DATE: September 6, 2005

MEMORANDUM TO: Joseph A. Spetrini  
    Acting Assistant Secretary  
    for Import Administration

FROM: Barbara E. Tillman  
    Acting Deputy Assistant Secretary  
    for Import Administration

SUBJECT: Issues and Decision Memorandum for the 2003/2004 Antidumping Duty Administrative Review of Stainless Steel Bar from India

SUMMARY

Only the petitioners submitted a case brief in this case. We have analyzed the case brief in the administrative review of stainless steel bar from India. As a result of our analysis, we have made changes to the preliminary results. We recommend that you approve the positions we have developed in the “Discussion of Issues” section of this memorandum. The petitioners raised only one issue in their case brief.

General Comment

Comment 1: Use of Total Adverse Facts Available for Chandan

BACKGROUND

On March 7, 2005, the Department of Commerce (“the Department”) published in the Federal Register the preliminary results of the 2003/2004 administrative review of the antidumping duty order on stainless steel bar (“SSB”) from India. See Notice of Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review: Stainless Steel Bar from India, 70 FR 10977 (March 7, 2005) (“Preliminary Results”). The period of review (“POR”) is February 1, 2003, through January 31, 2004. We invited interested parties to comment on the Preliminary Results.
On July 29, 2005, we received a case brief from the petitioners (i.e., Carpenter Technology Corp., Crucible Specialty Metals Division of Crucible Materials Corp., Electralloy Corp., Slater Steels Corp., Empire Specialty Steel and the United Steelworkers of America (AFL-CIO/CLC)). We received no comments from the respondent Chandan Steel, Ltd. (“Chandan”).

DISCUSSION OF ISSUES

GENERAL

Comment 1: Use of Total Adverse Facts Available for Chandan

Petitioners' Argument: The petitioners contend that Chandan failed to provide data, failed to explain data, failed to justify cost reporting methods, failed to correct flawed data, and/or failed to support reported data. The petitioners assert that, even if the Department does not apply total adverse facts available (“AFA”) to Chandan, the Department should apply partial AFA to an entire line of bar products (i.e., stainless steel flat bar (“SSFB”)) that should have been reported from the beginning of the review. See Memorandum to File, “Verification of the Sales and Cost Responses of Chandan Steel, Ltd. in the 2003/2004 Antidumping Duty Administrative Review of Stainless Steel Bar from India,” dated July 22, 2005 (“SCVR”) at 1. The petitioners suggest that the Department apply the single highest calculated margin on Chandan’s reported sales to Chandan’s volume of U.S. sales that it failed to timely report.

The petitioners argue that, at verification, the Department discovered that, for all U.S. and comparison market (“CM”) sales, Chandan failed to report bank charges incurred as a result of a payment arrangement with Chandan’s local bank. The petitioners state that Chandan failed to report marine insurance charges for certain U.S. sales. Id. at 1, 15. The petitioners point out that Chandan reported marine insurance charges (to the U.S. and to the CM) in U.S. dollars, even though they were incurred in rupees. The petitioners assert that, on certain U.S. and CM sales, Chandan misreported foreign inland freight charges (sometimes by as much as several hundred percent) and international freight charges. Id. at 1-2, 16, 18-20. Also, the petitioners argue that Chandan misreported credit expenses for all sales in both markets. Id. at 15, 20.

For the above cited charges, at a minimum, according to the petitioners, these errors require the application of partial AFA whereby the highest reported or observed fee is applied to all U.S. sales and the lowest reported or observed fee is applied to all CM sales. The petitioners contend that this adjustment may fall well short of remedying the totality of the omissions.

According to the petitioners, Chandan failed to report direct selling expenses incurred on certain U.S. sales in its March 21, 2005, response. As a result, those expenses would need to be transferred from Chandan’s February 4, 2005, response. The petitioners note that Chandan incorrectly reported the gross unit price for certain U.S. sales and its date of sale for certain U.S. sales, errors that call into question the complete and accurate reporting of U.S. sales. Id. at 2, 13, and 16. The petitioners argue that Chandan failed to provide substantiation for the expenses incurred by its importer, which operated de facto on Chandan’s behalf.
The petitioners assert that Chandan failed to report fumigation expenses as direct selling expenses on its CM sales. The petitioners note that Chandan’s movement of these transaction-specific expenses to indirect expenses substantially changes the net value of its comparison sales, both when conducting the cost test on each individual transaction and when selecting comparison sales under the comparison window test.

The petitioners contend that Chandan misreported product grade in using grade codes “06” for AISI grade 304 and “07” for AISI grade 304L. As stated in the SCVR, the petitioners assert that Chandan did not produce and sell separate grade 304 versus 304L products, but produced and sold “dual-certified” 304/304L steel. The petitioners argue that the grades, and thus the control numbers and matching data are incorrectly divided for U.S. and CM sales, as well as their respective cost data.

Further, the petitioners note that, at the opening of verification, Chandan stated that it had “no sales or cost corrections or clarifications to its questionnaire responses.” See SCVR, p. 2. The petitioners argue that Chandan’s failure to identify even one of the numerous sales errors evidences a lack of essential cooperation with respect to reporting complete and accurate information.

The petitioners point out that, according to the SCVR, “Chandan was unable to provide documentation to support” many of its allocation methodologies used to derive the reported costs of production (“COP”) and constructed value (“CV”) data. During verification, the petitioners assert that the Department found a difference between the quantity by grade of bright bar production as stated on the verification worksheets versus the quantity reported in Chandan’s cost database. Id. at 24.

The petitioners note that Chandan allocated variable overhead costs to billets, rolling, bright bar, flanges, and angles (costs for flanges, angles, furnace oil, and light diesel oil) based on the actual purchases for that particular production process (i.e., billet, rolling, bright bar, flanges, and angles), but that common variable overhead had been allocated based on production quantity. In addition, the petitioners state that Chandan was unable to provide documentation to substantiate the allocation of electricity costs between billets and flanges. Id. at 26-27. For billets costs, the petitioners assert that Chandan claimed to have relied on the “Chemical Composition” chart from the Metals and Stainless Steel Merchants’ Association (4th edition) publication to determine ferro-alloy cost allocations, but it admitted to applying the chemical midpoint of grade 420 when establishing the ferro-alloy allocation formula for grade. Id. at 29-30. The petitioners note that, then, Chandan stated that it used actual consumption amounts instead of the “Chemical Composition” chart to determine usage rates and costs for chromium in billet grades 201 and 303, but was unable to support its data. The petitioners argue that Chandan deviated from its claimed industry standard in applying nickel for production of billets in grades 316, 316L, 316Ti, and was unable to provide any documentation for its methodology.

With respect to billet yields, scrap recoveries, and burning losses, the petitioners contend that Chandan’s production reports (i.e., challans) evidenced only general correspondences, with some significant differences to the values used in Chandan’s detail of requirements chart for billet
production. Id. at 30-31. The petitioners contend that Chandan was unable to substantiate its assertions regarding its own rolling scrap recovery and burning loss. According to the petitioners, Chandan “failed to retain” any of the supporting documentation for its claimed calculations of rolling costs performed by outside (i.e., job-work) contractors. In the Department’s use of Chandan’s stock ledgers in lieu of the original job-work rolling calculations, the petitioners argue that information regarding bar sizes in the worksheets were incorrect. Also, Chandan was unable to provide supporting evidence of the reported allocation between its in-house production and outside job-work production. According to the petitioners, Chandan was unable to reconcile the allocation for flat bar rolling costs and unable to verify the allocation basis for angle grouping production.

Additionally, the petitioners point out that the scrap recovery quantity reported and the fiscal year 2003/04 scrap recovery quantity were different. The petitioners argue that Chandan applied the wrong scrap value to the production of grade 200 and 400 series bright bar. Moreover, the petitioners assert that the Department discovered that the numerators for the reported G&A ratio and the interest expense ratio were incorrect.

Citing to Stainless Steel Bar From India; Final Results, Rescission of Antidumping Duty Administrative Review in Part, and Determination To Revoke in Part, 69 FR 55409 (September 14, 2004), and accompanying Issues and Decision Memorandum (“2002/03 SSB India”), the petitioners state that the Department applied total AFA to Chandan in a prior segment of this proceeding. The petitioners assert that Chandan’s errors noted in 2002/03 SSB India included failures to “adequately describe its cost collection, allocation methodologies, and accounting system, despite repeated requests that it do so,” and failure to “provide even minimal support documentation for numerous items (e.g., the run time for rolling equipment), instead of relying on unsupported assertions and summary figures ...”. In the instant review, the petitioners argue that Chandan marginally improved its descriptions, but was unable to verify the methodologies described above. Also, the totality of circumstances in this review, according to the petitioners, includes discrepancies and lack of support with respect to Chandan’s U.S. and CM sales data and its cost data.

The petitioners argue that the application of partial AFA is not sufficient because of the cumulative effect of the errors on calculating net U.S. and CM sales prices, COP values, differences in merchandise (“DIFMER”) adjustments, and CV. The petitioners note that Chandan has been given ten opportunities, from May 3, 2004, to March 22, 2005, by the Department to provide accurate and complete responses. Pursuant to section 776(a) of the Act, because Chandan has failed to place all required data on the record, in a complete, accurate, and verifiable manner, the petitioners argue that the application of facts otherwise available is warranted. The petitioners assert that the combination of Chandan’s failure to timely report U.S. and CM sales of SSFB as well as cost data for SSFB, failure to provide complete and accurate U.S. and comparison sales data for bright bar, and the failure to substantiate significant portions of the reported COP and CV data warrant total AFA.

Chandan’s Argument: Chandan did not comment on this issue.
**Department's Position:** In evaluating whether to apply total AFA to Chandan, we examined section 776(a) of the Act. According to its language, the Department shall use the facts otherwise available in reaching a determination if:

1. necessary information is not available on the record; or

2. an interested party or any other person

   (A) withholds information that has been requested by the administering authority or the Commission under this title;

   (B) fails to provide such information by the deadlines for submission of the information or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782;

   (C) significantly impedes a proceeding under this title; or

   (D) provides such information but the information cannot be verified as provided in section 782(i).

We agree with the petitioners’ argument that Chandan failed to report an entire line of bar products (i.e., SSFB) subject to the scope of this order. On March 30, 2004, the Department sent Chandan the original questionnaire in this review with a due date of April 20, 2004, for its section A response, and a due date of May 6, 2004, for its sections B and C response. On April 20, 2004, the Department extended the due date of the section A response until May 3, 2004. On May 5, 2004, the Department extended the due date of the sections B and C questionnaire response until May 17, 2004. On May 17, 2004, the Department further extended the due date of the sections B and C questionnaire response to May 18, 2004. The Department received Chandan’s responses to section A and sections B-C on May 3, 2004, and May 18, 2004, respectively. In these responses, Chandan did not report sales of SSFB. Accordingly, the Department did not send any supplemental questions regarding this line of bar products because we were unaware that Chandan had not fully reported its data for merchandise under review.

On March 28, 2005, Chandan, for the first time, submitted sales and cost information and data for SSFB products. On May 12, 2005, we determined that the information and data contained in the submission represented untimely filed factual information; therefore, we rejected this submission. See letter from Susan Kuhbach to Peter Koenig, counsel to Chandan Steel Ltd., dated May 12, 2005; see also section 351.301(c)(2) of the Department’s regulations. At verification, we noted and verified the quantity of SSFB sales to the U.S. See SCVR, p. 13. Additionally, we reviewed invoices for two of these U.S. sales and confirmed that, according to the product characteristics, these sales should have been reported in Chandan’s original U.S. sales database. Id., p. 10. Therefore, pursuant to section 776(a)(2)(B) of the Act, Chandan has failed “to provide such information by the deadlines for submission of the information or in the
We do not find section 782(c)(1) of the Act applicable in this case, because Chandan did not notify the Department of any difficulties in submitting the requested sales and cost information, including SSFB. We will discuss the inapplicability of section 782(e) of the Act below.
Chandan’s data, it would require that the Department recalculate the billet costs for all grade-series.

For rolling costs, “we asked company officials to determine the allocation between ‘in-house kgs’ and ‘job-work kgs’ for round bars between ½" to 1" and above 1" and Chandan stated that it manually calculated this allocation, but it was not able to provide the supporting evidence.” Id., p. 32. Therefore, the Department was unable to verify the quantity of round bars produced for these size groups for “in-house” and “job-work.” Chandan’s allocation methodology for rolling costs is dependent on complete and accurate reporting of production quantities. Accordingly, Chandan’s inability to document these quantities precludes the Department from verifying Chandan’s rolling costs.

We concur with the petitioners that, for all bars from ½" to 1", we examined invoices generated by outside contractors, but we “were not able to support Chandan’s allocation basis which appears to be a weighted-average of the unit prices.” Id., p. 33. Chandan did not provide any further explanation for why it used the precise allocation basis derived from per-unit charges. The Department’s inability to confidently verify the allocation basis used for rolling costs pertaining to this size range of bars hinders any attempt to calculate a reliable margin.

Also, for rolling costs, Chandan officials reported an allocation basis (derived from the per-unit amounts charged by outside contractors) for costs allocated to SSFB. At verification, we reviewed a sample of bills from “job-work” contractors who performed SSFB rolling services and noted an average per-unit expense of less than Chandan’s reported allocation basis. Id., Exhibit 18, p. 25-28. Chandan did not explain these differences. Additionally, Chandan used a per-unit amount derived from “industry knowledge” in allocating costs to the angle grouping.

We agree with the petitioners that, for SSFB and the angle grouping, we were unable to verify Chandan’s reported allocations. In order for the Department to have confidence in Chandan’s reported rolling costs for merchandise under review examined at verification (i.e., bright bar), it is crucial that the Department be able to clearly quantify the costs allocated to merchandise not under review at verification (i.e., SSFB and the angle grouping). The information provided by Chandan in allocating these costs could not be verified.

For Chandan’s costs in the bright bar stage, Chandan used man hours as the basis for allocating these costs. Chandan was unable to support its reporting. Specifically, at verification, we asked company officials to provide supporting documentation for its reporting of man hours required for producing the nine different size and shape groups of Chandan’s bright bar. Company officials provided a worksheet, but we were unable to verify the accuracy of the worksheet. Id., at p. 34. Therefore, we were unable to verify the allocation of costs in the bright bar stage.

Additionally, Chandan misreported the scrap value in offsetting its reported rolling and bright costs for grade 200 and 400 series bright bar. We agree with the petitioners that, during verification, we found differences in Chandan’s reported production quantities for many CONNUMs in its cost database. Id., Exhibit 16, p. 9. These discrepancies were discovered during the course of verification and the Department was unable to verify the revised amounts. Therefore, although it appears that Chandan’s production quantities by CONNUM have been
revised, this information is not supported by further documentation. These apparent revisions to
the reported CONNUMs affect all of Chandan’s CONNUM-specific costs for the rolling and
bright bar stages.

We determine that the omission of SSFB sales, discrepancies in sales expenses, and unsupported
allocations in Chandan’s cost database preclude the Department from calculating an accurate and
otherwise reliable margin for Chandan based on information on the record. Consequently, we
have assigned Chandan a margin based on total facts available, in accordance with sections
776(a)(2)(B) and (D) of the Act. The Department notes that any attempt to correct the
discrepancies and unsupported allocations cited above would require Chandan’s sales and cost
responses to be recreated and completely transformed.

In particular, we note that cost information is vital to our dumping analysis, because: (1) it
provides the basis for determining whether comparison market sales can be used to calculate NV,
(2) it is used in the DIFMER analysis, and (3) in certain instances (e.g., when there are no
comparison market sales made at prices above the COP), it is used as the basis of NV itself. In
cases involving a sales-below-cost investigation, as in this case, lack of accurate COP/CV
information renders a company’s response so incomplete as to be unusable. See e.g., 2002/03
SSB India; Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Plate
in Coils from Canada, 64 FR 15457 (March 31, 1999); Certain Cut-to-Length Carbon Steel Plate
from Mexico: Final Results of Antidumping Duty Administrative Review, 64 FR 76, 82 (January
4, 1999); Notice of Final Results and Partial Rescission of Antidumping Duty Administrative
Review: Canned Pineapple Fruit From Thailand, 63 FR 43661, 43664 (August 14, 1998); Notice
of Final Determination of Sales at Less Than Fair Value: Certain Steel Concrete Reinforcing
Bars from Turkey, 62 FR 9737, 9738 (March 4, 1997); and Certain Cut-to-Length Carbon Steel
Plate From Sweden: Final Results of Antidumping Duty Administrative Review, 62 FR 18396,
18401 (April 15, 1997).

According to section 776(b) of the Act, if the Department finds that an interested party fails to
cooperate by not acting to the best of its ability to comply with a request for information, the
Department may use an inference that is adverse to the interests of that party in selecting from the
facts otherwise available. See, e.g., Notice of Final Determination of Sales of Less Than Fair
Value and Final Negative Critical Circumstances: Carbon and Certain Alloy Steel Wire Rod
from Brazil, 67 FR 55792, 55794-96 (Aug. 30, 2002).

We have determined that Chandan did not act to the best of its ability in this proceeding, as
required by section 776(b) of the Act, because we find that the failure to provide the information
requested was not beyond the respondent’s control. As the United States Court of Appeals for
the Federal Circuit has stated:

Before making an adverse inference, Commerce must examine respondent’s
actions and assess the extent of respondent’s abilities, efforts, and
cooperation in responding to Commerce’s requests for information.
Compliance with the “best of its ability” standard is determined by assessing
whether respondent has put forth its maximum effort to provide Commerce
with full and complete answers to all inquiries in an investigation. While the standard does not require perfection and recognizes that mistakes sometimes occur, it does not condone inattentiveness, carelessness, or inadequate record keeping.

See Nippon Steel Corp. v. United States, 337 F.3d 1373, 1382 (Fed. Cir. 2003) (“Nippon”). In not reporting its sales and cost data for SSFB, Chandan did not provide the Department with “full and complete answers.” Instead, Chandan made a decision to exclude certain sales and cost data from the Department’s analysis. According to the CIT, “it is Commerce, not the respondent, that determines what information is to be provided for an administrative review.” See Ansaldo Componenti, S.p.A. v. United States, 628 F. Supp. 198, 205 (CIT 1986). For discrepancies in its reporting of sales expenses, we note that Chandan did not “put forth its maximum effort,” resulting in numerous errors discovered by the Department at verification. During verification, Chandan did not object to or dispute the sales expenses errors cited above. With respect to its reporting of costs, we find that Chandan did not act to the “best of its ability” through its inadequate record keeping. We note that, for each stage of production (i.e., billet, rolling, and bright bar), Chandan failed to retain essential documentation to support its allocation methodologies. See Nippon, 337 F.3d at 1382-83.

Chandan has participated in previous administrative reviews of this order, as well as in an administrative review of another order (i.e., Stainless Steel Wire Rod From India: Final Results of Antidumping Duty Administrative Review and Determination to Revoke Order in Part, 70 FR 40318 (July 13, 2005). Therefore, Chandan is fully aware of the rules and regulations that apply to the selling activities it has undertaken. See Nippon, 337 F.3d at 1382 (explaining that the first step in making an adverse inference is determining whether a reasonable respondent would have known that the requested information was required to be kept and maintained). Chandan, throughout the sales and cost verifications, did not thoroughly examine its own records to ensure that it was providing the Department with complete and accurate data. As stated above, the Department noted many preventable discrepancies in Chandan’s reporting of expenses for its U.S. and CM sales. In addition, the Department discovered revisions to Chandan’s CONNUM-specific production quantities, a significant error due to Chandan’s inattentiveness and carelessness. Chandan failed to cooperate to the best of its ability when it failed to provide documentation at the cost verification, such as: departures from the standard “Chemical Composition” chart, production records showing rolling quantities between “in-house” and “job-work,” documentation for its reported allocation of SSFB and angle grouping costs, and documentation for its reported allocation of costs in the bright bar stage. Chandan did not take steps to keep and maintain adequate books and records documenting information that a reasonable respondent should anticipate being called upon to produce. See Nippon, 337 F.3d at 1382-83 (explaining that the second step in making an adverse inference is determining whether a respondent failed to cooperate by failing to keep and maintain required records).

In addition, we note that section 782(e) of the Act is inapplicable in this case. Pursuant to that section, the Department shall not decline to consider submitted information if all of the following requirements are met: (1) the information is submitted by the established deadline; (2) the information can be verified; (3) the information is not so incomplete that it cannot serve as a
reliable basis for reaching the applicable determination; (4) the interested party has demonstrated that it acted to the best of its ability; and (5) the information can be used without undue difficulties. Here, the conditions applicable to section 782(e) of the Act have not been satisfied. As described above, Chandan submitted information regarding sales and cost data and information for SSFB after the established deadline. We have demonstrated that Chandan’s information could not be verified and that Chandan did not act to the best of its ability. Even if the Department were to attempt to revise and modify Chandan’s sales and cost databases to reflect our verification findings, we would encounter undue difficulties in making adjustments to many sales expense fields, as well as to all cost fields. Also, the Department would struggle with the application of partial AFA in determining the proper values to assign to certain sales and cost fields.

Accordingly, because Chandan failed to put forth its maximum efforts in this proceeding, even though the ability to do so was within its control, we have assigned it a dumping margin based on total AFA consistent with section 776(b) of the Act. As AFA, we have used the highest calculated rate for a respondent in any segment of this proceeding (i.e., Uday Engineering Works in Stainless Steel Bar from India: Final Results of New Shipper Antidumping Duty Administrative Review, 67 FR 69721 (November 19, 2002)). This rate is 19.80 percent. We find that this rate is sufficiently high to effectuate the purpose of the adverse facts available rule (i.e., we find that this rate is high enough to encourage participation in future segments of this proceeding). See, e.g., Extruded Rubber Thread from Malaysia: Final Results of Antidumping Duty Administrative Review, 63 FR 12752, 12762-3 (March 16, 1998).

RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting all of the above positions and adjusting all related margin calculations accordingly. If these recommendations are accepted, we will publish the final results of this administrative review and the final weighted-average dumping margin for the firm reviewed in the Federal Register.

AGREE ___________ DISAGREE ________

__________________________
Joseph A. Spetrini
Acting Assistant Secretary
for Import Administration

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Date