



C-570-971
Administrative Review
POR: 1/1/2013 – 12/31/2013
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December 31, 2015

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for Preliminary Results of Countervailing
Duty Administrative Review: Multilayered Wood Flooring from
the People's Republic of China

Summary

The Department of Commerce (the Department) is conducting an administrative review of the countervailing duty (CVD) order on multilayered wood flooring (wood flooring) from the People's Republic of China (PRC). The period of review (POR) is January 1, 2013, through December 31, 2013. We preliminarily find that the mandatory respondents Dalian Penghong Floor Products Co., Ltd. (Penghong) and The Lizhong Wood Industry Limited Company of Shanghai (Lizhong) (also known as "Shanghai Lizhong Wood Products Co., Ltd.") received countervailable subsidies during the POR. The mandatory respondents' CVD rates have been used to calculate the rate applied to the other firms subject to this review. The Department also preliminarily determines that seven companies made no shipments of subject merchandise during the POR.

Background

On December 8, 2011, the Department published the CVD order on wood flooring from the PRC.¹ On December 2, 2014, we published a notice of "Opportunity to Request Administrative Review" for the CVD order.² Subsequently, on December 31, 2014, the Coalition for American

¹ See *Multilayered Wood Flooring from the People's Republic of China: Countervailing Duty Order*, 76 FR 76693 (December 8, 2011); see also *Multilayered Wood Flooring from the People's Republic of China: Amended Antidumping and Countervailing Duty Orders*, 77 FR 5484 (February 3, 2012), wherein the scope of the CVD order was modified.

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 79 FR 71382 (December 2, 2014).



Hardwood Parity³ (hereinafter, the petitioner) requested that we review 85 exporters and/or producers of the subject merchandise.⁴ In addition, we received review requests from 45 exporters and/or producers of the subject merchandise. In accordance with 19 CFR 351.221(c)(1)(i), we published a notice initiating the review on February 4, 2015.⁵

On March 25, 2015, we released under administrative protective order, and requested comments on, data obtained from U.S. Customs and Border Protection (CBP) regarding entries of the subject merchandise from the PRC during the POR for all of the exporters and/or producers for which a review was requested.⁶ Subsequently, on May 20, 2015, we selected Penghong and Lizhong as mandatory respondents in this administrative review.⁷

We issued initial questionnaires to the Government of the PRC (the GOC), Lizhong, and Penghong on June 9, 2015. Lizhong and Penghong submitted responses to our affiliation questions on June 17, 2015,⁸ and June 23, 2015,⁹ respectively. Lizhong and Penghong submitted the remaining portion of their initial questionnaire responses on July 16, 2015.¹⁰ The GOC also submitted its initial questionnaire response on July 16, 2015.¹¹

In accordance with section 751(a)(3)(A) of the Act and 19 CFR 351.213(h)(2), on August 27, 2015, we extended the time limit for completion of these preliminary results by 120 days to December 31, 2015.¹²

We issued supplemental questionnaires to the GOC, Lizhong, and Penghong on September 2, 2015. We received responses from Penghong¹³ and the GOC¹⁴ on September 16, 2015, and Lizhong on September 28, 2015.¹⁵

³ The Coalition for American Hardwood Parity includes: Anderson Hardwood Floors, LLC; From the Forest; Howell Hardwood Flooring; Mannington Mills, Inc.; Nydree Flooring; and Shaw Industries Group, Inc.

⁴ See Letter from the petitioner, "Request for Administrative Review: Multilayered Wood Flooring from the People's Republic of China" (December 31, 2014).

⁵ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 80 FR 6041 (February 4, 2015).

⁶ See Memorandum to the File, "Release of Customs and Border Protection (CBP) Data" (March 25, 2015).

⁷ See Memorandum to James Maeder, "Countervailing Duty Administrative Review: Multilayered Wood Flooring from the People's Republic of China: Respondent Selection" (May 20, 2015).

⁸ See Letter from Lizhong, "Multilayered Wood Flooring from the People's Republic of China: Shanghai Lizhong Wood Products Co., Ltd./The Lizhong Wood Industry Limited Company of Shanghai/Linyi Youyou Wood Co., Ltd. ("Lizhong" Questionnaire Response to Section III- Identifying Affiliated Companies" (June 17, 2015) (Lizhong Affiliation Response).

⁹ See Letter from Penghong, "*Multilayered Wood Flooring from the People's Republic of China CVD Questionnaire Response –Affiliations*" (June 23, 2015) (Penghong Affiliation Response).

¹⁰ See Letter from Lizhong, "Multilayered Wood Flooring from the People's Republic of China: Shanghai Lizhong/Linyi Youyou Wood Co., Ltd. Countervailing Duty Response" (July 16, 2015) (LQR); see also Letter from Penghong, "*Multilayered Wood Flooring from the People's Republic of China CVD Questionnaire Response -Part II*" (July 16, 2015)(LQR).

¹¹ See Letter from the GOC, "Response of the Government of the People's Republic of China to the Department's Questionnaire: Multilayered Wood Flooring From the People's Republic of China (C-570-971)(POR3)" (July 16, 2015) (GQR).

¹² See Memorandum to Gary Taverman, Associate Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, "Multilayered Wood Flooring from the People's Republic of China: Extension of Time Limit for Preliminary Results of Countervailing Duty Administrative Review" (August 27, 2015).

¹³ See Letter from Penghong, "Multilayered Wood Flooring from the People's Republic of China: Supplemental

We issued additional supplemental questionnaires to Penghong on October 1, 2015, the GOC on October 16, 2015, and Lizhong on October 19, 2015. We received responses from Penghong on October 22, 2015,¹⁶ the GOC on November 2, 2015,¹⁷ and Lizhong on November 9, 2015.¹⁸

Scope of the Order

Multilayered wood flooring is composed of an assembly of two or more layers or plies of wood veneer(s)¹⁹ in combination with a core. The several layers, along with the core, are glued or otherwise bonded together to form a final assembled product. Multilayered wood flooring is often referred to by other terms, *e.g.*, “engineered wood flooring” or “plywood flooring.” Regardless of the particular terminology, all products that meet the description set forth herein are intended for inclusion within the definition of subject merchandise.

All multilayered wood flooring is included within the definition of subject merchandise, without regard to: dimension (overall thickness, thickness of face ply, thickness of back ply, thickness of core, and thickness of inner plies; width; and length); wood species used for the face, back and inner veneers; core composition; and face grade. Multilayered wood flooring included within the definition of subject merchandise may be unfinished (*i.e.*, without a finally finished surface to protect the face veneer from wear and tear) or “prefinished” (*i.e.*, a coating applied to the face veneer, including, but not exclusively, oil or oil-modified or water-based polyurethanes, ultra violet light cured polyurethanes, wax, epoxy-ester finishes, moisture-cured urethanes and acid curing formaldehyde finishes.) The veneers may be also soaked in an acrylic-impregnated finish. All multilayered wood flooring is included within the definition of subject merchandise regardless of whether the face (or back) of the product is smooth, wire brushed, distressed by any method or multiple methods, or hand-scraped. In addition, all multilayered wood flooring is included within the definition of subject merchandise regardless of whether or not it is manufactured with any interlocking or connecting mechanism (for example, tongue-and-groove construction or locking joints). All multilayered wood flooring is included within the definition of the subject merchandise regardless of whether the product meets a particular industry or similar standard.

The core of multilayered wood flooring may be composed of a range of materials, including but not limited to hardwood or softwood veneer, particleboard, medium-density fiberboard, high-

Questionnaire Response” (September 16, 2015) (P1SR).

¹⁴ See Letter from the GOC, “Response of the Government of the People’s Republic of China to the Department’s First Supplemental Questionnaire: Multilayered Wood Flooring From the People’s Republic of China (C-570-971)(POR3)” (September 16, 2015) (G1SQR).

¹⁵ See Letter from Lizhong, “Multilayered Wood Flooring from the People’s Republic of China: Lizhong’s Response to the First Supplemental Countervailing Duty Questionnaire” (September 16, 2015) (L1SQR).

¹⁶ See Letter from Penghong “Multilayered Wood Flooring from the People’s Republic of China: Second Supplemental Response” (October 22, 2015) (P2SQR).

¹⁷ See Letter from GOC, “*The GOC’s Response to the Department’s Second Supplemental CVD Questionnaire: Multilayered Wood Flooring from the People’s Republic of China*” (November 2, 2015) (GOC2SQR).

¹⁸ See Letter from Lizhong, “Multilayered Wood Flooring from the People’s Republic of China: Lizhong’s Response to the Second Supplemental Countervailing Duty Questionnaire” (November 9, 2015) (L2SQR).

¹⁹ A “veneer” is a thin slice of wood, rotary cut, sliced or sawed from a log, bolt or flitch. Veneer is referred to as a ply when assembled.

density fiberboard (HDF), stone and/or plastic composite, or strips of lumber placed edge-to-edge.

Multilayered wood flooring products generally, but not exclusively, may be in the form of a strip, plank, or other geometrical patterns (*e.g.*, circular, hexagonal). All multilayered wood flooring products are included within this definition regardless of the actual or nominal dimensions or form of the product.

Specifically excluded from the scope are cork flooring and bamboo flooring, regardless of whether any of the sub-surface layers of either flooring are made from wood. Also excluded is laminate flooring. Laminate flooring consists of a top wear layer sheet not made of wood, a decorative paper layer, a core-layer of HDF, and a stabilizing bottom layer.

Imports of the subject merchandise are provided for under the following subheadings of the Harmonized Tariff Schedule of the United States (HTSUS): 4412.31.0520; 4412.31.0540; 4412.31.0560; 4412.31.2510; 4412.31.2520; 4412.31.4040; 4412.31.4050; 4412.31.4060; 4412.31.4070; 4412.31.5125; 4412.31.5135; 4412.31.5155; 4412.31.5165; 4412.31.6000; 4412.31.9100; 4412.32.0520; 4412.32.0540; 4412.32.0560; 4412.32.2510; 4412.32.2520; 4412.32.3125; 4412.32.3135; 4412.32.3155; 4412.32.3165; 4412.32.3175; 4412.32.3185; 4412.32.5600; 4412.39.1000; 4412.39.3000; 4412.39.4011; 4412.39.4012; 4412.39.4019; 4412.39.4031; 4412.39.4032; 4412.39.4039; 4412.39.4051; 4412.39.4052; 4412.39.4059; 4412.39.4061; 4412.39.4062; 4412.39.4069; 4412.39.5010; 4412.39.5030; 4412.39.5050; 4412.94.1030; 4412.94.1050; 4412.94.3105; 4412.94.3111; 4412.94.3121; 4412.94.3131; 4412.94.3141; 4412.94.3160; 4412.94.3171; 4412.94.4100; 4412.94.5100; 4412.94.6000; 4412.94.7000; 4412.94.8000; 4412.94.9000; 4412.94.9500; 4412.99.0600; 4412.99.1020; 4412.99.1030; 4412.99.1040; 4412.99.3110; 4412.99.3120; 4412.99.3130; 4412.99.3140; 4412.99.3150; 4412.99.3160; 4412.99.3170; 4412.99.4100; 4412.99.5100; 4412.99.5710; 4412.99.6000; 4412.99.7000; 4412.99.8000; 4412.99.9000; 4412.99.9500; 4418.71.2000; 4418.71.9000; 4418.72.2000; and 4418.72.9500.

While HTSUS subheadings are provided for convenience and customs purposes, the written description of the subject merchandise is dispositive.

Intent to Rescind, in Part, the Administrative Review

Seven of the companies under review reported that they made no shipments of subject merchandise to the United States during the POR. These seven companies are: (1) Zhejiang Shuimojiangnan New Material Technology Co., Ltd.; (2) Tongxiang Jisheng Import and Export Co., Ltd.; (3) Jiangsu Guyu International Trading Co., Ltd.; (4) Jiangsu Mingle Flooring Co., Ltd.; (5) Shenyang Senwang Wooden Industry Co., Ltd.; (6) Changbai Mountain Development and Protection Zone Hongtu Wood Industrial Co, Ltd.; and (7) Linyi Bonn Flooring Manufacturing Co., Ltd.²⁰ To test these claims, the Department issued a no-shipment inquiry to

²⁰ See letter from Zhejiang Shuimojiangnan New Material Technology Co., Ltd., “Multilayered Wood Flooring from the People’s Republic of China-No Sales Certification,” dated April 3, 2015; see also letter from Tongxiang Jisheng Import and Export Co., Ltd., Jiangsu Guyu International Trading Co, Ltd., Jiangsu Mingle Flooring Co., Ltd., Shenyang Senwang Wooden Industry Co., Ltd., Changbai Mountain Development and Protection Zone Hongtu

CBP requesting that it provide any information that contradicts the no-shipment claim. We have not received information to date from CBP to contradict these companies' claims of no sales, shipments, or entries of subject merchandise to the United States during the POR. Because these companies timely filed their no-shipment certifications and CBP has not provided information to contradict the companies' claims, we preliminarily intend to rescind the review of these companies. Absent any evidence of shipments being placed on the record, pursuant to 19 CFR 351.213(d)(3), we intend to rescind the administrative review of these companies in the final results of review.

Subsidies Valuation Information

A. Allocation Period

The average useful life (AUL) period in this proceeding, as described in 19 CFR 351.524(d)(2), is 10 years according to the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System, as revised.²¹ No party in this proceeding claimed or established that the IRS tables do not reasonably reflect the company specific AUL, as provided in 19 CR 351.524(d)(2). Accordingly, we have measured subsidies from the beginning of the AUL, *i.e.*, January 1, 2004.

B. Attribution of Subsidies

The Department's regulations at 351.525(b)(6)(i) state that we will normally attribute a subsidy to the products produced by the corporation that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) directs that the Department will attribute subsidies received by certain other companies to the combined sales of the recipient and other companies if: (1) cross-ownership exists between the companies; and (2) the cross-owned companies produce the subject merchandise, are a holding or parent company of the subject company, produce an input that is primarily dedicated to the production of the downstream product, or transfer a subsidy to a cross-owned company.

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This section of our regulations states that this standard will normally be met where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. The preamble to our regulations further clarifies our cross-ownership standard. According to the preamble, relationships captured by the cross-ownership definition include those where:

{T}he interests of two corporations have merged to such a degree that one corporation can use or direct the individual assets (or subsidy benefits) of the other corporation in essentially the same way it can use its own assets (or subsidy benefits)

Wood Industrial Co., Ltd., and Linyi Bonn Flooring Manufacturing Co., Ltd., "Multilayered Wood Flooring from the People's Republic of China: Submission of No Shipment Certifications," dated April 6, 2015.

²¹ See U.S. Internal Revenue Service Publication 946 (2008), *How to Depreciate Property*, at Table B-2: Table of Class Lives and Recovery Periods, publicly available at <http://www.irs.gov/publications/p946/ar02.html>.

... Cross-ownership does not require one corporation to own 100 percent of the other corporation. Normally, cross-ownership will exist where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. In certain circumstances, a large minority voting interest (for example, 40 percent) or a “golden share” may also result in cross-ownership.²²

Thus, our regulations make clear that the agency must look at the facts presented in each case in determining whether cross-ownership exists.

The U.S. Court of International Trade (CIT) has upheld our authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits.²³

1. Penghong

Penghong, established in October 2004, is a foreign-invested enterprise (FIE)²⁴ that responded on behalf of itself and Dalian Ruishi Wood Industry Co., Ltd. (Dalian Ruishi), its holding company during the POR. Penghong reported that Dalian Ruishi did not have any operational activities during the POR or prior to the POR. These companies are cross-owned within the meaning of 19 CFR 351.525(b)(6)(vi) by virtue of common ownership. However, because Dalian Ruishi did not have any operational activities during the POR or in prior years, and did not receive any subsidies over the AUL period, there is no attribution of subsidies. For Penghong, we are attributing subsidies it received to its sales, in accordance with 19 CFR 351.525(b)(6).

Penghong reported that, for several years during the AUL period, prior to the POR, it was majority-owned by Dalian Penghong Wood Industry Co., Ltd. (Penghong Wood). Subsequently, Penghong Wood transferred its shares in Penghong to Dalian Ruishi.²⁵ Accordingly, the Department finds that during this period, Penghong and Penghong Wood were cross-owned within the meaning of 19 CFR 351.525(b)(6)(vi) by virtue of common ownership. Because Penghong was majority-owned by Penghong Wood for a period during the AUL, we are attributing subsidies received by Penghong Wood during this period to the combined sales of the two companies in accordance with 19 CFR 351.525(b)(6)(iii).

2. Lizhong

Lizhong was founded in 2002 as a limited liability, domestically-owned enterprise (DOE), and responded on behalf of itself and affiliate Linyi Youyou Wood Co., Ltd. (Youyou).²⁶ From its inception through the POR, Lizhong remained a DOE and currently is owned by six individuals; the individual who owns the largest share serves as the managing director.²⁷ Youyou was

²² See *Countervailing Duties; Final Rule*, 63 FR 65348, 65401 (November 25, 1998).

²³ See *Fabrique de Fer de Charleroi, SA v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

²⁴ See Penghong’s Affiliation Response at 7.

²⁵ See P2SQR at 7.

²⁶ See LQR at 7.

²⁷ *Id.*, and Exhibit 2.1.

established in 2009 as a DOE by two individuals, one of whom is the majority owner in, and managing director of, Lizhong.²⁸ As such, these companies are cross-owned within the meaning of 19 CFR 351.525(b)(6)(vi) by virtue of common ownership.²⁹

Lizhong identified Youyou as a producer of wood products, such as veneer, core and unfinished multilayered wood flooring.³⁰ Because Lizhong and Youyou are both producers of the subject merchandise, we are attributing subsidies received by either Lizhong or Youyou to the combined sales of the two companies, in accordance with 19 CFR 351.525(b)(6)(ii).

C. Loan Benchmarks and Discount Rates

The Department is examining non-recurring, allocable subsidies conferred on the respondents prior to the POR.³¹ Because all of the loans outstanding during the POR and non-recurring allocable subsidies that we are examining in this administrative review were granted prior to this POR, we have relied on the benchmark and discount rates used to value the subsidies at issue in the *First MLWF Review*,³² as discussed below.³³

1. Long-Term RMB-Denominated Loans

The lending rates reported in the IFS represent short- and medium-term lending, and there are not sufficient publicly available long-term interest rate data upon which to base a robust benchmark for long-term loans. To address this problem, the Department developed an adjustment to the short- and medium-term rates to convert them to long-term rates using Bloomberg U.S. corporate BB-rated bond rates.³⁴

In *Citric Acid Investigation*, this methodology was revised by switching from a long-term mark-up based on the ratio of the rates of BB-rated bonds to applying a spread which is calculated as the difference between the two-year BB bond rate and the n-year BB bond rate, where ‘n’ equals

²⁸ *Id.*, at 8-9.

²⁹ See Lizhong Affiliation Response at 4.D.

³⁰ LQR at 8.

³¹ See 19 CFR 351.524(b)(1).

³² See *Multilayered Wood Flooring From the People’s Republic of China: Final Results and Partial Rescission of Countervailing Duty Administrative Review; 2011*, 79 FR 45178 (August 4, 2014) (*First MLWF Review*) and accompanying IDM, “D. Loan Benchmarks and Discount Rates” at 9-11; see also Memorandum to the File, “Final Results Calculation Memorandum for Armstrong Wood Products (Kunshan) Co., Ltd.” (July 28, 2014) (Armstrong Final Calculation Memorandum); see also Memorandum to the File, “Final Results Calculation Memorandum for Fine Furniture (Shanghai) Limited, Great Wood (Tonghua) Ltd., and Fine Furniture Plantation (Shishou) Ltd. (collectively, the FF Companies)” (July 28, 2014) (Fine Furniture Final Calculation Memorandum); see also Memorandum to the File, “Final Results Calculation Memorandum for The Lizhong Wood Industry Limited Company of Shanghai (Lizhong) (also known as “Shanghai Lizhong Wood Products Co., Ltd.) and Linyi Youyou Wood Co., Ltd. (Youyou)(collectively, Lizhong Companies)” (July 28, 2014)(Lizhong Final Calculation Memorandum).

³³ We note that this benchmark information was included in the FF1SR at Exhibit CVD Supp-1.

³⁴ See, e.g., *Light-Walled Rectangular Pipe and Tube From People’s Republic of China: Final Affirmative Countervailing Duty Investigation Determination*, 73 FR 35642 (June 24, 2008), and accompanying IDM, “Discount Rates” at 8.

or approximates the number of years of the term of the loan in question.³⁵ Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component.³⁶

2. Discount Rates

Consistent with 19 CFR 351.524(d)(3)(i)(A), we used as the discount rate the long-term interest rate calculated according to the methodology described above for the year in which the non-recurring subsidy was approved by the government.³⁷

Analysis of Programs

Based upon our analysis and the responses to our questionnaires, we preliminarily find the following:

I. Programs Preliminarily Found To Be Countervailable

A. GOC and Sub-Central Government Grants, Loans, and Other Incentives for Development of Famous Brands

In the *Investigation Final*, we determined that this program conferred a countervailable subsidy.³⁸ Because no new information has been provided on the record of the instant review that would cause us to reach a different determination from the *Investigation Final*, we preliminarily find that the grants provided under this program confer a countervailable subsidy. Specifically, we find the grants to be a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act, and that they provide a benefit in the amount of the grants.³⁹ Further, we find the grants to be specific under section 771(5A)(B) of the Act because the receipt of the grants is contingent upon export performance.

Penghong reported receiving assistance under this program in 2013.⁴⁰ Consistent with the *Investigation Final*, we are treating the assistance under this program as a non-recurring grant. To calculate the countervailable subsidy, we used our standard methodology for non-recurring grants.⁴¹ Treating the year of receipt as the year of approval, we applied the “0.5 percent test,” pursuant to 19 CFR 351.524(b)(2). The 2013 grant amount was less than 0.5 percent of Penghong’s 2013 export sales. Thus, in accordance with 19 CFR 351.524(b)(2), we allocated the entire amount of the grants to the year of receipt, the POR. We attributed the 2013 benefits to Penghong’s export sales in 2013. On this basis, we preliminarily determine that Penghong

³⁵ See *Citric Acid and Certain Citrate Salts from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 16836 (April 13, 2009) (*Citric Acid Investigation*), and accompanying IDM at Comment 14.

³⁶ See *First MLWF Review* and accompanying IDM, “C. Attribution of Subsidies” at 6-9.

³⁷ *Id.*

³⁸ See *Investigation Final* and accompanying IDM, “GOC and Sub-Central Government Grants, Loans, and Other Incentives for Development of Famous Brands” at 16-17.

³⁹ See 19 CFR 351.504(a).

⁴⁰ See PQR at 12 and Exhibit 7.

⁴¹ See 19 CFR 351.524(b).

received a countervailable subsidy of 0.03 percent *ad valorem* under this program.⁴²

B. 2012 Technology Innovation Award

The Jinzhou New District government provides grants under this program for technology innovation and progress. Penghong reported that it was approved for an award in 2013 under this program and received the related funds during the POR.⁴³ According to the GOC, this grant is exceptional and eligibility is contingent upon export performance.⁴⁴ We find the grants to be a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act, and to provide a benefit in the amount of the grants.⁴⁵ Further, we find the grants to be specific under section 771(5A)(B) of the Act as the GOC confirmed receipt of the grants is contingent upon export performance.

We preliminarily find that assistance under this program meets the criteria in 19 CFR 524(c)(2) and it is appropriate to treat it as a non-recurring grant. To calculate the countervailable subsidy, we used our standard methodology for non-recurring grants.⁴⁶ Treating the year of receipt as the year of approval, we applied the “0.5 percent test,” pursuant to 19 CFR 351.524(b)(2). The 2013 grant amount was less than 0.5 percent of Penghong’s 2013 export sales. Thus, in accordance with 19 CFR 351.524(b)(2), we allocated the entire amount of the grants to the year of receipt, the POR. We attributed the 2013 benefits to Penghong’s export sales in 2013. On this basis, we preliminarily determine that Penghong received a countervailable subsidy of 0.06 percent *ad valorem* under this program.⁴⁷

C. 2013 New and High Technology Research & Development Plan Industrialization Special Fund

Penghong stated that it received financial assistance under this program during the POR.⁴⁸ The GOC reported that the program is industry-specific and is administered by the Jinzhou Bureau of Science and Technology and the Jinzhou Bureau of Finance in Jinzhou District to promote research and development in Jinzhou District.⁴⁹ We preliminarily find that the grants provided under this program provide a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act, confer a benefit pursuant to 19 CFR 351.504, and are *de jure* specific under section 771(5A)(D)(i) of the Act because, as reported by the GOC, access to the subsidy is expressly limited to specific industries.

We preliminarily find that assistance under this program meets the criteria in 19 CFR 524(c)(2) and it is appropriate to treat it as a non-recurring grant. To calculate the countervailable benefit, we treated the year of receipt as the year of approval, and applied the “0.5 percent test,” pursuant

⁴² See Memorandum to the File, “Preliminary Results Calculation Memorandum for Dalian Penghong Floor Products,” dated concurrently with memorandum (Penghong Preliminary Calculation Memorandum).

⁴³ See PISQR at 13 and Exhibit SQ1-3.

⁴⁴ See GOC1SQR at 6.

⁴⁵ See 19 CFR 351.504(a).

⁴⁶ See 19 CFR 351.524(b).

⁴⁷ See Penghong Preliminary Calculation Memorandum.

⁴⁸ See PISQR at 14 and Exhibit SQ1-4.

⁴⁹ See GOC1SQR at 11-19.

to 19 CFR 351.524(b)(2). The grant received in the POR was less than 0.5 percent of Penghong's total sales for 2013. Thus, in accordance with 19 CFR 351.524(B)(2), we allocated the entire amount of the grant to the year of receipt, the POR. We attributed the 2013 benefits to Penghong's yearly total sales. On this basis, we preliminarily find that Penghong received a countervailable subsidy of 0.08 percent *ad valorem* under this program during 2013.

D. 2005 Enterprise Development Special Funds Awarded to Penghong Wood

Penghong reported that Penghong Wood, its parent company for several years during the AUL, received one-time assistance under this program in 2005.⁵⁰ The GOC reported that certain industries and enterprises were prioritized under the program, including enterprises involved in the production of "famous brands" as designated by national or provincial government agencies.⁵¹ We preliminarily find that the grants provided under this program provide a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act, confer a benefit pursuant to 19 CFR 351.504, and are *de jure* specific under section 771(5A)(D)(i) of the Act because, as reported by the GOC, access to the subsidy is limited to specific industries and enterprises.

We preliminarily find that assistance under this program meets the criteria in 19 CFR 524(c)(2) and it is appropriate to treat it as a non-recurring grant, and to examine this assistance provided prior to the POR. To calculate the countervailable benefit, we treated the year of receipt, 2005, as the year of approval and applied the "0.5 percent test," pursuant to 19 CFR 351.524(b)(2). Because of the cross-ownership between Penghong and Penghong Wood in 2005, we used the combined sales of Penghong and Penghong Wood as the denominator for the expense test. We found the 2005 grant was greater than 0.5 percent of the reported 2005 consolidated sales. Thus, we are allocating the benefit over the average useful life, in accordance with 19 CFR 524(d).

Additionally, because Penghong and Penghong Wood ceased to be cross-owned prior to the POR, we followed our practice for apportioning the benefit as described in *Citric Acid and Certain Citrate Salts from the People's Republic of China*:⁵² we calculated a ratio of Penghong's sales in the year of separation to the companies' combined sales during this year to determine Penghong's portion of the overall combined entity in the year of separation. We then applied this ratio to the amount of the benefit allocated to the POR, 2013, to determine the amount of the benefit attributable to Penghong in 2013. On this basis, we preliminarily find that Penghong received a countervailable subsidy of 0.03 percent *ad valorem* under this program during 2013.⁵³

E. Provision of Electricity for Less than Adequate Remuneration (LTAR)

In the underlying investigation, the petition contained information indicating that the GOC

⁵⁰ See P2SQR Exhibit SQ2-9.1.

⁵¹ See GOC3SQR at 6.

⁵² See *Citric Acid and Certain Citrate Salts from the People's Republic of China*, 76 FR 33219 (June 8, 2011) (*Preliminary Results*); see also Memorandum to Ronald K. Lorentzen from the Team, "Post-Preliminary Analysis Memorandum for RZBC Co., Ltd. (RZBC Co.), RZBC Import & Export Co., Ltd. (RZBC I&E), RZBC (Juxian) Co., Ltd. ("RZBC Juxian), RZBC Group Co. Ltd. (RZBC Group) (collectively, "RZBC") dated October 13, 2011 (Post-Preliminary Memorandum).

⁵³ See Penghong Preliminary Calculation Memorandum.

provided electricity for LTAR and that the subsidy was regionally specific, pursuant to section 771(5A)(D)(iv) of the Act.⁵⁴ It was on this basis that we initiated our investigation of this subsidy program.⁵⁵ In the *Investigation Final*, we determined that this program conferred a countervailable subsidy, based in part on facts available pursuant to sections 776(a) and (b) of the Act.⁵⁶ Specifically, we found that the GOC did not provide the requested original price proposals for 2006 and 2008 for each province in which a mandatory respondent or any reported “cross-owned” company was located, and that because the requested price proposals are part of the GOC’s electricity price adjustment process, the documents were necessary for the Department’s analysis of the program.⁵⁷ Therefore, as facts available pursuant to section 776(b) of the Act, we determined that the GOC’s provision of electricity constituted a financial contribution within the meaning of section 771(5)(D) of the Act and was specific within the meaning of section 771(5A) of the Act.⁵⁸

In both the *First MLWF Review* and the *Second MLWF Review*, no new information was presented to warrant re-considering that finding and, thus, we continued to find that the GOC’s provision of electricity was countervailable on the same bases as in the *Investigation Final*.⁵⁹ Moreover, in the *First MLWF Review*, we provided clarification regarding our finding, based in part on facts available, that this program is regionally specific within the meaning of 771(5A)(D)(iv),⁶⁰ consistent with similar findings regarding the program in other investigations, also based in part on facts available.⁶¹

In the instant review, no new information has been provided on the record that warrants re-considering our findings from the *Investigation Final* and the prior reviews.⁶² Therefore, for these preliminarily results, we continue to find that the GOC’s provision of electricity is a financial contribution in the form of the provision of a good under section 771(5)(D)(iii) of the

⁵⁴ See *First MLWF Review*, and accompanying IDM, “Provision of Electricity for Less than Adequate Remuneration (LTAR)” at 13-14.

⁵⁵ See *Multilayered Wood Flooring from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 75 FR 70719 (November 18, 2010) (*Initiation Notice*); see also *First MLWF Review*, and accompanying IDM, “Provision of Electricity for Less than Adequate Remuneration (LTAR)” at 13-14.

⁵⁶ See *Investigation Final* and accompanying IDM, “GOC – Electricity” at 2-3, and “Provision of Electricity for LTAR” at 13-14.

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ See *First MLWF Review*, and accompanying IDM, “Provision of Electricity for Less than Adequate Remuneration (LTAR)” at 13-14; see also *Multilayered Wood Flooring from the People’s Republic of China: Preliminary Results of Countervailing Duty Administrative Review and Intent to Rescind the Review in Part; 2012*, 80 FR 41007 (July 14, 2015) (*Second MLWF Review*), and accompanying IDM “Provision of Electricity for Less than Adequate Remuneration (LTAR) at 14.

⁶⁰ See *First MLWF Review*, and accompanying IDM, at Comment 3, “Countervailability of the Provision of Electricity for LTAR Program.”

⁶¹ See, e.g., *Wire Decking from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 32902, (June 10, 2010), and accompanying IDM at 5-6, 22; *Pre-Stressed Concrete Steel Wire Strand from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 28557 (May 21, 2010), and accompanying IDM at 9, 33-34; *Certain Kitchen Shelving and Racks from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 37012 (July 27, 2009), and accompanying IDM at 5-6, 17; *Lightweight Thermal Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008), and accompanying IDM at 22-23, 60-61.

⁶² See GOCQR at 15-18 and GOC2SQR at 1-4.

Act and is regionally specific within the meaning of 771(5A)(D)(iv) of the Act.

To determine the existence and the amount of any benefit under this program pursuant to section 771(5)(E)(iv) of the Act and 19 CFR 351.511, we relied on the companies' reported consumption volumes and rates paid.⁶³ To calculate the electricity benchmark, in accordance with 19 CFR 351.511(a)(2), we selected the highest non-seasonal provincial rates in the PRC for each user category (e.g., "general industry and commerce," *et cetera*) and voltage class of the respondents (e.g., 1-10 kilovolts (kv)), as well as the respondents' "base charge" (maximum demand and/or transformer capacity). We then compared what the respondents paid for electricity during the POR to what they would have paid at the benchmark electricity rates.⁶⁴ Based on this comparison, we preliminarily find that electricity was provided for LTAR.

To calculate the benefit, we took the difference between what the respondents paid for electricity and what they would have paid at the benchmark electricity rates. For each company, we divided the difference by the company's total sales during the POR. On this basis, we preliminarily find that Penghong received a countervailable subsidy of 1.77 percent *ad valorem*, and Lizhong received a countervailable subsidy of 0.62 percent *ad valorem* under this program during the POR.⁶⁵

F. Minhang District Little Giant Enterprise Support

In the *First MLWF Review*, we determined that this program conferred a countervailable subsidy.⁶⁶ Because no new information has been provided on the record of this review that would cause us to reach a different determination from the *First MLWF Review*, we preliminarily find that grants under this program confer a countervailable subsidy.

We continue to find that this program provides a financial contribution in the form of a direct transfer of funds under section 771(5)(D)(i) of the Act, confers a benefit pursuant to 19 CFR 351.504, and is *de jure* specific under section 771(5A)(D)(i) of the Act because, as reported by the GOC, it is limited to "encouraged" industries, particularly "high and new tech industries, such as those of new energy, new materials, bio-medicine, electronics, information, among others."⁶⁷ Lizhong reported receiving funds under this program from the GOC during 2011 and in the POR.⁶⁸

We continue to find that assistance under this program meets the criteria in 19 CFR 351.524(c)(2) and it is appropriate to treat it as a non-recurring grant. To calculate the countervailable subsidy, we first applied the "0.5 percent test," pursuant to 19 CFR 351.524(b)(2). For each year in which Lizhong reported receiving grants under this program

⁶³ For the FF Companies, see FFQR at 13-14 and Exhibits 8-9; see also FF1SR at 15. For Lizhong, see LQR at 22-25 and Exhibits 10-11; see also L1SR at Exhibit 17.

⁶⁴ These benchmarks were derived from the GQR at Exhibit 4. See Fine Furniture Preliminary Calculation Memorandum and Lizhong Preliminary Calculation Memorandum for detailed description of the benchmarks employed.

⁶⁵ See Penghong Preliminary Calculation Memorandum and Lizhong Preliminary Calculation Memorandum.

⁶⁶ See *First MLWF Review* and accompanying IDM, "Minhang District Little Giant Enterprise Support" at 15.

⁶⁷ *Id.*

⁶⁸ See LQR at 16.

(i.e., 2011 and 2013), we divided the total grant amount by Lizhong's total sales during the year in which the grant was approved. Because the amount approved under this program in both 2011 and 2013 was less than 0.5 percent of Lizhong's total sales in 2011 and 2013, we allocated the benefits to the year of receipt. Thus, grants provided in 2011 do not provide a benefit during the POR. For the grants provided in 2013, the POR, to calculate the countervailable subsidy rate, we divided the amount of the grants by Lizhong's total sales. On this basis, we preliminarily determine that Lizhong received a countervailable subsidy of 0.04 percent *ad valorem* under this program during the POR.⁶⁹

G. Allowance for Attorney's Fees

Lizhong reported that it received an allowance from the GOC in 2012 and 2013 under a program to support enterprises involved in U.S. antidumping proceedings.⁷⁰ The GOC confirmed that Lizhong received certain amounts under this program for allowing the GOC to use its business proprietary legal documents related to an antidumping proceeding.⁷¹ We continue to follow our practice in *Melamine from the People's Republic of China*⁷² and preliminarily find that the grants provided under this program confer a countervailable subsidy in the form of a direct transfer of funds from the government in accordance with section 771(5)(D)(i) of the Act, and that they provide a benefit in the amount of the grants.⁷³ Further, we continue to find the grants to be export specific under section 771(5A)(B) of the Act because the receipt of the grants is limited to companies that export.

The GOC was unable to provide information regarding the approval dates for total grant amounts received in 2012 and 2013. However, the GOC did state that the program was operated on an annual basis. Thus, we continue to find that assistance under this program meets the criteria in 19 CFR 351.524(c)(2) and it is appropriate to treat it as a non-recurring grant. Therefore, we calculated the benefit received in 2013, the POR, separately from that received in 2012. We first applied the "0.5 percent test," pursuant to 19 CFR 351.524(b)(2). We divided the grants received in 2012 and 2013 by Lizhong's export sales in 2012 and 2013, respectively. The result was less than 0.5 percent; therefore we have allocated the benefits to the year of receipt. Thus, grants provided in 2012 do not provide benefits during the POR. To calculate the countervailable subsidy rate for 2013, we divided the grant amount received in 2013 by Lizhong's export sales during the POR. On this basis, we preliminarily determine that Lizhong received a countervailable subsidy of 0.17 percent *ad valorem* under this program during the POR.⁷⁴

⁶⁹ See Memorandum to the File, "Preliminary Results Calculation Memorandum for The Lizhong Wood Industry Limited Company of Shanghai (Lizhong) (also known as "Shanghai Lizhong Wood Products Co., Ltd.)," dated concurrently with memorandum (Lizhong Preliminary Calculation Memorandum).

⁷⁰ See LQR at Exhibit 12 and L2SQR at 13 and Exhibit 8.

⁷¹ See GOC2SQR at 7.

⁷² See *Melamine from the People's Republic of China, Preliminary Affirmative Countervailing Duty Determination, and Alignment of Final Determination With Final Antidumping Duty Determination*, 80 FR 21706 (April 20, 2015) and accompanying Preliminary Decision Memorandum at 24.

⁷³ See 19 CFR 351.504(a).

⁷⁴ See Lizhong Preliminary Calculation Memorandum.

H. Technical Innovation Fund

Lizhong reported that Youyou, its cross-owned affiliate, received assistance under this program in 2013 to accelerate technological upgrading.⁷⁵ The GOC stated that it approved Youyou for this assistance in 2012 and provided benefits during the POR.⁷⁶ This program provides benefits in the form of a one-time grant from the Linyi Bureau of Finance and the Linyi Economic and Information Technology Committee. The grant is a financial contribution in the form of a direct transfer of funds under section 771(5)(D)(i) of the Act, confers a benefit pursuant to 19 CFR 351.504, and is specific under section 771(5A)(D)(i) of the Act because, as reported by the GOC, the industry in which the company operates is a consideration when approving a company for assistance.⁷⁷

To calculate the countervailable subsidy, we divided the total grant amount by the combined total sales of Lizhong and Youyou less any intercompany sales during 2012, the year that the grant was approved. We applied the “0.5 percent test,” pursuant to 19 CFR 351.524(b)(2). Because the total amount approved under the subsidy was less than 0.5 percent of Lizhong and Youyou’s total sales in 2012, we allocated the benefits received in 2013 to the POR. On this basis, we preliminarily determine that Lizhong received a countervailable subsidy of 0.06 percent *ad valorem* under this program during the POR.⁷⁸

II. Programs Preliminarily Found to Be Not Used or that Provided No Measureable Benefit During the POR

- I. Income Tax Subsidies for Foreign-Invested Enterprises (FIEs) Based on Geographic Location
- J. Two Free, Three Half Program
- K. Value-Added Tax (VAT) and Tariff Exemptions on Imported Equipment
- L. Certification of National Inspection-Free on Products and Reputation of Well Known Firm – Jiashan County
- M. International Market Development Fund Grants for Small and Medium Enterprises
- N. Local Income Tax Exemption and Reductions for “Productive” FIEs
- O. Provision of Electricity at LTAR for FIEs and “Technologically Advanced” Enterprises by Jiangsu Province
- P. Support for Developing a National Technology Standard
- Q. International Market Development Fund Grants for Small and Medium Enterprises
- R. Penghong Wood's Program of Loan Interest Discount
- S. Penghong Wood's Program of Provincial Famous Brand and New Product
- T. Penghong Wood's Program of VAT Refunds for Production and Processing Comprehensive Utilization Products by Using Three Leftover Materials and Down-Graded Small Woods
- U. Lizhong's Patent Fund
- V. Lizhong's Patent Application Support
- W. Party Members' Activities Fund

⁷⁵ See LQR at Exhibit 12 and L2SQR at Exhibit 9.

⁷⁶ See GOC2SQR at 9.

⁷⁷ See GOC2SQR at 12.

⁷⁸ See Lizhong Preliminary Calculation Memorandum.

Recommendation

We recommend applying the above methodology for these preliminary results.

✓
Agree

Disagree

Pe M
Paul Piquado
Assistant Secretary
for Enforcement and Compliance

31 DECEMBER 2015
(Date)