



A-570-891
Administrative Review
POR: 12/1/12 – 11/30/13
PUBLIC DOCUMENT
AD/CVD VI: SHoefke

DATE: June 4, 2015

MEMORANDUM TO: Ronald K. Lorentzen
Deputy Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Hand Trucks and Certain Parts Thereof from the People's Republic
of China: Issues and Decision Memorandum for the Final Results
of Antidumping Duty Administrative Review; 2012-2013

Summary

We analyzed the case brief submitted in the administrative review of the antidumping duty order on hand trucks and certain parts thereof (hand trucks) from the People's Republic of China (PRC), covering the period of review (POR) December 1, 2012, through November 30, 2013. As a result of our analysis, we made changes from the Preliminary Results¹ in the margin calculations. 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 this review on which we received comments from interested parties:

1. Whether to use TS Steel's Financial Statement
2. Whether to use Thai Trolley's Financial Statement
3. Use of Jenbunjerd's Financial Statement
4. Surrogate Values for Energy

Background

On September 8, 2014, the Department published the preliminary results of this administrative review.² We received a case brief from Cosco Home and Office Products, Inc. (Cosco),³ a U.S.

¹ See Hand Trucks and Certain Parts Thereof From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2012-2013, 79 FR 53167 (September 8, 2014) (Preliminary Results).

² Id.

importer, on October 8, 2014. No other briefs or rebuttal briefs were filed by interested parties. Based on our analysis of the comments received, we made certain revisions from the Preliminary Results to the calculation of the weighted-average margin for New-Tec Integration (Xiamen) Co., Ltd. (New-Tec).

Scope of the Order

The merchandise subject to the antidumping duty order consists of hand trucks manufactured from any material, whether assembled or unassembled, complete or incomplete, suitable for any use, and certain parts thereof, namely the vertical frame, the handling area and the projecting edges or toe plate, and any combination thereof. A complete or fully assembled hand truck is a hand-propelled barrow consisting of a vertically disposed frame having a handle or more than one handle at or near the upper section of the vertical frame; at least two wheels at or near the lower section of the vertical frame; and a horizontal projecting edge or edges, or toe plate, perpendicular or angled to the vertical frame, at or near the lower section of the vertical frame. The projecting edge or edges, or toe plate, slides under a load for purposes of lifting and/or moving the load.

That the vertical frame can be converted from a vertical setting to a horizontal setting, then operated in that horizontal setting as a platform, is not a basis for exclusion of the hand truck from the scope of the order. That the vertical frame, handling area, wheels, projecting edges or other parts of the hand truck can be collapsed or folded is not a basis for exclusion of the hand truck from the scope of the order. That other wheels may be connected to the vertical frame, handling area, projecting edges, or other parts of the hand truck, in addition to the two or more wheels located at or near the lower section of the vertical frame, is not a basis for exclusion of the hand truck from the scope of the order. Finally, that the hand truck may exhibit physical characteristics in addition to the vertical frame, the handling area, the projecting edges or toe plate, and the two wheels at or near the lower section of the vertical frame, is not a basis for exclusion of the hand truck from the scope of the order.

Examples of names commonly used to reference hand trucks are hand truck, convertible hand truck, appliance hand truck, cylinder hand truck, bag truck, dolly, or hand trolley. They are typically imported under heading 8716.80.50.10 of the Harmonized Tariff Schedule of the United States (HTSUS), although they may also be imported under heading 8716.80.50.90.

Specific parts of a hand truck, namely the vertical frame, the handling area and the projecting edges or toe plate, or any combination thereof, are typically imported under heading 8716.90.50.60 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, the Department's written description of the scope is dispositive.

Excluded from the scope are small two-wheel or four-wheel utility carts specifically designed for carrying loads like personal bags or luggage in which the frame is made from telescoping tubular materials measuring less than 5/8 inch in diameter; hand trucks that use motorized operations either to move the hand truck from one location to the next or to assist in the lifting of items

³ See Cosco's October 8, 2014 submission.

placed on the hand truck; vertical carriers designed specifically to transport golf bags; and wheels and tires used in the manufacture of hand trucks.

No Shipments Claim

Yangjiang Shunhe Industrial Co., Ltd. (Shunhe) submitted certifications of no shipments. Because Shunhe was part of the PRC-wide entity at the outset of this administrative review and continues to be part of the PRC-wide entity in this proceeding, the Department did not make a determination of no shipments.⁴ Subsequent to the Preliminary Results, the Department did not receive any information that would warrant reconsideration of this issue. The Department therefore finds for these final results that Shunhe continues to remain part of the PRC-wide entity.

Rescission in Part

In light of the timely withdrawal of the request for review of Full Merit Enterprise Limited (Full Merit), in the Preliminary Results, the Department noted that we would rescind the review with respect to Full Merit in the final results if the PRC-wide entity did not come under review. Subsequent to the Preliminary Results, the Department did not receive any comments or information that suggests either Full Merit or the PRC-wide entity should be reviewed. Therefore, pursuant to 19 CFR 351.213(d)(1), we are rescinding the administrative review with respect to Full Merit.

Discussion of the Issues

Comment 1: Whether to use TS Steel's Financial Statement

Cosco's Comments:

Cosco argues that the Department should use the 2012 financial statements from a Thai manufacturer of hand trucks, TS Steel Enterprise Co. Ltd. (TS Steel) to determine surrogate financial ratios.⁵ Cosco posits several reasons for the Department to use TS Steel's financial data: (i) it manufactures a wide variety of products including various "hand trolley" models that Cosco argues are either hand trucks or comparable merchandise; (ii) TS Steel uses similar raw material inputs as New-Tec; (iii) although TS Steel reported a loss in 2013, in 2012, TS Steel reported a profit and the 2012 financial statements are contemporaneous with the POR; and (iv) TS Steel's financial statements have enough detail to calculate surrogate financial ratios.

Department's Position:

We disagree with Cosco. The Department's criteria for choosing surrogate companies to calculate surrogate financial ratios are based on the availability of publicly available and contemporaneous financial statements, from a company whose operations are comparable to the

⁴ See Preliminary Results and accompanying Preliminary Decision Memorandum at 3.

⁵ See Cosco's July 15, 2014 Surrogate Values Submission at Exhibits 8-10.

respondent's experience.⁶ When selecting surrogate financial statements, the Department prefers financial statements from companies that produce identical merchandise over companies that produce comparable merchandise, because it is the Department's preference to match the surrogate companies' production experience with respondents' production experience, provided that the surrogate value data are not distorted or otherwise unreliable.⁷ The Department addressed the issue of TS Steel's financial statement in the Preliminary Results.⁸ We found, and continue to find, that the record does not establish TS Steel as a producer of identical merchandise. We note that even though TS Steel may use similar raw inputs as New-Tec, this does not establish that it is a producer of identical merchandise. Furthermore, while the record indicates that TS Steel is a producer of comparable merchandise, there are financial statements of other Thai producers on the record that demonstrate the production of identical merchandise to New-Tec. It is the Department's practice that when there are financial statements of companies who produce merchandise that is identical to the subject merchandise, we will not use financial statements of producers of comparable merchandise.⁹

Additionally, in the Preliminary Results, the Department addressed Cosco's issue of contemporaneity and profit.¹⁰ Specifically, interested parties submitted 2012 and 2013 financial statements for all three proffered surrogate companies (i.e., TS Steel, Office Thai Online (Thai Trolley), and Jenbunjerd Co. Ltd. (Jenbunjerd)).¹¹ We deemed the 2012 financial statements for all three companies to be less contemporaneous than the 2013 financial statements because the 2012 financial statements cover one month of the POR versus the 11 months of the POR that the 2013 financial statements cover.¹² Furthermore, the Department found that the 2013 financial statements for TS Steel were unusable because they did not report a profit, as per Department's

⁶ See Hand Trucks and Certain Parts Thereof From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010-2011, 78 FR 28801 (May 16, 2013) (Hand Trucks 10-11), and accompanying Issues and Decision Memorandum at Comment 2; see also 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 11-12), and accompanying Issues and Decision Memorandum at Comment 2.

⁷ See Certain Kitchen Appliances Shelving and Racks From the People's Republic of China; 2010-2011; Final Results of Antidumping Duty Administrative Review, 78 FR 5414 (January 25, 2013), and accompanying Issues and Decision Memorandum at Comment 1 (Kitchen Shelving 10-11).

⁸ See Memorandum to The File, through Richard Weible from Scott Hoefke Analyst, "Antidumping Duty Administrative Review of Hand Trucks and Certain Parts Thereof from the People's Republic of China: Selection of a Surrogate Country; 2012-2013," (Country Selection Memorandum) at 6-7; see also Memorandum to Paul Piquado, Assistant Secretary for Enforcement and Compliance, From Gary Taverman, Associate Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, "Decision Memorandum for the Preliminary Results of the Antidumping Duty Administrative Review of Hand Trucks and Certain Parts Thereof from the People's Republic of China; 2012-2013," (Preliminary Decision Memorandum) at 7-8.

⁹ See Kitchen Shelving 10-11 and accompanying Issues and Decision Memorandum at Comment 1; Certain Kitchen Appliance Shelving and Racks From the People's Republic of China: Final Results and Partial Rescission of First Antidumping Duty Administrative Review, 77 FR 21734 (April 11, 2012), and accompanying Issues and Decision Memorandum at Comment 2.A.; Persulfates from the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 68 FR 68030 (December 5, 2003), and accompanying Issues and Decision Memorandum at Comment 1; Persulfates From the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 66 FR 42628 (August 14, 2001), and accompanying Issues and Decision Memorandum at Comment 5.

¹⁰ See Preliminary Decision Memorandum at 7-8.

¹¹ See Gleason Industrial Products, Inc. and Precision Products (collectively, Petitioners) July 15, 2014 submission; see also Cosco's July 15, 2014 submission.

¹² See Preliminary Decision Memorandum at 7.

established practice.¹³ Given that we currently have usable, contemporaneous 2013 financial statements on the record (i.e., the Thai Trolley and Jenbunjerd financial statements), we continue to find that there is no need to include TS Steel's, Thai Trolley's, or Jenbunjerd's 2012 financial statements into the surrogate financial ratio calculation. Furthermore, where we have usable, more contemporaneous 2013 financial statements on the record, we find that using the 2013 financial statements are the best available information and, accordingly, are not averaging the 2012 financial statements with 2013 financial statements.

Comment 2: Whether to use Thai Trolley's Financial Statement

Cosco's Comments:

Cosco asserts Thai Trolley is not an appropriate surrogate company to calculate financial ratios for New-Tec. Thai Trolley's financial statements lack necessary line items that would indicate their operations focused on manufacturing; the lack of such information would indicate that Thai Trolley's operations are focused more on reselling than anything else. Specifically, Cosco argues that Thai Trolley is more likely to be a reseller because: its production levels are not comparable to New-Tec's; its broad range of products suggests that it is not a fully-integrated manufacturer; Thai Trolley's financial statements do not distinguish between revenue from sales versus revenue from services, making it difficult to discern whether Thai Trolley is a manufacturer; and Thai Trolley has minimal fixed assets and an absence of inventory. According to Cosco, it is likely the Department relied on unreliable data from Petitioners to determine that Thai Trolley is a manufacturer of identical merchandise. After asserting that Office Thai Online and Thai Trolley may be two different legal entities, Cosco argues that Office Thai Online's website lists a vast range of products that are drastically different from the hand trucks manufactured by New-Tec, and that Thai Trolley manufactures items primarily from stainless steel, whereas New-Tec's products are manufactured primarily from aluminum.

Cosco also argues that Thai Trolley is not an appropriate source for surrogate financial data because it does not constitute the "best information available." Cosco claims Thai Trolley's entire 2013 profit is due to "Other Revenue," which if removed would make the financial statements unusable. In addition, Cosco contends that Thai Trolley's financial statements lack sufficient detail to calculate financial ratios, which in other proceedings has rendered statements unusable.¹⁴ Cosco also argues that the line item "cost of services," provides no breakdown to allow the proper allocation of the total to materials, labor, energy/utilities, and overhead. Furthermore, it may include things that the Department does not consider selling, general, and administrative expense (SG&A), such as freight and other movement charges, taxes, and packing expenses. Therefore, the Department should not use Thai Trolley's financial ratios for the final results.

¹³ See Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam: Final Results of the First Antidumping Duty Administrative Review and First New Shipper Review, 72 FR 52052 (September 2007) and accompanying Issues and Decision Memorandum at Comment 2B; see also e.g., Hand Trucks 10-11 and accompanying Issues and Decision Memorandum at Comment 2.

¹⁴ Cosco cited to 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 16.

Department's Position:

We disagree with Cosco. As mentioned above, the Department's criteria for choosing surrogate companies to calculate surrogate financial ratios are based on the availability of public and contemporaneous financial statements, and comparability to the respondent's experience.¹⁵

When selecting surrogate financial statements, the Department prefers financial statements from companies that produce identical merchandise over companies that produce comparable merchandise.¹⁶ In this regard, it is the Department's preference to match the surrogate companies' production experience with respondent's production experience, and where possible, to producers of identical merchandise located in the primary surrogate country, provided that the surrogate value data are not distorted or otherwise unreliable.

We also find that the situation presented in Diamond Sawblades is distinguishable from the facts of the current proceeding. In Diamond Sawblades, two financial statements were at issue, one with necessary detail from a producer of comparable products, and one lacking necessary detail from a producer of identical merchandise.¹⁷ In this review, we have two sets of financial statements, both from producers of identical products, one with high detail (Jenbunjerd) and one with less detail (Thai Trolley). Although the less detailed of the two statements, the Thai Trolley financial statements still contain enough information to permit calculation of financial ratios. By averaging the two statements from producers of identical merchandise, we diversify the range of production experience to better match the respondent's experience.

We find that Thai Trolley's financial statements are contemporaneous with the POR, publicly available, and record evidence indicates that Thai Trolley is a producer of identical merchandise.¹⁸ Additionally, we disagree with Cosco's argument that New-Tec and Thai Trolley have dissimilar operations. With respect to Cosco's argument that Thai Trolley offers a broad range of products, both New-Tec and Thai Trolley produce a diverse range of metal fabricated products, which helps match the respondent's production experience with the surrogate company's production experience.¹⁹ This is consistent with the evidence on the record and with past segments of this proceeding, where the Department determined that Thai Trolley was an appropriate surrogate company for financial ratios, particularly because both New-Tec and Thai Trolley manufactured a diverse range of metal fabricated products.²⁰ Therefore, the Department continues to use Thai Trolley's financial statements in the calculation of surrogate financial ratios for these final results.

¹⁵ See Hand Trucks 10-11, and accompanying Issues and Decision Memorandum at Comment 2; see also Hand Trucks 11-12, and accompanying Issues and Decision Memorandum at Comment 2.

¹⁶ See Hand Trucks 10-11, and accompanying Issues and Decision Memorandum at Comment 2.

¹⁷ See Diamond Sawblades accompanying Issues and Decision Memorandum at Comment 16.

¹⁸ See Country Selection Memorandum at 6. We note that in recent segments of this proceeding, we found that Thai Trolley produces identical products. See Hand Trucks and Certain Parts Thereof from the People's Republic of China; Final Results of Antidumping Duty Administrative Review, 77 FR 41744 (July 16, 2012) (Hand Trucks 09-10), and accompanying Issues and Decision Memorandum at Comment 2; see also Hand Trucks 10-11, and accompanying Issues and Decision Memorandum at Comment 2; see also Hand Trucks 11-12, and accompanying Issues and Decision Memorandum at Comment 2.

¹⁹ See Country Selection Memorandum at 7.

²⁰ Id.

Regarding the reliability of the information submitted by Petitioners that Cosco deemed questionable, other evidence on the record supports this information. With respect to the communication exchange regarding hand truck models, we find the information publicly available, because it was freely obtained from an agent of the company upon request. Additionally, Cosco fails to support its claim with sufficient evidence that Thai Trolley and Office Thai Online may be different legal entities. We do not consider a difference in website name to be a reliable indicator of production operations. Therefore, we find insufficient evidence on the record to question the reliability or usability of information provided by Petitioners.

Furthermore, we find Cosco's comments on Thai Trolley's production levels, and the lack of other information it claims should be on a financial statements of a producer, as speculative in nature and unsupported by evidence on the record.²¹ Along those same lines, Cosco's argument about the lack of detail resulting in items not related to SG&A being included in the SG&A calculation is also speculative in nature. Additionally, there is no evidence on the record to support Cosco's claim that costs and production processes are different between steel and aluminum, nor would this be enough information by itself to disqualify Thai Trolley as an identical producer. We find Cosco's comments on these issues to be speculative and unsupported by facts on the record.

Regarding Cosco's argument about Thai Trolley's "Other Revenue" line item, upon reviewing Thai Trolley's financial statements we do find that a revision to the calculation of Thai Trolley's financial statements is in order. The item "Other Revenue" should be included in SG&A as an offset to the financial ratio calculation, because they are related to the general operation of the company, and in keeping with the Department's practice.²² Therefore, we have re-calculated Thai Trolley's financial ratios and used them for these final results.²³

Comment 3: Use of Jenbunjerd's Financial Statement

Cosco's Comments:

Cosco argues the Department should make adjustments to the calculation of Jenbunjerd's financial ratios. Specifically, the Department should modify Jenbunjerd's financial ratios by changing its treatment of "income from rent," "income from tax card," and "income from dividends" by either including them as an offset to SG&A or excluding them from total net profits. Cosco maintains these corrections would be in accordance with the Department's normal practice.

²¹ See Petitioner's July 15, 2014 submission at Exhibit SV-1.

²² See Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Results of the First Administrative Review of the Antidumping Duty Order, 76 FR 77772 (December 14, 2011), and accompanying Issues and Decision Memorandum at Comment 9.

²³ See Memorandum to the File through Robert James, Program Manager, From Scott Hoefke, Analyst, "Analysis of Data Submitted by New-Tec Integration (Xiamen) Co., Ltd. (New-Tec) in the Final Results of Administrative Review of the Antidumping Duty Order on Hand Trucks and Parts Thereof from the People's Republic of China (PRC)" dated January 6, 2015 (New-Tec's Analysis Memorandum).

Department's Position:

We agree with Cosco, in part. Regarding “income from rent,” from the expenses listed in the selling and administrative expenses section of Jenbunjerd’s financial statements,²⁴ it can be concluded that the expenses for this line of business are included in the SG&A section. Therefore, we have moved “income from rent” to SG&A as an offset.²⁵

However, in calculating the financial ratios for Jenbunjerd in the Preliminary Results, the Department had excluded from the calculation of revenue “income from tax card” and “income from dividends” and, therefore, did not include them in the profit calculation. We found in the Preliminary Results that “income from tax card” was excluded from the financial ratio calculation because it is related to income and value-added taxes.²⁶ Furthermore, we found “income from dividend” was also excluded from SG&A because it related to investment activity.²⁷ This exclusion was not readily apparent on the calculation of the surrogate financial ratios spreadsheet, and we have adjusted the spreadsheet to make this exclusion more visible.²⁸

Comment 4: Surrogate Values for Energy

Cosco's Comments:

Cosco argues Jenbunjerd’s financial statements do not have a separate line item for energy and utilities, such as electricity and water, and because the denominator for materials, labor and energy does not appear to include costs that would cover energy/utilities, such costs are likely included in SG&A. Therefore, in order to avoid double counting, the Department should set the surrogate value for the energy inputs to zero. By setting the surrogate values to zero the Department would ensure a fair comparison between the surrogate companies and New-Tec.

Department's Position:

We agree with Cosco. It is the Department’s recent practice to set energy factors of production (FOPs) inputs to zero if there is not a separate line item for energy factors on the financial statements.²⁹ In reviewing Jenbunjerd’s financial statements, we cannot find a “utilities” or “energy” line item in the “cost of goods and services sold” section; therefore, we conclude that such costs were included as part of manufacturing overhead. We did find a line item entitled “water and electricity” in Jenbunjerd’s financial statements, but it is in the “selling and administrative expenses” section and not applicable to the manufacturing operations of the firm. Therefore, to avoid double counting of manufacturing overhead we have excluded the energy inputs surrogate values in our normal value calculation.³⁰

²⁴ See Petitioner’s July 15, 2014 submission at Exhibit SV-6.

²⁵ See New-Tec’s Analysis Memorandum.

²⁶ See Preliminary Results.

²⁷ Id.

²⁸ See New-Tec’s Analysis Memorandum.

²⁹ See, e.g., Citric Acid and Certain Citrate Salts from the People’s Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value, 74 FR 16838 (April 13, 2009), and accompanying Issues and Decision Memorandum at Comment 2.

³⁰ See New-Tec’s Analysis Memorandum.

Recommendation

Based on our analysis of the comments received, we recommend adopting the above positions. If these recommendations are accepted, we will publish the final results of this administrative review and the final antidumping duty margin in the Federal Register.

Agree Disagree

Ronald K Lorentzen

Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

June 4, 2015
Date