A-421-811
POR: 7/1/08-6/30/09
PUBLIC DOCUMENT
AD/CVD, Office 7: EAA, OC

December 8, 2010

MEMORANDUM TO: Paul Piquado
Acting Deputy Assistant Secretary
for Import Administration

FROM: Gary Taverman
Acting Deputy Assistant Secretary
for Antidumping and Countervailing Operations

SUBJECT: Issues and Decision Memorandum for the Final Results of the 2008/2009 Antidumping Duty Administrative Review of Purified Carboxymethylcellulose from the Netherlands

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SUMMARY

We have analyzed the comments of interested parties in the 2008/2009 administrative review of the antidumping duty order on purified carboxymethylcellulose (CMC) from the Netherlands. We recommend that you approve the Department of Commerce's (the Department's) positions described in the "Discussion of Interested Party Comments" section of this memorandum. Below is a list of the issues in this administrative review for which we received comments from parties:

I. Clerical Errors
   - Comment 1: Physical Characteristic Codes of Comparison-Market Sales
   - Comment 2: Double-counting of Warehousing Expenses Incurred in the Country of Manufacture
   - Comment 3: Inventory Carrying Costs Incurred in the United States on Certain Sales
   - Comment 4: Calculation of U.S. Indirect Selling Expenses Incurred in the Country of Manufacture

BACKGROUND

On August 10, 2010, the Department published the preliminary results of the administrative review of the antidumping duty order covering purified CMC from the Netherlands. *See Purified Carboxymethylcellulose from the Netherlands; Preliminary Results of Antidumping Duty Administrative Review*, 75 FR 48310 (August 10, 2010) (*Preliminary Results*). The merchandise covered by the order is purified CMC from the Netherlands, as described in the "Scope of the Order" section of the notice of the final results published in the *Federal Register*. The period of review (POR) is July 1, 2008, through June 30, 2009. In this review, we examined the sales subject to the antidumping duty order sold by the respondent companies, Akzo Nobel Functional Chemicals B.V. (ANFC) and its U.S. affiliate, Akzo Nobel Functional Chemicals LLC, and CP Kelco B.V. (CP Kelco) and its U.S. affiliate, CP Kelco U.S. Inc.

We invited interested parties to comment on our preliminary results of review. *Preliminary Results* at 48318. On September 29, 2010, the Department released the home-market sales verification report for ANFC and, on October 13, 2010, we released the U.S. sales verification report for this company. We did not verify the responses of CP Kelco in the current review. On October 22, 2010, ANFC filed a case brief and CP Kelco filed a letter in lieu of a case brief. The petitioner, Aqualon Company, a unit of Hercules Inc., did not file any case or rebuttal briefs and no hearing was requested by interested parties.

DISCUSSION OF INTERESTED PARTY COMMENTS

Comment 1: Physical Characteristic Codes of Comparison-Market Sales

ANFC argues the Department made a ministerial error in its preliminary margin calculations. *See* ANFC's Case Brief at 6. ANFC argues that the Department failed to properly compare sales in the U.S. market with sales of the most similar products in the home market. ANFC notes that, in the beginning of the margin-calculation program, where the Department set up the macro variable intended to store the list of home-market product characteristics, it inadvertently assigned variable names of the U.S.-market product characteristics to this macro variable. The respondent asserts that this programming error resulted in the selection of matches for certain U.S. models that were not the most-similar home-market model to the U.S. product in question. ANFC adds that the error affects all U.S. control numbers for which there is no home-market match to an identical product sold above-cost within the six-month window period for matching.

In support of its claims, ANFC provided the results of an analysis it performed to demonstrate the difference in model selection for a U.S. control number between using the preliminary margin-calculation program and a program in which the proper (*i.e.*, home-market) product characteristics are considered. ANFC suggests that the Department should revise the variables of the product characteristics assigned to the macro in question so that it references the home-market product characteristics.

Department's Position: We have reviewed the programming language questioned by ANFC and agree that the language contains an unintentional error. In our *Preliminary Results*, we assigned U.S. product characteristics to the macro variable "CMCHAR" in the margin-calculation program. But we use this variable in the program to reference the comparison-market – in this case, the home-market – product characteristics. Furthermore, in ANFC's analysis memorandum for the preliminary results, we stated our intent to compare ANFC's U.S. sales with sales of the foreign like product in the comparison market on the basis of product characteristics. *See* Memorandum to the File, from Edythe Artman and Olga Carter, Case Analysts, through Angelica Mendoza, Program Manager, titled "Analysis of Data Submitted by Akzo Nobel Functional Chemicals B.V. (ANFC) and Akzo Nobel Functional Chemicals LLC (AN-US) in the Preliminary Results of the 2008-2009 Administrative Review of the Antidumping Duty Order on Purified Carboxymethylcellulose (CMC) from the Netherlands," dated August 2, 2010 (ANFC's Preliminary Analysis Memorandum) at 18 and 19. In order to make this comparison, we intended to assign the home-market product characteristics to the variable CMCHAR. Thus, for the final results, we have modified the margin-calculation program to assign the home-market characteristics to the macro variable. The programming language used to affect this change is provided in the Memorandum to the File, from Edythe Artman and Olga Carter, Case Analysts, through Angelica Mendoza, Program Manager, titled "Final Results of Antidumping Duty Administrative Review of Purified Carboxymethylcellulose from the Netherlands: Analysis of the Sales Responses Submitted by Akzo Nobel Functional Chemicals B.V.," dated December 8, 2010 (Akzo Nobel Final Analysis Memorandum), at pages 2 and 3.

Comment 2: Double-counting of Warehousing Expenses Incurred in the Country of Manufacture

ANFC states that the Department made a programming error in its preliminary margin-calculation program in its calculation of movement expenses on U.S. market sales. ANFC maintains that the Department double-counted warehousing expenses on U.S. market sales incurred in the country of manufacture by including them in the calculation of both domestic movement expenses and international movement expenses for these U.S. market sales. ANFC points out that, in the price-adjustment section of the margin-calculation program, the Department inadvertently included warehousing expenses incurred in the country of manufacture on U.S. sales in the calculation of the international movement expenses on U.S. sales and that this error resulted in the warehousing expenses being double-counted in the preliminary margin calculation. The respondent proposes that, to correct the programming, the Department eliminate the warehousing expenses from the calculation of international movement expenses in the final margin-calculation program.

Department's Position: We have reviewed our calculations of movement expenses in the preliminary margin-calculation program and found that, as asserted by the respondent, we included domestic warehousing expenses incurred on U.S. sales in both our summation of domestic movement expenses and our summation of international movement expenses. In this sense, the warehousing expenses were double-counted in the calculation of ANFC's margin. As it was our intention to deduct these expenses from the calculation of the U.S. sales price only once, we have modified ANFC's margin-calculation program for the final results so that these expenses are included in the summation of domestic warehousing expenses only.

Comment 3: Inventory Carrying Costs Incurred in the United States on Certain Sales

ANFC argues that the Department should revise its programming language used in the *Preliminary Results* to correct the overstatement of inventory carrying costs incurred in the United States on Channel-1 sales. *See* ANFC's Case Brief at 9. ANFC specifies that inventory carrying costs for Channel-1 sales, *i.e*., for sales to U.S. customers that are shipped directly from the Netherlands to the U.S. customer, are already fully accounted for in the fields for domestic inventory carrying costs and credit expenses. It adds that the current programming language results in the double-counting of U.S. inventory carrying costs for Channel-1 sales.

Department's Position: In the preliminary results for ANFC, we recalculated inventory carrying costs incurred in the United States based on our finding that these costs should be calculated by using the U.S. interest rate (as opposed to using the short-term borrowing rate for Euros). *See* "Analysis of Data Submitted by Akzo Nobel Functional Chemicals B.V. (ANFC) and Akzo Nobel Functional Chemicals LLC (AN-US) in the Preliminary Results of the 2008-2009 Administrative Review of the Antidumping Duty Order on Purified Carboxymethylcellulose (CMC) from the Netherlands," from Olga Carter and Edythe Artman, International Trade Compliance Analysts, to the File, dated August 2, 2010, at 10.[1] We inserted language in ANFC's margin-calculation program in order to recalculate these costs for all U.S. sales. However, in doing so, we neglected to consider that, as asserted by the respondent, no inventory carrying costs were incurred in the United States on Channel-1 sales, for which the merchandise was shipped directly from inventory in the Netherlands to the U.S. customers. Thus, it was incorrect of us to calculate costs incurred in the United States on this group of sales. Because it was not our intent to assign costs to an activity that never took place but rather an oversight in our programming language, we have corrected the language for the final results by limiting the recalculation of the costs incurred in the United States to Channel-2 sales.

Comment 4: Calculation of U.S. Indirect Selling Expenses Incurred in the Country of Manufacture

In its October 22, 2010, letter filed in lieu of a case brief, CP Kelco commented that the Department inadvertently made a calculation error in the margin-calculation program used to calculate CP Kelco's preliminary results of review. The company specifically stated that the Department erred in its recalculation of U.S. indirect selling expenses incurred in the Netherlands when, instead of applying the selling-expense factor to the sum of the gross unit price and billing adjustment for each sale, the Department applied the factor only to the billing adjustment amount and then added the gross unit price of the sale to the factored amount.

Department's Position: We have reviewed the programming language in the margin-calculation program used to recalculate CP Kelco's domestic indirect selling expenses incurred on U.S. sales

[1] We note that, apart from the change to the U.S interest rate, all inventory carrying costs should have been recalculated for our preliminary results of review due to adjustments we made to ANFC's cost of manufacturing, as described in the memorandum on "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – Akzo Nobel Functional Chemicals B.V.," from Frederick W. Mines, Accountant, to Peter S. Scholl, Lead Accountant, dated August 2, 2010. Accordingly, we have made this change for our final results. *See* Akzo Nobel Final Analysis Memorandum at 6 and 7.

and agree with the respondent that, as written, the language does not correctly calculate the expenses. For the preliminary results of review, it was our clear intent to apply the selling-expense factor to the sum of the gross unit price net of billing adjustments for each U.S. sale. *See* "CP Kelco B.V. – Analysis Memorandum for the Preliminary Results of the 2008/2009 Antidumping Duty Administrative Review of Purified Carboxymethylcellulose from the Netherlands," from Edythe Artman, International Trade Compliance Analyst, to the File, dated August 2, 2010, at 11. However, we omitted using parentheses in our programming language that combined the price and billing adjustments of a sale; this omission resulted in the mathematical error identified by the respondent. Thus, for the final results, we have accepted the suggestion of CP Kelco and modified the programming language by inserting parentheses around the clause adding the gross unit price to the billing adjustments for each sale, so that the two amounts are combined prior to the application of the selling-expense factor.

RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting the positions set forth above and adjusting the margin calculations accordingly. If these recommendations are accepted, we will publish the final results and the final weighted-average dumping margins for ANFC and CP Kelco in the *Federal Register*.

Agree____________ Disagree____________

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Paul Piquado
Acting Deputy Assistant Secretary
for Import Administration

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Date