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**International Trade Administration**  
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March 19, 2012

MEMORANDUM TO: Paul Piquado  
Assistant Secretary  
for Import Administration

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

SUBJECT: Issues and Decision Memorandum for the Final Determination of  
the Antidumping Duty Investigation of Galvanized Steel Wire  
from Mexico

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**SUMMARY:**

We have analyzed the case and rebuttal briefs submitted by interested parties. As a result of our analysis, we have made changes in the margin calculations of both respondent companies, as discussed below. We recommend that you approve the Department of Commerce's (the Department's) positions, described in the "Discussion of Interested Party Comments" section of this Issues and Decision Memorandum. Below is the complete list of the issues in this investigation for which we received comments from parties:

I. List of Comments

Deacero S.A. de C.V. (Deacero)

Comment 1: Conversion of U.S. Packing Expenses from Mexican Pesos to U.S. Dollars

Comment 2: Correction of Ministerial Errors

Comment 3: Whether Oval Galvanized Steel Wire is Outside the Scope of the Investigation

Comment 4: Whether PVC-Coated Galvanized Steel Wire is Outside the Scope of the Investigation

Comment 5: Whether to Apply Adverse Facts Available to Deacero's Inland Freight Expenses for Certain Home Market Sales

Comment 6: Whether to Apply Adverse Facts Available to Deacero's U.S. Repacking Expenses

Comment 7: Deacero's Reporting of Costs for Further Manufacturing

Comment 8: Deacero's Reporting of Inland Freight Charges for Certain U.S. Sales



Comment 9: Deacero's Reporting of Cost of Production and Constructed Value

Aceros Camesa S.A. de C.V. (Camesa)

Comment 10: Whether the Department Used an Average-to-Average Comparison Methodology

Comment 11: Whether the U.S. Inventory Carrying Costs were Calculated Properly

II. Background

On November 4, 2011, the Department published the preliminary determination in the above-referenced antidumping duty investigation on galvanized steel wire (galvanized wire) from Mexico. See Galvanized Steel Wire from Mexico: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 76 FR 68422 (November 4, 2011) (Preliminary Determination). The merchandise covered by this investigation is galvanized wire from Mexico, as described in the "Scope of the Order" section in the Federal Register notice of the final determination. The period of investigation (POI) is January 1, 2010, through December 31, 2010. This investigation covers two manufacturers/exporters that were selected as mandatory respondents, Deacero and Camesa.

Deacero timely submitted comments regarding alleged ministerial errors in the Department's margin calculation programs on November 8, 2011. Petitioners<sup>1</sup> did not comment on Deacero's ministerial error allegations. On December 5, 2011, the Department released its ministerial error allegation memorandum in which no amendment to the Preliminary Determination was made pursuant 19 CFR 351.224(e). See Memorandum to Richard O. Weible, Director, Office 7, from Ericka Ukrow and Patrick Edwards, Case Analysts, through Angelica Mendoza, Program Manager, Office 7, entitled "Ministerial Error Allegation in the Preliminary Determination of the Antidumping Duty Investigation of Galvanized Steel Wire from Mexico: Deacero S.A. de C.V." dated December 5, 2011 (Ministerial Error Memorandum). More specifically, the Department found that three of the five alleged errors constituted ministerial errors as defined under section 735(e) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.224(f). However, correcting for these three ministerial errors at the preliminary determination stage did not constitute "significant" ministerial errors within the meaning of 19 CFR 351.224(g).

Petitioners and Camesa timely requested a hearing on November 5, 2011. Deacero, also on December 5, 2011, requested to participate in a hearing in the event that another party requested a hearing. However, both petitioners and Camesa withdrew such requests on February 17, 2012, and February 22, 2012, respectively. On February 23, 2012, all interested parties timely submitted case briefs commenting on our Preliminary Determination. Rebuttal briefs were also timely filed by petitioners and Deacero on February 28, 2012.

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<sup>1</sup> The petitioners in this investigation are Davis Wire Corporation, Johnstown Wire Technologies, Inc., Mid-South Wire Company, Inc., National Standard, LLC, and Oklahoma Steel & Wire Company, Inc. (collectively, petitioners).

### III. Discussion of Interested Party Comments

#### Deacero-Specific Issues:

##### Comment 1: Conversion of U.S. Packing Expenses from Mexican Pesos to U.S. Dollars

Subsequent to the Preliminary Determination, Deacero filed comments alleging that the Department inadvertently erred, inter alia, in its calculation of Deacero's foreign unit price in dollars (FUPDOL), by adding U.S. packing expenses in Mexican pesos (MXP) rather than U.S. dollars (USD). See Letter from Deacero, regarding "Galvanized Steel Wire from Mexico," dated November 8, 2011 (Deacero Allegation Letter). In reviewing Deacero's allegations, the Department concluded that at the Preliminary Determination it intended to set the U.S. packing expense variable (i.e., PACKU) equal to an internally-converted variable denominated in USD (i.e., PACKU\_USD) in order to calculate the FUPDOL. See Ministerial Error Memorandum at 6-7.

In its case brief, Deacero argues that, based on its response to the Department's fourth supplemental questionnaire regarding Deacero's U.S. packing expenses, and the Department's sales verification conducted in Monterrey, Mexico, Deacero conclusively demonstrated that it reported packing expenses in its home-market and U.S sales databases (i.e., sales variables PACKH and PACKU, respectively) in MXP, the currency in which such expenses were incurred. See Deacero's Fourth Supplemental Questionnaire Response, dated December 5, 2011 (4SQR). Therefore, Deacero insists that the Department should convert U.S. packing expenses to USD before adding these expenses to the FUPDOL calculation in the final determination. See Case Brief on Behalf of Deacero S.A. de C.V., regarding Galvanized Steel Wire from Mexico, dated February 23, 2012 (Deacero's Case Brief), at 2.

More specifically, referring to the Department's argument that the company's responses indicated in several places that packing expenses were reported in MXP, while others (such as page 50 of its narrative response to the section C questionnaire) indicated that U.S. packing expenses were reported in USD, Deacero explains that this reference was a typographical error. Furthermore, Deacero argues that by demonstrating the packing cost calculations for six products in its 4SQR, based on detailed source records from its cost accounting systems, it has proven that Deacero's packing expenses were incurred in MXP, and therefore, properly reported in MXP. Id.; see also Deacero's 4SQR at Exhibits C-1, C-2, C-4, C-6, C-7, and C-8.

Referring to the Department's observation that Deacero's home market and U.S. sales databases appeared to have an ambiguous wide range of reported packing expenses, Deacero clarifies it had reported packing costs on a product-specific basis derived from the company's cost accounting records in its normal course of business. Therefore, Deacero avers these packing costs can differ greatly for various reasons, such as (1) galvanized wire products with a higher weight per coil will normally be assigned lower packing costs per ton; (2) galvanized wire products packed using additional materials will yield higher material costs per ton; (3) energy costs assigned to galvanized wire products can vary depending on the machine(s) used for packing; and (4) depreciation costs assigned to galvanized wire products can vary depending on the machine(s) used for packing. Deacero further asserts it has provided in its 4SQR source

records for the most extreme examples of fluctuations in packing costs between two products within the same CONNUM, which confirm that the reported packing costs were consistent with Deacero's cost accounting records. See Deacero's Case Brief at 3-4.

Finally, citing Rhone Poulenc, Inc. v. United States, 899 F.2d 1185, 1191 (Fed. Cir. 1990), Deacero affirms that the Department is required by the antidumping statute to calculate dumping margins as accurately as possible. Therefore, based on the verified record evidence that U.S. packing expenses were incurred and reported in MXP, Deacero insists the Department convert U.S. packing expenses to USD for the FUPDOL calculation, and provides programming language to execute such changes. Id. at 4-5.

No other party commented on this issue.

#### Department's Position:

With respect to the remaining question regarding the currency in which Deacero reported packing expenses, based on subsequent findings and explanation, we conclude, that in our Preliminary Determination, we mistakenly continued to carry-forward the assumed MXP-denominated variable. Thus, in the calculation of FUPDOL, rather than expressing all variables in USD, U.S. packing expenses remained in MXP.

Based on the information provided by Deacero in its 4SQR as well as our findings during Deacero's home market sales verification, we find that Deacero's packing expenses are recorded (and reported) in the normal course of business in MXP. Moreover, despite the vast ranges in the packing expenses, we verified Deacero's packing expense methodology and found it to be reasonable. See Deacero's 4SQR at 1-7 and Exhibits 1-8; see also Memorandum to the File from Patrick Edwards and Ericka Ukrow, Case Analysts, through Angelica Mendoza, Program Manager, Office 7, entitled "Verification of the Sales Responses of Deacero S.A. de C.V. in the Antidumping Duty Investigation of Galvanized Steel Wire from Mexico," dated February 16, 2012 (Deacero Verification Report), at 52 and Verification Exhibit (VE-40). As such, we have revised the programming language used in the Preliminary Determination to ensure that Deacero's packing expenses, reported in MXP, are properly converted to USD for purposes of calculating FUPDOL and, consequently, Deacero's final dumping margin. For the specific programming language used to effect this change, see Memorandum to the File, from Ericka Ukrow, Case Analyst, entitled "Analysis of Data Submitted by Deacero S.A. de C.V. for the Final Determination of the Antidumping Duty Investigation of Galvanized Steel Wire from Mexico," dated March 19, 2012 (Deacero Analysis Memo).

#### Comment 2: Correction of Ministerial Errors

Deacero requests the Department, consistent with the intent of its Ministerial Error Memorandum, correct the following three inadvertent errors made in the calculation of Deacero's preliminary margin:

1. Use the field variable QTYU (total quantity in kilograms of the CONNUM sold as part of the further manufactured item) when establishing the sales quantity for

- each input CONNUM used in the production of a U.S. further manufactured product, instead of the field variable FURMANQTYU (the weight of the CONNUM per one kilogram of the further manufactured item).
2. Include the commission expenses incurred by Stay-Tuff Fence Manufacturing, Inc. (Stay-Tuff) (i.e., COMM2U) as part of Deacero's total commission expenses on U.S. sales.
  3. Add indirect selling expenses in USD incurred in the home market to the calculation of Deacero's home market indirect selling expenses (denominated both in MXP and USD), instead of subtracting these values.

See Deacero's Case Brief at 5. No other party commented on this issue.

Department's Position:

We have revised Deacero's programming language to correct for the aforementioned errors made in the Preliminary Determination. We find that these errors were ministerial in nature and should be corrected. We did not correct for these errors at the Preliminary Determination because the totality of Deacero's ministerial error allegation did not meet the Department's threshold for "significance," pursuant to section 772(e) of the Act. See Ministerial Error Memorandum.

Comment 3: Whether Oval Galvanized Steel Wire is Outside the Scope of the Investigation

Deacero argues that the Department should reverse its preliminary determination that galvanized wire products with an oval cross-section are within the scope of the investigation. See Deacero's Case Brief at 6. Referring to the definition of the scope of the investigation, Deacero summarizes that, the scope specifically includes:

{G}alvanized steel wire which is a cold-drawn carbon quality steel product in coils, of solid circular cross section with an actual diameter of 0.5842 mm (0.0230 inch) or more, plated or coated with zinc (whether by hot-dipping or electroplating).

Deacero asserts that (a) the language of the scope cannot be interpreted to include oval galvanized wire because the term "circular" is defined as "having the form of a circle; round," in contrast to the term "oval," which is defined as "having the general form, shape, or outline of an egg"; and (b) the scope definition refers to a "single" diameter while oval galvanized wire products have two diameters. Likewise, Deacero contends the Department's model match criteria in field DIAMH/U, instructs to report the "nominal diameter," inferring a "singular" diameter. Id.

Finally, based on the above arguments, Deacero claims it would be unlawful for the Department to consider oval products to be within the scope as "the plain language of the scope definition excludes oval {galvanized wire} products." Deacero also notes that petitioners have not disputed the fact that Deacero treated oval galvanized wire as outside the scope in its original section B and C responses; nor have they argued that oval galvanized wire should be considered part of the scope. Id. at 7.

In their rebuttal brief, petitioners argue that galvanized wire with an oval cross-section may simply be a product intended to have been produced with a circular cross-section, but where the production process resulted in a product which is not perfectly circular. See Rebuttal Brief on Behalf of Petitioners, regarding Antidumping Investigation of Galvanized Steel Wire from Mexico, dated February 28, 2012 (Petitioners' Rebuttal Brief), at 3. Moreover, petitioners aver that Deacero has presented no evidence on the record of this investigation that indicates customers specifically request "oval" galvanized wire or that "oval" galvanized wire has different applications or serves different purposes or customers than galvanized wire which is circular. Id. As such, petitioners contend that the Department should continue to find that galvanized wire with oval cross-sections is within the scope of the investigation.

#### Department's Position:

For purposes of this final determination, we find that galvanized wire products with oval cross-sections are covered by the scope of the investigation. Material of a circular cross-section, in many instances will not have an exact circular cross section, as there are diameter tolerances in the cross-sectional dimensions of this product. See, e.g., Deacero's Section A Questionnaire Response, dated July 7, 2011 (AQR), at Exhibit 13, page 5. This fact is also noted in the industry specifications of the subject wire products. Id. Hence, oval material can meet the tolerance requirements of circular cross-section wire. Moreover, and as petitioners argue, oval cross-section material could be a product that was intended to have been of a circular cross section, but the production process yielded a product that was not perfectly circular.

We consider, for purposes of the scope of this investigation, and ultimately the scope of the order if issued, that the term "oval" can be understood to be covered as "round" (and hence, "circular") cross-section material, and that the term "circular" in the scope was not intended to mean a "perfect" circle. Given natural imperfections in the production process, it is entirely possible for a circular cross section to be out-of-round (i.e., oval), but that the cross section itself remains suitable for the intended end-use of a circular cross-section product as it would still fall within the afore-mentioned diameter and shape tolerances. See Petitioners' Rebuttal Brief at 3.

The Department "retains broad discretion to define and clarify the scope of an antidumping investigation in a manner which reflects the intent of the petition." Minebea Co. v. United States, 782 F. Supp. 117, 120 (Ct. Int'l Trade 1992) (Minebea Co. v. United States); see also Mitsubishi Elec. Corp. v. United States, 700 F. Supp. 538, 552 (Ct. Int'l Trade 1988) ("{The Department} has a certain amount of discretion to expand the language of a petition to encompass the literal intent of the petition, . . . with the purpose in mind of preventing the intentional evasion or circumvention of the antidumping duty law."), aff'd, 898 F.2d 1577 (Fed. Cir. 1990). For the above-identified reasons, we have clarified the language of the scope of the investigation to read:

The scope of this investigation covers galvanized steel wire which is a cold-drawn carbon quality steel product in coils, of circular or approximately circular, solid cross section with any actual diameter of 0.5842 mm (0.0230 inch) or more, plated or coated with zinc (whether by hot-dipping or electroplating).

We note that the Department solicited from Deacero information regarding sales of oval cross-section material and literature on this product. Deacero explained that it had no U.S. or home market sales of this material and, as such, did not provide the requested literature on this product or its uses. See Deacero's Second Supplemental Questionnaire Response, dated October 11, 2011, at 45. This information would have greatly helped the Department properly understand what is meant by the term "oval" cross section. In addition, because no comments were made or evidence provided that the initial industry support calculation (conducted prior to the initiation of this investigation) did not include "oval" wire, we believe this clarification is appropriate.

Thus, for this final determination, we have clarified the language of the scope so as to indicate that coverage of cross sections that are approximately circular in nature, whether they be oval, somewhat circular or even perfectly circular, is intended by this investigation.

Comment 4: Whether PVC-Coated Galvanized Wire is Outside the Scope of the Investigation

Deacero argues in its case brief that the Department should reverse its decision that polyvinyl chloride (PVC)-coated galvanized wire products are subject to the scope of the investigation. See Deacero's Case Brief at 7. Deacero contends that neither the scope definition nor the petition mentions PVC-coated galvanized wire because it is a downstream product that was never intended to be included in the scope. Id.

Deacero notes that, in responding to the questionnaires of the International Trade Commission (ITC), producers and importers described PVC-coated galvanized wire as a downstream product and, furthermore, PVC-coated wire requires significant additional processing, which significantly increases the cost of manufacture (COM) beyond that of the upstream galvanized wire product. See Deacero's Case Brief at 8. As such, Deacero argues that, had petitioners intended to include PVC-coated galvanized wire in the scope, they would have described PVC coatings in the petition. Deacero also points out that petitioners did not discuss the Harmonized Tariff Schedule (HTS) subheading that applies to wire "coated with plastics," subheading 7217.90.1000. Id. at 9. Moreover, Deacero claims that the ITC did not mention PVC coatings or the extrusion process by which PVC is applied to galvanized wire in its discussion of the product and manufacturing process in its preliminary determination. To the contrary, Deacero points out that the ITC referred to PVC-coated galvanized wire as a downstream product. Id.; see also, Galvanized Steel Wire from China and Mexico, Inv. Nos. 701-TA-479 and 731-TA-1183-1184 (Preliminary Determination), USITC Pub. 4234 (May 2011) at 5-7, I-6 – I-8 (ITC Prelim). Finally, Deacero argues that petitioners did not challenge Deacero's treatment of excluding PVC-coated wire from its reported sales in its original section B and C responses. See Deacero's Case Brief at 9.

In its rebuttal brief, petitioners argue that while the scope language does not specifically address additional coatings on galvanized wire, PVC-coated galvanized wire is merely a subset of galvanized wire and, therefore, is within the scope of the investigation. See Petitioners' Rebuttal Brief at 3.

Department's Position:

For this final determination, we find that it is appropriate to continue to consider PVC-coated galvanized wire as subject to the scope of the investigation. Inherently, as the record also shows, a galvanized wire coated with PVC is still a galvanized wire. See Deacero's AQR at Exhibit 14. There is no record evidence to indicate that a PVC-coated galvanized wire is not of the same class or kind of product as a galvanized wire product that was not coated with PVC. There is, additionally, no record evidence to indicate that PVC-coated galvanized wire would elicit a different end-use or application than galvanized wire products not coated with PVC. While a PVC-coating may be applied to limit the corrosion resistance of the galvanized wire or for aesthetic purposes, PVC-coating does not change or alter the properties of the galvanized wire itself. Id.

While Deacero contends that petitioners should have proposed PVC-coating as an additional characteristic for model-matching purposes had they intended it to be included in the scope, we disagree. Model matches will not necessarily include every possible characteristic and if Deacero had concerns on PVC-coating being included in the model match, it could have raised this issue when the Department invited all interested parties to comment on the model-match characteristics. In addition, it is questionable whether there is a need to establish a separate model matching characteristic because the underlying product is still subject galvanized wire, and whether a PVC-coating is applied does not change this fact. With respect to Deacero's reference to a HTS subheading that applies to wire "coated with plastics," the scope language states that listed HTS subheadings are provided for Custom's convenience only and that the written description of the product subject to this investigation is dispositive. That written description specifies galvanized wire as being subject to the scope. Consistent with our determination that PVC-coated galvanized wire is subject to the scope of this investigation, we have modified the scope description to include reference to HTS subheading 7217.90.1000, in accordance with the Department's "discretion to define and clarify the scope of an antidumping investigation in a manner which reflects the intent of the petition." See Minebea Co. v. United States.

Deacero argues that because PVC-coated galvanized wire is a downstream product (with the PVC-coating itself being a further-processing component), it should not be considered as subject merchandise. See Deacero's Case Brief at 8. Moreover, Deacero specifies the actual percentage of cost increase involved when adding PVC-coating to galvanized wire.<sup>2</sup> Id. However, whether PVC-coated galvanized wire is a downstream product is irrelevant to whether it is within the scope of this investigation.

Moreover, we note that Deacero's website, on a page that is specific to its galvanized wire products, identifies both galvanized and galvanized PVC-coated wires as part of the company's galvanized wire product offering. See Petitions for the Imposition of Antidumping Duties on Galvanized Steel Wire from and Mexico, dated March 31, 2011, at Exhibit I-9. Further, Deacero's website demonstrates no segregation of the two types of galvanized wire that would indicate that the two products constitute two separate classes or kinds of merchandise. Id.

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<sup>2</sup> We note that we cannot disclose this figure in the context of this Issues and Decision Memorandum because Deacero requested business proprietary treatment of the figure in its case brief.

Moreover, we note that each type of galvanized wire, as per Deacero's website, is available in identical gauges, tensions and roll-weights, and both are made to the same ASTM specification (i.e., ASTM-A-641). Id.

Deacero's argument that the ITC did not mention PVC coatings in its discussion of the product and manufacturing process in its preliminary determination is unconvincing. The ITC clearly determined in its preliminary determination that, "the record indicates that producers and consumers perceive all galvanized steel wire, regardless of wire gauge, coating, or carbon content to be different forms of the same product... all types of galvanized steel wire within the scope of the investigations have common physical characteristics and similar end uses, share common channels of distribution, share common production processes, facilities, and employees, and are perceived by producers and consumers as different forms of the same product." See ITC Prelim at I-6 through I-7 (emphasis added). This statement indicates that coatings such as PVC were in fact part of the ITC's preliminary analysis.

Therefore, in considering the above and record evidence, we find it appropriate to continue to consider galvanized wire that is PVC-coated as being within the scope of the investigation and provide further clarification of the scope language by the addition of HTS subheading 7217.90.1000.

Comment 5: Whether to Apply Adverse Facts Available to Deacero's Inland Freight Expenses for Certain Home Market Sales

Petitioners suggest the Department should apply an adverse inference to Deacero's misreported freight expenses on certain home market sales. Specifically, petitioners cite to the Department's home market verification report concerning Deacero. See Deacero Verification Report at 3. In this report, the Department noted that "{i}n its responses, Deacero reported transaction-specific, per-unit inland freight expenses. In instances where no freight amount was recorded in Deacero's system, they reported an average per-unit freight (by shipping location) expense. During their preparation for the verification, Deacero discovered that many sales thought to have had no incurred freight expense, did." See Deacero Verification Report at 3. Referring to these inland freight expenses, petitioners argue such expenses should be set to zero in Deacero's margin calculations for the final determination. See Case Brief on Behalf of Petitioners, regarding Antidumping Investigation of Galvanized Steel Wire from Mexico, dated February 23, 2012 (Petitioners' Case Brief), at 2.

In its rebuttal to petitioners' arguments, Deacero argues that petitioners' denunciation of Deacero's "erroneous reporting" of its inland freight expenses for certain home-market sales is unfounded. See Rebuttal Brief on Behalf of Deacero S.A. de C.V., regarding Galvanized Steel Wire from Mexico, dated February 28, 2012 (Deacero's Rebuttal Brief), at 1. Therefore, the application of adverse facts available (AFA) should not be warranted in this case. Moreover, citing to the statute, Deacero contends that adverse inferences should be applied if:

...the administering authority or the Commission (as the case may be) finds that an interested party has failed to cooperate by not acting to the best of its ability to comply with a request for information from the administering authority or the Commission, the

administering authority or the Commission (as the case may be), in reaching the applicable determination under this subtitle, may use an inference that is adverse to the interests of that party in selecting from among the facts otherwise available.

See section 776(b) of the Act.

Deacero contends that the company has neither failed to report the requested information nor failed to act to the best of its ability to comply with such request for information. See Deacero's Rebuttal Brief at 1. Deacero argues that upon discovering the inadvertent error while preparing for verification, it acted to the best of its ability to correct such reporting and present it as part of its minor corrections package at the beginning of verification. Deacero clarifies that inland freight expenses were not initially reported on a transaction-specific basis for certain home-market sales due to inadvertent errors in the queries run to capture actual freight amounts. Nevertheless, Deacero also notes that the Department accepted and verified the corrected information. Id. at 2.

Finally, referring to Rhone Poulenc, Inc. v. United States, 899 F. 2d 1185, 1191 (Fed. Cir. 1990), Deacero asserts the Department, as required by the statute, should calculate Deacero's final weighted-average dumping margin as accurately as possible. Accordingly, Deacero insists the Department use the information submitted as part of its minor corrections and reject petitioners' request for an adverse inference. Id. at 2-3.

#### Department's Position:

We find the application of AFA to Deacero's inland freight expenses on certain home market sales is not warranted. Pursuant to section 776(a) of the Act, in general, the Department will rely upon facts available when an interested party: (1) withholds the information requested by the Department, (2) fails to provide such information in the form and manner requested, or (3) provides such information but the information cannot be verified by the Department. Furthermore, an adverse inference would be applicable if the interested party fails to cooperate by not acting to the best of its ability to comply with a request for information. See section 776(b) of the Act

In reviewing the record with respect to Deacero's inland freight expenses in the home market, we find that Deacero reported such expenses as requested by the Department in its section B questionnaire. See Deacero's Section B Questionnaire Response, dated August 2, 2011 (BQR), at B-36; see also Deacero's First Supplemental Questionnaire Response, dated October 7, 2011 (1SQR), at 24.

Additionally, at the outset of the home market sales verification, Deacero presented as part of its minor corrections revised inland freight expenses for certain home-market sales. As mentioned above, Deacero clarified that for certain sales originally reported based on an average inland freight calculation, it was now able to report those sales on a transaction-specific basis. Furthermore, Deacero explained that the inland freight amounts were not identified earlier for three reasons: (1) incorrect delivery terms were noted on the invoice, (2) the data query to pull inland freight failed to pull certain product codes, and (3) the software system used by Deacero

to track freight charges was not consistent over all its locations. See Deacero Verification Report at 3.

Moreover, we reviewed the minor correction documentation submitted by Deacero at the home market verification regarding these expenses and found no discrepancies. We also reviewed, as part of the verification process, several sales that included the calculation of Deacero's inland freight expenses incurred in the home market and found the freight expenses for these sales to be consistent with its methodology and revised reporting. See Deacero Verification Report, at 3, 18 and 34.

Although we acknowledge that Deacero erred in its initial reporting of inland freight expenses for certain home market sales, we disagree with petitioners that the respondent did not act to the best of its ability by erroneously reporting such expenses. On the contrary, we consider that Deacero has consistently demonstrated to be cooperative in terms of providing such information to the Department, as demonstrated above. Additionally, following the Department's instructions in its verification agenda, Deacero timely submitted the revised information at verification in order to correct information already on the record. See Letter to Deacero S.A. de C.V., from Angelica L. Mendoza, Program Manager, Office 7, regarding "Galvanized Steel Wire from Mexico: Home Market Sales Verification Agenda for Deacero S.A. de C.V. (Deacero)," dated November 18, 2011 (Verification Agenda), at 2.

As such, we find that there is no evidence on the record to determine that Deacero has not acted to the best of its ability to comply with the Department's request for information with respect to home market inland freight expenses. Moreover, the methodology and the information presented as part of its minor corrections were timely submitted, verified by the Department, and are as specific and accurate as possible based on the manner in which these expenses are kept and recorded in its normal course of business. Accordingly, for the final determination, the Department will rely upon Deacero's most recent home market sales database which includes the revised home market inland freight expenses presented at verification as a minor correction. See Deacero Home Market Verification Report at 3, 13, 35, 42 and VE-16 and VE-21.

Comment 6: Whether to Apply Adverse Facts Available to Deacero's U.S. Repacking Expenses

Petitioners suggest the Department apply an adverse inference with regard to Deacero's misreported repacking expenses for U.S. sales. Specifically, petitioners cite to the Department's home market verification report concerning Deacero. In this report, the Department states that "officials explained that the per-unit packing expenses {incurred by Deacero USA on sales of U.S. further manufactured products} were reported incorrectly, as they inadvertently used the incorrect packed quantities in their calculations." See Deacero Verification Report at 3. Referring to these U.S. repacking expenses, petitioners argue the Department should set these expenses to the highest reported amount for such variable field for purposes of calculating Deacero's margin for the final determination. See Petitioners' Case Brief at 2.

Deacero's rebuttal comments regarding this issue mirror arguments made regarding petitioners' call for an AFA inference with respect to its corrected home market inland freight expenses. For

further details regarding Deacero's rebuttal, see comment 5 above. Deacero specifically explains in its rebuttal that the quantities used to calculate the packing expenses of Deacero USA, Inc. (Deacero USA)'s further manufactured products (i.e., REPACKU), were incorrect due to an inadvertent programming error. See Deacero's Rebuttal Brief at 2. Deacero asserts that, upon discovering the inadvertent error while preparing for verification, it acted to the best of its ability to correct such reporting and present it as part of its minor corrections package at the beginning of verification, which the Department accepted and verified. Id.

Department's Position:

We find the application of AFA to Deacero's packing expenses incurred on further manufactured products is not warranted. As noted in the comment above, pursuant to section 776(a) of the Act, in general, the Department will determine facts available when an interested party: (1) withholds the information requested by the Department, (2) fails to provide such information in the form and manner requested, or (3) provides such information but the information cannot be verified by the Department. Furthermore, an adverse inference would be applicable if the interested party fails to cooperate by not acting to the best of its ability to comply with a request for information. See section 776(b) of the Act.

In reviewing the record with respect to Deacero USA's packing expenses incurred on further manufactured products (i.e., repacking expenses), we note that Deacero reported such repacking expenses as requested by the Department in its responses. See Deacero's 1SQR at 44; see also Deacero's Section E Questionnaire Response, dated September 6, 2011, at E-2. Additionally, at the outset of the home market sales verification, Deacero presented as part of its minor corrections revised repacking expenses for its further-manufactured U.S. sales. During its presentation, Deacero clarified that it had used the incorrect denominator in its calculation of these repacking expenses. More specifically, it explained that Deacero USA's repacking expenses calculation was performed on a product-specific basis and divided by the quantity packed of each product. However, due to a programming error the packed quantities used in the formula were incorrect. We reviewed the minor correction documentation presented by Deacero at the U.S. sales verification regarding these expenses and found no discrepancies. We also reviewed, as part of the verification process, a sale trace that included this calculation, which we found to be consistent with its methodology and revised reporting. See Memorandum to the File from Ericka Ukrow and Patrick Edwards, Case Analysts, through Angelica L. Mendoza, Program Manager, Office 7, entitled "Verification of the Sales Response of Deacero USA, Inc. (Deacero USA) and Stay-Tuff Fence Manufacturing, Inc. (Stay-Tuff) in the Antidumping Investigation of Galvanized Steel Wire from Mexico," dated February 15, 2012 (Deacero CEP Verification Report), at 21.

Although we acknowledge that Deacero erred in its initial reporting of its repacking expenses for further manufactured products, we disagree with petitioners that the respondent did not act to the best of its ability by erroneously reporting such expenses. On the contrary, we consider that Deacero has consistently demonstrated to be cooperative in terms of providing such information to the Department, as demonstrated above. Additionally, following the Department's instructions in its verification agenda, Deacero timely submitted the revised information at verification in order to correct information already on the record. See Verification Agenda at 2.

As such, we find that there is no evidence on the record to determine that Deacero has not acted to the best of its ability to comply with the Department's request for information with respect to the packing expenses associated with further-manufactured sales. Moreover, the methodology and the information presented as part of its minor corrections were timely submitted, verified by the Department, and are as specific and accurate as possible based on the manner in which these expenses are kept and recorded in its normal course of business. Accordingly, for the final determination, the Department will use Deacero's most recent U.S. sales database which includes the revised repacking expenses presented at verification as a minor correction. See Deacero CEP Verification Report at 3 and VE-20.

Comment 7: Deacero's Reporting of Costs for Further Manufacturing

In their case brief, petitioners argue that the Department should make the corrections it identified in the "Summary of Issues" section of the further manufacturing verification report for Deacero USA and Stay-Tuff Fence Manufacturing, Inc. (Stay-Tuff). See Memorandum to the File from Frederick W. Mines, Accountant, and Christopher J. Zimpo, Senior Accountant, regarding "Verification of the Further Manufacturing Data Submitted by Deacero S.A. de C. V. for Deacero USA Inc. and Stay-Tuff Fence Manufacturing, Inc., in the Antidumping Duty Investigation of Galvanized Steel Wire from Mexico," dated January 27, 2012, at 2-3.

Deacero did not comment.

Department's Position:

We find that it is necessary to adjust the further manufacturing costs as noted in the "Summary of Issues" section of the further manufacturing cost verification report. Specifically for Deacero USA, we adjusted the further manufacturing material costs to correct the yield loss. We increased the further manufacturing COM to include the unreconciled difference between the total costs in the reported database and the total costs in the financial accounting system. In addition, we revised Deacero USA's general and administrative (G&A) expense rate for revisions to packing and warehouse expenses. Finally, we revised Deacero USA's G&A rate so that its G&A costs are fully absorbed. For Stay-Tuff, we adjusted the further manufacturing material cost to include yield loss. In addition, we adjusted Stay-Tuff's G&A expense rate calculation to fully absorb its G&A costs and to exclude financial expenses from the G&A rate. For a detailed explanation and the programming used to institute these changes, see Memorandum to Neal M. Halper from Christopher J. Zimpo, Senior Accountant, through Theresa C. Deeley, Lead Accountant, regarding "Cost of Cost of Production, Constructed Value and Further Manufacturing Cost Calculation Adjustments for the Final Determination - Deacero S.A. de C.V.," dated March 19, 2012 (Deacero Final Cost Memorandum).

Comment 8: Deacero's Reporting of Inland Freight Charges for Certain U.S. Sales

Petitioners argue the Department should correct Stay-Tuff's reported inland freight charges from its New Braunfels facility to its Indianapolis warehouse (field INLFPW2U) in accordance with the Department's findings at the U.S. sales verification. See Petitioners' Case Brief at 3.

Deacero did not comment.

Department's Position:

We will rely upon Deacero's revised U.S. inland freight expenses, incurred by its affiliate Stay-Tuff (variable field INLFPW2U), presented by Deacero as a minor correction at the outset of the U.S. sales verification. See Deacero CEP Verification Report at 3.

As explained at verification, Stay-Tuff had initially reported this average per-unit inland freight expense by manually inputting the total shipment weights as recorded in its carrier's invoice. However, following a manual review in preparing for verification, Stay-Tuff found that these inland freight expenses should have been entered by using the total weights recorded in Stay-Tuff's packing slips as the figures from its carrier's invoice are less precise (*i.e.*, occasionally include the product's pallet weight). Additionally, Stay-Tuff officials noted that there was a shipment that should not have been included as part of the calculation. Accordingly, Deacero appropriately revised and timely presented revised expenses for variable field INLFPW2U at the outset of verification. Id. at VE-1, Appendix 3.

The accuracy of the revised allocation methodology employed by the respondent and the source documentation supporting such allocation was specifically verified by the Department with no significant distortions or discrepancies noted. Id. at VE-15.

We therefore agree with petitioners and find that it is necessary to implement the corrections made to this inland freight expense by using Deacero's most recent U.S. sales database, which includes the revised INLFPW2U expenses, for purposes of calculating Deacero's final determination margin.

Comment 9: Deacero's Reporting of its Cost of Production and Constructed Value

In their case brief, petitioners aver that the Department should make the corrections it identified in the "Summary of Issues" section of its cost verification report for Deacero. See Memorandum to the File from Frederick W. Mines, Accountant, and Christopher J. Zimpo, Senior Accountant, regarding "Verification of the Cost of Production and Constructed Value Data Submitted by Deacero S.A. de C. V. in the Antidumping Duty Investigation of Galvanized Steel Wire from Mexico," dated January 13, 2012 (Deacero Cost Verification Report), at 2.

No other party commented on this issue.

Department's Position:

For this final determination, we have revised the cost database as noted in the "Summary of Issues" section of the Deacero Cost Verification Report. Specifically, we increased Deacero's billet costs to capture the full billet costs that are recorded in its normal financial accounting system. We also increased Deacero's reported COM to include the unreconciled difference between its cost database and its cost accounting system. In addition, we increased Deacero's

COM to correct for certain galvanized wire costs that were misclassified to merchandise not under consideration. Finally, we revised Deacero's G&A ratio to include steel and zinc scrap revenue in the denominator. For further explanation and the programming used to institute these changes, see Deacero Final Cost Memorandum.

#### Camesa-Specific Issues:

##### Comment 10: Whether the Department Used an Average-to-Average Comparison Methodology

In its case brief, Camesa argues that, at the Preliminary Determination, the Department compared U.S. prices for individual transactions with POI weighted-average normal values, rather than abiding by its normal practice for investigations, which is to compare POI weighted-average U.S. prices with POI weighted-average normal values (*i.e.*, the average-to-average comparison). See Case Brief of Acero Camesa S.A de C.V. and WireCo WorldGroup Inc., dated February 23, 2012 (Camesa's Case Brief), at 2. Specifically, Camesa states that the macro execution pertaining to the weight-averaging of data occurring in the Department's U.S. margin programs, which derives the summary of margins at the control number level, is based on transaction-specific margins. Id. at 3. Camesa avers that the Department should correct its comparison methodology by deriving weighted-average U.S. prices by control number before deriving margins and the overall dumping margin. Id.

In its rebuttal brief, petitioners state that they do not disagree with Camesa's argument. However, they point out that there is no material difference between the two calculation methods when negative dumping margins are added to positive dumping margins in calculating the overall weighted-average dumping margin. See Petitioners' Rebuttal Brief at 2.

#### Department's Position:

We find that the Department did use the incorrect comparison methodology in its preliminary margin calculations pertaining to Camesa. As such, we have revised our programs so that an average-to-average comparison is employed in developing dumping margins. We note that, while it was not raised specifically by Deacero, the same error occurred in Deacero's preliminary margin program. We are therefore revising Deacero's programming language accordingly. For further information regarding the revisions made to the programming language for Camesa, see Memorandum to the File from Patrick Edwards, Case Analyst, entitled "Analysis of Data Submitted by Aceros Camesa S.A. de C.V. for the Final Determination of the Antidumping Duty Investigation of Galvanized Steel Wire from Mexico," dated March 19, 2012 (Camesa Final Analysis Memo). See also Deacero Final Analysis Memo.

##### Comment 11: Whether the U.S. Inventory Carrying Costs were Calculated Properly

In its case brief, Camesa argues that, at the Preliminary Determination, the Department recalculated Camesa's inventory carrying costs incurred on its U.S. sales and applied that revised calculation to all reported sales. However, Camesa argues that it reported only inventory carrying costs for its U.S. sales made to one particular customer, whose name is proprietary in nature, and as such, the Department should revise its programming language further to ensure

that the re-calculated inventory carrying costs are revised only for those sales made to that customer.

No other party provided comments on this issue.

Department's Position:

We find that the Department inadvertently applied a per-unit expense for Camesa's inventory carrying costs for all of its reported U.S. sales. We note that Camesa reported in its questionnaire responses that it incurred inventory carrying costs only on sales made to one particular U.S. customer, which we verified during our home market and U.S. constructed export price verifications of Camesa's sales responses. See Camesa's Section C Questionnaire Response, dated August 3, 2011, at page 36; see also Memorandum to the File, from Patrick Edwards and Ericka Ukrow, Case Analysts, entitled "Verification of the Sales Responses of Aceros Camesa, S.A. de C.V. in the Antidumping Investigation on Galvanized Steel Wire from Mexico," dated February 13, 2012, at 22 and Memorandum to the File, from Patrick Edwards and Ericka Ukrow, Case Analysts, entitled "Verification of the Sales Response of Aceros Camesa S.A. de C.V. (Camesa) and WireCo World Group, Inc. (WireCo) in the Antidumping Investigation of Galvanized Steel Wire from Mexico," dated February 16, 2012, at 2, 8, and 16. Therefore, for purposes of this final determination, we are revising our programming language to ensure that Camesa's inventory carrying costs are not only revised (as was intended at the Preliminary Determination), but also applied to the appropriate sales reported in Camesa's U.S. sales database. For further information regarding revisions to our programming language, see Camesa Final Analysis Memo.

RECOMMENDATION:

Based on our analysis of the comments received, we recommend adopting the positions set forth above. If these recommendations are accepted, we will publish the final determination, including the final dumping margins, for all companies subject to this investigation in the Federal Register.

Agree ✓

Disagree \_\_\_\_\_

*Paul Piquado*  
Paul Piquado  
Assistant Secretary  
for Import Administration

19 MARCH 2012  
Date