

October 24, 2008

MEMORANDUM TO: David M. Spooner  
Assistant Secretary  
for Import Administration

FROM: Stephen J. Claeys  
Deputy Assistant Secretary  
for Import Administration

SUBJECT: Issues and Decision Memorandum for the Final Results of New  
Shipper Reviews of Wooden Bedroom Furniture from the People's  
Republic of China

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## SUMMARY

We have analyzed the case and rebuttal briefs of interested parties in the antidumping new shipper reviews ("NSRs") of the antidumping duty order on wooden bedroom furniture from the People's Republic of China ("PRC"). The period of review ("POR") is January 1, 2007 through July 31, 2007. As a result of our analysis, the Department of Commerce ("the Department") has made changes to 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 for which we received comments and rebuttal comments by interested parties:

- Issue 1:** Whether the Department Should Correct a Computational Error Made by Dongguan Mu Si Furniture Co., Ltd. ("Mu Si") in its calculation of Medium Density Fiberboard ("MDF") Consumption.
- Issue 2:** Whether the Department Should Correct Average Unit Values ("AUVs") for Certain Factors of Production ("FOPs").
- Issue 3:** Whether the Department Should Correct Domestic Movement Expenses ("DCMMOVEU").
- Issue 4:** Whether the Department Should Convert Units of Measure for Certain FOPs.
- Issue 5:** Whether the Department Should Continue to Use the Financial Statements of 13 Indian Companies to Calculate Surrogate Financial Ratios.

## DISCUSSION OF THE ISSUES

**Issue 1:** Whether the Department Should Correct a Computational Error Made by Mu Si in its Calculation of MDF Consumption.

Mu Si claims it made a computational error in the calculation of MDF consumption reported for control number (“CONNUM”) 2, product code MB60-43, for a cherry veneer nightstand. Mu Si contends it corrected this error in a submission it made to the Department on June 17, 2008, subsequent to publication of the preliminary results in the Federal Register. Mu Si states that it converted MDF consumption of 3 mm, 9 mm, 12 mm, and 15 mm MDF to cubic meters and then added the cubic meter values to arrive at the reported per-unit consumption of MDF for CONNUM 2. Mu Si contends that it mistakenly dropped two zeroes from the cubic meter consumption rate of 12 mm MDF in this calculation. In support, Mu Si argues that, given the dimensions of standard boards of MDF it purchased and the per-unit MDF consumption reported for the preliminary results, the number of standard boards used to produce one nightstand is not physically possible; therefore, the Department should correct the computational error.

Petitioners did not comment on this issue.

**Department Position:** We agree with Mu Si that it appears to have misreported the MDF consumption factor for CONNUM 2 in its questionnaire response (“QR Consumption Factor”). As explained by Mu Si in its case brief, the misreported QR Consumption Factor results in an excessively high quantity of MDF consumption relative to the dimensions of the cherry veneer nightstand. However, as explained below, given inconsistencies on the record, the Department has not fully adopted Mu Si’s revised consumption factor for MDF (“Revised Consumption Factor”) proposed in its June 17, 2008 submission and in its case brief.

For the preliminary results, the Department used the QR Consumption Factor for CONNUM 2 to calculate Mu Si’s dumping margin. In its June 17, 2008 submission and in its case brief, Mu Si provided an explanation of its error. In its explanation, Mu Si claimed that its MDF QR Consumption Factor was comprised of four thicknesses (i.e., 3mm, 9mm, 12mm, and 15mm) and that it mis-transcribed the consumption factor for its 12mm thickness. While we agree that the consumption factor for its 12mm thickness included in MuSi’s QR Consumption Factor was over-reported, record evidence shows that Mu Si’s revised calculation is incorrect and incomplete. First, the sum of the four thickness consumption factors of 3mm, 9mm, 12mm (the mis-transcribed figure), and 15mm reported in its June 17, 2008 submission does not equal the consumption factor reported in its questionnaire response. See Mu Si’s November 20, 2007 Section D questionnaire response at exhibit D3, page one of eleven. That is, when you add up the four consumption factors without correcting for the mis-transcribed 12mm figure, this sum does not equal the total consumption factor reported in Mu Si’s questionnaire response.

Second, in examining record evidence, we found that Mu Si also used an additional thickness of MDF (i.e., 18mm) to produce CONNUM 2. See Exhibit S1-6, Table D – “Material Consumption Summary for June 2007,” of Mu Si’s April 25, 2008 supplemental questionnaire response. However, according to Mu Si’s explanation of its Revised Consumption Factor, the Revised Consumption Factor does not include an individual consumption factor for 18mm MDF. According to Mu Si, the Revised Consumption Factor is the total of the individual consumption factors for 3mm, 9mm, 12mm (the corrected factor) and 15mm MDF, only. Thus, Mu Si’s revised computation is incomplete.

In past cases, the Department has corrected respondents’ clerical errors under certain conditions. See e.g., Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From Italy; 57 FR 8295, 8297 (March 9, 1992). See also Certain Fresh Cut Flowers From Colombia; Final Results of Antidumping Duty Administrative Reviews; 61 FR 42833, 42834 (August 19, 1996), in which we stated “We have had a longstanding practice of correcting a respondent’s clerical errors after the preliminary results only if we can assess from information already on the record that an error has been made, that the error is obvious from the record, and that the correction is accurate.” Furthermore, when the Department revised its regulations on antidumping and countervailing duty proceedings to conform the Department’s regulations to the Uruguay Round Agreements Act, the Department stated “Where a respondent alleges an error in its own data only after the deadline for submission of factual information, frequently after the preliminary determination or results of review, the Department’s longstanding practice has been to correct the respondent’s own clerical errors only if the Department can assess from information already on the record that an error has been made, that the error is obvious from the record, and that the correction is accurate.” See Antidumping Duties, Countervailing Duties, Final Rule, 62 FR 27296, 27327 (May 19, 1997).

Given the late stage of the review when Mu Si claimed it misreported MDF consumption (i.e., after the preliminary results of review), the Department was unable to seek additional information from Mu Si to clarify the inconsistencies explained above. Thus, the Department has incomplete information on the record and must rely on facts available to calculate the MDF consumption for CONNUM 2, cherry veneer nightstands. See Section 776(a) of the Tariff Act of 1930 as amended (“the Act”). However, there is no evidence on the record of this segment of the proceeding that Mu Si failed to cooperate during these NSRs, thus the Department has not relied on adverse inferences under section 776(b) of the Act.

For the final results, as facts available, we have derived Mu Si’s MDF consumption for CONNUM 2 based primarily on its original consumption calculation, the QR Consumption Factor, which apparently includes consumption values for 3mm, 9mm, 12mm, 15mm, and 18mm MDF, but corrected this calculation using Mu Si’s corrected consumption factor for 12mm MDF.

That is, we started with Mu Si's original reported MDF consumption for CONNUM 2, subtracted out the mis-reported quantity for 12mm MDF and added in the corrected quantity for 12mm MDF reported in Mu Si's June 17, 2008 submission. Relying on the original QR Consumption Factor, corrected for the 12mm MDF consumption factor, is reasonable in our view because Mu Si repeatedly stated that the only error in the original calculation is the consumption factor for 12mm MDF. See, e.g., Mu Si's Case Brief at page 6. See also Mu Si's final analysis memorandum, which includes business proprietary information, for additional discussion of this issue; see also the Factors of Production Valuation Memorandum ("FOP Memo").

**Issue 2:** Whether the Department Should Correct the AUVs for Certain FOPs.

Petitioners claim that the Department miscalculated AUVs for 21 FOPs.

Mu Si and Dongguan Bon Ten Furniture Co., Ltd. ("Bon Ten") agree that the Department miscalculated AUVs for 21 FOPs cited by Petitioners, but also contend that the AUVs for two additional FOPs were miscalculated and should also be corrected for the final results.

**Department Position:** We have re-examined our AUV calculations and found that we miscalculated AUVs for the 23 FOPs identified by the parties to this proceeding. These errors occurred because the quantity and value data for these 23 FOPs were incorrectly extracted from the World Trade Atlas Trade Information System (Internet Version 4.6b). The source of these data was the Directorate General of Commercial Intelligence and Statistics of the Indian Ministry of Commerce and Industry. Therefore, for the final results, we have corrected the AUVs for these 23 FOPs. See FOP Memo.

**Issue 3:** Whether the Department Should Correct DCMMOVEU.

Petitioners argue that the Department omitted the weight variable from the SAS margin calculation program ("SAS program") calculation string for DCMMOVEU.

Respondents did not comment on this issue.

**Department Position:** We agree that the weight variable "QTYKGS" was not included in the SAS program calculation string for DCMMOVEU. Therefore, for the final results, we have corrected our calculation of DCMMOVEU by including the variable QTYKGS to the calculation string for DCMMOVEU as appropriate. See Bon Ten's and Mu Si's final analysis memoranda.

**Issue 4:** Whether the Department Should Convert Units of Measure for Certain FOPs.

Petitioners state that the surrogate truck freight value used by the Department is stated on a per-kilogram basis. Petitioners argue that the Department failed to convert the unit of measure of certain FOPs that had not been reported in kilograms before multiplying the surrogate truck freight value by the reported consumption quantity.

Respondents did not comment on this issue.

**Department Position:** Petitioners are correct that the surrogate value for truck freight is on a per-kilogram basis. As a result, the Department should have converted FOPs not reported on a kilogram basis to kilograms before applying the surrogate truck freight value. For the final results, the Department has corrected these FOPs by converting them to a kilogram basis. See Bon Ten's and Mu Si's final analysis memoranda.

**Issue 5:** Whether the Department Should Continue to Use the Financial Statements of 13<sup>1</sup> Indian Companies to Calculate Surrogate Financial Ratios.

The Department used financial statements from the following companies to calculate surrogate financial ratios for the preliminary results: 1) Akriti Perfections India Private Limited (“Akriti”); 2) Delhi Furniture Company Pvt. Ltd. (“Delhi”); 3) Delite Furniture Systems Private Limited (“Delite”); 4) D.S. Doors Pvt. Ltd. (“D.S. Doors”); 5) M/S Hi-Life Furnishers Pvt. Ltd. (“Hi-Life”); 6) Jayabharatham Furniture & Appliances Pvt. Ltd. (“Jayabharatham”); 7) In Trading Private Limited (“IN Trading”); 8) Image Furnishers Private Limited (“Image”); 9) Nikhil Decore Industries Private Limited (“Nikhil”); 10) Nizamuddin Furniture Private Limited (“Nizamuddin”); 11) Swaran Furnitures (P) Limited (“Swaran”); 12) Turya Lifestyle Furniture & Dream Homes Private Limited (“Turya”); and 13) Dinesh Rajen Interiors Pvt Ltd. (“Dinesh Rajen”).

While no interested party raised this issue for the final results of these NSRs, the Department determined in the 2006 administrative review that it was not appropriate to use some of the 13 financial statements that the Department used in the preliminary results of these NSRs. See Wooden Bedroom Furniture from the People's Republic of China: Final Results of Antidumping Duty Administrative Review and New Shipper Review; 73 FR 49162 (August 20, 2008) (“Final Results 2006”), and accompanying Issues and Decision Memorandum at Comment 1. Accordingly, we have further reviewed all 13 of those financial statements for purposes of these final results of reviews.

Based on our examination of record evidence, and consistent with our findings in Final Results 2006, we have determined that the record contains financial statements from four Indian companies (i.e., Delhi, Dinesh Rajen, Nikhil, and Turya) for the 2006 - 2007 period that are appropriate for use in the final results of these NSRs. These four companies are producers of identical or comparable merchandise. Additionally, their financial statements are contemporaneous with the POR (i.e., they cover January through March of 2007), they include profits, they do not include evidence that the company received export subsidies, and they are complete (e.g., these statements include audited statements and they include the schedules identified in the auditor's report or in the statements). See the discussion below of each financial statement.

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<sup>1</sup> In the preliminary results we inadvertently stated that we calculated the surrogate financial ratios using 12 financial statements. We actually used 13 financial statements to calculate the financial ratios in the preliminary results. See Preliminary Results, 73 FR at 32292, and the Preliminary Results FOP Memo at Attachment 6.

Delhi: Delhi states in its company profile on its website that it is “One of the leading manufacturer and supplier of Indian wooden furniture . . .” Moreover, pictures of furniture produced by Delhi shown on its website include wooden bedroom furniture. See Exhibit 4 of Petitioners’ March 11, 2008 submission of Indian financial statements (“Petitioners’ FS submission”). In addition, Delhi reported a profit in its financial statements. See the particulars of the “Profit & Loss Account for the Year Ending 31.03.2007” in Exhibit 3 of Petitioners’ FS submission.

Dinesh Rajen: Information on Dinesh Rajen’s website indicates that it is a “manufactuer of high quality wooden furniture . . .” See Exhibit 8 of Petitioners’ FS submission. In addition, the table of “Particulars of Raw Material Consumed” included in note 7 of its financial statement shows that Dinesh Rajen consumed “Teak & Other” and “Wood & Other” during 2006 and 2007. Also, Dinesh Rajen reported a profit in its financial statements. See the particulars of the “Profit & Loss Account for the Year Ending 31.03.2007” in Exhibit 7 of Petitioners’ FS submission.

Nikhil: Information on Nikhil’s website states that “All our furniture is made out of seasoned & termite proof teakwood, rosewood, & white cedar . . .” See Exhibit 24 of Petitioners’ FS submission. Furthermore, Nikhil reported a profit in its financial statements. See the particulars of the “Profit & Loss Account for the Year Ended 31<sup>st</sup> March, 2007” in Exhibit 23 of Petitioners’ FS submission.

Turya: Included in the “Details required under Part IV of Schedule VI” page of Turya’s financial statements, item V, “Product Description” states: “Furniture, Fabricators & Designers.” Moreover, the “about us” section of Turya’s financial statements states, under the heading “Infrastructure,” that “[O]ur production unit with an area of 20,000 sq. ft equipped with world class production facilities,” evidencing that Turya is a producer. See Exhibit 30 of Petitioners’ FS submission. Furthermore, pictures of Turya’s products on its website include pictures of beds. Also, Turya’s “Profit & Loss Account for the Year Ended 31<sup>st</sup> March, 2007” shows a profit.

We have determined that the following Indian financial statements are not useable for the final results of these NSRs for the reasons described below.

- A. Evidence of Subsidies: We determined that Akriti’s financial statements are not suitable for use in deriving the surrogate financial ratios because Akriti received subsidies in the form of an export subsidy scheme (i.e., the “Export Promotion Capital Goods Scheme” (“EPCG”)), a program the Department has previously found to be countervailable. Akriti’s financial statement, at Schedule 20, Selling Expenses, includes a line item for “EPCG License.” See Exhibit 1 of Petitioners’ FS submission. See Polyethylene Terephthalate Film, Sheet, and Strip from India: Final Results of Countervailing Duty Administrative Review, 72 FR 6530, 6531 (February 12, 2007).
- B. Incomplete Financial Statements: We determined that Jayabharatham’s, IN Trading’s, and Delite’s financial statements were not suitable for use in deriving the surrogate financial

ratios because each company's financial statements were missing either an audited statement or a schedule to the statements that were clearly identified in each company's Auditor's Report or the financial statements. Jayabharatham's statements are missing the depreciation schedule (i.e., schedule 5); IN Trading's statements are missing the schedule that breaks out manufacturing expense (i.e., Schedule XI); and Delite's statements are missing the contents of "Note 11," which is the breakout of its manufacturing expense.

- C. Non-producers of identical or comparable merchandise: We determined that Swaran's, Nizamiddin's, D.S. Doors's, Hi-Life's, and Image Furnishers' financial statements were not suitable for use in deriving the surrogate financial ratios because each company's financial statements indicate that these companies are not producers of identical or most comparable merchandise. Guidance regarding surrogate values for manufacturing overhead, general expenses, and profit is provided at 19 CFR 351.408(c)(4), which states that these values will normally be based on public information from companies that are in the surrogate country and that produce merchandise that is identical or comparable to the subject merchandise. While the statute does not define "comparable merchandise" in selecting surrogate values for overhead, selling, general and administrative expenses, and profit, the Department has considered whether the surrogate company's products have production processes, end-uses, and physical characteristics similar to the respondents' products. See, e.g., Final Determination of Sales at Less Than Fair Value and Affirmative Determination of Critical Circumstances, in Part: Light-Walled Rectangular Pipe and Tube from the People's Republic of China, 73 FR 35652, and accompanying Issues and Decision Memorandum at Comment 3 (June 24, 2008); Notice of Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the People's Republic of China, 69 FR 70997, and accompanying Issues and Decision Memorandum at Comment 9F (Dec. 8, 2004). We have evaluated the production of D.S. Doors, Hi-Life, Image, Swaran, and Nizamuddin, as discussed below, and have determined that they are not producers of comparable or identical merchandise.

D.S. Doors: Information on the record indicates that D.S. Doors' product range consists of wooden furniture and 17 other types of products, which include ten varying types of doors, stairs, kitchen shutters, flooring, windows, chowkhat sections, modular kitchens, and almirahs. With regard to physical characteristics and end uses, we find that while the major material input (i.e., wood) in all of D.S. Doors' production may be similar to those used by wooden bedroom furniture, the majority of D.S. Doors' production appears to be doors, which are not physically similar nor do they have the same end use as that of wooden bedroom furniture. Additionally, there is no information in D.S. Doors' financial statement describing the production processes employed to produce the non-furniture items that would enable the Department to disaggregate the non-furniture production from the furniture production. Thus, we have determined that D.S. Doors' total production is not of merchandise comparable to that of wooden bedroom furniture producers. See Petitioners' FS submission at Exhibits 9 and 10.

Hi-Life and Image Furnishers: Information on the record indicates that Hi-Life and Image Furnishers are not producers of wooden furniture. Rather, both of these companies are resellers of "Traded Goods." Further, an examination of each company's financial

statements shows that neither company's income statement lists manufacturing expense, nor does the depreciation schedule list assets relating to production. Thus, we have determined that Hi-Life and Image Furnishers are not producers of merchandise comparable to wooden bedroom furniture. See Petitioners' FS submission at Exhibits 11 and 13.

Nizamuddin: Information on the record indicates that Nizamuddin is not a producer. Specifically, Nizamuddin's director's report states that the "company's operations do not involve any manufacturing or processing activity. . ." Thus, we have determined that Nizamuddin is not a producer of merchandise comparable to wooden bedroom furniture. See Petitioners' FS submission at Exhibit 25.

Swaran: Information on the record indicates that Swaran's principle activity is manufacturing and "job work" of furniture, interior decoration, and allied activities. With regard to physical characteristics and end uses, we find that while Swaran's production experience of furniture may be similar to that of wooden bedroom furniture producers, its non-furniture activities (i.e., interior decoration and allied activities) are not physically similar nor do they have the same end use as that of furniture. Additionally, there is no information in Swaran's financial statement describing the interior decoration and allied activities that would enable the Department to distinguish Swaran's furniture production from its non-production activities. See Petitioners' FS submission at Exhibits 27 and 28.

## 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 these NSRs and the final weighted-average dumping margins in the Federal Register.

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Agree

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Disagree

David M. Spooner  
Assistant Secretary  
for Import Administration

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Date