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DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-856, A-570-032]

Certain Iron Mechanical Transfer Drive Components from Canada and The People's Republic of China: Initiation of Less-Than-Fair-Value Investigations

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

DATES: EFFECTIVE DATE: (November 17, 2015).

FOR FURTHER INFORMATION CONTACT: Stephen Bailey at (202) 482-0193 (Canada) and Maisha Cryor at (202) 482-5831 (the People's Republic of China (PRC)), AD/CVD Operations, Enforcement and Compliance, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

The Petitions

On October 28, 2015, the Department of Commerce (the Department) received antidumping duty (AD) petitions concerning imports of certain iron mechanical transfer drive components (iron transfer drive components) from Canada and the PRC, filed in proper form on behalf of TB Wood's Incorporated (TB Woods) (Petitioner).<sup>1</sup> The AD petitions were accompanied by one countervailing duty (CVD) petition for the PRC.<sup>2</sup> Petitioner is a domestic producer of iron transfer drive components.<sup>3</sup>

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<sup>1</sup> See the Petitions for the Imposition of Antidumping Duties on Imports of Certain Iron Mechanical Transfer Drive Components from Canada and the PRC, dated October 28, 2015 (the Petitions).

<sup>2</sup> See the Petition for the Imposition of Countervailing Duties on Imports of Certain Iron Mechanical Transfer Drive Components the PRC, dated October 28, 2015.

<sup>3</sup> See Volume I of the Petitions, at 2.

On November 3, 2015, the Department requested additional information and clarification of certain areas of the Petitions.<sup>4</sup> Petitioner filed responses to these requests on November 5, 6 and 10, 2015.<sup>5</sup>

In accordance with section 732(b) of the Tariff Act of 1930, as amended (the Act), Petitioner alleges that imports of iron transfer drive components from Canada and the PRC are being, or are likely to be, sold in the United States at less-than-fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, an industry in the United States. Also, consistent with section 732(b)(1) of the Act, the Petitions are accompanied by information reasonably available to Petitioner supporting its allegations.

The Department finds that Petitioner filed these Petitions on behalf of the domestic industry because Petitioner is an interested party as defined in section 771(9)(C) of the Act. The Department also finds that Petitioner demonstrated sufficient industry support with respect to the initiation of the AD investigations that Petitioner is requesting.<sup>6</sup>

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<sup>4</sup> See Letters from the Department to Petitioner entitled “Re: Petition for the Imposition of Antidumping and Countervailing Duties on Imports of Certain Iron Mechanical Transfer Drive Components from Canada: Supplemental Questions” dated November 3, 2015; “Re: Petition for the Imposition of Antidumping and Countervailing Duties on Imports of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Supplemental Questions” dated November 3, 2015; and “Re: Petitions for the Imposition of Antidumping and Countervailing Duties on Imports of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China and Antidumping Duties on Imports from Canada: Supplemental Questions” dated November 3, 2015 (General Issues Supplemental Questionnaire).

<sup>5</sup> See “Re: Response to the Department’s November 3, 2015 Questionnaire Regarding Volume I of the Petition for the Imposition of Antidumping and Countervailing Duties,” dated November 6, 2015 (General Issues Supplement); “Re: Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China: Response to the Department’s November 3, 2015 Supplemental Questions Regarding Volume II of the Petition for the Imposition of Antidumping Duties,” dated November 6, 2015 (Canada Supplemental Response); and “Re: Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China: Response to the Department’s November 3, 2015 Supplemental Questions Regarding Volume III of the Petition for the Imposition of Antidumping Duties,” dated November 6, 2015 (Canada Supplemental Response); and “Re: Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department’s November 6, 2015 Supplemental Questions Regarding Volume I of the Petition for the Imposition of Antidumping and Countervailing Duties” (PRC Supplemental Response) dated November 10, 2015.

<sup>6</sup> See the “Determination of Industry Support for the Petitions” section below.

### Periods of Investigation

Because the Petitions were filed on October 28, 2015, the period of investigation (POI) is, pursuant to 19 CFR 351.204(b)(1), October 1, 2014, through September 30, 2015, for Canada and April 1, 2015, through September 30, 2015, for the PRC.

### Scope of the Investigations

The product covered by these investigations is iron transfer drive components from Canada and the PRC. For a full description of the scope of these investigations, *see* the “Scope of the Investigations,” in Appendix I of this notice.

### Comments on Scope of the Investigations

During our review of the Petitions, the Department issued questions to, and received responses from, Petitioner pertaining to the proposed scope to ensure that the scope language in the Petitions would be an accurate reflection of the products for which the domestic industry is seeking relief.<sup>7</sup>

As discussed in the preamble to the Department’s regulations,<sup>8</sup> we are setting aside a period for interested parties to raise issues regarding product coverage (scope). The Department will consider all comments received from parties and, if necessary, will consult with parties prior to the issuance of the preliminary determination. If scope comments include factual information (*see* 19 CFR 351.102(b)(21)), all such factual information should be limited to public information. In order to facilitate preparation of its questionnaires, the Department requests all interested parties to submit such comments by 5:00 p.m. Eastern Time (ET) on Monday, December 7, 2015, which is 20 calendar days from the signature date of this notice. Any rebuttal comments, which may include factual information, must be filed by 5:00 p.m. ET on Thursday,

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<sup>7</sup> *See* General Issues Supplemental Questionnaire and General Issues Supplement.

<sup>8</sup> *See Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997).

December 17, 2015, which is 10 calendar days after the initial comments deadline.

The Department requests that any factual information the parties consider relevant to the scope of the investigations be submitted during this time period. However, if a party subsequently finds that additional factual information pertaining to the scope of the investigations may be relevant, the party may contact the Department and request permission to submit the additional information. All such comments must be filed on the records of each of the concurrent AD and CVD investigations.

#### Filing Requirements

All submissions to the Department must be filed electronically using Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS).<sup>9</sup> An electronically filed document must be received successfully in its entirety by the time and date when it is due. Documents excepted from the electronic submission requirements must be filed manually (*i.e.*, in paper form) with Enforcement and Compliance's APO/Dockets Unit, Room 18022, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, and stamped with the date and time of receipt by the applicable deadlines.

#### Comments on Product Characteristics for AD Questionnaires

The Department requests comments from interested parties regarding the appropriate physical characteristics of iron transfer drive components to be reported in response to the Department's AD questionnaires. This information will be used to identify the key physical

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<sup>9</sup> See *Antidumping and Countervailing Duty Proceedings: Electronic Filing Procedures; Administrative Protective Order Procedures*, 76 FR 39263 (July 6, 2011); see also *Enforcement and Compliance; Change of Electronic Filing System Name*, 79 FR 69046 (November 20, 2014) for details of the Department's electronic filing requirements, which went into effect on August 5, 2011. Information on help using ACCESS can be found at <https://access.trade.gov/help.aspx> and a handbook can be found at <https://access.trade.gov/help/Handbook%20on%20Electronic%20Filing%20Procedures.pdf>.

characteristics of the subject merchandise in order to report the relevant factors and costs of production accurately as well as to develop appropriate product-comparison criteria.

Interested parties may provide any information or comments that they feel are relevant to the development of an accurate list of physical characteristics. Specifically, they may provide comments as to which characteristics are appropriate to use as: 1) general product characteristics and 2) product-comparison criteria. We note that it is not always appropriate to use all product characteristics as product-comparison criteria. We base product-comparison criteria on meaningful commercial differences among products. In other words, although there may be some physical product characteristics utilized by manufacturers to describe iron transfer drive components, it may be that only a select few product characteristics take into account commercially meaningful physical characteristics. In addition, interested parties may comment on the order in which the physical characteristics should be used in matching products. Generally, the Department attempts to list the most important physical characteristics first and the least important characteristics last.

In order to consider the suggestions of interested parties in developing and issuing the AD questionnaires, all comments must be filed by 5:00 P.M. EDT on December 7, 2015, which is twenty calendar days from the signature date of this notice. Any rebuttal comments must be filed by 5:00 P.M. EDT on December 14, 2015. All comments and submissions to the Department must be filed electronically using ACCESS, as explained above, on the records of both the Canada and the PRC less-than-fair-value investigations.

#### Determination of Industry Support for the Petitions

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the

domestic producers or workers who support the petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A); or (ii) determine industry support using a statistically valid sampling method to poll the “industry.”

Section 771(4)(A) of the Act defines the “industry” as the producers as a whole of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (ITC), which is responsible for determining whether “the domestic industry” has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product,<sup>10</sup> they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department’s determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law.<sup>11</sup>

Section 771(10) of the Act defines the domestic like product as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an

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<sup>10</sup> See section 771(10) of the Act.

<sup>11</sup> See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001) (citing *Algoma Steel Corp., Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff’d* 865 F.2d 240 (Fed. Cir. 1989)).

investigation under this title.” Thus, the reference point from which the domestic like product analysis begins is “the article subject to an investigation” (*i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the Petitions).

With regard to the domestic like product, Petitioner does not offer a definition of the domestic like product distinct from the scope of the investigations. Based on our analysis of the information submitted on the record, we have determined that iron transfer drive components constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product.<sup>12</sup>

In determining whether Petitioner has standing under section 732(c)(4)(A) of the Act, we considered the industry support data contained in the Petitions with reference to the domestic like product as defined in the “Scope of the Investigations,” in Appendix I of this notice. To establish industry support, Petitioner provided its production of the domestic like product in 2014, as well as estimated total production of the domestic like product for the entire domestic industry.<sup>13</sup> We relied on data Petitioner provided for purposes of measuring industry support.<sup>14</sup>

On November 12, 2015, we received comments on industry support from Baldor Electric Company (Baldor)<sup>15</sup> and Caterpillar, Inc. (Caterpillar).<sup>16</sup> Baldor also indicated that it opposes the Petitions.<sup>17</sup> Petitioner responded to the letters from Baldor and Caterpillar on November 16,

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<sup>12</sup> For a discussion of the domestic like product analysis in this case, *see* Antidumping Duty Investigation Initiation Checklist: Certain Iron Mechanical Transfer Drive Components from Canada (Canada AD Checklist), at Attachment II, Analysis of Industry Support for the Antidumping and Countervailing Duty Petitions Covering Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China (Attachment II); Antidumping Duty Investigation Initiation Checklist: Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China (PRC AD Initiation Checklist), at Attachment II. These checklists are dated concurrently with this notice and on file electronically via ACCESS. Access to documents filed via ACCESS is also available in the Central Records Unit, Room B8024 of the main Department of Commerce building.

<sup>13</sup> *See* Volume I of the Petitions, at 3-4 and Exhibits I-4 through I-7.

<sup>14</sup> *Id.* For further discussion, *see* Canada AD Initiation Checklist and PRC AD Initiation Checklist, at Attachment II.

<sup>15</sup> *See* Letter from Baldor Electric Company, dated November 12, 2015.

<sup>16</sup> *See* Letter from Caterpillar, Inc., filed on November 12, 2015. We note that this letter is dated November 11, 2015, but was received by the Department on November 12, 2015.

<sup>17</sup> *See* Letter from Baldor Electric Company, dated November 12, 2015, at 15.

2015.<sup>18</sup> Baldor filed two additional submissions regarding industry support on November 16, 2015.<sup>19</sup> Petitioner provided additional responses to Baldor's arguments on November 17, 2015.<sup>20</sup> For further discussion of these comments, *see* the Canada AD Initiation Checklist and PRC AD Initiation Checklist, at Attachment II.

Our review of the data provided in the Petitions; General Issues Supplement; letters from Baldor, Caterpillar, and Petitioner; and other information readily available to the Department indicates that Petitioner has established industry support.<sup>21</sup> First, the Petitions established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling).<sup>22</sup> Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the Petitions account for at least 25 percent of the total production of the domestic like product.<sup>23</sup> Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the Petitions account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petitions.<sup>24</sup> Accordingly, the Department determines that the Petitions were filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

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<sup>18</sup> *See* Letter from Petitioner, dated November 16, 2015.

<sup>19</sup> *See* Letters from Baldor Electric Company, dated November 16, 2015.

<sup>20</sup> *See* Letter from Petitioner, dated November 17, 2015.

<sup>21</sup> *See* Canada AD Initiation Checklist and PRC AD Initiation Checklist, at Attachment II.

<sup>22</sup> *See* section 732(c)(4)(D) of the Act; *see also* Canada AD Initiation Checklist and PRC AD Initiation Checklist, at Attachment II.

<sup>23</sup> *See* Canada AD Initiation Checklist and PRC AD Initiation Checklist, at Attachment II.

<sup>24</sup> *Id.*

The Department finds that Petitioner filed the Petitions on behalf of the domestic industry because it is an interested party as defined in section 771(9)(C) of the Act and it has demonstrated sufficient industry support with respect to the AD investigations that it is requesting the Department initiate.<sup>25</sup>

#### Allegations and Evidence of Material Injury and Causation

Petitioner alleges that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than normal value (NV). In addition, Petitioner alleges that subject imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.<sup>26</sup>

Petitioner contends that the industry's injured condition is illustrated by eroded domestic output and shipments; underselling and price suppression or depression; declining financial performance; negative impacts to employment; and lost sales and revenues.<sup>27</sup> We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation.<sup>28</sup>

#### Allegations of Sales at Less-Than-Fair Value

The following is a description of the allegations of sales at less-than-fair value upon which the Department based its decision to initiate investigations of imports of iron transfer drive components from Canada and the PRC. The sources of data for the deductions and adjustments

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<sup>25</sup> *Id.*

<sup>26</sup> See General Issues Supplement, at 12-13 and Exhibit I-S3.

<sup>27</sup> See Volume I of the Petitions, at 16-17, 22-44 and Exhibits I-4, I-10 through I-13, and I-15 through I-23; see also General Issues Supplement, at 12-13 and Exhibit I-S3.

<sup>28</sup> See Canada AD Initiation Checklist and PRC AD Initiation Checklist, at Attachment III, Analysis of Allegations and Evidence of Material Injury and Causation for the Antidumping and Countervailing Duty Petitions Covering Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China.

relating to U.S. price and NV are discussed in greater detail in the country-specific initiation checklists.

### Export Price

For Canada, Petitioner based U.S. prices on price quotes to customers in the United States for iron transfer drive components produced in, and exported from, Canada.<sup>29</sup> Where applicable, Petitioner made deductions from U.S. price for movement expenses consistent with the delivery terms.<sup>30</sup> Petitioner also deducted from U.S. price brokerage and handling expenses.<sup>31</sup>

For the PRC, Petitioner based U.S. prices on purchases of iron transfer drive components produced in and exported from the PRC by two different producers and sold or offered for sale to customers in the United States. Petitioner made deductions from U.S. price for movement expenses consistent with the delivery terms.

### Normal Value

For Canada, Petitioner provided home market price information based on price quotes for iron transfer drive components produced in and offered for sale in Canada.<sup>32</sup> Petitioner made deductions for inland freight charges (where applicable) and local taxes from the price quotes.<sup>33</sup>

Petitioner provided information that sales of iron transfer drive components in Canada were made at prices below the cost of production (COP) and calculated NV based on constructed value (CV).<sup>34</sup> For further discussion of COP and NV based on CV, see below.<sup>35</sup>

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<sup>29</sup> See Canada AD Initiation Checklist; see also Canada Supplemental Response at Exhibit II-S1.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> See Canada AD Initiation Checklist. Note that home market prices were not used as the basis for NV for Canada, but for calculation of net price for comparison to COP.

<sup>34</sup> See Canada AD Initiation Checklist.

<sup>35</sup> In accordance with section 505(a) of the Trade Preferences Extension Act of 2015, amending section 773(b)(2) of the Act, for the Canada investigation, the Department will request information necessary to calculate the CV and

With respect to the PRC, Petitioner stated that the Department has found the PRC to be a non-market economy (NME) country in every administrative proceeding in which the PRC has been involved.<sup>36</sup> In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production (FOPs) valued in a surrogate market economy country, in accordance with section 773(c) of the Act. In the course of this investigation, all parties, and the public, will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

Petitioner claims that Thailand is an appropriate surrogate country because it is a market economy that is at a level of economic development comparable to that of the PRC and it is a significant producer of the merchandise under consideration.<sup>37</sup>

Based on the information provided by Petitioner, we believe it is appropriate to use Thailand as a surrogate country for initiation purposes. Interested parties will have the opportunity to submit comments regarding surrogate country selection and, pursuant to 19 CFR 351.301(c)(3)(i), will be provided an opportunity to submit publicly available information to value FOPs within 30 days before the scheduled date of the preliminary determination.

#### *Factors of Production*

Petitioner based the FOPs for materials, labor, and energy on U.S. producers consumption rates for producing iron transfer drive components as it did not have access to the

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COP to determine whether there are reasonable grounds to believe or suspect that sales of the foreign like product have been made at prices that represent less than the COP of the product. The Department no longer requires a COP allegation to conduct this analysis.

<sup>36</sup> See Volume III of the Petitions, at 9.

<sup>37</sup> *Id.* at 9.

consumption rates of PRC producers of the subject merchandise.<sup>38</sup> Petitioner notes that the selected U.S. producers were chosen because the facilities are similar to and representative of facilities operated by companies manufacturing iron transfer drive components in the PRC.<sup>39</sup> Petitioner valued the estimated factors of production using surrogate values from Thailand.<sup>40</sup>

#### *Valuation of Raw Materials*

Petitioner valued the FOPs for raw materials (*e.g.*, pig iron, carbon, acid, etc.) using reasonably available, public import data for Thailand from the Global Trade Atlas (GTA) for the period of investigation.<sup>41</sup> Petitioner excluded all import values from countries previously determined by the Department to maintain broadly available, non-industry-specific export subsidies and from countries previously determined by the Department to be NME countries. In addition, in accordance with the Department's practice, the average import value excludes imports that were labeled as originating from an unidentified country. The Department determines that the surrogate values used by Petitioner are reasonably available and, thus, are acceptable for purposes of initiation.

#### *Valuation of Labor*

Petitioner valued labor using quarterly Thai labor data published by Thailand's National Statistics Office (NSO).<sup>42</sup> Specifically, Petitioner relied on data pertaining to wages and benefits earned by Thai workers engaged in the manufacturing sector of the Thai economy.<sup>43</sup> Petitioner converted the wage rates to hourly and converted to U.S. Dollars using the average exchange rate during the POI.<sup>44</sup>

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<sup>38</sup> See Volume III of the Petitions, at 11 and Exhibit III-13.

<sup>39</sup> *Id.*, at Exhibit III-13.

<sup>40</sup> *Id.*, at 15 and Exhibits III-15 and III-16.

<sup>41</sup> *Id.*, at Exhibit III-16 and III-17.

<sup>42</sup> *Id.*, at 16 and Exhibit III-21.

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*, at Exhibit III-16.

### *Valuation of Packing Materials*

Petitioner valued the packing materials used by PRC producers based on Thai import data for the POI obtained from GTA.<sup>45</sup>

### *Valuation of Energy*

Petitioner used public information, as compiled by the Thai Board of Investment (TBI) to value electricity.<sup>46</sup> This TBI price information was reported in U.S. Dollars/ kilowatt hours and multiplied by the U.S producer factor usage rates.<sup>47</sup> The cost of natural gas in Thailand was calculated from the average unit value of imports of liquefied natural gas into Thailand, as reported by GTA.<sup>48</sup>

### *Valuation of Factory Overhead, Selling, General and Administrative Expenses (SG&A), and Profit*

Petitioner calculated surrogate financial ratios (*i.e.*, factory overhead, SG&A expenses, and profit) using the 2014 audited financial statement of Tyrolit Thai Diamond Company Limited, a Thai producer of comparable merchandise (*i.e.*, industrial equipment including metal sawblades).<sup>49</sup>

### *Normal Value Based on Constructed Value*

Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing (COM); SG&A expenses; financial expenses; and packing expenses. Petitioner calculated COM based on a U.S. producer's experience adjusted for known differences between the industry in the United States and the industry in Canada during the proposed POI.<sup>50</sup> Using publicly

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<sup>45</sup> See Volume III of the Petition, at Exhibits III-15 and 16.

<sup>46</sup> *Id.*, at Exhibit III-18.

<sup>47</sup> *Id.*, at Exhibits III-16 and III-18.

<sup>48</sup> *Id.*, at 15 and Exhibit III-19.

<sup>49</sup> *Id.*, at Exhibits III-22 and III-23.

<sup>50</sup> See Canada AD Initiation Checklist; see also Canada Supplemental Response at Exhibit II-S8.

available data to account for price differences, Petitioner multiplied the U.S. producer's usage quantities by the submitted value of the inputs used to manufacture iron transfer drive components in Canada.<sup>51</sup> Labor and energy rates were derived from publicly available sources multiplied by the product-specific usage rates.<sup>52</sup> We made adjustments for mathematical and transcription errors that were identified in Petitioner's materials, labor, and energy cost calculations. To determine fixed overhead, SG&A, and financial expense rates, Petitioner relied on the financial statements of Essar Algoma Steel (Algoma), a producer of comparable merchandise (finished steel mill goods including steel coil, steel sheet, and steel plate) operating in Canada, although we made adjustments to Petitioner's calculations of these rates.<sup>53</sup>

Because certain home market prices fell below COP, pursuant to sections 773(a)(4), 773(b), and 773(e) of the Act, as noted above, Petitioner calculated NVs based on CV.<sup>54</sup> Pursuant to section 773(e) of the Act, CV consists of the COM, SG&A, financial expenses, packing expenses, and profit. Petitioner calculated CV using the same average COM, SG&A, and financial expenses, used to calculate COP.<sup>55</sup> Petitioner included an amount for packing material expenses using Canadian import statistics to value the material inputs used in packing iron transfer drive components. Algoma reported a net loss on their financial statements in 2014; therefore, Petitioner did not include an amount for profit.<sup>56</sup> We continued to apply the same adjustments to Petitioner's calculations of the factory overhead, SG&A, and financial expense rates as we made for the calculation of COP.<sup>57</sup>

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<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> See Canada AD Initiation Checklist.

<sup>54</sup> *Id.*; see also Canada Supplemental Response at Exhibit II-S10.

<sup>55</sup> *Id.* at Exhibit II-S8.

<sup>56</sup> *Id.*

<sup>57</sup> See Canada AD Initiation Checklist.

### Fair Value Comparisons

Based on the data provided by Petitioner, there is reason to believe that imports of iron transfer drive components from Canada and the PRC are being, or are likely to be, sold in the United States at less-than-fair value. Based on comparisons of export price (EP) to NV in accordance with sections 772 and 773 of the Act, the estimated dumping margin(s) for iron transfer drive components for Canada ranges from 9.60 to 191.34 percent.<sup>58</sup>

Based on comparisons of EP to NV, in accordance with section 773(c) of the Act, the estimated dumping margin for iron transfer drive components from the PRC range from 67.82 to 401.68 percent.<sup>59</sup>

### Initiation of Less-than-Fair-Value Investigations

Based upon the examination of the AD Petitions on iron transfer drive components from Canada and the PRC, we find that the Petitions meet the requirements of section 732 of the Act. Therefore, we are initiating AD investigations to determine whether imports of iron transfer drive components from Canada and the PRC are being, or are likely to be, sold in the United States at less-than-fair value. In accordance with section 733(b)(1)(A) of the Act and 19 CFR 351.205(b)(1), unless postponed, we will make our preliminary determinations no later than 140 days after the date of this initiation.

On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015, which made numerous amendments to the AD and CVD law.<sup>60</sup> The 2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced the applicability dates for each amendment to the Act, except for amendments contained in section 771(7) of the

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<sup>58</sup> See Canada AD Initiation Checklist.

<sup>59</sup> See PRC AD Initiation Checklist.

<sup>60</sup> See Trade Preferences Extension Act of 2015, Pub. L. No. 114-27, 129 Stat. 362 (2015).

Act, which relate to determinations of material injury by the ITC.<sup>61</sup> The amendments to sections 771(15), 773, 776, and 782 of the Act are applicable to all determinations made on or after August 6, 2015, and, therefore, apply to these AD investigations.<sup>62</sup>

### Respondent Selection

Petitioner named eight companies from Canada<sup>63</sup> as producers/exporters of iron transfer drive components. Following standard practice in AD investigations involving market economy countries, the Department would normally select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports under the appropriate HTSUS numbers listed in the scope in Appendix I, below. However, CBP data have been reported in mixed units of quantity and, thus, it is problematic for the Department use this data for respondent selection purposes.

Accordingly, we intend to issue quantity and value (Q&V) questionnaires to each potential respondent and base respondent selection on the responses received. In addition, the Department will post the Q&V questionnaire along with filing instructions on the Enforcement and Compliance website at <http://www.trade.gov/enforcement/news.asp>.

With respect to the PRC, Petitioner named 36 companies as producers/exporters of iron transfer drive components.<sup>64</sup> In accordance with our standard practice for respondent selection in cases involving NME countries, we intend to issue Q&V questionnaires to each potential respondent and base respondent selection on the responses received. In addition, the Department will post the Q&V questionnaire along with filing instructions on the Enforcement and Compliance website at <http://www.trade.gov/enforcement/news.asp>.

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<sup>61</sup> See *Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793 (August 6, 2015) (*Applicability Notice*).

<sup>62</sup> *Id.* at 46794-95. The 2015 amendments may be found at <https://www.congress.gov/bill/114th-congress/house-bill/1295/text/pl>.

<sup>63</sup> See Volume I of the Petitions, at Exhibit I-7.

<sup>64</sup> *Id.*

Exporters/producers of iron transfer drive components from Canada and the PRC that do not receive Q&V questionnaires by mail may still submit a response to the Q&V questionnaire and can obtain a copy from the Enforcement and Compliance website. The Q&V response must be submitted by all Canada and PRC exporters/producers no later than December 1, 2015, which is two weeks from the signature date of this notice. All Q&V responses must be filed electronically via ACCESS.

### Separate Rates

In order to obtain separate-rate status in an NME investigation, exporters and producers must submit a separate-rate application.<sup>65</sup> The specific requirements for submitting a separate-rate application in the PRC investigation are outlined in detail in the application itself, which is available on the Department's website at <http://enforcement.trade.gov/nme/nme-sep-rate.html>. The separate-rate application will be due 30 days after publication of this initiation notice.<sup>66</sup> Exporters and producers who submit a separate-rate application and have been selected as mandatory respondents will be eligible for consideration for separate-rate status only if they respond to all parts of the Department's AD questionnaire as mandatory respondents. The Department requires that respondents from the PRC submit a response to both the Q&V questionnaire and the separate-rate application by their respective deadlines in order to receive consideration for separate-rate status.

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<sup>65</sup> See Policy Bulletin 05.1: Separate-Rates Practice and Application of Combination Rates in Antidumping Investigation involving Non-Market Economy Countries (April 5, 2005), available at <http://enforcement.trade.gov/policy/bull05-1.pdf> (Policy Bulletin 05.1).

<sup>66</sup> Although in past investigations this deadline was 60 days, consistent with 19 CFR 351.301(a), which states that "the Secretary may request any person to submit factual information at any time during a proceeding," this deadline is now 30 days.

### Use of Combination Rates

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in an NME investigation. The Separate Rates and Combination Rates Bulletin states:

{w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME Investigation will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of “combination rates” because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.<sup>67</sup>

### Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act and 19 CFR 351.202(f), copies of the public version of the Petitions have been provided to the governments of Canada and the PRC via ACCESS. To the extent practicable, we will attempt to provide a copy of the public version of the Petitions to each exporter named in the Petitions, as provided under 19 CFR 351.203(c)(2).

### ITC Notification

We will notify the ITC of our initiation, as required by section 732(d) of the Act.

### Preliminary Determinations by the ITC

The ITC will preliminarily determine, within 45 days after the date on which the Petitions were filed, whether there is a reasonable indication that imports of iron transfer drive components from Canada and the PRC are materially injuring or threatening material injury to a

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<sup>67</sup> See Policy Bulletin 05.1 at 6 (emphasis added).

U.S. industry.<sup>68</sup> A negative ITC determination for any country will result in the investigation being terminated with respect to that country;<sup>69</sup> otherwise, these investigations will proceed according to statutory and regulatory time limits.

### Submission of Factual Information

Factual information is defined in 19 CFR 351.102(b)(21) as: (i) evidence submitted in response to questionnaires; (ii) evidence submitted in support of allegations; (iii) publicly available information to value factors under 19 CFR 351.408(c) or to measure the adequacy of remuneration under 19 CFR 351.511(a)(2); (iv) evidence placed on the record by the Department; and (v) evidence other than factual information described in (i)–(iv). Any party, when submitting factual information, must specify under which subsection of 19 CFR 351.102(b)(21) the information is being submitted<sup>70</sup> and, if the information is submitted to rebut, clarify, or correct factual information already on the record, to provide an explanation identifying the information already on the record that the factual information seeks to rebut, clarify, or correct.<sup>71</sup> Time limits for the submission of factual information are addressed in 19 CFR 351.301, which provides specific time limits based on the type of factual information being submitted. Please review the regulations prior to submitting factual information in these investigations.

### Extensions of Time Limits

Parties may request an extension of time limits before the expiration of a time limit established under 19 CFR 351, or as otherwise specified by the Secretary. In general, an extension request will be considered untimely if it is filed after the expiration of the time limit

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<sup>68</sup> See section 733(a) of the Act.

<sup>69</sup> *Id.*

<sup>70</sup> See 19 CFR 351.301(b).

<sup>71</sup> See 19 CFR 351.301(b)(2).

established under 19 CFR 351 expires. For submissions that are due from multiple parties simultaneously, an extension request will be considered untimely if it is filed after 10:00 a.m. ET on the due date. Under certain circumstances, we may elect to specify a different time limit by which extension requests will be considered untimely for submissions which are due from multiple parties simultaneously. In such a case, we will inform parties in the letter or memorandum setting forth the deadline (including a specified time) by which extension requests must be filed to be considered timely. An extension request must be made in a separate, stand-alone submission; under limited circumstances we will grant untimely-filed requests for the extension of time limits. Review *Extension of Time Limits; Final Rule*, 78 FR 57790 (September 20, 2013), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-09-20/html/2013-22853.htm>, prior to submitting factual information in these investigations.

### Certification Requirements

Any party submitting factual information in an AD or CVD proceeding must certify to the accuracy and completeness of that information.<sup>72</sup> Parties are hereby reminded that revised certification requirements are in effect for company/government officials, as well as their representatives. Investigations initiated on the basis of petitions filed on or after August 16, 2013, and other segments of any AD or CVD proceedings initiated on or after August 16, 2013, should use the formats for the revised certifications provided at the end of the *Final Rule*.<sup>73</sup> The Department intends to reject factual submissions if the submitting party does not comply with applicable revised certification requirements.

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<sup>72</sup> See section 782(b) of the Act.

<sup>73</sup> See *Certification of Factual Information to Import Administration during Antidumping and Countervailing Duty Proceedings*, 78 FR 42678 (July 17, 2013) (*Final Rule*); see also frequently asked questions regarding the *Final Rule*, available at [http://enforcement.trade.gov/tlei/notices/factual\\_info\\_final\\_rule\\_FAQ\\_07172013.pdf](http://enforcement.trade.gov/tlei/notices/factual_info_final_rule_FAQ_07172013.pdf).

### Notification to Interested Parties

Interested parties must submit applications for disclosure under administrative protective order (APO) in accordance with 19 CFR 351.305. On January 22, 2008, the Department published *Antidumping and Countervailing Duty Proceedings: Documents Submission Procedures; APO Procedures*, 73 FR 3634 (January 22, 2008). Parties wishing to participate in these investigations should ensure that they meet the requirements of these procedures (*e.g.*, the filing of letters of appearance as discussed in 19 CFR 351.103(d)).

This notice is issued and published pursuant to section 777(i) of the Act.

Dated; November 17, 2015.

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Paul Piquado,  
Assistant Secretary  
for Enforcement and Compliance.

## Appendix I

### Scope of the Investigations

The products covered by these investigations are iron mechanical transfer drive components, whether finished or unfinished (*i.e.*, blanks or castings). Subject iron mechanical transfer drive components are in the form of wheels or cylinders with a center bore hole that may have one or more grooves or teeth in their outer circumference that guide or mesh with a flat or ribbed belt or like device and are often referred to as sheaves, pulleys, flywheels, flat pulleys, idlers, conveyer pulleys, synchronous sheaves, and timing pulleys. The products covered by these investigations also include bushings, which are iron mechanical transfer drive components in the form of a cylinder and which fit into the bore holes of other mechanical transfer drive components to lock them into drive shafts by means of elements such as teeth, bolts, or screws.

Iron mechanical transfer drive components subject to these investigations are those not less than 4.00 inches (101 mm) in the maximum nominal outer diameter.

Unfinished iron mechanical transfer drive components (*i.e.*, blanks or castings) possess the approximate shape of the finished iron mechanical transfer drive component and have not yet been machined to final specification after the initial casting, forging or like operations. These machining processes may include cutting, punching, notching, boring, threading, mitering, or chamfering.

Subject merchandise includes iron mechanical transfer drive components as defined above that have been finished or machined in a third country, including but not limited to finishing/machining processes such as cutting, punching, notching, boring, threading, mitering, or chamfering, or any other processing that would not otherwise remove the merchandise from the scope of the investigations if performed in the country of manufacture of the iron mechanical transfer drive components.

Subject iron mechanical transfer drive components are covered by the scope of the investigations regardless of width, design, or iron type (*e.g.*, gray, white, or ductile iron). Subject iron mechanical transfer drive components are covered by the scope of the investigations regardless of whether they have non-iron attachments or parts and regardless of whether they are entered with other mechanical transfer drive components or as part of a mechanical transfer drive assembly (which typically includes one or more of the iron mechanical transfer drive components identified above, and which may also include other parts such as a belt, coupling and/or shaft). When entered as a mechanical transfer drive assembly, only the iron components that meet the physical description of covered merchandise are covered merchandise, not the other components in the mechanical transfer drive assembly (*e.g.*, belt, coupling, shaft).

For purposes of these investigations, a covered product is of “iron” where the article has a carbon content of 1.7 percent by weight or above, regardless of the presence and amount of additional alloying elements.

The merchandise covered by these investigations is currently classifiable under Harmonized Tariff Schedule of the United States (“HTSUS”) subheadings 8483.30.8090, 8483.50.6000, 8483.50.9040, 8483.50.9080, 8483.90.3000, 8483.90.8080. Covered merchandise may also enter under the following HTSUS subheadings: 7325.10.0080, 7325.99.1000, 7326.19.0010, 7326.19.0080, 8431.31.0040, 8431.31.0060, 8431.39.0010, 8431.39.0050, 8431.39.0070, 8431.39.0080, and 8483.50.4000. These HTSUS subheadings are provided for convenience and customs purposes. The written description of the scope of the investigations is dispositive.  
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