

FINAL RESULTS OF REDETERMINATION PURSUANT TO  
UNITED STATES COURT OF INTERNATIONAL TRADE REMAND ORDER

SHAKEPROOF ASSEMBLY COMPONENTS DIVISION OF ILLINOIS TOOL WORKS,  
INC., Plaintiff,

v.

UNITED STATES, Defendant,

and

HANGZHOU SPRING WASHER CO., LTD., Defendant - Intervenor

Court No. 05-0404

SUMMARY

The Department of Commerce (“the Department”) has prepared these final results of redetermination pursuant to the remand order of the U.S. Court of International Trade (“CIT”) in *Shakeproof Assembly Components v. United States*, Slip. Op. 05-163 (CIT, Dec. 22, 2005) (“*Shakeproof Assembly*”). This remand pertains to the application of the zinc plating surrogate value in the Department’s tenth administrative review of the antidumping duty order on helical spring lock washers from the People’s Republic of China, for the period October 1, 2002, through September 30, 2003.

BACKGROUND

On May 17, 2005, the Department published in the *Federal Register* its final results in the above-referenced administrative review. See *Certain Helical Spring Lock Washers from the People’s Republic of China: Final Results of Antidumping Duty Administrative Review*, 70 FR 28274 (“*Final Results*”). Because the methodology to value plating services employed in the *Final Results* differed from the methodology employed during the previous administrative review, on October 13, 2005, the Department requested a voluntary remand to determine which methodology for valuing plating leads to the most accurate results. On December 22, 2005, the CIT remanded these results to the Department for reconsideration of the methodology employed

to value plating services in the calculation of the antidumping duty rate for Hangzhou Spring Washer Co., Ltd. (“Hangzhou”).

On January 31, 2006, the Department sent a letter to all interested parties requesting additional information regarding the application of the quote for zinc plating already on the record of the underlying administrative review, specifically inviting parties to comment and/or provide additional evidence on how this quote should be applied and/or on industry standards for providing quotes on zinc plating. On February 9, 2006, the Department received a request from Hangzhou to extend the period of time in which to provide comments. Pursuant to this request, on February 10, 2006, the Department, in a memorandum to the file, granted all parties an extension of the deadline to file comments, until no later than February 16, 2006. In doing so the Department stated that “{t} herefore, due to this deadline set by the {CIT} we will be unable to grant parties the full extension requested by {Hangzhou} or a chance to rebut comments made by other parties.” On February 16, 2006, the Department received submissions from Hangzhou and from Shakeproof Assembly Components Division of Illinois Tool Works Inc. (“Shakeproof”). On February 22, 2006, Shakeproof attempted to file a rebuttal, which the Department rejected on March 6, 2006, as inconsistent with its February 10, 2006, instructions.

Since the information needed and requested by the Department was not included in the February 16, 2006, letters from either party, on March 13, 2006, the Department issued supplemental letters to Hangzhou and Shakeproof again requesting information as to how the zinc plating price quote should be applied. Specifically, the Department requested that such information be in the form of industry standards for providing quotes on zinc plating, or of specific information from the companies that provided the zinc plating price quotes placed on the record by Hangzhou and Shakeproof. On April 5, 2006, both Hangzhou and Shakeproof

submitted responses to the Department's March 13, 2006, letters. On April 12, 2006, Shakeproof submitted a rebuttal to Hangzhou's April 5, 2006, submission. On April 20, 2006, the Department rejected Shakeproof's April 5, 2006, submission but gave it two days to redact Attachment 1, which contained the previously rejected February 22, 2006, submission, and all reference to it. On April 21, 2006 Shakeproof submitted a redacted version of its April 5, 2006, submission.

On May 15, 2006, we released our draft results of redetermination to Hangzhou and Shakeproof. On May 18, 2006, we received comments on our draft redetermination from both parties. We have addressed these comments in the Analysis of Comments Received section, below.

#### APPLICATION OF ZINC PLATING SURROGATE VALUE

In the final results of the October 1, 2002, through September 30, 2003, administrative review the Department applied the surrogate value for zinc plating to the weight of the plating material used. The source of the surrogate value was a zinc plating price quote from Sudha Electroplaters obtained by Shakeproof in the 2001-2002 administrative review. In that review the Department applied the value of the plating to the weight of the lock washers. Thus, in the immediately preceding administrative review, using the same price quote as the surrogate value, the Department employed a methodology that differed from the methodology employed in the administrative review subject to this litigation. On October 13, 2005, in requesting this voluntary remand, the Department explained that it would assess the potential methodologies available to value plating to determine which methodology leads to the most accurate results. The Department also stated that it might seek additional information regarding the surrogate values

on the record or, if appropriate, solicit alternative surrogate values. The CIT in *Shakeproof Assembly* granted our request for a remand.

In our request for additional information, in accordance with the remand, the Department stated that, “{a}lthough the quoted price was given as ‘Rupees per kilogram’ the quote does not specify on what basis it should be applied (*e.g.*, per kg of zinc plating or per kg of un-plated lockwashers).” The Department invited parties to comment and/or provide additional evidence on how this quote should be applied and/or on industry standards for providing quotes on zinc plating. The responses submitted by both Hangzhou<sup>1</sup> and Shakeproof contained arguments about the bases upon which the zinc plating price quotes should be applied, but no factual evidence regarding the application basis for zinc plating price quotes. Shakeproof argued that the Department “correctly” applied the total plating price quote to the total weight of the lock washers in the 2001-2002 administrative review. It also contended that logically the price quote had to be applied to the total weight of the lock washers because it did not make commercial sense to apply it to the weight of the plating materials. Hangzhou submitted, in its February 16, 2006, submission, additional plating price quotes to the Department. However, these price quotes showed the same lack of clarity as the Sudha Electroplaters’ zinc plating price quote. That is, the price quotes obtained by Hangzhou stated a price per kilogram but did not specify on what basis it should be applied (*e.g.*, per kg of zinc plating or per kg of un-plated lock washers). Therefore, on March 13, 2006, the Department asked both Hangzhou and Shakeproof to (1)

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<sup>1</sup> Hangzhou’s submission also argued that “the Department should clarify the role of {Shakeproof’s} post-final action on the Department’s decision to request a remand” and that, except for meetings with Shakeproof, the Department may not have had grounds to request a remand in this case. *See* Hangzhou’s February 16, 2006 letter at pages 2-4. However, this issue was considered by the CIT when it evaluated the Department’s request for a voluntary remand. In its decision, the CIT noted Hangzhou’s concerns regarding post-final actions/phone calls by Shakeproof and others, and determined it was appropriate to grant the Department a remand. *See Shakeproof Assembly* at 11 to 20.

explain in detail how they obtained their respective zinc plating price quote(s) and provide documentation to support their explanations; (2) provide contact information for the plating company that supplied the price quote, including address, phone number, fax, e-mail, website, and point of contact, or indicate where this information is already on the record; and (3) submit information from the plating company that supplied the zinc plating price quote specifying exactly how the zinc plating price quote should be applied (*e.g.*, per kg of zinc plating or per kg of un-plated lock washers).

In its April 21, 2006, letter Shakeproof stated that it could not say precisely how the original Sudha Electroplaters' price quote was obtained because the Shakeproof affiliate in India (ITW Shakeproof) is no longer in operation and Shakeproof no longer makes helical spring lock washers in India, but Shakeproof "attest{ed}" that Shakeproof India solicited the price quote. However, Shakeproof did submit at Attachment 2 a letter from Sudha Metal Finishers, formally known as Sudha Electroplaters, stating that the zinc plating price quote to ITW Shakeproof from March 14, 2003, "is per kilogram of materials supplied to us for plating and not intended to mean that we would charge ITW Shakeproof per kilogram of zinc plating material used to plate lock washers." All contact information for Sudha Electroplaters/Sudha Metal Finishers was provided, and this letter was on Sudha Metal Finishers company letterhead. Additionally, Shakeproof submitted at Attachment 3 affidavits from three industry experts,<sup>2</sup> all of whom stated that, to the best of their knowledge, zinc plating prices are quoted on a cost per weight of lock washers to be plated basis.

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<sup>2</sup> From managers at ITW Engineered Products Group, Plateco, and ITW Shakeproof Industrial Products respectively.

In its April 5, 2006, letter Hangzhou stated that it obtained the price quotes placed on the record in its February 16, 2006, submission through a company in Pune, India, whose name Hangzhou argues it cannot reveal because the company would be adversely affected. Hangzhou also claimed that the 2001-2002 review of this case established “that the omission of the soliciting company’s identity does not detract from the reliability of the price quotes received through the solicitation.” *See* Hangzhou April 5, 2006, letter at page 2. Hangzhou identified the contact information for each of companies that issued the price quotes it obtained. Finally, Hangzhou stated that the price quotes are per kilogram of unplated lock washers (however, Hangzhou provided no documentation supporting this statement). *See id.* at 3.

The Department has weighed all the evidence on the record. From the evidence now on the record, especially the clarification letter from Sudha Metal Finishers, formally known as Sudha Electroplaters, it is clear that the zinc price quote provided by Sudha Electroplaters is a price per kilogram of un-plated lock washers. With respect to the new price quotes placed on the record by Hangzhou, although it stated that the price quotes it supplied should be applied on a rupees per kilogram of un-plated lock washer basis, none of Hangzhou’s price quotes on their face specified the manner of application. Moreover, Hangzhou refused to provide the name of the company that solicited the price quotes on its behalf. Based on the above, the Department places greater weight on the information on the record from Sudha Metal Finishers and has revised its application of the zinc plating surrogate value which comes from the Sudha Electroplaters plating price quote.

#### ANALYSIS OF COMMENTS RECEIVED

Noting that in the draft redetermination the Department changed its position from the final results, and applied the zinc plating surrogate value to the un-plated weight of Hangzhou’s

lock washers instead of to the weight of the plating material, Hangzhou argues that the Department must use all of the price quotes on the record for valuing zinc plating.

Hangzhou explains that the Department requested a voluntary remand to assess the potential methodologies with which to value plating in order to determine which methodology leads to the most accurate results. In response to the Department's request for information on how the price quote used by the Department to value plating services should be applied, Hangzhou notes that it submitted plating services quotations from three Indian plating companies. Hangzhou asserts that in its April 5, 2006, submission, it explained that the price quotes specified that the products to be plated were lock washers of various sizes and that the quantity per lot was 500 kilograms. Further, Hangzhou notes that Shakeproof submitted information from Sudha Metal Finishers (formerly Sudha Electroplaters), the Indian company that supplied the price quote used by the Department in the final results, as well as information from the industry, indicating that in practice the zinc plating prices are based on a cost per weight of lock washers to be plated.

In the draft redetermination, the Department applied the Sudha Electroplaters' price quote on a per kilogram of un-plated lock washers basis. In doing so, Hangzhou argues, the Department determined that applying the price quote to the weight of the un-plated lock washer was the methodology that leads to the most accurate results. Accordingly, Hangzhou maintains, the Department must also use the price quotes submitted by Hangzhou, because industry practice establishes the application is to the weight of the un-plated lock washers. Moreover, according to Hangzhou, the price quotes specify that the plating is to be performed in batches of 500 kilograms of un-plated lock washers at a time.

Hangzhou recognizes that in the draft redetermination the Department stated that in addition to the fact that none of Hangzhou's price quotes on its face specified the manner of application, the fact that Hangzhou did not provide the name of the company soliciting the price quotes was further reason to disregard the price quotes altogether. However, according to Hangzhou, the Department only asked for specific information about the plating companies that provided the price quotes and did not request specific information about the company soliciting the price quotes. Thus, Hangzhou submits that it cannot now be penalized for not providing information that it was not asked to provide. Hangzhou states that in its April 5, 2006, submission, it explained that the company that solicited the price quotes is located in Pune, India, but that disclosure of the name of the company would adversely affect the company's business operations and customer relations. In any event, Hangzhou argues, the Department has failed to establish that the omission of the name of the company soliciting the price quotes detracts in any way from the reliability of the price quotes themselves, particularly in view of the fact that Hangzhou has provided information regarding the companies providing the price quotes, including webpage listings of Indian plating companies identifying the three companies that provided the price quotes.

Hangzhou maintains that in the previous review the Department dismissed Hangzhou's concerns regarding the fact that the company that solicited the price quote was affiliated with Shakeproof, because the Department stated that the credibility of the price quote could be established through the public availability of information about the company that provided the price quote. In light of the fact that it provided public information about the companies providing the price quotes it submitted, Hangzhou argues that in the final redetermination, the



Department must find that the price quotes submitted by Hangzhou are reliable, and should value plating using all of the price quotes on the record.

Shakeproof argues that the record is replete with evidence demonstrating that the correct application of the price quote at issue is per kilogram of the product to be plated, *i.e.*, lock washers. First, Shakeproof notes that it submitted a statement from the Shakeproof affiliate in India familiar with the price quote stating that it understood the quoted price “would apply per kilogram of lock washer provided by the customer for plating.” *See* Shakeproof’s February 16, 2006, submission at Appendix C.

Second, Shakeproof points to the letter submitted by Sudha Electroplaters stating that the price quote it provided to Shakeproof was intended to be 15-18 rupees per kilogram of lock washers to be plated, not 15-18 rupees per kilogram of zinc plating material used to plate the lock washers. *See* Shakeproof’s April 5, 2006, submission at Attachment 2. Third, Shakeproof provided three statements “from knowledgeable industry experts,” each confirming that it is standard industry practice for mechanical plating service providers to quote and charge prices according to the weight of the goods to be plated, and never according to the weight of the plating material used. *See* Shakeproof’s April 5, 2006, submission at Attachment 3.

Fourth, Shakeproof asserts that it has repeatedly demonstrated in previous submissions that applying the price quote per kilogram of plating material is unreasonable because it yields a rate so small that it could not be commercially viable for such a service.

Fifth, Shakeproof submits that the Department correctly applied this price quote to value the same factor of production in the preceding administrative review of this proceeding.

Moreover, according to Shakeproof, the CIT has already upheld the Department’s use of the

plating quote in that review.<sup>3</sup> And, finally, Shakeproof notes that Hangzhou, in submitting its own zinc plating price quotes, explained that those quotes were also applicable per kilogram of un-plated lock washers.<sup>4</sup>

Shakeproof also notes that in the draft redetermination the Department declined to use the price quotes placed on the record by Hangzhou because those price quotes did not specify the manner of application, and because Hangzhou refused to provide the name of the company that solicited the price quotes on its behalf. Shakeproof agrees with the Department's decision, but emphasizes several other reasons why the department should continue to reject those price quotes.

First, Shakeproof argues that the Department never solicited Hangzhou's price quotes. Moreover, Shakeproof maintains that the price quotes were submitted in violation of the Department's explicit delimitation of the two specific types of information for which the Department reopened the record, *i.e.*, evidence on how the price quote from Sudha Electroplaters should be applied and/or industry standards for providing information on zinc plating. According to Shakeproof, the Department never issued an invitation to parties to submit additional price quotes.

Furthermore, Shakeproof submits that none of the price quotes filed by Hangzhou pertains to the relevant period of review ("POR"), whereas the Sudha Electroplaters price quote is from March 14, 2003, which, according to Shakeproof, is squarely in the middle of the POR. In addition, Shakeproof notes that Sudha Electroplaters specified that its price quote "was based

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<sup>3</sup> See *Hangzhou Spring Washer Co., Ltd. v. United States*, 387 F. Supp. 2d 1236, 1248-9 (CIT 2005)

<sup>4</sup> See Hangzhou's April 5, 2006, submission at 3.

on the then prevailing cost;<sup>5</sup> the price quotes submitted by Hangzhou, on the other hand, are all dated from March or April 2004, several months after the conclusion of the POR. Therefore, Shakeproof argues, of all the price quotes on the record, only the Sudha Electroplaters' price quote is relevant to the POR at issue.

Based on the foregoing comments, Shakeproof claims that the record evidence supports only one conclusion with regard to Sudha Electroplaters' price quote, *i.e.*, it applies per kilogram of lock washers to be plated. Further, Shakeproof argues that the record contains no other valid price quotes of any kind. Accordingly, Shakeproof asserts, the Department should finalize the draft results of remand redetermination and promptly file them with the Court.

#### DEPARTMENT'S POSITION

Our goal in reopening the record for this remand redetermination was to obtain clear information on how the zinc plating price quote used in the underlying determination should be applied to the product at issue. In the first round of submissions by the parties made pursuant to this remand, neither party provided documentary evidence to support its proposed application methodology. While in its February 16, 2006, submission Hangzhou provided three price quotes as alternatives to the original price quote, these price quotes only stated that the prices were "per kilogram," with no indication of how they should be applied. Consequently, contrary to Hangzhou's contention, the manner of application was not apparent from the quotations themselves.

We were, therefore, compelled to ask very precise questions of both Hangzhou and Shakeproof regarding the price quotes on the record of this review, including when and how the quotations were obtained. Specifically, the Department's instructions in its March 13, 2006,

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<sup>5</sup> See Shakeproof's April 5, 2006, submission at Attachment 2.

letters to Hangzhou and Shakeproof in this regard were unmistakable: “please submit information from the plating company that supplied the zinc plating price quote specifying exactly how the zinc plating price quote should be applied (*e.g.*, per kg of zinc plating or per kg of un-plated lockwashers). Please note that this information should clearly be from the company supplying the quote (*e.g.*, on company letterhead)” (emphasis added).<sup>6</sup> The Department also asked both Hangzhou and Shakeproof to provide specific information from the companies providing the price quotes detailing how the price quotes should be applied. We also instructed the parties that if “{you} cannot provide information responding to these . . . questions please explain in detail why you cannot do so.”<sup>7</sup>

Shakeproof provided the requested information from Sudha Electroplaters’ successor company, Sudha Metal Finishers. Notwithstanding Shakeproof’s assertions that the underlying record demonstrates that the correct application of the price quote at issue is per kilogram of the product to be plated, this latest submission represented the first documentary evidence to support Shakeproof’s claims. Sudha’s letter specifically states that in the “normal course of business {Sudha} quotes prices for {its} plating services according to the price per kilogram of goods to be plated.”<sup>8</sup>

Hangzhou, on the other hand, failed to provide the requested information for any of the companies from whom it submitted price quotes. Specifically, Hangzhou failed to disclose any information regarding when and how it obtained the price quotes. Moreover, Hangzhou also

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<sup>6</sup> See letter from the Department of Commerce to Hang Zhou Spring Washer Co., Ltd., dated March 13, 2006. The March 13, 2006, letter to Shakeproof specified that the requested information should be from Sudha Electroplaters on Sudha’s letterhead.

<sup>7</sup> See letter from the Department of Commerce to Hang Zhou Spring Washer Co., Ltd., dated March 13, 2006.

<sup>8</sup> See Shakeproof’s April 6, 2006, submission at Attachment 2.

offered no explanation of why it could not provide the requested information, as the Department's letter instructed it to do. Instead, Hangzhou argued an irrelevant point, that the Department in the 2001-2002 review rejected the notion that the original price quote was unreliable because it was solicited by an affiliate of Shakeproof. In addition, Hangzhou provided websites identifying the electroplaters and stated that the price quotes identified the products to be plated as lock washers of various sizes and that the quantity per lot was 500 kilograms. Hangzhou concluded, therefore, that “{t}he price quote is per kg of unplated lockwashers,”<sup>9</sup> but provided no support for its conclusion.

In response to the parties' comments, first, we do not agree with Hangzhou's assertion that the Department only asked for specific information about the plating companies that provided the price quotes and did not request specific information about the company soliciting the price quotes. Because Hangzhou obtained the price quotes from another company, a response to this question necessarily requires information from the company that obtained the quote (as opposed to the quoting entity).

Next, in claiming that the Court has already ruled on the correct application of the price quote, we note that Shakeproof misrepresents the CIT's decision in *Hangzhou Spring Washer Co., Ltd. v. United States*. In that decision, the Court upheld the Department's use of the original price quote submitted by Shakeproof as a surrogate value for plating, but the manner in which the price quote should be applied was not an issue before the Court.

In addition, Shakeproof argued that the price quotes submitted by Hangzhou were never solicited by the Department and were in violation of the strict delimitation of the types of information for which the Department reopened the record. However, in requesting this remand,

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<sup>9</sup> See Hangzhou's April 5, 2006, submission at 3.

the Department stated that it “may seek additional information regarding the surrogate values upon the record, or, if appropriate, solicit alternative surrogate values” (emphasis added). In light of this statement, the Department considered the appropriateness of the price quotes submitted by Hangzhou, but concluded that Hangzhou did not provide documentary evidence as to how the price quotes should be applied.

Finally, Hangzhou relies on the Shakeproof-provided industry experts’ testimony that the industry norm is to apply the cost of plating to the weight of the un-plated lock washers to support the use of the price quotes it submitted during the course of this remand. However, even if we were to accept this as a general industry norm, we agree with Shakeproof that Sudha Electroplaters’ price quote is the most reliable information on the record of this review because it is the only price quote on the record that is contemporaneous with the POR. In determining the most appropriate surrogate values, the Department’s stated practice is “to use investigation or review period-wide price averages, prices specific to the input in question, prices that are net of taxes and import duties, prices that are contemporaneous with the period of investigation or review, and publicly available data.”<sup>10</sup> Thus, even assuming *arguendo* that the price quotes submitted by Hangzhou are otherwise reliable, pursuant to the Department’s established practice, the Sudha Electroplaters’ price quote is the best available information because it is contemporaneous with this POR.<sup>11</sup>

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<sup>10</sup> See Import Administration Policy Bulletin No. 04.1: “Non-Market Economy Surrogate Country Selection Process,” dated March 1, 2004.

<sup>11</sup> See, e.g., *Persulfates From the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 71 FR 7725 (February 14, 2006), and the accompanying Issues and Decision Memo at Comment 5, where the Department selected one surrogate value for water over another because the preferred value was “much more contemporaneous with the POR.”

Therefore, we continue to find the Sudha Electroplaters price quote to be the most reliable information on the record with which to value zinc plating. Moreover, based on the information on the record, we find that this quote should be applied to the weight of the un-plated lock washers.

#### FINAL REDETERMINATION RESULTS

For this redetermination upon remand, the Department has applied the zinc plating surrogate value to the weight of the un-plated lock washer. It appears that in the 2001-2002 review the Department applied the zinc plating surrogate value to the total (*i.e.*, plated) weight of all lock washers. To do so in the current review would over-apply the cost of plating since not all lock washers are plated. Therefore, in this redetermination, the Department has applied the zinc plating surrogate value to the un-plated weight of only those lock washers which were plated. As a result of the change made to the analysis for this company (the basis on which zinc plating is applied), Hangzhou's rate changes from 0.00 percent to 19.48 percent.

This redetermination is in accordance with the order of the Court in *Shakeproof Assembly*, Slip. Op. 05-163 (CIT, Dec. 22, 2005) .

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James C. Leonard III  
Deputy Assistant Secretary  
for Textiles and Apparel

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Date