

**DEPARTMENT OF COMMERCE****International Trade Administration****[A-570-928, A-791-821, A-552-803]****Uncovered Innerspring Units From the People's Republic of China, South Africa, and the Socialist Republic of Vietnam: Initiation of Antidumping Duty Investigations****AGENCY:** Import Administration, International Trade Administration, Department of Commerce.**EFFECTIVE DATE:** January 28, 2008.**FOR FURTHER INFORMATION CONTACT:** Erin Begnal at (202) 482-1442 or Scot Fullerton at (202) 482-1386 (People's Republic of China), AD/CVD Operations, Office 9; Dmitry Vladimirov at (202) 482-0665 or Minoo Hatten at (202) 482-1690 (South Africa), AD/CVD Operations, Office 5; Eugene Degnan at (202) 482-0414 or Robert Bolling at (202) 482-3434 (Socialist Republic of Vietnam), AD/CVD Operations, Office 8, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.**SUPPLEMENTARY INFORMATION:****The Petitions**

On December 31, 2007, the Department of Commerce (the Department) received petitions concerning imports of uncovered innerspring units from the People's Republic of China (the PRC), South Africa, and the Socialist Republic of Vietnam (Vietnam) (collectively, the Petitions) filed in proper form by Leggett and Platt, Incorporated (the petitioner). See Petitions on Uncovered Innerspring Units from China, South Africa, and Vietnam (December 31, 2007). On January 7, 2008, the Department issued a request for additional information and clarification of certain areas in the Petitions. Based on the Department's requests, the petitioner filed additional information on January 11, 2008 (four distinct submissions on general issues, PRC-specific material (PRC Supplement to the Petition), Vietnam-specific material (Vietnam Supplement to the Petition), and South Africa-specific material (South Africa Supplement to the Petition)), and on January 16, 2008 (two distinct submissions on PRC-specific material (PRC Second Supplement to the Petition) and Vietnam-specific material (Vietnam Second Supplement to the Petition)).

In accordance with section 732(b) of the Tariff Act of 1930, as amended (the

Act), the petitioner alleges that imports of uncovered innerspring units from the PRC, South Africa, and Vietnam 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.

The Department finds that the petitioner filed these Petitions on behalf of the domestic industry because the petitioner is an interested party as defined in section 771(9)(C) of the Act and has demonstrated sufficient industry support with respect to the initiation of the antidumping duty investigations that the petitioner is requesting. See the "Determination of Industry Support for the Petitions" section below.

**Period of Investigation**

Because the Petitions were filed on December 31, 2007, the anticipated period of investigation (POI) for the PRC and Vietnam is April 1, 2007, through September 30, 2007. The anticipated POI for South Africa is October 1, 2006, through September 30, 2007. See 19 CFR 351.204(b)(1).

**Scope of Investigations**

The merchandise covered by each of these investigations is uncovered innerspring units composed of a series of individual metal springs joined together in sizes corresponding to the sizes of adult mattresses (e.g., twin, twin long, full, full long, queen, California king, and king) and units used in smaller constructions, such as crib and youth mattresses. All uncovered innerspring units are included in this scope regardless of width and length. Included within this definition are innersprings typically ranging from 30.5 inches to 76 inches in width and 68 inches to 84 inches in length. Innersprings for crib mattresses typically range from 25 inches to 27 inches in width and 50 inches to 52 inches in length.

Uncovered innerspring units are suitable for use as the innerspring component in the manufacture of innerspring mattresses, including mattresses that incorporate a foam encasement around the innerspring.

Pocketed and non-pocketed innerspring units are included in this definition. Non-pocketed innersprings are typically joined together with helical wire and border rods. Non-pocketed innersprings are included in this definition regardless of whether they have border rods attached to the perimeter of the innerspring. Pocketed

innersprings are individual coils covered by a "pocket" or "sock" of a nonwoven synthetic material or woven material and then glued together in a linear fashion.

Uncovered innersprings are classified under subheading 9404.29.9010 and have also been classified under subheadings 9404.10.0000, 7326.20.00.70, 7320.20.5010, or 7320.90.5010 of the Harmonized Tariff Schedule of the United States (HTSUS). The HTSUS subheadings are provided for convenience and customs purposes only; the written description of the scope of these investigations is dispositive.

#### Comments on Scope of Investigations

During our review of the Petitions, we discussed the scope with the petitioner to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments within 20 calendar days of signature of this notice. Comments should be addressed to Import Administration's Central Records Unit (CRU), Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations.

#### Comments on Product Characteristics for Antidumping Duty Questionnaires

We are requesting comments from interested parties regarding the appropriate physical characteristics of uncovered innerspring units to be reported in response to our antidumping duty questionnaires. This information will be used to identify the key physical characteristics of the subject merchandise in order for the respondents 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 the general

product characteristics and the product-comparison criteria. 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, while there may be some physical product characteristics which manufacturers use to describe uncovered innerspring units, it may be that only 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. The Department attempts to rank 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 antidumping duty questionnaires, we must receive comments at the above-referenced address by February 11, 2008. Additionally, rebuttal comments must be received by February 21, 2008.

#### 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.

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 (section 771(10) of the Act), 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. 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 (1988), aff'd 865 F.2d 240 (CAFC 1989), cert. denied 492 U.S. 919 (1989).

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 investigation under this subtitle." Thus, the reference point from which the analysis of the domestic like product 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 petition).

With regard to the domestic like product, the petitioner does not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that uncovered innerspring units constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic-like-product analysis in this case, see the following documents, on file in the Central Records Unit, Room 1117 of the main Department of Commerce building: Antidumping Investigation Initiation Checklist: Uncovered Innerspring Units from the People's Republic of China (PRC Initiation Checklist), Industry Support at Attachment II; the Antidumping Investigation Initiation Checklist: Uncovered Innerspring Units from South Africa (South Africa Initiation Checklist), Industry Support at Attachment II; and the Antidumping Investigation Initiation Checklist: Uncovered Innerspring Units from the Socialist Republic of Vietnam (Vietnam Initiation Checklist), Industry Support at Attachment II.

The Department's review of the data provided in the Petitions, supplemental submissions, and other information

readily available to the Department indicates that the petitioner has established industry support. 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. See, e.g., section 732(c)(4)(D) of the Act. Second, the domestic producers 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. Finally, the domestic producers 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. 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. See PRC Initiation Checklist at Attachment II (Industry Support), South Africa Initiation Checklist at Attachment II (Industry Support), and Vietnam Initiation Checklist at Attachment II (Industry Support).

The Department finds that the 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 initiation of the antidumping investigations that it is requesting. See *id.*

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

The 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. The petitioner contends that the industry's injured condition is illustrated by the following circumstances: reduced market share; lost sales; reduced production capacity and capacity-utilization rate; reduced shipments; underselling and price depressing and suppressing effects; lost revenue; reduced employment; decline in financial performance; an increase in import penetration. We have assessed the allegations and supporting evidence regarding material injury and causation,

and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. See PRC Initiation Checklist at Attachment III (Injury), South Africa Initiation Checklist at Attachment III (Injury), and Vietnam Initiation Checklist at Attachment III (Injury).

#### **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 these investigations of imports of uncovered innerspring units from the PRC, South Africa, and Vietnam. The sources of data for the deductions and adjustments relating to the U.S. prices, a home-market price (for South Africa), and the factors of production (for the PRC and Vietnam) are also discussed in the country-specific initiation checklists. See PRC Initiation Checklist, South Africa Initiation Checklist, and Vietnam Initiation Checklist. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we will reexamine the information and revise the margin calculations, if appropriate.

#### **PRC**

##### *Export Price*

For U.S. price, the petitioner relied on price quotes for three specific models of Chinese-manufactured uncovered innerspring units that were offered for sale during the POL. See Petitions, Volume II at 1 and Exhibit PRC-1, and the PRC Supplement to the Petition at 1 and Exhibit 2. The petitioner deducted from the starting price the costs associated with exporting and delivering the product, including a distributor markup fee, ocean freight and insurance charges, U.S. duty, port and wharfage fees, domestic inland freight, and domestic brokerage and handling charges. See Petitions, Volume II at 2-4 and Exhibit PRC-2, and the PRC Supplement to the Petition at Exhibit 8.

##### *Normal Value*

The petitioner asserts that the Department considers the PRC to be a non-market-economy country (NME) and, therefore, constructed normal value based on the factors-of-production methodology pursuant to section 773(c) of the Act. Recently, the Department examined the PRC's market status and determined that NME status should continue for the PRC. See *Memorandum*

*from the Office of Policy to David M. Spooner, Assistant Secretary for Import Administration, Regarding the People's Republic of China Status as a Non-Market Economy*, dated May 15, 2006. (This document is available online at <http://ia.ita.doc.gov/download/prc-nme-status/prc-nme-status-memo.pdf>.) In addition, in two recent investigations, the Department treated the PRC as an NME country. See *Final Determination of Sales at Less Than Fair Value: Certain Activated Carbon from the People's Republic of China*, 72 FR 9508 (March 2, 2007), and *Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China*, 72 FR 19690 (April 19, 2007). In accordance with section 771(18)(C)(i) of the Act, the NME status remains in effect until revoked by the Department. The NME status of the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the normal value of the product is appropriately based on factors of production valued in a surrogate market-economy country in accordance with section 773(c) of the Act. In the course of this investigation, all parties 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.

The petitioner asserts that India is the appropriate surrogate country for valuing the factors of production for the PRC because India is (1) a significant producer of identical merchandise and (2) at a level of economic development comparable to that of the PRC. See Petitions, Volume II at 5-6 and Exhibit PRC-6. Because the information provided in the Petitions satisfies the elements for selecting a surrogate country, we believe that the petitioner's use of India as a surrogate country is appropriate for purposes of initiating this investigation. After the initiation of the investigation, we will solicit comments regarding selection of a surrogate country. Also, pursuant to 19 CFR 351.301(c)(3)(i), interested parties will be provided with an opportunity to submit publicly available information to value the factors of production within 40 days of the date of publication of the preliminary determination.

The petitioner provided dumping-margin calculations using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C) and 19 CFR 351.408. The petitioner calculated normal value for the U.S.

prices discussed above based on its own experience for producing uncovered innerspring units, which it states is consistent with the standard methodology for the production of uncovered innerspring units. The petitioner also states that Chinese producers use substantially the same material inputs and production processes as U.S. producers. See Petitions, Volume II at 6–12 and Exhibit PRC–7. The petitioner states that the primary material used to produce both “pocketed” and “non-pocketed” uncovered innerspring units is carbon steel wire. See Petitions, Volume II at pages 9 and Exhibit PRC–7.

For the normal-value calculations, pursuant to section 773(c)(4) of the Act, the petitioner used surrogate values from a variety of sources, including Indian import statistics from the *World Trade Atlas*, the International Energy Agency’s (IEA) *Energy Prices & Taxes 2003* edition, the Department’s NME Wage Rate for the PRC, the American Chemistry Council, and publicly available financial statements, to value the factors of production. See Petitions, Volume II at 6–13 and Exhibits PRC 8–16, the PRC Supplement to the Petition at Exhibits 9 and 10, and the PRC Second Supplement to the Petition at Exhibit 2. The petitioner converted the inputs valued in Indian rupees to U.S. dollars based on the average rupee/U.S. dollar exchange rate for the POI, as reported on the Department’s Web site at <http://ia.ita.doc.gov/exchange/index.html>.

The petitioner identifies steel wire, steel clips, fabric, and industrial glue as raw materials in the production of uncovered innerspring units. For steel wire, the main raw material in the production of uncovered innerspring units, the petitioner provided a surrogate value based on Indian imports from November 2006 through April 2007, inflated to the POI using a Wholesale Price Index (WPI) inflator. See Petitions, Volume II at 9–10 and Exhibit PRC–9, and the PRC Supplement to the Petition at Exhibit 10. For steel clips, the petitioner has provided a surrogate value based on Indian imports from June 2005 through May 2006 used previously by the Department, inflated to the POI using a WPI inflator. *Id.* For fabric, the petitioner has provided a surrogate value based on Indian imports from November 2006 through April 2007, inflated to the POI using a WPI inflator. *Id.* For labor, the petitioner submitted a labor-usage rate which was valued using the Department’s NME Wage Rate for the PRC. See Petitions, Volume II at 11 and Exhibits PRC–7 and PRC–10, and

the PRC Supplement to the Petition at 6 and Exhibits 9 and 10. The petitioner has submitted two surrogate values for energy inputs, *i.e.*, electricity and natural gas. With regard to electricity, the petitioner provided a surrogate value using the IEA’s *Energy Prices & Taxes 2003* edition, which petitioner inflated to the POI, as the electricity value is based on the price paid by industrial users in India in 2000. See Petitions, Volume II at 11–12 and Exhibit PRC–11. With regard to natural gas, the petitioner provided a surrogate value from the American Chemistry Council, which the Department has used in a previous investigation. See Petitions, Volume II at 11–12 and Exhibit PRC–12, and the PRC Supplement to the Petition at 7 and Exhibit 10. The petitioner valued six packing inputs: plastic wrap, paper, labels, steel straps, pallets, and ladders/crates. For each packing input, the petitioner used Indian import statistics obtained through the *World Trade Atlas* and excluded data pertaining to NME and subsidy countries. See Petitions, Volume II at 10–11 and Exhibits PRC–1, PRC–8 and PRC–13, and the PRC Supplement to the Petition at 7–8 and Exhibit 10.

For the normal-value calculations, the petitioner submitted the figures for factory overhead, selling, general, and administrative expenses, and profit from the financial ratios of an Indian producer of fabricated wire products, Lakshmi Precision Screws Limited. The Department used these ratios to initiate two other recent investigations and the financial statements covered the period of April 2005 to March 2006. See Petitions, Volume II at 3 and Exhibit PRC–15. We did not make any adjustments to the normal value as calculated by the petitioner because we determined that the petitioner used adequate sources and has calculated normal value accurately using those sources.

#### **Vietnam**

##### *Export Price*

The petitioner based its U.S. price calculation on a price quote for a specific model of uncovered innerspring units produced in Vietnam that were offered for sale before the POI. The petitioner states that this price quote remained in effect during the POI. See the Vietnam Second Supplement to the Petition, at Exhibit 1. The petitioner calculated an average net U.S. Price by subtracting an estimate for U.S. distributor markup, ocean freight, marine insurance, U.S. port charges, foreign inland freight, and brokerage

and handling costs from the gross unit price reflected in the price quote of imports for the POI. See *id.* at Exhibit 2.

##### *Normal Value*

Because the Department considers Vietnam to be an NME country, the petitioner constructed normal value based on the factors-of-production methodology pursuant to section 773(c) of the Act. The Department has examined Vietnam’s market status and determined that Vietnam should be treated as an NME. See *Memorandum from the Office of Policy to Faryar Shirzad, Assistant Secretary for Import Administration, Antidumping Duty Investigation of Certain Frozen Fish Fillets from the Socialist Republic of Vietnam—Determination of Market Economy Status*, November 8, 2002 (this document is available online at <http://ia.ita.doc.gov/download/vietnam-nme-status/vietnam-market-status-determination.pdf>). In addition, in two recent administrative reviews, the Department treated Vietnam as an NME country. See *Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Final Results of the Second Administrative Review*, 72 FR 13242 (March 21, 2007), and *Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam: Final Results of the First Antidumping Duty Administrative Review and First New Shipper Review*, 72 FR 52052 (September 12, 2007). In accordance with section 771(18)(C)(i) of the Act, the NME status remains in effect until revoked by the Department. The presumption of the NME status of Vietnam has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the normal value of the product is based on factors of production valued in a surrogate market-economy country in accordance with section 773(c) of the Act. During the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of Vietnam’s NME status and the granting of separate rates to individual exporters. The petitioner asserts that India is the most appropriate surrogate country for Vietnam because India is a significant producer of comparable merchandise and at a level of economic development comparable to Vietnam. See Petitions, Volume IV at 5–7. Because the information provided in the Petitions satisfies the elements for selecting a surrogate country, we believe that the petitioner’s use of India as a surrogate country is appropriate for purposes of

initiating this investigation. After the initiation of the investigation, we will solicit comments regarding surrogate-country selection. Also, pursuant to 19 CFR 351.301(c)(3)(i), interested parties will be provided with an opportunity to submit publicly available information to value the factors of production within 40 calendar days after the date of publication of the preliminary determination.

The petitioner provided dumping-margin calculations using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C) and 19 CFR 351.408. The petitioner calculated normal value based on its own consumption rates of raw materials, labor, and energy inputs used in 2007. The petitioner asserts that, to the best of its knowledge, these consumption amounts should be similar to those used by Vietnamese producers, except for the use of natural gas, which is discussed below. See Petitions, Volume IV at 8.

Pursuant to section 773(c)(4) of the Act, the petitioner used surrogate values derived from publicly available sources to value the factors of production. For direct materials and packing materials, the petitioner calculated weighted-average surrogate values using Indian import statistics from the *World Trade Atlas* or values calculated by the Department in previous cases using Indian import statistics from the *World Trade Atlas*. See Petitions, Volume IV at Exhibit V-9 and V-13. Consistent with the Department's practice, the petitioner excluded from its weighted-average calculation imports from NME countries and countries that may provide broadly available non-industry-specific export subsidies. Finally, the petitioner added a value to the material inputs to account for freight charges. The petitioner calculated the freight charge based on the estimated distance from several of the Vietnamese producers to the nearest port in Ho Chi Minh City. See Petitions, Volume IV at Exhibit V-16, and the Vietnam Supplement to the Petition, at 1 and Exhibits 1 and 8.

The petitioner valued labor using the expected wage rate for Vietnam provided by the Department on its website. See Petitions, Volume IV at Exhibit V-10. For electricity, the petitioner provided a surrogate value from the *International Energy Agency's Key World Energy Statistics 2003*, as cited in the Memorandum to the File, entitled "Antidumping Duty Administrative Review of Glycine from the People's Republic of China: Surrogate Values for the Preliminary Results," April 2, 2007. See Petitions, Volume IV at Exhibit V-11.

The petitioner asserts that, although it no longer uses natural gas-heated ovens to temper its coils, it believes that the Vietnamese producers still use this process. The petitioner asserts that, therefore, it is using its own past experience of using natural gas-heated ovens to temper the coils as the best available estimate of the Vietnamese production process. To value natural gas, the petitioner provided a surrogate value from the *American Chemistry Council*, which the Department has used in a previous investigation of steel wire garment hangers from the People's Republic of China. See Petitions, Volume IV at Exhibit V-12. The petitioner converted the inputs valued in Indian rupees to U.S. dollars based on the average rupee/U.S. dollar exchange rate for the POI, as reported on the Department's Web site at <http://ia.ita.doc.gov/exchange/index.html>. When the surrogate values were not contemporaneous with the POI, the petitioner adjusted the values using the wholesale price index in India as published in the *International Financial Statistics* of the International Monetary Fund. See Petitions, Volume IV at Exhibits V-9 through V-14.

For the normal-value calculations, the petitioner derived the figures for factory overhead, selling, general, and administrative expenses, and profit from the financial statements of Lakshmi Precision Screw, an Indian producer of fabricated wire products. The financial statement that the petitioner provided covered the period of April 2005 to March 2006. We did not make any adjustments to the normal value as calculated by the petitioner because we determined that the petitioner used adequate sources and has calculated normal value accurately using those sources.

#### **South Africa**

##### *Export Price*

The petitioner calculated export price based on pricing information during the POI obtained from its U.S. customer of South African-produced uncovered innerspring units sold, or offered for sale, by U.S. importers of the subject merchandise. See Petitions, Volume III at 1-2 and Exhibits SA-1 and SA-2, and the South Africa Supplement to the Petition at page 1. The petitioner made adjustments to the starting price, where applicable, for foreign inland freight, ocean freight, marine insurance, and U.S. customs and port fees. The petitioner calculated foreign inland freight based on the petitioner's South African subsidiary's transportation experience and the related shipping

costs it incurs. The petitioner calculated ocean freight and marine insurance based on price quotes obtained from a freight forwarder and an insurance provider. U.S. customs and port fees (*i.e.*, harbor maintenance and processing fees) were based on standard U.S. government percentages, as applied to the petitioner's estimate of entered value.

##### *Normal Value*

The petitioner was able to estimate domestic South African prices for uncovered innerspring units using market intelligence gathered by its South African subsidiary on pricing information related to its competitor, a major manufacturer of the foreign like product. The petitioner also provided its South African subsidiary's actual price to an unaffiliated customer in South Africa for uncovered innerspring units it sold during the POI. See Petitions, Volume III at 4 and Exhibits SA-4 and SA-10, and the South Africa Supplement to the Petition at 2. Because the petitioner's South African subsidiary's actual price to an unaffiliated customer was sufficient to use in calculating normal value, we did not need to use the petitioner's estimate of a competitor's price offered for the foreign like product during the POI. See Petitions, Volume III at Exhibit SA-10.

To arrive at normal value, the petitioner made adjustments to the starting price, where applicable, for home-market and U.S. credit expenses and U.S. packing costs. The petitioner did not make an adjustment to home-market price for foreign inland freight costs because it claims such costs are minimal due to the South African manufacturer's proximity to its customer. To calculate home-market credit expenses, the petitioner used the payment terms its South African subsidiary extends to its customer. The petitioner did not make an adjustment for home-market packing expenses because its South African subsidiary does not pack foreign like product for shipment to its customer. The petitioner calculated U.S. packing costs based on the experience of its South African subsidiary and the packing type it uses for export shipments. To calculate U.S. credit expenses, the petitioner used the payment terms associated with the pricing information of a U.S. sale, discussed above.

##### *Fair-Value Comparisons*

Based on the data provided by the petitioner, there is reason to believe that imports of uncovered innerspring units from the PRC, South Africa, and Vietnam are being, or are likely to be,

sold in the United States at less than fair value. Based on comparisons of export price to normal value, calculated in accordance with section 773(c) of the Act, the estimated dumping margins for uncovered innerspring units from the PRC range from 55.95 percent to 234.51 percent and the estimated dumping margin for uncovered innerspring units from Vietnam is 116.31. See PRC Initiation Checklist and Vietnam Initiation Checklist, respectively. Based on a comparison of export price to normal value, calculated in accordance with section 773(a)(1) of the Act, the revised estimated dumping margin for uncovered innerspring units from South Africa is 121.39 percent. See South Africa Initiation Checklist.

#### *Initiation of Antidumping Investigations*

Based upon the examination of the Petitions on uncovered innerspring units from the PRC, South Africa, and Vietnam, the Department finds that the Petitions meet the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of uncovered innerspring units from the PRC, South Africa, and Vietnam 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, unless postponed, we will make our preliminary determinations no later than 140 days after the date of this initiation.

#### *Separate Rates*

In order to obtain separate-rate status in NME investigations, exporters and producers must submit a separate-rate status application. See, e.g., Policy Bulletin 05.1: Separate-Rates Practice and Application of Combination Rates in Antidumping Investigations Involving Non-Market Economy Countries (April 5, 2005) (Separate Rates and Combination Rates Bulletin), available on the Department's Web site at <http://ia.ita.doc.gov/policy/bull05-1.pdf>. Based on our experience in processing the separate-rate applications in previous NME antidumping duty investigations, we have modified the application for the NME investigations to make it more administrable and easier for applicants to complete. See, e.g., *Initiation of Antidumping Duty Investigation: Certain New Pneumatic Off-the-Road Tires From the People's Republic of China*, 72 FR 43591, 43594-95 (August 6, 2007). The specific requirements for submitting the separate-rate application in the NME investigations are outlined in detail in the application itself, which will be

available on the Department's Web site at <http://ia.ita.doc.gov/ia-highlights-and-news.html> on the date of publication of this initiation notice in the **Federal Register**. The separate-rate application will be due 60 days after publication of this initiation notice.

#### *Selection of Respondents*

For these investigations, the Department intends to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports during the POI. We intend to make our decisions regarding respondent selection within 20 days of publication of this **Federal Register** notice. The Department invites comments regarding the CBP data and the selection of respondents within seven days of publication of this **Federal Register** notice.

#### *Use of Combination Rates in an NME Investigation*

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in the NME investigations. For example, the Separate Rates and Combination Rates Bulletin, at page 6, 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 investigations 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. (Emphasis added.)

#### *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 versions of the Petitions have been provided to the representatives of the Governments of the PRC, South Africa, and Vietnam. We will attempt to provide a copy of the public version of the Petitions to the foreign producers/exporters, consistent with 19 CFR 351.203(c)(2).

#### *International Trade Commission Notification*

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

#### *Preliminary Determinations by the International Trade Commission*

The ITC will preliminarily determine, no later than February 14, 2008, whether there is a reasonable indication that imports of uncovered innerspring units from the PRC, South Africa, and Vietnam are materially injuring, or threatening material injury to, a U.S. industry. A negative ITC determination with respect to any country will result in the investigation being terminated for that country; otherwise, these investigations will proceed according to statutory and regulatory time limits.

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

Dated: January 22, 2008.

**David M. Spooner,**

*Assistant Secretary for Import Administration.*

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