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MEMORANDUM TO: Ronald K. Lorentzen
Deputy Assistant Secretary
for Import Administration

FROM: John M. Andersen
Acting Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decisions for the Final Results of the Administrative Review of the Antidumping Duty Order on Hand Trucks and Certain Parts Thereof from the People's Republic of China (PRC)

Summary

We have analyzed the case brief submitted by the petitioners[1] on the preliminary results of administrative review of the antidumping duty order on hand trucks and certain parts thereof from the People's Republic of China. No other party submitted either case or rebuttal briefs. As a result of our analysis, we have made changes from the preliminary results in the margin calculations. We recommend that you approve the positions described in the Discussion of Interested Party Comments. Outlined below is the complete list of the issues in this review for which we have received comments from interested parties.

I. Background

The Department of Commerce (the Department) initiated this administrative review of the antidumping duty order on hand trucks and certain parts thereof from the PRC on February 2, 2009. See Initiation of Antidumping and Countervailing Duty Administrative Reviews, 74 FR 5821 (February 2, 2009). On January 11, 2010, the Department published the preliminary results of this administrative review. Hand Trucks and Certain Parts Thereof from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Rescission in Part, 75 FR 1339 (January 11, 2010) (Preliminary Results). The review covers one manufacturer/exporter, Since Hardware (Guangzhou) Co., Ltd. (Since Hardware).

II. List of Comments

Comment 1. Bank fees incurred on U.S. sales.
Comment 2. Whether to include defective hand trucks as part of production volume.

[1] Petitioners are Gleason Industrial Products, Inc. and Precision Products, Inc.

Comment 3. How to value the input "rubber wheel."
Comment 4. What financial statement to use for calculating financial ratios.
Comment 5. How to value the input "zinc galvanized cold-rolled plate."
Comment 6. Whether to use Indian import statistics denominated in U. S. dollars.
Comment 7. Whether to adjust the surrogate value for domestic inland freight to account for shipment volumes.

III. Discussion of Interested Party Comments

Comment 1: Bank fees incurred on U.S. sales

Petitioner argues the Department erred by not adding to normal value the cost of bank charges that Since Hardware incurs on receiving payment from its U.S. customers. Petitioners state that these charges are transaction-specific expenses, and as such constitute a direct expense that should be added to normal value for margin calculation purposes.

Department's Position:

The Department disagrees with petitioners. The Department addressed the issue of bank charges in non-market economy (NME) countries in the 1998-99 administrative review of the antidumping duty order on cut-to-length carbon steel plate from Romania. There, we explained:

> The bank charge at issue is a selling expense because it is an expense incurred incidental to delivering the merchandise to the customer. We have accounted for selling expenses in the calculation of SG&A included in NV. See appendix VIII(a) of the September 7, 2000 preliminary results analysis memorandum. To make an additional adjustment for bank charges would be to double-count selling expenses.

See Certain Cut-to-Length Carbon Steel Plate From Romania: Final Results of Antidumping Duty Administrative Review, 66 FR 2879, (January 12, 2001) (Romanian Plate) and accompanying Issues and Decision Memorandum at Comment 7b. While the issue there was related to deducting the bank charges from U.S. price, our reasoning is equally applicable if the bank charges are added to normal value, as petitioners request.

We also addressed this issue in the final results of the 2001-02 administrative review of the antidumping duty order on honey from the People's Republic of China. There we stated:

> Because the Department considers banks fees to be selling expenses, normally, we would treat such expenses as a circumstance of sale (COS) adjustment to normal value. However, in NME cases, the Department "does not make COS adjustments, other than constructed-export price adjustments, because of our inability to make equivalent adjustments to NV." See, e.g., Final Results of Antidumping Duty Administrative Review; Porcelain-on-Steel Cooking Ware from the People's Republic of China, 65 FR 31144 (May 16, 2000) and

> accompanying Issues and Decision Memorandum at Comment 4; and Final Determination of Sales at Less Than Fair Value: Bicycles From the People's Republic of China, 61 FR 19026, 19031 (April 30, 1996).

See Honey From the People's Republic of China: Final Results of First Antidumping Duty Administrative Review, 69 FR 25060, (May 5, 2004) (Honey from China) and accompanying Issues and Decision Memorandum at comment 6.

The reasoning articulated in Plate from Romania and Honey from China applies here as well. We have included in normal value the selling, general, and administrative (SG&A) expenses reported on the 2004-2005 financial statement of Rexello Castors Private Limited and the 2005-06 financial statement of Godrej & Boyce Manufacturing Co. (See comment 4 (below).) As explained in Plate from Romania, to make an additional adjustment to NV to account for bank charges would be to double count those charges. Furthermore, as explained in Honey from China, our standard methodology in NME cases is not to make circumstance-of-sale adjustments except in constructed export price (CEP) transactions. Here, all sales at issue were export price sales. See Since Hardware's June 18, 2009 submission at C-15. Therefore, in these final results, as in the preliminary results, we have not made an adjustment to NV for bank charges incurred on U.S. sales beyond the adjustment included in the computation of SG&A expenses.

Comment 2: Whether to include defective hand trucks as part of production volume.

Petitioners argue the Department erred by understating the cost of four of Since Hardware's inputs. This error arose, petitioners allege, because Since Hardware failed to follow the Department's directive on what figure to use as its production volume.

Since Hardware originally negotiated an order for 700 hand trucks (public version figure) from its U.S. customer. However, nine of its total hand truck production volume were defective. Therefore it invoiced and shipped only 691 hand trucks (public version figure). Since Hardware initially calculated its per-unit costs using 700 as the production volume (i.e., as the denominator). The Department then instructed Since Hardware to calculate its per-unit production costs using 691 as the denominator. See November 6, 2009 supplemental questionnaire at 1. In its response, Since Hardware stated that it believed using 691 as the denominator was not a reasonable methodology since it sold the nine defective products in 2009 at a reasonable price. Nevertheless, in compliance with the Department's instructions, it did use 691 as the denominator in its revised calculations, but made one additional adjustment. For the four main inputs, it removed from its input volume the volume that it associated with the nine defective hand trucks. See Since Hardware's November 25, 2009 submission at 1-2 and Exhibits 1 and 2.

It is this latter calculation adjustment to which petitioners object. Petitioners state that the effect of this adjustment is that Since Hardware reported the same per unit factors of production for the four main inputs as it had originally reported. Therefore, petitioners state, the Department should recalculate the usage factor for the four main inputs to account for the material used in the production of defective hand trucks.

Department's Position:

We disagree with petitioners. Upon further analysis, we have determined that Since Hardware was correct in its original methodology of using 700 as the production volume. Using 691 as the production volume overstates the cost of producing the sellable hand trucks because it essentially allocates all the costs to only the prime merchandise, and allocates none of the costs to the non-prime merchandise (i.e., the nine defective hand trucks). Even though nine of the hand trucks were defective, Since Hardware clearly did incur some costs in producing them, and there is no record evidence that the non-prime merchandise required any less cost to produce than the prime merchandise. Therefore, in these final results we have removed Since Hardware's adjustment for the four inputs for which it made an adjustment, but have used 700 as the denominator in calculating per-unit costs.

Comment 3: How to value the input "rubber wheel."

Petitioners argue that the Department erred by valuing Since Hardware's input "rubber wheel" with a surrogate value that represents only the value of a tire. This value was inadequate, petitioners state, because record evidence indicates that the input at issue includes not just a tire, but also a steel wheel hub and a bearing. See Since Hardware's November 29, 2009 submission at 5. Therefore, petitioners argue that for the final results the Department should use a value that represents a complete wheel. Petitioners previously put on the record import data from India and the Philippines, either of which they believe would be appropriate surrogate values. See petitioners' February 1, 2010 submission at Exhibit 3. Nevertheless, petitioners state that because the Department used India as the source of the surrogate values for all other inputs, it should also use India as the source for the surrogate value for rubber wheel.

Department's Position:

We agree with petitioners that the value we used in the preliminary results failed to capture the entire value of the "rubber wheel" input because record evidence indicates the input includes a steel wheel hub and a bearing in addition to a tire. The value we used in the preliminary results was for only the rubber tire. Therefore, for these final results we have valued the input rubber wheel using import statistics from India for harmonized tariff schedule (HTS) 8716.90.90, a basket category that includes rubber wheels (i.e., a rubber tire, wheel assembly, and bearing). Unlike the Indian HTS category we rejected using in the preliminary results, the Indian HTS category we have used in these final results reported values in kilograms, rather than in pieces. Because our reason for using the Philippines as the source of the surrogate value for rubber wheel in the preliminary results was that the Indian HTS number reported the value in pieces, and the Indian HTS category we have used in these final results reports them in kilograms, we have used India as the source of the surrogate value for these final results. Our selection of India as the surrogate country for this input is consistent with our normal practice of valuing all factors in a single surrogate country. See 19 CFR 351.408(c)(2).

Comment 4: What financial statement to use for calculating financial ratios.

Petitioners argue that in the final results the Department should calculate SG&A, overhead, and profit using either a different financial statement than that which it used in the preliminary results, or by using a financial statement or statements in addition to that which it used in the preliminary results. In the preliminary results the Department used the 2005-2006 financial statement of Godrej & Boyce Manufacturing Co., Ltd. (Godrej & Boyce). See Preliminary Results, 75 FR at 1343-44. Petitioners argue that its recommended approach would increase the accuracy of the calculations because the financial statement of Godrej & Boyce contains evidence that the company received subsidies.

Petitioners point out that there are two other financial statements on the record in addition to that of Godrej & Boyce. One is the 2004-2005 financial statement of Rexello Castors Private Limited (Rexello), which petitioners state is an Indian producer of hand trucks. Petitioners state the Department should use this financial statement because it is publicly available and, unlike Godrej & Boyce's financial statement, contains no possible irregularities or discrepancies due to receipt of subsidy.

The other financial statement on the record is the 2006-2007 financial statement of Infiniti Modules Private Limited (Infiniti Modules). Petitioners contend that although Infiniti Modules is not a producer of hand trucks, it is a producer of ironing tables, which is Since Hardware's main product line. Petitioners argue that because Since Hardware is mainly a producer of ironing tables, the financial ratios on Infiniti Modules' financial statement would be the best representation of the financial ratios applicable to Since Hardware's costs of production. Furthermore, petitioners argue that the Department has the discretion to use the financial statement of Infiniti Modules because it enjoys wide discretion in the valuation of factors of production. See Shakeproof Assembly Components v. United States, 268 F. 3d 1376, 1381 (Fed. Cir. 2001), quoting Nation Ford Chem. Co. v. United States, 166 F.3d 1373, 1377 (Fed. Cir. 1999).

Department's Position:

We disagree with petitioners that we should reject the financial statement of Godrej & Boyce for purposes of calculating financial ratios, but agree with petitioners that we should supplement the financial statement of Godrej & Boyce with another that is on the record.

With respect to the suitability of the financial statement of Godrej & Boyce, the Department addressed the issue of financial statements which indicate the receipt of subsidies in an administrative review of the antidumping duty order on silicon metal from the People's Republic of China. There the respondents argued that the Department should not use the financial statements of companies VBC and FACOR to calculate financial ratios in part because those companies received subsidies. The Department stated:

> Furthermore, the Department disagrees with Respondent's allegation that VBC and FACOR are unusable because the companies received subsidies. The

> Department stated in Certain New Pneumatic Off-The-Road Tires from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances, 73 FR 40485 (July 15, 2008) ("Tires") at Comment 17.A that it is the Department's practice to disregard financial statements where we have reason to suspect that the company has received actionable subsidies, and where there is other usable data on the record. While the Department notes that both VBC and FACOR financial statements received subsidies and export incentives, there is no record evidence to demonstrate that the specific subsidies received by the companies were actionable under the Department's CVD practice.

See Silicon Metal from the People's Republic of China, 75 FR 1592 (January 12, 2010), Unpublished Decision Memorandum at comment 4 (Silicon Metal from the PRC).

Here, as was the case with VBC and FACOR in Silicon Metal from the PRC, the Department has not found the subsidy received by Godrej & Boyce (the "investment subsidy under the central/state investment incentive scheme") to be a countervailable subsidy, nor has the petitioner alleged that it has. Therefore, we continue to find Godrej and Boyce's financial statement to be usable for calculating financial ratios.

With respect to the financial statement of Infiniti Modules, petitioners have themselves acknowledged that the company is not a producer of hand trucks. While the Department has wide discretion in the valuation of factors of production, in an antidumping review of hand trucks, the Department prefers to calculate financial ratios using the financial statement of a company that is a producer of hand trucks or of merchandise comparable to hand trucks. Therefore we have not used the financial statement of Infiniti Modules in the computation of financial ratios in these final results.

With respect to the financial statement of Rexello, the Department finds this financial statement to be suitable for calculating financial ratios because it is publicly available and Rexello is a producer of comparable merchandise.

Therefore in these final results we have calculated the financial ratios using the average of the financial ratios of the 2004-05 financial statement of Rexello and the 2005-06 financial statement of Godrej & Boyce. While neither of these financial statements is contemporaneous with the POR, we prefer to use multiple financial statements to calculate financial ratios. See Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances, in Part, and Postponement of Final Determination, 75 FR 22372, 22382 (April 28, 2010). Furthermore, we find that neither company's financial statement pre-dates the POR so significantly as not to be useful. See Certain Activated Carbon From the People's Republic of China: Notice of Preliminary Results of the Second Antidumping Duty Administrative Review, and Preliminary Rescission in Part, 75 FR 26927, 26936 (May 13, 2010).

Comment 5: How to value the input "zinc galvanized cold-rolled plate."

Petitioners argue the Department erred by valuing the input "zinc galvanized cold-rolled plate" using HTS 7216.91.00, "angles, shapes, and sections of iron or non-alloy steel: cold-formed or cold-finished from flat-rolled products." Petitioners argue that the Department should instead value the input using a surrogate value for zinc-galvanized steel. Therefore they suggest the Department use HTS 7216.99.10, "angles, shapes and sections of iron or non-alloy steel: other: plated or coated with zinc."

Department's Position:

We agree with petitioners that we used an incorrect HTS number for valuing zinc-galvanized cold-rolled plate, but disagree about what constitutes the correct HTS number. We have determined the correct HTS number is 7216.91.61, "Angles, shapes, and sections, not further worked than cold-formed or cold-finished: obtained from flat rolled products." Both the HTS number the Department used in the preliminary results and the HTS number petitioners suggest we use in the final results are for product that has been subject to additional working or surface treatments (e.g., stamping, punch, or printing) than 7216.91.61. See explanatory note to HTS numbers 7215 and 7216 in the final results analysis memorandum. The material in HTS 7216.91.61 has not undergone this additional working. Furthermore, HTS 7216.91.61 includes galvanized material, which would include zinc-galvanized material. Therefore, we believe HTS 7216.91.61 is the best HTS number for valuing the input, and have used it in these final results.

Comment 6: Whether to use Indian import statistics denominated in U.S. dollars.

Petitioners argue the Department erred by valuing some inputs using Indian import statistics valued in U.S. dollars, rather than in Indian rupees. The Department obtained the dollar-denominated statistics from the World Trade Atlas (WTA), published by Global Trade Information Services, Inc. (GTIS). Petitioners state that these dollar-denominated figures were converted into dollars by GTIS using monthly Federal Reserve exchange rates. Petitioners argue that in keeping with its normal practice, the Department should obtain the official Indian import statistics in Indian rupees and convert the surrogate values into U.S. dollars using the Department's official daily exchange rate on the date of sale for each sales transaction.

After we received the petitioner's case brief containing the above comments, the Department placed on the record a memorandum explaining why the WTA published import statistics in U.S. dollars. The memorandum states that a Department official contacted the GTIS and was told that the GTIS reported Indian import statistics in U.S. dollars because even though it received the data from the Indian Ministry of Commerce in rupees, its software can manage only a certain number of significant digits. That limited number of digits would be exceeded using the rupee-denominated values. Therefore the GTIS decided to convert the values into U.S. dollars using monthly exchange rates. See memorandum from Jennifer Moats to the file dated March 29, 2010. At the same time we put this memorandum on the record we invited interested parties to comment on it. In response to this invitation, the Department received comments from petitioners.

Petitioners argue that the Department is legally required to convert currencies into U.S. dollars using the exchange rate in effect on the date of sale of the subject merchandise. See 19 USC §1677b-1(a) and 19 CFR §351.415(a). They state that this conversion rule applies to all "prices or costs used to determine normal value… denominated in foreign currency" (emphasis petitioners'). See Uruguay Round Agreements Act, Statement of Administrative Action, H. Doc. 103-316, Vol. 1, at 841 (1994) and Policy Bulletin 96-1, "Import Administration Exchange Rate Methodology."

Petitioners argue further that given these legal requirements, the Department should make every effort to obtain the official Indian import statistics as denominated in Indian rupees and convert relevant surrogate values to U.S. dollars using the agency's official daily exchange rates. They suggest three ways in which the Department could do this. First, it could seek to obtain the official Indian import statistics directly from the Indian Ministry of Commerce and Industry, and convert the surrogate values into U.S. dollars using the Department's official exchange rate on the date of sale for each sales transaction. Second, if the first method was unsuccessful, it could seek to obtain the necessary import data from the GTIS as it receives them from India's Ministry of Commerce (i.e., as denominated and published in Indian rupees). Third, if the first two methods were unsuccessful, it could seek to gather enough information from the GTIS to "reverse engineer" the double conversion process the GTIS utilized so as to replicate as closely as possible the Indian import data received from India's Ministry of Commerce.

Department's Position:

We disagree with petitioner's argument that the Department is legally required to retrieve Indian rupee-denominated values for this case. We have previously addressed this issue in an antidumping investigation of oil country tubular goods from the PRC. There we stated:

> While it is the Department's practice, pursuant to section 773A of the Act, to use its official daily exchange rate in effect on the date of sale when it is necessary to convert foreign currencies into United States dollars, in this case, original Indian Rupee denominated import values are presently not available from the WTA. Instead, that information is already denominated in U.S. dollars. Section 773A of the Act does not require the Department to rely exclusively on information denominated in foreign currencies to value the factors of production. Accordingly, where the Department determines that U.S. dollar denominated WTA data is the best information available for valuing the factors of production, it is not necessary for the Department to convert a foreign currency into U.S. dollars. Section 773A of the Act does not direct a different result.

See Certain Oil Country Tubular Goods from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, Affirmative Final Determination of Critical Circumstances and Final Determination of Targeted Dumping, 75 FR 20335 (April 19, 2010) (OCTG from the PRC).

Here, as in OCTG from the PRC, the Department has determined that the best information available to value most factors of production is the WTA data. As explained in OCTG from the PRC, that those data are in U.S. dollars is not a bar to our using them because there is no requirement that factor values be originally denominated in foreign currency. Therefore, in these final results, as in the preliminary results, for valuing most factors of products we have relied upon the WTA data even though it is denominated in U.S. currency.

Comment 7: Whether to adjust the surrogate value for domestic inland freight to account for shipment volumes

Petitioners argue the Department erred by valuing domestic inland freight using a published freight rate schedule that was based on a shipment volume of nine metric tons. As Since Hardware's shipments were in quantities smaller than nine metric tons, petitioners argue that for the final results the Department should adjust the surrogate value to account for the smaller quantities. Petitioners submitted with their case brief a proposed calculation for doing that.

Department's Position:

We disagree. The surrogate value we used in the preliminary results was from the website http://www.infobanc.com/logistics/logtruck.htm, which contains inland freight truck rates between many large Indian cities. The website data indicated that the units are "rupees per tonne for nine tonnes." See Surrogate Values Source Documents Memorandum dated December 31, 2009 at Exhibit 3. We have no information on the record for freight costs in rupees per tonne for smaller shipment volumes, nor any information about the pricing structure for inland freight in India that would enable us to derive such costs. Furthermore, we believe the ratio in the computation the petitioners have provided in their case brief for this purpose relies on a presumption that there is a specific per-ton charge. Any such per-ton charge that may exist is not reflected in the inland freight trucks rates data on the record. Therefore, in the absence of published, publicly-available freight rates for shipment volumes smaller than nine tons, we have used in these final results of review the same per-ton inland freight shipment costs as we used in the preliminary results of review.

Recommendation

Based on our analysis of the comments contained in the briefs received, we recommend adopting all of the above positions. If this recommendation is accepted, we will publish the final results of review and the final weighted-average dumping margins for the reviewed firms in the Federal Register.

Agree ____ Disagree ____

____
John M. Andersen
Acting Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

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(Date)