

December 7, 2009

MEMORANDUM TO: Carole A. Showers
Acting Deputy Assistant Secretary
for Import Administration

FROM: John M. Andersen
Acting Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Antidumping Duty
Administrative Review of Polyethylene Retail Carrier Bags from
Thailand for the Period of Review August 1, 2007, through July
31, 2008

Summary

We have analyzed the case and rebuttal briefs of interested parties in the administrative review of the antidumping duty order on polyethylene retail carrier bags from Thailand for the period August 1, 2007, through July 31, 2008. As a result of our analysis, we have made changes in the margin calculations. We recommend that you approve the positions described in this memorandum. Below is the complete list of the issues in this administrative review for which we received comments from parties:

1. Conversion-Cost Reallocation
2. Cost of Goods Sold
3. General and Administrative Expenses
4. Offset for Interest Income
5. Total Production Quantities
6. Major-Input Adjustment
7. Clerical Error

Background

On August 10, 2009, the Department of Commerce (the Department) published *Polyethylene Retail Carrier Bags from Thailand: Preliminary Results of Antidumping Duty Administrative Review*, 74 FR 39928 (August 10, 2009) (*Preliminary Results*), in the *Federal Register*.

We invited parties to comment on the *Preliminary Results*. On September 9, 2009, we received a case brief from the Thai Plastic Bags Group (TPBG). On September 10, 2009, we received a

case brief from the petitioners, the Polyethylene Retail Carrier Bag Committee and its individual members, Hilex Poly Co., LLC, and Superbag Corporation (collectively the petitioners). On September 14, 2009, we received a rebuttal brief from TPBG. On September 15, 2009, we received a rebuttal brief from the petitioners. We did not hold a hearing as none was requested.

Abbreviations

The Act - The Tariff Act of 1930, as amended

CAFC - Court of Appeals for the Federal Circuit

CIT - Court of International Trade

COGS - cost of goods sold

COM - cost of manufacturing

CONNUM - control number (a variable the Department uses in matching transactions)

Conversion costs - direct labor, variable overhead, and fixed overhead

I&D Memo - Issues and Decision Memorandum adopted by a *Federal Register* notice of final determination of an investigation or final results of review

G&A - general and administrative

POR - period of review

Preliminary Analysis Memo - Memorandum to File entitled "Polyethylene Retail Carrier Bags from Thailand - Thai Plastic Bags Industries Group (TPBG), Preliminary Results Analysis Memorandum 8/1/07 - 7/31/08," dated August 3, 2009

PRCBs - polyethylene retail carrier bags (subject merchandise)

PRCBs LTFV - Notice of Final Determination of Sales at Less Than Fair Value: Polyethylene Retail Carrier Bags from Thailand, 69 FR 34122 (June 18, 2004)

PRCBs 1 - Polyethylene Retail Carrier Bags from Thailand: Final Results of Antidumping Duty Administrative Review, 72 FR 1982 (January 17, 2007)

PRCBs 2 - Polyethylene Retail Carrier Bags from Thailand: Final Results of Antidumping Duty Administrative Review and Partial Rescission of Antidumping Duty Administrative Review, 72 FR 64580 (November 16, 2007)

TOTCOM - total cost of manufacturing

TPBG - Thai Plastic Bags Industries Co., Ltd. (TPBI), Apec Film Ltd. (Apec), and Winner's Pack Co., Ltd.

Verification Report - Memorandum to the File entitled "Verification Report on the Sales and Cost Questionnaire Responses Submitted by Thai Plastic Bags Industries Co., Ltd. and Apec Film Ltd.," dated July 9, 2009

Discussion of the Issues

1. Conversion-Cost Reallocation

Comment 1: TPBG argues that the Department should use TPBG's reported costs in its dumping-margin calculations. TPBG explains that it reported its costs based on actual costs and production records which it maintains in the normal course of business. TPBG asserts that its methodology allocates additional costs to products that require additional processing. According to TPBG, the fact that the actual cost and production records for the reported costs incorporate some element of human error is not grounds for discarding the entire cost allocation. Citing *PRCBs LTFV* and accompanying I&D Memo at Comment 10, TPBG argues that the Department

has accepted TPBG's methodology previously even though the Department recognized that minor errors can result from human error. Accordingly, TPBG requests that the Department reconsider its decision to reallocate TPBG's reported conversion costs.

The petitioners explain that, contrary to TPBG's assertion, the Department did not reallocate TPBG's conversion costs for the *Preliminary Results* because TPBG's system incorporates some extent of human error. Rather, the petitioners explain, the Department reallocated TPBG's conversion costs because TPBG's methodology resulted in product-specific cost differences which were unrelated to differences in physical characteristics. Moreover, the petitioners state, TPBG has presented no evidence to demonstrate that the cost differences are attributable to physical characteristics. Accordingly, the petitioners explain, the Department could not use TPBG's reported costs to calculate a difference-in-merchandise adjustment.

Citing *Stainless Steel Bar from the United Kingdom: Final Results of Antidumping Duty Administrative Review*, 72 FR 43598 (August 6, 2007) (*UK SSB*), and accompanying I&D Memo at Comment 1, *Notice of Final Determination of Sales at Less Than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel, Standard, Line and Pressure Pipe From Brazil*, 60 FR 31960, 31969 (June 19, 1995) (*Brazil Pipe*), and the Department's regulations at 19 CFR 351.411, the petitioners argue that the Department's decision to reallocate TPBG's conversion costs was consistent with the Department's practice and regulations. Citing *Notice of Final Determination of Sales at Less Than Fair Value: Polyethylene Retail Carrier Bags From Malaysia*, 69 FR 34128 (June 18, 2004) (*Malaysia PRCB LTFV*), and accompanying I&D Memo at Comment 5 and *Brazil Pipe*, 60 FR at 31969, the petitioners argue, however, that the Department should use TPBG's reported costs for the purposes of calculating constructed value and determining whether TPBG made sales at below-cost prices.

TPBG argues that, while it disagrees with the Department's decision to reallocate its conversion costs, the Department should be consistent and use either the reallocated costs or reported costs for all aspects of its calculations. TPBG argues that, in *UK SSB*, to which the Department cited in the *Preliminary Results*, the Department's primary concern was the distortive effect on the results of the sales-below-cost test. TPBG also asserts that *Brazil Pipe* is an old case which does not reflect the Department's current practice. Finally, TPBG argues that, while the current review involves collapsed entities and concerns about TPBG's various production-facility efficiencies and internal production-management decisions, these concerns were not present in either *UK SSB* or *Brazil Pipe*.

Department's position: Because TPBG's reported conversion costs resulted in product-specific cost differences which were unrelated to differences in physical characteristics, we could not use TPBG's reported costs for the purpose of calculating the difference-in-merchandise adjustment. We disagree with the petitioners' argument, however, that we should use TPBG's reported costs for the purposes of the sales-below-cost test and the calculation of constructed value. Normally, the product costs a respondent reports should reflect cost differences attributable to the different physical characteristics we define to ensure that the product-specific costs we use for the below-cost test reflect the corresponding product's physical characteristics accurately without hiding extraneous factors that may affect differences in costs. In addition, section 773(a)(6)(C)(ii) of the Act requires that we account for and adjust for any differences attributable to physical

differences between subject merchandise and foreign like product if similar products are compared. For this purpose, 19 CFR 351.411(b) directs us to consider differences in variable costs associated with the physical differences in the merchandise, *i.e.*, the difference-in-merchandise adjustment. Normally, we use a respondent's product-specific costs (that reflect cost differences attributable to our defined physical characteristics as described above) for the below-cost test. See section 773(b)(1) of the Act. Similarly, the product-specific costs should incorporate differences in variable costs associated with the physical differences in the merchandise in accordance with 19 CFR 351.411(b) and be used for the difference-in-merchandise adjustment. In contrast, where a respondent's reporting methodology results in cost differences extraneous to our identified physical characteristics, we may not rely on a respondent's reported methodology.

In the *Preliminary Results*, we explained that TPBG's conversion-allocation methodology for its cost-of-production data results in products with few or minor physical differences having significantly different costs of manufacturing assigned to them. See *Preliminary Results*, 74 FR at 39931. While TPBG argues that its allocation methodology attributes additional costs to products that required additional processing, TPBG has acknowledged that cost differences arise from production-management decisions which are related to its focus on export sales rather than physical product characteristics. See Preliminary Analysis Memo at 3 - 4. Thus, TPBG's conversion-cost allocation methodology results in cost differences that are extraneous to the differences in the physical characteristics in our model-match methodology. Therefore, for the final results, to limit the distortive effect of cost differences that are unrelated to differences in physical characteristics, we have continued to reallocate TPBG's conversion costs and we have continued to use the adjusted cost for the sales-below-cost test, the difference-in-merchandise adjustment, and constructed-value calculations.

In the less-than-fair-value investigation of PRCBs from Malaysia, we calculated different costs of production to use for the below-cost test and the difference-in-merchandise adjustment. See *Malaysia PRCB LTFV* and accompanying I&D Memo at Comment 5. We do not consider our decision in that investigation to be consistent with our normal practice of calculating a single cost of production for both the sales-below-cost test and the difference-in-merchandise adjustment, even in cases in which we revised material costs to neutralize the cost differences resulting from extraneous factors other than differences in the physical characteristics.¹ See, *e.g.*, *UK SSB* and accompanying I&D Memo at Comment 1.

Concerning TPBG's assertion that the Department has accepted its allocation methodology previously, there is no way to confirm or rebut that assertion because there was no discussion of TPBG's allocation methodology in our public record of *PRCBs LTFV*, *PRCBs 1*, or *PRCBs 2*. Moreover, as explained above, we have determined that TPBG's allocation methodology distorts the dumping analysis. Accordingly, TPBG's assertion that its allocation methodology was accepted by the Department previously is unpersuasive. Finally, although TPBG might have used its actual POR costs and production records that it maintains in its normal course of business as a basis for allocating its conversion costs, TPBG has acknowledged that its allocation methodology, which was developed for dumping purposes, is a departure from its normal cost-

¹ Concerning the petitioners' reference to *Brazil Pipe*, it is not clear from the notice published in the *Federal Register* that we used different costs for different aspects of our dumping calculations. See, generally, *Brazil Pipe*.

accounting system. See Verification Report at 7 - 8. Accordingly, our adjustment does not represent a departure from TPBG's normal books and records.

2. *Cost of Goods Sold*

Comment 2: The petitioners argue that the Department should recalculate TPBG's G&A and financial-expense ratios so that packing costs are excluded from the COGS denominator. The petitioners argue that such a recalculation is appropriate because the TOTCOM to which such ratios are applied are net of packing costs such that any calculation of COGS used in the denominator of the G&A and financial-expense ratios should exclude packing expenses. In the alternative, citing, among others, *Amended Notice of Preliminary Results of Antidumping Duty Administrative Review: Granular Polytetrafluoroethylene Resin From Italy*, 73 FR 54557, 54558 (September 22, 2008) (unchanged in *Granular Polytetrafluoroethylene Resin From Italy: Final Results of Antidumping Duty Administrative Review*, 74 FR 14519 (March 31, 2009)), the petitioners request that the Department recalculate the G&A and financial-expense ratios by multiplying the ratios by the sum of TOTCOM and packing expenses. The petitioners submit proposed calculations.

TPBG states that it takes no position with respect to the petitioners' argument that the COGS denominator used in the G&A and financial-expense calculations should be net of packing costs. TPBG argues that the petitioners' proposed calculations include an additional adjustment. Specifically, TPBG argues that the petitioners' proposed calculations include a downward adjustment to COGS for duty-refund income. TPBG argues that such an adjustment would overstate a portion of its costs.

Department's position: We have excluded packing costs from the COGS denominator used in the G&A and financial-expense ratio calculations. See *Stainless Steel Sheet and Strip in Coils from Mexico: Final Results of Antidumping Duty Administrative Review*, 73 FR 7710 (February 11, 2008), and accompanying I&D Memo at Comment 12.

While we agree with TPBG that the petitioners erred in the calculation of the COGS denominator they used in their proposed financial-expense calculations, we disagree with TPBG's assertion that the petitioners introduced an improper adjustment. In their proposed G&A ratio calculations, the petitioners used the same COGS figure, albeit reduced for packing expenses, which TPBG used in the calculations it submitted with its questionnaire response and presented at verification. Specifically, both parties used a COGS figure which was net of duty-refund income. While in their proposed financial-expense calculations the petitioners did reduce a COGS figure which was net of duty-refund income by the amount of duty-refund income and packing expenses, TPBG used a COGS figure which was net of duty-refund income as the denominator in the calculations which it presented at verification.

Further, to the extent that TPBG infers in its reply brief that its own calculations contained a methodological error throughout this administrative review, a reply brief is certainly not the appropriate submission in which to raise such an argument for the first time. The petitioners did not have an opportunity to respond to this claim and the Department's regulations do not permit new arguments to be raised for the first time in such an untimely manner. See 19 CFR

351.309(c)(2). Accordingly, for these final results, the Department has continued to use the COGS figure, albeit reduced for packing expenses, which TPBG used in its own calculations.

3. *General and Administrative Expenses*

Comment 3: The petitioners argue that the Department should include the full amount of TPBG's inventory-valuation loss in the calculation of G&A expenses. Citing, among others, *Stainless Steel Wire Rod from the Republic of Korea: Final Results of Antidumping Duty Administrative Review*, 69 FR 19153 (April 12, 2004) (*Korea SSWR*), and accompanying I&D Memo at Comment 7, the petitioners argue that it is the Department's practice to include inventory-valuation losses in G&A expenses unless the write-downs are attributable to finished goods. Additionally, citing, among others, *Korea SSWR* and accompanying I&D Memo at Comment 7 and *Stainless Steel Sheet and Strip in Coils From Taiwan: Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 67 FR 76721 (December 13, 2002) (*Taiwan Coils*), and accompanying I&D Memo at Comment 9, the petitioners argue that the respondent bears the burden of creating an adequate record concerning the nature of the inventory-valuation loss. Moreover, citing, among others, *Taiwan Coils* and accompanying I&D Memo at Comment 9, the petitioners argue that, in situations where the respondent has not provided information concerning the nature of the inventory-valuation loss, it is the Department's practice to include the full amount of such losses in a respondent's G&A expenses.

The petitioners argue that, not only did TPBG not document the nature of the inventory-valuation loss, TPBG stated falsely that it did not have any inventory write-downs during the POR. Although the petitioners argue that the Department should include the full amount of inventory-valuation loss in TPBG's G&A expense calculation, the petitioners suggest a methodology for applying neutral facts available. Specifically, the petitioners suggest that, as neutral facts available, the Department apportion the inventory-valuation loss for fiscal year 2007 across TPBG's 2007 inventory balances based on the components of TPBG's ending inventory (*e.g.*, raw materials, work-in-process, finished goods).

TPBG argues that, because record evidence demonstrates that the inventory-valuation loss related to finished goods, its exclusion of the expense from its G&A expenses was proper. Specifically, TPBG argues, the Thai word for "finished" appears in the title of accounts relating to finished goods as well as the title of the account in which the inventory-valuation loss was recorded. TPBG also argues that, assuming any portion of the inventory-valuation loss should be included in its G&A expenses, the petitioners' proposed methodology attributes the entire 2007 fiscal-year loss to the POR and excludes the entire 2008 fiscal-year amount from the G&A expense calculations.

Department's position: It is not evident from the record evidence whether the entire amount of TPBG's inventory-valuation loss relates to finished goods. The Department's practice is to exclude only inventory-valuation losses which are attributable to finished goods from a respondent's G&A expenses. See *Korea SSWR* and accompanying I&D Memo at Comment 7. While TPBG is correct that the same Thai word appears in relevant accounts, it is not evident that the word translates as finished or that the account in which the inventory-valuation loss was recorded relates solely to finished goods. Moreover, TPBG did not specify previously that the

inventory-valuation loss related to finished goods. Accordingly, we cannot conclude that the entire inventory-valuation loss relates to finished goods.

Section 776(a)(1) of the Act states that, where information is not available on the record, the Department shall use facts otherwise available. Because the record does not contain the precise details of the inventory-valuation loss, we must use facts available in accordance with section 776(a)(1) of the Act. To determine an appropriate proxy to use as facts available, we have examined the petitioners' proposed calculations. We find that, as facts available, it is appropriate to apportion any inventory-valuation loss based on the ending-inventory balances (*e.g.*, raw materials, work in process, and finished goods) in the annual financial statements. We also find that it is appropriate to determine the portion of the finished-goods inventory-valuation loss to exclude by using information from a time period that is comparable to that used to compute the G&A expense ratio. Accordingly, as facts available, we have apportioned the portion of the annual inventory-valuation losses using the ending-inventory balances in the annual financial statements.

Comment 4: TPBG asserts that the Department erred in its calculation of TPBG's CONNUM-specific G&A expenses. Specifically, TPBG argues that, rather than recalculate TPBG's CONNUM-specific G&A expenses based on the Department's reallocation of TPBG's conversion costs, the Department used TPBG's submitted CONNUM-specific G&A expenses in its calculations.

The petitioners reiterate their earlier comments that TPBG's reported G&A expenses were understated. Accordingly, the petitioners argue, the Department should apply its proposed G&A calculations to TPBG's TOTCOM.

Department's position: We find that it is appropriate to apply TPBG's G&A expense ratio to the revised TOTCOM amounts because G&A expenses are calculated as a percentage of TOTCOM. As explained previously, we have determined that it is appropriate to reallocate TPBG's conversion costs. Accordingly, for these final results, we have applied the G&A ratio, which has been adjusted in response to Comment 3, to TPBG's revised TOTCOM amounts.

4. *Offset for Interest Income*

Comment 5: The petitioners argue that, because TPBG has not presented evidence concerning the nature of its short-term interest income, the Department should deny the offset to TPBG's interest expense. Citing *Stainless Steel Sheet and Strip in Coils from Mexico: Final Results of Antidumping Duty Administrative Review*, 73 FR 7710 (February 11, 2008) (*Mexico Coils*), and accompanying I&D Memo at Comment 11, the petitioners argue that an offset for interest income is only permitted for short-term interest income attributable to working capital. Moreover, citing *Mexico Coils* and accompanying I&D Memo at Comment 11 and *Certain Frozen Warmwater Shrimp from Brazil: Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 73 FR 39940 (July 11, 2008) (*Brazil Shrimp*), and accompanying I&D Memo at Comment 9, the petitioners assert that the respondent has the burden to demonstrate the short-term nature of the interest-income offset.

In the alternative, the petitioners argue that, if the Department decides to grant an offset for short-term interest income, the Department should apply “neutral” facts available and apportion the interest earned from banks based on the ratio of current bank deposits to non-current deposits. Citing *Brazil Shrimp* and accompanying I&D Memo at Comment 9, the petitioners state that, although there is conflicting evidence concerning the nature of an income item of listed as “interest income from persons,” the Department’s practice is to not include income from either loans or trade accounts in interest income. Moreover, the petitioners argue, none of the “interest income from persons” should be included in interest income because TPBG has neither described the item nor documented its short-term nature.

Citing *Timken Co. v. United States*, 852 F. Supp. 1040, 1046-1048 (1994) (*Timken*), TPBG argues that interest income is treated as an offset to interest expenses if the income is related to the general operations of the company and related to the ordinary operations of the company even if it is not specifically related to the production of subject merchandise. Additionally, citing *Timken*, 852 F. Supp. at 1049, TPBG argues that interest income generated from loans and short-term deposits which were “temporarily free” until used to fund the operations qualifies as an offset.

Citing *Gulf States Tube Div. of Quanex Corp. v. United States*, 981 F. Supp. 630, 651 (1997), and *NTN Bearing Corp. of America v. United States*, 905 F. Supp. 1083, 1096 (1995), TPBG argues that, while the Department does not permit interest income generated from investment activity to offset interest expenses, the Department does permit an offset when there is evidence that long-term investment income is related to the general operations of the company. Indeed, citing *Dynamic Random Access Memory Semiconductors of One Megabit or Above From the Republic of Korea: Final Results of Antidumping Duty Administrative Review and Determination Not To Revoke the Order in Part*, 64 FR 69694, 69707 (December 14, 1999) (*Korea DRAMS*), TPBG argues that the Department has granted an offset for income earned on collateral which was deposited to enable a company to receive loans for operations. TPBG argues that the notes to its financial statements indicate that the bank deposits were made as collateral for loans and credit facilities. TPBG argues further that the interest income lowers its effective interest rate and decreases the costs of financing its current operations. Accordingly, TPBG argues, the interest income attributable to such deposits should be treated as an offset to interest expenses.

Department’s position: In calculating a respondent’s cost of production and constructed value, it is the Department’s well-established practice to allow a respondent to offset financial expenses with short-term interest income generated from a company’s current assets and working-capital accounts. See, e.g., *Certain Frozen Warmwater Shrimp From Thailand: Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 74 FR 47551 (September 16, 2009) (*Thailand Shrimp*), and accompanying I&D Memo at Comment 7. See also *Mexico Coils* and accompanying I&D Memo at Comment 11, *Chlorinated Isocyanurates From Spain: Notice of Final Determination of Sales at Less Than Fair Value*, 70 FR 24506 (May 10, 2005) (*Chlorinated Isocyanurates*), and accompanying I&D Memo at Comment 10, *Notice of Final Determination of Sales at Less Than Fair Value: Live Swine From Canada*, 70 FR 12181 (March 11, 2005), and accompanying I&D Memo at Comment 2, and *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From the Federal Republic of*

Germany; Final Results of Antidumping Duty Administrative Review, 56 FR 31692 (July 11, 1991), at Comment 6. When the record evidence does not demonstrate that financial income received is related to a company's current assets and working capital, the Department routinely excludes the income item as an offset to financial expenses. See *Chlorinated Isocyanurates* and accompanying I&D Memo at Comment 10.

In the case of TPBG, the interest income at issue is related partially to certain interest-bearing accounts in Thailand which are pledged as collateral for loans and credit facilities. As we explained when addressing similar accounts in *Thailand Shrimp*, we do not consider these deposits to be liquid working-capital reserves which are readily available for a company to meet its daily cash requirements (*e.g.*, payroll, suppliers, *etc.*) but rather as separate capital reserves required as a condition for a company's financing needs. See *Thailand Shrimp* and accompanying I&D Memo at Comment 7. We do not consider our decision in *Korea DRAMS* to be consistent with our normal practice of only permitting an offset for short-term interest income generated from a company's current assets and working capital accounts. See *id.* Accordingly, consistent with our decision in *Thailand Shrimp*, because we find that a portion of the interest income at issue is not related to working capital, we have continued to exclude this portion of the interest income for TPBG as an offset to interest expenses in the calculation of the financial-expense rate. Because the record evidence does not indicate the portion of TPBG's interest income which is attributable to short-term interest-bearing assets, as facts available, pursuant to section 776(a) of the Act, we have estimated the portion of the interest income which is attributable to sources other than TPBG's current assets and working capital by applying the ratio of TPBG's long-term interest-bearing assets to total interest-bearing assets.

Concerning TPBG's claimed offset for "interest from persons," TPBG has neither described the nature of this income nor demonstrated its short-term nature. Section 351.401(b)(1) of the Department's regulations provides that "{t}he interested party that is in possession of the relevant information has the burden of establishing to the satisfaction of the Secretary the amount and nature of a particular adjustment." Further, the CAFC has explained that the burden of evidentiary production belongs "to the party in possession of the necessary information." See *Zenith Electronics Corp. v. United States*, 988 F.2d 1573, 1583 (Fed. Cir. 1993). See also *NTN Bearing Corp. of Am. v. United States*, 997 F.2d 1453, 1458 (Fed. Cir. 1993) ("{e}ven though Commerce specifically did not ask for the {information} that would have enabled it to make such an exclusion determination for {respondent's merchandise}, it was {the respondent's} burden to supply the information in the first instance along with its request for a substantial value-added exclusion"). Accordingly, because the information on the record does not support TPBG's claim, we have not granted TPBG's requested offset for the reported "interest income from persons."

5. Total Production Quantities

Comment 6: TPBG argues that the Department used an incorrect total production-quantity figure as the basis for reallocating TPBG's conversion costs. Specifically, TPBG argues that, while the Department included the costs attributable to all three of TPBG's production facilities, the Department did not include Apec's production quantities in the denominator of its

calculations. TPBG argues that the figure for Apec's production quantity is included in verification exhibit 26.

The petitioners argue that the Department did not use an incorrect production quantity and argues that, despite TPBG's assertions, the figure to which TPBG refers does not appear in verification exhibit 26. Moreover, the petitioners argue, verification exhibit 26 is entitled "Global Product Costs" and includes the production quantities for all three facilities. The petitioners explain that verification exhibit 26 indicates that it includes finished goods which had been manufactured at all three production facilities. Moreover, the petitioners explain, a cross-check with TPBG's yield calculations demonstrates that the total production quantity in verification exhibit 26 relates to all three production facilities.

Department's position: TPBG has not demonstrated that the Department used an incorrect production quantity in its calculations. While TPBG is correct that the Department used the total production quantity in verification exhibit 26 as the denominator in its calculations, TPBG is mistaken that the record reflects that the total in the verification exhibit only includes a portion of its total production quantity. TPBG indicated at verification that the exhibit summarized its global product costs. See Verification Report at 6. Additionally, not only does the exhibit indicate that it includes merchandise which was owned and/or processed by Apec, the exhibit does not contain a single reference to the additional production quantity which TPBG argues should be added to the denominator of the Department's calculations. Accordingly, we have not revised the total production quantities used to reallocate TPBG's conversion costs for these final results.

6. Major-Input Adjustment

Comment 7: The petitioners assert that the Department erred in its application of the major-input adjustment. Specifically, the petitioners state that, while the Department calculated the major-input adjustment based on TPBG's COM, the Department applied the major-input adjustment to TPBG's direct materials. The petitioners request that the Department either apply the major-input adjustment to TPBG's TOTCOM or recalculate the major-input adjustment on a direct-materials basis.

TPBG did not comment on this issue.

Department's position: We have revised our application of the major-input adjustment. Specifically, because we calculated the major-input adjustment based on TPBG's TOTCOM, we have applied the major-input adjustment to the per-unit TOTCOM.

7. Clerical Error

Comment 8: TPBG requests that the Department correct a ministerial error concerning the credit expense of one U.S. sales transaction. The petitioners did not comment on this issue.

Department's position: We have corrected this undisputed clerical error for these final results.

Recommendation

Based on our analysis of the comments received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the final results of the review and the final dumping margins for all of the reviewed firms in the *Federal Register*.

Agree _____

Disagree _____

Carole A. Showers
Acting Deputy Assistant Secretary
for Import Administration

Date