



A-122-855  
Investigation  
01/01/2014 – 12/31/2014  
**Public Document**  
E&C/OIV: KAG/CL/KH

DATE: October 6, 2015

MEMORANDUM TO: Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

FROM: Christian Marsh *CM*  
Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Determination of Sales at  
Less Than Fair Value: Certain Polyethylene Terephthalate Resin  
from Canada

---

## SUMMARY

The U.S. Department of Commerce (“the Department”) preliminarily determines that certain polyethylene terephthalate (“PET”) resin from Canada is being, or is likely to be, sold in the United States at less than fair value (“LTFV”) as provided in section 733(b) of the Tariff Act of 1930, as amended (“the Act”). The estimated weighted-average dumping margins are shown in the “Preliminary Determination” section of the accompanying *Federal Register* notice.

## BACKGROUND

On March 10, 2015, the Department received an antidumping duty (“AD”) petition concerning imports of PET resin from Canada,<sup>1</sup> which was filed in proper form by DAK Americas LLC, M&G Chemicals, and Nan Ya Plastics Corporation, America (“Petitioners”). In March 2015, the Department requested information and clarification of certain areas of the petition. Petitioner filed timely responses to these requests. On April 6, 2015, the Department published the notice of the initiation of the AD investigation of PET resin from Canada in the *Federal Register*.<sup>2</sup>

In the *Initiation Notice*, we set aside a period of time for parties to raise issues regarding product coverage (*i.e.*, the scope of the investigation), and instructed all parties to submit comments by

---

<sup>1</sup> See Petition for the Imposition of Antidumping Duties on Imports of Certain Polyethylene Terephthalate Resin from Canada, the People’s Republic of China, India, and the Sultanate of Oman and the Imposition of Countervailing Duties on Imports of Certain Polyethylene Terephthalate Resin from the People’s Republic of China, India, and the Sultanate of Oman, dated March 10, 2015 (“Petition”).

<sup>2</sup> See *Certain Polyethylene Terephthalate Resin From Canada, the People’s Republic of China India, and the Sultanate of Oman: Initiation of Less-Than-Fair-Value Investigations*, 80 FR 18376 (April 6, 2015) (“*Initiation Notice*”).



April 20, 2015, and to submit rebuttal comments by April 30, 2015. In addition, we set aside time for parties to submit comments regarding product characteristics, and instructed all parties to submit comments by April 20, 2015, and to submit rebuttal comments by April 27, 2015. Moreover, in the *Initiation Notice*, the Department stated that Petitioners identified only one company as a producer/exporter of PET resin in Canada, and that it knew of no additional producers/exporters of merchandise under consideration from Canada.<sup>3</sup> Accordingly, on April 27, 2015, the Department issued the AD questionnaire to the only known producer/exporter in Canada (*i.e.*, Selenis Canada Inc. (“Selenis Canada”)). Selenis Canada submitted timely responses to the Department’s AD questionnaire (sections A, B, C, and D) and corresponding supplemental questionnaires between May 26, 2015, and September 30, 2015. Petitioners submitted comments on Selenis Canada’s responses between June 3, 2015, and September 24, 2015.

On April 30, 2015, the U.S. International Trade Commission (“ITC”) preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of PET resin from Canada.<sup>4</sup> On March 10, 2015, pursuant to section 773(b) of the Act, Petitioners made a country-wide allegation that sales in the home market of Canada were made at or below the cost of production.<sup>5</sup> On July 21, 2015, Petitioners requested a postponement of the preliminary determination.<sup>6</sup> Between August 26, 2015 and September 21, 2015, Petitioners filed comments for the Department to consider in its preliminary determination.<sup>7</sup>

---

<sup>3</sup> See *Initiation Notice* at 18381.

<sup>4</sup> See *Certain Polyethylene Terephthalate Resin from Canada, China, India, and Oman*, 80 FR 24276 (April 30, 2015).

<sup>5</sup> On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015 (TPEA), which made numerous amendments to the AD and CVD law, including amendments to section 773(b)(2) of the Act, regarding the Department’s requests for information on sales at less than cost of production. See Trade Preferences Extension Act of 2015, Pub. L. No. 114-27, 129 Stat. 362 (2015) (TPEA). The 2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced the applicability dates for each amendment to the Act, except for amendments contained to section 771(7) of the Act, which relate to determinations of material injury by the ITC. See *Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793 (August 6, 2015) (*Applicability Notice*). Section 773(b)(2)(A)(ii) of the Act controls all determinations in which the complete initial questionnaire has not been issued as of August 6, 2015. It requires the Department to request constructed value and cost of production information from respondent companies in all AD proceedings. *Id.*, 80 FR at 46794-95. Here, the complete initial questionnaire was issued prior to the applicability date, and the Department requested this information from Selenis. The 2015 amendments may be found at <https://www.congress.gov/bill/114th-congress/house-bill/1295/text/pl>; see also the Petition.

<sup>6</sup> See Letter from Petitioners to the Secretary of Commerce “Investigation of Certain Polyethylene Terephthalate Resin from Canada, China, India, and Oman - Petitioners’ Request to Postpone Preliminary Determinations,” dated July 21, 2015.

<sup>7</sup> See Letter from Petitioners to the Secretary of Commerce “Investigation of Certain Polyethylene Terephthalate Resin from Canada - Petitioners’ Pre-Preliminary Determination Comments on Selenis Canada, Inc.’s Cost Responses,” dated August 26, 2015; see also Letter from Petitioners to the Secretary of Commerce “Investigation of Certain Polyethylene Terephthalate Resin from Canada - Petitioners’ Pre-Preliminary Determination Comments on Selenis Canada, Inc. Sales Responses,” dated September 3, 2015.

## **PERIOD OF INVESTIGATION**

The period of investigation (“POI”) is January 1, 2014, through December 31, 2014. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition, which was March 2015.<sup>8</sup>

## **POSTPONEMENT OF PRELIMINARY DETERMINATION**

On July 31, 2015, pursuant to section 733(c)(1)(A) of the Act, the Department postponed the preliminary determination. Specifically, the Department postponed the deadline for issuing the preliminary determination by 50 days.<sup>9</sup>

## **POSTPONEMENT OF FINAL DETERMINATION AND EXTENSION OF PROVISIONAL MEASURES**

In accordance with section 735(a)(2) of the Act, on September 30, 2015, Selenis Canada requested that the Department postpone the final determination and requested that the Department extend the application of provisional measures from four months to six months.<sup>10</sup> In accordance with section 735(a)(2)(A) of the Act and 19 CFR 351.210(b)(2)(ii) and (e)(2), because (1) our preliminary determination is affirmative, (2) the requesting exporter, Selenis Canada, accounts for a significant proportion of exports of the subject merchandise, and (3) no compelling reasons for denial exist, we are granting the request and are postponing the final determination until no later than 135 days after the publication of the accompanying preliminary determination notice in the *Federal Register*, and we are extending provisional measures from four months to a period not to exceed six months pursuant to section 773(d) of the Act and 19 CFR 351.210(e)(2). Suspension of liquidation described in the accompanying preliminary determination notice will be extended accordingly.

## **SCOPE OF THE INVESTIGATION**

The merchandise covered by this investigation is polyethylene terephthalate (“PET”) resin having an intrinsic viscosity of at least 0.70, but not more than 0.88, deciliters per gram. The scope includes blends of virgin PET resin and recycled PET resin containing predominantly virgin PET resin content, provided such blends meet the intrinsic viscosity requirements above. The scope includes all PET resin meeting the above specifications regardless of additives introduced in the manufacturing process.

The merchandise subject to this investigation is properly classified under subheading 3907.60.00.30 of the Harmonized Tariff Schedule of the United States (“HTSUS”). Although the

---

<sup>8</sup> See 19 CFR 351.204(b)(1).

<sup>9</sup> See *Certain Polyethylene Terephthalate Resin from Canada, the People’s Republic of China, India, and the Sultanate of Oman: Postponement of Preliminary Determinations of Antidumping Duty Investigations*, 80 FR 45640 (July 31, 2015).

<sup>10</sup> See Letter from the Selenis Canada to the Department regarding, “Polyethylene Terephthalate Resin (“PET Resin”) from Canada Request to Extend the Due Date of the Final Determination,” dated September 30, 2015.

HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

## **SCOPE COMMENTS**

In accordance with the preamble to the Department's regulations, we set aside a period of time for interested parties to raise issues regarding product coverage.<sup>11</sup> The Department specified that any such comments were due April 20, 2015, which was 21 calendar days from the signature date of the *Initiation Notice*, and any rebuttal comments were due by April 30, 2015.<sup>12</sup> However, no interested party submitted scope comments.

## **DISCUSSION OF METHODOLOGY**

### **Fair Value Comparisons**

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), to determine whether sales of PET resin from Canada to the United States were made at LTFV, we compared the export prices ("EP") to the normal value ("NV"), as described in the "U.S. Price" and "Normal Value" sections of this memorandum.

#### *1) Determination of the Comparison Method*

Pursuant to 19 CFR 351.414(c)(1), the Department calculates individual dumping margins by comparing weighted-average NVs to weighted-average EPs (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In LTFV investigations, the Department examines whether to compare weighted-average NVs to the EPs or CEPs of individual transactions (the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act.

In order to determine which comparison method to apply, in recent proceedings, the Department has applied a "differential pricing" analysis to determine whether application of the average-to-transaction comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.<sup>13</sup> The Department finds that the differential pricing analysis used in recent proceedings may be instructive for purposes of examining whether to apply an alternative comparison method in this investigation. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the average-to-average method in calculating weighted-average dumping margins.

The differential pricing analysis used in this preliminary determination requires a finding of a pattern of prices for comparable merchandise that differ significantly among purchasers, regions,

---

<sup>11</sup> See *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997).

<sup>12</sup> See *Initiation Notice*, 80 FR at 18376-18377.

<sup>13</sup> See, e.g., *Xanthan Gum From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33350 (June 4, 2013), and accompanying Issues and Decision Memorandum at Comment 3.

or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The differential pricing analysis used in this preliminary determination evaluates all purchasers, regions, and time periods to determine whether a pattern of significant price differences exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the customer codes reported by respondents. Regions are defined using the reported destination code (*i.e.*, zip code) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarters within the POI being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region, and time period, that the Department uses in making comparisons between EP (or CEP) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s *d* test is applied when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least 5 percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is calculated to evaluate the extent to which the net prices to a particular purchaser, region, or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant if the calculated Cohen’s *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

Next, the “ratio test” assesses the extent of the significant price differences for all sales as measured by the Cohen’s *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test account for 66 percent or more of the value of total sales, then the identified pattern of EPs and CEPs that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen’s *d* test as an alternative to the average-to-average method and application of the average-to-average method to those sales identified as not passing the Cohen’s *d* test. If 33 percent or less of the value of total sales passes the Cohen’s *d* test, then the results of the Cohen’s *d* test do not support consideration of an alternative to the average-to-average method.

If both tests in the first stage (*i.e.*, the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of CEPs and EPs that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, we examine whether using only the average-to-average method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis and, therefore, an alternative method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if (1) there is a 25 percent relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margin moves across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in this preliminary determination, including arguments for modifying the group definitions used in this proceeding.

## *2) Results of the Differential Pricing Analysis*

Based on the results of the differential pricing analysis, the Department finds that more than 33 percent and less than 66 percent of Selenis Canada's export sales pass the Cohen's *d* test, and confirm the existence of a pattern of EPs for comparable merchandise that differs significantly among purchasers, regions, or time periods.<sup>14</sup> Therefore, the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen's *d* test, and application of the average-to-average method to those sales identified as not passing the Cohen's *d* test (mixed alternative method). However, when comparing the weighted-average dumping margins calculated using the average-to-average method for all U.S. sales with those calculated using an alternative comparison method based on applying the mixed alternative method, there is not a meaningful difference in the results. Accordingly, the Department used the average-to-average method in making comparisons of EP and NV for Selenis Canada for this preliminary determination.

## **Product Comparisons**

In the *Initiation Notice*, we set aside a period of time for parties to raise issues regarding product characteristics and model matching. On April 23, 2015, Petitioners, OCTAL SAOC – FZC (“OCTAL”), Far Eastern Industries (Shanghai) Ltd. (“FESI”), and Oriental Industries (Suzhou) Ltd. (“OTIZ”) submitted comments on product characteristics. On April 30, 2015, Petitioners, OCTAL, and Dhunseri Petrochem Limited (“Dhunseri”) submitted rebuttal comments on the

---

<sup>14</sup> See Memorandum to the File, Through Robert Bolling, AD/CVD Operations, Office IV, from Karine Gziryan, AD/CVD Operations, Office IV, regarding “Analysis Memorandum for the Preliminary Determination of the Antidumping Duty Investigation of Certain Polyethylene Terephthalate Resin from Canada: Selenis Canada Inc.” (“Analysis Memo”), dated concurrently with this memorandum.

product characteristics. However, on May 7, 2015, the Department rejected Dhunseri's April 30, 2015, submission as untimely filed affirmative comments on product characteristics and not rebuttal comments.

We considered the comments that were submitted and established the appropriate product characteristics to use as a basis for defining models of the merchandise under consideration sold in the United States. The Department identified the following five criteria for matching U.S. sales of subject merchandise to NV: intrinsic viscosity, blend, copolymer/homopolymer, additives, and acetaldehyde content. On May 21, 2015, we requested Selenis Canada to report the product characteristics when replying to the Department's original questionnaire.<sup>15</sup>

In accordance with section 771(16) of the Act, all products produced by Selenis Canada, covered by the description in the "Scope of Investigation" section above, and sold in the comparison market during the POI, are considered to be foreign like product for purposes of determining appropriate product comparisons to U.S. sales. We relied on the above mentioned five physical characteristics and the model matching hierarchy to match U.S. sales of subject merchandise to comparison-market sales of the foreign like product. Where there were no sales of identical merchandise in the comparison market to serve as the basis for NV for subject merchandise sold in the United States, we used comparison market sales of the most-similar foreign like product on the basis of the reported product characteristics and model matching hierarchy to establish a NV for such U.S. sales.

### **Date of Sale**

In identifying the date of sale of the merchandise under consideration, the Department will normally, in accordance with 19 CFR 351.401(i), "use the date of invoice, as recorded in the exporter or producer's records kept in the normal course of business." In *Allied Tube*, the United States Court of International Trade ("CIT") held that a "party seeking to establish a date of sale other than invoice date bears the burden of producing sufficient evidence to 'satisfy' the Department that 'a different date better reflects the date on which the exporter or producer establishes the material terms of sale.'"<sup>16</sup> Additionally, the Department may use a date other than the date of invoice if it is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.<sup>17</sup> This normally includes the price, quantity, delivery terms and payment terms.<sup>18</sup> Selenis Canada reported the sales invoice date as the date of sale for its U.S. and home market sales because all material terms are set at the time

---

<sup>15</sup> See Letters from the Department to All Interested Parties, dated May 21, 2015, requesting respondents to report product characteristics in response to the April 27, 2015, original questionnaire response.

<sup>16</sup> See *Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090 (CIT 2001) (quoting 19 CFR 351.401(i)) ("*Allied Tube*").

<sup>17</sup> See 19 CFR 351.401(i); see also *Allied Tube*, 132 F. Supp. 2d at 1090-1092.

<sup>18</sup> See, e.g., *Carbon and Alloy Steel Wire Rod From Trinidad and Tobago: Final Results of Antidumping Duty Administrative Review*, 72 FR 62824 (November 7, 2007), and accompanying Issue and Decision Memorandum at Comment 1; *Notice of Final Determinations of Sales at Less Than Fair Value; Certain Cold-Rolled Flat-Rolled Carbon Quality Steel Products from Turkey*, 65 FR 15123 (March 21, 2000), and accompanying Issues and Decision Memorandum at Issue 2 "Date of Sale," Comment 1.

of invoice.<sup>19</sup> Accordingly, we preliminarily determine that the invoice date is the appropriate date of sale for Selenis Canada.

### **U.S. Price**

Section 772(a) of the Act defines EP as “the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c).” In accordance with section 772(a) of the Act, we used the EP methodology for Selenis Canada sales because the merchandise under consideration was sold directly to the first unaffiliated purchaser in the United States before the date of importation by the producer or exporter of the merchandise under consideration outside the United States. During the POI, Selenis Canada sold subject merchandise directly to unaffiliated U.S. customers.<sup>20</sup> We preliminarily find that all of Selenis Canada’s sales in this investigation are EP sales.

We based EP on packed prices to the first unaffiliated customer for all sales destined for the United States. We based the starting price on the prices to unaffiliated purchasers in, or for exportation to, the United States. In accordance with section 772(c)(2)(A) of the Act, where appropriate, we made deductions from the starting price (gross unit price) for movement expenses. Also where appropriate, we made deductions to the starting price for selling expenses and, in accordance with 19 CFR 351.401(c), for price adjustments (*i.e.*, discounts, rebates).

### **Normal Value**

#### **1. Comparison-Market Viability**

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we normally compare the respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with sections 773(a)(1)(A) and (B) of the Act. If we determine that no viable home market exists, we may, if appropriate, use a respondent's sales of the foreign like product to a third country market as the basis for comparison market sales in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

In this investigation, we determined that the aggregate volume of home market sales of the foreign like product for Selenis Canada was greater than five percent of the aggregate volume of its U.S. sales of the subject merchandise. Therefore, we used home market sales as the basis for NV for Selenis Canada, in accordance with section 773(a)(1)(B) of the Act.

---

<sup>19</sup> See Selenis Canada’s Section C Response dated June 19, 2015 at C-13; *see also* Selenis Canada’s Section B Response dated June 19, 2015 at B-14.

<sup>20</sup> See Supplemental Section A response of Selenis Canada dated June 30, 2015 (“SAQR”), at 7 and Exhibit SA-7.



## 2. Level of Trade

In accordance with section 773(a)(1)(B)(i) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade (“LOT”) as the EP or constructed export price (“CEP”).<sup>21</sup> The LOT for NV is based on the starting prices of sales in the home market or, when NV is based on constructed value (“CV”), those of the sales from which we derived selling, general, and administrative expenses and profit.<sup>22</sup> For EP, the LOT is based on the starting price, which is usually the price from the exporter to the importer.<sup>23</sup> In this investigation, Selenis Canada reported EP sales to the United States.

To determine if the home-market sales are made at a different LOT than EP sales, we examined stages in the marketing process and the selling functions performed along the chain of distribution between the producer and the unaffiliated customer.<sup>24</sup> If home-market sales are at a different LOT and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and home-market sales made at the LOT of the export transaction, then we make a LOT adjustment to NV. Namely, when the Department is unable to match U.S. sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, the Department may compare the U.S. sale to sales at a different LOT in the comparison market. In comparing EP or CEP sales at a different LOT in the comparison market, where available data make it possible, we make an LOT adjustment under section 773(a)(7)(A) of the Act and 19 CFR 351.412.<sup>25</sup>

First, with respect to home-market sales, we examined the differences in selling functions reported in Selenis Canada’s responses to our requests for information. Selenis Canada reported two channels of distribution in the home market: direct sales to original equipment manufacturers and direct sales to trading companies.<sup>26</sup> We found that the selling activities associated with selling to each of the two channels of distribution do not differ. We also found no differences in the intensity of any of the selling functions. Because there are no differences in selling functions, we preliminarily determine that the two channels of distribution constituted a single level of trade in the home market.

Next, regarding EP sales of subject merchandise to U.S. customers, all of Selenis Canada’s U.S. sales were found to be EP sales. Though Selenis Canada made these sales through two channels of distribution (*i.e.*, original equipment manufacturer and trading companies), Selenis Canada reported the same selling activities associated with sales to all U.S. customers.<sup>27</sup> We examined these channels of distribution and preliminarily determined that all EP sales constitute one LOT.<sup>28</sup>

---

<sup>21</sup> See also section 773(a)(7)(A) of the Act.

<sup>22</sup> See 19 CFR 351.412(c)(1)(iii).

<sup>23</sup> See 19 CFR 351.412(c)(1)(i).

<sup>24</sup> See 19 CFR 351.412(c)(2).

<sup>25</sup> See, *e.g.*, *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731, 61732-61733 (November 19, 1997).

<sup>26</sup> See Section A response of Selenis Canada dated May 27, 2015 (“AQR”) at 12 through 15 and Exhibits A-3 and A-4.

<sup>27</sup> *Id.*; see also Selenis Canada’s Section C Response dated June 19, 2015 at C-13

<sup>28</sup> See AQR at Exhibit A-4.

After review of Selenis Canada's selling functions, we preliminarily determine that its EP selling activities are at the same or a similar level of intensity for all customers and terms of delivery. The selling function chart submitted by Selenis Canada,<sup>29</sup> shows that Selenis Canada performed corresponding selling activities at the same intensity in both the U.S. and comparison market. Therefore, we preliminarily find that, during the POI, the respondent sold merchandise under consideration and foreign like product at the same LOT. Accordingly, all comparisons of EP to NV are at the same LOT, and a LOT adjustment pursuant to section 773(a)(7)(A) of the Act is not warranted.

### 3. Calculation of Normal Value Based on Comparison Market Prices

We calculated NV for Selenis based on the reported packed, ex-factory or delivered prices to its comparison market customers. Pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(b), we made, where appropriate, circumstance-of-sale adjustments. We added U.S. packing costs and deducted home market packing costs, in accordance with sections 773(a)(6)(A) and (B)(i) of the Act.

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise for Selenis Canada, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign-like product and subject merchandise.<sup>30</sup> For detailed information on the calculation of NV, *see* Analysis Memorandum.

### 4. Calculation of NV Based on CV

In accordance with section 773(e) of the Act, and where applicable, we calculated CV based on the sum of Selenis Canada's material and fabrication costs, SG&A expenses, profit and U.S. packing costs, as adjusted. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expenses and profit on the amounts incurred and realized by Selenis Canada in connection with the production and sale of the foreign like product at the most similar LOT as the U.S. sale, as discussed above, in the ordinary course of trade, for consumption in the comparison market.

We made adjustments to CV for differences in circumstances of sale, in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410.

### **Cost of Production**

As noted in the Background section above, we received a country-wide allegation from Petitioners that sales of PET resin in the Canadian market were made at prices below the cost of production ("COP") during the POI. Based on our analysis of these allegations, we found that there were reasonable grounds to believe or suspect that sales of PET resin in the home market

---

<sup>29</sup> *Id.*

<sup>30</sup> *See* 19 CFR 351.411(b).

were made at prices below their COPs. Accordingly, on April 6, 2015, the Department initiated a sales-below-COP investigation Selenis Canada's sales.<sup>31</sup>

### 1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the cost of materials and fabrication for the foreign like product, plus an amount for general and administrative expenses, interest expenses, and comparison market packing costs.<sup>32</sup> We examined the cost data and preliminarily determined that our quarterly cost methodology is not warranted. Therefore, we applied our standard methodology of using annual costs based on the reported data, as adjusted, as described below.<sup>33</sup> We relied on the COP data provided by Selenis Canada in its September 4, 2015, submission. We revised the financial expense rate numerator to exclude certain income items and the financial expense rate denominator to exclude certain general income and expense items to ensure that both the calculated rate and what it is applied to are on the same basis.<sup>34</sup>

### 2. Test of Comparison Market Sales Prices

On a product-specific basis, pursuant to section 773(b)(1)(B) of the Act, we compared the adjusted weighted-average COPs to the home market sales prices of the foreign like product, in order to determine whether the sale prices were below the COPs. For purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices for Selenis Canada were net of billing adjustments, movement charges, direct and indirect selling expenses and packing expenses, where appropriate.<sup>35</sup>

### 3. Results of the COP Test

In determining whether to disregard comparison market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act whether: (1) within an extended period of time, such sales were made in substantial quantities; and, (2) such sales were made at prices which permit recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with section 773(b)(2)(C) of the Act, where less than 20 percent of the respondent's comparison market sales of a given product are at prices less than the COP within an extended period of time within the meaning of section 773(b)(2)(B) of the Act, we do not disregard any below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in

---

<sup>31</sup> See *Initiation Notice* at 18379.

<sup>32</sup> See "Test of Comparison Market Sales Prices" section, below, for treatment of comparison market selling expenses.

<sup>33</sup> See *Diffusion-Annealed, Nickel-Plated Flat-Rolled Steel Products From Japan: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 78 FR 69371 (November 19, 2013) and accompanying Preliminary Decision Memorandum at Section D "Cost of Production."

<sup>34</sup> See Memorandum to Neal M. Halper from Gina Lee: "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination of the Antidumping Duty Investigation of Certain Polyethylene Terephthalate Resin from Canada: Selenis Canada Inc." ("Selenis Canada Preliminary Cost Calculation Memo"), dated concurrently with this memorandum.

<sup>35</sup> See Analysis Memorandum.

“substantial quantities.”<sup>36</sup> Where 20 percent or more of a respondent’s sales of a given product are at prices less than the COP within an extended period of time, we disregard the below-cost sales when, based on our comparison of prices to the weighted-average COPs for the POI, they were at prices which would not permit the recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act. Because we are applying our standard annual-average cost test in this preliminary determination, we also applied our standard cost recovery test with no adjustments.

We found that, for certain products, more than 20 percent of Selenis Canada’s comparison market sales were made within an extended period of time at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. We therefore excluded these sales and used the remaining sales as the basis for determining NV, in accordance with section 773(b)(1) of the Act.<sup>37</sup>

## CURRENCY CONVERSION

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415(a), based on the exchange rates in effect on the date of the U.S. sales as certified by the Federal Reserve Bank.

## VERIFICATION

As provided in section 782(i) of the Act, we intend to verify information relied upon in making our final determination.

## RECOMMENDATION

We recommend applying the above methodology for this preliminary determination.

  
\_\_\_\_\_  
Agree

\_\_\_\_\_  
Disagree

  
\_\_\_\_\_  
Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

6 OCTOBER 2015  
(Date)

<sup>36</sup> See *Diffusion-Annealed, Nickel-Plated Flat-Rolled Steel Products From Japan: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 78 FR 69371 (November 19, 2013) and accompanying Preliminary Decision Memorandum at Section D “Cost of Production.”

<sup>37</sup> See Analysis Memorandum.