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February 19, 2016

MEMORANDUM TO: Ronald K Lorentzen  
Deputy Assistant Secretary  
for Enforcement and Compliance

FROM: Christian Marsh  
Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping  
Duty Administrative Review: Stainless Steel Butt-Weld Pipe  
Fittings from Italy; 2014-2015

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## SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on stainless steel butt-weld pipe fittings from Italy, at the request of the sole respondent company, Filmag Italia Spa (Filmag). The period of review is February 1, 2014, through January 31, 2015. We preliminarily find that Filmag has sold subject merchandise at less than normal value during the period of review.

### Background

On February 2, 2015, the Department published a notice of opportunity to request an administrative review of the order on stainless steel butt-weld pipe fittings from Italy.<sup>1</sup> Filmag filed a request for a review of its own sales on February 27, 2015, and we initiated this review on April 3, 2015.<sup>2</sup> On October 21, 2015, we extended the time limit for completion of the preliminary results of the review to no later than January 19, 2016.<sup>3</sup> We extended the time limit to February 16, 2016, on January 11, 2016.<sup>4</sup> As explained in the memorandum from the Acting

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<sup>1</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 80 FR 5509 (February 2, 2015).

<sup>2</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 80 FR 18202 (April 3, 2015).

<sup>3</sup> See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, from Edythe Artman, International Trade Compliance Analyst, on the subject of “Stainless Steel Butt-Weld Pipe Fittings from Italy: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review”, dated October 21, 2015.

<sup>4</sup> See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, from Edythe Artman, International Trade Compliance Analyst, on the subject of “Stainless Steel Butt-



Assistant Secretary for Enforcement and Compliance, the Department has exercised its discretion to toll all administrative deadlines due to the recent closure of the Federal Government. All deadlines in this segment of the proceeding have been extended by four business days. The revised deadline for the preliminary results of this review is now February 22, 2016.<sup>5</sup>

Filmag submitted responses to the Department's antidumping duty questionnaire on May 14, 2015 (response to section A) and on June 1, 2015 (response to sections B and C). It filed responses to supplemental questionnaires, dated from November 5, 2015, through January 21, 2016.

The petitioner has not commented on this review.

### Scope of the Order

For purposes of the order, the product covered is certain stainless steel butt-weld pipe fittings. Stainless steel butt-weld pipe fittings are under 14 inches in outside diameter (based on nominal pipe size), whether finished or unfinished. The product encompasses all grades of stainless steel and "commodity" and "specialty" fittings. Specifically excluded from the definition are threaded, grooved, and bolted fittings, and fittings made from any material other than stainless steel.

The butt-weld fittings subject to the order are generally designated under specification ASTM A403/A403M, the standard specification for Wrought Austenitic Stainless Steel Piping Fittings, or its foreign equivalents (*e.g.*, DIN or JIS specifications). This specification covers two general classes of fittings, WP and CR, of wrought austenitic stainless steel fittings of seamless and welded construction covered by the latest revision of ANSI B16.9, ANSI B16.11, and ANSI B16.28. Butt-weld fittings manufactured to specification ASTM A774, or its foreign equivalents, are also covered by the order.

The order does not apply to cast fittings. Cast austenitic stainless steel pipe fittings are covered by specifications A351/A351M, A743/743M, and A744/A744M.

The butt-weld fittings subject to the order is currently classifiable under subheading 7307.23.0000 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the scope of the order is dispositive.

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Weld Pipe Fittings from Italy: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review", dated January 11, 2016.

<sup>5</sup> See Memorandum to the file from Ron Lorentzen, Acting Assistant Secretary for Enforcement & Compliance, regarding "Tolling of Administrative Deadlines As a Result of the Government Closure During Snowstorm Jonas," dated January 27, 2016.

## DISCUSSION OF THE METHODOLOGY

### Date of Sale

Section 351.401(i) of the Department's regulations states that, in identifying the date of sale of the merchandise under consideration or foreign like product, the Department normally will use the date of invoice, as recorded in the exporter's or producer's records kept in the ordinary course of business. Additionally, the Department may use a date other than the date of invoice if the Department is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.<sup>6</sup> The Department has a long-standing practice of finding that, where shipment date precedes invoice date, shipment date better reflects the date on which the material terms of sale are established.<sup>7</sup>

Throughout its questionnaire responses, Filmag reported invoice date as the date of sale in both the home and U.S. markets. However, in the home market, we found that the shipment date reported by Filmag often preceded the invoice date because, as explained by the company, usually only the delivery documents were created when the shipment was ready for pick-up from the factory and invoicing occurs at a later date.<sup>8</sup> Filmag clarified that, by contrast, invoicing for U.S. sales must occur prior to or at the time of shipment because this document has to accompany shipment through customs.<sup>9</sup> Based on this information and our practice, we found that, in the home market, the date of shipment best reflects the date on which material terms of sales were established for purposes of this review. We found that the invoice date best reflected this date for U.S. sales. Accordingly, we found these dates – the shipment date in the home market and the invoice date in the U.S. market – to be the most appropriate dates of sale for these preliminary results.

### Comparisons to Normal Value

To determine if Filmag's sales of the subject merchandise from Italy to the United States were made at less than normal value, the Department compared the export prices to the normal value, pursuant to section 773(a)(1)(B) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.414(c)(1) and (d) and as described in the "Export Price" and "Normal Value" sections below.

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<sup>6</sup> See 19 CFR 351.401(i); see also *Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090 (CIT 2001).

<sup>7</sup> See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp From Thailand*, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10; see also *Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams From Germany*, 67 FR 35497 (May 20, 2002), and accompanying Issues and Decision Memorandum at Comment 2.

<sup>8</sup> See Filmag's supplemental questionnaire response, dated November 5, 2015, 14.

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

## A. Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced and sold by Filmag in the home market during the period of review that fit the description in the “Scope of the Order” section of this memorandum to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. We compared U.S. sales to sales made in the home market, where appropriate. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade.

In making product comparisons, we compared products based on the physical characteristics established by the Department and reported by the respondent in the following order of importance: (1) the type of fitting; (2) the grade of steel; (3) the type of feedstock used in the production of the fitting; (4) the nominal pipe sizes of the larger and, if applicable, smaller openings; and, (5) the wall thickness of the pipe. As a result, we found that Filmag had reported contemporaneous sales of foreign like product that, although not identical, was similar to the subject merchandise sold in the United States during the period of review.

## B. Determination of Comparison Method

Pursuant to 19 CFR 351.414(b) and (c)(1), the Department calculates dumping margins by comparing weighted-average normal values to weighted-average export prices (or constructed export prices) (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. The Department’s regulations also provide that dumping margins may be calculated by comparing normal values, based on individual transactions, to export prices of individual transactions (transaction-to-transaction method) or, when certain conditions are satisfied, by comparing weighted-average normal values to export prices of individual transactions (average-to-transaction method).<sup>10</sup> In recent antidumping investigations, the Department applied a “differential pricing” (DP) analysis for determining whether application of the average-to-average comparison method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1).<sup>11</sup> The Department may determine that, in particular circumstances, consistent with section 777A(d)(1)(B) of the Act, it is appropriate to use the average-to-transaction method. The Department will continue to develop its approach in this area based on comments received in this proceeding and others, and on its additional experience with addressing the potential masking of dumping that can occur when the Department uses the average-to-average method in calculating weighted-average dumping margins.

The DP analysis used in these preliminary results requires a finding of a pattern of export prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. If such a pattern is found, then the DP analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average

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<sup>10</sup> See 19 CFR 351.414(b)(1)-(2).

<sup>11</sup> See also *Xanthan Gum From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33350 (June 4, 2013) (*Xanthan Gum from the PRC*), and the accompanying Issues and Decision Memorandum at Comment 3.

dumping margin. The DP analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of significant price differences exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the customer codes reported by Filmag. Regions are defined using the reported destination code (*e.g.*, zip codes) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the period of review being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region, and time period, that the Department uses in making comparisons between export price and normal value for the individual dumping margins.

In the first stage of the DP analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is used to evaluate the extent to which the net prices to a particular purchaser, region or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large. Of these thresholds, the large threshold (*i.e.*, 0.8) provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant and the sales were found to pass the Cohen’s *d* test if the calculated Cohen’s *d* coefficient is equal to or exceeds the large threshold.

Next, the “ratio test” assesses the extent of the significant price differences for all sales as measured by the Cohen’s *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test accounts for 66 percent or more of the value of total sales, then the identified pattern of export prices that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of the average-to-transaction method to those sales identified as passing the Cohen’s *d* test as an alternative to the average-to-average method and application of the average-to-average method to those sales identified as not passing the Cohen’s *d* test. If 33 percent or less of the value of total sales passes the Cohen’s *d* test, then the results of the Cohen’s *d* test do not support consideration of an alternative to the average-to-average method.

If both tests (*i.e.*, the Cohen’s *d* test and the ratio test) demonstrate, in the first stage, the existence of a pattern of export prices that differ significantly, such that an alternative comparison method should be considered, then, in the second stage of the DP analysis, we examine whether using only the average-to-average method can appropriately account for such

differences. In considering this question, the Department tests whether using an alternative method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis and, therefore, an alternative method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if: (1) there is a 25 percent relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margin moves across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described DP approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

Based on the results of the DP analysis for this review, the Department finds that the value of total sales for Filmag that passed the Cohen's *d* test was less than 33 percent, and, as such, these results do not confirm the existence of a pattern of export prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. Thus, the results do not support consideration of an alternative to the average-to-average method. Accordingly, the Department has preliminarily determined to use the average-to-average method in making comparisons between export prices and normal values for Filmag in this review.<sup>12</sup>

### C. Export Price

Section 772(a) of the Act defines export price as “the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of subject merchandise outside of the U.S. to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the U.S., as adjusted under subsection (c).” In accordance with section 772(a) of the Act, we used the export-price methodology for Filmag because the first sale to an unaffiliated party was made before the date of importation and the use of constructed export prices was not otherwise warranted.

We calculated export price based on the packed price that Filmag charged to the first unaffiliated purchaser in the United States. We made adjustments, where appropriate, from the starting price for movement expenses (*e.g.*, brokerage and handling expenses in the United States, international freight expenses, marine insurance expenses and U.S. customs duties), in accordance with section 772(c)(2)(A) of the Act. We also made adjustments, where appropriate, for imputed credit and certain direct selling expenses, such as U.S. sales commissions and bank charges.

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<sup>12</sup> In these preliminary results, the Department applied the weighted-average dumping margin calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Duty Proceedings; Final Modification*, 77 FR 8101 (February 14, 2012). In particular, the Department compared monthly weighted-average export prices with monthly weighted-average normal values and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.

## D. Normal Value

### 1. Home Market Viability

In order to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating normal value (*i.e.*, whether the aggregate volume of home market sales of the foreign like product was equal to or greater than five percent of the aggregate volume of U.S. sales),<sup>13</sup> we compared the volume of Filmag's home-market sales to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a)(1)(B) of the Act. Based on this comparison, we determined that the company's aggregate volume of home market sales of the foreign like product was greater than the five-percent threshold and, therefore, we used the home market sales as the basis for normal value in this review.

### 2. Level of Trade

In accordance with section 773(a)(1)(B)(i) of the Act,<sup>14</sup> the Department, to the extent practicable, determines normal value based on sales in the comparison market made at the same level of trade as the export price or constructed export price sales. Pursuant to 19 CFR 351.412(c)(1)(iii), the normal-value level of trade is based on the starting price of the sales in the comparison market or, when normal value is based on constructed value, the starting price of the sales from which we derive selling, general, and administrative (SG&A) expenses and profit. In identifying levels of trade for export price and comparison-market sales, we consider the starting prices before any adjustments.<sup>15</sup> For export price, the level of trade is based on the starting price, which is usually the price from the exporter to the importer.<sup>16</sup>

To determine whether comparison-market sales are at a different level of trade than export price sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.<sup>17</sup> If the comparison-market sales are at a different level of trade and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which normal value is based and the comparison-market sales at the level of trade of the export transaction, we make a level-of-trade adjustment under section 773(a)(7)(A) of the Act.

In its questionnaire responses, Filmag made no distinction in selling functions it provided that were based on channels of distribution or customer categories, and stated there was only one channel of trade applicable to both the home and U.S. market. Based on a review of the selling activities it performed for customers in each market, we found that Filmag only had one level of trade in the home and U.S. markets. Because there was only one level of trade in the home market and no data was available to determine the existence of a pattern of price differences

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<sup>13</sup> See 19 CFR 351.404(b)(2).

<sup>14</sup> See also Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, Vol. 1 (1994), 829-831.

<sup>15</sup> See Section 773(a)(1)(B)(i) of the Act.

<sup>16</sup> See 19 CFR 351.412(c)(1)(i).

<sup>17</sup> See 19 CFR 351.412(c)(2).

within that market, and because we do not have any other information that provides an appropriate basis for determining a level-of-trade adjustment, we were unable to calculate a level-of-trade adjustment. Therefore, for these preliminary results, we matched the export-price sales to home-market sales without making a level-of-trade adjustment to normal value. For a more detailed description of our level-of-trade analysis, *see* Memorandum to the File from Edythe Artman, International Trade Compliance Analyst, regarding “Filmag Italia S.p.A. – Analysis Memorandum for the Preliminary Results of the 2014/2015 Administrative Review of Stainless Steel Butt-Weld Pipe Fittings from Italy,” dated concurrently with this memorandum.

### 3. Cost of Production<sup>18</sup>

We did not conduct a sales-below-cost investigation.

### 4. Calculation of Normal Value Based on Comparison Market Prices

We calculated normal value for Filmag based on the reported ex-factory prices to unaffiliated customers in the comparison market. Where appropriate, we made circumstance-of-sale adjustments (*i.e.*, credit expenses), pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(b). We added U.S. packing costs and deducted home market packing costs, in accordance with sections 773(a)(6)(A) and (B)(i) of the Act.

When comparing U.S. sales with home-market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable costs of manufacturing of the foreign like product and subject merchandise.<sup>19</sup>

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<sup>18</sup> On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015 (TPEA), which made numerous amendments to the AD and CVD law, including amendments to section 773(b)(2) of the Act, regarding the Department’s requests for information on sales at less than cost of production. *See* Trade Preferences Extension Act of 2015, Pub. L. No. 114-27, 129 Stat. 362 (2015) (TPEA). 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 to section 771(7) of the Act, which relate to determinations of material injury by the ITC. *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*). The amendments to the Act are applicable to all determinations made on or after August 6, 2015, but, because in this review questionnaires had been issued prior to the applicability date, these specific amendments do not apply to this review. *Id.*, 80 FR at 46794-95. The 2015 amendments may be found at <https://www.congress.gov/bill/114th-congress/house-bill/1295/text/pl>.

<sup>19</sup> *See* 19 CFR 351.411(b).

5. Price-to-Constructed Value Comparison

As noted in the "Product Comparisons" section above, we found that Filmag reported sales of foreign like product that, although not identical, was similar to the subject merchandise sold in the United States. Consequently, it was not necessary in our price comparisons to base normal value on constructed value, pursuant to section 773(a)(4) of the Act.

E. Currency Conversion

We made currency conversions to U.S. dollars in accordance with section 773A(a) of the Act and 19 CFR 351.415, based on exchange rates, as certified by the Federal Reserve Bank, in effect on the dates of the U.S. sales. These rates are available on the Enforcement and Compliance's website at <http://enforcement.trade.gov/exchange>.

Recommendation

We recommend applying the above methodology for these preliminary results.

Agree       Disagree

Ronald K. Lorentzen  
Ronald K. Lorentzen  
Deputy Assistant Secretary  
for Enforcement and Compliance

February 19, 2016  
Date