



A-570-062
Administrative Review
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January 29, 2020

MEMORANDUM TO: Christian Marsh
Acting Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum: Antidumping Duty
Administrative Review of Cast Iron Soil Pipe Fittings from the
People's Republic of China; 2018-2019

I. SUMMARY

The Department of Commerce (Commerce) analyzed the case and rebuttal briefs submitted by interested parties in the administrative review (AR) of the antidumping duty (AD) order on certain cast iron soil pipe fittings (soil pipe fittings) from the People's Republic of China (China) covering the period of review (POR) February 20, 2018, through July 31, 2019. The mandatory respondents in this administrative review are Qinshui Shunshida Casting Co., Ltd. (Shunshida) and Wor-Biz Industrial Product Co., Ltd. (Anhui) (Wor-Biz)¹.

As a result of this analysis, we have made no changes to the *Preliminary Results*. We recommend that you approve the positions described in the "Discussion of the Issues" section of this memorandum.

Below is the sole issue in this review for which we received comments from parties:

Comment: Whether to Average Surrogate Values for Financial Ratios

¹ On January 8, 2020, Commerce determined that Wor-Biz Industrial Product Co., Ltd. (Anhui) is the successor-in-interest to Wor-Biz Trading Co., Ltd. (Anhui) and is therefore entitled to that company's cash deposit rate with respect to entries of subject merchandise. See *Cast Iron Soil Pipe Fittings from the People's Republic of China: Final Results of Changed Circumstances Review*, 85 FR 881 (January 8, 2020).



II. BACKGROUND

On June 24, 2020, Commerce published the *Preliminary Results* of this administrative review.² On July 21, 2020, Commerce tolled all deadlines in administrative reviews by 60 days.³ On December 18, 2020, Commerce extended the deadline for the final results of this review.⁴ The revised deadline for the final results of this review is now June 21, 2021.

In accordance with 19 CFR 351.309(c)(ii), we invited parties to comment on the *Preliminary Results*. The Cast Iron Soil Pipe Institute (the petitioner) submitted a timely case brief.⁵ Wor-Biz submitted a timely rebuttal brief.⁶

III. SCOPE OF THE ORDER

The merchandise covered by the order is cast iron soil pipe fittings, finished and unfinished, regardless of industry or proprietary specifications, and regardless of size. Cast iron soil pipe fittings are nonmalleable iron castings of various designs and sizes, including, but not limited to, bends, tees, wyes, traps, drains (other than drain bodies), and other common or special fittings, with or without side inlets.

Cast iron soil pipe fittings are classified into two major types – hubless and hub and spigot. Hubless cast iron soil pipe fittings are manufactured without a hub, generally in compliance with Cast Iron Soil Pipe Institute (CISPI) specification 301 and/or American Society for Testing and Materials (ASTM) specification A888. Hub and spigot pipe fittings have hubs into which the spigot (plain end) of the pipe or fitting is inserted. Cast iron soil pipe fittings are generally distinguished from other types of nonmalleable cast iron fittings by the manner in which they are connected to cast iron soil pipe and other fittings.

Excluded from the scope are all drain bodies. Drain bodies are normally classified in subheading 7326.90.86.88 of the Harmonized Tariff Schedule of the United States (HTSUS).

The cast iron soil pipe fittings subject to the scope of this order are normally classified in subheading 7307.11.0045 of the HTSUS: Cast fittings of nonmalleable cast iron for cast iron soil pipe. They may also be entered under HTSUS 7324.29.0000 and 7307.92.3010. The HTSUS subheadings and specifications are provided for convenience and customs purposes only; the written description of the scope of this order is dispositive.

² See *Cast Iron Soil Pipe Fittings from the People's Republic of China: Preliminary Results of the Antidumping Duty Administrative Review 2018-2019*, 85 FR 37832 (June 24, 2020) (*Preliminary Results*).

³ See Memorandum, "Tolling of Deadlines for Antidumping and Countervailing Duty Administrative Reviews," dated July 21, 2020.

⁴ See Memorandum, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Extension of Deadline for Final Results of Antidumping Duty Administrative Review," dated December 18, 2020.

⁵ See Petitioner's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: CISPI's Case Brief," dated July 24, 2020 (Petitioner's Case Brief).

⁶ See Wor-Biz's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: Submission of Rebuttal Brief," dated July 31, 2020 (Wor-Biz's Rebuttal Brief).

IV. DISCUSSION OF THE ISSUE

Comment: Whether to Average Surrogate Values for Financial Ratios

In the *Preliminary Results*, Commerce derived surrogate financial ratios for Wor-Biz by averaging the financial data of two Malaysian companies: BL Castings (M) sdn. Bhd. (BL Castings) and Auto Cast Sdn. Bhd.'s (Auto Cast).

*Petitioner's Arguments*⁷

- BL Castings is a trading company rather than a manufacturer; thus, it should not be used as a source of surrogate financial ratios.
- BL Castings' financial statements list its principal activity as "principally engaged as traders in casting products and hardware articles." In contrast, Auto Cast's financial statement states that the company is "engaged in steel and iron casting foundries and related engineering works."
- BL Castings' low level of reported depreciation is inconsistent with depreciation that would be reported by a manufacturer.
- For the final results, Commerce should only use Auto Cast's data in calculating Wor-Biz's surrogate financial ratios.

*Wor-Biz's Rebuttal*⁸

- There is substantial evidence on the record that supports the reasonable conclusion that BL Castings is a manufacturer, and not merely a trader of comparable merchandise; therefore, Commerce should continue to use BL Castings' financial statements as a source for calculating surrogate financial ratios for the final results.
- The petitioner initially and correctly identified BL Castings as a producer of cast iron products and now is attempting to discredit its own factual submissions and reverse its conclusion that BL Castings is a producer of comparable merchandise.
- The petitioner has not submitted any information to contradict record evidence which supports Commerce's finding that BL Castings is a producer of comparable merchandise.
- Just because the BL Castings' financial statement states that the company is "principally engaged as traders" does not mean it only conducts trading activities.
- One cannot draw conclusions from comparing BL Castings' depreciation to Auto Cast's depreciation because they are independent producers and have legitimate business reasons for differing levels of depreciation.
- BL Castings' financial statements support that they have a manufacturing facility. The net book value of the factory in 2018 was 1,640,505 RM, which accounted for 93 percent of the company's total value of property, plant, and equipment.

Commerce's Position:

We agree with Wor-Biz and, consistent with the *Preliminary Results*, continue to find that averaging the financial ratios derived from the financial statements of the two Malaysian companies

⁷ See Petitioner's Case Brief at 1-2.

⁸ See Wor-Biz's Rebuttal Brief at 1-6.

on the record is the most accurate methodology to use for these final results. When there are contemporaneous financial statements for more than one producer of comparable merchandise on the record, it is Commerce's practice to use an average of the financial ratios derived from these financial statements.⁹ In this case, the petitioner submitted contemporaneous financial statements for two producers of cast iron products from Malaysia: Auto Cast and BL Castings.¹⁰ The petitioner stated that it "searched for companies in Malaysia that were producers of cast iron products" and "found four such companies that had publicly available financial statements."¹¹ The petitioner placed the financial statements for two of these four companies, Auto Cast and BL Castings, on the record because they had profits and complete financial statements that included auditor's opinions. Although the petitioner is now arguing that one of these companies is a trader and not a manufacturer, the petitioner has not pointed to evidence on the record sufficient to support this contention.

Rather, the evidence on the record supports the opposite conclusion: that BL Casting's is a producer of cast iron products. First, the petitioner stated that BL Castings is a producer of cast iron products in its Surrogate Value Letter.¹² In this submission, the petitioner included screenshots of BL Castings' website which has photos of the production process and equipment, as well as a chart of the casting process.¹³ Additionally, BL Castings' financial statements include a value for a factory which accounts for the majority of the value of the company's "Property, Plant and Equipment" and a value for machinery as well, which supports the position that BL Castings is a producer of cast iron products.¹⁴ The petitioner did not address this evidence in its case brief. The statement that BL Castings is principally a trader does not undermine the record evidence supporting that BL Castings is a producer of cast iron products. Additionally, comparing the depreciation of BL Castings to the depreciation of Auto Case is of limited probative value, when viewed in light of all the evidence on the record. Therefore, we have continued to average the financial ratios of the two Malaysian companies for these final results.

⁹ See *Dorbest Ltd. v. United States*, 604 F.3d 1363, 1368 (Fed. Cir. May 14, 2010); see also *Ad Hoc Shrimp Trade Action Comm. v. United States*, 618 F.3d 1316 (Fed. Cir. September 8, 2010).

¹⁰ See Petitioner's Letter, "Cast Iron Soil Pipe Fittings from the People's Republic of China: 30-day Comments on Surrogate Value," dated April 6, 2020.

¹¹ *Id.* at 1-2.

¹² *Id.* at Exhibit 2.

¹³ *Id.*

¹⁴ *Id.*

V. **RECOMMENDATION**

Based on our analysis of the comments received, we recommend adopting the above position. If accepted, we will publish the final results of review in the *Federal Register*.

Agree

Disagree

1/29/2021

X



Signed by: CHRISTIAN MARSH

Christian Marsh
Acting Assistant Secretary
for Enforcement and Compliance