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March 4, 2016

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Large Residential Washers from Mexico: Decision Memorandum
for the Preliminary Results of the Antidumping Duty
Administrative Review; 2014-2015

I. SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty (AD) order on large residential washers (LRWs) from Mexico, in accordance with Section 751(a) of the Tariff Act of 1930 (the Act). The review covers one producer/exporter of the subject merchandise: Electrolux.¹ The period of review (POR) is February 1, 2014, through January 31, 2015. We preliminarily determine that Electrolux made sales of subject merchandise at prices below normal value (NV) during the POR.

II. BACKGROUND

On February 15, 2013, the Department published the AD order on LRWs from Mexico.² On February 2, 2015, the Department published, in the Federal Register, a notice of opportunity to request an administrative review of the AD order on LRWs from Mexico for the period February 1, 2014, through January 31, 2015.³ On February 20, 2015, Electrolux requested that the Department conduct a review of its shipments of subject merchandise to the United States during the POR.⁴ On February 26, 2015, the petitioner⁵ requested that the Department conduct an administrative review of the sales of Electrolux and Samsung.⁶ On April 3, 2015, the

¹ Electrolux includes Electrolux Home Products, Corp. N.V. and Electrolux Home Products de Mexico, S.A. de C.V.

² See Large Residential Washers From Mexico and the Republic of Korea: Antidumping Duty Orders, 78 FR 11148 (February 15, 2013).

³ See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review, 80 FR 5509 (February 2, 2015).

⁴ See February 20, 2015, letter from Electrolux regarding request for administrative review.

⁵ The petitioner is Whirlpool Corporation.

⁶ See February 26, 2015, letter from the petitioner regarding request for administrative review.



Department published in the Federal Register a notice of initiation of an administrative review of the AD order on LRWs from Mexico with respect to the above-named companies.⁷

On April 10, 2015, the Department issued its AD questionnaire to Electrolux and Samsung. On May 29, 2015, the petitioner timely withdrew its request for a review of Samsung.⁸ The Department published a notice of partial rescission of the AD review with respect to Samsung on October 14, 2015.⁹

In May and June 2015, Electrolux submitted timely responses to the Department's AD questionnaire. The Department issued supplemental questionnaires to Electrolux from July to December 2015, and Electrolux timely responded to those questionnaires between August 2015 and February 2016.

On October 20, 2015, we extended the time period for issuing the preliminary results of this administrative review until February 29, 2016.¹⁰ As explained in the memorandum from the Acting Assistant Secretary for Enforcement & Compliance, the Department has exercised its discretion to toll all administrative deadlines due to the recent closure of the Federal Government. All deadlines in this segment of the proceeding have been extended by four business days. The revised deadline for the preliminary results of this review is now March 4, 2016.¹¹

III. SCOPE OF THE ORDER

The products covered by the order are all large residential washers and certain subassemblies thereof from Mexico. The term "large residential washers" denotes all automatic clothes washing machines, regardless of the orientation of the rotational axis, except as noted below, with a cabinet width (measured from its widest point) of at least 24.5 inches (62.23 cm) and no more than 32.0 inches (81.28 cm).

Also covered are certain subassemblies used in large residential washers, namely: (1) all assembled cabinets designed for use in large residential washers which incorporate, at a minimum: (a) at least three of the six cabinet surfaces; and (b) a bracket; (2) all assembled tubs¹² designed for use in large residential washers which incorporate, at a minimum: (a) a tub; and (b) a seal; (3) all assembled baskets¹³ designed for use in large residential washers which

⁷ See Initiation of Antidumping and Countervailing Duty Administrative Reviews, 80 FR 18202 (April 3, 2015).

⁸ See May 29, 2015, letter from the petitioner regarding withdrawal of request for review.

⁹ See Large Residential Washers From Mexico: Partial Rescission of Antidumping Duty Administrative Review: 2014-2015, 80 FR 61792 (October 14, 2015).

¹⁰ See Memorandum entitled "Large Residential Washers from Mexico and the Republic of Korea: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Reviews," dated October 20, 2015.

¹¹ See Memorandum to the Record from Ron Lorentzen, Acting A/S for Enforcement & Compliance, regarding "Tolling of Administrative Deadlines As a Result of the Government Closure During Snowstorm Jonas," dated January 27, 2016.

¹² A "tub" is the part of the washer designed to hold water.

¹³ A "basket" (sometimes referred to as a "drum") is the part of the washer designed to hold clothing or other fabrics.

incorporate, at a minimum: (a) a side wrapper;¹⁴ (b) a base; and (c) a drive hub;¹⁵ and (4) any combination of the foregoing subassemblies.

Excluded from the scope are stacked washer-dryers and commercial washers. The term “stacked washer-dryers” denotes distinct washing and drying machines that are built on a unitary frame and share a common console that controls both the washer and the dryer. The term “commercial washer” denotes an automatic clothes washing machine designed for the “pay per use” market meeting either of the following two definitions:

(1) (a) it contains payment system electronics;¹⁶ (b) it is configured with an externally mounted steel frame at least six inches high that is designed to house a coin/token operated payment system (whether or not the actual coin/token operated payment system is installed at the time of importation); (c) it contains a push button user interface with a maximum of six manually selectable wash cycle settings, with no ability of the end user to otherwise modify water temperature, water level, or spin speed for a selected wash cycle setting; and (d) the console containing the user interface is made of steel and is assembled with security fasteners;¹⁷ or

(2) (a) it contains payment system electronics; (b) the payment system electronics are enabled (whether or not the payment acceptance device has been installed at the time of importation) such that, in normal operation,¹⁸ the unit cannot begin a wash cycle without first receiving a signal from a bona fide payment acceptance device such as an electronic credit card reader; (c) it contains a push button user interface with a maximum of six manually selectable wash cycle settings, with no ability of the end user to otherwise modify water temperature, water level, or spin speed for a selected wash cycle setting; and (d) the console containing the user interface is made of steel and is assembled with security fasteners.

Also excluded from the scope are automatic clothes washing machines with a vertical rotational axis and a rated capacity of less than 3.70 cubic feet, as certified to the U.S. Department of Energy pursuant to 10 CFR § 429.12 and 10 CFR § 429.20, and in accordance with the test procedures established in 10 CFR Part 430.

The products subject to this order are currently classifiable under subheadings 8450.20.0040 and 8450.20.0080 of the Harmonized Tariff System of the United States (HTSUS).¹⁹ Products

¹⁴ A “side wrapper” is the cylindrical part of the basket that actually holds the clothing or other fabrics.

¹⁵ A “drive hub” is the hub at the center of the base that bears the load from the motor.

¹⁶ “Payment system electronics” denotes a circuit board designed to receive signals from a payment acceptance device and to display payment amount, selected settings, and cycle status. Such electronics also capture cycles and payment history and provide for transmission to a reader.

¹⁷ A “security fastener” is a screw with a non-standard head that requires a non-standard driver. Examples include those with a pin in the center of the head as a “center pin reject” feature to prevent standard Allen wrenches or Torx drivers from working.

¹⁸ “Normal operation” refers to the operating mode(s) available to end users (i.e., not a mode designed for testing or repair by a technician).

¹⁹ The HTSUS numbers are revised from the numbers previously stated in the scope. See Memorandum to the file entitled “Changes to the HTS Numbers to the ACE Case Reference Files for the Antidumping Duty Orders,” dated January 6, 2015.

subject to this order may also enter under HTSUS subheadings 8450.11.0040, 8450.11.0080, 8450.90.2000, and 8450.90.6000. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise subject to this scope is dispositive.

IV. DISCUSSION OF THE METHODOLOGY

A. Normal Value Comparisons

Pursuant to 19 CFR 351.414(c), to determine whether Electrolux’s sales of LRWs from Mexico were made in the United States at less than NV, we compared the constructed export price (CEP) to the NV as described in the “Constructed Export Price” and “Normal Value” sections of this memorandum.

1. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average EPs (or CEPs) (*i.e.*, the average-to-average method (A-A) method), unless the Secretary determines that another method is appropriate in a particular situation. In less-than-fair-value (LTFV) investigations, the Department examines whether to compare weighted-average NVs with EPs (or CEPs) of individual sales (*i.e.*, the average-to-transaction (A-T) method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department’s examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping investigations.²⁰

In recent investigations, the Department applied a “differential pricing” analysis for determining whether application of A-T method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.²¹ The Department finds that the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department’s additional experience with addressing the potential masking of dumping that can occur when the Department uses the A-A method in calculating a respondent’s weighted-average dumping margin.

²⁰ See Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011, 77 FR 73415 (December 10, 2012) and the accompanying Issues and Decision Memorandum at Comment 1; see also JBF RAK LLC v. United States, 790 F.3d 1358, 1363-65 (Fed. Cir. 2015) (“{t}he fact that the statute is silent with regard to administrative reviews does not preclude Commerce from filling gaps in the statute to properly calculate and assign antidumping duties”) (citations omitted).

²¹ See, e.g., Xanthan Gum From the People’s Republic of China: Final Determination of Sales at Less Than Fair, 78 FR 33351 (June 4, 2013); Steel Concrete Reinforcing Bar From Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances, 79 FR 54967 (September 15, 2014); and Welded Line Pipe From the Republic of Turkey: Final Determination of Sales at Less Than Fair Value, 80 FR 61362 (October 13, 2015).

The differential pricing analysis used in these preliminary results examines whether there exists a pattern of EPs (or CEPs) for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchaser, region and time period to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the A-A method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported consolidated customer code. Regions are defined using the reported destination code (*i.e.*, state) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is defined using the product control number and any characteristics of the U.S. sales, other than purchaser, region, and time period, that the Department uses in making comparisons between EP (or CEP) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* coefficient is a generally recognized statistical measure of the extent of the difference between the mean (*i.e.*, weighted-average price) of a test group and the mean (*i.e.*, weighted-average price) of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region or time period each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is used to evaluate the extent to which the prices to a particular purchaser, region or time period differ significantly from the prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium, or large (0.2, 0.5 and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen’s *d* test, if the calculated Cohen’s *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

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

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

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

2. Results of the Differential Pricing Analysis

For Electrolux, based on the results of the differential pricing analysis, the Department preliminarily finds that 44.61 percent of the value of U.S. sales pass the Cohen's *d* test,²² and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, the Department preliminarily determines that the A-A method cannot account for such differences because the weighted-average dumping margin crosses the de minimis threshold when calculated using the A-A method and when calculated using an alternative comparison method based on applying the A-T method to those U.S. sales which passed the Cohen's *d* test and the A-A method to those sales which did not pass the Cohen's *d* test. Thus, for these preliminary results, the Department is applying the A-T method to those U.S. sales which passed the Cohen's *d* test and the A-A method to those sales which did not pass the Cohen's *d* test to calculate the weighted-average dumping margin for Electrolux.

B. Product Comparisons

In accordance with section 771(16) of the Act, we compared products produced by Electrolux and sold in the U.S. and the comparison (Canadian)²³ markets on the basis of the comparison product which was either identical or most similar in terms of the physical characteristics to the product sold in the United States. In the order of importance, these physical characteristics are unit type, washer type, capacity measurement, drying system, finish/color of front panel, user interface display, specialty cycle, door/lid material, motor type, water heater, and shoe care function. Pursuant to 19 CFR 351.414(f), we compared U.S. sales of LRWs to comparison market sales of LRWs made in the ordinary course of trade within the contemporaneous window

²² See Memorandum to the File, "Analysis of the Preliminary Results Margin Calculation for Electrolux," dated concurrently with this memorandum.

²³ See "Normal Value," "A. Selection of Comparison Market" section below.

period, which extends from three months prior to the month of the first U.S. sale until two months after the month of the last U.S. sale.

C. Constructed Export Price

In accordance with section 772(b) of the Act, we based U.S. price on CEP for Electrolux because the subject merchandise was first sold after importation in the United States by Electrolux. We calculated CEP based on the packed, ex-border, ex-distribution center, or delivered prices to the unaffiliated purchasers in the United States. Where appropriate, pursuant to 19 CFR 351.401(c), we adjusted the starting prices for billing adjustments, early payment and other discounts, and rebates.

We made deductions for any movement expenses, which included, where appropriate, foreign and U.S. inland freight, Mexican and U.S. warehousing, inland insurance, and Mexican Customs fees, in accordance with section 772(c)(2)(A) of the Act. In accordance with section 772(d)(1) of the Act, we calculated the CEP by deducting selling expenses associated with economic activities occurring in the United States, including direct selling expenses (i.e., imputed credit expenses, advertising expenses, finance fees, and direct warranty expenses) and indirect selling expenses (i.e., inventory carrying costs, indirect warranty expenses, and other indirect selling expenses). Finally, we made an adjustment for profit allocated to these expenses in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by Electrolux on its sales of the subject merchandise in the United States and the profit associated with these sales.

D. Normal Value

1. Home Market Viability and Selection of Comparison Market

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (i.e., the aggregate volume of home market sales of the foreign like product is five percent or more of the aggregate volume of U.S. sales), we compared the volume of Electrolux's home market sales of the foreign like product to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a) of the Act.

In this review, we determined that Electrolux's aggregate volume of home market sales of the foreign like product was insufficient to permit a proper comparison with U.S. sales of the subject merchandise. Therefore, we used sales to Canada, Electrolux's largest third country market, comprised of merchandise that is identical and/or similar to the subject merchandise exported to the United States, as the basis for comparison market sales in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

2. Affiliated Party Transactions and Arm's-Length Test

In this review, Electrolux sold foreign like product to affiliated and unaffiliated customers in the comparison market. The Department calculates NV based on a sale to an affiliated party only if it is satisfied that the price to the affiliated party is comparable to the price at which sales are

made to parties not affiliated with the producer or exporter, *i.e.*, sales at “arm’s length.”²⁴ To test whether Electrolux’s sales to affiliated customers were made at arm’s-length prices, we compared, on a model-specific basis, the starting prices of sales to affiliated and unaffiliated customers, net of all applicable billing adjustments, discounts and rebates, movement charges, direct selling expenses, and packing expenses. Where the price to the affiliated party was, on average, within a range of 98 to 102 percent of the price of the same or comparable merchandise sold to unaffiliated parties, we determined that sales made to the affiliated party were at arm’s length and included such sales in the calculation of NV.²⁵ Sales to affiliated customers in the comparison market that were not made at arm’s-length prices were excluded from our analysis because we considered them to be outside the ordinary course of trade.²⁶

3. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, the Department will calculate NV based on sales at the same LOT as the U.S. sales. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).²⁷ Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.²⁸ In order to determine whether the comparison market sales are at different stages in the marketing process than the U.S. sales, we examine the distribution system in each market (*i.e.*, the chain of distribution), including selling functions and class of customer (customer category).

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for EP and comparison market sales (*i.e.*, NV based on either home market or third country prices),²⁹ we consider the starting prices before any adjustments. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.³⁰

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

²⁴ See 19 CFR 351.403(c).

²⁵ See Stainless Steel Sheet and Strip in Coils From Japan: Preliminary Results of Antidumping Duty Administrative Review, 74 FR 39615 (August 7, 2009), unchanged in Stainless Steel Sheet and Strip in Coils from Japan: Final Results of Antidumping Duty Administrative Review, 75 FR 6631 (February 10, 2010).

²⁶ See section 771(15) of the Act and 19 CFR 351.102(b) (defining “ordinary course of trade”).

²⁷ See 19 CFR 351.412(c)(2).

²⁸ *Id.*; see also Certain Orange Juice From Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Antidumping Duty Order in Part, 75 FR 50999 (August 18, 2010), and accompanying Issues and Decision Memorandum at Comment 7 (OJ from Brazil).

²⁹ Where NV is based on constructed value (CV), we determine the NV LOT based on the LOT of the sales from which we derive selling, general and administrative (SG&A) expenses, and profit for CV, where possible. See 19 CFR 351.412(c)(1).

³⁰ See Micron Tech., Inc. v. United States, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

adjustment is possible), the Department will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.³¹

In this administrative review, we obtained information from Electrolux regarding the marketing stages involved in making its reported Canadian and U.S. sales, including a description of the selling activities performed by Electrolux for each channel of distribution.³² Our LOT finding is summarized below.

To determine whether Canadian market sales are at a different LOT than U.S. sales, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. In order to conduct our LOT analysis, we grouped the selling activities reported by Electrolux into the following four selling function categories: (1) sales and marketing; (2) freight and delivery services; (3) inventory maintenance and warehousing; and (4) warranty and technical support.

In the Canadian market, Electrolux reported the following three channels of distribution: (1) its Canadian affiliate (*i.e.*, Electrolux Canada Corp. (CDW)) arranges with its U.S. affiliate, Electrolux Major Appliances North America (UWA), to have the merchandise delivered from the El Paso warehouse to CDW's customer; (2) the customer picks up the merchandise from CDW's regional distribution center (RDC); and (3) CDW delivers the merchandise from the RDC to the customer.³³ After analyzing the data on the record with respect to the four above-mentioned selling function groups performed for each customer type, we find that Electrolux performed each of them for all three Canadian market distribution channels at a similar level of intensity and, therefore, determine that all its Canadian sales constitute one LOT.³⁴

In the U.S. market, Electrolux reported the following four channels of distribution: (1) the customer picks up the merchandise from its El Paso warehouse; (2) UWA delivers the merchandise from the El Paso warehouse to the customer; (3) the customer picks up the merchandise from a UWA RDC; and (4) UWA delivers the merchandise from the RDC to the customer.³⁵ We compared the selling activities Electrolux performed in each channel, exclusive of the selling activities performed by its U.S. affiliate (*i.e.*, UWA), and we found that Electrolux performed only one selling function (*i.e.*, freight and delivery services) at the same level of intensity for each channel. As a result, we determine that Electrolux's CEP sales constitute one LOT.³⁶

Furthermore, we found that there were significant differences between the selling activities associated with the CEP LOT and those associated with the Canadian market LOT. Specifically, we compared the CEP LOT to the Canadian market LOT and found that the selling functions performed for Canadian market sales are either not performed for CEP sales or are performed at

³¹ See, e.g., OJ from Brazil at Comment 7.

³² See Electrolux's response to section A of the Department's questionnaire, dated May 4, 2015 (QRA), at pages A-13 – A-24, and Exhibits A-8 – A-11; and Electrolux's response to the Department's supplemental questionnaire for Sections A, B and C, dated February 5, 2016 (SQR), at page 2 – 9, and Exhibit A-20.

³³ See QRA at 13-17, and Exhibits A-8 and A-9.

³⁴ Id.

³⁵ Id.

³⁶ Id.

a significantly higher degree of intensity compared to the selling functions performed for U.S. sales. For example, we found that three of the four selling functions (i.e., sales and marketing, inventory maintenance and warehousing, and warranty and technical support) are performed by Electrolux in the Canadian market but not in the U.S. market.³⁷

Based on the foregoing analysis, we preliminarily determine that the NV LOT is at a more advanced stage of distribution than the CEP LOT and that no LOT adjustment is possible. Accordingly, we granted a CEP offset pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f).

E. Cost of Production (COP) Analysis

We found that Electrolux made sales to the Canadian market below the COP in the most recently completed segment of this proceeding as of the date of initiation of this review, and such sales were disregarded.³⁸ Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, we determined that there were reasonable grounds to believe or suspect that Electrolux made sales of the subject merchandise in its comparison market at prices below the COP in the current review period.³⁹ Accordingly, we are conducting a sales-below-cost investigation to determine whether Electrolux's comparison market sales were made at prices below their COP. We examined Electrolux's cost data and determined that our quarterly cost methodology is not warranted, and, therefore, we applied our standard methodology of using annual costs based on the reported data.

1. Calculation of Cost of Production

We calculated the COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for general and administrative and financial expenses, in accordance with section 773(b)(3) of the Act. We relied on the COP data submitted by Electrolux in its questionnaire responses, and made no adjustments to these data.

³⁷ See Electrolux's supplemental questionnaire response dated February 5, 2016, at Exhibit A-20.

³⁸ See Large Residential Washers from Mexico: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 77 FR 46401, 46407 (August 3, 2012) (unchanged in Notice of Final Determination of Sales at Less Than Fair Value: Large Residential Washers from Mexico, 77 FR 76288 (December 27, 2012)).

³⁹ On June 29, 2015, President Obama signed into law the Trade Preferences Extension Act of 2015 (TPEA), which made numerous amendments to the AD and countervailing duty law, including amendments to section 773(b)(2) of the Act, regarding the Department's requests for information on sales at less than COP. See Trade Preferences Extension Act of 2015, Pub. L. No. 114-27, 129 Stat. 362 (2015). The 2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced the applicability dates for certain amendments to the Act. See Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015, 80 FR 46793 (August 6, 2015). Section 773(b)(2)(A) of the Act, as amended by the TPEA, controls all determinations in which the complete initial questionnaire has not been issued as of August 6, 2015. Because the complete initial questionnaire in this review was issued prior to August 6, 2015, section 773(b)(2)(A) of the Act, as amended by the TPEA, does not apply to these preliminary results.

2. Test of Comparison Market Sales Prices

On a product-specific basis, as required under section 773(b) of the Act, we compared the weighted-average COP for the POR to the per-unit price of the comparison market sales of the foreign like product, in order to determine whether these sales had been made at prices below the COP. For purposes of this comparison, we used COP exclusive of selling and packing expenses. The comparison market prices were exclusive of applicable movement charges, discounts and rebates, billing adjustments, direct and indirect selling expenses, and packing expenses.

3. Results of the COP Test

In determining whether to disregard comparison market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act, whether: 1) within an extended period of time, such sales were made in substantial quantities; and 2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with sections 773(b)(2)(B) and (C) of the Act, where less than 20 percent of the respondent's home market sales of a given product are at prices less than the COP, we disregard none of the below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product are at prices less than the COP, we disregard the below-cost sales when: 1) the sales were made within an extended period of time in "substantial quantities," in accordance with sections 773(b)(2)(B) and (C) of the Act; and 2) based on our comparison of prices to the weighted-average COPs for the POR, the sales were at prices which would not permit the recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

Our cost test for Electrolux indicated that for Canadian market sales of certain products, more than 20 percent were made at prices below the COP within an extended period of time and were at prices which would not permit the recovery of all costs within a reasonable period of time. Thus, in accordance with section 773(b)(1) of the Act, we excluded these below-cost sales from our analysis and used the remaining above-cost sales to determine NV.

F. Calculation of Normal Value Based on Comparison Market Prices

We calculated NV based on packed, ex-border, ex-distribution center, or delivered prices for Electrolux's Canadian market sales to unaffiliated purchasers. We made adjustments, where appropriate, to the starting price for discounts, rebates, billing adjustments, and freight revenue. We capped reimbursements for freight expenses by the amount of freight expenses incurred on Canadian sales, in accordance with our practice.⁴⁰

We made deductions for movement expenses, including inland freight, warehousing, inland insurance, Canadian brokerage and handling, and Mexican Customs fees, under section 773(a)(6)(B)(ii) of the Act. We also made deductions for direct selling expenses (i.e., imputed

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

credit expenses, warranty expenses, and advertising expenses), in accordance with section 773(A)(6)(C)(iii) of the Act and 19 CFR 351.410. We made a CEP offset pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f). We calculated the CEP offset as the lesser of the indirect selling expenses incurred on the Canadian market sales or the indirect selling expenses deducted from the starting price in calculating CEP. Furthermore, we made adjustments for differences in costs attributable to differences in the physical characteristics of the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We also deducted third country packing costs and added U.S. packing costs in accordance with section 773(a)(6)(A) and (B) of the Act.

G. Calculation of NV Based on CV

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

We made adjustments to CV for differences in circumstances of sale, in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. We made a CEP offset pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f). We calculated the CEP offset as the lesser of the indirect selling expenses on Canadian market sales or the indirect selling expenses deducted from the starting price in calculating CEP.

H. Currency Conversion

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

V. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

✓
Agree

Disagree

Paul Piquado
Paul Piquado
Assistant Secretary
for Enforcement and Compliance

4 MARCH 2016
(Date)