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Investigation
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MEMORANDUM TO: Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Issues and Decision Memorandum for the Final Affirmative
Determination in the Less-Than-Fair-Value Investigation of
Circular Welded Carbon-Quality Steel Pipe from the Sultanate of
Oman

I. Summary

We analyzed the comments of the interested parties in the less-than-fair-value (LTFV) investigation of circular welded carbon-quality steel pipe (CWP) from the Sultanate of Oman (Oman). As a result of our analysis, and based on our findings at verification, we made certain changes to the margin calculations for Al Jazeera Steel Products Co. SAOG (Al Jazeera), the only mandatory respondent in this investigation. We recommend that you approve the positions described in the “Discussion of the Issues” section of this memorandum. Below is the complete list of the issues in this LTFV investigation for which we received comments from interested parties:

1. Al Jazeera’s Reported System Weights
2. Al Jazeera’s Pipe Coating Reporting
3. Returned Sales in the Home Market Sales Database
4. Reported Production Quantities
5. Weighted-Average Costs
6. General & Administrative Expense Ratio

II. Background

On June 8, 2016, the Department of Commerce (the Department) published the preliminary determination of sales of CWP from Oman at LTFV.¹ We invited parties to comment on the

¹ See *Circular Welded Carbon-Quality Steel Pipe From the Sultanate of Oman: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 36871 (June 8, 2016) (*Preliminary Determination*).

Preliminary Determination. The period of investigation (POI) is October 1, 2014, through September 30, 2015.

In July and August 2016, we conducted verification of the sales and cost of production (COP) information submitted by Al Jazeera, in accordance with section 782(i) of the Act.² On September 9, 2016, the respondent and the petitioners³ submitted case briefs.⁴ On September 14, 2016, both parties submitted rebuttal briefs.⁵

Based on our analysis of the comments received and our verification findings, we revised the weighted-average dumping margin for Al Jazeera from the margin calculated in *the Preliminary Determination*.

III. Scope of the Investigation

This investigation covers welded carbon-quality steel pipes and tube, of circular cross-section, with an outside diameter (O.D.) not more than nominal 16 inches (406.4 mm), regardless of wall thickness, surface finish (*e.g.*, black, galvanized, or painted), end finish (plain end, beveled end, grooved, threaded, or threaded and coupled), or industry specification (*e.g.*, American Society for Testing and Materials International (ASTM), proprietary, or other), generally known as standard pipe, fence pipe and tube, sprinkler pipe, and structural pipe (although subject product may also be referred to as mechanical tubing). Specifically, the term “carbon quality” includes products in which:

- (a) iron predominates, by weight, over each of the other contained elements;
- (b) the carbon content is 2 percent or less, by weight; and
- (c) none of the elements listed below exceeds the quantity, by weight, as indicated:
 - (i) 1.80 percent of manganese;
 - (ii) 2.25 percent of silicon;
 - (iii) 1.00 percent of copper;
 - (iv) 0.50 percent of aluminum;
 - (v) 1.25 percent of chromium;

² For discussion of our verification findings, see the following memoranda: Memorandum to the File, “Verification of the Sales Responses of Al Jazeera Steel Products Co. SAOG in the Antidumping Duty Investigation of Circular Welded Carbon-Quality Steel Pipe from the Sultanate of Oman,” dated August 31, 2016 (Sales Verification Report); and Memorandum to the File, “Verification of Al Jazeera Steel Products Co. SAOG in the Antidumping Duty Investigation of Circular Welded Carbon-Quality Steel Pipe from the Sultanate of Oman,” dated August 22, 2016 (Cost Verification Report).

³ The petitioners are Bull Moose Tube Company, EXLTUBE, Wheatland Tube Company, Western Tube and Conduit.

⁴ See Letter from Al Jazeera, “Circular Welded Carbon-Quality Steel Pipe from the Sultanate of Oman; Case brief of Al Jazeera,” dated September 9, 2016 (Al Jazeera’s Case Brief); *see also* letter from petitioners, “Circular Welded Carbon-Quality Steel Pipe From The Sultanate of Oman: Petitioners’ Case Brief,” dated September 9, 2016 (Petitioners’ Case Brief).

⁵ See Letter from Al Jazeera, “Circular Welded Carbon-Quality Steel Pipe from the Sultanate of Oman; Rebuttal brief of Al Jazeera,” dated September 14, 2016 (Al Jazeera’s Rebuttal Brief); *see also* letter from petitioners, “Circular Welded Carbon-Quality Steel Pipe From The Sultanate of Oman: Petitioners’ Rebuttal Brief,” dated September 14, 2016 (Petitioners’ Rebuttal Brief).

- (vi) 0.30 percent of cobalt;
- (vii) 0.40 percent of lead;
- (viii) 1.25 percent of nickel;
- (ix) 0.30 percent of tungsten;
- (x) 0.15 percent of molybdenum;
- (xi) 0.10 percent of niobium;
- (xii) 0.41 percent of titanium;
- (xiii) 0.15 percent of vanadium; or
- (xiv) 0.15 percent of zirconium.

Covered products are generally made to standard O.D. and wall thickness combinations. Pipe multi-stenciled to a standard and/or structural specification and to other specifications, such as American Petroleum Institute (API) API-5L specification, may also be covered by the scope of these investigations. In particular, such multi-stenciled merchandise is covered when it meets the physical description set forth above, and also has one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted (*e.g.*, polyester coated) surface finish; or has a threaded and/or coupled end finish.

Standard pipe is ordinarily made to ASTM specifications A53, A135, and A795, but can also be made to other specifications. Structural pipe is made primarily to ASTM specifications A252 and A500. Standard and structural pipe may also be produced to proprietary specifications rather than to industry specifications.

Sprinkler pipe is designed for sprinkler fire suppression systems and may be made to industry specifications such as ASTM A53 or to proprietary specifications.

Fence tubing is included in the scope regardless of certification to a specification listed in the exclusions below, and can also be made to the ASTM A513 specification. Products that meet the physical description set forth above but are made to the following nominal outside diameter and wall thickness combinations, which are recognized by the industry as typical for fence tubing, are included despite being certified to ASTM mechanical tubing specifications:

O.D. in inches (nominal)	Wall thickness in inches (nominal)	Gage
1.315	0.035	20
1.315	0.047	18
1.315	0.055	17
1.315	0.065	16
1.315	0.072	15
1.315	0.083	14
1.315	0.095	13
1.660	0.055	17
1.660	0.065	16
1.660	0.083	14
1.660	0.095	13
1.660	0.109	12

1.900	0.047	18
1.900	0.055	17
1.900	0.065	16
1.900	0.072	15
1.900	0.095	13
1.900	0.109	12
2.375	0.047	18
2.375	0.055	17
2.375	0.065	16
2.375	0.072	15
2.375	0.095	13
2.375	0.109	12
2.375	0.120	11
2.875	0.109	12
2.875	0.165	8
3.500	0.109	12
3.500	0.165	8
4.000	0.148	9
4.000	0.165	8
4.500	0.203	7

The scope of this investigation does not include:

- (a) pipe suitable for use in boilers, superheaters, heat exchangers, refining furnaces and feedwater heaters, whether or not cold drawn, which are defined by standards such as ASTM A178 or ASTM A192;
- (b) finished electrical conduit, *i.e.*, Electrical Rigid Steel Conduit (also known as Electrical Rigid Metal Conduit and Electrical Rigid Metal Steel Conduit), Finished Electrical Metallic Tubing, and Electrical Intermediate Metal Conduit, which are defined by specifications such as American National Standard (ANSI) C80.1-2005, ANSI C80.3-2005, or ANSI C80.6-2005, and Underwriters Laboratories Inc. (UL) UL-6, UL-797, or UL-1242;
- (c) finished scaffolding, *i.e.*, component parts of final, finished scaffolding that enter the United States unassembled as a “kit.” A kit is understood to mean a packaged combination of component parts that contains, at the time of importation, all of the necessary component parts to fully assemble final, finished scaffolding;
- (d) tube and pipe hollows for redrawing;
- (e) oil country tubular goods produced to API specifications;
- (f) line pipe produced to only API specifications, such as API 5L, and not multi-stenciled; and
- (g) mechanical tubing, whether or not cold-drawn, other than what is included in the above paragraphs.

The products subject to this investigation are currently classifiable in Harmonized Tariff Schedule of the United States (HTSUS) statistical reporting numbers 7306.19.1010, 7306.19.1050, 7306.19.5110, 7306.19.5150, 7306.30.1000, 7306.30.5015, 7306.30.5020,

7306.30.5025, 7306.30.5032, 7306.30.5040, 7306.30.5055, 7306.30.5085, 7306.30.5090, 7306.50.1000, 7306.50.5030, 7306.50.5050, and 7306.50.5070. The HTSUS subheadings above are provided for convenience and U.S. Customs purposes only. The written description of the scope of the investigation is dispositive.

IV. Margin Calculations

For Al Jazeera, we calculated export price (EP) and normal value (NV) using the same methodology as stated in the *Preliminary Determination*,⁶ except as follows:⁷

1. We recoded all sales reported with pipe coating (COATH/U) code “12” to code “10.”
See Comment 2, below.
2. We revised the inland freight expense for certain sales to one home market customer.⁸
3. We revised the bank charges for one U.S. sale.⁹
4. We adjusted Al Jazeera’s reported costs to correct a clerical error in the calculation of the weighted-average cost of hot-rolled coil.¹⁰
5. To put the per-unit COP and constructed value (CV) data on the same basis as the per-unit sales prices, we adjusted Al Jazeera’s reported per-unit costs to reflect the system weight of each CONNUM.¹¹
6. We adjusted Al Jazeera’s reported total general and administrative (G&A) expenses to include losses on the sale of fixed assets.¹²

V. Discussion of Issues

Comment 1: Al Jazeera’s Reported System Weights

Al Jazeera sells CWP to the United States based on commercial invoice or “black pipe” weight (*i.e.*, the weight of CWP net of the weight of zinc for galvanized products, and couplings for

⁶ *See Preliminary Determination* and accompanying Decision Memorandum from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, to Paul Piquado, Assistant Secretary for Enforcement and Compliance, “Decision Memorandum for the Preliminary Determination in the Antidumping Duty Investigation of Circular Welded Carbon-Quality Steel Pipe from the Sultanate of Oman,” at 4-7 (Preliminary Decision Memorandum).

⁷ *See* Memorandum to the File, “Final Determination Margin Calculation for Al Jazeera Steel Products Co. SAOG” dated October 21, 2016 (Al Jazeera Final Sales Calculation Memo), and Memorandum to Neal M. Halper, “Cost of Production and Constructed Value Calculation Adjustments for the Final Determination – Al Jazeera Steel Products Co. SAOG” dated October 21, 2016 (Al Jazeera Final Cost Calculation Memo).

⁸ *See* Sales Verification Report at 16; *see also* Al Jazeera Final Sales Calculation Memo.

⁹ *See* Sales Verification Report at 17; *see also* Al Jazeera Final Sales Calculation Memo.

¹⁰ *See* Al Jazeera Final Cost Calculation Memo.

¹¹ *Id.*

¹² *Id.*

threaded and coupled products), but maintains in its accounting system weight information that is inclusive of the weight of zinc and couplings, where applicable (*i.e.*, “system weight”). In the *Preliminary Determination*, the Department used Al Jazeera’s reported system weights for both home market and U.S. sales to calculate a margin because Al Jazeera reported that it does not maintain black pipe weight information for home market sales. The petitioners submitted comments supporting this methodology for the preliminary determination.¹³

The petitioners posit that for the final determination, pursuant to sections 776(a) and (b) of the Tariff Act of 1930 (the Act), the Department should base Al Jazeera’s margin on total adverse facts available (AFA) because its submitted data are unreliable. Specifically, the petitioners maintain that Al Jazeera failed to cooperate to the best of its ability by reporting product weight based on incorrect weight calculations in its home market and cost databases. The petitioners contend that if the Department was to calculate a margin, it should not use Al Jazeera’s system weight as the comparison basis, as it is not the standard on which the industry operates. The petitioners assert that the Department should conform this pipe case and other pipe proceedings to use the industry accepted theoretical weight based on black pipe; accordingly, the petitioners argue, the Department must request a revised home market sales database from Al Jazeera.

With respect to pipe cases generally, the petitioners assert that theoretical weight is the appropriate basis for price comparisons, because this is the basis on which subject merchandise is sold in the United States. Moreover, they contend that the Department has a preference for theoretical weight,¹⁴ and that theoretical weight as understood by industry standards is the weight of the black plain end pipe exclusive of zinc weight or the weight of couplings.¹⁵ In this case, the petitioners contend that Al Jazeera’s system weights are inconsistent with industry standards, as they include the weight of zinc for galvanized products and the weight of couplings for threaded and coupled products. The petitioners also argue that galvanized products carry a price premium over black pipe, and that this difference is accounted for in the model match. Therefore, the petitioners assert, the Department would be double counting this difference in merchandise if it allows the weight of zinc for galvanized products to be included in the overall weight of the pipe. In addition, the petitioners argue that Al Jazeera acknowledges that the weight of zinc is not accounted for by the industry.

The petitioners also contend that Al Jazeera’s reported coupling (socket) and zinc weights are inconsistent. They allege errors in Al Jazeera’s methodology for calculating zinc weight and inaccuracies in socket weights and system weight calculations. Additionally, the petitioners state that Al Jazeera’s home market invoices show that it invoices customers on a per-piece basis. Therefore, according to the petitioners, Al Jazeera should have reported the number of pieces, as opposed to weights, in the quantity field in the sales databases.

Al Jazeera argues that the Department should continue to use system weight for the final margin calculations. Al Jazeera contends that the petitioners’ proposal would distort the reported

¹³ See Petitioners’ May 16, 2016, submission, “Circular Welded Carbon-Quality Steel Pipe from Oman: Petitioners’ Comments in Anticipation of the Preliminary Determination,” at 6.

¹⁴ See Petitioners’ Case Brief at 1 (citing *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 81 FR 47355 (July 21, 2016) (*HWR Turkey*), and accompanying Issues and Decision Memorandum at 15).

¹⁵ See Petitioners’ Case Brief at 3.

movement expenses and COP, because the published industry American Society for Testing and Materials (ASTM) and European (EN) standards do not consider the weight of zinc on galvanized pipe. Al Jazeera adds that even though the technical specifications on which customer orders are based do not account for the weight of zinc, customers are buying physical merchandise which includes the weight of zinc. Therefore, Al Jazeera argues that, because its movement expenses are based on system weights (which include zinc), and the weight of zinc comprises two to three percent of the total weight of the galvanized pipe, making a change to the system weights would create a material distortion in the denominator of the movement expense calculation.

Al Jazeera also differentiates its case from other pipe determinations made by the Department. Specifically, Al Jazeera points out that *HWR from Turkey* did not involve galvanized products. Therefore, that case did not resolve the issue of whether the distortion of movement expenses arising from the use of the petitioners' version of theoretical weight would lead to accurate margin calculations. Furthermore, Al Jazeera claims that the petitioners' argument that galvanized products are already accounted for in the model match (and would lead to double counting) is misleading, because a price which fails to reflect a significant physical characteristic cannot be used to calculate margins accurately. Therefore, Al Jazeera asserts that the use of system weight would yield more accurate results because system weight reflects the reality of Al Jazeera's sales and costs.

Moreover, Al Jazeera refutes the petitioners' claims that its system weights are unreliable. First, Al Jazeera rebuts the petitioners' claim that its reported coupling weights were misreported. Al Jazeera states that out of the 18 missing socket weights that the petitioners identified, only one pertained to a product that was sold in the home market, and one pertained to a product that was sold in the U.S. market. Thus, the company argues that this assertion is trivial, and the Department can make an adjustment for this weight if necessary. Second, Al Jazeera states that with respect to the errors the petitioners identified in the system weight calculations, only one line item related to a sale during the POI. Furthermore, according to Al Jazeera, the additional anomalies cited by the petitioners do not pertain to sales appearing in the home market or U.S. sales databases, and therefore, do not affect the investigation. Third, Al Jazeera maintains that the outside diameter measurement used in its system weight calculations is within the tolerance levels designated by the EN standard. Finally, Al Jazeera states that it reported its databases correctly by providing the system weights in kilograms. It maintains that the Department explicitly requested that Al Jazeera report weight in kilograms, and never requested per-piece amounts.

Department's Position

We disagree with the petitioners. Contrary to the petitioners' assertions, we find that Al Jazeera's system weights are reliable and, therefore, the application of AFA is not warranted. Al Jazeera has been cooperative throughout this investigation, responding to all our requests for information. Moreover, we verified Al Jazeera's reported system weights and found only minor discrepancies which were limited in nature, as discussed below.¹⁶

¹⁶ See Sales Verification Report at 9.

At issue in this investigation is the question of which theoretical weight to use in the margin calculation, *i.e.*, system weight (inclusive of the weight of zinc and/or couplings) or commercial invoice weight (black pipe weight, exclusive of the weight of zinc and/or couplings). In the *Preliminary Determination*, we used Al Jazeera's reported system weights in both the United States and the home market to ensure that per-unit U.S. and home market prices were on an equivalent weight basis. Although Al Jazeera provided commercial invoice weights net of zinc and couplings for U.S. sales, it reported that it does not maintain commercial invoice weights which exclude the weights of zinc and couplings in the home market. In examining Al Jazeera's system weights at verification, we noted no discrepancies with this statement.¹⁷ We also found only minor errors related to rounding and miscalculations related to calculating the length of a six meter pipe, which affected only approximately one percent of the reported U.S. sales.¹⁸ As Al Jazeera points out, the majority of the issues that the petitioners point to relate to products that were not sold during the POI. For example, although the petitioners argue that Al Jazeera omitted 18 socket weights, only one product associated with the omitted socket weights was sold during the POI.¹⁹

Moreover, Al Jazeera was not required to report weights on an industry standard basis or on a per-piece basis. Although the petitioners argue that Al Jazeera should have reported its weights by piece, the Department requested that Al Jazeera report QTYH/U by the quantity amount shipped or invoiced.²⁰ While Al Jazeera's invoices contain the number of pieces it sold, they also contain the weight of the products sold. Therefore, Al Jazeera was at liberty to report weights as they appeared in its invoices and accounting system and the Department did not request that it do otherwise. Furthermore, to make price comparisons on the same weight basis, we find that using Al Jazeera's system weights for the final determination is less distortive and more accurate than converting the home market sales data to black pipe weight, because there is insufficient information on the record to adjust the home market movement expenses appropriately as they are calculated based on destination-specific shipment quantities which include both galvanized and coupled products.²¹

Finally, we disagree with the petitioners' argument that the Department must make price comparisons on the basis of Al Jazeera's U.S. invoicing methodology, because the Department's questionnaire did not require that the respondent report black pipe weight.²² Additionally, it is too late in the proceeding for the respondent to revise its home market sales database on the basis of black pipe weights, as suggested by the petitioners. Accordingly, for the final determination we continue to use system weights as the basis for price comparisons in our margin calculations. However, should this investigation result in an antidumping duty order, we may revisit this issue in the context of an administrative review, and consider revising our questionnaire to further consider the concerns expressed by both parties.

¹⁷ See Sales Verification Report at 8-9.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ See Letter to Al Jazeera Steel Products Co. SAOG, "Request for Information in the Antidumping Duty Investigation of Al Jazeera Steel Products Co. SAOG," dated December 15, 2015 (Department's December 15, 2015, questionnaire), at B-15.

²¹ See Al Jazeera's April 5, 2016, supplemental questionnaire response at Exhibit 12.

²² See Department's December 15, 2015, questionnaire at B-15.

Comment 2: Al Jazeera's Pipe Coating Reporting

The Department's questionnaire instructed Al Jazeera to report the type of pipe coating, using code 10 for black pipe, code 20 for galvanized pipe, and code 30 for painted pipe (e.g., epoxy or powder coating) and to add additional codes as necessary. Al Jazeera added code "12" for black painted pipe, and explained that this pipe is painted with a light enamel coating which acts as a temporary rust-preventive coating and is not intended as a lifetime coating.²³ We accepted this coding in the *Preliminary Determination*.

The petitioners contend that the Department should reject Al Jazeera's additional coating category, and recode "12" (black painted) pipe sales as "10" (black including bare) pipe sales for the final determination. The petitioners argue that Al Jazeera failed to demonstrate any commercially significant difference that would warrant the differentiation of black painted products. The petitioners contend that the Department's practice is to look to price when measuring whether a physical characteristic has a significant commercial impact,²⁴ and add that the sales verification report confirms that the price is the same for painted and unpainted pipe.²⁵ According to the petitioners, cost differences are not the primary or determining factor in measuring whether a physical characteristic has a significant commercial impact.²⁶ The petitioners also note that, while Al Jazeera demonstrated a difference in cost between black painted pipe and unpainted pipe, it is not clear that the difference in cost is limited to the cost of paint, because the relevant variable (i.e., other materials) in the cost database includes the cost of other items.

Finally, the petitioners maintain that Al Jazeera's light enamel coating should be treated as a packing expense rather than as a cost of manufacturing. The petitioners state that this light enamel paint is temporary in nature and its purpose is no different than a plastic end cap used in transit.²⁷ The petitioners propose that the Department accomplish this by removing the paint costs from the cost data (both numerator and denominator), recalculate the G&A and interest ratios, and create new fields in the U.S. and home market sales databases that capture this packing expense.

Al Jazeera argues that industry standards and our past practice warrant the acceptance of code "12" as part of the pipe coating (COATH/U) field. First, Al Jazeera points to the EN 10255 standard which shows a distinction between an unpainted pipe and a pipe with protective coating. Second, it states that there must be commercial significance to the black painted products because customers specifically request either black painted or unpainted products in their orders. Al Jazeera notes that the Department confirmed this at verification.²⁸ Third, Al Jazeera points to the scope of the investigation which includes painted products under surface finishes. Fourth, the respondent states that the Department has accepted the use of paint as an

²³ See Al Jazeera's January 21, 2016, sections B, C, and D questionnaire response at 12-13.

²⁴ See Petitioners' Case Brief at 15 (citing the U.S. Department of Commerce Antidumping Manual, Ch. 8 at 8).

²⁵ *Id.* (citing the Sales Verification Report at 8).

²⁶ *Id.* (citing *Certain Oil Tubular Goods from the Republic of Turkey: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 79 FR 10484 (February 25, 2014) (*OCTG Turkey Prelim*), and accompanying Issues and Decision Memorandum at 17).

²⁷ *Id.*, at 17.

²⁸ See Al Jazeera's Rebuttal Brief at 15 (citing to the Sales Verification Report at 7).

additional code in the surface finish field in other investigations; according to Al Jazeera, the petitioners are incorrect in stating that the Department has consistently excluded paint as a surface finish.²⁹ Finally, Al Jazeera states that at this point in the proceeding, it would be unfeasible to remove the painting cost from the cost of manufacturing and apply it to painted products, because Al Jazeera reported its packing on an aggregated basis for export and domestic packing. In any event, according to Al Jazeera, it would be necessary to retain the control number (CONNUM) distinction between painted and unpainted products to ensure that only painted products were burdened with the painting costs.

Department's Position:

We accepted Al Jazeera's pipe coating reporting, *i.e.*, the addition of code "12" for black painted pipe to the existing COATH/U categories established by the Department, in the *Preliminary Determination*. However, upon further review of the record, we agree with the petitioners and, for the reasons explained below, determine that Al Jazeera's code "12" (black painted) pipe should be recoded as code "10" (black including bare) pipe for the final determination.

Al Jazeera failed to demonstrate that there is any commercially significant difference between bare pipe and its black painted pipe that warrants the addition of a separate coating category. In determining whether products are identical, we assess whether any proposed product characteristic reflects a commercially significant difference.³⁰ Here, we agree that a respondent has the burden of demonstrating that any proposed product characteristic reflects a commercially significant difference.³¹ When measuring whether there are commercially significant differences, our practice is to compare prices, rather than costs, of the products at issue.³² In previous steel investigations, we have stated that variations in cost are not the determining factor for establishing product characteristics.³³ During verification, company officials were able to show a difference between the cost of manufacturing between black painted pipes and unpainted pipes, but they stated that the price to the customer is approximately the same for these products.³⁴ Therefore, the respondent failed to meet the burden of establishing that there is a significant commercial difference between bare pipe and black painted pipe due to a significant price difference between the products.

Furthermore, during the process of establishing the product characteristics for this case, the petitioners stated that any temporary or anti-rust coatings would be appropriately coded "10" for black pipe.³⁵ In addition, they stated that such coatings add little or no value to the sales price and are inconsequential as a matter of cost.³⁶ No comments were filed in rebuttal to the

²⁹ *Id.* at 16-17 (citing *Final Results of Antidumping Duty Administrative Review: Certain Welded Carbon Steel Pipe and Tube from Turkey*, 70 FR 73447 (December 12, 2005), and accompanying Issues and Decision Memorandum at Comment 3).

³⁰ *See Fagersta Stainless AB v. United States*, 577 F. Supp.2d 1270, 1278-1281 (CIT 2008).

³¹ *See Certain Pasta from Italy: Notice of Final Determination of Sales at Less Than Fair Value*, 61 FR 30326, 30346 (June 14, 1996).

³² *See Stainless Steel Wire Rod from Sweden: Final Results of Antidumping Duty Administrative Review*, 73 FR 12950 (March 11, 2008), and accompanying Issues and Decision Memorandum at Comment 1.

³³ *See OCTG Turkey Prelim*, and accompanying Decision Memorandum at 17.

³⁴ *See Sales Verification Report* at 8.

³⁵ *See Letter from Petitioners*, "Circular Welded Carbon-Quality Steel Pipe from Oman, Pakistan, the Philippines, the United Arab Emirates, and Vietnam: Model Match Comments," dated December 4, 2015.

³⁶ *Id.*

petitioners' comments regarding coating codes. We revised our model match criteria from the prior CWP investigations to incorporate the petitioners' comments - *i.e.*, adding the language "includes bare pipe" to code "10" under COATH/U in the original questionnaire. Therefore, we envisioned code "10" being used for both black painted pipe and bare pipes. We also note that the intended hierarchy of the codes is from the lowest to the highest cost - *i.e.*, code "30" includes epoxy coating, which is not considered a temporary coating. Therefore, for the reasons stated above, we have determined it appropriate to re-code code "12" pipes as code "10" in the final determination. While we agree that it is appropriate to re-code the painted pipe currently coded as "12" to code "10," we disagree with the petitioners that the additional costs associated with painting the black painted pipes should be removed from the cost of manufacturing and added to packing costs. We consider packing expenses to be those associated with items such as shrink wrapping, pallets, or banding, *etc.* Here, Al Jazeera is adding a coat of enamel paint to the product itself which we consider to be an expense appropriately included in the cost of manufacturing.

Comment 3: Returned Sales in the Home Market Sales Database

The petitioners contend that sales of returned merchandise should be removed from the home market database, and the expenses associated with those sales, such as the return freight, should be re-allocated to the remaining sales.

Department's Position:

In the *Preliminary Determination*, we excluded the returned sales from our margin calculation.³⁷ At verification, we found no evidence that additional freight expenses were incurred to return the merchandise. Company officials stated that when merchandise is returned, a local truck is simply rerouted, and adds the returned merchandise to its existing load.³⁸ With respect to the outbound freight expenses incurred for the returned sales, while we agree with the petitioners that it may be appropriate to assign such expenses to the remaining sales, such an adjustment has no impact on the margin.³⁹ For these reasons, we made no changes to our *Preliminary Determination* calculation with respect to the returned sales at issue.

Comment 4: Reported Production Quantities

Al Jazeera argues that although the Department properly used system weights for the purposes of the *Preliminary Determination*, it is necessary to modify the reported per-unit weights for galvanized and threaded and coupled products for the final determination. Al Jazeera points out that the Department verified that the reported per-unit COP was calculated based on the weight of black pipe, *i.e.*, exclusive of the weight of zinc and sockets. According to Al Jazeera, because the system weights in the sales databases reflect the weight of zinc and sockets, the quantities in the cost database should be stated on a similar basis. Otherwise, Al Jazeera asserts, the reported costs for galvanized and threaded and coupled pipes are slightly overstated. Al Jazeera contends

³⁷ See Memorandum to the File, "Preliminary Determination Margin Calculation for Al Jazeera Steel Products Co. SAOG," dated May 31, 2016, at Attachment 1.

³⁸ See Sales Verification Report at 12.

³⁹ See 19 CFR 351.413; *see also* Al Jazeera Final Sales Calculation Memo.

that the Department can correct this overstatement using record information⁴⁰ by adjusting the reported costs of all galvanized and threaded and coupled CONNUMs to reflect the system weights. Al Jazeera concludes that this should be done in the interest of calculating an accurate margin.⁴¹

As noted at Comment 1 above, the petitioners argue that the system weights are unreliable and that they should not be used at the final determination. Thus, according to the petitioners, the Department should not recalculate the reported costs using a system weight basis as suggested by Al Jazeera.

Department's Position:

For the reasons stated in response to Comment 1 above, the Department has determined it appropriate to use Al Jazeera's system weights for the final determination. Accordingly, in order to capture the per-unit COP and CV data on a basis that is equivalent to the per-unit sales prices to which they will be compared, we have adjusted Al Jazeera's reported per-unit costs to reflect the system weight of each CONNUM. For the details of this calculation, see the Final Cost Calculation Memo.

Comment 5: Weighted-Average Costs

Al Jazeera argues that the impact of the error in the coil cost calculations identified during the cost verification is minimal and, therefore, should be disregarded in the final determination. Al Jazeera asserts that the vast majority of CONNUMs have cost variances well under 0.5 percent and that none of the CONNUMs with variances over 10 percent were sold in the U.S. market or used as matches to other CONNUMs sold in the U.S. market for the *Preliminary Determination*. According to Al Jazeera, the error is so insignificant that it may be disregarded under 19 CFR 351.413.

The petitioners assert that the Department should not ignore the mistake in the coil cost calculations identified at verification as Al Jazeera suggests. The petitioners maintain that 19 CFR 351.413 does not apply in this instance, as it refers to sales adjustments rather than costs. Thus, the petitioners argue, the Department should revise Al Jazeera's reported cost of manufacturing to correct for this mistake. According to the petitioners, this would ensure that the Department calculates the most accurate margin possible.⁴² In correcting this error, the petitioners contend, the Department should also be sure to update the costs of all zero production quantity CONNUMs (*i.e.*, CONNUMs that were sold but not produced during the POI) to reflect their revised surrogate costs. Further, the petitioners state, the Department should review whether this error affects the analysis of whether its alternative costing methodology is warranted.

⁴⁰ See Al Jazeera's Case Brief at 6; *see also* Verification Exhibit 5 of the Cost Verification Report.

⁴¹ See Al Jazeera's Case Brief at 7 (citing *Rhone Poulenc, Inc. v. United States*, 899 F.2d 1185, 1191 (Fed. Cir. 1990) (*Rhone Poulenc v. United States*); and *Taian Ziyang Food Co. v. United States*, 918 F. Supp 2d 1345, 1355 (CIT 2013)).

⁴² *Id.*

Department's Position:

We agree with the petitioners that the Department should revise Al Jazeera's reported cost of manufacturing to correct for the mistake in the coil cost calculations identified at verification. The Department's verifiers noted that the error was clerical in nature and that it resulted in inaccurate coil costs for a majority of the CONNUMs reported in Al Jazeera's COP/CV file.⁴³ Thus, in order to more accurately capture the POI coil costs for each CONNUM, we have corrected this error for the final determination. Further, we have revised the cost of all zero production quantity CONNUMs to reflect this correction. Finally, we have incorporated the revised costs into our alternative costing analysis and we continue to find, as we did in the *Preliminary Determination*,⁴⁴ that the use of our alternative costing methodology is not warranted.⁴⁵

Comment 6: General & Administrative Expense Ratio

The petitioners argue that the Department should revise Al Jazeera's reported G&A expenses to include the loss on the sale of fixed assets from its 2015 financial statements. According to the petitioners, the record does not support that this loss was an extraordinary occurrence, and there is therefore no reason to exclude this amount from Al Jazeera's total G&A expenses.

Al Jazeera did not comment on this issue.

Department's Position:

We agree with the petitioners. It is the Department's established practice to include gains or losses incurred on the routine disposition of fixed assets in the G&A expense ratio calculation.⁴⁶ We note that there is no evidence on the record of this proceeding to indicate that the loss on the sale of fixed assets in Al Jazeera's financial statements is anything other than a routine disposition. Therefore, for the final determination, we have adjusted Al Jazeera's G&A expense ratio to include this amount.

⁴³ See Cost Verification Report at 14.

⁴⁴ See Preliminary Decision Memorandum at 10.

⁴⁵ See Final Cost Calculation Memo.

⁴⁶ See, e.g., *Certain Hot-Rolled Steel Flat Products from Japan: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances, in Part*, 81 FR 53409 (August 12, 2016), and accompanying Issues and Decision Memorandum at Comment 13; and *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review, Determination Not To Revoke Antidumping Duty Order in Part, and Final No Shipment Determination*, 76 FR 50176 (August 12, 2011), and accompanying Issues and Decision Memorandum at Comment 7.

Recommendation

Based on our analysis of the comments received, we recommend adopting the above positions. If this recommendation is accepted, we will publish the final determination in the investigation and the final weighted-average dumping margins in the Federal Register.

✓

Agree

Disagree

Ronald K. Lorentzen

Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

October 21, 2016

(Date)