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February 14, 2011

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

FROM: Christian Marsh
Deputy Assistant Secretary 2/8/11
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Final Results of the 2009 Annual New Shipper Reviews of Wooden Bedroom Furniture from the People's Republic of China

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SUMMARY

We have analyzed the submissions of interested parties in the new shipper reviews of the antidumping duty order on wooden bedroom furniture ("WBF") from the People's Republic of China ("PRC"). The period of review ("POR") is January 1, 2009, through December 31, 2009. As a result of our analysis, the Department of Commerce ("the Department") has made changes to the margin calculations. We recommend that you approve the positions described below.

BACKGROUND

On January 3, 2011, the Department received case briefs from Dongguan Huansheng Furniture Co., Ltd. ("Huansheng") and Wanvog Furniture (Kunshan) Co., Ltd. ("Wanvog"). On January 10, 2011, the Department received a letter in lieu of a rebuttal brief from Hangzhou Cadman Trading Co., Ltd. ("Cadman"). American Furniture Manufacturers Committee for Legal Trade and Vaughan-Bassett Furniture Company, Inc. (collectively, Petitioners) did not submit case or rebuttal briefs on the record of these reviews.

Issue 1: Financial Ratios

- Wanvog argues that the Department should calculate financial ratios using the financial statements it submitted on December 16, 2010 for Insular Rattan and Native Products Corp. ("Insular"), Arkane International Corporation ("Arkane"), Las Palmas Furniture, Inc. ("Las Palmas"), Betis Crafts, Inc. ("Betis") and Tequesta International, Inc. ("Tequesta") in the final results of these new shipper reviews because: (1) they are the only financial statements on the record that are contemporaneous with the POR and (2) there is record evidence that Insular, Arkane, Las Palmas, Betis, and Tequesta are all producers of WBF.

- Wanvog also argues that, although the Department rejected the financial statements of Tequesta in the final results of the 2008 administrative review of the antidumping duty order of WBF from the PRC because there was evidence that Tequesta is primarily a reseller rather than a producer, record evidence in these new shipper reviews support using Tequesta's 2009 financial statements. Specifically, Wanvog notes that it provided shipping manifests and documents from the websites of TradeKey, Philippine Exporters Confederation, Inc. and Leds directory, indicating that Tequesta is a producer (not merely a reseller) of WBF.
- Cadman agrees with Wanvog's arguments that the Department should use the financial statements for Insular, Arkane, Las Palmas, Betis, and Tequesta because they are the only financial statements on the record that are contemporaneous with the POR and they are from companies that are producers of WBF.

Department's position: The Department agrees with Wanvog and Cadman, in part. For the final results of these new shipper reviews, the Department has calculated surrogate financial ratios using the financial statements of the following companies: (1) Insular; (2) Arkane; (3) Las Palmas; and (4) Betis. These financial statements are contemporaneous with the POR, have no indication of countervailable subsidies, are from companies that are not sick or bankrupt, and there is evidence on the record that these statements are from producers of WBF. Wanvog placed printouts from websites to demonstrate that Insular, Las Palmas, Arkane, and Betis are producers of WBF. Specifically, the "Our Service" page of Insular's company website describes its manufacturing capabilities for wooden furniture and the "Products" pages are pictures of WBF collections.[1] The company information in Las Palmas' financial statements includes a description of its primary business purpose as "manufacturing goods such as furniture."[2] In addition, Las Palmas' website shows pictures of wooden furniture from bedroom suites.[3] The website of Gulfbusiness describes Arkane International Corp. as having "manufactur{ed} midrange and high end furniture" that includes beds and the products are mainly made of "hardwood such as mahogany, lauan, and gemilina."[4] Betis' website describes the company as a producer of wooden furniture with seven satellite factories and has photos of the WBF it produces.[5]

The Department is not using the financial statement of Tequesta because there is no evidence on the record demonstrating that Tequesta produced WBF. The shipping manifests provided by Wanvog only show that Tequesta exports furniture from the Philippines, but do not identify the producer of the furniture. Further, in contrast to Insular, Arkane, Las Palmas, and Betis, for which there is record evidence that they produce WBF as discussed above, the information on the record from the websites of TradeKey and Leds only indicates that Tequesta's furniture

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[1] See letter from Wanvog regarding "Wooden Bedroom Furniture from the People's Republic of China: Submission of Publicly Available Surrogate Values for the Factors of Production of Wanvog Furniture (Kunshan) Co., Ltd.," dated December 16, 2010 ("Wanvog's SV submission") at Exhibit 1-B.
[2] See Wanvog's SV submission at Exhibit 3-A at note 1.
[3] See Wanvog's SV submission at Exhibit 3-B.
[4] See Wanvog's SV submission at Exhibit 2-B-2.
[5] See Wanvog's SV submission at Exhibit 4-B.

factory "has the capacity to produce wooden furniture and veneered products."[6] Thus, although the websites indicate that Tequesta has the capacity to manufacture wooden furniture, they do not indicate that it actually produced WBF. Moreover, the websites indicate that Tequesta's primary construction materials are not wood, but rattan, wrought iron, stone, and resin. The website for Philippine Exporters Confederation, Inc. is a directory of Philippine exporters in the furniture sector that lists Tequesta's products as bed, cabinets, chairs, dining tables, etc., but does not mention the type of material used. Thus, we are not basing financial ratios on data from Tequesta.

Issue 2: Surrogate Value for Wanvog's Expanded Polyethylene ("EPE") input

- Wanvog argues that the Department made a typographical error in assigning a surrogate value to Wanvog's non-adhesive EPE input because the Department valued Wanvog's input using data under the Philippine harmonized tariff schedule ("HTS") subheading 3919.1090, which applies to adhesive EPE. Wanvog notes that it had proposed HTS 3920.1090 as the most appropriate surrogate value ("SV") for its non-adhesive EPE and Petitioners have not objected to this.

Department's position: We agree with Wanvog. For the final results, the Department has used data under the Philippine HTS subheading 3920.1090 to value Wanvog's non-adhesive EPE. See Memorandum to the File entitled, "2009 New Shipper Reviews of Wooden Bedroom Furniture from the People's Republic of China: Surrogate Value Memorandum for the Preliminary Results," dated November 26, 2010 ("SV Memorandum")..

Issue 3: Surrogate Value for Brokerage and Handling

- Wanvog placed a report published by the World Bank, which contains data for valuing brokerage and handling. The report, entitled "Doing Business 2011: Making a Difference for Entrepreneurs," ("Doing Business 2011") is a global report that looks at data from domestic small and medium-size companies across numerous countries, measures the regulations applying to them through their business life cycle, and describes the overall methodology used in collecting the data. Doing Business 2011 has numerous 2011 economy profiles, including the Philippines ("2011 Philippine Profile"), that provides the results of the survey detailed in the methodology section of Doing Business 2011. The 2011 Philippine Profile includes a subsection entitled "Trading Across Borders," which contains data concerning brokerage and handling expenses.[7] In calculating brokerage and handling expenses for the preliminary results in the instant new shipper reviews, the Department relied on a previous version of this source that contained data from 2008.[8] Wanvog argues that because the data contained in the 2011 Philippine Profile overlaps the POR, while the data relied upon for the preliminary results was not contemporaneous, the Department should rely on the 2011 Philippine Profile.

[6] See Wanvog's SV submission at exhibits 5-B-2 and 5-B-3.
[7] See Wanvog's December 16, 2010 submission at Exhibits 6 and 7.
[8] See SV Memorandum at Attachment 8.

- Wanvog notes that the brokerage and handling data in the "Trading Across Borders" subsection includes separate costs for documents preparation, customs clearance and technical control, ports and terminal handling, and inland transportation and handling. Wanvog notes that the Department separately valued truck freight in the preliminary results. Therefore, Wanvog argues that in valuing brokerage and handling, the Department should exclude the amount for inland transportation and handling that was listed among the various costs incurred to export from the Philippines, as itemized in the "Trading Across Borders" subsection.

- Huansheng reiterates Wanvog's arguments regarding the Department's valuation of truck freight in the preliminary results and that the Department should exclude the amount for inland transportation and handling that was listed among the various costs incurred to export from the Philippines, as itemized in the "Trading Across Borders" subsection. Huangsheng further argues that "inland transportation" covers the transportation cost from the factory to the port, and the handling fees at the port are a separate procedure covered under "ports and terminal handling."[9]

- Wanvog notes that one of the three types of brokerage and handling charges in the 2011 Philippine Profile is entitled "documents preparation." Wanvog states that the market economy ocean freight cost incurred on its shipment of subject merchandise included a charge for "documentation fee." Wanvog argues that the Department should not include the "documents preparation" costs in the surrogate value for brokerage and handling, when there already is a "documentation fee" charged by the ocean freight provider included in international freight costs incurred on the U.S. sale, as this would constitute double-counting or, alternatively, the Department should reduce the ocean freight costs reported for its sale by the amount of the "documents preparation" reported in the 2011 Philippine Profile.

- In calculating per-unit brokerage and handling expenses for Wanvog in the preliminary results, the Department divided the total surrogate brokerage and handling charges of a 20-foot container by the total volume of a 20-foot container (the brokerage and handling costs listed in all World Bank Doing Business reports on the record are based on shipping a 20-foot container). Wanvog notes that it shipped its subject merchandise in a 45-foot container and that the brokerage-related per-unit charges do not increase linearly based on the cubic footage of a container when comparing 20-foot and 45-foot containers. Wanvog further argues that the Department has recognized that movement charges do not increase proportionately relative to the volume of the containers used.[10]

- Wanvog cites to Exhibit 4 of its April 15, 2010 Section C response which includes the actual market economy per-unit charges it incurred to ship a 45-foot container, which is less than the per-unit ocean freight quotes for a 20-foot container. Wanvog also notes that the per-unit terminal handling and origin receiving charges in its shipping contract are charges for exports from the Philippines for a 20-foot container, and they are greater -

[9] See Wanvog's December 16, 2010 Surrogate Value Submission at Exhibit 7, page 63.
[10] Citing Notice of Amended Final Determination of Sales at Less Than Fair Value: Certain Automotive Replacement Glass Windshields from the People's Republic of China, 67 FR 11670, 11672 (March 15, 2002).

- on a per-volume basis -- than the same per unit charges for a 45-foot container. Wanvog argues that the Department should multiply the brokerage and handling charges for a 20-foot container cited in the 2011 Philippine Profile by the ratio of the ocean freight and of the terminal handling and receiving charges it incurred for shipping a 45-foot container to the cost of these same services for a 20-foot container. Finally, Wanvog states that the Department should divide the result obtained in the prior step by the volume of a 45-foot container to obtain the proper per-unit brokerage and handling expense.

- Huansheng argues that documents preparation costs listed in the brokerage and handling data in the 2011 Philippine Profile are unrepresentative because they include the cost of procuring a letter of credit. Huansheng argues that because it did not use a letter of credit for its shipment of subject merchandise, the Department should remove all charges for securing a letter of credit from the surrogate value of brokerage and handling.

- Huansheng bases its assertion concerning the inclusion of letter of credit costs on a survey which it claims was used to compile information in the 2011 Philippine Profile, which asks for exporting costs under the assumption that payment is made by a letter of credit. Huansheng also cites a passage in the 2011 Philippine Profile describing the documents required when exporting which states that "{s}ince payment is by letter of credit, all documents required by banks for the issuance or securing of a letter of credit are also taken into account."[11] Huansheng claims much of the document preparation cost in the 2011 Philippine Profile is attributable to export letters of credit, not brokerage and handling costs. Also, Huansheng argues that the Department already includes bank fees, such as the financing charges for securing a letter of credit, in surrogate financial ratios. Further, Huansheng cites a recent case in which the Department noted that bank fees are selling expenses, which in non-market economy cases, are included in normal value through the selling, general and administrative ratios or, where appropriate, included in adjustments to constructed export price sales.[12] Huansheng concludes that if the Department relies on the 2011 Philippine Profile for the final results of these reviews, then the Department should deduct the costs for securing letters of credit from the surrogate value for brokerage and handling.

Department's position: We agree with Wanvog that the Department should base the surrogate value for brokerage and handling on the contemporaneous data[13] in the 2011 Philippine Profile, rather than the non-contemporaneous data used in the preliminary results.

We further agree with Wanvog and Huansheng that the surrogate value for brokerage and handling should not include the line item contained in the 2011 Philippine Profile for inland transportation and handling. The 2011 Philippine Profile contains an illustration relating to the

[11] See Wanvog's December 16, 2010 Surrogate Value Submission at Exhibit 6, page 126.
[12] See Hand Trucks and Parts Thereof from the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 75 FR 29314 (May 25, 2010) and accompanying Issues and Decision Memorandum at Comment 1.
[13] See Wanvog's December 16, 2010 Surrogate Value Submission at Exhibit 7, page 75 where the 2011 Philippine Profile is stated to cover the period June 2009 to June 2010.

costs included in exporting,[14] which demonstrates that inland transportation relates to moving merchandise from the respondent's factory or warehouse to a port and is separate from the port and terminal handling tasks required to export goods. To include a value for inland transportation in the surrogate value for brokerage and handling, which is deducted from U.S. price, in addition to deducting a separate surrogate value for inland truck freight from U.S. price, would constitute double counting.

We do not, however, agree with Wanvog's argument that including the "Documents Preparation" costs contained in the 2011 Philippine Profile in the surrogate value for brokerage and handling would constitute double-counting because of the "Documentation Fee" that Wanvog paid as part of ocean freight on its shipments. Wanvog did not provide evidence to support its claim that the "Documents Preparation" costs in the 2011 Philippine Profile was the same fee charged by its ocean freight carrier. Moreover, notes to Doing Business 2011 indicate that the brokerage and handling costs in the report do not include costs related to ocean transportation.[15]

Also, we disagree with Wanvog that we should adjust the surrogate value for brokerage and handling based on a comparison of various shipping charges for different size containers listed in Wanvog's shipping freight contract. Wanvog placed on the record information demonstrating that the shipping charges for a 45-foot container listed in its shipping contract (i.e., ocean freight, terminal handling, and origin receiving) do not increase proportionately from those same charges for a 20-foot container that are listed in the contract. However, the charges that Wanvog is relying upon are shipping charges, not brokerage and handling expenses and Wanvog has failed to demonstrate that the same relationship exists with regard to brokerage and handling expenses. Moreover, Wanvog has not provided any brokerage and handling cost data for a 45-foot container from which the Department could derive a per-unit brokerage and handling surrogate value. Because the record lacks any evidence that the per-unit brokerage and handling charges for a 45-foot container are less than those of a 20-foot container and there is no data to calculate a per-unit brokerage and handling cost for a 45-foot container, we have not adjusted the brokerage and handling surrogate value derived from the 2011 Philippine Profile.

Lastly, we disagree with Huansheng's claim that the documents preparation costs listed in the brokerage and handling data in the 2011 Philippine Profile report include the costs charged to obtain a letter of credit. Although Doing Business 2011[16] explains that the documents preparation costs take into account the cost of preparing documents required for securing a letter of credit, the 2011 Philippine Profile notes that the total documents preparation cost in the report for the Philippines covers the following documents: bill of lading, cargo release order, certificate of origin, commercial invoice, customs export declaration, packing list, technical standard/health certificate, and terminal handling receipts.[17] These are the documents required to export goods from the Philippines. There is no indication that additional document costs

[14] See Wanvog's December 16, 2010 Surrogate Value Submission at Exhibit 7, page 63.
[15] See Wanvog's December 16, 2010 Surrogate Value Submission at Exhibit 6, page 126.

[16] This report covers the data from multiple countries, including the data used in the 2011 Philippine Profile, and also provides general notes about the data it collected from the countries.
[17] See Wanvog's December 16, 2010 Surrogate Value submission at Exhibit 7, page 64.

associated with securing a letter of credit, other than the cost of preparing export documentation, were included in the total documents preparation cost listed in the 2011 Philippine Profile. Nor is there any indication that bank charges or other bank fees for letters of credit, such as advising fees, are included in the total documents preparation costs. Thus, we have not adjusted the brokerage and handling charges identified in the 2011 Philippine Profile by Huansheng.

RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting the above positions. If these recommendations are accepted, we will publish the final results of these new shipper reviews and the final weighted-average dumping margins in the Federal Register.

✓
Agree

Disagree

Ronald K. Lorentzen

Ronald K. Lorentzen
Deputy Assistant Secretary
for Import Administration

February 14, 2011
Date