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October 20, 2011

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

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

SUBJECT: Issues and Decision Memorandum for the Final Results of the
2009/2010 Antidumping Duty Administrative Review of
Purified Carboxymethylcellulose from the Netherlands

SUMMARY

We have analyzed the comments of interested parties in the 2009/2010 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 an interested party:

- Comment 1: Calculation of the General and Administrative Expense Ratio
- Comment 2: Calculation of Major Input Adjustment
- Comment 3: U.S. Packing Expense Clerical Error

BACKGROUND

On June 22, 2011, 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*, 76 FR 36519 (June 22, 2011) (*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 of administrative review published in the *Federal*



Register. The period of review (POR) is July 1, 2009, through June 30, 2010. In this review, we examined the sales subject to the antidumping duty order sold by the respondent company, Akzo Nobel Functional Chemicals B.V. (ANFC) and its U.S. affiliate, Akzo Nobel Functional Chemicals LLC.

We invited interested parties to comment on our preliminary results of review. See *Preliminary Results* at 36524. On July 5, 2011, petitioner, Aqualon Company, a unit of Hercules Inc., filed a letter in lieu of a case brief. ANFC did not file any case or rebuttal briefs and no hearing was requested by interested parties.

DISCUSSION OF INTERESTED PARTY COMMENTS

Comment 1: Calculation of the General and Administrative Expense Ratio

In its July 5, 2011, letter filed in lieu of a case brief,¹ petitioner commented on certain submissions of ANFC, and on the Department's *Preliminary Results*. Petitioner states that ANFC's general and administrative (G&A) expense ratio was based on the wrong financial statements. Petitioner contends that the G&A ratio used in the *Preliminary Results* was based on a profit and loss statement (P&L) that has been revised retroactively for fiscal year 2009 to reflect a merger between ANFC and Akzo Nobel Polymer Chemical B.V. (ANPC) that occurred in 2010. To support its claim, petitioner cites ANFC's April 18, 2011, first supplemental section D response.² Petitioner also concludes from ANFC's section A response³ and supplemental D response,⁴ that the 2009 P&L for ANFC, which is used as the basis for calculating the POR G&A ratio, includes the results of ANPC. Since the merger took place in fiscal year 2010, petitioner argues that the G&A ratio should be based on ANFC's P&L unadjusted for the merger, rather than the P&L retroactively adjusted. Petitioner states that the correct choice of financial statements affects directly (e.g., G&A ratio) and indirectly (e.g., cost reconciliation) all segments of the reported costs. ANFC did not comment on this issue.

Department's Position: We agree with petitioner that the G&A ratio used in the *Preliminary Results*, which was derived from ANFC's P&L for fiscal year 2009, includes financial information from both ANFC and ANPC. Since the merger of ANFC and ANPC did not occur until 2010, we agree with petitioner that the G&A ratio calculation ideally should be based on the 2009 pre-merger ANFC financial information.

The record of this review does not have all the necessary information to recalculate ANFC's G&A ratio using ANFC's 2009 pre-merger financial information. This lack of ANFC-only information did not come to the Department's attention until very late in the proceeding, when petitioner filed post-*Preliminary Results* comments. As a result, the Department lacks sufficient time to begin seeking entirely new and possibly other information from ANFC that might need to

¹ Letter to the Department of Commerce from Petitioner, Aqualon Company, Regarding Purified Carboxymethylcellulose from the Netherlands: Petitioner's Comments on Akzo Nobel's Supplemental Section D Responses and on the Preliminary Determination, dated July 5, 2011.

² ANFC section D response, dated April 18, 2011, at page 7.

³ ANFC section A response, dated November 10, 2010, at page.

⁴ ANFC section D response, dated April 18, 2011, at tab 15.

be clarified through yet additional supplemental questionnaires. Section 776(a)(1) of the Tariff Act of 1930, as amended (the Act) states that where necessary information is not available on the record, the Department shall use facts otherwise available. We were able to approximate separate G&A expense ratios for ANFC and ANPC using information contained at tab 1 of ANFC's supplemental section D questionnaire response, dated May 17, 2011. See Memorandum to Neal M. Halper through Peter S. Scholl, from Christopher J. Zimpo regarding the Antidumping Duty Administrative Review of Purified Carboxymethylcellulose ("CMC") from the Netherlands, Cost of Production and Constructed Value Calculation Adjustments for the Final Results – Akzo Nobel Functional Chemicals B.V., dated October 20, 2011 (Cost Calculation Memo) at Attachment 2. From this information, we determined that respondent's dumping margin does not appear to have been reduced or otherwise understated from the use of the reported G&A ratio. That is, respondent does not appear to benefit from including ANPC's financial results in the G&A ratio computation. For the G&A ratio used in the preliminary results and for these final results, see Memorandum to Neal M. Halper through Peter S. Scholl, from Christopher J. Zimpo regarding the Antidumping Duty Administrative Review of Purified Carboxymethylcellulose from the Netherlands, Cost of Production and Constructed Value for the Preliminary Results-Akzo Nobel Functional Chemicals B.V., dated June 16, 2011 at Attachment 3. Given the late stage of this proceeding, and the fact that respondent did not appear to benefit from using the post-merger financial information, we find that as facts available pursuant to section 776(a)(1) of the Act, it is reasonable to use the post-merger ANFC G&A ratio as adjusted from the *Preliminary Results* for the final results.⁵

Lastly, we disagree with petitioner's contention that the choice between merged P&L and pre-merger P&L affects all segments of the reported costs. Unlike the G&A ratio, which is calculated on a company-wide basis,⁶ the other components of reported costs, *i.e.*, materials, labor, and overhead, are specific to the manufacturing of subject merchandise. Only ANFC, and not ANPC, manufactures subject merchandise.⁷ Accordingly, regardless of whether the Department were to use a post-merger or pre-merger P&L, the reported costs other than G&A reflect only ANFC's costs of manufacturing subject merchandise. This conclusion is supported by the submitted cost reconciliation, which reconciles the reported COM to the ANFC P&L on the record.⁸ Therefore, the Department's use of the merged P&L does not affect segments of the reported costs other than the G&A ratio calculation. For the reasons discussed above, we have relied upon ANFC's submitted COM information for these final results.

⁵ See Memorandum to Neal M. Halper through Peter S. Scholl, from Christopher J. Zimpo regarding the Antidumping Duty Administrative Review of Purified Carboxymethylcellulose from the Netherlands, Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – Akzo Nobel Functional Chemicals B.V., dated June 16, 2011, at Attachment 3.

⁶ See, *e.g.*, *Certain Circular Welded Non-Alloy Steel Pipe from Mexico: Final Results of Antidumping Duty Administrative Review*, 76 FR 36086 (June 21, 2011), and accompanying Issues and Decision Memorandum at Comment 7 ("...the Department's practice is to calculate G&A expenses based on the producer's unconsolidated company-wide financial statements. . . . G&A expenses are not calculated on a consolidated, divisional or product specific basis....").

⁷ ANFC section D response, dated February 17, 2011, at page D-4.

⁸ ANFC section D response, dated May 17, 2011, at tab 4.

Comment 2: Calculation of Major Input Adjustment

Petitioner states that in the *Preliminary Results*, the Department did not use the latest information supplied by ANFC for its use of the major input, monochloroacetic acid (MCA). According to petitioner, the latest MCA information for calculating the cost of manufacturing (COM) is located in Exhibit 3 of ANFC's third supplemental questionnaire response, dated May 17, 2011.

Department's Position: We have reviewed the record and conclude that, at Tab 3 of its May 17, 2011, submission, ANFC provided updated information concerning the percentage of COM represented by MCA. We have used this figure in a revised major input adjustment calculation for these final results. For a more detailed explanation about this change, *see* Cost Calculation Memo.

Comment 3: U.S. Packing Expense Clerical Error

Petitioner states that the Department erred in its currency conversion of ANFC's U.S. packing expense, which resulted in the understating of ANFC's weighted-average dumping margin. Specifically, petitioner argues that because of the Department's U.S. packing expense currency conversion error in the margin calculation program, the cost of goods sold (COGS) and foreign unit price in U.S. dollars (FUPDOL)⁹ calculations in the macros program were not calculated properly. Petitioner states that the Department should correct COGS and FUPDOL in the macros program by replacing the euro-denominated U.S. packing expense variable, USPACK, with the U.S. packing expense variable converted into U.S. dollars, PACKU_USD, in the formulas for both calculations.

Department's Position: We have reviewed the programming language for ANFC's U.S. packing expense in the margin calculation program and agree with petitioner that, as written, the language does not correctly convert the expense. At the beginning of the margin calculation program, we instructed the program to convert ANFC's euro-denominated U.S. packing expense into U.S. dollars and to create a new variable, PACKU-USD, which represents the original variable reported by ANFC (PACKU) converted into U.S. dollars. However, later in the margin calculation program, we inadvertently stated that USPACK, the variable included in the COGS and FUPDOL calculations in the macros program, was equal to PACKU, rather than PACKU_USD. As a result, the euro-denominated packing expense, rather than the U.S. dollar packing expense, was used in the COGS and FUPDOL calculations. It was our intent to set USPACK equal to PACKU_USD in the margin calculation program. Thus, for the final results, we have modified the programming language in the margin calculation program by inserting the following: USPACK = PACKU_USD. By changing the language accordingly in the margin program, the COGS and FUPDOL calculations are correct and no additional changes to the macros program will be necessary. For a further explanation of this change, *see* Memorandum to the File, from David Cordell and Dena Crossland, International Trade Analysts, through Angelica Mendoza, Program Manager, titled "Analysis of Data Submitted by Akzo Nobel Functional Chemicals B.V. (ANFC) in the Final Results of the 2009-2010 Administrative

⁹FUPDOL is the average home market value converted into U.S. dollars, which is then compared to the transaction-specific U.S. price.

Review of the Antidumping Duty Order on Purified Carboxymethylcellulose (CMC) from the Netherlands," dated October 20, 2011.

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 margin for ANFC in the *Federal Register*.

Agree ✓ Disagree _____

Ronald K Lorentzen

Ronald K. Lorentzen
Deputy Assistant Secretary
for Import Administration

October 20, 2011

Date