Trade Remedies Authority

STATEMENT OF ESSENTIAL FACTS

Optical Fibre Cables imported into the United Kingdom from the People's Republic of China

Investigation No. AD0021 into alleged dumping

Contents

Section A: Introduction

A1. Investigation

203. This investigation covers the alleged dumping of optical fibre cables (OFC) imported into the United Kingdom (UK) from the People's Republic of China (PRC). A full description of the goods concerned and intended recommendation can be found in Section D2: Goods Concerned.

204. This section briefly summarises the legal framework for this Statement of Essential Facts (SEF) and the Trade Remedies Authority (TRA)'s main findings. The background to and details of the investigation are explained fully in the subsequent sections.

205. This SEF sets out a summary of the facts considered by the TRA during the investigation, those facts that have formed the basis of the TRA's intended final determination and the anti-dumping measure that the TRA intends to recommend to the Secretary of State for Business and Trade (Secretary of State).

206. It should be read in conjunction with other public documents available for this case on the public file.

207. This SEF also informs interested parties who have supplied information how the TRA has considered and used the information provided to it. The SEF provides details of the analysis forming the basis of the intended determination and allows interested parties to make submissions in response.

208. Interested parties, contributors and any other person who has supplied information to the TRA are invited to make submissions within 31 calendar days of the publication date of this SEF, i.e., before 23:59 hours (BST) on 09 July 2023, as per Regulation 62(2) of The Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (S.I. 2019/450) (as amended) (the Regulations).

209. 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 Determination.

210. Registered interested parties to the case can make submissions on the Trade Remedies Service online platform (TRS). These submissions must be accompanied by a non-confidential version of the submission for the public file. Those not registered on the TRS may send submissions by email to AD0021@traderemedies.gov.uk and also provide a non-confidential version of the submission.

211. In exceptional circumstances it may not be possible to summarise confidential information. If this is the case, interested parties must provide a 'statement of reasons' setting out the reasons why the TRA should treat the information as confidential and why summarisation of the information is not possible, as defined under regulation 45(6)(b) of the Regulations.

A2. Legal framework

212. This SEF is made pursuant to regulation 62 of the Regulations. It includes:

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

A3. Period of investigation and injury period

213. The period of investigation (POI) is 01 January 2021 to 31 December 2021.

214. To assess injury, the TRA has chosen to examine the period from 01 January 2018 to 31 December 2021 as the injury period (IP).

Section B: Summary and findings

B1. Dumping

215. In accordance with paragraph 1(1) and 8(1)(a) of Schedule 4 to the Taxation (Cross-border Trade) Act 2018 (the Act) the TRA has examined whether dumping has occurred of the goods concerned (for definition see Section D2: Goods Concerned).

216. We have concluded that the goods concerned are being dumped into the UK from the PRC (see Section F: Dumping).

B2. Injury

217. In accordance with paragraphs 5 and 8(1)(b) of Schedule 4 to the Act, the TRA has examined whether the dumping of the goods concerned has caused or is causing injury to a UK industry in those goods.

218. We have concluded that the UK industry has suffered injury and that the dumped goods from the PRC have caused injury to the UK industry (see Section G: Injury).

B3. Economic Interest Test (EIT)

219. The TRA has considered the evidence before it and the following factors set out under paragraph 25 of Schedule 4 to the Act:

- the injury caused by the dumping of the goods to a UK industry in the like goods and the benefits to that UK industry in removing that injury;
- the economic significance of affected industries and consumers in the UK;
- the likely impact on affected industries and consumers in the UK;
- the likely impact on particular geographic areas, or particular groups, in the UK;
- the likely consequences for the competitive environment, and for the structure of markets for like goods, in the UK; and

- such other matters as we considered relevant.

220. We have concluded that the application of an anti-dumping measure that the TRA intends to recommend to the Secretary of State meets the EIT (see Section H: EIT).

B4. Intended final determination and recommended measure

221. We intend to make a final affirmative determination in respect of goods concerned originating from the PRC that fall under commodity code: 8544700010.

222. The TRA has determined that the goods concerned have been or are being dumped and the dumping of said goods has caused injury to the UK industry. The TRA has determined that the application of an anti-dumping measure that it intends to recommend to the Secretary of State meets the EIT.

223. The dumping investigation was carried out in parallel with a separate subsidy investigation (AS0022) concerning the goods concerned originating from the PRC. We will consider whether there is any offsetting of the same subsidisation arising from the concurrent imposition of anti-dumping duties and countervailing duties in the AS0022 SEF.

224. We intend to recommend that the Secretary of State impose an ad-valorem duty for a period of five years on the goods concerned which are the subject of the final affirmative determination.

225. The rates of duty we intend to recommend are as follows:

Table 1: Recommended ad-valorem duty rates

Table 1: Anti-dumping amount	
Overseas exporter/producer	**Duty amount**
SDG Group	31.3%
Suzhou Furukawa Power Optic Cable Co.,Ltd.	31.3%
Shanghai Wanbao Optical Technologies Co. Ltd	31.3%
Ningbo Geyida Cable Technology Co.,Ltd	31.3%
XDK Communication Equipment Huizhou Co., Ltd.	31.3%
Jiangsu Fasten Optical Cable Co., Ltd.	31.3%
Hengtong Optic-Electric co. Ltd.	31.3%
ZheJiang JinYuan WanBao Optical Fiber Co. Ltd.	31.3%
FibreHome Telecommunication Technologies Co Ltd	31.3%
All other overseas exporters (residual amount)	44.6%

Section C: Background

C1. Initiation

226. On 11 March 2022, the TRA received an application lodged by Prysmian Cables & Systems Ltd (the Applicant) alleging that OFC imported into the UK from the PRC are being dumped and causing injury to the UK industry.

227. The Applicant was the only UK producer of OFC to support the application; however, as the applicant has at least 25% of the total production in the UK of the like goods and the application was not opposed by other UK producers of the goods concerned whose collective output is greater than or equal to that percentage, the market share requirement is met in accordance with regulation 52(2) of the Regulations.

228. The application contained evidence of dumped goods and of resulting injury that the TRA deemed sufficient to justify the initiation of an investigation. The case, AD0021, was then initiated by the TRA on 26 April 2022, and the Notice of Initiation (NOI) was published on that date.

C2. Participation in the investigation

229. The TRA invited interested parties and contributors to register in order to participate in the investigation.

230. Annex A: Interested parties and contributors contains a summary of information received from all interested parties and contributors.

C2.1 UK Producers

231. Other than the Applicant, no other UK producer registered an interest in the case.

C2.2 Exporters/Producers from the PRC

232. Overseas exporters and overseas producers that registered their interest in the case are included in Annex A: Interested parties and contributors.

233. Due to the number of responses to the pre-sampling questionnaire received during the registration period, the TRA limited its examination of overseas exporters. The TRA published a notice of proposed sample on 20 June 2022.

234. The overseas exporters selected to be within the sample were:

- Yangtze Optical Fibre and Cable Joint Stock Limited Company (YOFC)
- ZTT Group (including Jiangsu Zhongtian Technology Co. Ltd & Zhongtian Power Optical Cable Co., Ltd)
- SDG Group (including Shenzhen SDG Information Co. Ltd & Shenzhen SDGI Optical Network Technologies Co., Ltd.)

235. Following the published sample notification, YOFC contacted the TRA on 28 June 2022 to state that it did not wish to respond to our request for information. The TRA, pursuant to regulation 49 of the Regulations, therefore determined YOFC to be a non-cooperative party with regard to the investigation. The limited information supplied by YOFC has been disregarded in accordance with regulation 49(1) of the Regulations.

236. On 27 July 2022, after initially requesting an extension to the deadline, ZTT Group also informed the TRA that it did not wish to respond to our request for information. Therefore, the TRA therefore also determined ZTT Group to be a non-cooperative party with regard to the investigation. The limited information supplied by ZTT Group has been disregarded in accordance with regulation 49(1) of the Regulations.

237. Shenzhen SDG Information Co., Ltd. (‘SDG’) is an exporting producer of the goods concerned registered in the PRC. Shenzhen SDGI Optical Network Technologies Co., Ltd., (‘SDGI’) is a subsidiary of SDG (which holds 51% of the shares) and also acts as an exporting producer of the goods concerned. Both SDGI and SDG submitted questionnaire responses and have been fully cooperative with the investigation. For the purposes of the investigation, all companies related to SDG were collapsed into the ‘SDG Group’ with the subsequent duty rate covering the overall SDG Group.

C2.3 Importers

238. During the registration period two UK importers of the relevant goods, Mayflex UK Limited (Mayflex) and BT Telecommunications plc (BT) registered their interest in the case and submitted completed pre-sampling questionnaires.

239. Mayflex did not fully respond to our request for information through a questionnaire response. The TRA determined on 14 October 2022 that Mayflex is a non-cooperative party, pursuant to regulation 49 of the Regulations.

240. BT is a significant user of the relevant goods in the UK market and imports the relevant goods through its logistics partners. BT submitted a questionnaire which was deemed to be incomplete and could not be used within the investigation. The last correspondence the TRA had with BT was 16 September 2022 and it failed to respond to correspondence sent on 5 October 2022. It has therefore been deemed a non-cooperative party, pursuant to regulation 49 of the Regulations.

C2.4 Foreign Government

241. The Government of the PRC (the GOC) registered its interest in the case through its Ministry of Commerce (MOFCOM). MOFCOM submitted a pre-sampling questionnaire but failed to complete a questionnaire when requested to do so. We have written to MOFCOM to explain that we are using information available to us in the absence of a questionnaire response.

C2.5 Overseas Producers

242. On 12 December 2022, the TRA published a note to the public file inviting overseas producers and sellers of the like goods in the Republic of Türkiye to assist in providing information for use in the creation of cost benchmarks in this case. Turkish producers, Corning Incorporated and Turk Prysmian, registered an interest in the case and have fully completed a questionnaire.

C2.6 Contributors

243. The China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) registered an interest in the case and has fully completed a questionnaire.

244. We have taken into consideration numerous comments within the CCCME questionnaire submission (originally submitted on 4 August 2022, with 3rd version submitted on 26 January 2023) when determining whether dumped goods have caused or are causing injury to UK industry. CCCME provided detailed arguments on multiple injury indicators listed in regulation 33 of the Regulations. However, this was based mainly on the application data which has now been superseded by the questionnaire data. We have provided a reasoned and adequate explanation of how the injury factors were considered with in the injury section.

245. We have also received an additional submission from CCCME on 19 May 2023. This submission will be addressed together with any comments received in response to the Provisional Affirmative Determination (PAD) and SEF.

C3. Verification of data

246. 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 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.

247. On 26 October 2022, the TRA conducted an onsite verification visit with the Applicant.

248. On 9 January 2023, the TRA conducted virtual verification activities with the SDG Group.

249. On 26 January 2023, the TRA conducted desk-based verification activities with the Turkish producers involved within the investigation.

250. Verification reports were produced for each of the parties verified and non-confidential versions of these reports are available on the public file.

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

Section D: The Goods Concerned and the Like Goods

D1. Legislative framework

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

253. In accordance with paragraph 17(2) of Schedule 4 to the Act, the goods to which a final affirmative determination is made are referred to as the 'relevant goods'. Since the goods to which our intended final affirmative determination and recommendation apply are the same goods as defined in Section D2 this SEF will hereafter only refer to the 'goods concerned'.

254. For the purposes of the SEF and intended recommendation, we will refer to 'like goods' as those which are like the goods concerned in all respects or have characteristics which closely resemble them (paragraph 7 of Schedule 4 to the Act). A further description of the like goods is set out in Section D3 and the assessment of the goods concerned and the like goods is set out in Paragraph 59.

D2. Goods Concerned

255. The goods concerned in this investigation are OFC originating in the PRC and exported to the UK, described in the NOI as:

Single mode optical fibre cables, made up of one or more individually sheathed fibres, with protective casing, whether or not containing electric conductors and hybrid cables, which are fitted both with optical fibres and electrical conductors. This product is commonly referred to as "optical fibre cables".

The following product types are excluded:

- *Multimode optical fibre cables due to differences in construction, applications and costs*

- *Cables in which all the optical fibres are individually fitted with operational connectors at one or both extremities; and*
- *Cables for submarine use because they have different applications and are designed differently from land cables. More specifically, unlike land cables, submarine cables 1) have different constructions because they are subject to different external environmental constraints (e.g., water pressure); 2) use different types of fibres (typically G.654 fibres); 3) include a conductor to feed the optical repeaters, which generally contain copper or aluminium; 4) are priced higher than land cables; and 5) are usually sold inside turnkey projects, which include installation. Submarine cables are laid out on the seabed by using specially modified ships*

256. The goods concerned as described in the NOI correspond to the 10-digit commodity code, 8544700010: *Single mode optical fibre cables, made up of one or more individually sheathed fibres, with protective casing, whether or not containing electric conductors; excluding cables in which all the optical fibres are individually fitted with operational connectors at one or both extremities and plastic insulated cables for submarine use containing a copper or aluminium conductor in which fibres are contained in metal module(s).* Within the NOI, the goods concerned are noted to be subject to the commodity code 85447000. As the description in the NOI aligns with the description for commodity code 8544700010, the investigation has considered the goods concerned at a 10-digit level and the intended measures will apply for commodity code 8544700010.

257. OFC are made from: optical fibres; fibre module(s); a construction core; cable jacket(s) and reinforcements not in the cable jacket. Types of optical fibre used are typically G.652 (D) and G.657 (A1 / A2). Reinforcements can include aramid yarn, polyester or coated steel wires. Polymers such as polyethylene can form the basis for the cable jacket. Another input would include coating materials.

258. OFC are used for data transmission, namely in outdoor applications, which include underground cables such as:

a) loose tube – commonly used in the UK, constructed of a central tube or multi-tubes stranded around a central element with one or more plastic jackets and different types of reinforcements or protection.

b) flexible tube – commonly used in the UK, based on the use of flexible tubes, which contain the fibres, are protected with one or two plastic jackets and different types of reinforcements or protection.

259. Additionally they can be used overground as aerial cables such as:

a) Optical Power Ground Wire - installed on the top of the overhead transmission lines on towers or poles;

b) All Dielectric Self Supporting - these can be installed in the bottom part of the overhead transmission lines or in the poles of any existing infrastructure.

260. OFC are also used for indoor applications such as:

a) Riser cables – for cabling multi-dwelling unit homes. The riser cables are used to vertically connect the basement with all floors of the building.

b) drop cables - typically used to connect the end-user's premises. These cables are typically indoor cables although outdoor versions are also available.

D3. Like Goods

261. Like goods are defined as goods which are like the goods concerned in all respects or, if there are no such goods, goods which, although not alike in all respects, have characteristics closely resembling the goods concerned under paragraph 7 of Schedule 4 to the Act.

262. In identifying like goods, the TRA has considered:

- physical likeness, such as physical characteristics;
- commercial likeness, including competition and distribution channels;

- functional likeness, such as end-use or interchangeability;
- similarities in production, such as method and inputs; and
- other relevant characteristics.

263. The like goods produced by UK industry are OFC that have the same general construction as the goods concerned. They are also used for the same applications named in D2. Goods Concerned.

264. The standards in respect of OFC are set by The International Telecommunication Union (ITU), the specialised agency of the United Nations that is responsible for issues pertaining to information and communication technologies and assists in the development and coordination of technical standards. OFC comply with customer technical specifications often stipulated within the tenders but must meet the relevant international standards established for this product sector Therefore, the TRA has determined that the goods concerned and the like goods are comparable.

D4. Unit of Measurement

265. The international standard uses distance as an indicator of measurement of volume within the OFC industry instead of weight; the standard unit being either cable kilometres (ckm) or fibre kilometres (fkm). Where possible, we have used fkm for much of the injury assessment for consistency purposes, with ckm used infrequently, where the trend is able to be shown without need for conversion.

D5. Product Control Numbers

266. The TRA uses Product Control Numbers (PCNs) to define and group different types of products that fall under the goods description above (Section D2), to ensure that the prices of similar products are compared to each other during any calculations.

267. PCNs are created on the basis of the main physical characteristics differentiating the goods, providing that the characteristics have an impact on price.

268. PCNs allows the TRA to calculate the dumping and injury amounts (see Dumping margins and G9. Injury Amount).

269. The PCN structure used in this case can be seen in Annex B: PCN Structure. The TRA invited parties to comment on the PCN structure. We did not receive comments from interested parties on this PCN structure and have therefore concluded that this PCN structure was suitable for the purposes of this investigation.

270. The TRA had reasonable assurance that parties had allocated PCNs consistently within their submissions, and where anomalies were identified this was addressed with the parties.

D6. PCN analysis

271. In our calculations, we used the methodology of conducting a PCN-by-PCN margin calculation. When calculating the injury margin, PCN-by-PCN calculations were conducted for PCNs that were both sold in the UK as domestically produced like goods and exported from the PRC to the UK as the goods concerned. When calculating the dumping margin, PCN-by-PCN calculations were conducted for PCNs that were sold by the exporter both in the PRC and the UK. We determined that the PCNs included in our calculations were sufficiently representative to proceed with this methodology.

Section E: The UK industry and UK market

E1. Scope of the UK Industry

272. There is one confirmed producer of OFC in the UK, the Applicant, with three other possible producers who are not involved in the investigation: AFL Europe, Leviton Manufacturing UK Limited and TE Connectivity. We have been unable to confirm UK based production levels of the three companies above.

273. Our research suggests that Leviton, based in Glenrothes import goods through commodity code 85447000 from a number of different countries. Through its own 2022 catalogue, Leviton state that it is "a single-source global manufacturer", where components come from Leviton factories. Leviton possibly design and assemble OFC based products in the UK but the OFC themselves may be imported as finished goods.

274. TE Connectivity UK operations appears to consist of a holding company for companies incorporated outside of the UK, with no employees other than directors. Tyco Electronics UK Ltd, a related UK incorporated company due to a common ultimate parent company and identical directors, appears to focus on "subsea fibre optic communications" which would appear outside the scope of the investigation.

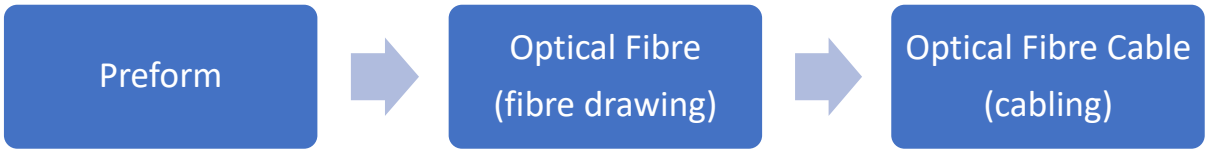
275. The Applicant's volume of production is estimated to account for more than 50% of the overall UK production during the POI, much larger than the estimated production quantities of the other identified UK producers. Estimated production per facility was provided by CRU International Limited (CRU). CRU provides business intelligence on the world and UK optical fibre market and is recognised as a reliable data source within the OFC industry. The underlying data is accessible via subscription only and has therefore not been disclosed due to confidentiality.

276. The Applicant meets the definition of "UK industry" under paragraph 6(1)(b) of Schedule 4 to the Act and will therefore be treated accordingly for the purposes of this investigation.

E2. Production processes

277. The UK industry's production process is as follows:

Figure 1: Diagram of production



Source: Questionnaire response

278. Preform: The cylindrical core of the OFC is produced by depositing layers of silicon dioxide on the inner surface of a rod.

279. Fibre drawing: A preform tip is melted and then cooled to form a thread like fibre.

280. Cabling: The optical fibres are covered by tubes/modules and a single jacket or multiple jackets to protect the fibre within the cable against the surrounding environment. The type of material used for cable jacketing depends on the cable's application requirements. Armouring, as well as added strength elements, can be added. The armouring layer can be made of corrugated metallic tape or a dielectric fibre layer.

E3. UK Market

281. The UK market for the goods concerned is mainly driven by broadband operators. There are two main distribution channels. OFC are either sold through a tendering process, generally organised by telecom operators, or through spot sales/projects to the general market (which includes sales to distributors and installers). Broadband operators usually purchase optical fibre cables through tenders which are issued either on a yearly basis or every two to three years. Participation in tenders is usually by invitation with one or more negotiation rounds, lasting one to three months.

E4. Market structure

282. Figure 2 illustrates the supply chain for OFC in the UK, detailing the main upstream industries and the structure of the market between production and consumption. This is a

simplified version of a complex supply chain, due to some businesses falling into more than one category. For example, the UK producers also import and distribute OFC. Importers can also act as distributors, and some telecom operators also import OFC.

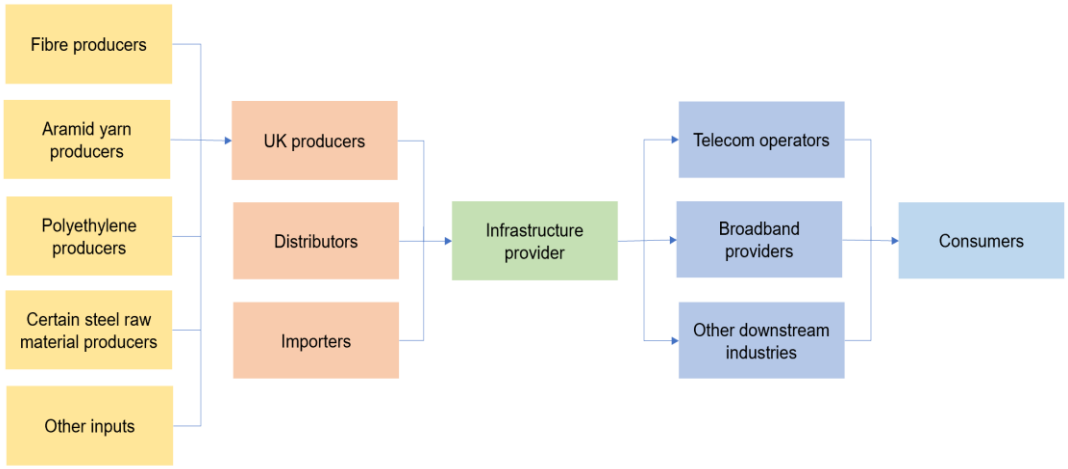
283. The available evidence suggests that OFC tenders are generally awarded based on price. The second sales channel involves distributors and installers in the general market, whereby OFC are purchased as needed or in relation to particular projects. The Applicant questionnaire response suggests 70% of sales are through tenders and 30% of sales through distribution.

284. The OFC infrastructure needs to be installed and maintained as it is essential for downstream industries to provide services to final consumers. Although the infrastructure provider usually operates separately whilst working closely with downstream users, in some cases the downstream user industries install and maintain the OFC infrastructure.

285. The main downstream user industries include telecommunications and broadband service providers, who use OFC to carry information as a service to final consumers. Other downstream uses of OFC include cable TV, underground cabling, aerial cables and power cables.

286. While OFC are not considered to be a consumer product, consumers purchase services that use them as an input, such as broadband.

Figure 2: An overview of the OFC supply chain



Source : Questionnaire responses

E5. Market size

287. CRU market research has estimated that approximately 5.7 million fkm were sold in the UK in 2021, which represent UK producer sales plus imports of the goods concerned. This equates to £69m ($86m) sales value.

E6. Market analysis

288. The UK market is expected to see an increase in demand for OFC over the next five years. Telecommunications companies are expected to continue to upgrade their networks as demand for broadband increases, government investment in broadband infrastructure, such as 'Project Gigabit, is also projected to rise and propel industry revenue growth. Project Gigabit was launched in 2021 and is a project designed to bring fast broadband speeds to more than one million hard to reach homes and businesses.

289. Section G addresses relevant historical market trends in detail as part of our injury assessment.

E7. Sources of supply

290. UK consumption of OFC is sourced from a wide range of suppliers, with UK produced OFC estimated to account for around 50% (see Scope of the UK industry). The rest of the market is supplied by imports which predominately arrive from the PRC, India, USA, Poland and Germany (based on HMRC data). The PRC is estimated to account for 18.8% of total imports of OFC during the IP. India, USA, Poland, and Germany collectively account for 44% over the same period. The remaining imports are accounted for by sixty-nine other countries, that collectively account for 37% of the total imports over the IP.

E8. Competition in the market

291. The main purchasers of OFC with the UK are telecommunications installers who drive the market consumption and hold the lucrative tendering processes. There are three main installers in the UK, namely, British Telecommunications (Openreach), Cityfibre and Virgin Media all of whom build the vast amount of cable network, which incorporate OFC

and also provide internet service directly to customers. Additionally, they have the ability to rent network access to network operators (which include TalkTalk, Vodafone and Sky Broadband). Distributors, which include Comtec, Mills, Wolseley, also purchase OFC for resale to alternative network operators (which include Axione, Community Fibre and Jurassic Fibre), who are building their own network and contributing to the expanding UK competition in broadband service delivery.

Section F: Dumping

F1. Introduction to dumping

292. As defined in paragraph 1(1) to Schedule 4 to the Act, goods are ‘dumped’ in the UK when goods are imported into the UK and their export price is less than their normal value.

293. Paragraph 1(2) of Schedule 4 to the Act defines the ‘normal value’ of goods as:

a) the comparable price, in the ordinary course of trade, for like goods when destined for consumption in the exporting foreign country or territory, or
b) such other price or value as may be determined in accordance with provision made by regulations for specified cases where it is not appropriate to use the price in paragraph (a).

294. The dumping margin is the difference between the export price and the normal value of the goods being dumped, described as a percentage of the export price at a level of the cost of insurance and freight (CIF).

295. The TRA has calculated dumping margins in accordance with paragraph 2 of Schedule 4 to the Act and regulation 6(2) of the Regulations. Calculating the dumping margin involved the following stages:

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

296. The TRA based the dumping margin on verifiable data provided by the SDG Group. During verification the SDG Group reclassified certain PCNs for certain goods. Whilst this meant some cost to make and sell data was reallocated, changes were minimal and did not have a material effect on the dumping margins.

F2. Normal value

297. The TRA assessed whether the goods concerned were being dumped in accordance with paragraphs 1(1) and 8(1)(a) of Schedule 4 to the Act.

298. 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 goods concerned in accordance with regulation 6(2)(a) of the Regulations.

299. 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.

300. 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 goods concerned. 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 concerned.

301. 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.

302. The Applicant made allegations of a PMS in the OFC domestic 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 OFC market in the PRC and whether this prevents a proper comparison. The TRA's detailed assessment can be seen in Section F3: Particular Market Situation.

303. Following these assessments, the TRA concluded that a PMS exists in the PRC domestic market for OFC, as the price of OFC reflects non-commercial factors, as a

result of government influence and control in fibre and loan costs, and land allocation (see F3. Particular Market Situation for more details).

304. The TRA considered whether the PMS in the PRC OFC market prevents a proper comparison between the like goods in the PRC and the goods concerned (i.e., OFC imported into the UK from the PRC).

305. The TRA determined that the prevailing conditions of competition differ between the UK OFC market (the PRC export market) and the PRC domestic OFC market, because of the PMS which is reflected in the factors mentioned in paragraph 101. 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.

306. 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 around 50% of the UK market during the POI. This was calculated using the CRU's 'Telecom Cables Market Outlook 2021' report, together with HMRC import data.

307. The TRA considered imports and exports of OFC in the PRC market, using goods traded under the harmonised system (HS) 8 code. The HS is a standardised numerical method of classifying traded products. The PRC market by contrast to the UK market, exports well over 100% more goods under HS 8, than it imports. This is supported by the fact that the PRC is the world's largest producer of OFCs, consistently producing above 50% of global output, according to CRU's 'Telecom Cables Market Outlook 2021' report.

308. OFC producers in the PRC appear to consistently make more product than is demanded in their domestic market. When factored in with the artificially low price of optical fibre and loan interest available to OFC producers in the PRC, this results in lower prices for buyers of OFC. There is then little incentive for companies or government authorities to import OFCs into the PRC.

309. 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 OFC market in

which the goods concerned 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 Section F3.1 Government Support). This leads to excess of production over and above the domestic demand for OFC in the PRC.

310. Since almost all the OFC supply in the PRC is domestic and producers have access to many of the same (or equivalent) low-priced inputs (as mentioned in F3.7. Raw material costs) and subsidies (as mentioned in F3.1 Government Support), 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.

311. 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.

312. 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.

313. The TRA calculated the normal value of the goods concerned 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 Section F4. Constructed Normal Value.

F3. Particular market situation

314. As set out in paragraph 100 the applicant made allegations of a PMS in the OFC domestic market in the PRC and provided evidence to support these allegations.

315. The allegations were in relation to;

- Government support;
- State influence and control;
- Land;

- Bank loans;
- Energy cost;
- Labour cost and policy;
- Raw material cost.

316. Questions relating to PMS were included in the questionnaires issued to overseas exporters in the PRC. The TRA also invited MOFCOM to respond to a questionnaire concerning the alleged existence of non-commercial factors affecting the OFC market in the PRC. No response to the questionnaire was received. Accordingly, MOFCOM were notified that we have used facts available during our investigation.

317. 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 OFC market, to the extent that they do not permit a proper comparison.

F3.1 Government support

318. There is significant evidence that there is government support to producers of OFCs in direct forms, such as provision of land (see F3.3 Provision of land), grants, loans (see F3.4. Provision of bank loans) and reduced enterprise income taxation rates, encouraged through the Enterprise Income Tax Law of the PRC. Government support also comes indirectly through broadband strategies such as "Dual Gigabit" mentioned below and other subsidies such as low interest loans from commercial banks influenced by government and reduced taxation rates. As well as GOC legislation that underpins various grant programmes, such as the Shenzhen Enterprise Research and Development Project and High-tech Enterprise Cultivation Project Funding Management Measures, there is direct evidence of OFC companies in the PRC receiving these loans and grants, as detailed in their financial reports.

319. There are various GOC plans and industrial strategies that provide the political basis for these support programmes, as detailed in the sections below. Although these are generally phrased in terms of aims and ambitions for the GOC rather than explicit actions, they form the basis of government support in the PRC.

320. The applicant has referred to the European Commission (EC) Working Document on Significant Distortions in the Chinese Economy (EC Working Document) to support these assertions. As detailed on page 18 of the EC Working Document, these plans and industrial strategies function as performance benchmarks for lower-level regional authorities. These regional authorities are required to spend the budget they receive from the GOC in a way that best achieves these outcomes.

321. The GOC 2013 Broadband China Strategy stated that by 2020 "[t]he penetration rate of fixed broadband households [will reach] 70%, the penetration rate of 3G/LTE users [will reach] 85%, and the ratio of broadband access to administrative villages [will exceed] 98%." Although the goals of this strategy document culminated in 2020, subsequent publications reflect that these goals continued into the POI. The Notice of the Ministry of Industry and Information Technology on the issuance of the Action Plan for the Coordinated Development of "Dual Gigabit" Networks published during the POI, indicates that, by the end of 2023, 80% of all households in urban areas of the PRC, will have access to gigabit optical fibre networks, that 25% of all broadband users in urban areas will have access to broadband networks of 500 Mbps or faster, and that 25% of all passive optical network points in urban areas will have fibre link transmission rates of 10 Gbps. This document, described as an "action plan" is addressed to "all provinces, autonomous regions and municipalities directly under the Central Government". This will guide regional authorities to invest their budget to meet those goals and their own performance benchmarks, which will involve funds being transferred to producers of OFCs. Government support in this form causes the market to reflect non-commercial factors by increasing the domestic supply beyond that demanded by the market, lowering the normal value and encouraging export.

322. As reported by the State Council of the PRC, the PRC has 34 provincial-level administrative regions (comprising provinces, autonomous regions, municipalities directly under the Central Government, and special administrative regions). These province-level administrative regions are further divided into autonomous prefectures, counties, autonomous counties and cities, which are further subdivided into townships, ethnic minority townships, and towns. Each of these administrative units has the power to issue

subsidies and other support programmes on an ad hoc basis as they see fit to meet the targets outlined in the industrial and other political plans.

323. The TRA has found that OFCs are listed in numerous catalogues issued by the GOC including the Catalogue of Industries for Foreign Investment Guidance 2017 and the Catalogue of Guidance for Industrial Structure Adjustment Guidance 2019. This status is relevant to OFC producers receiving state support.

324. The TRA has determined there is evidence that OFC companies within the PRC received substantial state support in a variety of forms. The government support affects OFC producers' costs of production and contributes to the prices associated with such costs reflecting non-commercial factors. The specific costs and associated evidence are explained in more detail in the sections below.

F3.2 State influence and control

325. The TRA found evidence that the GOC has a controlling stake in at least two of the overseas exporters within the PRC.

326. The website of SDGI (accessed on 02 February 2023), states that they are "a state-controlled high-tech enterprise". Their 2020 financial statements also note that the "Supervision of State-owned Assets of Shenzhen Municipal People's Government" is the actual ultimate controller of the company. There is also at least one leading PRC politician and a senior member of the GOC holding either a director or board member position. The TRA determined that the GOC would have influence and control over company decisions.

327. The website of YOFC (accessed on 09 May 2023), states that they have three major stakeholders, two of which are subsidiaries of SOEs. China Huaxin Post and Telecom Technologies Co., Ltd which holds 23.73% of shares, is a subsidiary of China Poly Group Corporation, an SOE. Wuhan Yangtze Communications Industry Group Co., Ltd, which holds 15.82% of shares, is a subsidiary of China Information and Communication Technologies Group Corporation which is an SOE.

328. The website of the ZTT Group (accessed 12 May 2023) states that "ZTT has attracted the attention of the Communist Party and state leaders for its cross-domain development. The central, provincial and municipal leaders have inspected and given affirmation and encouragement to ZTT". An article (accessed 12 May 2023) from the Nantong China Government quotes ZTT Group Chairman Xue Jiping as attributing the company's success to the Communist Party of China (CPC).

329. Additional evidence of state influence in the OFC sector in the PRC comes from market analysis provided by CRU's 'Telecom Cables Market Outlook 2021'. This market analysis is available on subscription and was provided to us by the Applicant. It has not been disclosed due to confidentiality.

330. Not only does the GOC influence the OFC manufacturers but also the other side of the competitive market with its influence on purchasing OFC. The CRU market analysis shows three SOE buyers account for around 85% of the OFC demand in the PRC market. China Mobile's tender for standard telecom fibre and cable was 105 million fkm alone in 2019. The large presence of SOE buyers in the OFC market indicates that the GOC has significant market power, giving them indirect control over domestic OFC producers even if they are not state owned themselves.

331. The TRA found evidence that government influence and control has caused the price of OFC to reflect non-commercial factors. That influence and control drives OFC producers' performance in the PRC against the benchmarks of the digital infrastructure strategy. The consequence of this sector being driven by GOC strategic goals is that when companies sell large proportions of their product to SOEs, a high percentage of these sales are not in the Ordinary Course of Trade (OCOT) since profit margin is not driven by market forces. The OFC producers are able to reduce costs using low priced inputs. Unprofitable sales are also driven by more OFC being produced within the PRC than there is demand. This has meant that a significant number of domestic sales by the SDG Group, a high proportion of which were to SOEs, failed the OCOT test because they were not profitable (see paragraph 200). Consequently, a standard industry wide profit margin could not be used when constructing the normal value due to the level of interference. Instead, a weighted average profit margin was used to account for the fluctuation in profit margins.

332. Government influence and control has led to the production of OFCs being dictated by industrial strategy, from the costs of raw material to the provision of land. Government influence through relevant laws and rules governing banks indicates the provision of loans at preferential rates, and government influence and control in the form of price setting exists in the energy sector. These specific factors are examined in later sections.

F3.3 Provision of land

333. Under the provisions set out in article 2 of the GOC's 2019 Land Administration Law, it states that the PRC "implements socialist public ownership of land, that is, ownership by the whole people and collective ownership by the working masses." In practice this means that land is not owned by a private citizen or company within the PRC, and instead land is leased by local authorities to the users of that land for a fixed term.

334. The system would lead to land prices and rent rates that are artificially low and/or reflect non-commercial factors, if the practice is not a relatively open process that any company would be able to access and participate in. There is evidence that this practice is not an open process, such as the EC investigation into imports of certain organic coated steel products originating in the PRC, where it was found that in some cases leases were agreed without any bidding process at all.

335. In the EC investigation into imports of certain filament glass fibre products originating in the PRC, the Commission did not find any evidence of an auction process that independently set the price of the land use right. In the EC investigation into imports of aspartame originating in the PRC, the Commission found that the price paid for the land-use right was below market value.

336. The process can be dictated by the local government's economic and industrial planning. As article 5 of the 2007 '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."

337. It is clear that market conditions are not the only factors considered in the allocation of land use rights within the PRC.

338. We have concluded that there is evidence that the land market in the PRC reflects non-commercial factors but have decided not to progress any further with adjustments due to the low materiality towards the production costs of OFC in the PRC.

F3.4 Provision of bank loans

339. The TRA has found evidence of the predominance of state-owned banks within the PRC, and in particular the existence of the Export-Import Bank of China, which provides loans to support the export of goods produced in the PRC, including OFCs. The Applicant provided evidence of this area through the EC Working Document.

340. As discussed on pages 115-117 of the EC Working Document, the GOC has a controlling stake in most of the large PRC banks, giving them the ability to dictate the investment practices of these institutions and reflect non-commercial factors on the market.

341. The TRA has further researched this area and found that where a bank is not wholly state owned, it is typically a joint-stock enterprise where the government holds a significant number of shares, as shown in the list of China's systemically important banks 2022 or the reference to the four biggest Chinese banks.

342. Whether a bank is a SOE, a joint-stock enterprise or seemingly independent, the PRC's General Rules on Loans 1996 gives local authorities the legal right to support preferential loans for preferred industries. Article 15 states that "[i]n accordance with the State's policy, relevant departments may subsidise interests on loans, with a view to promoting the growth of certain industries and economic development in some areas." Similarly, article 12(5) of the PRC's Regulations on the Administration of Corporate Bonds (January 2011), states that all funds raised must be "in line with the national industrial policy," indicating that they are not issued according to market demand.

343. As discussed in articles published by the South China Morning Post in 2020-2021 on reform and bond defaults, the credit rating system in the PRC reflects non-commercial factors, offering lower credit ratings than would be found elsewhere. For instance, at the end of 2020, 98.49% of PRC bonds were rated as AA or higher compared to only 6% in the US. The high percentage of PRC bonds rated as AA allows OFC companies based in the PRC to obtain preferential loan rates compared to other markets. The PRC has a relatively high number of credit rating agencies, 13 at the end of the POI, which as pointed out in page 128 of the EC Working Document, allows borrowers "to choose whichever rating agency can give them a higher rating."

344. Additionally, the EC Working Document states that risk is perceived differently within the PRC, particularly with SOEs, where the risk of default has been historically viewed as essentially non-existent. The South China Morning Post reported in August 2021 on high-profile SOE defaults in the POI have brought this assumption into question and prompted reform. In the same article it states that the central bank and four other regulators announced they would set up a quality appraisal system with a default ratio at its core by the end of 2022. However, the lack of risk of default was clearly an ongoing issue throughout the POI.

345. The SDG Group made a submission refuting the Applicant's claim that the loan market reflects non-commercial factors. The SDG Group state that government policies only operate as recommendations, and that banks still have to evaluate a company on an individual basis. However, if government policies offer guidance that may not be adhered to in particular instances, this does not mean that this guidance does not end up distorting the market in general.

346. Submissions from members of the SDG Group state that it did not have any knowledge that the rates it was negotiating may have been influenced by non-market forces. However, the fact that SDG were unaware of distortions, does not mean that they do not exist.

347. The TRA determined that there is evidence that the loan interest rates reflect non-commercial factors, and as such there is a PMS within the OFC industry. However, due

to the low materiality in contributing to the admin, sales and general costs, we made no adjustment.

F3.5 Energy costs

348. The GOC policy documents that the TRA has examined in this section suggest an intention to introduce liberalising market reforms within the PRC energy sector. Although this suggests that the market is less reflective of non-commercial factors, the need for these policy documents indicates that energy prices in the PRC reflected non-commercial factors at the time these policy documents were written and within the POI.

349. In Opinions on further deepening the reform of the electric power system (ZhongFa [2015] No. 9), the GOC, during 2015, described its domestic energy market in the following terms, "[T]he price relationship has not been straightened out, and the market-based pricing mechanism has not been fully formed. The current electricity price management is still dominated by government pricing, and electricity price adjustment often lags behind cost changes, making it difficult to timely and reasonably reflect electricity costs, market supply and demand, resource scarcity and environmental protection expenditures".

350. More recent policy documents such as the Circular of the National Development and Reform Commission and the National Energy Administration on Actively Promoting the Market-Oriented Power Transactions and Further Improving the Trading Mechanism (Fa Gai Yun Xing [2018] No. 1027), suggest that in situations where an energy user and provider are unable to reach agreement "the user price is temporarily determined according to the local catalogue electricity price standard," confirming that some market controls may still exist. The TRA is unable to determine whether this particular situation is an exception or the rule. Similarly, although a report titled a Notice on Fully Liberalizing the Electricity Generation and Consumption Plan for Commercially Operational Users (National Development and Reform Commission [2019] No. 1105, from 2019 makes it clear that market reforms are still ongoing, all of the listed reforms are pro-liberalisation.

351. The policy document a Circular of the National Development and Reform Commission on Reducing Electricity Cost of Enterprises to Supporting Restoration of Work and

Production Development and Reform Price [2020] No. 258 (EN), stated that, 'electricity users other than those in high energy-consuming industries' could pay 95% of the original tariff during the 2020 COVID pandemic. However, this does not indicate the presence of non-commercial factors in the OFC market as it appears to be a temporary measure intended to assist PRC companies in overcoming the economic impact of the pandemic, rather than a long-term policy shift to provide certain industries with reduced energy costs.

352. Evidence provided during the investigation indicates that, at least in certain circumstances, free market conditions should (or are encouraged to) prevail within the energy sector of the PRC. However, there is decisive publicly available information that confirms that energy prices in the PRC reflected non-commercial factors during the POI.

353. The World Trade Organization (WTO) published its Trade Policy Review of the PRC in September 2021. This WTO report sets out the products or services that were subject to price controls by the central Government in 2021. This includes electricity transmission and distribution.

354. Price control can either be in the form of "government-set prices" or "government guided prices". This causes artificially low prices caused by non-commercial factors.

355. The products or services subject to price controls are also available on the PRC's Central Government Pricing Catalogue. The relevant authority is the Department of Pricing, which sits within the National Development and Reform Commission (NDRC).

356. The TRA has concluded that there is evidence that energy prices in the PRC reflect non-commercial factors, and as such there is a PMS within the OFC industry. Further work was completed to establish whether it affected the production costs of OFC in the PRC. Having completed this work, we have determined that although energy prices reflect non-commercial factors, the cooperating overseas exporter's data was not artificially low in comparison to the selected benchmark and therefore, no adjustment will be made on this occasion. Further information is set out in Section F5.2 Energy Benchmark.

F3.6 Labour cost and policy

357. The Applicant alleges that a system of market-based wages cannot fully develop in the PRC, due to two factors which are: the laws on household registration known as the *hukou* system and the laws on unionisation.

358. As stated in Hayward, J. (2022). 'Reorganising Chinese Labour: The Establishment of the Household Responsibility System', in C. Sorace, & I. Franceschini (Eds.), Proletarian China: A Century of Chinese Labour (Verso: London), p. 295, the *hukou* registration system, or Regulations on Household Registration of the PRC (1958), historically arose as part of the PRC's system of collective work units, which separated the population into agricultural and non-agricultural workers in an attempt to enable the country to become self-sufficient.

359. This system was reformed in 2020, as detailed in the 'New-type urbanization construction and urban-rural integration development in 2020 (Development and reform planning)' notice. Under the reformed system city authorities are urged "to abolish restrictions on settlement of key groups of people such as the agricultural transfer population who have been living in the city for more than 5 years and moving their families." However, as stated it only forms a recommendation, and explicitly excludes the largest cities, like Shenzhen where SDG is located. For these cities the rural population should only be settled "as much as possible."

360. Even with recent reforms, the same structure still applies. Restricted movement for rural workers will artificially create a pool of underprivileged labourers who are willing to work for less than their urban counterparts. Although there does not appear to be any publicly available research after the 2020 reforms, reports such as that from the Hong Kong University of Science and Technology and the China Development Research Foundation from 2013-2015 suggest that the pay differential between agricultural and non-agricultural *hukou* registrations for public and non-public workers is between 5-13%.

361. The laws on unionisation also indicate that the labour market reflects non-commercial factors. There are many limitations to the theoretical guarantee of the free association of workers within the PRC. On a national scale, Article 33 of the CCP constitution states

that unions within non-public sector entities shall be controlled by CCP organisations in order to implement government policy.

362. The SDG Group responded to each of these claims in its questionnaire responses. It suggests that the *hukou* system does not in fact reflect non-commercial factors in the labour market since "the Company is free to hire anyone with any *hukou*" and the GOC has no influence in this regard. However, the TRA has determined that the impact of the *hukou* system is external to the hiring practices of any given company. Having a two-tier system of citizenship where certain workers can only reside in the wealthier urban areas on a temporary basis conditional on them working, creates a pool of cheap labour, since the only alternative to accepting such wages would be a return to the deprived rural areas.

363. The SDG Group also suggest that its workers have the right to participate in labour unions, and that they are able to "stage activities independently in accordance with law". However, as shown above, the constitution itself states that labour unions are to be overseen by CCP organisations, and so would not be independent. There is also no longer an official recognition of the right to strike, which was removed in 1982, according to the ITUC Global Rights Index, which removes a key element of workers collective bargaining power on wages.

364. Taking all these elements into consideration, the TRA considers that there is sufficient evidence that labour costs within the domestic OFC market in the PRC are subject to non-commercial factors and conducted a price comparison against an international benchmark.

365. The labour benchmark came from Turkstat, which gives data for the average monthly cost of labour for two-digit NACE codes for the year 2020. NACE codes are the standard European nomenclature of productive economic activities. The TRA used the NACE code C 27.31 which represents the manufacture of fibre optic cables. The labour benchmark consists of gross earnings, social security payments and other labour costs.

366. Due to the data being available for 2020 only, an adjustment was applied to the figure based on a separate report by Turkstat that found a 32.3% annual increase in hourly labour cost over the POI.

367. Although there is evidence that the labour market within the PRC reflects non-commercial factors, the cooperating overseas exporter's data did not appear to be artificially low in comparison to the selected benchmark.

F3.7 Raw material cost

368. The Applicant alleges that there is evidence of distortions with respect to the raw materials which are used in the manufacture of OFC being subject to specific development targets by the GOC.

369. A series of policy and guidance documents issued by the Zhejiang regional authority (where several optical fibre manufacturing facilities are located) focus on supporting manufacturing industries, especially the production of optical fibre that is the core input of OFC production.

370. The 'Implementation Plan for the Transformation and Upgrading of Chemical Fibre Manufacturing Industry (2017-2020)', suggests that the government should "[s]elect high-tech fibre R&D and manufacturing enterprises with strong technological innovation capabilities… [and] carry out targeted cultivation [of these firms]." As with state influence, these government plans form the basis of subsidy distribution within the PRC, and so should be taken to indicate a reflection of non-commercial factors as stated on page 18 of the EC Working Document.

371. The SDG Group appears to purchase raw materials from local companies based in Shenzhen. A similar plan to that mentioned in paragraph 168, published by the Shenzhen government in 2002, 'Shenzhen Municipal People's Government on the issuance of the Shenzhen industrial restructuring implementation plan notice' explicitly lists "optical fibre communication systems" as a "key product encouraged to develop."

372. Although the implementation plan was stated to apply up to 2020 just before the POI began, the TRA has not found any evidence that this policy has been superseded. The

plans such as 'Made in China 2025' and the 'Internet Plus' strategy would indicate that the GOC will encourage regional authorities to support the production of the raw materials required to realise these plans until at least 2025.

373. There is evidence of such programmes applying nationally, in the form of elevated optical fibre inventories that existed in the period leading up to the POI. Although this is partially explained by the downturn in demand due to the COVID pandemic, the extent of the excess of PRC production over domestic demand leading to these elevated inventories when compared to other countries, was likely made possible by the existence of such support, as producers did not have to respond to market demand in the same way.

374. The TRA determined that there is sufficient evidence that optical fibre costs are subject to non-commercial factors. To establish the effect that optical fibre costs had on the price of OFC, the TRA conducted a price comparison against an international benchmark. Having completed this work we have established that a price difference exists due to non-commercial factors, and an adjustment to the SDG Group's optical fibre costs is required in order to represent optical fibre costs that are substantially determined by market forces. Further information is set out in Section F5.3 Optical Fibre Benchmark.

F4. Constructed Normal Value

375. As set out in Section F2. Normal Value, the TRA found that it is not appropriate to use the comparable price to determine the normal value of the goods concerned.

376. 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.

377. 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.

378. 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 the professional opinion of the independent auditor of the SDG Group's financial accounts we are content that the records reasonably reflect the costs.

379. Although we accept that overall SDG Group's records reasonably reflect costs, we do not consider these costs to reflect normal circumstances with the OFC market in the PRC. As described in Section F3. Particular Market Situation we believe the price of optical fibre; land use rights; loan interest rates; energy and labour to reflect non-commercial factors, which is reflected in a PMS in the optical cable 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.

380. 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 optical fibres as set out in Section F5. PMS Adjustments.

F5. PMS Adjustments

381. In accordance with regulations 11(6) and 12(4) of the Regulations, the TRA may make adjustments to costs of production or AS&G costs in accordance with regulation 13.

382. The TRA may make adjustments where paragraph 13(3) of the Regulation applies, and for the purpose of paragraph 13(2) of the Regulations.

383. In accordance with regulation 13(2) of the Regulations, the purpose of making adjustments is to calculate what the SDG Group's costs would be in the market in the PRC, if costs were substantially determined by market forces.

384. In accordance with regulation 13(3) of the Regulations, the TRA considers the optical fibre costs 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.

385. In making adjustments to this input the TRA has had regard to corresponding costs in an appropriate representative country, in accordance with regulation 13(4)(a) of the Regulations.

386. 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.

387. In its application the Applicant suggested the Republic of Türkiye (ROT) as an appropriate representative country. We considered whether the ROT 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, and literacy rate.

388. In addition, the ROT has production of like goods and is a competitive market which is demonstrated by the high number of Turkish producers, and significant imports from third countries. The like goods in the PRC and the ROT are identical with respect to applications, physical, technical and chemical characteristics. OFCs are also required to meet international standards, as specified by the International Telecommunication Union and International Electrotechnical Commission.

F5.1 Turkish Producer Participation

389. On 9 December 2022, the TRA wrote to producers and sellers of OFC in the ROT inviting them to provide cost of production data for the use of benchmarking. On 12 December 2022, the TRA published a note to the file opening the invitation to all overseas producers and sellers of OFC in the ROT.

390. In response to the letters and note to the file, three Turkish OFC producers contacted the TRA to express their interest in participating.

(a) Türk Prysmian Kablo Ve Sistemleri A.S. (Türk Prysmian)

(b) Corning Kablo ve Sistermleri Ltd. (Corning Kablo)

(c) ETK Kablo San. Ve Tic A.S. (ETK Kablo)

391. A streamlined questionnaire and annex was sent to Türk Prysmian, Corning Kablo and ETK Kablo on 12 January 2023.

392. ETK Kablo subsequently informed the TRA that it was unable to assist in the investigation due to the time commitment needed to complete the questionnaire and annex.

393. Corning Kablo and Türk Prysmian responded with completed questionnaires and were fully cooperative with the investigation.

394. The TRA conducted all verification activities in relation to Corning Kablo and Türk Prysmian remotely and via email. Verification reports were produced, and non-confidential versions of these reports are available on the public file.

F5.2 Energy Benchmark

395. The TRA calculated a benchmark using the average electricity cost per kilowatt hour (kwh) for the Turkish producers. In order to conduct a comparison against the SDG Group's costs, the data was converted from Turkish Lira (TRY) to RMB using the annual average mid-rate for the POI from the Central Bank of the Republic of Türkiye. The benchmark was compared against the SDG Groups average electricity cost per kwh to establish the price difference.

396. Whilst there may be other components to energy costs, the TRA considered a comparison using electricity kwh was fair, based on the available information from the PRC. The TRA also considered that the production of OFC is not particularly energy-intensive and constitutes a small proportion of the cost of production. The TRA found that the SDG Groups energy costs did not appear to be artificially low in comparison to the selected benchmark, and an adjustment for this factor was not required.

F5.3 Optical Fibre Benchmark

397. For the purposes of the PAD, the TRA established a benchmark cost of optical fibre using Turkish import data for optical fibre, imported under HS10 Code 9001109091. GTAS and Turkstat were used for the benchmark cost information.

398. For the purposes of this SEF, the TRA was able to recalculate the optical fibre benchmark using data from the two participating Turkish producers.

399. A benchmark was calculated using the average fibre cost per unit for the participating Turkish producers. In order to conduct a comparison against the SDG Group's costs, the data was converted to RMB using the annual average mid-rate for the POI from the Central Bank of the Republic of Türkiye. The benchmark was compared against the SDG Group's average fibre cost per unit to establish the price difference.

400. As there can be variations in price between different fibre types, we also assessed the SDG Group and Turkish producers' fibre purchases by fibre type. The TRA determined that the price difference was not related to the type of fibre and concluded that an adjustment to SDG Group's optical fibre costs, was appropriate under regulation 13 of the Regulations. This enabled us to calculate what the SDG Group's fibre costs would be in the market in the PRC, if costs were substantially determined by market forces.

401. The difference between the SDG Group's fibre costs and the benchmark was used as the level of adjustment. The level of adjustment was within the range of 35-50%, and was used to replace the SDG Group's optical fibre costs.

F6. Reasonable Level of Profit

402. The TRA found that it could not reasonably determine a level of profit in accordance with regulation 12(2) of the Regulations, as not all sales were made in the ordinary course of trade due to the volume of non-profitable sales of the like goods made by the SDG Group. In considering whether the sales were made in the OCOT with regard to regulation 9 of the Regulations, total sales that were considered were made within an extended period of time which included the entirety of the POI. We also considered whether sales were made in substantial quantities and at prices which did not provide for the recovery of all costs within a reasonable period of time. We determined that the weighted average sales price per unit was less than the weighted average cost to make per unit or the total percentage of unprofitable sales were equal or greater than 20% of the volume produced.

403. For the purposes of the PAD, the TRA determined a reasonable level of profit using any other reasonable method in accordance with regulation 12(3)(c) of the Regulations.

404. In accordance with regulation 12(3)(a) 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.

405. 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 and removing the costs of production and AS&G costs. A weighted average profit was then calculated.

406. 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 more representative figure.

F7. Export price

407. In accordance with regulation 15(1) of the Regulations, the export price is the price the goods concerned 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.

408. The TRA found that the SDG Group export sales were all made to independent third parties in the UK. We therefore used the export sales submitted by the SDG Group for the export price in accordance with regulation 15(1)(a) of the Regulations.

F8. Fair Comparison

409. 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.

410. 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

411. The SDG Group reported fair comparison adjustments to their 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:

- Credit
- Sales Service Fee
- Domestic Freight
- Ocean Freight / Insurance

412. 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 credit and sales service fee were deducted from the constructed normal value in accordance with the data received by the participating overseas exporters. As the constructed normal value is calculated without domestic freight, an adjustment for this factor was not necessary.

F9. Dumping Margins

413. 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 sampled overseas exporters to calculate the dumping margin.

414. The TRA calculated a combined dumping margin for the SDG Group consisting of the two sampled overseas exporters who cooperated in the investigation, due to the close nature of their business and governance. Due to the lack of participation within the investigation from other sampled overseas exporters it has not been possible to calculate a weighted average for the overseas exporter amount. Therefore, this rate will be the same as the sampled overseas exporter rate.

415. The TRA has determined that the sampled overseas exporter and non-sampled overseas exporters from the PRC have dumped optical fibre cables into the UK at the margins shown in the table below.

Table 2: Sampled overseas exporters dumping margins

Table 2: Dumping Margins		
Country	**Overseas Exporter/Producer**	**Dumping Margin**
PRC	SDG Group	31.3%
PRC	Non-sampled Exporters	31.3%

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

417. In accordance with regulation 38(4)(b) of the Regulations the TRA has determined the residual amount taking account of information provided by overseas exporters. 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 that had a high sales volume when compared to the total export volume during the POI.

Table 3: The residual dumping margin

Table 3: Dumping Margins		
Country	**Overseas Exporter/Producer**	**Dumping Margin**
PRC	Residual amount	44.6%

Section G: Injury

G1. Introduction to injury

418. In accordance with paragraph 11(1) Schedule 4 to the Act, in order to make a final affirmative determination, the TRA is required to determine that:

a) goods have been or are being dumped in the United Kingdom, and

b) the dumping of the goods has caused or is causing injury to a UK industry in those goods.

419. Under regulation 27(2) of the Regulations, where the TRA has determined that goods have been or are being dumped into the United Kingdom, it must determine whether a UK Industry has suffered or is suffering injury; and whether the dumped goods have caused or are causing that injury to that UK Industry.

G2. Injury analysis

420. For the purposes of this assessment and in line with paragraph 5 of Schedule 4 to the Act, 'injury' to the UK industry means:

"(a) material injury, or the threat of material injury, to the industry, or

(b) material retardation of the establishment of the industry…"

421. To determine whether a UK industry is suffering or has suffered injury from dumping of the goods concerned, in line with regulation 30 of the Regulations, we examined the following:

- the volume of the dumped goods during the IP;
- the effect of the dumped goods on prices of the like goods in the UK market during the IP;
- the consequent impact of the dumped goods on a UK industry during the IP; and

- any other factors we considered relevant.

422. As mentioned in paragraph 42, CCCME's questionnaire submission contained numerous comments on the causes of injury to the UK industry, with particular reference to other know factors. We have taken these comments into consideration within this section. To determine whether the dumped goods have caused or are causing injury to UK industry, in line with regulation 35 of the Regulations we have also examined whether any known factors other than the dumped goods (other known factors) have caused or are causing injury to a UK industry. We considered the following factors:

- the economic impact of the COVID-19 pandemic;
- third country imports and prices;
- Brexit; and
- Self-inflicted injury

G3. Considerations of the injury and causation analysis

G3.1 HMRC Import Statistics

423. The TRA used the official import statistics published by HMRC for analysis of the volume of imports. The official import statistics published by HMRC report import volumes in kilograms (kg). Interested parties stated that this unit of measurement is not suitable for a proper measurement of the volumes of the goods. Additionally, while HMRC import statistics provide an accurate picture of the trend of UK imports of goods concerned from the PRC, the goods imported into the UK under the commodity code 8544 70 00 (at 8-digit level) do not contain only single mode optical fibre cables, therefore an adjustment was necessary to more accurately determine the volume of imports of the goods concerned. CRU data was used to estimate the size of the UK market in terms of fkm and the percentage of imports.

424. In order to evaluate the volume of imports of the goods concerned in fkm, the ratio of the volume of goods concerned to the total volume of UK imports was calculated using HMRC UK Statistics. In 2021, the volume of goods concerned represented 18.8% of total

UK imports. This 18.8% ratio was applied to the CRU data on consumption of single mode OFC in the UK to estimate the volume of goods concerned during the IP in fkm.

G4. Volume of dumped goods from the PRC

425. In order to confirm whether dumped goods have caused or are causing injury to the UK Industry, we examined the trends in the volume of dumped goods being imported into the UK market (absolute changes). We also compared the volume of dumped goods in relative terms when compared to UK consumption and production. A high level of imports from the PRC, or increasing levels of imports, may indicate that the injury is being caused by these imports.

426. In accordance with regulation 31 of the Regulations, when considering the volume of dumped goods during the IP for the purpose of regulation 30(2)(a) of the Regulations, we have considered whether there has been a significant increase in the dumped goods either in absolute terms or relative to domestic production or consumption.

427. The following table shows the significant increase in the volume of imports of OFC from the PRC into the UK during the POI.

Table 4: Volume of imports of OFC from the PRC – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Import volume (fkm)	120,962	102,868	159,417	535,565
Import volume index	100	85	132	443

Source: HMRC

428. Whilst there was a slight decrease in import volume in 2019 compared with 2018, there was an increase of 47% from 2019 to 2020 and a much greater increase in 2021, the POI. Overall, there was a significant increase of 343% from 2018 to 2021 and therefore the TRA have concluded that PRC imports have shown significant increased UK OFC market penetration throughout 2020 and 2021.

429. The following table shows the significant increase in goods concerned during the POI relative to UK industry production which had been in decline.

Table 5: Import volume (fkm) of OFC from the PRC in relation to UK production - 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
UK industry production (indexed)	100	92	84	93
Imports from the PRC relative to UK industry production (%)	8	8	13	39

Source: The Applicant's submissions and HMRC

430. Every year throughout the IP saw a reduction in the UK industry production level when compared to the 2018 level. However, it is the PRC imports relative to UK industry production that highlight the growing market influence of imports from the PRC, increasing from 8% to 39% over the IP.

431. The following table shows that the significant increase in volume of goods concerned during the latter part of the IP, is beyond the rate of increase in the UK consumption of OFC overall.

Table 6: Import volume (fkm) of OFC from the PRC in relation to UK consumption, UK industry sales and total import volume (fkm) from third countries - 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
UK consumption of OFC (indexed)	100	108	103	142
UK industry sales (Indexed)	100	125	110	127
Imports from the PRC (Indexed)	100	85	132	443
Imports from third countries (Indexed)	100	106	99	121

Source: The Applicant's submissions and HMRC

432. UK consumption is calculated on HMRC import volumes of like goods from all countries and the domestic sales volumes provided by the UK industry.

433. UK consumption of OFC increased by 42% during the IP. During the same period, UK industry sales increased by 27%; less than the growth in overall UK consumption. In contrast, imports from the PRC increased by 343% over the IP. This sharp absolute

increase in imports and the resultant significant increase relative to UK production has prevented the UK industry from benefitting from the increase in consumption of OFC over the IP.

434. The increase in the volume of third country imports during the IP of 21% is a comparable level to the volume increase seen in UK industry sales. This growth in third country imports (discussed in more detail in G7.1 Third country imports and prices) is far below the rate at which imports from the PRC increased during the same period and below the rate of overall UK consumption. Therefore, the TRA has concluded that imports from the PRC have benefited from the growth in UK consumption to a greater extent than imports from third countries. to a greater extent than imports from third countries.

G5. Effect of the imports on prices in the UK market for like goods

435. To determine whether the dumped goods have affected prices of the like goods in the UK, in accordance with regulation 32 of the Regulations, we considered whether:

(a) prices of the dumped goods are significantly undercutting prices of the like goods produced in the UK; or

(b) the dumped goods have significantly depressed or suppressed domestic prices of the like goods produced in the UK.

G5.1 Undercutting analysis

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

437. To establish whether this has been occurring we used POI data and compared the average landed price of the goods concerned with the average domestic sales prices of the like goods at an ex-works level. To ensure price comparability, we adjusted where needed.

438. We identified that the overseas exporters exported 17 different PCNs to the UK during the POI. The TRA identified eight PCNs which were both produced by the UK industry and exported to the UK by the two participating overseas exporters. The selected eight

PCNs represented 78% of the total import volume and 89% of the total import value of UK sales for the overseas exporter. The PCNs represent 17% of the total volume and 4% of the total value of all imports of goods concerned from the PRC.

439. During verification, we identified inconsistencies in the overseas exporter allocation of certain goods to PCNs. We reallocated PCNs from the overseas exporter, which resulted in a change in the undercutting margin from the provision affirmative determination.

440. We calculated an average undercutting margin covering the eight PCNs and found an undercutting margin of 38.7% during the POI.

G5.2 Price depression

441. Price depression occurs when the UK industry is forced to reduce prices to compete with the goods concerned.

442. The following table compares the average sales price of the UK industry like goods to the average import price of the goods concerned to establish whether there was price depression during the injury period.

Table 7: Average UK industry price of like goods and average import price of goods concerned - 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Average UK Industry price (Indexed)	100	93	92	80
Average goods concerned import price (Indexed)	100	130	86	56

Source: The Applicant's submissions and HMRC

443. The average price of the goods concerned declined by 44% over the IP. During the same period, the average UK industry sales price declined by a smaller margin of 20%. When taken into consideration alongside the increased volume of imports of the goods concerned (See G4. Volume of dumped goods from PRC), it appears that the UK industry is facing downward price pressure, forcing it to reduce prices to levels that it claims are unsustainable for its business operations.

G6. Impact of the dumped goods on the UK industry

444. Having found evidence of a relative increase in import volumes and of price undercutting leading to price depression, we then assessed the impact this has had on the UK industry.

445. In accordance with regulation 33 of the Regulations, in considering, for the purpose of regulation 30(2)(c), the consequent impact of the dumped goods on the UK industry, we must consider all relevant macroeconomic and microeconomic factors and indices having a bearing on the UK industry including:

(a) actual and potential decline in sales, profits, output, market share, productivity, return on investments or utilisation of capacity;

(b) factors affecting domestic prices of the like goods

(c) the magnitude of the margin of dumping;

(d) actual and potential negative effects on cash flow, inventories, employment, wages, growth, the ability to raise capital or investments.

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

G6.1 Sales

447. To assess whether the UK industry has been injured or is being injured, we assessed whether there has been a decline in both the volume and value of sales during the IP. A decline in domestic sales may be an indicator that the UK industry is suffering injury.

448. The following table shows the lack of correlation between the volume and value of UK industry domestic sales of like goods during the IP.

Table 8: UK industry domestic sales volume and value – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Sales volume (Indexed)	100	125	110	127
Sales value (Indexed)	100	116	100	98

Source: The Applicant's submissions

449. There had been an upward trend in the UK industry sales volume during the initial stage of the IP. Sales increased in 2018 to 2021 by 27% but the increase was significantly less than the increase in overall consumption of 47% in the UK.

450. UK industry sales value also initially followed a similar trend as sales volume increasing from 2018 to 2019; however, as sales volume increased in 2021, sales value did not follow a similar trend. As the volume of goods concerned increased significantly during 2021, UK industry sales value remained static.

451. The lack of increase in value, in contrast to the increase in volume, is an indicator of injury and an indicator that the UK industry have reduced their prices to compete with the dumped goods from the PRC who had the biggest increase in imports over the same period.

G6.2 Profits

452. The following table shows the downward trend in the UK industry profit margin for the domestic sale of like goods since 2019.

Table 9: Net profit margin – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Net profit margin Index	100	121	107	43

Source: The Applicant's submissions

453. There was a significant reduction in the profit margin of the UK industry during the POI, when compared with the rest of the IP. The UK industry aim for a minimum 15% net profit year-on-year, which is the average level shown in the applicant's figures during the 2018-2020 period. There is a requirement within the OFC industry to have a comfortable profit margin due to the industry being heavily investment driven, with significant financial

resources spent on research and development. An example of the areas of investment is expanding technologies such as 5G networks.

454. Profit margins were at their highest for the UK industry in 2019 when Chinese imports had decreased by 15% from the previous year, which shows an inverse correlation between the two. While the total volume of sales for the UK industry was at its highest in the POI, this was not reflected in its profits, which were 57% down when compared to the start of the IP. This coincided with the large surge of imports of the goods concerned which appears to have pushed prices down and affected profit margins. The UK industry stated it had to set prices so low in some instances that they could only cover costs, which is supported by the low profit margin in the POI.

455. The UK industry state within its application (Page 145) that it has had to accept loss-making parts of tenders to maintain its presence in the UK market as it bids with competition from the PRC sector. This may become unsustainable for the UK industry in the long term if it continues. The decline in profits during the injury period is a clear indicator of injury suffered by the UK industry.

G6.3 Market share

456. The following table shows the impact the increased volumes of OFC imports from PRC has had on UK market share throughout the IP.

Table 10: Changes to UK market share for the UK industry, PRC imports and third country imports of OFC – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Market share of UK industry (Indexed)	100	79	82	63
Market share of other UK producers (Indexed)	100	160	153	193
Market share of Chinese imports (Indexed)	100	72	98	219
Market share of third country imports (Indexed)	100	98	96	85

Source: The Applicant's submissions and HMRC

457. Market share is calculated by dividing the domestic sales volumes of the UK industry by the total UK consumption figures.

458. Throughout the IP, imports from the PRC have more than doubled their market share as shown in table 10, while the UK industry lost 37% of the market over the same period. The market share of third country imports also decreased but to a lesser extent than the UK industry.

459. During verification we were able to clarify that UK industry market share was based on UK production only and excluded any imported like goods. Due to the lack of participation from any other UK producer, 'other UK producers market share' has been calculated using CRU industry intelligence and we have been unable to verify the components of the data, in particular the proportion arising from imports. Therefore, although 'other UK producers' appear to have increased their market share over the IP and have not been affected by the increase in the goods concerned, a proportion of these goods may in fact be imports, a proportion of which may come from the PRC. The TRA can only reliably conclude that the PRC market share increased considerably at the same time as the UK industry lost 37% share involving UK produced goods.

G6.4 Growth

460. The applicant submitted its market share, production, sales and employment figures for each 12-month period of the IP. The trends for these factors can be seen in the following table.

Table 11: UK industry growth indicators – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
UK OFC consumption (indexed)	100	108	103	142
UK industry domestic sales volumes (indexed)	100	125	110	127
UK market share (indexed)	100	79	82	63
UK production (indexed)	100	68	72	92
Employment (indexed)	100	91	99	107

Source: The applicant's submission and non-published import data, provided by HMRC.

461. We measured growth by comparing trends in total UK consumption of OFC with the UK industry domestic sales, UK industry's market share, production and employment figures.

462. The UK OFC consumption has increased over the IP. The volumes of UK industry sales and employment also increased but significantly less than the increase in overall consumption.

463. The UK industry's market share and production have declined over the IP. It's clear that the increased consumption in the UK has not benefited the UK industry with regard to their market share. Similarly, although their domestic sales volume did grow over the IP we would expect to be at the same rate as consumption.

G6.5 Productivity and employment

464. We assessed employment trends by analysing the number of employees in the UK industry throughout the injury period. Productivity is measured by establishing the output (in this instance the UK industry used cable km (ckm)) per employee during the IP. The number of employees includes employees working on the production of like goods and employees working in operational and administrative roles linked to the production of like goods.

465. The following table shows the fairly steady trend in the UK industry employment for like goods production, with a significant reduction in productivity during 2019-2020.

Table 12: UK industry employment for like goods and productivity – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Number of employees Index	100	91	99	107
Productivity (employees/output ckm) Index	100	75	73	87

Source: The Applicant's submissions

466. Over the IP the UK industry saw an initial decrease in the number of employees working on or connected to the production of OFCs, before a recovery to a level 7% above the start of the period. However, as explained in G4. Volume of dumped goods from PRC), capacity for the UK industry increased by a much greater extent, 39%, over the same period and was not utilised by the company as expected in line with the growth in UK consumption of OFCs due to loss of market share to the goods concerned.

467. Productivity during the POI increased by 14% between 2020 to 2021, which coincided with the largest increase in UK industry capacity. However, productivity levels had already dropped 25% in 2019 and continued to struggle with low productivity levels at 13% below the 2018 mark at the end of the IP.

468. As UK consumption has increased over the IP, we'd expect to see the UK industry productivity to increase; however, it has decreased. The overall decrease of productivity coincides with the significant increase in PRC imports over the IP. However, UK productivity started to increase in the POI, when the goods concerned volume increased dramatically, therefore indicating that productivity is not a clear indicator of injury in this instance.

G6.6 Investments, return on investments and cash flows

469. To assess whether UK industry is suffering injury, we considered whether there has been a decline in investments, a decline in return on investments (ROI) and decline in cash flow during the IP.

470. ROI measures business performance and earnings arising from investments. Cash flows and cash flow forecasts give us an overview of a business's capability to invest, maintain operations and grow. A decline in these factors may indicate the UK industry has suffered or is suffering injury.

471. The following table shows the trend increased trend in the UK industry investment and cash flow since 2018, with return on investments showing a downward trend since 2019.

Table 13: UK industry investment, return on investments and cash flows connected to the like goods production during the injury period – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Investments Index	100	800	461	333
Return on investments Index	100	177	46	-119
Cash Flow Index	100	103	868	253

Source: The Applicant's submissions

472. Investments and cash flow show similar trends throughout the injury period, with a considerable increase in either 2019 or 2020 before a considerable decline in 2021 when imports of the goods concerned increased. It should be noted that there was heavy investment in 2019 when PRC imports decreased by 15% from the previous year, as shown in table 6. Investments in 2019 were significantly higher due to a drive for increased capacity ahead of an anticipated increase in UK consumption and enhancement of production capabilities, due to the significant increase in UK demand (detailed in Market Analysis E.6).

473. The UK industry state that a drop in profitability in 2021 has affected its ability to invest (see G6.2 Profits). The decrease in investments between 2020-2021 coincides with the drop in profits in 2021.

474. Return on investments trend is more severe, increasing in 2019 before decreasing by 219% below the start of the IP, meaning that the heavy investment when compared to the 2018 level has not been beneficial to the company in the POI, as seen from overall profit levels. Cash flow did increase overall during the injury period by 153% but is 615 percentage points down in 2021 from the high in 2020.

475. Although these three indicators fluctuate, the trend in return on investments is a stronger indicator of injury to the UK industry, coinciding with the large increase in imports of OFC from the PRC. This has significant negative implications for an industry that is heavily investment driven.

G6.7 Output and capacity utilisation

476. To assess whether the UK industry has been injured or is being injured, the TRA assessed whether there has been a decline in output and use of production capacity during the IP. A decline in these economic factors may indicate that the UK industry is suffering injury.

477. Output is measured by the volume of like goods produced by the UK industry during the IP. Capacity utilisation is calculated by looking at output relative to capacity. Capacity utilisation allows us to understand whether the UK industry is using its full capacity to produce the like goods during that period.

478. The following table shows the increased capacity of the UK industry since 2018, together with a reduction in output and utilisation of that capacity during the injury period.

Table 14: Output, capacity and capacity utilisation for the production of like goods for the UK industry – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Output Index	100	68	72	92
Capacity Index	100	114	116	139
Utilisation of capacity Index	100	60	62	67

Source: The Applicant's submissions and HMRC

479. The UK industry increased its production capacity by 39% throughout the IP in anticipation of increased UK consumption. However, output and capacity utilisation declined during the same period to below 2018 levels. Output declined by 8% and capacity utilisation declined by 33% from 2018 to 2021. The UK industry has the ability to supply the increased demand in the UK market, demonstrated by its increased capacity; however, it has been unable to utilise this capability during the injury period.

480. The overall decrease in output and utilisation of capacity can be linked to the significant rise in imports from PRC and loss of market share to PRC over the injury period (see Section G.4 Volume of dumped goods from the PRC and G6.3 Market Share). Therefore, the areas in table 14 indicate strong evidence that the UK industry is suffering injury from increased PRC imports.

481. The UK industry requires high production utilisation to remain viably profitable. If this current trend continues, the UK industry will face continued injury.

G6.8 Inventories

482. To assess whether the UK industry is suffering from injury, we assessed whether there has been an increased inventory level that may indicate the UK industry has suffered or is suffering injury. The following table shows the increasing trend in the UK industry inventory of the like goods during the injury period.

Table 15: The Applicant's like goods inventory at the end of each year – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Inventory (indexed)	100	214	234	279

Source: The Applicant's submissions

483. The UK industry assess its stock levels in terms of value and inventory days. Table 15 shows a significant increase in stock levels, an increase of 179% across the injury period. This signifies a slower turnover of sales as the period progresses, which could be linked to the increasing difficulty of the UK industry in selling its products within the UK market due to the increased volume of PRC imports. It must be noted that a large proportion of OFC goods are made to order based on precise specifications through the awarded tendering process. However, a certain proportion of production will be made in anticipation of demand through distribution sales. Therefore, increased inventory levels do indicate evidence of the UK industry suffering injury from increased PRC imports.

G6.9 Wages

484. The Applicant submitted its wage figures for each 12-month period of the IP. The trends for this factor can be seen in the following table and have been compared to the UK minimum wage.

Table 16: UK industry's median wages for employees involved in the like goods compared against the UK minimum wage – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
Median average wage (indexed)	100	107	104	101
Hourly minimum wage in the UK (indexed)	100	105	111	114

Source: The Applicant's questionnaire response and UK Government information

485. The average wage of the UK industry remained stable throughout the injury period. In comparison the hourly UK minimum wage increased by 14% over the IP. We would expect the UK industry median wage to increase throughout the IP at a similar rate to the hourly minimum wage in the UK. We are not able to provide details of our specific findings, due to confidentiality, therefore, we have chosen not to consider wage levels as an injury indicator.

G6.10 Factors affecting domestic prices

486. The TRA has assessed factors affecting domestic prices in Section G5 above and concluded that there has been significant price undercutting, as well as price depression by the goods concerned, leading to injury to the UK industry.

G7 Other causes of injury (non-attribution)

487. In accordance with regulation 35 of the Regulations, we considered whether any other known factors other than the dumped imports ("other known factors") have caused or are causing injury to UK industry. The next sections cover the relevant factors.

G7.1 Third country imports and prices

488. Imports from third countries to the UK were examined to ascertain whether they break the causal link between the dumped goods from the PRC and injury to the UK industry. Tables 17 and 18 focus on the three importing countries with the largest volume of OFC imported into the UK, which were Poland, Germany and India.

Table 17: Poland, Germany, and India's import volume of OFC into the UK compared against PRC volume – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
PRC (fkm)	120,962	102,868	159,417	535,565
PRC (Indexed)	100	85	132	443
Poland (fkm)	265,170	314,184	530,816	716,988
Poland (Indexed)	100	118	200	270
India (fkm)	88,331	162,640	167,533	261,407
India (Indexed)	100	184	190	296
Germany (fkm)	363,856	174,550	97,984	230,012
Germany (Indexed)	100	48	27	63

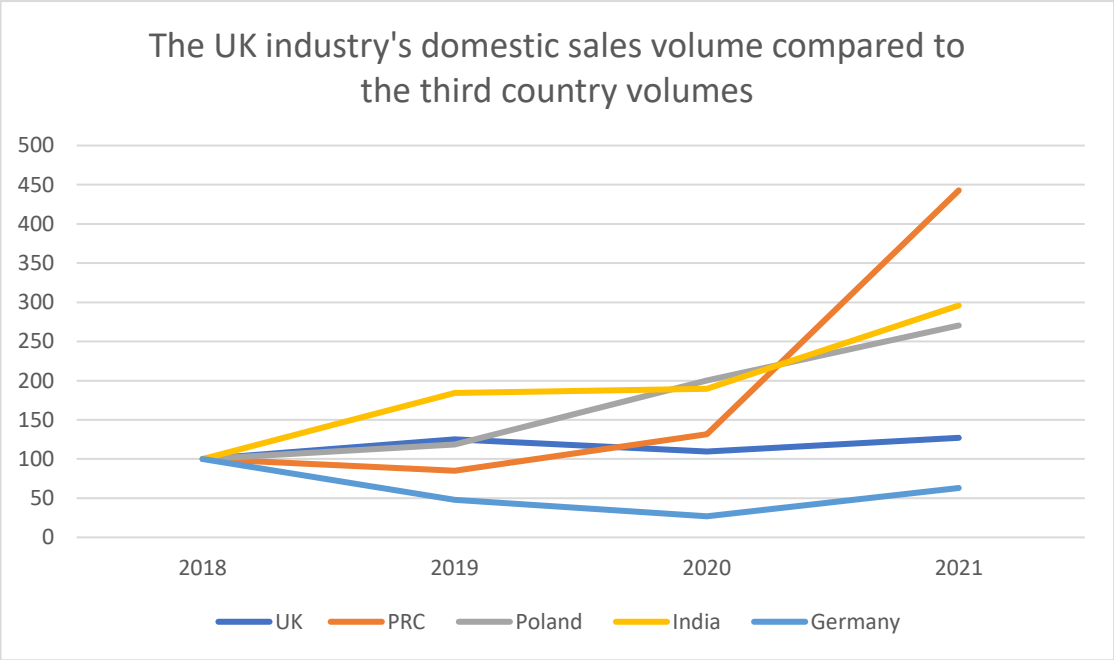
Source: HMRC import statistics

Table 18: Poland, Germany and India's average import unit price of OFC entering the UK compared against the PRC average import unit price – 01 January 2018 to 31 December 2021

	2018	2019	2020	POI
PRC (Indexed)	100	130	86	56
Poland (Indexed)	100	128	97	66
India (Indexed)	100	96	76	79
Germany (Indexed)	100	139	313	184

Source: HMRC import statistics

Figure 3: The UK industry's domestic sales volume compared to the third country volumes (indexed)



Source: HMRC import statistics

489. The level of imports from Germany significantly decreased in volume and increased in average unit price during the injury period making it unlikely that those imports caused injury.

490. Imports from India significantly increased over the IP, and their average unit price for OFCs decreased by 21% over the same period. However, imports from India increased by 196% compared to a 343% increase in imports from the PRC. The Indian unit price reduction progressed at a steady rate, never dropping lower than 24 percentage points when compared with the unit price of the PRC imports that dropped 74 percentage points from the 2019 figure. Additionally, the unit price of imports from India increased in 2021 when the PRC unit price was at its lowest price. At the same time the UK industry lost most of its market share (see G4. Volume of dumped imports from PRC), hence the TRA consider that India's imports do not break the casual link and that the PRC imports are causing injury to the UK Industry.

491. Polish import volumes into the UK increased by 170% over the IP, a lower volume increase than both imports from India and the PRC. The average unit price of Polish OFCs reduced by 34%, a similar rate to the unit price of imports from the PRC. Whilst

these trends may indicate that some injury to the UK industry might be caused by the Polish import volume and prices, there is an absence of any available pricing data that would enable further assessment.

492. Assessing third country import volumes into the UK and average unit price for OFCs at this level of data does not provide a full picture of the true impact the goods have on the UK industry. Telecom operators usually purchase OFC through tenders which are issued on either a yearly basis, or every two to three years. Participation in tenders is usually by invitation with one, two or several negotiation rounds. The whole process is highly confidential with little information provided to bidders on who they are competing against. Therefore, the TRA has found it difficult to assess the country with which the UK industry is in direct competition during the tendering process. The UK industry alleges in its submissions that PRC producers are the main drivers for exercising downward price pressure during tender proceedings and that, even if they are not ultimately selected, they nevertheless force the UK industry to significantly decrease their prices to unsustainable levels. So, this should be considered when assessing the unit price for OFCs entering the UK.

493. The TRA had very little cooperation from the UK importers so no information could be gathered to dispute the above claim from an independent tendering entity. Therefore, the TRA conclude that the causal link between UK industry injury and increased PRC imports has not been broken by third party imports due to the combined effect of significant increased volume from the PRC and average unit price reduction during the POI.

G7.2 Economic impact of the COVID-19 pandemic

494. We considered CCCME's submission on the effects of the COVID-19 pandemic on the UK industry's OFC sales volume. It is acknowledged that the pandemic that arose in early 2020 and the subsequent lockdown periods enforced by the UK government caused a reduction in consumption of goods within the UK during this period. However, disruption to production and orders of OFCs in the UK appeared to be limited. This is reflected in G4. Volume of dumped imports from PRC, which shows UK consumption of

OFCs only dropped by 5% in 2020. Lack of contraction for demand of OFCs is supported by a report commissioned by OFCOM in May 2020, that reported that homes that could access full-fibre broadband in the UK was up by a fifth since September 2019. Additionally, the ability of other high-speed broadband services has continued to increase over the same time period, with the total number of UK homes able to receive superfast broadband having increased by 300,000. This continued demand for improvement may in part be motivated by UK legislation that came into effect in March 2020 that allows households a legal right to request an improved broadband service.

495. By comparing the drop in UK consumption of OFC by 5% in 2020, against UK industry sales figures in table 8, we can see that sales figures dropped by a much larger proportion, 15 percentage points in 2020, at a time when PRC increased OFC import volume by 47 percentage points. Therefore, the evidence indicates that COVID-19 had little impact on the UK OFC industry. The TRA conclude that the COVID-19 repercussions in 2020 did not break the link between the goods concerned and the injury suffered by the UK industry.

G7.3 Brexit

496. We considered CCCME's submission on the effects of Brexit (the UK withdrawal from the European Union (EU) on 31 January 2020) and that it was a factor in causing injury to the UK industry. As described, in the Applicant's financial report published in 2017 the CEO highlights the challenges the company would face, suggesting that there would be an increase in costs of raw materials. However, we are unable to find evidence that the Applicant's cost of production has increased significantly throughout the IP.

497. CCCME have also mentioned UK import duties on raw materials used for the production of OFC, specifically sighting the 2% duty on optical fibres. However, duty appears to be suspended on optical fibre specifically, according to the footnote regarding commodity code 9001109090. The TRA concludes that the causal link between UK industry injury and increased PRC imports has not been broken by Brexit.

G7.3 Self-inflicted injury

498. We considered the CCCME argument that the Applicant started to expand its production capacity when demand of OFC stagnated, and the Applicant's poor timing for expansion is the factor for injury in the UK industry. We have identified that the Applicant was prepared for the increase in demand for OFC in the UK. The investment and improvement of production was in preparation for the increased consumption and demand in the UK. Therefore, we conclude that the causal link between UK industry injury and increased PRC imports has not been broken by self-inflicted injury.

G8. Conclusions on injury

499. We have concluded that the goods concerned are being dumped into the UK and considered the impacts on the UK industry.

500. After an assessment of the 15 injury factors, we have concluded that the UK OFC industry has suffered injury caused by the increased volumes of the goods concerned.

501. We have identified that the significant increase in the goods concerned coincided with various negative trends including loss of market share, price depression, price undercutting, profitability, return on investments, output utilisation and productivity.

502. The UK industry had to forego investment programmes as a result of the price depression caused by the goods concerned. Whilst the reduction in investment costs in 2020 resulted in a slight drop in the level of profit, overall profitability decreased significantly in 2021 in tandem with a reduction again in investment costs in 2021 and increased PRC imports.

503. Other known factors including third country imports and prices have been assessed and we have concluded that the evidence does not break to the causal link due to the combined effect of significant increased volumes of the goods concerned and average unit price during the POI.

504. The TRA therefore concluded that UK industry suffered injury during the IP within the meaning of paragraph 5(1) of schedule 4 to the Act. Substantial undercutting and underselling over an extended period of time by imports originating in PRC, combined

with a surge in import volumes, has been evidenced to be the main cause of the injury suffered by the UK industry.

G9. Injury amount

505. The TRA must determine the relevant amount which it is satisfied is necessary to prevent injury to the UK industry based on an assessment of the minimum increase in import prices of the dumped goods that would remove injury as determined by regulation 36(2) of the Regulations. We calculated an individual injury amount for each cooperating exporter based on the underselling amount. This is calculated by comparing a benchmark UK price (the target price) with the import price (the landed price). The target price is the price that a UK producer would expect to sell its like goods at if it were not being affected by the dumped goods.

506. The amount was calculated using both SDG & SDGI cost data. These are the two sampled overseas exporters who cooperated with the investigation. We combined these figures to calculate an individual injury amount for the combined SDG group.

507. Due to the close connection of both the sampled overseas exporters, we calculated a combined injury amount for both, therefore we have been unable to calculate a weighted average non-sampled cooperative overseas exporter injury amount so this will be the same amount as the sampled overseas exporter.

508. We calculated an injury amount for all other overseas exporters. This is known as the residual injury amount.

509. During verification we were able to establish a reasonable level of profit for an optical fibre manufacturing business in the UK. The methodology used to calculate the injury margins is set out in the sections below.

G9.1 Target price

510. The target price is the price that a UK producer would expect to sell its like goods at if it were not being affected by the dumped goods.

511. We calculated the target price by using the UK industry cost of production for the like goods, adding its AS&G costs, and applying a normal rate of profit. The normal rate of profit was set at 15% (profit margin) in this instance, which was based on historic data from the UK Industry and what the TRA believe is expected by the OFC industry under normal competition. This profit margin is higher than might be expected for other industries due to the high-investment nature of the goods and the need to invest in research and development to ensure the business is competitive.

G9.2 Landed price

512. The landed price is the price of the goods concerned when they arrive at the UK port. It equates to the CIF (Cost, Insurance and Freight) import price plus any relevant import duties and other costs associated with import.

513. We calculated the landed price by using the CIF UK export price of the sampled co-operating overseas exporters. The CIF value was provided in USD and YUAN, and the HMRC monthly exchange rate was used to convert the price to GBP.

G9.3 Residual injury margin

514. Regulation 38(3) of the Regulations states that the TRA may determine the residual amount using any reasonable means.

515. In line with regulation 38(4)(b) of the Regulations the TRA has determined the residual injury margin taking account of information contained in the applicant’s and overseas exporters’ questionnaires.

516. The residual injury margin has been set by using a method of selecting the highest injury margin established for a PCN that had high sales volume when compared to the total export volume during the POI.

G9.4 Injury margins

517. Using the approaches and data detailed above, we calculated the following injury margins for overseas exporters from the PRC.

Table 19: Injury margins

Country	Overseas exporter/producer	Injury margin
PRC	SDG group	64.5%
PRC	Non-sampled co-operating exporters	64.5%
PRC	All other overseas exporters (residual amount)	75%

Section H: Economic Interest Test

H1. Introduction

518. The aim of the Economic Interest Test (EIT) is to determine whether the application of an anti-dumping measure on the goods concerned is in the economic interest of the UK. The test is presumed to be met unless we are satisfied that the application of measures is not in the economic interest of the UK.

519. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the application of an anti-dumping measure if the application of the measure is in the economic interest of the UK.

520. The TRA may only recommend to the Secretary of State that an anti-dumping amount should be applied to the goods subject to a final affirmative determination where that recommendation meets the EIT, in accordance with paragraph 17(5) of Schedule 4 to the Act.

521. In line with paragraph 25 of Schedule 4 to the Act, the TRA has taken account of the following in conducting the EIT:

- the injury caused by the dumping of the goods to a UK industry in the like goods and the benefits to that UK industry in removing that injury;
- the economic significance of affected industries and consumers in the UK;
- the likely impact on affected industries and consumers in the UK;
- the likely impact on particular geographic areas, or particular groups, in the UK;
- the likely consequences for the competitive environment, and for the structure of markets for like goods, in the UK; and
- such other matters as the TRA considers relevant.

H2. Evidence base

522. Our primary evidence sources were questionnaire responses from interested parties. The following responses contained information relevant to the EIT:

- One response from the Applicant.
- One response from a downstream user and importer of OFC.

523. We invited several other stakeholders to participate in this investigation; however, no other parties submitted evidence in relation to the EIT.

524. We supplemented the questionnaire responses with evidence from background research and collated additional information from UK government data sources, and recognised market data providers. The TRA has also conducted research relating to parties that have not participated in this investigation.

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

H3. Injury caused by dumped imports from the PRC and benefits to UK Industry in removing injury

526. In the injury section, we found that the UK industry has been suffering injury as a result of the goods concerned.

527. An assessment of the 15 injury factors determined that the significant increase in imports of OFC from the PRC coincided with a deterioration of the UK industry. Several factors saw negative trends during the injury period, including profits, sales, market share, productivity and return on investments. We also found evidence of price undercutting with an average margin of 38.7% during the POI, which has led to price depression for the UK industry.

528. The injury assessment concluded that there would be further injury to the UK industry were an anti-dumping amount not imposed. This imposition of an anti-dumping amount would prevent further injury, allowing the UK industry to regain lost market share and improve their profitability.

H4. Economic significance of affected industries and consumers in the UK

529. This section sets out the relative size and significance of the affected industry and consumers within the OFC supply chain. From the available evidence, the TRA identified the following groups in the UK as potentially being affected by an anti-dumping measure

- upstream suppliers of raw materials;
- UK producers of OFC;
- distributors and importers of OFC;
- downstream industries; and
- consumers.

530. It should be noted that there is overlap between these groups. We have attributed all known businesses to one of these groups based on their principal activity to avoid double counting. Distributors and imports have been analysed together as many distributors are importers.

H4.1 Upstream businesses

531. We did not receive any submissions from upstream businesses, but we identified three upstream businesses based in the UK. These businesses supply raw materials to several industries, including the OFC industry.

532. Our analysis of the available evidence suggests less than 1% of the turnover of these upstream businesses comes from sales to OFC producers. Therefore, OFC is unlikely to be very important for these businesses.

H4.2 UK producers

533. There is one confirmed UK producer of OFC in the UK (see E1. Scope of the UK Industry). We received a questionnaire response from this one producer: the Applicant.

534. In 2021, the Applicant employed 1,035 people and their turnover was £543.3m. Their EDITDA margin was 6.9%. We estimate that their Gross Value Added (GVA) was £88.0m. The available evidence suggests that OFC are somewhat important to producers, when considering revenue from OFC sales relative to total company turnover.

H4.3 Distributors and Importers

535. Distributors and importers play a similar role in supplying OFC to downstream industries. Data was available for six of the 14 known distributors and importers of OFC. These firms employed 1,019 people across the UK based on accounts filed for the year 2021 and had a total turnover of £627.6m. They had an EBITDA margin of 1.6%. We estimate that their GVA was £64.5m.

536. The available evidence on purchases of OFC suggests that they are somewhat important to two of the six known businesses and unlikely to be very important for the other four.

H4.4 Downstream businesses

537. We identified 67 downstream businesses and received one questionnaire response. We selected 10 businesses that have the largest proportion of purchases of OFC based on available data. Based on accounts filed for the year 2021, these businesses employed 85,728 people and their total turnover was £22.7bn. For the same period, we estimate that their average EBITDA margin was 12.1% and their combined GVA was £3.1bn.

538. There are some firms operating within the main downstream industries, telecoms and broadband, that are vertically integrated. These tend to be larger firms, for example, some broadband providers are also network operators and own the infrastructure they use to provide their services to customers. Small firms generally rent the network with their main operation focused on the services provided to customers.

539. While OFC is used as an input for the downstream businesses identified, not all their employment can be directly attributed to OFC. For example, OFC is a key part of the infrastructure for fibre broadband, however operations for some businesses extend beyond this. For example, BT sales of TV packages, which are not directly related to OFC, will contribute to its employment and financial figures. The available evidence

suggests that OFC is somewhat important to a small number of the sampled firms when considering their purchases of OFC.

540. As OFC are used in various industries, the total number of downstream businesses is likely higher than those identified. We have no evidence to suggest that any of these industries are dependent on OFC imported from the PRC.

H4.5 Consumers

541. OFCs are themselves not typically regarded as a consumer good. They are a key part of the infrastructure in providing services to consumers, with the most widely used application in fibre broadband for internet connectivity.

H4.6 Summary table

542. Table 20 presents evidence on the economic significance for segments of the OFC supply chain. Based on the comparative metrics set out in the table, we believe OFC are a somewhat important product for the UK producer, distributors and importers, and downstream businesses.

Table 20: Summary table for the significance metrics for affected industries

	Upstream businesses	UK producers	Distributors and importers	Downstream businesses
Total known businesses	3	4	14	68
Total selected	3	1	6	10
Estimated importance of OFC to this group	Not very important (UK producer raw material costs vs upstream business turnover)	Somewhat important (OFC sales revenue vs whole business turnover)	Somewhat important (value of OFC purchases vs distributor/importer turnover)	Somewhat important (UK producer OFC sales revenue vs downstream business turnover)
Total employment of selected businesses	N/A	1,035	1,019	85,728
Total GVA of selected businesses (£m)	N/A	88.0	64.5	3,065.7
Total turnover of selected businesses (£m)	N/A	543.3	627.6	22,721.6
Average EBITDA margin for selected businesses (%)	N/A	6.9	1.6	12.1
Vulnerability to economic shocks	Low – company profitable across the IP, with profits increasingly in 2021	Low – producer remained profitable throughout the IP, with profits increasing in 2021	Medium – some companies experienced negative profits across the IP, whilst others were profitable	Low – most companies were profitable during the IP, only two firms experienced negative profits

Sources: Questionnaire responses, Companies House and Dun & Bradstreet.
Methodology: The importance of OFC to each of the groups 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 2017-2021, with gross profits being the measure of financial wellbeing used.

H5. Likely impact on affected industries and consumers

543. This section assesses how prices and quantities of products throughout the supply chain may vary with and without the imposition of an anti-dumping measure. We then assess the impact of any changes in prices and quantities on affected industries and consumers.

H5.1 Prices and quantities in the event an anti-dumping measure is imposed

544. The imposition of a measure is likely to increase the prices of imports from the PRC by up to the level of the anti-dumping amount (31.3%).

545. The higher price of imports following the imposition of a measure is likely to lead to a decrease in imports of OFC from the PRC. However, we do not expect an immediate decline as there may be outstanding orders to be completed for contacts agreed ahead of time between suppliers. Given that the UK producer has some available capacity, the decrease in imports from the PRC could be filled by increased domestic supply or imports from third countries in the long term. We expect demand to remain unchanged even if prices of domestically produced and imported OFC increase, due to the lack of comparable alternative products to OFC.

546. The prices for importers and distributors that source OFC from the PRC will likely increase by up to the level of the anti-dumping amount.

547. We expect overall consumption of OFC to either remain unchanged or increase. This is because evidence from questionnaire responses and background research suggests that demand for OFC is relatively insensitive to changes in prices given the importance of fibre broadband and the lack of substitutes for OFC, especially when comparing the speed of fibre broadband to alternatives. Demand from suppliers investing in faster broadband is expected to continue, particularly to fulfil infrastructure projects delayed due to the Covid pandemic. Additionally, Project Gigabit, the government's

programme to install fast broadband in hard-to-reach areas not included in suppliers' plans, will sustain demand for OFC.

548. Cost increases for downstream industries that use OFC will largely depend upon the nature of the product. For the main downstream industries that use OFC, such as broadband and telecoms, they are an essential part of the infrastructure. This means that cost increases could be passed to final consumers, where price increases will depend on factors such as competition, price sensitivity and substitutability of the downstream services.

549. As previously mentioned, some downstream businesses are vertically integrated, providing services to consumers whilst also managing the infrastructure as network operators. These firms may have the ability to absorb some of the cost increases rather than passing onto customers or may have increased leverage to pass some of the costs onto smaller firms who rent the broadband network to provide their services to customers. Smaller firms who are less able to absorb these cost increases are more likely to pass them onto their customers. This demonstrates the uncertainty around the extent to which the costs of tariffs may be passed on to customers.

550. The impact of a measure on broadband consumers depends on whether downstream industries increase prices due to a potential increase in their costs. Many providers include clauses in the terms and conditions of their contracts for yearly price increases in line with the Consumer Price Index (CPI) and to account for rising business costs. Therefore, increases in costs can be passed onto consumers in line with the percentages quoted in contracts, usually around 4-5%. Some providers will allow customers to switch suppliers within their contract period with no exit fees following price increases. For out-of-contract customers, price increases may be larger as broadband providers are able to increase prices. Other factors will also influence prices including supply of broadband, regional competition, and market segmentation, with some of these factors applying downward pressure on prices.

551. We have produced illustrative estimates of the potential increase in broadband prices for consumers from the imposition of the measure using publicly

available data. The EU Commission's final recommendation to impose an anti-dumping duty on OFC imported from the PRC stated that OFC represented 5-10% of total network costs based on information from interested parties. Using these EU Commission estimates in the absence of UK-specific evidence, and assuming that all additional costs are passed to consumers in a worst-case scenario, the proposed anti-dumping amount of 31.3% could translate into percentage price increases of 1.6% to 3.1%. Broadband prices paid by consumers can vary considerably, so we looked at data on the highest and lowest monthly broadband prices by city in the UK, an approximate range of £25 to £45. Applying the estimated percentage price increases to the range of broadband prices provides an illustrative monthly price increase of 40p to £1.40. However, this represents an illustrative worst-case scenario where all additional costs are passed on to consumers.

552. In reality, we expect the consumer impacts to be smaller. This is largely because of competition between broadband providers which may lead to downstream firms absorbing some of their increased costs to attract and retain customers. Moreover, there is no evidence that downstream firms are reliant on imports of OFC from the PRC and the market is competitive, which means there is the possibility for firms to source OFC from cheaper third country sources. Further, the OFC contained within broadband infrastructure typically has a long lifespan and is not regularly replaced, so downstream users of OFC would not regularly face increased costs that they may seek to pass on to their consumers.

H6. Prices and quantities in the event a measure is not imposed

553. Questionnaire responses suggest that UK demand for OFC is expected to increase alongside the overall growth of the fibre broadband sector. An increase in imports will be necessary to facilitate this increase in demand because, in the long term, domestic capacity to produce and supply OFC will not be sufficient. Current nationwide rollouts of fibre broadband, including Project Gigabit, are acting as a sustained source of demand for OFC, which

would likely continue with or without the imposition of an anti-dumping measure. This increased demand could lead to prices of OFC increasing.

554. If an anti-dumping measure is not imposed, dumped goods from the PRC will continue to displace domestically produced OFC. During the IP, the volume of imports from the PRC increased significantly. The price undercutting of dumped goods from the PRC will continue to cause injury. Consequently, quantities produced by the UK industry are likely to decline due to their inability to reduce prices to compete with the dumped goods.

555. Based on current trends, there is the possibility of further price undercutting, which may further depress prices of OFC in the UK market. However, if suppliers exit the market due to their inability to compete with imports from the PRC, the reduced competition may lead to an increase in prices, in the long term.

556. The UK producer highlighted the risk of further injury due to potential trade deflection from the EU to the UK after the EU's imposition of definitive anti-dumping duty on imports of OFCs on 17 November 2021 and countervailing measures on 18 January 2022. We acknowledge this risk, given the increase in imports of OFC from the PRC during the injury period.

557. If a measure is not imposed, we do not expect price increases for consumers. However, broadband customers may see price increases, in line with CPI as a minimum, as set out in the terms and conditions of their contracts. Additionally, government subsidisation of high-speed broadband in rural areas may lead to prices falling in the long-term.

558. From the parallel subsidy investigation, AS0022, there is a possibility that a countervailing duty will be applied to imports of OFC from the PRC even if an anti-dumping amount is not imposed, which could lead to some prices increases.

H7. Likely impact on affected industries and consumers

H7.1 UK producer

559. The imposition of a measure would prevent further injury to the UK industry. A measure will allow them to compete with fairly priced imports and thus maintain levels of production required to satisfy a growing domestic market.

560. The non-imposition of an anti-dumping measure is likely to see the UK industry continue to lose market share to dumped goods from the PRC due to their inability to reduce prices. This will likely lead to further deterioration of the domestic producers' market position in the long term.

H7.2 Distributors and importers

561. If an anti-dumping measure were to be imposed, the distributors and importers that source OFC from the PRC are likely to see prices increase by up to the level of the anti-dumping measure with no change expected for those who source OFC from third countries. The impact on the firms sourcing from the PRC will depend on the extent to which they can pass any cost increases onto their customers in downstream industries. As OFC are essential for some industries, particularly in the absence of substitutes, it is likely that distributors and importers will pass some cost increases on. Demand for imports may decrease slightly.

562. We do not expect any significant impacts on distributors and importers if an anti-dumping measure is not imposed. However, it is possible that they gain the market share lost by the UK producer.

H7.3 Downstream businesses

563. There is limited information to assess the impact for all downstream industries that use OFC as part of the infrastructure to provide services to consumers. If an anti-dumping measure is imposed, costs are likely to increase for some downstream businesses, which may be passed on to final consumers. The extent of this depends upon several factors, including the price sensitivity and substitutability of downstream services.

564. If an anti-dumping measure is not imposed, we do not expect downstream businesses to be significantly impacted in the short-term.

H7.4 Consumers

565. If a measure is imposed, there could be a small negative impact on individual consumers, which could translate into a material increase in costs for broadband to consumers in aggregate terms. However, as discussed earlier our illustrative estimates of price impacts represent a worst-case scenario and it is unlikely that these impacts would materialise due to competition between broadband suppliers, no evidence of suppliers being reliant on imports of OFC from the PRC and the possibility to source OFC from cheaper third country suppliers.

Table 21: Expected impacts on affected groups if an anti-dumping measure is imposed

Group	Expected impacts
UK producer	Significant positive impact for domestic producer
Distributors and importers	Small negative impact
Downstream businesses	Small negative impact
Consumers	Small negative impact on individual consumers, with a larger impact in aggregate terms

H8. Likely impact on particular geographic areas, or particular groups in the UK

566. This section considers how potential impacts of imposing a measure may be distributed geographically, and whether any particular groups might be disproportionately impacted.

H8.1 Likely impact on particular areas

567. The TRA considered the geographic areas where UK producers, distributors, importers, upstream and downstream industries were located, as identified through questionnaire responses. The stakeholders included in our analysis are limited to those identified during the investigation and therefore may not represent the complete OFC industry and related industries within the UK.

568. We assessed the significance of affected industries by examining the employment of affected industries as a proportion of total employment in each local area. However, due to the absence of granular data, it was not always possible to attribute employees within a firm to particular sites in the UK.

H8.2 UK producer

569. The UK producer operates four production sites across the UK and provided employment data for three of these sites. One site is located in South England, two sites in Wales and one in North-eastern England. The site that focuses on OFC is located in Eastleigh in South England. Employment is less than 1% proportion of total working-age population in this area so we do not expect the imposition or non-imposition of an anti-dumping measure to have any significant impacts.

H8.3 Distributors and Importers

570. We considered the locations of the selected distributors and importers using available evidence and found that sites for these companies are located across England. We do not expect significant impacts from the imposition or non-imposition of an anti-dumping measure as employment for each site was not a significant proportion of total employment in each area.

H8.4 Downstream businesses

343. For downstream businesses, which are predominantly broadband and telecoms providers and installers, we have limited information to analyse regional impacts. Although information on locations of headquarters is available, operation sites are far more extensive, particularly for larger firms. The pace at which high-speed fibre broadband is being rolled out across the UK also means that operations of downstream industries remain dynamic as they continue to expand.

H8.5 Likely Impact on Particular Groups

344. The TRA considered the likely impact on particular groups including those with protected characteristics as defined by the Equality Act 2010.

345. Broadband prices differ by region, due to reasons including speeds available and competition. This means that consumers in some parts of the UK could be subject to higher price increases than others. There are some broadband providers that offer social tariffs, cheaper broadband and phone packages, for individuals claiming benefits. This means low-income households, who would otherwise spend a larger share of their income on broadband, have access to cheaper broadband at the same speeds and may not be subject to price increases.

H8.6 Likely consequences for the competitive environment, and for the structure of the market, in the UK

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

- the impact on the number or range of suppliers;
- the impact on the ability of suppliers to compete;
- the impact on the incentives to compete vigorously; and
- the impact on the choices and information available to consumers.

H8.6.1 Background

347. There is one confirmed UK OFC producer, with 3 other cable producers with unknown OFC production volume and 14 known UK distributors and importers of OFC. There are also a range of suppliers in the PRC and third countries exporting to the UK. During the POI, the UK imported OFC from 73 countries, including the PRC.

348. We estimated that the UK producer accounted for approximately 50% of total domestic consumption of OFC during the POI. Imports from the PRC, as a percentage of total UK consumption, more-than-doubled during the same period, from 4.3% to 9.4%, demonstrating the increasing influence of imports from the PRC (The unit of measurement for the estimated market shares is fkm). The rest of the market was supplied by imports predominantly from Germany, India and Poland.

H8.6.2 The impact on the number or range of suppliers

349. The market for OFC has high barriers to entry in the form of technological expertise and investment. The level of expertise required to efficiently produce OFC at scale means that there is unlikely to be an increase in the number of UK producers with the imposition or non-imposition of a measure.

350. The imposition of a measure may lead to a reduction in the number or range of suppliers from the PRC. We expect the UK market to remain competitive, even if Chinese suppliers exit the market, as there are suppliers from a number of third countries exporting OFC to the UK. A measure will allow the UK industry to compete on a level playing field with imports from the PRC. Any reduction of OFC imports from the PRC will likely be fulfilled by domestic production, imports from third countries, or a combination of the two.

351. The number or range of suppliers is unlikely to change with the non-imposition of a measure.

H8.6.3 The impact on the ability of suppliers to compete

352. The imposition of a measure will increase the prices of dumped imports from the PRC, which is likely to reduce the ability of Chinese suppliers to compete. However, the removal of price undercutting will allow the UK industry to compete with imports of OFC from the PRC on a level playing field. The prevalence of imports, which are required to satisfy UK demand, suggests that suppliers in third countries will be able to compete with or without the imposition of a measure.

H8.6.4 The impact on the incentives to compete vigorously

353. There is no evidence to suggest that suppliers would face reduced incentives to compete vigorously with the imposition or non-imposition of a measure. The tender process requires vigorous competition, as suppliers need to fulfil the requirements of the tender, so we do not expect any significant impacts.

H8.6.5 Impact on the choices and information available to consumers

354. There is limited evidence to suggest that the choices and information available to consumers would be impacted by the imposition or non-imposition of a measure. The available evidence on how the market operates indicates that downstream industries have a choice between domestically produced versus imported OFC.

H9. Such other matter as the TRA considers relevant

355. As part of the EIT assessment, the TRA can consider any other factors that may be relevant in concluding whether the proposed measure is in the economic interest of the UK.

356. We found no evidence of any other relevant factors for this investigation and no evidence was submitted by interested parties.

H10. Conclusions

357. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the imposition of a measure if the application of the anti-dumping amount is in the economic interest of the UK. This test is presumed to be met unless the TRA is satisfied that the application of the anti-dumping amount is not in the economic interest of the UK.

358. As described within the injury section, we determined that the UK industry has been suffering injury due to the goods concerned. The injury assessment concluded that there would be further injury were a measure not recommended.

359. The economic significance section assessed the financial metrics of the different groups that make up the supply chain for OFC in the UK. We found that OFC was somewhat important to UK producers, distributors and importers, and downstream businesses.

360. In the impacts section we found that the imposition of a measure would prevent further injury to the UK industry. While the imposition of a measure would increase the price of the goods concerned by up to the level of the measure, it would allow the UK industry to compete on a level playing field.

The relative price inelasticity of OFC means that distributors and importers could pass increased costs onto their customers. This means downstream industries, that use the infrastructure OFC is part of, may increase prices for consumers, however this would depend on price sensitivity, competition and substitutability of downstream products and services. The impacts on consumers could be large in aggregate terms but small at an individual level. In contrast, not imposing a measure would cause further injury to the UK industry. The continued pressure on prices would further squeeze profit margins and could lead to declines in investment, which is unsustainable for an industry that is heavily investment driven.

361. We concluded that the imposition or non-imposition of a measure is not expected to have any geographical impacts due to sites being distributed across the UK and employment for each site being a small proportion of total employment in each area. There was no evidence of impacts on particular groups.

362. In the competition section, we determined that the market is competitive given the range of suppliers and due to businesses having to compete for tenders. The imposition of a measure would be unlikely to substantially affect the level of competition in the OFC market.

363. We have identified the following key positive impacts of imposing the measure:

- The UK industry would benefit due to prevention of further injury.
- The UK industry would be able to compete with imports on a level playing field, increase profitability and realise returns on its investments.

364. The contrasting key negative impacts are:

- Importers and distributors would be unable to source cheaper OFC from the PRC.
- Downstream industries may face increased input costs.

- The impact on consumers could be large in aggregate terms, when considering the potential price increases for broadband, but small at an individual level.

365. We do not have evidence to suggest that the potential negative impacts are disproportionate to the potential positive impacts. Though potentially material in aggregate terms, the illustrative impacts on consumers present a worst-case scenario and are likely to be smaller in reality whereas we consider that the impacts for the UK industry are more certain and severe. Therefore, having considered the evidence submitted by interested parties and all of the factors listed in the legislation, we conclude that the EIT is met.

Section I: Intended final determination and recommended measure

571. Our intended final determination is set out below.

572. We intend to make a final affirmative determination on imports of the goods concerned originating from the PRC as described in the NOI, that fall under commodity code: 8544700010.

573. The TRA has determined that the goods concerned that are the subject of the intended final determination have been or are being dumped into the UK and the dumped goods have caused or are causing injury to a UK Industry in those goods. The TRA has determined that the EIT is met for our intended final affirmative determination and we therefore intend to recommend to the Secretary of State that a definitive anti-dumping measure is imposed.

574. We intend to recommend that the Secretary of State impose an ad-valorem duty for a period of five years on the goods concerned subject to the final affirmative determination.

575. In accordance with paragraph 18(6) of Schedule 4 to the Act, the TRA intends to recommend that the Secretary of State impose the lower of the two margins (the dumping margin) as the anti-dumping amount. Individual company margins as well as the residual amount are shown below.

Table 22: Recommended ad-valorem duty rates

Country	Overseas exporter/producer	Dumping Margin	Injury Margin	Level of Duty
The PRC	SDG Group	31.3%	64.5%	31.3%
The PRC	Suzhou Furukawa Power Optic Cable Co.,Ltd.	31.3%	64.5%	31.3%
The PRC	Shanghai Wanbao Optical Technologies Co. Ltd	31.3%	64.5%	31.3%
The PRC	Ningbo Geyida Cable Technology Co.,Ltd	31.3%	64.5%	31.3%
The PRC	XDK Communication Equipment Huizhou Co., Ltd.	31.3%	64.5%	31.3%
The PRC	Jiangsu Fasten Optical Cable Co., Ltd.	31.3%	64.5%	31.3%
The PRC	Hengtong Optic-Electric co. Ltd.	31.3%	64.5%	31.3%
The PRC	ZheJiang JinYuan WanBao Optical Fiber Co. Ltd.	31.3%	64.5%	31.3%
The PRC	FibreHome Telecommunication Technologies Co Ltd	31.3%	64.5%	31.3%
The PRC	All other overseas exporters (residual amount)	44.6%	75%	44.6%

Annex A: Interested parties and contributors

Table 23: Summary of information received from Interested parties and contributors

	Interested Party/Contributor	Information Received	Status
1.	Prysmian Cables & Systems Ltd	Application, Pre-Sampling Questionnaire (PSQ), Questionnaire	Applicant
2.	Yangtze Optical Fibre and Cable Joint Stock Limited Company (YOFC)	PSQ	Non-cooperative
3.	Jiangsu Zhongtian Technology Co. Ltd (ZTT)	PSQ	Non-cooperative
4.	Shenzhen SDG Information Co. Ltd	PSQ, Questionnaire	Sampled
5.	Shenzhen SDGI Optical Network Technologies Co., Ltd.	PSQ, Questionnaire	Sampled
6.	Suzhou Furukawa Power Optic Cable Co.,Ltd.	PSQ, Questionnaire	Non-Sampled Exporter
7.	Shanghai Wanbao Optical Technologies Co. Ltd	PSQ	Non-Sampled Exporter
8.	Ningbo Geyida Cable Technology Co.,Ltd	PSQ	Non-Sampled Exporter
9.	XDK Communication Equipment Huizhou Co., Ltd.	PSQ	Non-Sampled Exporter
10.	Jiangsu Fasten Optical Cable Co., Ltd.	PSQ	Non-Sampled Exporter
11.	Hengtong Optic-Electric co. Ltd.	PSQ	Non-Sampled Exporter
12.	ZheJiang JinYuan WanBao Optical Fiber Co. Ltd.	PSQ	Non-Sampled Exporter
13.	FibreHome Telecommunication Technologies Co Ltd	PSQ	Non-Sampled Exporter
14.	Ministry of Commerce, PRC (MOFCOM)	Registration questionnaire (RQ)	Participant
15.	China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME)	RQ, Questionnaire, additional submisson	Participant

16.	BT Telecommunications plc (BT)	PSQ	Non-cooperative
17.	Mayflex	PSQ	Non-cooperative
18.	Corning Incorporated	RQ, Questionnaire response	Participant
19.	Turk Prysmian	RQ, Questionnaire response	Participant

Annex B: PCN Structure

Description	Value	Comments
Type of single mode optical fibre in the cable	A	Type G.652D
	B	Type G.657 A1
	C	Type G.657 A2
	D	Type G.654
	E	Other types of single mode optical fibre
Number of fibres in the cable	NNNNN	An optical fibre cable with 48 fibres would be marked as 00048
First (innermost) cable jacket	A	polyethylene (PE) + embedded radial strength member (RSM)
	B	polyethylene (PE) sheath
	C	Halogen Free Flame Retardant (HFFR)
	D	Other type of jacket