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DATE: January 20, 2015

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Issues and Decision Memorandum for the Antidumping Duty Administrative Review and New Shipper Review (2012-2013): Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China

Summary

We have analyzed the case and rebuttal briefs of interested parties in the 2012-2013 administrative review and the new shipper review (NSR) of the antidumping duty order covering tapered roller bearings and parts thereof, finished and unfinished (TRBs), from the People's Republic of China (PRC). As a result of our analysis, we have made changes to the margin calculations from the Preliminary Results.[1] We recommend that you approve the positions described in the "Discussion of the Issues" section of this memorandum. Below is the complete list of the issues in these reviews for which we received comments from parties:

General Issues

1. Surrogate Value (SV) for Truck Freight
2. Using the Sigma Cap and Unreported Affiliate Distances
3. By-products Offsets

Changshan Peer Bearing Co., Ltd. (CPZ/SKF) Issues

4. Collapsing of Shanghai General Bearing Co., Ltd. (SGBC) and CPZ/SKF
5. Adverse Facts Available (AFA) for CPZ/SKF

[1] See Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results and Partial Rescission of the Antidumping Duty Administrative Review and Preliminary Results of the New Shipper Review; 2012-2013, 79 FR 42758 (July 23, 2014) (Preliminary Results), and accompanying Preliminary Decision Memorandum.

6. Market Economy (ME) Purchases of Steel
7. Calculation of Input Freight
8. Including Certain Fees in International Freight Expenses
9. Treatment of Value Added Tax (VAT)

Shanghai Tainai Bearing Co., Ltd. (Tainai) Issues

10. AFA for Tainai

Background

On July 23, 2014, the Department of Commerce (the Department) published the Preliminary Results of the 2012-2013 administrative review and NSR of the antidumping duty order on TRBs from the PRC. These final results of administrative review cover two exporters,[2] of which the Department selected one mandatory respondent for individual examination, CPZ/SKF. The NSR covers subject merchandise produced and exported by Tainai. The period of review (POR) is June 1, 2012, through May 31, 2013.[3]

We invited parties to comment on the Preliminary Results. In August 2014, we received case briefs from The Timken Company (the petitioner) and CPZ/SKF, and we received rebuttal briefs from the petitioner, CPZ/SKF, and Tainai. On September 18, 2014, the Department held a public hearing at the request of the petitioner. After analyzing the comments received, we have changed the weighted-average dumping margins from those presented in the Preliminary Results.

Margin Calculations

We calculated export price, constructed export price and normal value (NV) using the same methodology stated in the Preliminary Results, except as follows:

- We calculated the SV for truck freight using an average of the distance from the Bangkok industrial outskirts to the Bangkok port and the distance from Bangkok to the port of Laem Chabang.[4] See Comment 1 below;

- We corrected our application of the Sigma[5] cap to apply it to the distance that material inputs travel from the original supplier to the location of the first stage of production.[6]

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[2] The Department rescinded the administrative reviews of Xiangyang Automobile Bearing Co., Ltd. and GGB Bearing Technology (Suzhou) Co., Ltd. in the Preliminary Results. See Preliminary Results, 79 FR 42758-59.

[3] See 19 CFR 351.213(e)(1)(i).

[4] See the January 20, 2015, memorandum from Blaine Wiltse, Senior International Trade Compliance Analyst, to the file, entitled, "Calculation Adjustments for Changshan Peer Bearing Co., Ltd. and Peer Bearing Company for the Final Results" (CPZ/SKF's Final Analysis Memo) at 1; see also the January 20, 2015, memorandum from Blaine Wiltse, Senior International Trade Compliance Analyst, to the file, entitled, "Calculation Adjustments for Shanghai Tainai Bearing Co., Ltd. for the Final Results" (Tainai's Final Analysis Memo) at 1.

[5] See Sigma Corp. v. United States, 117 F.3d 1401, 1408 (Fed. Cir. 1997) (Sigma).

[6] See CPZ/SKF's Final Analysis Memo at 3-4; see also Tainai's Final Analysis Memo at 2.

Additionally, we increased certain of Tainai's input prices based on SVs to include an amount for freight incurred by two of its affiliates. See Comment 2, below;

- We denied CPZ/SKF's and Tainai's claimed by-product offsets in those instances where they did not report production quantities of the by-product material.[7] See Comment 3, below;

- We revised our valuation of the steel bar used by CPZ/SKF to include CPZ/SKF's ME purchases of this material.[8] See Comment 6, below;

- We adjusted the weights used in our freight calculations for CPZ/SKF's inputs using the general methodology proposed by CPZ/SKF.[9] See Comment 7, below;

- We increased CPZ/SKF's freight expenses on certain U.S. sales to account for previously unreported fees.[10] See Comment 8, below;

- We revised our calculations to accept CPZ/SKF's VAT expenses as reported. See Comment 9 below; and

- We adjusted Tainai's turning process factor of production (FOP) to include work-in-progress (WIP) by using the same FOP for turning cones that Tainai reported for turning cups.[11] See Comment 10, below.

Scope of the Order

Imports covered by the order[12] are shipments of tapered roller bearings and parts thereof, finished and unfinished, from the PRC; flange, take up cartridge, and hanger units incorporating tapered roller bearings; and tapered roller housings (except pillow blocks) incorporating tapered rollers, with or without spindles, whether or not for automotive use. These products are currently classifiable under Harmonized Tariff Schedule of the United States (HTSUS) item numbers 8482.20.00, 8482.91.00.50, 8482.99.15, 8482.99.45, 8483.20.40, 8483.20.80, 8483.30.80, 8483.90.20, 8483.90.30, 8483.90.80, 8708.70.6060, 8708.99.2300, 8708.99.4850, 8708.99.6890, 8708.99.8115, and 8708.99.8180. Although the HTSUS item numbers are provided for convenience and customs purposes, the written description of the scope of the order is dispositive.

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[7] See CPZ/SKF's Final Analysis Memo at 2-3; see also Tainai's Final Analysis Memo at 2.

[8] See CPZ/SKF's Final Analysis Memo at 2.

[9] Id., at 4.

[10] Id., at 2.

[11] See Tainai's Final Analysis Memo at 3.

[12] See Notice of Antidumping Duty Order; Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, From the People's Republic of China, 52 FR 22667 (June 15, 1987).

Discussion of the Issues

General Issues

Comment 1: *SV for Truck Freight*

In the Preliminary Results, the Department valued truck freight using data from a World Bank survey, published in Doing Business in Thailand: 2014 (Doing Business 2014).[13] The Department preliminarily based its calculation of the SV for truck freight on the distance from Bangkok to the port of Laem Chabang (i.e., 133 kilometers (km)) and a merchandise weight of 10,000 kilograms.

The petitioner argues that the Department should instead base this calculation on the distance from Bangkok to the port of Bangkok (i.e., 7.6 km). The petitioner maintains that this change is necessary because, based on e-mail correspondence with World Bank officials regarding the methodology underlying the survey, the petitioner believes that Doing Business 2014 likely reflects freight data between these two points. Thus, the petitioner contends that, just as it has done with regard to the weight assumptions contained in the Doing Business 2014 report, the Department should use the distance assumptions underlying the data so as to ensure "the internal consistency of the calculation."[14] The petitioner asserts that using the distance to the port of Laem Chabang in the calculation of the SV for truck freight will necessarily produce an inaccurate value.

Additionally, the petitioner notes that freight rates may be affected by the distance traveled, and thus the Department should use different truck freight rates for short (i.e., defined as 50 km or less) and long (i.e., greater than 50 km) distances. For short distances, the petitioner argues that the Department should use the Doing Business 2014 data because the freight rate in this source is for moving goods a distance of 7.6 km. For distances over 50 km, the petitioner argues that the Department should use quotes contained in a different source, DXPlace.com, because these quotes cover varying distances and are from a truck freight provider in Thailand. Thus, the petitioner maintains that DXPlace.com provides a reasonable SV for truck freight over long distances.

CPZ/SKF disagrees that the Doing Business 2014 data assumes a distance of 7.6 km. CPZ/SKF notes that the survey questions contained in this report do not, in fact, instruct companies to report their freight costs specifically from Bangkok to the port of Bangkok, but rather merely request that they take into account their mostly commonly used seaport. Given that Laem Chabang is a deep sea port that handles approximately 75 percent of the country's container volume, while the Bangkok port is unable to handle larger vessels, CPZ/SKF maintains that it is likely that Laem Chabang is the port most commonly used to import and export goods from Bangkok and thus the survey respondents would report the cost of shipping goods there.

[13] See the petitioner's Surrogate Value Comments, dated Jan. 10, 2014, at Attachment 9.

[14] In support of this assertion, the petitioner cites, e.g., Certain Stilbenic Optical Brightening Agents From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 77 FR 17436 (Mar. 26, 2012), and accompanying Issues and Decision Memorandum at 17.

Consequently, CPZ/SKF argues that there is no evidence that 7.6 km is representative of the shipment distance for survey participants.

Additionally, CPZ/SKF argues that the 7.6 km distance is invalid because it is based on traveling from the center of Bangkok to the port, rather than from the industrial outskirts of Bangkok to the port. Instead, CPZ/SKF contends that the Department should use 44.33 km, which represents an average distance from the industrial outskirts to the Bangkok port, when averaging the distances to the port of Bangkok and the port of Laem Chabang. CPZ/SKF notes that the Department has relied on this figure in recent cases.[15]

With regard to the source of the SV data, CPZ/SKF argues that the Department should use the truck freight expense stated in the World Bank's Doing Business 2013,[16] consistent with the Department's practice of using data which are contemporaneous with the POR.[17] CPZ/SKF notes that this source is preferable to the Doing Business 2014 data, which are current as of June 1, 2013 (i.e., the day after the current POR ends). CPZ/SKF also asserts that the Doing Business 2013 data are preferable to the data from DXPlace.com, given that the Department has previously found that these latter data represent a snapshot from a single point in time rather than a broad average.[18] Additionally, CPZ/SKF notes that the DXPlace.com data are not contemporaneous with the POR and contain no data for distances under 50 km that appear to involve transport by full-size trailers.

Tainai also argues that using a 7.6 km distance would be unreasonable. According to Tainai, using this distance in the SV freight calculation and applying it to all shipments up to 50 km would significantly and artificially increase the respondents' freight costs and could create dumping margins where none would otherwise exist. Moreover, Tainai asserts that using truck freight between Bangkok and its port – ostensibly the most expensive rates of any in Thailand – also would artificially increase the SV. Finally, Tainai asserts that the petitioner's calculation uses data between only one city and one port (Bangkok) rather than countrywide data, and thus it should be rejected on this basis alone.

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[15] In support of this position, CPZ/SKF cites Hand Trucks and Certain Parts Thereof from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012, 79 FR 44008 (July 29, 2014) (Hand Trucks), and accompanying Issues and Decision Memorandum at Comment 8; and Final Determination of Sales at Less Than Fair Value: Prestressed Concrete Steel Rail Tie Wire from the People's Republic of China, 79 FR 25572 (May 5, 2014) (PC Tie Wire), and accompanying Issues and Decision Memorandum at Comment 4.

[16] See CPZ/SKF's Surrogate Value Comments, dated Jan. 10, 2014, at Exhibit SV-9.

[17] In support of this assertion, CPZ/SKF cites, e.g., Electrolytic Manganese Dioxide From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 73 FR 48195 (Aug. 18, 2008), and accompanying Issues and Decision Memorandum at Comment 2.

[18] As support for this assertion, CPZ/SKF cites Diamond Sawblades and Parts Thereof From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012, 79 FR 35723 (June 24, 2014) (Diamond Sawblades), and accompanying Issues and Decision Memorandum at Comment 20; PC Tie Wire, at Comment 4; and Xanthan Gum From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 33350 (June 4, 2013) (Xanthan Gum), and accompanying Issues and Decision Memorandum at Comment 6-A.

Department's Position:

Section 773(c)(1) of the Tariff Act of 1930, as amended (the Act) instructs the Department to value the FOPs based upon the best available information from a ME country or countries that the Department considers appropriate. When considering what constitutes the best available information, the Department considers several criteria, including whether the SV data are contemporaneous, publicly available, tax- and duty- exclusive, representative of a broad market average, and specific to the FOP.[19] The Department's preference is to satisfy the breadth of these aforementioned selection factors.[20] Moreover, it is the Department's practice to consider carefully the available evidence in light of the particular facts of each industry when undertaking its analysis to value the FOPs.[21] The Department must weigh the available information with respect to each input value and make a product-specific and case-specific decision as to what constitutes the "best" available SV for each input.[22]

Based on an analysis of the sources on the record to value truck freight, the Department finds that Doing Business 2014 represents the best available data to value truck freight. This source best satisfies each of the criteria that the Department considers when selecting a SV.[23] While the freight information contained in this source is "current as of June 2013" (and thus published outside the POR), it is based on information collected with respect to shipments made during the POR, and thus we find that it more accurately reflects the cost to ship merchandise during the period currently under consideration. Likewise, Doing Business 2013, published June 1, 2012, is reflective of freight rates in effect prior to its publication and prior to the current POR.

Moreover, Doing Business 2014 provides a publicly available, broad market average freight rate, and we have consistently found it to provide the best available information in other prior cases to

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[19] See, e.g., Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People's Republic of China, 71 FR 53079 (September 8, 2006), and accompanying Issues and Decision Memorandum at Comment 3.

[20] See, e.g., Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Final Results of Antidumping Duty Administrative Review and New Shipper Reviews; 2010-2011, 78 FR 17350 (Mar. 21, 2013), and accompanying Issues and Decision Memorandum at Comment I(C); and Administrative Review of Certain Frozen Warmwater Shrimp from the People's Republic of China: Final Results and Partial Rescission of Antidumping Duty Administrative Review, 76 FR 51940 (August 19, 2011), and accompanying Issues and Decision Memorandum at Comment 2.

[21] See Certain Preserved Mushrooms from the People's Republic of China: Final Results and Final Partial Rescission of the Sixth Administrative Review, 71 FR 40477 (July 17, 2006) (Mushrooms), and accompanying Issues and Decision Memorandum at Comment 1; see also Freshwater Crawfish Tail Meat from the People's Republic of China; Notice of Final Results of Antidumping Duty Administrative Review, and Final Partial Rescission of Antidumping Duty Administrative Review, 67 FR 19546 (April 22, 2002) and accompanying Issues and Decision Memorandum at Comment 2.

[22] See, e.g., Mushrooms, at Comment 1.

[23] See, e.g., Hand Trucks, at Comment 8; see also Certain Steel Nails From the People's Republic of China: Preliminary Results of the Fourth Antidumping Duty Administrative Review, 78 FR 56861 (Sept. 16, 2013), unchanged in Certain Steel Nails From the People's Republic of China: Final Results of the Fourth Antidumping Duty Administrative Review, 79 FR 19316 (April 8, 2014).

value truck freight.[24] We prefer to value an FOP using prices that are broad market averages because "a single input price reported by a surrogate producer may be less representative of the cost of that input in the surrogate country."[25] Doing Business 2014 contains data collected from local freight forwarders, shipping lines, customs brokers, port officials and banks; thus, it reflects the freight costs of multiple vendors and users and it is a broad market average.[26] Based on these facts and given that Doing Business 2014 is a World Bank publication, we find the quality of the data in this publication to be reliable, consistent with our decisions in other non-market economy (NME) proceedings.[27]

We do not consider the DXPlace.com data to be the best available information to value freight distances over 50 km because, although the DXPlace.com data appear to provide multiple freight rates from multiple locations within Thailand, it is unclear if the prices are an average over a significant period of time or a snapshot from a single point in time.[28] Absent evidence indicating whether this resource provides historical price data, we cannot consider this source more reliable than Doing Business 2014.

With respect to the issue of distance, we disagree with the petitioner that it is appropriate to use a distance of 7.6 km, which represents the distance from the port of Bangkok to the center of Bangkok, in our calculations. Upon reviewing the record, we find that Doing Business 2014 does not specify which major port in Thailand serves as the basis for its reported rates. We also note that one of the assumptions in the Doing Business 2014 survey is that the company is located in the periurban area of the economy's largest business city (i.e., Bangkok's Industrial Park Area).[29]

In PC Tie Wire and Hand Trucks, the Department determined that there are two major ports in Thailand, the port of Bangkok and the port of Laem Chabang.[30] In those proceedings, the Department calculated a SV for truck freight by taking an average of the distances between these two major ports.[31] In these reviews, consistent with PC Tie Wire and Hand Trucks, the Department again finds that there are two major ports in Thailand and that it is, thus, reasonable to take an average of the distance from those two major ports.[32] We also agree that it is

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[24] See Diamond Sawblades, at Comment 20; PC Tie Wire, at Comment 4; see also Xanthan Gum at Comment 6-A.

[25] See Honey from the People's Republic of China: Final Results and Final Rescission, in Part, of Antidumping Duty Order Administrative Review, 71 FR 34893 (June 16, 2006).

[26] See Certain Polyester Staple Fiber From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010-2011, 78 FR 2366 (January 11, 2013) (PSF), and the accompanying Issues and Decision Memorandum at Comment 3.

[27] See e.g., Diamond Sawblades, at Comment 20.

[28] See PC Tie Wire, at Comment 4.

[29] See the petitioner's Surrogate Value Comments, dated Jan. 10, 2014, at Attachment 9.

[30] See PC Tie Wire, at Comment 4; and Hand Trucks, at Comment 8.

[31] Id.

[32] We note that the petitioner placed information on the record related to an email exchange with the Office of the World Bank-IFC Vice President for Development Economics. However, we find that nothing in that email exchange compels a conclusion that the "seaport located in Bangkok" refers exclusively to the port of Bangkok.

reasonable, to the extent possible, to use the distance from these major ports to the Bangkok Industrial Park Area. However, unlike in PC Tie Wire and Hand Trucks, we do not have the distance from the port of Laem Chabang to the Bangkok Industrial Area on our record. As a result, we are instead relying on the distance from the port of Laem Chabang to the center of Bangkok (i.e., 133 km), which is the best available information on the record regarding this distance.[33] Therefore, for the final results, we have computed the freight expense using the average of the distances on the record of the current reviews of the two major ports (i.e., 88.17 km).[34]

Comment 2: *Using the Sigma Cap and Unreported Affiliate Distances*

In the Preliminary Results, the Department adjusted the average unit values (AUVs) based on Thai import data in the calculation of each respondent's SVs by including freight costs to render them delivered prices to the NME producer. Specifically, the Department added to the Thai import AUVs, reported on a Cost, Insurance and Freight basis, a surrogate freight cost using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory where it relied on an import-based AUV.[35] This adjustment is in accordance with the decision of the Court of Appeals for the Federal Circuit in Sigma and is hereafter referred to as the "Sigma cap."

The petitioner agrees that it is appropriate to use the Sigma-capped distance from an input supplier to the factory where an input is first delivered. However, the petitioner notes that the Department capped all distances between input suppliers, rather than only to the first one, and it also capped any distances for which the respondent had already reported the data on a capped basis. Therefore, the petitioner requests that the Department adjust or remove the capping language from the final margin program, in order to properly implement the Sigma cap.

Additionally, with regard to Tainai, the petitioner claims that Tainai failed to report in its FOP data the distances associated with moving certain inputs. Specifically, the petitioner claims that in Tainai's production process, the inputs in question moved from a supplier to an affiliate, and then between affiliates to Tainai. However, Tainai only reported the distances related to moving the inputs from the supplier to the first affiliate, and not the distances between the various affiliates. Therefore, the petitioner asserts that, to fully account for the freight costs incurred to produce the subject merchandise, the Department should include the full distances traveled to move these inputs between these entities in its calculations for the final results. The petitioner notes that these distances are contained in two supplemental questionnaire responses submitted by Tainai.

Tainai argues that the Department has traditionally applied the Sigma cap only to the distance between the port and the factory where the finished product is produced, and that the Department should continue to follow this policy for the final results. With respect to the allegedly

[33] See CPZ/SKF's Surrogate Value Comments, dated January 10, 2014, at Exhibit SV-9; see also CPZ/SKF's Surrogate Value Rebuttal Comments, dated January 21, 2014, at Exhibit SVR-3.

[34] See CPZ/SKF's Final Analysis Memo at 1; and Tainai's Final Analysis Memo at 1.

[35] See Preliminary Decision Memorandum at 14.

unreported distances, Tainai asserts that the expenses associated with moving products by its affiliates are captured in factory overhead; and according to Tainai, had it reported the distances separately, the Department would have double counted them. Tainai notes that one of the affiliates in question merely moves the semi-finished products to other facilities using a forklift, and thus the associated expenses are part of that company's factory overhead, while its other affiliate books the movement costs as part of its indirect selling expenses (which Tainai maintains is also captured in overhead). Thus, Tainai claims that the Department has already included all appropriate freight costs in its calculations.

CPZ/SKF did not comment on this issue.

Department's Position:

In accordance with Sigma, when inputs are valued using AUV based on import data, it is the Department's practice to value freight services based on the shorter of the reported distance from the manufacturer of subject merchandise to the closest seaport or the manufacturer of subject merchandise to its input supplier.[36] We agree with the petitioner that the Sigma cap should be applied only to the distance that material inputs travel from the original supplier to the location of the first stage of production (i.e., in the current case, the forging subcontractor/affiliate). After reviewing the programming language referenced in the petitioner's case brief, we also agree that we failed to apply the Sigma cap appropriately in the Preliminary Results, and we have corrected our calculations accordingly.[37]

With respect to Tainai's unreported distances, we agree with the petitioner. Though Tainai contends that the freight costs in question are part of company overhead, we note that Tainai has provided no evidence to support this contention. Further, because it is reasonable to assume transportation costs between affiliated facilities for semi-finished or intermediate inputs would be considered a part of the cost of the inputs, just as transportation costs for raw material inputs are considered a part of the raw materials costs, the Department has developed a practice of including freight costs between factories for semi-finished or intermediate inputs as a part of raw material costs.[38] Therefore, for the final results, we included these freight costs in our calculations,[39] consistent with our treatment of the movement associated with all other inputs purchased from NME suppliers in this segment of the proceeding.

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[36] See, e.g., Certain Cased Pencils from the People's Republic of China; Final Results and Partial Rescission of Antidumping Duty Administrative Review, 68 FR 43082 (July 21, 2003), and accompanying Issues and Decision Memorandum at Comment 6; and Notice of Final Determination of Sales at Less Than Fair Value: Saccharin From the People's Republic of China, 68 FR 27530 (May 20, 2003), and accompanying Issues and Decision Memorandum at Comment 4.

[37] See CPZ/SKF's Final Analysis Memo at 3; and Tainai's Final Analysis Memo at 2.

[38] See Chlorinated Isocyanurates From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010-2011, 78 FR 4386 (January 22, 2013), and accompanying Issues and Decision Memorandum at Comment 16.

[39] See Tainai's Final Analysis Memo at 2.

Comment 3: *By-Product Offsets*

Both CPZ/SKF and Tainai claimed by-product offsets for steel scrap generated and sold during the POR (either by CPZ/SKF itself or by CPZ/SKF's suppliers and subcontractors; or by Tainai itself or by Tainai's affiliates). In the Preliminary Results, the Department accepted these by-product offsets as reported.[40] The petitioner argues that the Department should deny the majority of these offsets in the final results because the Department's practice is to base by-product offsets on POR production (rather than sales) of the by-product in question, as long as the producer can show that the by-product has commercial value.[41] The petitioner notes that CPZ/SKF provided no records to demonstrate the quantity of scrap produced by its suppliers and subcontractors, while Tainai provided no records to demonstrate the quantity of scrap produced by either itself or its affiliates.

Specifically, the petitioner notes that the Department's acceptance of the claimed scrap offsets runs contrary to previous decisions such as Silicon Metal 2012 where the Department required scrap production data in order to determine whether the claimed offset relates to the reported FOPs and whether production of subject merchandise did, in fact, generate the amount of scrap claimed.[42] The petitioner contends that the Department has previously found that evidence of scrap sales alone is insufficient to justify the granting of a by-product offset.[43] Additionally, the petitioner notes that it is the respondent's burden to demonstrate its eligibility to receive this offset,[44] which both respondents failed to do in these reviews by not providing production records of their steel scrap. Thus, the petitioner asserts that the Department should deny CPZ/SKF's (in part) and Tainai's claimed by-product offset in the final results.

The petitioner recognizes that the Department has, in fact, allowed a scrap offset in cases where the respondent did not provide data on scrap production; however, the petitioner notes that this was done in circumstances where the respondent was able to demonstrate that its claimed scrap sales were tied to production of the subject merchandise during the POR.[45] The petitioner asserts

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[40] See Preliminary Results, and accompanying Preliminary Decision Memorandum at 17.

[41] In support of this assertion, the petitioner cites Frontseating Service Valves From the People's Republic of China: Final Results of the 2008–2010 Antidumping Duty Administrative Review of the Antidumping Duty Order, 76 FR 70709 (November 15, 2011), and accompanying Issues and Decision Memorandum at Comment 18.

[42] In support of this assertion, the petitioner cites Silicon Metal from the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 77 FR 54563 (September 5, 2012) (Silicon Metal 2012), and accompanying Issues and Decision Memorandum at Comment 3; and Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People's Republic of China, 71 FR 53079 (September 8, 2006), and accompanying Issues and Decision Memorandum at Comment 23.

[43] The petitioner cites Silicon Metal 2012, at Comment 3.

[44] The petitioner cites Certain New Pneumatic Off-the-Road Tires From the People's Republic of China: Final Results of Antidumping Duty New Shipper Review; 2011–2012, 78 FR 33341 (June 4, 2013) (PRC Tires), and accompanying Issues and Decision Memorandum at Comment 4.

[45] In support of this assertion, the petitioner cites Drawn Stainless Steel Sinks From the People's Republic of China: Investigation, Final Determination, 78 FR 13019 (Feb. 26, 2013) (Sinks), and accompanying Issues and Decision Memorandum at Comment 9; and Multilayered Wood Flooring From the People's Republic of China:

that, unlike in those cases, the respondents in this case have provided no information to demonstrate that their scrap sales relate to the production of subject merchandise.[46]

Finally, the petitioner argues that, even if the Department disagrees that production data are necessary here, it should still deny Tainai a by-product offset because: 1) Tainai failed to provide complete documentation corroborating its reported steel scrap sales; 2) the documentation that Tainai did provide contains inconsistencies; and 3) Tainai's steel scrap sales were to an affiliate who paid a price which calls into question the "commercial reality" of the sales.

CPZ/SKF disagrees that the Department should deny the claimed by-product offset for its suppliers. According to CPZ/SKF, its suppliers do not keep records of steel scrap production and, in previous segments of this proceeding, the Department has consistently granted the by-product offset after CPZ/SKF demonstrated the scrap metal has commercial value.[47] Additionally, CPZ/SKF contends that its subcontractors' yield loss indicates that scrap was produced during the POR. Furthermore, CPZ/SKF claims that allowing its reported by-product offset is consistent with the Department's practice, as outlined in Ribbons,[48] to grant a by-product offset when the producer demonstrates that the scrap was sold. CPZ/SKF points out that, in Wood Flooring, the Department allowed the by-product offset because it verified that the respondent regularly produced the by-product and provided all the sales records requested by the Department. As in Wood Flooring, CPZ/SKF maintains that it provided all requested sales records, and, therefore, the Department should continue to grant the by-product offset.

Final Determination of Sales at Less Than Fair Value, 76 FR 64318 (October 18, 2011) (Wood Flooring), and accompanying Issues and Decision Memorandum at Comment 23.

[46] Because most of CPZ/SKF's suppliers and subcontractors seem to sell the steel scrap sporadically, and some only sold steel scrap in one or two months, the petitioner claims that CPZ/SKF did not provide information showing that the steel scrap sold relates to the production of the subject merchandise during the POR. Thus, with no relationship between when the steel scrap was produced and when it was sold, the petitioner maintains that the Department should not grant a by-product offset with respect to CPZ/SKF's suppliers and subcontractors for the final results.

[47] In support of its claim, CPZ/SKF points to: e.g., Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results of Antidumping Administrative Review and New Shipper Reviews; 2011-2012, 78 FR 40692 (July 8, 2013) (TRBs 11/12 Prelim), and accompanying Preliminary Decision Memorandum, unchanged in TRBs 11/12; Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results of the 2010-2011 Antidumping Administrative Review, Rescission In Part, and Intend to Rescind in Part, 77 FR 40579 (July 10, 2012) (TRBs 10/11 Prelim), unchanged in TRBs 10/11; and Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results of the 2009-2010 Administrative Review of the Antidumping Duty Order and Intent to Rescind Administrative Review, in Part, 76 FR 41207, 41214 (July 13, 2011) (TRBs 09/10 Prelim), unchanged in TRBs 09/10.

[48] In support of its claim, CPZ/SKF cites Wood Flooring, at Comment 23; and Narrow Woven Ribbons With Woven Selvedge From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 75 FR 41808 (July 19, 2010) (Ribbons), and accompanying Issues and Decision Memorandum at Comment 2 ("{A} scrap offset is appropriate because the record demonstrates that Yama sold its scrap yarn and ribbon (collectively 'scrap') during the period of investigation ('POI') ... The Department normally allows respondents to claim an offset to the reported factors of production ('FOPs') for scrap generated during production of the merchandise under consideration and sold or reintroduced into the production process by the respondent. In the instant case, Yama has provided record evidence that its scrap was being sold, and this evidence was verified.").

Additionally, CPZ/SKF contends that the petitioner's reference to Silicon Metal 2012 is misplaced. CPZ/SKF notes that the respondent in that case shut down its factory for a portion of the POR, and it argues that, as a result, the Department was concerned about the quantity of scrap produced during that period. In contrast to Silicon Metal 2012, CPZ/SKF claims that the quantity of steel scrap sales reported by its suppliers is undoubtedly less than the amount of steel scrap actually produced in the production process. Thus, CPZ/SKF contends that, as the Department has no reason to be concerned that it is claiming greater amounts of scrap sold than the amount actually produced by its suppliers, the Department should grant the scrap offset.

Tainai disagrees with the petitioner that its by-product offset is not supported by evidence on the record. According to Tainai, it is clear from the dates of its steel scrap sales that the scrap was produced during the POR. Tainai further claims that: 1) the Department does not require complete supporting documentation for scrap sales, and thus Tainai only provided sample documentation; and 2) any inconsistencies in its supporting documentation arise from the fact that scrap payments are made on a rolling basis. Finally, Tainai states that it received a higher unit price for its steel scrap because it sold defective finished goods as "steel scrap" (rather than scrap generated from basic raw materials, like that generated by its subcontractors). Tainai asserts that the petitioner's arguments do not amount to more than speculation and conjecture, which cannot supplant the substantial evidence on the record. Accordingly, Tainai urges the Department to accept its by-product offset as reported in the final results.

Department's Position:

The Department's practice, as reflected in the Department's antidumping questionnaire issued to Tainai and CPZ/SKF, is to grant by-product offsets "for merchandise that is either sold or reintroduced into production during the POI/POR, up to the amount of that by-product/co-product actually produced during the POI/POR."[49] Thus, to be eligible for an offset, a respondent needs to provide and substantiate the quantity of by-products it generated from the production of subject merchandise during the POR as well as demonstrate that the by-product has commercial value. To that end, in these reviews, the Department requested that CPZ/SKF and Tainai "{p}rovide production records demonstrating production of each by-product/co-product during one month of the POR."[50] Consistent with our practice, we are denying CPZ/SKF's and Tainai's claims for a by-product offset where the companies have not provided data of their or their subcontractors' by-product production during the POR. We have continued to grant a by-product offset where CPZ/SKF demonstrated that its by-product was produced during the POR and has commercial value.

The Department finds that this methodology ensures the accuracy of the Department's dumping calculations. Specifically, providing the production quantity is important because in considering a by-product offset, the Department examines whether the by-product was produced from the quantity of the FOPs reported and whether the respondent's production process for the

[49] The Department's original antidumping questionnaire was issued to Tainai on July 30, 2013, and to CPZ/SKF on September 18, 2013.

[50] Id.

merchandise under consideration actually generated the amount of the by-product claimed as an offset. The Department has stated that "Scrap sold but not produced during the POI should not be included within the scrap offset because it would be unreasonable to offset the cost during the POI for scrap produced prior to the POI."[51] Furthermore, the Department's practice ensures that a respondent does not receive a by-product offset for scrap generated in the production of non-subject merchandise. Therefore, we are following this methodology for the final results in these reviews, consistent with our general practice in NME proceedings before the Department.[52]

We acknowledge that the Department has granted CPZ/SKF's requests for a by-product offset based only on by-product sales data in the previous segments cited by CPZ/SKF. However, we note that the issue was not raised for further examination after the preliminary results of those reviews. In the current reviews, it is clear that the original questionnaire issued to the respondents specifically stated that a by-product offset is only granted up to the amount that was actually produced during the POR, and the supplemental questionnaire issued to CPZ/SKF requested again that it provide the necessary data.[53] Thus, we find that both CPZ/SKF and Tainai were on notice with respect to the Department's qualification requirements for claiming and substantiating a by-product offset.

With respect to Tainai's argument that the dates of its by-product sales should be sufficient to link them to its production, we disagree. There is no evidence on the record to support such a conclusion. Likewise, with regard to CPZ/SKF's contention that its subcontractors' yield loss indicates that scrap was produced during the POR, the presence of yield loss alone does not amount to evidence of by-product production; as the term indicates, the unincorporated steel could be "loss" or waste, not saleable scrap (i.e., there is no certainty that the scrap sold during the POR was generated during the period under consideration). Furthermore, it is the respondent's burden to demonstrate its eligibility for a requested by-product offset,[54] which we find that CPZ/SKF, in part, and Tainai have failed to do here.

Finally, we find that CPZ/SKF's reliance on Ribbons and Wood Flooring is misplaced. While the Department did grant a by-product offset in Ribbons, the issue in Ribbons was not whether the Department required data regarding scrap production. Rather, the parties in Ribbons were disputing whether there was a legitimate commercial usage for the respondent's scrap. The Department granted the offset because there was verified evidence that the scrap was being sold,

[51] See Notice of Final Determination of Sales at Less Than Fair Value: Circular Welded Carbon-Quality Steel Pipe From the Sultanate of Oman, 77 FR 64480 (October 22, 2012), and accompanying Issues and Decision Memorandum at Comment 3.

[52] See, e.g., Certain Oil Country Tubular Goods From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010-2011, 77 FR 74644 (December 17, 2012) (OCTG), and accompanying Issues and Decision Memorandum at Comment 2; Utility Scale Wind Towers From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 77 FR 75992 (December 26, 2012), and accompanying Issues and Decision Memorandum at Comment 17; Silicon Metal 2012, at Comment 3.

[53] See CPZ/SKF's Response to the Department's Supplemental Section D Questionnaire (Mar. 31, 2014) (Supp. D Response) at 4 and 22.

[54] See PRC Tires, at Comment 4; see also Utility Scale Wind Towers From the Socialist Republic of Vietnam: Final Determination of Sales at Less Than Fair Value, 77 FR 75984 (December 26, 2012), and accompanying Issues and Decision Memorandum at Comment 5; and OCTG, at Comment 2.

but the Department never stated that it did not require, or that the record did not contain, evidence of the amount of scrap generated in production.[55] Further, in Wood Flooring the Department verified that the respondent in question generated wood scrap but did not inventory it, and that the respondent sold the scrap that it generated on a monthly basis. Thus, unlike here, the respondent in Wood Flooring established a sufficient link between its production of wood scrap and the subsequent sale of this by-product.[56] Similarly, in Sinks the Department granted a by-product offset because the respondent was able to link the quantity of its scrap sold to its scrap production.[57] The same facts are not present on the record in these reviews.

Therefore, consistent with our practice, we are granting CPZ/SKF a by-product offset equal to the documented amount of scrap that was produced by CPZ/SKF and its suppliers during the POR, because CPZ/SKF has established that this scrap has commercial value.[58] However, we are not including in this by-product offset for CPZ/SKF the amounts claimed for its subcontractors where CPZ/SKF failed to provide the necessary by-production production data.

With regard to Tainai, because Tainai did not provide information regarding the production of by-products during the POR by itself or any of its affiliates, we find that Tainai has not met the requirements necessary to qualify for a by-product offset. Accordingly, we are not granting a by-product offset to Tainai in the final results.

Given that we are denying Tainai's claim for a by-product offset due to its failure to provide the requested information regarding the production of by-products by itself or any of its affiliates during the POR, the remaining allegations pertaining to the validity of Tainai's scrap sales and the corresponding documentation of these sales are moot.

CPZ/SKF Issues

Comment 4: *Collapsing of SGBC and CPZ/SKF*

In its October 25, 2013, response to section A of the Department's questionnaire, CPZ/SKF disclosed that, during the POR, it became affiliated with another producer of TRBs located in the PRC.[59] The Department requested information from CPZ/SKF to determine whether the two producers should be collapsed (i.e., treated as a single entity for purposes of this proceeding).[60] After evaluating CPZ/SKF's response, we continued to assign CPZ/SKF its own cash deposit and antidumping duty assessment rates.

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[55] See Ribbons, at Comment 2.

[56] See Wood Flooring, at Comment 23.

[57] See Sinks, at Comment 9.

[58] See CPZ/SKF's Final Analysis Memo at 2-3.

[59] See CPZ/SKF's Section A response, dated October 25, 2013, at A-5.

[60] See CPZ/SKF's Supplemental Sections A and C Response, dated March 18, 2014 (Supp. A&C Response), at 6-14.

Although the Department treated SGBC and CPZ/SKF as separate entities in the Preliminary Results, the petitioner urges the Department to make an affirmative determination to collapse SGBC and CPZ/SKF, and to treat them as a single entity in the final results. In support of this position, the petitioner points to the Department's regulations stating that the Department will treat two or more affiliated producers as a single entity when producers have production facilities for similar products that would not require substantial retooling of either facility in order to restructure manufacturing priorities and where significant potential for manipulation of price or production exists.[61] The petitioner notes that, in order to analyze the potential for manipulation, the Department's regulations allow for the examination of the following factors but do not require that all be present before collapsing: 1) level of common ownership; 2) extent to which managers or board members of one firm sit on the board of directors of an affiliated firm; and 3) whether operations are intertwined.[62] The petitioner maintains that, under the regulations, actual manipulation need not have occurred; rather, the regulations only require that the potential for it exists.[63]

The petitioner maintains that no one disputes that SGBC and CPZ/SKF are affiliated and produce similar or identical merchandise. Regarding the Department's third prong (i.e., the potential for manipulation), the petitioner asserts that the degree of common ownership and/or control by a common parent creates the conditions for a significant potential of manipulation of pricing or production, the incentives for which are particularly strong here given that SGBC is not currently subject to the antidumping duty order. Thus, the petitioner requests that the Department collapse the two companies, consistent with its practice.[64]

CPZ/SKF disagrees that the Department should collapse SGBC and CPZ/SKF. CPZ/SKF acknowledges that the two companies are affiliated and that they produce a limited number of the same products. However, CPZ/SKF states that the existence of these two factors alone is insufficient for the Department to make a determination that collapsing is warranted.[65] Indeed, CPZ/SKF cites a number of instances where the Department and the courts have reached the same conclusion.[66] CPZ/SKF also disagrees with the petitioner's reading of Steel Bar from

[61] The petitioner cites 19 CFR 351.401(f)(1).

[62] In support of this assertion, the petitioner cites, e.g., Stainless Steel Bar From India: Final Results of Antidumping Duty Administrative Review, 74 FR 47198 (September 15, 2009) (Steel Bar from India), and accompanying Issues and Decision Memorandum at Comment 1; and Catfish Farmers of Am. v. United States, 641 F. Supp. 2d 1362, 1372 (CIT 2009).

[63] The petitioner cites Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27295, 27345 (May 19, 1997).

[64] In support, the petitioner cites Steel Bar from India at Comment 1, where the Department held that a single family with operations in two companies "has the ability and financial incentive to coordinate their actions in order to … act in concert out of common interests."

[65] In support, CPZ/SKF cites Carpenter Tech. Corp. v. United States, 510 F.3d 1370, 1373 (Fed. Cir. 2007); 19 CFR 351.401(f); and Dongkuk Steel Mill Co. v. United States, 29 CIT 724,732 (CIT 2005).

[66] In support, CPZ/SKF cites New World Pasta Co. v. United States, 316 F. Supp. 2d 1338,1345 (CIT 2004) (New World Pasta); Allied Tube and Conduit Corp. v. United States, 127 F. Supp. 2d 207, 222 (CIT 2000) (Allied Tube); Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China, 71 FR 29303, 29310 (May 22, 2006) (Diamond Sawblades 2006), and accompanying Issues and Decision Memorandum at

India; according to CPZ/SKF, in that case the Department's collapsing determination did not rest solely on common ownership, but rather, also took into account the family's dominance of both companies' boards and another factor, not specified, related to the family's involvement in the two companies' operations.[67]

Finally, CPZ/SKF notes that the Department was aware of CPZ/SKF's affiliation with SGBC early on in this segment of the proceeding. Thus, CPZ/SKF asserts that it would be fundamentally unfair for the Department to collapse these two companies now and to penalize them for failing to report SGBC's production information.

Department's Position:

In accordance with 19 CFR 351.401(f)(1) and (2), the Department will treat two or more affiliated producers as a single entity where those producers have production facilities for similar or identical products that would not require substantial retooling of either facility and there is significant potential for the manipulation of price or production. In regards to significant potential for manipulation of price or production, 19 CFR 351.401(f)(2)(i)-(iii) states that the Department may consider the following factors: (i) level of common ownership, (ii) the extent to which managerial employees or board members of one firm sit on the board of directors of an affiliated firm, and (iii) the degree to which operations are intertwined, such as through the sharing of sales information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers.

While we acknowledge that the two companies are under common ownership and do produce some similar or identical products, there is no evidence on the record of this segment of the proceeding that they share common board members or managerial employees, nor is there any indication that their operations are intertwined.[68] Specifically, we note that there is no evidence that the two companies shared any information, facilities, or employees, nor is there any indication that they had significant transactions with each other.[69] Thus, we find that the evidence on record for this segment of the proceeding does not support a determination to collapse CPZ/SKF and SGBC.

This conclusion is consistent with the Department's practice, as well as rulings by the U.S. Court of International Trade (CIT). For example, in Diamond Sawblades 2006[70] the Department declined to collapse two affiliated producers, stating that,

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Comment 13; and Certain Cased Pencils from the People's Republic of China: Final Results and Partial Rescission of Antidumping Duty Administrative Review, 74 FR 33406 (July 13, 2009) (Pencils), and accompanying Issues and Decision Memorandum at Comment 1.

[67] See Steel Bar from India, at Comment 1.

[68] See CPZ/SKF's Supp. A&C Response, at 6-14 (stating that no managerial employees or board members of CPZ/SKF sit on the board of directors SGBC or vice versa, that neither company shares sales information with the other, and that they share no production facilities, production employees, or administrative functions. This response also states the companies are not involved in each other's day-to-day pricing or production decisions, nor do they have any transactions with each other.)

[69] Id.

[70] See Diamond Sawblades 2006, at Comment 13.

> {while}…it is undisputed the Ehwa and Shinhan have production facilities for similar or identical products . . . the sole issue facing the Department is whether there exists a significant potential for the manipulation of price or production ... {W}e find that the level of common ownership between Ehwa and Shinhan is substantial. Furthermore, we find that Ehwa and Shinhan do not jointly employ or share any persons as managers, executives, or members of the board … Lastly, we find that there are no intertwined operations between the two companies. This leads us to conclude that the record evidence is not sufficient to warrant collapsing. The Court has held that the evidence required to justify a collapsing determination goes beyond that which is necessary to find common control.

The Department made a similar determination in Pencils,[71] where the Department found that

> the evidence of changes in shared management and intertwined operations is so overwhelming that even if we were to find a level of common ownership in this review, we would not have sufficient bases to collapse the two companies.

The CIT has also upheld the Department's interpretation of the collapsing regulation in a number of cases. For example, in New World Pasta,[72] the CIT stated that

> {u}nder the collapsing regulation, 19 C.F.R. § 351.401(f)(1), the evidence required to justify a collapsing determination goes beyond that which is necessary to find common control …. {E}ven were the sub-factor of common ownership satisfied, it alone could not justify collaps{ing}; Commerce would still need to review {the extent to which managerial employees or directors of one firm also sit on the board of the other firm, and whether operations are intertwined}.

Although we find that the record in this segment of the proceeding does not support a collapsing determination, we recognize the importance of a collapsing decision to the accuracy of our dumping calculations. Therefore, we will request additional information from CPZ/SKF in the next segment of this proceeding, and we will reevaluate this conclusion if the facts differ there.

Comment 5: *Application of AFA*

CPZ/SKF reported its FOP information based on "the weighted-average consumption of raw materials for each model of subject merchandise produced by CPZ/SKF."[73] At the request of the Department, CPZ/SKF submitted documentation supporting its calculations, including

[71] See Pencils at Comment 1.

[72] See New World Pasta, 316 F. Supp. 2d at 1345; see also Allied Tube, 127 F. Supp. 2d at 222 (where the CIT said, "Commerce conceded that Saha Thai, Thai Hong, and Thai Tube were affiliated because of common ownership and control by the Lamatipanont family ... Similarly, Commerce determined that each of the Affiliated Companies produced the same or similar products ... {T}hese two findings are necessary but not sufficient to warrant the collapsing of two or more companies.").

[73] See CPZ/SKF's Response to Section D of the Department's Questionnaire (November 26, 2013) (Section D Response) at D-13; and CPZ/SKF's Supp. D Response at 3 and App. SD-2.

processing settlement sheets and VAT invoices for July 2012 from one of its subcontractors.[74] In the Preliminary Results, the Department accepted CPZ/SKF's reporting of its FOPs.[75]

The petitioner argues that the Department should apply AFA pursuant to sections 776(a) and (b) of the Act because the settlement sheets and VAT invoices provided by CPZ/SKF reveal inconsistencies that the petitioner alleges call into question the reliability of CPZ/SKF's reported FOPs. Specifically, the petitioner notes that the information detailed on the settlement sheets and VAT invoices differ in the following ways: 1) not all part numbers included on the settlement sheets appear on the VAT invoices; 2) the total quantity and value of pieces on the settlement sheets and VAT invoices do not match; 3) for some of the part numbers that do appear in both documents, the quantities do not correspond; 4) unit values for certain parts that appear in both documents do not correspond; and 5) total values for some of the part numbers that appear in both documents do not match.

The petitioner contends that these inconsistencies undermine the reliability of all CPZ/SKF's reported consumption ratios and FOP quantities. Furthermore, the petitioner suggests that the inconsistencies place CPZ/SKF's actions within the purview of intentionally providing inaccurate information. According to the petitioner, the Department fulfilled its obligation under section 782(d) of the Act[76] by providing CPZ/SKF an opportunity to remedy the deficiency with regards to its FOP reporting in the supplemental section D questionnaire. Accordingly, the petitioner claims that CPZ/SKF's failure to provide supporting documentation warrants the application of AFA under sections 776(a) and (b) of the Act. To support its arguments, the petitioner cites cases where the CIT sustained the Department's application of AFA when respondents submitted unreliable, inaccurate, or incomplete documentation.[77]

CPZ/SKF disagrees that AFA is justified. CPZ/SKF notes that the quantities on its settlement sheets match its reported quantities, and the settlement sheet and VAT invoice totals also match. While CPZ/SKF acknowledges that some quantities and unit prices differ and not all model numbers appear on its VAT invoices, it maintains that these differences are not relevant to the Department's calculations because: 1) CPZ/SKF knows that the VAT invoices may be inaccurate with respect to individual products[78]; and 2) as a result, it does not rely on the VAT invoices for purposes of reporting quantities of parts delivered. CPZ/SKF states that, instead, it

[74] See, e.g., CPZ/SKF's Section D Response at Appendix D-37; CPZ/SKF's Supp. D Response at Appendixes SD-2, SD-19, and SD-23 through SD-25; and CPZ/SKF's Response to the Department's Second Supplemental Section C and D Questionnaire (June 16, 2014) (2nd Supp. C&D Response), at Appendix 9.

[75] See Preliminary Results, and accompanying Preliminary Decision Memorandum at 14.

[76] In support, the petitioner cites SKF USA, Inc. v. United States, 116 F. Supp. 2d 1257, 1268 (CIT 2000) (SKF).

[77] The petitioner cites the following court cases: Nippon Steel Corp. v. United States, 337 F.3d 1373, 1382-1383 (Fed. Cir. 2003); Fujian Lianfu Forestry Co. v. United States, 638 F. Supp. 2d 1325, 1340 (CIT 2009); Shanghai Taoen Int'l Trading Co. v. United States, 360 F Supp. 2d 1339,1344-45 (CIT 2005); Tianjin Magnesium Int'l Co. v. United States, 844 F. Supp. 2d 1342, 1344, 1346, 1348 (CIT 2012); Sidenor Indus. SL v. United States, 664 F. Supp. 2d 1349, 1356-57 (CIT 2009); and Yantai Xinke Steel Structure Co. v. United States, Slip Op. 12-95 at 21 (CIT 2012).

[78] CPZ/SKF explains that, occasionally, its suppliers only list a representative subset of the products purchased on the VAT invoice, along with the correct total fee, for time-saving purposes.

relies on its settlement sheets, which it creates in the ordinary course of business based on its count of the total quantities actually delivered by its suppliers.

CPZ/SKF also argues that AFA is unwarranted because the Department requested the information at issue for the first time in a supplemental questionnaire and never asked for further clarification. CPZ/SKF contends that the Department must provide a respondent with an opportunity to remedy a deficient response prior to relying on facts available, and the Department's first request cannot be considered such an opportunity. CPZ/SKF maintains that SKF does not apply because in SKF, unlike here, the Department requested the information in both the initial and the supplemental questionnaires.

Department's Position:

Section 776(a) of the Act provides that if necessary information is not available on the record, or an interested party withholds the information requested by the Department, fails to provide such information by the deadlines for submission of the information, or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782 of the Act; significantly impedes a proceeding; or provides such information but the information cannot be verified as provided in section 782(i) of the Act, the Department shall use, subject to section 782(d) of the Act, facts otherwise available in reaching the applicable determination.

Section 782(d) of the Act requires that the Department promptly inform a person that submits deficient information of the nature of the deficiency and provide that person with an opportunity to timely remedy or explain the deficiency. If the person continues to submit deficient information after receiving appropriate notice, subject to 782(e) of the Act, the Department may disregard all or part of the subsequent responses. Section 782(e) of the Act states that the Department shall not decline to consider submitted information if all of the following requirements are met: (1) the information is submitted by the established deadline; (2) the information can be verified; (3) the information is not so incomplete that it cannot serve as a reliable basis for reaching the applicable determination; (4) the interested party demonstrated that it acted to the best of its ability; and, (5) the information can be used without undue difficulties.

We disagree with the petitioner that any of the requirements of section 776(a) of the Act have been met in this segment of the proceeding and, thus, we have used CPZ/SKF's reported FOP information and have not made a determination on the basis of facts available. Contrary to the petitioner's assertions, we find that all necessary information with respect to CPZ/SKF's FOPs is on the record of this segment of the proceeding. Moreover, CPZ/SKF did not withhold requested information or fail to provide it by the applicable deadlines or in the form or manner requested, or significantly impede the proceeding. Instead, CPZ/SKF completely responded to each of the Department's requests for information in a timely manner. While it is true that the source documentation submitted by CPZ/SKF to support its reported FOP figures does not match in all respects, we find that CPZ/SKF's explanation for the inconsistencies is reasonable. Specifically, there is no evidence on the record contradicting CPZ/SKF's claim that its settlement sheets are internal documents that it uses in the ordinary course of business to reconcile the VAT invoices from its suppliers with its purchases. In addition, given that the Department did not conduct a verification of CPZ/SKF's data in this review, there is no basis for determining that the information cannot be verified. We intend to conduct such a verification in the next segment of this proceeding, and we will examine this issue further then.

Comment 6: *ME Purchases of Steel*

CPZ/SKF argues that the Department improperly disregarded its purchases of steel bar from ME countries when performing the margin calculations for it in the Preliminary Results, and instead exclusively valued these inputs using AUV from Thai import data for steel bar. CPZ/SKF maintains that the Department should instead weight average the ME price CPZ/SKF paid for steel bar with the AUV from Thai import data for steel bar to derive the SV of CPZ/SKF's steel bar inputs. CPZ/SKF contends that this is the Department's practice when less than 33 percent (but greater than zero percent) of purchases are sourced from a market economy.[79]

According to the petitioner, if the Department weight averages CPZ/SKF's ME purchases of steel bar with the AUV for Thai import data for steel bar, it should do so only for TRBs produced by CPZ/SKF, not those produced by Changshan Peer Bearing Co., Ltd. (CPZ/PBZD), the company which existed prior to its acquisition by AB SKF (CPZ/SKF's parent company). While the petitioner agrees with CPZ/SKF's characterization of the Department's policy in general, the petitioner notes that this policy is producer-specific.[80] Given that the Department is treating both CPZ/SKF and CPZ/PBCD as separate, distinct producers (because the Department has determined that CPZ/SKF is not the successor-in-interest to CPZ/PBCD),[81] and CPZ/PBCD had no purchases from ME suppliers of steel bar during the POR,[82] the petitioner maintains that CPZ/PBZD is not entitled to a SV which includes CPZ/SKF's ME purchases.

Department's Position:

We have re-examined our calculations and agree that we should have included the value of CPZ/SKF's ME purchases of steel bar in our calculation of the SV for steel bar when calculating the NV for products produced by this company.[83] Therefore, we have revised our calculations accordingly for purposes of the final results.

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[79] In support of this position, CPZ/SKF cites Antidumping Methodologies: Market Economy Inputs, Expected Non-Market Economy Wages, Duty Drawback; and Request for Comments, 71 FR 61716, 61718 (October 19, 2006) (Antidumping Methodologies); Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010-2011, 78 FR 3396 (January 16, 2013) (TRBs 10/11), and accompanying Issues and Decision Memorandum at Comment 5.

[80] In support of this assertion, the petitioner cites 19 CFR 351.408(c)(l) and Antidumping Methodologies, 71 FR at 61719.

[81] See Peer Bearing Company-Changshan v. United States, Ct. No. 11-00022, Slip Op. 12-125 (CIT 2012), Final Results of Redetermination Pursuant to Court Remand (May 13, 2013) at 65, aff'd in relevant part Peer Bearing Company-Changshan v. United States, 986 F. Supp. 2d 1389, 1408-11 (CIT 2014); Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Final Results of the 2009-2010 Antidumping Duty Administrative Review and Rescission of Administrative Review, in Part, 77 FR 2271 (January 17, 2012) (TRBs 09/10), and accompanying Issues and Decision Memorandum at 5 and 7.

[82] See CPZ/SKF's Section D Response at D-4.

[83] See Antidumping Methodologies, 71 FR at 61718-19; see also 19 CFR 351.408(c)(1). We note that the Department has revised the methodology set forth in Antidumping Methodologies. See Use of Market Economy Input Prices in Nonmarket Economy Proceedings, 78 FR 46799 (August 2, 2013). However, that revised

However, we agree with the petitioner that, because CPZ/PBCD did not purchase steel bar from ME suppliers during the POR, it would not be appropriate to revise the SV for steel bar when calculating the NVs calculated for the TRBs produced by CPZ/PBCD. Thus, consistent with our practice in this proceeding,[84] we have continued to value the steel bar used by CPZ/PBCD based exclusively on the AUV for Thai import data for steel bar.

Comment 7: *Calculation of Input Freight*

In the Preliminary Results, the Department adjusted the SVs for steel bar, roller steel, and cage steel to include freight costs in order to render them delivered prices.[85] We calculated these freight costs using the reported quantity of each FOP, the distance that the FOP was moved (capped in accordance with Sigma, as appropriate), and the SV for the relevant method of transportation (e.g., truck freight).[86]

CPZ/SKF argues that the Department should revise its calculation of transportation expenses for inputs of steel bar, roller steel, and cage steel to account for the loss of steel which occurs at each processing plant prior to reaching CPZ/SKF. CPZ/SKF contends that the loss in weight lowers the transportation charge after each successive stop, and thus the expenses used in the Department's calculations are overstated.

To capture the proper transportation expense for these inputs, CPZ/SKF states that the Department should multiply the distance the input travels by the SV for truck freight and, then, by the weight of a unit of input. CPZ/SKF contends that separate calculations should be done to account for each input's processing step (i.e., for steel bar, between the supplier and the forger, between the forger and the turner, and between the turner and CPZ/SKF) to ensure proper weights are used in the adjustment for freight. CPZ/SKF argues that, to obtain the unit weight after each stage of processing, the Department should obtain the ratio of POR hours worked divided by POR steel production. This ratio is then divided into the direct labor FOP to obtain the unit weight of the input.[87]

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methodology applies only to proceedings initiated on or after September 2, 2013, and is not applicable to this segment of the proceeding.

[84] See CPZ/SKF's Final Analysis Memo at 2; see also Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Final Results of the 2011–2012 Antidumping Duty Administrative Review and New Shipper Reviews, 79 FR 4327 (Jan. 27, 2014) (TRBs 11/12), and accompanying Issues and Decision Memorandum at Comment 5; and TRBs 10/11, and accompanying Issues and Decision Memorandum at Comment 5.

[85] See Preliminary Results, and accompanying Preliminary Decision Memorandum at 14.

[86] See the July 16, 2014, memorandum from Alan Ray, Senior Analyst, to the file, entitled, "Calculation Adjustments for Changshan Peer Bearing Co., Ltd. and Peer Bearing Company for the Preliminary Results," at Attachment 1.

[87] CPZ/SKF contends that because the direct labor FOP is generated by multiplying the ratio of POR hours worked to POR steel production by the unit weight of steel, dividing the direct labor FOP by this ratio will derive the unit weight.

CPZ/SKF contends that similar transportation calculations are needed for roller steel and cage steel, again capturing each processing step (i.e., between the suppliers and subcontractors, and between the subcontractors and CPZ/SKF). For the details of CPZ/SKF's proposed calculations, see CPZ/SKF's case brief at 3-4.

The petitioner argues that the Department should not make CPZ/SKF's suggested adjustment to the transportation costs for steel bar, roller steel, and cage steel if the change only minimally increases accuracy. The petitioner contends that in previous proceedings the Department has refrained from making an adjustment if the marginal increase in accuracy that would result from using a certain methodology is outweighed by the burden imposed on the Department.[88] The petitioner also contends that the Department has determined not to use the FOPs from an affiliate if that input accounts for a small or insignificant share of the total output, and the increased accuracy realized from using the input is outweighed by the burden to the Department of valuing the factor.[89]

In any event, the petitioner argues that, because CPZ/SKF reported CPZ/PBCD's FOPs from a previous POR, the Department can only use CPZ/SKF's proposed methodology for CPZ/SKF's self-produced merchandise.[90] According to the petitioner, using the methodology proposed by CPZ/SKF for CPZ/PBCD's FOPs would actually result in inaccurate steel weights for CPZ/PBCD.

Finally, the petitioner contends that, if the Department makes the adjustment for the final results, it should not use CPZ/SKF's proposed programming language set forth in its case brief. The petitioner asserts that this language incorrectly applies the Sigma cap, and it provides alternative language to correct this error.

Department's Position:

After considering this issue, we agree with CPZ/SKF that it is more accurate to compute transportation expenses incurred within the PRC using the FOP weight at the end of each stage of production. While the petitioner is correct that the Department not only has the authority to decline to make changes which have an insignificant impact on the weighted-average dumping margin but also has exercised this authority in other proceedings,[91] here we find that the burden is not great. Therefore, we have adjusted the weights used in the freight component for these

[88] The petitioner cites Heavy Forged Hand Tools, Finished or Unfinished, With or Without Handles, From the People's Republic of China; Final Results of Antidumping Duty Administrative Reviews, 63 FR 16758, 16761 (April 6, 1998) (Hand Tools from the PRC); and Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, Germany, Italy, Japan, Singapore, and the United Kingdom; Final Results of Antidumping Duty Administrative Reviews, 62 FR 2081, 2093 (January 15, 1997).

[89] In support of this assertion, the petitioner cites Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Preliminary Partial Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China, 70 FR 77121, 77131-32 (December 29, 2005).

[90] In other words, the petitioner maintains that the weights resulting from CPZ/SKF's proposed calculation only reflect the weight for CPZ/SKF's merchandise, and not CPZ/PBCD's.

[91] See, e.g., Hand Tools from the PRC, 63 FR at 16761.

FOPs using the general methodology proposed by CPZ/SKF, except that we agree with the petitioner that this methodology should only apply to CPZ/SKF's self-produced merchandise, given that the weights used to allocate the labor FOP relied upon by CPZ/SKF in its proposal do not apply to CPZ/PBCD. We also agree with the petitioner that CPZ/SKF's calculation misapplies the Sigma cap, and thus we have not relied on CPZ/SKF's formulas for purposes of the final results.[92]

Comment 8: *Including Certain Fees in International Freight Expenses*

The petitioner argues that CPZ/SKF failed to report all transportation-related expenses in its U.S. sales listing. Specifically, the petitioner asserts that documentation contained in one of CPZ/SKF's questionnaire responses shows that the company paid a processing fee to an affiliated party named CoLinx in connection with moving goods to customers in the United States.[93] According to the petitioner, the Department should increase CPZ/SKF's international freight, brokerage and handling, and U.S inland freight costs by the amount of the CoLinx processing fee for purposes of the final results.

CPZ/SKF agrees that this fee applies to expenses for "freight-out" shipments (i.e., freight from Peer/SKF to the customer) and to certain shipments by air. However, CPZ/SKF disagrees that the record links the CoLinx fee to any of the other expenses cited by the petitioner.[94] Specifically, CPZ/SKF argues that the CoLinx fee does not apply to ocean freight, freight from port to the warehouse, U.S. brokerage (other than that related to certain shipments), or any freight activity in the PRC. Thus, CPZ/SKF maintains that the Department should not apply an increase to such expenses.

Department's Position:

After examining the documents on the record, we agree that these documents show unreported fees paid in connection with "freight out" and certain shipments by air. Therefore, we have increased the amount of the relevant freight expenses (i.e., certain air and U.S. inland freight expenses) to account for these unreported fees.[95]

With respect to CPZ/SKF's remaining freight expenses, we find no evidence on the record to support increasing them, as suggested by the petitioner. The documents in the cited response do not show that CoLinx was involved in other ME freight transactions, and thus we have accepted CPZ/SKF's remaining ME freight expenses as reported.

[92] For further details of our calculations, see CPZ/SKF's Final Analysis Memo at 3.

[93] As support for its allegations, the petitioner cites CPZ/SKF's 2nd Supp. C&D Response at 86 and 89 of Appendix 3; and CPZ/SKF's Section C Response, dated November 23, 2013, at Appendix 30.

[94] As support, CPZ/SKF cites Peer/SKF's trial balance, contained at Appendix C-30 of its Section C Response.

[95] For the discussion on the calculation of these fees, see CPZ/SKF's Final Analysis Memo at 2.

Comment 9: *Treatment of VAT*

In the Preliminary Results, the Department adjusted U.S. price for the amount of irrecoverable VAT tax on subject merchandise.[96] We computed the amount of the irrecoverable VAT as the difference between the VAT percentage levied by the PRC Government and the VAT percentage that it rebated, multiplied by CPZ/SKF's gross unit price (the price that Peer/SKF charged to its unaffiliated U.S. customers).[97]

CPZ/SKF argues that the Department should instead accept CPZ/SKF's VAT taxes as reported, which were based on the entered value (the price at which CPZ/SKF sold its merchandise to Peer/SKF). According to CPZ/SKF, the Department's calculation overstates CPZ/SKF's VAT taxes because it includes all selling expenses associated with the company's U.S. operations. CPZ/SKF notes that the Government of the PRC uses a different tax base (i.e., export value, which in this case is virtually the same as entered value), and thus CPZ/SKF's reported figures were tax-neutral.

The petitioner did not comment on this issue.

Department's Position:

After considering this issue, we have accepted CPZ/SKF's reporting of its VAT expenses for the final results. We agree with CPZ/SKF that it is appropriate to use the entered value of its merchandise as the tax base here, given that: 1) it is essentially the same as the company's export value; and 2) the Government of the PRC determines the amount of VAT rebated upon exportation using export values.[98]

Tainai Issues

Comment 10: *AFA for Tainai*

In its FOP database, Tainai reported more turned cones than forged cones, despite the fact that forged cones are an input used in making turned cones.[99] Therefore, the Department requested in a supplemental questionnaire that Tainai reconcile its reporting of the per-unit consumption of forged cones with its production of turned cones.[100] In response, Tainai stated that "the production quantity of turned cones is larger than the forged cones used because the (turning) process at workshop is always in movement"; Tainai stated that its reported figures were correct

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[96] See Preliminary Results, and accompanying Preliminary Decision Memorandum at 12.

[97] Id. at 12-13.

[98] See CPZ/SKF's 2nd Supp. C&D Response, at 1-2 and Appendix 1.

[99] See Tainai's Response to Section D of the Department's Questionnaire (September 23, 2013) (Tainai's Section D Response), at D-14 through D-17.

[100] See the Department's January 22, 2014, letter to Tainai at page 2.

as a result.[101] In the Preliminary Results, the Department made no adjustments to Tainai's FOPs for forged and turned cones.

The petitioner argues that Tainai's explanation highlights a major problem with its reporting: Tainai has not accounted for WIP in its material calculations for turned cones. The petitioner asserts that Tainai withdrew forged cones prior to the POR which it used to produce turned cones during the POR, but which it did not report in its FOP database. The petitioner contends that Tainai's failure to account for WIP renders unreliable its reported material usage for the production of turned cones, and the Department must presume that similar problems afflict all of Tainai's material usage calculations. Thus, the petitioner claims that the record does not contain reliable information on Tainai's input factors, a significant problem.

The petitioner argues that Tainai had a statutory obligation to prepare an accurate and complete record in response to the Department's questions,[102] and because it failed to do so, the Department is justified in basing Tainai's final weighted-average dumping margin on total AFA. The petitioner notes that the CIT has upheld the Department's use of facts available when the Department has determined that a respondent withheld information, provided unreliable, inaccurate, or incomplete information, or impeded the proceeding.[103] According to the petitioner, the statutory obligation imposed on the Department requires only that it grant a respondent one opportunity to correct a response prior to relying on facts available,[104] and if the respondent fails to put forth its maximum effort or shows less than full cooperation, an adverse inference is appropriate.[105] Given that Tainai has not previously exported to the United States, the petitioner maintains that, as AFA, the Department should employ the country-wide PRC rate to determine Tainai's margin.

The petitioner argues further that, if the Department finds that Tainai has not failed to report its WIP materials used, then it should modify Tainai's factor reporting to assign the full amount of chrome steel consumed during the POR to the reported finished cones and cups.

Tainai disagrees that AFA is warranted, arguing that it fully responded to the Department's requests for information. Tainai notes that it provided its monthly inventory in and out numbers and explained that its turning process is "always in movement" (which results in a greater number of turned cone outputs from the turning process than the number of forged cone inputs into the turning process). Furthermore, Tainai explained that it provided production charts which

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[101] See Tainai's Supplemental Section C and D Questionnaire Response (February 25, 2014) (Tainai's Supp. C&D Response), at 3.

[102] The petitioner cites Fujian Lianfu Forestry Co. v. United States, 638 F. Supp. 2d 1325, 1340 (CIT 2009) (Fujian).

[103] The petitioner cites Sidenor Indus. SL v. United States, 644 F. Supp. 2d 1349, 1356-57 (CIT 2009); and Yantai Xinke Steel Structure Co. v. United States, Slip Op. 12-95 at 21 (CIT July 18, 2012) (Yantai Xinke).

[104] The petitioner cites sections 776(a) and 782(d) of the Act; and SKF USA, Inc. v. United States, 116 F. Supp. 2d 1257, 1268 (CIT 2000) (SKF USA).

[105] The petitioner cites e.g., Nippon Steel Corp. v. United States, 337 F.3d 1373, 1382 (Fed. Cir. 2003); Fujian at 1345-46; Yantai Xinke, Slip Op. 12-95 at 21; and Shanghai Taoen Int'l Trading Co. v. United States, 360 F. Supp. 2d 1339, 1344-45 (CIT 2005).

demonstrate that monthly output of turned cones is not directly related to monthly input of forged cones.

Tainai states that the petitioner is incorrect that the production of cups and cones (performed by Tainai's affiliates) should equal Tainai's POR production of subject merchandise. Tainai explains that its affiliates also sell their processed cups and cones to other companies, and some of its affiliates' processed cups and cones are inventoried in the warehouse instead of going to a downstream facility. Tainai contends that these reasons can account for why the number of cups and cones processed by its affiliates is much larger than the quantity of subject merchandise produced by Tainai. Accordingly, Tainai urges the Department to reject the petitioner's argument that Tainai's FOPs are unreliable.

Tainai asserts that, under generally accepted accounting principles (GAAP): 1) WIP is classified as inventory, rather than a cost of production; and 2) changes to WIP are captured in the financial statements on a rolling basis. Thus, Tainai claims that WIP is not relevant to its reporting, a fact that the Department obviously understood given that it did not ask any specific questions about Tainai's WIP. Tainai argues that the Department's decision not to require verification implies that it felt that Tainai had provided complete and reliable information, contrary to the petitioner's claims.

Finally, Tainai disagrees that one of the cases cited by the petitioner, SKF USA, is on point. Tainai asserts that in SKF USA, the respondent failed to answer a specific question "in the form and manner requested," and as a result the CIT upheld the Department's use of facts available.[106] Tainai maintains that, here, the petitioner cites to no question relating to WIP that Tainai failed to answer, nor does the petitioner cite any accounting authority, Department precedent, or court cases to support its allegation that Tainai failed to provide any data relating to WIP necessary for the calculation of Tainai's FOPs.

Tainai contends that the Department must base its decisions on substantial evidence, not on conjecture or speculation,[107] and the petitioner's arguments do not present such evidence. Accordingly, Tainai urges the Department to accept its FOPs as reported and not to use facts available in the final results.

Department's Position:

Section 776(a) of the Act provides that if necessary information is not available on the record, or an interested party withholds the information requested by the Department, fails to provide such information by the deadlines for submission of the information, or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782 of the Act; significantly impedes a proceeding; or provides such information but the information cannot be verified as provided in

[106] Tainai cites SKF USA, 116 F. Supp. 2d at 1268.

[107] In support of this assertion, Tainai cites Tung Mung Dev. Co. v. United States, 354 F. 3d 1371, 1378 (Fed. Cir. 2004); and Asociacion Colombiana de Exportadores de Flores v. United States, 40 F. Supp. 2d 466, 472 (CIT 1999).

section 782(i) of the Act, the Department shall use, subject to section 782(d) of the Act, facts otherwise available in reaching the applicable determination.

Section 782(d) of the Act requires that the Department promptly inform a person that submits deficient information of the nature of the deficiency and provide that person with an opportunity to timely remedy or explain the deficiency. If the person continues to submit deficient information after receiving appropriate notice, subject to 782(e) of the Act, the Department may disregard all or part of the subsequent responses. Section 782(e) of the Act states that the Department shall not decline to consider submitted information if all of the following requirements are met: (1) the information is submitted by the established deadline; (2) the information can be verified; (3) the information is not so incomplete that it cannot serve as a reliable basis for reaching the applicable determination; (4) the interested party demonstrated that it acted to the best of its ability; and, (5) the information can be used without undue difficulties.

In its response to section D of the questionnaire, Tainai stated that one of its affiliates, Yichuang, turns forged cups and cones.[108] Because Tainai reported that it produced more turned cones out of its production process than it entered into it, we required Tainai to reconcile the number of input cones with the number of output (i.e., further processed) cones.[109] Specifically, we gave Tainai the following instruction:[110]

> At Exhibit D-6, the calculation of the per-unit consumption of forged cups and cones used on the turned cups and cones at Yichuang's facility provides that [ ] forged cones were used to produce turned cones. However, the stated production quantity of turned cones is [ ]. Please reconcile this, as you have [ ] more pieces of turned cones than you had forged cones used in production.
>
> Please provide a worksheet showing monthly withdraws of forged cones at Yichuang from the period of review (POR). Please provide a similar worksheet of monthly warehouse out slips of turned cones from the POR. Please recalculate the per-unit consumption of forged cones used on the turned cones, if you find that you initially misreported the correct usage rate.

In response, Tainai stated:[111]

> Exhibit 2 contains the worksheet as requested. Tainai confirms that the reported pieces of forged cones and turned cones are correct. The production quantity of turned cones is larger than the forged cones used is {sic} because the (turning) process at workshop is always in movement.

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[108] See Tainai's Section D Response at D-3.

[109] See the Department's January 22, 2014, supplemental questionnaire to Tainai at page 3.

[110] Id., at question 5 (Public Version).

[111] See Tainai's Supp. C&D Response, at 3.

We did not issue further supplemental questionnaires to Tainai, and we accepted its explanation for the difference in input and output production quantities in our Preliminary Results. However, after considering Tainai's response more closely, we agree with the petitioner that this explanation does not adequately address the Department's concern that Tainai's FOPs for turned cones are understated. As a matter of physics, it is not possible for a company to produce more finished (or semi-finished) products at the end of a given production stage using fewer materials than it puts into that stage. Tainai itself acknowledges this, when it provides an example to illustrate its position in its rebuttal brief.[112]

We disagree with Tainai that the movement of WIP through the production process is irrelevant to the calculation of a company's FOPs. When materials are introduced into production, they are used to produce: 1) finished goods; 2) WIP (which will eventually be turned into finished goods during a later accounting period); or 3) waste and/or by-products. Thus, WIP itself can be an input into the production process, and the failure to account for it has the potential to create serious distortions in a company's FOPs.[113, 114]

In this case, Tainai's failure to account for WIP already in production at the beginning of the POR resulted in an obvious understatement of its FOPs for forged cones. Therefore, we find that it is no longer appropriate to rely on these figures without alteration for purposes of the final results. However, because we did not request that Tainai revise its FOP data to account for WIP, we do not have the information on the record necessary to compute the actual FOPs for turned cones. Therefore, as neutral facts available, we have used the same FOPs for cones turned by Yichuang as Tainai reported for cups turned by Yichuang. We find that this is reasonable because these FOPs relate to the turning process and there is nothing on the record that suggests

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[112] See Tainai's August 27, 2014, rebuttal brief at 2. Because Tainai claimed business proprietary treatment for an essential component of its example, we are unable to discuss it further here.

[113] To illustrate this point, consider the following examples:

> A company has 300 units of semi-turned cones in WIP on the first day of the POR. It places another 700 units of forged cones into the production process during the POR, and at the end of the POR, it has produced 900 units of turned cones and has 100 units remaining in production. If this company were to base its FOPs only on the 700 units placed into the production process, it would "miss" the inputs used to produce the additional 200 units, and thus its FOPs would be understated by 22 percent (i.e., 200/900). (Note that the materials for the "missing" 200 input units came from WIP.)
>
> Alternatively, assume the same company had a beginning WIP balance of 300 units, it put the same 700 units of forged cones into the production process during the accounting period, and it produced only 200 turned cones. Under this scenario, the company would overstate its FOPs by 250 percent (i.e., (700-200)/200)). Thus, the improper treatment of WIP can create serious distortions in the calculation of a company's FOPs.

[114] While we agree that WIP is treated as an asset under GAAP, we note that raw materials are also treated as assets. Thus, we find Tainai's linkage of WIP to its financial statements to be off point. Similarly, we find Tainai's argument with respect to whether its affiliates sell or inventory their finished cones to be off point, given that this issue is limited to the relationship between the input and output quantities in Yichuang's production process, rather than a comparison of Yichuang's production quantity to Tainai's own.

the distortions observed for turned cones are also present with regard to turned cups. Therefore, we determine that the turning of cups is an appropriate substitute for the turning of cones.

Finally, we disagree with the petitioner that total AFA is warranted for Tainai in these final results. Tainai responded to each of the Department's requests for information in a timely manner, and, with the exception of the turned and forged cone discrepancy for Yichuang, it addressed each of the Department's concerns posed to it in supplemental questionnaires to our satisfaction. Thus, we find no basis here for concluding that Tainai failed to cooperate to the best of its ability in this segment of the proceeding. Further, while we have adjusted Tainai's turned cones FOP as noted above, the petitioner's suggested adjustment of assigning the full amount of chrome steel consumed during the POR to the reported finished cones and cups effectively amounts to an adverse inference, which we do not believe is appropriate for the same reason.

Recommendation

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

Agree ✓ Disagree _______

Paul Piquado
Assistant Secretary
for Enforcement and Compliance

20 JANUARY 2015
(Date)