMRC data,¹⁶⁹ 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.

451. The volume of imports across the injury period from the top five EU countries is shown in Table 30 below. These countries are Germany, Spain, Poland, Slovakia, and France.

¹⁶⁹ [HMRC UK Trade Info website](#) – data downloaded 4 March 2024

Table 30: 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

452. 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.

453. The average price of imports for each of these EU countries in each year of the injury period is shown in Table 31 below. The average domestic sales price of the like goods for each year is also included for comparison.

Table 31: 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)

454. 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.

455. We can see that the import prices shown in Table 31 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.

456. The volume of imports across the injury period from the top five countries outside the EU, excluding the PRC, is shown in Table 32 below. These countries are Thailand, South Korea, Türkiye, India, and Vietnam.

Table 32: 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 data¹⁷⁰

457. 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.

458. 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.

¹⁷⁰ 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.

459. The average price of imports for each of these countries in each year of the injury period is shown in Table 33 below. As when considering EU countries, the average domestic sales price for each year is also included here for comparison.

Table 33: 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	PoI
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)

460. The average prices from South Korea and Türkiye across the injury period were comparable to the prices seen in Table 31 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.

461. 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."¹⁷¹
462. 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.
463. 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.
464. 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.
465. 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 33. This is despite the measures in place increasing the cost incurred to export from the PRC to the UK.

¹⁷¹ [TD0035 BTMA Questionnaire Response](#) – page 13

466. 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 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

467. 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.

468. 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.

469. 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 [H2.2.16 Conclusion on situation of UK industry](#).

470. 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

471. [H2.2.16 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.”¹⁷²

472. [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.
473. We have found no evidence that demand for bus and lorry tyres in the UK is expected to increase.
474. 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)”,¹⁷³ 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.
475. Regarding the international bus and lorry tyre market, a March 2023 report from Astute Analytica¹⁷⁴ states that the global bus and lorry tyres market has “seen significant growth over the past few years, and this growth is expected to continue

¹⁷² [TD0035 Michelin Questionnaire Response](#) – page 38

¹⁷³ [TD0035 Vaculug Questionnaire Response](#) – page 20

¹⁷⁴ [Astute Analytica: Global truck and bus tyre market report](#) - date of access 04 July 2024

over the forecast period” (which extends to 2031) but that “the fluctuation in raw material prices is a challenging factor for tire manufacturers [...] which could potentially affect the growth of the market.”

476. 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.

477. 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 PoI. 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.

478. However, an article from 2022 in the European Rubber Journal (ERJ)¹⁷⁵ 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”.

479. 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”,¹⁷⁶ 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.

480. 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

¹⁷⁵ [ERJ: Economic trends reshaping the global tyre market](#) - date of publication 13 December 2022; date of access 04 July 2024

¹⁷⁶ [TD0035 Michelin Questionnaire Response](#) – page 23

that “In China, itself, the tire market had been growing very quickly until the Covid 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”.

481. 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

482. 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.

483. 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.

484. 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.

485. 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.
486. 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.
487. 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.
488. 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.

489. 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

490. 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.

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

492. 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

493. 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.

494. 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.

495. 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.

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

496. 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.

497. 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.

498. 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.

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

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

500. 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.

501. 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.

502. 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.

503. 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

504. 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."

505. 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%.

506. 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.

507. 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.

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

509. The injury margin results are summarised in Table 34 below.

Table 34: Calculated injury margins

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

SECTION I: Economic Interest Test

I1. Introduction

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

512. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the application of an anti-dumping remedy if the application of the remedy is in the economic interest of the United Kingdom.

513. 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 dumping 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.

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

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

515. Section H2 sets out the injury likelihood assessment and injury analysis, which concluded that if the measures were revoked, injury to UK industry would be likely to continue or 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

516. 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

517. 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.

518. 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.

I3.1 Upstream businesses

519. From the questionnaire responses and our 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, HKT UK, an importer, is an upstream supplier of used premium tyres to Vaculug for retreading which it then sells in the UK market.

520. 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

521. 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.

522. 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 all be considered vulnerable to negative economic impacts due to poor profitability in recent years.

13.3 Downstream businesses

523. 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.

524. 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.

525. 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.

13.4 Importers

526. From evidence submitted and our own research, we are aware of 77 businesses which imported bus and lorry 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.

527. 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.

13.5 Consumers

528. 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

529. Table 35 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 35: 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

530. 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.

531. 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 bus and lorry 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.

532. 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

533. 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 Hankook Group, will be grouped together and be subject to the residual duty per tyre.

534. Under the proposed measure, Hankook Group will face a lower fixed duty per tyre compared to the existing measure, while other overseas exporters will face a higher fixed duty than the existing measure. Table 36 compares the existing and proposed fixed duties.

Table 36: Comparison of existing and proposed measure

Overseas exporter	Anti-dumping duty GBP (£) per tyre (& ad valorem equivalent)	
	Current Measures	Proposed Variation
Hankook Group (Chongqing Hankook Tire Co., Ltd and Jiangsu Hankook Tire Co., Ltd)	32.62 (21.35%)	10.03 (5.07%)
All other overseas exporters (residual rate)	3.75 (3.99%)	45.70 (36.24%)

535. There is a parallel transition review of the countervailing duty on subsidies available for the production and export of tyres imported from the PRC. For the purposes of our analysis in this transition review, we assess the impact of the anti-dumping duty alone.

536. 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.

537. Quantities of tyres imported from the Hankook Group would be likely to increase as its prices would be likely to decrease to the level of reduction in the anti-dumping duty, around £22.59 per tyre. Prices for exporters currently subject to the residual rates will likely rise by the level of increase in their anti-dumping duty of £41.95 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 anti-dumping duty. Given the size of the changes in prices, it is likely that 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.

538. Therefore, the overall impacts are likely to be positive for the importers of tyres from Hankook Group and their downstream businesses, while its 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

539. 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 anti-dumping duties (£3.75 to £32.62 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.



540. 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

541. If the measure were to be varied as proposed, affected groups would be likely to experience the effects set out in Table 37.

Table 37: 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 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

542. 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

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

544. 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.¹⁷⁷
- ONS estimates of working age population by TTWA.

545. 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.

546. 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

547. 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.

¹⁷⁷ [Dun & Bradstreet](#)



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

548. 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.

549. 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).

550. 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.

551. 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.

552. 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.

553. 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

554. 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.

555. 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

556. 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.

557. 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.”¹⁷⁸

558. 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.

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

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

560. 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

¹⁷⁸ [Commission Regulation \(EU\) 2018/683 of 4 May 2018](#)



into account the lesser duty rule, we have calculated fixed duties outlined in Table 38.

Table 38: Recommended anti-dumping duties

Overseas exporter	Anti-dumping duty rate	Anti-dumping duty GBP (£) per tyre
Hankook Group (Chongqing Hankook Tire Co., Ltd and Jiangsu Hankook Tire Co., Ltd)	5.07%	10.03
All other overseas exporters (residual rate)	36.24%	45.70

19. Conclusion

561. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the application of an anti-dumping 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.

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

563. 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.

564. 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.
565. In assessing the likely impacts on particular areas and groups, we found no evidence of disproportionate impacts on any area or groups.
566. 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.
567. 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.
568. We have identified the following key positive impacts of extending the measure:
- Injury would be prevented as the UK producers would remain protected from the most harmful imports of the PRC producers of cheap single-use tyres. In addition, prevention of further injury will further support UK producers which are already vulnerable from negative economic shocks due to poor profitability.
569. The contrasting key negative impacts are:
- Importers and downstream businesses would not gain access to cheaper tyres from PRC producers.



570. 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

571. The TRA has found that it is likely, on the balance of probabilities, that dumping of bus and lorry tyres would recur if the anti-dumping amount were no longer applied.

572. It is likely, on the balance of probabilities, that injury to UK industry would recur if the anti-dumping amount were no longer applied.

573. The application of the anti-dumping duty meets the EIT.

J2. Intended Final Recommendation

574. Our intended recommendation is to vary the application of the anti-dumping amount under regulation 100A of the Regulations so that it applies to the goods subject to review imported to the UK until 23 October 2028 – that is, five years subsequent to the date when the measure would have expired (23 October 2023) had no transition review been initiated.

575. As it has been possible to recalculate the anti-dumping amount, we intend to recommend recalculated rates, under regulation 100A(4)(a) of the Regulations. The margins, included those calculated in the parallel anti-subsidy review TS0036, are outlined below.



Table 39: 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

576. We have not varied the description of goods to which the measure applies. We intend to recommend that the recalculated duties specified in Table 39 shall be applied to the goods under the UK tariff codes listed.

577. We intend to make this recommendation on the grounds that we have assessed that it is likely that dumping of the goods subject to review 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.



Annex 1: Current anti-dumping duty rates

Overseas exporter	Duty amount GBP (£) per tyre
Aeolus Tyre Co., Ltd	0.31
Aeolus Tyre (Taiyuan) Co., Ltd	0.31
Chongqing Hankook Tire Co., Ltd	32.621
Giti Tire (Anhui) Company Ltd	30.872
Giti Tire (Fujian) Company Ltd	30.872
Giti Tire (Hualin) Company Ltd	30.872
Giti Tire (Yinchuan) Company Ltd	30.872
Guangrao Xinhongyuan Tyre Co., Ltd	3.749
Jiangsu Hankook Tire Co., Ltd	32.621
Pirelli Tyre Co., Ltd	0.31
Qingdao Yellow Sea Rubber Co., Ltd	0.31
Xingyuan Tire Group Ltd, Co.	3.749
Briway Tire Co., Ltd	0
Goodyear Dalian Tire Co., Ltd	0
Shandong Hawk International Rubber Industry Co., Ltd	0
Sichuan Kalevei Technology Co., Ltd	0
Zhongce Rubber Group Co., Ltd	0
Bayi Rubber Co., Ltd	18.093
Bridgestone (Huizhou) Tire Co., Ltd	18.093
Chaoyang Long March Tyre Co., Ltd	18.093
Double Coin Group (Jiang Su) Tyre Co., Ltd	18.093
Guizhou Tyre Co., Ltd	18.093
Jiangsu General Science Technology Co., Ltd	18.093
Megalith Industrial Group Co., Ltd	18.093
Michelin Shenyang Tire Co., Ltd	18.093
Nanjing Kumho Tire Co., Ltd	18.093
Ningxia Shenzhou Tire Co., Ltd	18.093
Prinx Chengshan (Shandong) Tire Co., Ltd	18.093
Qingdao Doublestar Tire Industrial Co., Ltd	18.093
Qingdao Fudong Tyre Co., Ltd	18.093
Qingdao Hairunsen Tyre Co., Ltd	18.093
Qingdao GRT Rubber Co., Ltd	18.093
Sailun Group Ltd (formerly Sailun Jinyu Group Co., Ltd)	18.093
Shaanxi Yanchang Petroleum Group Rubber Co., Ltd	18.093



Trade Remedies
Authority

Shandong Kaixuan Rubber Co., Ltd	18.093
Shandong Changfeng Tyres Co., Ltd	18.093
Shandong Haohua Tire Co., Ltd	18.093
Shandong Hengfeng Rubber & Plastic Co., Ltd	18.093
Shandong Hengyu Science & Technology Co., Ltd	18.093
Shandong Homerun Tires Co., Ltd	18.093
Shandong Huasheng Rubber Co., Ltd	18.093
Shandong Hugerubber Co., Ltd	18.093
Shandong Jinyu Tire Co., Ltd	18.093
Shandong Linglong Tyre Co., Ltd	18.093
Shandong Mirage Tyres Co., Ltd	18.093
Shandong Santai Rubber Co., Ltd	18.093
Shandong Vheal Group Co., Ltd	18.093
Shandong Wanda Boto Tyre Co., Ltd	18.093
Shandong Wosen Rubber Co., Ltd	18.093
Shandong Yongfeng Tyres Co., Ltd	18.093
Shandong Yongsheng Rubber Group Co., Ltd	18.093
Shandong Yongtai Group Co., Ltd	18.093
Shanghai Huayi Group Corp. Ltd	18.093
Shengtai Group Co., Ltd	18.093
Toyo Tire (Zhucheng) Co., Ltd	18.093
Triangle Tyre Co., Ltd	18.093
Weifang Goldshield Tire Co., Ltd	18.093
Weifang Shunfuchang Rubber And Plastic Products Co., Ltd	18.093
Xuzhou Armour Rubber Company Ltd	18.093
All other overseas exporters (residual rate)	3.749



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 Comments on Provisional Choice of Third Country 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 Comments on Provisional Choice of Third Country Request to Amend Scope Submission on Recalculation (on behalf of the Hankook Group)



Jiangsu Hankook Tire Co., Ltd.	PSQ Questionnaire Response Comments on Provisional Choice of Third Country Request to Amend Scope
Shanghai Hankook Tire Sales Co., Ltd.	PSQ Questionnaire Response Submission on Representative Third Country 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

Trade bodies

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

Anonymous interested parties

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