



A-122-861
Investigation
Public Document
ADCVDopsII: JT

DATE: March 12, 2018

MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

FROM: James Maeder
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations
performing the duties of Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Determination in the
Less-Than-Fair-Value Investigation of Certain Uncoated
Groundwood Paper from Canada

I. SUMMARY

The Department of Commerce (Commerce) preliminarily determines that certain uncoated groundwood paper (UGW paper) 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 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.

II. BACKGROUND

On August 9, 2017, Commerce received antidumping duty (AD) and countervailing duty (CVD) petitions covering imports of UGW paper from Canada, filed on behalf of North Pacific Paper Company (the petitioner).¹ Prior to Commerce’s initiation of this investigation, we received a request from White Birch Paper Canada Company and its three wholly-owned paper mills, Papier Masson WB LP, FF Soucy WB LP, and Stadacona WP LP (collectively, White Birch Paper), to participate as a voluntary respondent.² We also received a request from Catalyst Paper Company (Catalyst) to participate as a voluntary respondent.³

¹ See the Petitions for the Imposition of Antidumping and Countervailing Duties on Uncoated Groundwood Paper from Canada, dated August 9, 2017 (the Petition).

² See White Birch Paper’s Letter, “Certain Uncoated Groundwood Paper from Canada, Case No. A-122-861: Request for Voluntary Respondent Treatment,” dated August 29, 2017. White Birch Paper reiterated this request twice on August 30, 2017, and again on September 15, 2017.

³ See Catalyst’s Letter, “Certain Uncoated Groundwood Paper from Canada: Catalyst’s Entry of Appearance,



On September 1, 2017, we initiated an AD investigation on UGW paper from Canada.⁴ In the *Initiation Notice*, Commerce notified parties of an opportunity to comment on the physical characteristics to be used in matching products and the scope of this and the companion CVD investigation.⁵ Commerce received timely comments on the appropriate physical characteristics in September 2017.⁶ Commerce received timely scope comments, on the record of this and the companion CVD investigation, from September 2017 through March 2018.⁷

Also in the *Initiation Notice*, Commerce stated that, where appropriate, it intended to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports of UGW paper under the appropriate Harmonized Tariff Schedule of the United States subheadings.⁸ Accordingly, on August 31, 2017, and September 1, 2017, we released the CBP data to all interested parties under an administrative protective order, and requested comments regarding the data and respondent selection.⁹

Application for Administrative Protective Order, and Request for Voluntary Respondent Treatment,” dated August 28, 2017. Catalyst reiterated this request on September 19, 2017, and September 21, 2017. See Catalyst’s Letter, “Certain Uncoated Groundwood Paper from Canada: Catalyst’s Response to White Birch Paper Regarding Voluntary Respondent Treatment and Conditional Request for Voluntary Respondent Treatment,” dated September 19, 2017; and Catalyst’s Letter, “Certain Uncoated Groundwood Paper from Canada: Catalyst’s Second Response to White Birch Paper Regarding Voluntary Respondent Treatment,” dated September 21, 2017.

⁴ See *Certain Uncoated Groundwood Paper from Canada: Initiation of Less-Than-Fair-Value Investigation*, 82 FR 41599 (September 1, 2017) (*Initiation Notice*).

⁵ See *Initiation Notice*, 82 FR at 41599-41600.

⁶ See Petitioner’s Letter, “Certain Uncoated Groundwood Paper from Canada/Petitioner’s Comments on Product Characteristics,” dated September 18, 2017; Resolute FP Canada Inc.’s (Resolute’s) Letter, “Certain Uncoated Groundwood Paper from Canada: Product Characteristics Comments,” dated September 18, 2017; White Birch Paper’s Letter, “Certain Uncoated Groundwood Paper from Canada, Case No. A-122-861: Comments on Product Characteristics and Model Matching Hierarchy,” dated September 18, 2017; Petitioner’s Letter, “Certain Uncoated Groundwood Paper from Canada/ Rebuttal Comments on Resolute’s and White Birch Paper’s Product Characteristics Comments,” dated September 28, 2017; White Birch Paper’s letter, “Certain Uncoated Groundwood Paper from Canada, Case No. A-122-861: Rebuttal Comments on Product Characteristics and Model Matching Hierarchy,” dated September 28, 2017; Resolute’s Letter, “Certain Uncoated Groundwood Paper from Canada: Product Characteristics Rebuttal Comments,” dated September 28, 2017; and Catalyst’s Letter, “Certain Uncoated Groundwood Paper from Canada: Catalyst’s Rebuttal Comments on Product Characteristics,” dated September 28, 2017.

⁷ See Catalyst’s Letter, “Certain Uncoated Groundwood Paper from Canada: Catalyst’s Scope Comments,” dated September 18, 2017; the Government of British Columbia’s Letter, “Uncoated Groundwood Paper from Canada: Scope Comments of the Government of British Columbia,” dated September 18, 2017; the Government of Canada’s Letter, “Uncoated Groundwood Paper from Canada: Scope Comments of the Government of Canada,” dated September 18, 2017; Petitioner’s Letter, “Certain Uncoated Groundwood Paper from Canada/ Rebuttal Comments to Catalyst, the Government of Canada, and the Government of British Columbia Scope Comments,” dated September 28, 2017; Petitioner’s Letter, “Certain Uncoated Groundwood Paper from Canada: Additional Comments on Scope,” dated October 2, 2017; Kruger Trois-Rivières’s Letter, “Uncoated Groundwood Paper from Canada: Additional Scope Comments Rebuttal of Kruger Trois-Rivières L.P.,” dated October 10, 2017; Petitioner’s Letter, “Certain Uncoated Groundwood Paper from Canada: Additional Comments on Scope,” dated November 13, 2017; Petitioner’s Letter, “Certain Uncoated Groundwood Paper from Canada: Additional Comments on Scope,” dated December 29, 2017; and Petitioner’s Letter, “Certain Uncoated Groundwood Paper from Canada: Additional Comments on Scope Regarding Directory Paper,” dated March 5, 2018.

⁸ See *Initiation Notice*, 82 FR at 41602.

⁹ See Memoranda, “Antidumping Duty Investigation of Certain Uncoated Groundwood Paper from Canada: Customs Data for Use in Respondent Selection,” dated August 31, 2017, August 31, 2017, and September 1, 2017.

On September 5, 2017, we received comments from certain interested parties identifying deficiencies in the CBP data placed on the record.¹⁰ These parties argued that these data were fundamentally flawed, such that they could not be used as the basis of respondent selection.¹¹ Therefore, they requested that Commerce solicit quantity and value (Q&V) data from the producers of subject merchandise named in the Petition and use these data as the basis for respondent selection in this investigation. After examining the CBP data, we agreed that data contained certain flaws which made the CBP data unreliable for respondent selection purposes, and on September 5, 2017, we solicited Q&V data from all known producers or exporters of subject merchandise.¹² We received responses to these questionnaires on September 7, 2017,¹³ as well as comments on these responses on September 11, 2017.¹⁴

On September 22, 2017, Commerce limited the number of respondents selected for individual examination to the two largest publicly-identifiable producers/exporters of the subject merchandise, by volume.¹⁵ Accordingly, we selected Catalyst and Resolute as mandatory respondents in this investigation and, on September 25, 2017, we issued the AD questionnaire to them.

¹⁰ See Alberta Newsprint Company's (ANC's) Letter, "Uncoated Groundwood Paper from Canada: Initial Comments on CBP Data and Respondent Selection," dated September 5, 2017 (ANC Respondent Selection Comments); Resolute's Letter, "Uncoated Groundwood Paper from Canada: Comments on CBP Data and Respondent Selection," dated September 5, 2017 (Resolute Respondent Selection Comments); and White Birch Paper's Letter, "Certain Uncoated Groundwood Paper from Canada, Case No. A-122-861: Comments on CBP Data and Respondent Selection," dated September 5, 2017 (White Birch Respondent Selection Comments).

¹¹ See ANC Respondent Selection Comments at 2; Resolute Respondent Selection Comments at 2 to 3; and White Birch Respondent Selection Comments at 6.

¹² See Commerce Letter re: Quantity and Value Questionnaire, dated September 7, 2017.

¹³ See ANC's Letter, "Uncoated Groundwood Paper from Canada: Response to Quantity and Value Questionnaire," dated September 7, 2017; Catalyst's Letter, "Certain Uncoated Groundwood Paper from Canada: Catalyst's Response to the Department's Quantity and Value Questionnaire," dated September 7, 2017; Corner Brook Pulp and Paper Limited's Letter, "Uncoated Groundwood Paper from Canada: Quantity and Value Response," dated September 7, 2017; Kruger Trois-Rivières's Letter, "Uncoated Groundwood Paper from Canada: Quantity and Value Response," dated September 7, 2017; Irving Paper Limited's Letter, "Antidumping Duty Investigation of Certain Uncoated Groundwood Paper from Canada: Submission of Quantity and Value Data," dated September 7, 2017; Resolute's Letter, "Uncoated Groundwood Paper from Canada: Response to Quantity and Value Questionnaire," dated September 7, 2017; Tembec, Inc.'s Letter, "Uncoated Groundwood Paper from Canada Response to Quantity and Sales Value Questionnaire," dated September 7, 2017; White Birch Paper's Letter, "Certain Uncoated Groundwood Paper from Canada, Case No. A-122-861: Quantity and Value Questionnaire Response," dated September 7, 2017; and White Birch Paper's Letter, "Certain Uncoated Groundwood Paper from Canada, Case No. A-122-861: {Revised} Response to Quantity and Value Questionnaire," dated September 7, 2017.

¹⁴ See Resolute's Letter, "Uncoated Groundwood Paper from Canada: Comments on Quantity and Value Questionnaire Responses," dated September 11, 2017; White Birch Paper's Letter, "Certain Uncoated Groundwood Paper from Canada, Case No. A-122-861: Comments on Quantity and Value Questionnaire Responses," dated September 11, 2017; and Petitioner's Letter, "Certain Uncoated Groundwood Paper from Canada/ Rebuttal Comments on Kruger Quantity and Value Response - Antidumping Investigation, dated September 11, 2017.

¹⁵ See Memorandum, "Respondent Selection for the Less-Than-Fair-Value Investigation of Certain Uncoated Groundwood Paper from Canada," dated September 22, 2017 (Respondent Selection Memo).

On October 5, 2017, we reassessed our resource availability and concluded that, should White Birch Paper timely file responses to all sections of the questionnaires issued in these investigations, Commerce would examine it as a voluntary respondent.¹⁶

In October and November 2017, Resolute, Catalyst, and White Birch Paper submitted timely responses to sections A-D of Commerce's AD questionnaire, *i.e.*, the sections relating to general information, home market sales, U.S. sales, and cost of production (COP)/constructed value (CV), respectively.¹⁷ From October 2017 through February 2018, we issued supplemental questionnaires to Resolute, Catalyst, and White Birch Paper, and from November 2017 through February 2018, we received timely responses to these questionnaires.¹⁸

On November 29, 2017, we determined that it was appropriate to collapse Resolute and its affiliate Donohue Malbaie Inc. (Malbaie) and treat them as a single entity, hereinafter referred to as Resolute.¹⁹ On this same date, we also determined that it was appropriate to collapse White Birch Paper and its affiliates Papier Masson WB LP, FF Soucy WB LP, and Stadacona WB LP, and treat them as a single entity, hereinafter referred to as White Birch Paper.²⁰

On December 5, 2017, the petitioner requested that Commerce postpone the preliminary determination of this investigation.²¹ Commerce granted the petitioner's request and, on October

¹⁶ See Memorandum, "AD/CVD Investigations of Uncoated Groundwood Paper from Canada," dated October 5, 2017.

¹⁷ See White Birch Paper's October 16, 2017, Section A Questionnaire Response (White Birch Paper AQR); Resolute's October 18, 2017, Section A Questionnaire Response (Resolute AQR); Catalyst's October 23, 2017, Section A Questionnaire Response (Catalyst AQR); Catalyst's November 13, 2017, Section B Questionnaire Response (Catalyst BQR); White Birch Paper's November 13, 2017, Section B Questionnaire Response (White Birch Paper BQR); White Birch Paper's November 13, 2017, Section C Questionnaire Response (White Birch Paper CQR); White Birch Paper's November 13, 2017, Section D Questionnaire Response; Catalyst's November 14, 2017, Section C Questionnaire Response (Catalyst CQR); Catalyst's November 14, 2017, Section D Questionnaire Response; Resolute's November 14, 2017, Section B Questionnaire Response (Resolute BQR); Resolute's November 14, 2017, Section C Questionnaire Response (Resolute CQR); and Resolute's November 14, 2017, Section D Questionnaire Response.

¹⁸ See Resolute's November 8, 2017, Supplemental Section A Questionnaire Response (Resolute SAQR); White Birch Paper's November 8, 2017, Supplemental Section A Questionnaire Response; Catalyst's November 13, 2017, Supplemental Section A Questionnaire Response; Catalyst's December 14, 2017, Supplemental Section D Questionnaire Response; Resolute's December 15, 2017, Supplemental Section D Questionnaire Response; Resolute's December 19, 2017, Supplemental Sections B and C Questionnaire Response; White Birch Paper's December 19, 2017, Supplemental Section D Questionnaire Response; Resolute's December 20, 2017, Sections B-C Supplemental Response; Catalyst's December 28, 2017, Supplemental Sections B and C Questionnaire Response; White Birch Paper's January 5, 2018, Supplemental Sections A-C Questionnaire Response, corrected by White Birch Paper's January 8, 2018, Notice of Correction to Sections A-C Supplemental Questionnaire Response; Catalyst's January 23, 2018, Supplemental Section D Questionnaire Response; White Birch Paper's February 2, 2018, Sections A-C Supplemental Questionnaire Response; Resolute's February 5, 2018, Sections B-C Supplemental Questionnaire Response; White Birch Paper's February 9, 2018, Sections A-C Supplemental Questionnaire Response; and Resolute's February 20, 2018, Section D Supplemental Response.

¹⁹ See Memorandum, "Whether to Collapse Resolute FP Canada Inc. and Donohue Malbaie Inc. in the Antidumping Duty Investigation of Certain Uncoated Groundwood Paper from Canada," dated November 29, 2017.

²⁰ See Memorandum, "Antidumping Duty Investigation of Uncoated Groundwood Paper from Canada: White Birch Paper Canada Company Preliminary Affiliation and Collapsing Memorandum," dated November 29, 2017.

²¹ See Petitioner's Letter, "Antidumping Duty Investigation of Certain Uncoated Groundwood Paper from Canada: Petitioners' Request for Postponement of Preliminary Determination," dated December 5, 2017.

15, 2017, we postponed the date of the preliminary determination until no later than March 7, 2018, in accordance with section 733(c)(1)(A) of the Act and 19 CFR 351.205(e).²²

On January 23, 2018, Commerce exercised its discretion to toll all deadlines affected by the closure of the Federal Government from January 20 through January 22, 2018. If the new deadline falls on a non-business day, in accordance with Commerce's practice, the deadline will become the next business day. The revised deadline for the preliminary determination of this investigation is now March 12, 2018.²³

On January 29, 2018, we corrected the Respondent Selection Memo to identify Catalyst Pulp and Paper Sales, Inc., rather than Catalyst Paper Corporation, as one of the selected mandatory respondents in this investigation.²⁴ On this same date, we also determined that it was appropriate to collapse Catalyst Pulp and Paper Sales, Inc. and Catalyst Paper General Partnership and treat them as a single entity, hereinafter referred to as Catalyst.²⁵

We are conducting this investigation in accordance with section 733(b) of the Act.

III. PERIOD OF INVESTIGATION

The period of investigation (POI) is July 1, 2016, through June 30, 2017. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition.²⁶

IV. SCOPE COMMENTS

In accordance with the preamble to Commerce's regulations,²⁷ the *Initiation Notice* set aside a period of time for parties to raise issues regarding product coverage, *i.e.*, scope.²⁸ Certain interested parties commented on the scope of this investigation as it appeared in the *Initiation Notice*. For discussion of the changes to the scope from that identified in the *Initiation Notice*, see the "Scope Comments" section of the accompanying *Federal Register* notice.

V. DISCUSSION OF THE METHODOLOGY

Comparisons to Fair Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether Catalyst's, Resolute's, and White Birch Paper's sales of subject merchandise from

²² See *Certain Uncoated Groundwood Paper from Canada: Postponement of Preliminary Determination in the Less-Than-Fair-Value Investigation*, 82 FR 60586 (December 21, 2017).

²³ See Memorandum, "Deadlines Affected by the Shutdown of the Federal Government," dated January 23, 2018. All deadlines in this segment of the proceeding have been extended by three days.

²⁴ See Memorandum, "Correction to Respondent Selection Memorandum and Decision Whether to Collapse Catalyst Paper General Partnership and Catalyst Pulp and Paper Sales Inc. in the Antidumping Duty Investigation of Certain Uncoated Groundwood Paper from Canada," dated January 29, 2018 (Catalyst Collapsing Memo).

²⁵ See Catalyst Collapsing Memo.

²⁶ See 19 CFR 351.204(b)(1).

²⁷ See *Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997).

²⁸ See *Initiation Notice*, 82 FR at 41559.

Canada to the United States were made at LTFV, Commerce compared the export price (EP) or constructed export price (CEP), as appropriate, to the normal value (NV), as described in the “Export Price/Constructed Export Price,” and “Normal Value” sections of this memorandum.

A) Determination of Comparison Method

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

In recent investigations, Commerce has applied a “differential pricing” analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.²⁹ Commerce finds that the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this investigation. Commerce will continue to develop its approach in this area based on comments received in this and other proceedings, and on Commerce’s additional experience with addressing the potential masking of dumping that can occur when Commerce uses the average-to-average method in calculating a respondent’s weighted-average dumping margin.

The differential pricing analysis used in this preliminary determination examines whether there exists a pattern of export prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. 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 analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported consolidated customer codes. 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 quarter within the POI based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region, and time period, that Commerce uses in making comparisons between EP or CEP and NV for the individual dumping margins.

²⁹ See, e.g., *Xanthan Gum from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33351 (June 4, 2013); *Steel Concrete Reinforcing Bar from Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); and *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* coefficient is a generally recognized statistical measure of the extent of the difference between the mean, *i.e.*, weighted-average price, of a test group and the mean, *i.e.*, weighted-average price, of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region, or time period each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is used to evaluate the extent to which the prices to the particular purchaser, region, or time period differ significantly from the 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 (0.2, 0.5 and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen’s *d* test, 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 prices 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 prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, Commerce examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, Commerce tests whether using an alternative comparison 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, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison 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 margins 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 margins between the average-to-average method and the appropriate alternative method move 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.³⁰

B) Results of the Differential Pricing Analysis

Catalyst

For Catalyst, based on the results of the differential pricing analysis, Commerce preliminarily finds that 88.67 percent of the value of U.S. sales pass the Cohen's *d* test,³¹ and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, for this preliminary determination, Commerce is applying the average-to-average method to all U.S. sales to calculate the weighted-average dumping margin for Catalyst, in accordance with 19 CFR 351.414(c)(1) and (d).

Resolute

For Resolute, based on the results of the differential pricing analysis, Commerce preliminarily finds that 53.10 percent of the value of U.S. sales pass the Cohen's *d* test,³² and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to those U.S. sales that passed the Cohen's *d* test and the average-to-average method to those sales that did not pass the Cohen's *d* test. Thus, for this preliminary determination, Commerce is applying the average-to-average method to all U.S. sales to calculate the weighted-average dumping margin for Resolute, in accordance with 19 CFR 351.414(c)(1) and (d).

³⁰ The Court of Appeals for the Federal Circuit (CAFC) in *Apex Frozen Foods v. United States*, 862 F.3d 1322 (Fed. Cir. 2017) recently affirmed much of Commerce's differential pricing methodology. We ask that interested parties present only arguments on issues which have not already been decided by the CAFC.

³¹ See Memorandum, "Preliminary Determination Margin Calculation for Catalyst," dated March 12, 2018 (Catalyst Preliminary Calculation Memo).

³² See Memorandum, "Preliminary Determination Margin Calculation for Resolute," dated March 12, 2018 (Resolute Preliminary Calculation Memo).

White Birch Paper

For White Birch Paper, based on the results of the differential pricing analysis, Commerce preliminarily finds that 58.25 percent of the value of U.S. sales pass the Cohen's *d* test,³³ and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to those U.S. sales that passed the Cohen's *d* test and the average-to-average method to those sales that did not pass the Cohen's *d* test. Thus, for this preliminary determination, Commerce is applying the average-to-average method to all U.S. sales to calculate the weighted-average dumping margin for White Birch Paper, in accordance with 19 CFR 351.414(c)(1) and (d).

VI. DATE OF SALE

Section 351.401(i) of Commerce's regulations states that, in identifying the date of sale of the subject merchandise or foreign like product, Commerce normally will use the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business. Additionally, Commerce 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.³⁴

Catalyst reported the invoice date as the date of sale for all home market and U.S. sales.³⁵ Resolute and White Birch Paper reported the date of sale as the earlier of the invoice date or the shipment date for all home market and U.S. sales.³⁶ Commerce has a long-standing practice of finding that, where the shipment date precedes the invoice date, the shipment date better reflects the date on which the material terms of sale are established.³⁷ Therefore, we preliminarily used the earlier of the invoice date or the shipment date as the date of sale in both markets for each respondent, in accordance with our practice.³⁸

³³ See Memorandum, "Preliminary Determination Margin Calculation for White Birch Paper," dated March 12, 2018 (White Birch Paper Preliminary Calculation Memo).

³⁴ See 19 CFR 351.401(i); see also *Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090 (CIT 2001) (quoting 19 CFR 351.401(i)).

³⁵ See Catalyst BQR at 18 and Catalyst CQR at 16. None of the reported shipment dates for Catalyst's home market and U.S. sales preceded the reported invoice date.

³⁶ See Resolute BQR at 11-12 and Resolute CQR at 11; see also White Birch Paper BQR at 18 and White Birch Paper CQR at 16.

³⁷ See, e.g., *Certain Frozen Warmwater Shrimp from Thailand: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review*, 72 FR 52065 (September 12, 2007), and accompanying Issues and Decision Memorandum (IDM) at Comment 11; see also *Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams from Germany*, 67 FR 35497 (May 20, 2002), and accompanying IDM at Comment 2.

³⁸ *Id.*

VII. PRODUCT COMPARISONS

In accordance with section 771(16) of the Act, we considered all products produced and sold by the respondents, Catalyst, Resolute, and White Birch Paper, in Canada during the POI that fit the description in the “Scope of Investigation” section of the accompanying *Federal Register* notice to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. We compared U.S. sales to sales made in the home market, where appropriate. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade or CV, as appropriate.

In making product comparisons, we matched foreign like products based on the physical characteristics reported by Catalyst, Resolute, and White Birch Paper in the following order of importance: form, brightness, basis weight, and color.

VIII. EXPORT PRICE/CONSTRUCTED EXPORT PRICE

For certain U.S. sales made by Catalyst, we used EP methodology, in accordance with section 772(a) of the Act, for sales where the subject merchandise was first sold by the producer/exporter outside of the United States directly to the first unaffiliated purchaser in the United States prior to importation and CEP methodology was not otherwise warranted. For all U.S. sales made by Resolute and White Birch Paper, and Catalyst’s remaining U.S. sales, we used CEP methodology, in accordance with section 772(b) of the Act, because the subject merchandise was sold in the United States by a U.S. seller affiliated with the respondent and EP methodology was not otherwise warranted.

Catalyst

With respect to Catalyst’s EP sales, we calculated EP based on packed prices to unaffiliated purchasers in the United States. We made adjustments, where appropriate, from the starting price for billing adjustments, discounts, and rebates. We also made deductions from the starting price, where appropriate, for movement expenses (*i.e.*, inland freight to warehouse expenses, inland freight to customer expenses (offset by freight revenue), inland insurance, warehousing expenses, brokerage and handling expenses, and dunnage and other ancillary movement charges), in accordance with section 772(c)(2)(A) of the Act. We capped freight revenue by the amount of inland freight to customer expenses incurred on EP sales,³⁹ in accordance with our practice.⁴⁰

For Catalyst’s CEP sales, we calculated CEP based on packed prices to unaffiliated purchasers in the United States. We made adjustments, where appropriate, from the starting price for billing adjustments, discounts, and rebates. We also made deductions from the starting price, where

³⁹ For further discussion, *see* Catalyst Preliminary Calculation Memo.

⁴⁰ *See, e.g., Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Final No Shipment Determination*, 77 FR 63291 (October 16, 2012) (*OJ from Brazil 2012*), and accompanying IDM at Comment 6.

appropriate, for movement expenses (*i.e.*, inland freight to warehouse expenses, inland freight to customer expenses (offset by freight revenue), inland insurance, warehousing expenses, brokerage and handling expenses, and dunnage and other ancillary movement charges), in accordance with section 772(c)(2)(A) of the Act. We capped freight revenue by the amount of inland freight to customer expenses on CEP sales,⁴¹ in accordance with our practice.⁴²

In accordance with section 772(d)(1) of the Act, we calculated CEP by deducting selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (*i.e.*, imputed credit expenses, warranty expenses, and Paper Checkoff Promotion fees) and indirect selling expenses (*i.e.*, inventory carrying costs and other indirect selling expenses). Finally, we made an adjustment for profit allocated to these expenses, in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by Catalyst and its U.S. affiliate, Catalyst Paper U.S.A., on their sales of the subject merchandise in the United States and the profit associated with those sales.

Resolute

We calculated CEP based on packed prices to unaffiliated purchasers in the United States. We made adjustments, where appropriate, from the starting price for billing adjustments, discounts, and rebates. We also made deductions, from the starting price, where appropriate, for movement expenses (*i.e.*, inland freight to warehouse expenses, inland freight to customer expenses, brokerage and handling expenses, and warehousing expenses), in accordance with section 772(c)(2)(A) of the Act.

In accordance with section 772(d)(1) of the Act, we calculated CEP by deducting selling expenses associated with economic activities occurring in the United States, including direct selling expenses (*i.e.*, imputed credit expenses, warranty expenses, and Paper Checkoff Promotion fees), and indirect selling expenses (*i.e.*, inventory carrying costs and other indirect selling expenses). Where appropriate, we also made an adjustment to price for the cost of post-production processing expenses incurred in Canada, in accordance with section 772(d)(2) of the Act. We also made an adjustment for profit allocated to CEP selling expenses, in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by Resolute and its U.S. affiliate, Resolute US, on their sales of the subject merchandise in the United States and the profit associated with those sales.

Resolute requested that Commerce apply the special rule for merchandise with value added after importation under section 772(e) of the Act with respect to sales of newsprint produced by Malbaie and sold to the New York Times Co. (New York Times), who, with Resolute, co-owned Malbaie during the POI.⁴³ We granted Resolute's request not to report the New York Times'

⁴¹ See *OJ from Brazil 2012* at Comment 6.

⁴² For further discussion, see Catalyst Preliminary Calculation Memo.

⁴³ See Resolute's Letter, "Certain Uncoated Groundwood Paper from Canada: Request to Limit Reporting in the Initial Antidumping Questionnaire," dated October 10, 2017; and Resolute's Letter, "Uncoated

sales of newspapers produced from newsprint produced by the Malbaie mill.⁴⁴ As there is a sufficient quantity of Resolute's sales of subject merchandise to unaffiliated U.S. parties for comparison purposes, and without any objection from the petitioner, we relied on Resolute's other sales of subject merchandise to unaffiliated parties in the United States as the basis for calculating CEP for Resolute's sales that are further manufactured in the United States, pursuant to section 772(e) of the Act.⁴⁵

Finally, Resolute sold a small quantity of UGW paper in the United States which undergoes further processing in the United States by an unaffiliated company. Because: 1) the quantity of these transactions in the United States is small; and 2) without objection from the petitioner, we permitted Resolute not to report the processing costs associated with these sales,⁴⁶ we did not include these sales in our margin calculation.⁴⁷

White Birch Paper

We calculated CEP based on packed prices to unaffiliated purchasers in the United States. We made adjustments, where appropriate, from the starting price for billing adjustments, discounts, and rebates. We also made deductions from the starting price, where appropriate, for movement expenses (*i.e.*, inland freight expenses, insurance expenses, warehousing expenses, U.S. brokerage and handling expenses, and other U.S. transportation and handling expenses), in accordance with section 772(c)(2)(A) of the Act.

In accordance with section 772(d)(1) of the Act, we also deducted selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (*i.e.*, imputed credit expenses, bank charges, and commissions) and indirect selling expenses (*i.e.*, inventory carrying costs and other indirect selling expenses). Finally, we made an adjustment for profit allocated to CEP selling expenses, in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the

Groundwood from Canada: Response to Limited Reporting Questionnaire," dated October 25, 2017.

⁴⁴ See Commerce's Letter, "Antidumping Duty Investigation of Uncoated Groundwood Paper from Canada," dated October 30, 2017.

⁴⁵ See, *e.g.*, *Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Preliminary Results of the 18th Antidumping Duty Administrative Review, and Partial Rescission*, 77 FR 54891, 54895 (September 6, 2012); unchanged in *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2010 to 2011*, 78 FR 16247 (March 14, 2013).

Resolute also reported making certain sales during the POI directly to the New York Times. See Resolute CQR at C-2. The New York Times is the co-owner of Resolute's affiliate, Malbaie. Thus, we find that Resolute and the New York Times are affiliated parties under section 771(33)(F) of the Act. Because there is a sufficient quantity of sales of subject merchandise to unaffiliated parties for comparison purposes, we have also relied on Resolute's other sales of subject merchandise to unaffiliated parties in the United States as the basis for calculating CEP for Resolute's sales to the New York Times in our analysis. For further discussion, see Resolute Preliminary Calculation Memo.

⁴⁶ See Resolute's Letter, "Certain Uncoated Groundwood Paper from Canada: Request to Be Excused from Completing Section E of the Department's Questionnaire," dated November 28, 2017; and Commerce's letter, "Antidumping Duty Investigation of Uncoated Groundwood Paper from Canada," dated November 30, 2017.

⁴⁷ For further discussion, see Resolute Preliminary Calculation Memo.

expenses incurred by White Birch Paper and its U.S. affiliate, White Birch Management Corporation, on their sales of the subject merchandise in the United States and the profit associated with those sales.⁴⁸

IX. NORMAL VALUE/CONSTRUCTED VALUE

A) Home 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 respondents' 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 each of the respondents 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 Catalyst, Resolute, and White Birch Paper, in accordance with section 773(a)(1)(B) of the Act.

B) Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).⁴⁹ Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.⁵⁰ In order to determine whether the comparison market sales are at different stages in the marketing process than the U.S. sales, we examine the distribution system in each market, *i.e.*, the chain of distribution, including selling functions and class of customer (customer category), and the level of selling expenses for each type of sale.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for EP and comparison market sales, *i.e.*, NV based on either home market or third country prices,⁵¹ we consider the

⁴⁸ For further discussion, *see* White Birch Paper Preliminary Calculation Memo.

⁴⁹ *See* 19 CFR 351.412(c)(2).

⁵⁰ *Id.*; *see also* *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not to Revoke Antidumping Duty Order in Part*, 75 FR 50999 (August 18, 2010) (*OJ from Brazil 2010*), and accompanying IDM at Comment 7.

⁵¹ Where NV is based on CV, we determine the NV LOT based on the LOT of the sales from which we derive selling, general and administrative expenses (SG&A), and profit for CV, where possible. *See* 19 CFR 351.412(c)(1).

starting prices before any adjustments. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.⁵²

When Commerce is unable to match sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, Commerce may compare the U.S. sale to sales at a different LOT in the comparison market. In comparing EP or CEP sales to sales at a different LOT in the comparison market, where available data make it possible, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales only, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability, *i.e.*, no LOT adjustment is possible, Commerce will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.⁵³

In this investigation, we obtained information from Catalyst, Resolute, and White Birch Paper regarding the marketing stages involved in making reported home market and U.S. sales, including a description of the selling activities performed for each channel of distribution. Our LOT findings are summarized below.

Catalyst

In the home market, Catalyst reported that it made sales through three channels of distribution: 1) shipments directly from the mill to the customer; 2) shipments from the mill through the Surrey Distribution Center (SDC) to the customer; and 3) shipments from the mill through the SDC and a third-party warehouse to the customer.⁵⁴ According to Catalyst, it performed the following selling activities for all three sales channels: sales forecasting; sales promotion; distributor/dealer training; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; technical assistance; provision of rebates; provision of cash discounts; provision of informal guarantees; provision of after-sales services; and provision of freight and delivery. Catalyst also stated that it performs these services at a similar level of intensity across all home market sales channels.⁵⁵

Selling activities can be generally grouped into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery services; 3) inventory maintenance and warehousing; and 4) warranty and technical support. Based on these selling function categories, we find that Catalyst performed sales and marketing, freight and delivery services, inventory maintenance and warehousing, and warranty and technical support for all sales in the home market. According to 19 CFR 351.412(c)(2), Commerce will determine that sales are made at different LOTs if they are made at different marketing stages (or their equivalent). Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stage of marketing. Because we find that there were no differences in the selling activities Catalyst performed to sell to its home market customers, we determine that there is one LOT in the home market for Catalyst.

⁵² See *Micron Tech., Inc. v. United States*, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

⁵³ See, e.g., *OJ from Brazil 2010* at Comment 7.

⁵⁴ See Catalyst AQR at 13-15 and Exhibit A-5.

⁵⁵ *Id.* at 15-19 and Exhibit A-6.

With respect to the U.S. market, Catalyst reported that it made sales through four channels of distribution: 1) sales directly from the mill to the customer; 2) shipments from the mill through the SDC to the customer; 3) shipments from the mill through the SDC and a U.S. warehouse to the customer; and 4) shipments from the mill through the U.S. warehouse to the customer.⁵⁶

With respect to all four U.S. sales channels, Catalyst reported that it performed the following selling activities: sales forecasting; sales promotion; distributor/dealer training; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; technical assistance; provision of rebates; provision of cash discounts; provision of informal guarantees; provision of after-sales services; and provision of freight and delivery. Catalyst also stated that it performs these services at a similar level of intensity across all U.S. sales channels.⁵⁷

Accordingly, based on the selling function categories noted above, we find that Catalyst performed sales and marketing, freight and delivery services, inventory maintenance and training, and warranty and technical support for all of its reported U.S. sales. Therefore, because Catalyst performs the same selling functions across all four U.S. sales channels, we determine that all U.S. sales are at the same LOT.

Finally, we compared the U.S. LOT to the home market LOT, and found that the selling functions Catalyst performed for its U.S. and home market customers do not differ. Therefore, we preliminarily determine that Catalyst's sales to the United States and home market during the POI were made at the same LOT and, as a result, no LOT adjustment or CEP offset is warranted.

Resolute

In the home market, Resolute reported that it made sales through two channels of distribution (*i.e.*, direct sales from the mill and sales from the mill through a Canadian warehouse).⁵⁸

According to Resolute, it performed the following selling activities for both sales channels: sales forecasting; sales promotion, personnel training/exchange; order input/processing; direct sales personnel; sales/marketing support; technical assistance; provide warranty service; and freight and delivery arrangement. Resolute stated that that it performs these services at a similar level of intensity across all home market sales channels.⁵⁹ For sales through a Canadian warehouse, Resolute also performed inventory maintenance and warehousing activities.

As noted above, selling activities can be generally grouped into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery services; 3) inventory maintenance and warehousing; and 4) warranty and technical support. Based on these selling function categories, we find that Resolute performed sales and marketing, freight and delivery services, and warranty and technical support for all of its home market sales, as well as inventory maintenance and warehousing for its sales through a Canadian warehouse. According to 19 CFR 351.412(c)(2), Commerce will determine that sales are made at different LOTs if they are made at different marketing stages (or their equivalent). Substantial differences in selling activities are

⁵⁶ *Id.* at 13-15 and Exhibit A-5.

⁵⁷ *Id.* at 15-19 and Exhibit A-6.

⁵⁸ See Resolute AQR at 15-16.

⁵⁹ *Id.* at 18-20 and Exhibit A-7; see also Resolute SAQR at Exhibit SA-1.

a necessary, but not sufficient, condition for determining that there is a difference in the stage of marketing. Except for the additional inventory maintenance and warehousing performed for sales through a Canadian warehouse, we find that there were no significant differences in the selling activities Resolute performed to sell to its home market customers. Further, we find that these additional selling activities are not sufficient to establish a separate LOT for these sales.⁶⁰ Accordingly, we determine that there is one LOT in the home market for Resolute.

With respect to the U.S. market, Resolute reported that it made sales through four channels of distribution: 1) direct sales from the mill (channel 1); 2) sales from the mill through a Canadian warehouse (channel 2); 3) sales from the mill through a U.S. warehouse (channel 3); and 4) consignment sales (channel 4).⁶¹ Resolute reported that it performed the following selling activities for sales through all of its U.S. sales channels: sales forecasting; sales promotion, personnel training/exchange; order input/processing; direct sales personnel, sales/marketing support; technical assistance; provide warranty service; and freight and delivery arrangement. Resolute also stated that it performs these services at a similar level of intensity across all U.S. sales channels.⁶² In addition, for sales through channels 2, 3, and 4, Resolute also performed inventory maintenance and warehousing activities.

Accordingly, based on the selling function categories noted above, we find that Resolute performed sales and marketing, freight and delivery services, and warranty and technical support for all U.S. sales, and inventory maintenance and warehousing for U.S. sales through channels 2, 3, and 4. Except for the additional inventory maintenance and warehousing performed for sales through channels 2, 3, and 4, we find that there were no significant differences in the selling activities Resolute performed to sell to its U.S. customers. As discussed above, we do not find that the difference in the inventory maintenance and warehousing function between sales through channel 1, and sales through channels 2, 3, and 4, is significant enough to establish sales through channel 1 as a separate LOT.⁶³ Therefore, because the selling functions Resolute performed for its four U.S. sales channels do not differ significantly, such that we would consider these channels to be separate marketing stages, we determine that all U.S. sales are at the same LOT.

Finally, we compared the U.S. LOT to the home market LOT, and found that the selling functions Resolute performed for its U.S. and home market customers do not differ significantly. Therefore, we preliminarily determine that Resolute's sales to the United States and home

⁶⁰ See, e.g., *Stainless Steel Bar from France: Preliminary Results of Antidumping Duty Administrative Review*, 70 FR 17411, 17414 (April 6, 2005) (“{w}e find that the pre-sale warehousing selling activity...is not a sufficient basis in and of itself to distinguish separate LOTs between direct ex-works and inventory sales.”); unchanged in *Stainless Steel Bar from France: Final Results of Antidumping Duty Administrative Review*, 70 FR 46482 (August 10, 2005), and accompanying IDM at Comment 4 (*SS Bar from France*).

⁶¹ See Resolute AQR at 15-17.

⁶² While the chart at Exhibit SA-1 of the Resolute SAQR indicates that Resolute did not perform some of the selling activities for its sales to Resolute US, Resolute stated in its narrative response that it performs these activities to some degree for most or all U.S. sales. See AQR at 18-20 and Exhibit A-7; and Resolute SAQR at 5-8 and Exhibit SA-1. In addition, we note that Resolute states that it “provides sales support activities (including marketing strategy and development, advertising and promotion, customer support and distribution) to Resolute US for sales of UGW Paper.” See Resolute AQR at 7.

⁶³ See, e.g., *SS Bar from France* at Comment 4.

market during the POI were made at the same LOT and, as a result, no LOT adjustment or CEP offset is warranted.

White Birch Paper

In the home market, White Birch Paper reported that it made sales through two channels of distribution (*i.e.*, direct sales from the mill and sales from the mill through a third-party distributor/broker).⁶⁴ White Birch Paper reported that it performed the following selling activities for both sales channels: sales forecasting; strategic/economic planning; personnel training/exchange; engineering services; advertising; sales promotion; distributor/dealer training; procurement/sourcing services; packing; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; provide rebates; provide cash discounts; pay commissions; provide warranty service; provide guarantees; provide after-sale services; perform repacking; provide freight and delivery; and provide post-sale warehousing. White Birch Paper also indicated that it performs these services at a similar level of intensity for both home market sales channels.⁶⁵

As noted above, selling activities can be generally grouped into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery; 3) inventory maintenance and warehousing; and 4) warranty and technical support. Based on these selling function categories, we find that White Birch Paper performed sales and marketing, inventory maintenance and warehousing, freight and delivery services, and warranty and technical support for all of its home market sales. According to 19 CFR 351.412(c)(2), Commerce will determine that sales are made at different LOTs if they are made at different marketing stages (or their equivalent). Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stage of marketing. Because we find that there were no differences in the selling activities performed by White Birch Paper to sell to its home market customers, we determine that there is one LOT in the home market for White Birch Paper.

With respect to the U.S. market, White Birch Paper also reported that it made sales through two channels of distribution (*i.e.*, direct sales from the mill and sales from a mill through a third-party distributor/broker).⁶⁶ White Birch Paper reported that it performed the following selling activities for both U.S. sales channels: sales forecasting; strategic/economic planning; personnel training/exchange; engineering services; advertising; sales promotion; distributor/dealer training; procurement/sourcing services; packing; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; provide rebates; provide cash discounts; pay commissions; provide warranty service; provide guarantees; provide after-sale services; perform repacking; provide freight and delivery; and provide post-sale warehousing. White Birch Paper also indicated that it performs these services at a similar level of intensity for both U.S. sales channels.⁶⁷

⁶⁴ See White Birch Paper AQR at 15 and Exhibit A-7.

⁶⁵ *Id.* at 16 and Exhibit A-21.

⁶⁶ *Id.* at 15 and Exhibit A-7.

⁶⁷ *Id.* at 16 and Exhibit A-21.

Based on the selling function categories discussed above, we find that White Birch Paper performed sales and marketing, inventory maintenance and warehousing, freight and delivery services, and warranty and technical support for all of its U.S. sales. Because we find that there were no differences in the selling activities performed by White Birch Paper to sell to its U.S. customers, we determine that all U.S. sales are at the same LOT.

Finally, we compared the U.S. LOT to the home market LOT, and we find that the selling functions White Birch Paper performed for its U.S. and home market customers do not differ significantly. Therefore, we preliminarily determine that White Birch Paper's sales to the United States and home market during the POI were made at the same LOT and, as a result, no LOT adjustment or CEP offset is warranted.

C) Cost of Production Analysis

In accordance with section 773(b)(2)(A)(ii) of the Act, Commerce requested COP information from each respondent. We examined their respective cost data and determined that our quarterly cost methodology is not warranted for any of the respondents, and therefore, we are applying our standard methodology of using annual costs based on each respondent's reported data.

1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of costs of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses and interest expenses.

We relied on the COP data submitted by Catalyst and White Birch Paper without adjustment. However, for Resolute, we adjusted the company's reported direct material costs for bark purchased from other company divisions in order to reflect market values.⁶⁸

2. Test of Comparison Market Sales Prices

On a product-specific basis, pursuant to section 773(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 sales prices were below the COPs. For purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices were exclusive of any applicable billing adjustments, discounts and rebates, where applicable, movement charges, actual direct and indirect selling expenses, and packing expenses.

3. Results of the COP Test

In determining whether to disregard home 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 permitted the recovery of all costs within a reasonable period of time in the

⁶⁸ See Memorandum, "Resolute's Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination," dated March 12, 2018.

normal course of trade. In accordance with sections 773(b)(2)(B) and (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, 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 "substantial quantities." Where 20 percent or more of a respondent's sales of a given product are at prices less than the COP, we disregard the below-cost sales when: 1) they were made within an extended period of time in "substantial quantities," in accordance with sections 773(b)(2)(B) and (C) of the Act; and, 2) 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.

We found that, for certain products, more than 20 percent of each respondent's home market sales during the POI were 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, if any, as the basis for determining NV, in accordance with section 773(b)(1) of the Act.

D) Calculation of NV Based on Comparison-Market Prices

Catalyst

We calculated NV based on delivered or ex-factory prices to unaffiliated customers. We made adjustments, where appropriate, from the starting price for billing adjustments, discounts, and rebates, in accordance with 19 CFR 351.401(c). We also made deductions from the starting price for inland freight to warehouse expenses, inland freight to customer expenses (offset by freight revenue), dunnage and other ancillary movement charges, and warehousing expenses, where appropriate, under section 773(a)(6)(B)(ii) of the Act. We capped freight revenue by the amount of inland freight to customer expenses, in accordance with our practice, as discussed above under "Export Price/Constructed Export Price" section of this memorandum, above.

We deducted home market packing costs and added U.S. packing costs, in accordance with section 773(a)(6)(A) and (B) of the Act. For comparisons to EP sales, we made adjustments under section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410 for differences in circumstances of sale. Specifically, we deducted direct selling expenses incurred for home market sales (*i.e.*, imputed credit expenses, commissions, and warranty expenses), and added U.S. direct selling expenses (*i.e.*, imputed credit expenses, commissions, Paper Checkoff Promotion fees, and export credit risk insurance expenses). We also made adjustments, in accordance with 19 CFR 351.410(e), for indirect selling expenses incurred in the home market or the United States where commissions were granted on sales in one market but not in the other, also known as the "commission offset." Specifically, where commissions were incurred in only one market, we limited the amount of such allowance to the amount of either the indirect selling expenses incurred in the one market or the commissions allowed in the other market, whichever was less.

For comparisons to CEP sales, we deducted imputed credit expenses and warranty expenses, pursuant to section 773(a)(6)(C) of the Act.

When comparing U.S. sales with home market sales of similar merchandise, we also made adjustments for differences in costs attributable to differences in the physical characteristics of 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.⁶⁹

Resolute

We calculated NV based on delivered or ex-factory prices to unaffiliated customers. We made adjustments, where appropriate, from the starting price for billing adjustments, discounts, and rebates in accordance with 19 CFR 351.401(c). We also made deductions from the starting price for inland freight expenses and warehousing expenses, where appropriate, under section 773(a)(6)(B)(ii) of the Act.

We deducted home market packing costs and added U.S. packing costs, in accordance with section 773(a)(6)(A) and (B) of the Act. We also deducted, where appropriate, imputed credit expenses, warranty expenses, and post-production processing expenses, pursuant to section 773(a)(6)(C) of the Act.

When comparing U.S. sales with home market sales of similar merchandise, we also made adjustments for differences in costs attributable to differences in the physical characteristics of 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.⁷⁰

White Birch Paper

We calculated NV based on delivered prices to unaffiliated customers. We made deductions, where appropriate, from the starting price for billing adjustments, discounts, and rebates, in accordance with 19 CFR 351.401(c). We also made a deduction from the starting price for inland freight expenses and warehousing expenses, where appropriate, under section 773(a)(6)(B)(ii) of the Act.

We deducted home market packing costs and added U.S. packing costs, in accordance with section 773(a)(6)(A) and (B) of the Act. For comparisons to CEP sales, we deducted imputed credit expenses and bank charges, pursuant to 773(a)(6)(C) of the Act.

When comparing U.S. sales with home market sales of similar merchandise, we also made adjustments for differences in costs attributable to differences in the physical characteristics of 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.⁷¹

⁶⁹ See 19 CFR 351.411(b).

⁷⁰ *Id.*

⁷¹ *Id.*

E) *Price-to-Constructed Value Comparisons*

For Catalyst, where we were unable to find a home market match of identical or similar merchandise, we based normal value on CV, in accordance with section 773(a)(4) of the Act. Where appropriate, we made adjustments to CV in accordance with section 773(a)(8) of the Act.

In accordance with section 773(e) of the Act, we calculated CV based on the sum of the respondent's material and fabrication costs, SG&A expenses, profit, and U.S. packing costs. We calculated the COP component of CV as described above in the "Calculation of Cost of Production" section of this memorandum. 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 the respondent in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the foreign country.

For comparisons to Catalyst's EP sales, we made circumstances-of-sale adjustments by deducting direct selling expenses incurred on comparison market sales from, and adding U.S. direct selling expenses to, CV, in accordance with section 773(a)(8) of the Act and 19 CFR 351.410. We also made a commission offset, in accordance with 19 CFR 351.410(e), for indirect selling expenses incurred in the home market or the United States where commissions were granted on sales in one market but not in the other.

For comparisons to Catalyst's CEP sales, we deducted from CV direct selling expenses incurred on home market sales, in accordance with section 773(a)(8) of the Act.

X. 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 dates of the U.S. sales as certified by the Federal Reserve Bank.

XI. CONCLUSION

We recommend applying the above methodology for this preliminary determination.



Agree



Disagree

3/12/2018

X



Signed by: GARY TAVERMAN