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Administrative Review
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May 8, 2006

MEMORANDUM TO: David M. Spooner
Assistant Secretary
for Import Administration

FROM: Stephen J. Claeys
Deputy Assistant Secretary
for Import Administration

RE: Carbon and Certain Alloy Steel Wire Rod from Mexico (Period of Review: October 01, 2003, through September 30, 2004)

SUBJECT: Issues and Decisions for the Final Results of the Second Antidumping Duty Administrative Review: Carbon and Certain Alloy Steel Wire Rod from Mexico.

Summary:

We have analyzed the case briefs and rebuttal briefs submitted by interested parties. As a result of our analysis, we have made changes in the margin calculations. We recommend that you approve the positions we have developed in the Discussion of Interested Party Comments section of this memorandum. Below is the complete list of the issues in this review for which we received comments from the parties:

I. List of Comments:

Hylsa Puebla S.A. ("Hylsa")

Comment 1: Treatment of Home-Market Sales of "Redirected" Prime Merchandise
Comment 2: Recalculation of Hylsa's Warranty Expenses
Comment 3: Hylsa's Cost of Materials from Affiliated Suppliers - Major Input Rule
Comment 4: Treatment of Sales with Negative Dumping Margins ("Zeroing")
Comment 5: Managerial Labor Costs
Comment 6: Parent Company General and Administrative ("G&A") Expenses
Comment 7: Parent Company Employee Profit Sharing Expenses

Comment 8: Use of Monthly Costs for Profit Calculations
Comment 9: Hylsa's Home-Market Credit Expenses
Comment 10: Ministerial Error in the Calculation of Net Price for U.S. Sales with Billing Adjustments

Siderurgica Lazaro Cardenas las Truchas, S.A. de C.V. ("SICARTSA")

Comment 11. Major Input of Iron Ore and Ferrous Scrap
Comment 12: Credit Expense using U.S. Dollar Interest Rates
Comment 13: Assessment Rate
Comment 14: Adjustment to SICARTSA's G&A Expenses
Comment 15: Home-Market Discounts and Rebates
Comment 16: Home-Market Credit Expense
Comment 17: Treatment of Unpaid Accounts Receivable
Comment 18: Incorrect File Name

II. Background

On November 7, 2005, the Department published the preliminary results of its second administrative review of the antidumping duty order on carbon and certain alloy steel wire rod ("wire rod") from Mexico. See Preliminary Results of Antidumping Duty Administrative Review of the Antidumping Duty: Carbon and Alloy Steel Wire Rod from Mexico, 70 FR 67422 (November 7, 2005) ("Preliminary Results"). The merchandise covered by this review is described in the Federal Register notice issued the same date as this memorandum. The review covers two manufacturers/exporters: (1) Hylsa and (2) SICARTSA. The period of review ("POR") is October 1, 2003, through September 30, 2004. We received case and rebuttal briefs from the petitioners[1] and Hylsa and SICARTSA.

III. Discussion of Interested Party Comments

HYLSA

Comment 1: Treatment of Home-Market Sales of "Redirected" Prime Merchandise

Petitioners claim that Hylsa failed to report information on grade and chemical characteristics for its home-market sales of "redirected" prime merchandise and request that the Department re-code these sales. Petitioners request that the Department treat them as equivalent to the most common grade sold by Hylsa in the U.S. market for the purpose of considering these sales in the proper calculation of normal value. Petitioners emphasize the significance of this issue by

[1] Petitioners are ISG Georgetown Inc. (formerly Georgetown Steel Company), Gerdau Ameristeel U.S. Inc., (formerly Co-Steel Raritan), Keystone Consolidated Industries Inc., and North Star Steel Texas, Inc.

claiming that "in some instances" the average prices of home-market sales of the redirected merchandise were higher than the average prices of home-market sales of graded merchandise during the same month. See Petitioners' December 14, 2005, Case Brief ("Petitioners' Case Brief") at 3. Thus, petitioners assert that the exclusion of the redirected prime merchandise might affect the cost test in respondent's favor.

Hylsa disagrees with petitioners and claims that the treatment of redirected prime merchandise is consistent with Hylsa's longstanding practice and record keeping. Hylsa explains that its records do not allow it to track the grade or chemical composition of redirected merchandise and "when Hylsa sells redirected steel wire rod ("SWR"), it makes no representations to the customer concerning the grade and chemical characteristics." See Hylsa's December 19, 2005, Rebuttal Brief ("Hylsa's Rebuttal Brief") at page 2.

With respect to petitioners' argument that excluding redirected merchandise from consideration in the calculation of normal value could result in improper lowering of normal value, Hylsa claims that in 11 of 17 months, the average price of home-market sales of the redirected merchandise was lower than the average price of home-market sales of the graded merchandise, thus contrary to petitioners' claims. See Respondents' October 12, 2005, Letter to the Department, Attachment 1 "Comparison of Average Net Prices for Home-Market Sales of Redirected and Graded Merchandise." Hylsa asserts that inclusion of the redirected wire rod, would actually, on the whole, lower normal value. Thus, Hylsa contends that the Department should continue to treat sales of the home-market redirected prime merchandise according to Hylsa's methodology used in the Preliminary Results.

The Department's Position

We are not persuaded by petitioners' argument that Hylsa's methodology and treatment of its redirected prime merchandise should be changed. We also disagree with petitioners' suggestion that we recode the grade ranges of the redirect sales to the most common U.S. grade. There is no evidence contradicting Hylsa's claim that it is unable to distinguish between the grades or actual chemical composition of the redirected sales. On this basis, we find that it would be inaccurate to assign a random grade/chemical composition to these redirected sales, especially as evidence suggests that in 11 of 17 months the average price of home-market sales of the redirected merchandise was lower than the average price of home-market sales of the graded merchandise. Therefore, we find that there is no evidence that the exclusion of redirected merchandise could result in artificial lowering of normal values as claimed by petitioners.

Furthermore, we note that Hylsa's contention on this point is consistent with the facts of the first review in which the Department verified the existence of such redirected sales, for which the grade and carbon range was not known by the company. See page 7 of the public version of the February 8, 2005, Memorandum to the File from Mark Young and Titpen Troidl regarding the First Administrative Review of the Antidumping Duty Order of Certain Carbon and Alloy Steel Wire Rod from Mexico.

In conclusion, the Department finds that there is not sufficient information to warrant reconsideration of the Preliminary Results; therefore, we have continued to categorize these sales as redirected merchandise.

Comment 2: Recalculation of Hylsa's Warranty Expenses

Petitioners argue that Hylsa improperly reported its U.S. warranty expenses as indirect selling expenses. For the final results, petitioners argue that the Department should treat the warranty expenses as an indirect selling expense adjustment. They further argue that in making the adjustment, the Department should use the historical three-year average warranty expense reported by Hylsa instead of the warranty expenses reported for the POR. According to petitioners, Hylsa submitted a three-year history of warranty claims, by market, for the subject merchandise, as required by the Department's questionnaire. See Hylsa's February 4, 2005, Questionnaire Response at Appendix B-11 ("Hylsa's Sections B-C Response"). Petitioners claim that an expense based on a three-year period is more reflective of Hylsa's historical warranty experience. Thus, for the final results, petitioners argue that the Department should make a direct selling expense adjustment that is based on a three-year average of Hylsa's warranty expenses.

Hylsa asserts that warranty expenses on U.S. sales for all of 2003 and 2004 (which includes months outside of the POR) were minuscule. Moreover, Hylsa argues that because it did not incur any warranty expenses on U.S. sales during the review period, there is no basis for making any adjustment for U.S. warranty expenses. However, to the extent that the Department makes an adjustment for U.S. warranty expenses, it should calculate the expense based on data from the POR.

The Department's Position

We disagree with Hylsa's claim that the expenses in question should be classified as indirect selling expenses. While Hylsa may not have granted any credit notes for U.S. warranty claims on subject merchandise during the POR, it nonetheless incurred costs (e.g., costs associated with the personnel that evaluated the claims) that were directly linked to the sales in question.[2] In light of this fact and pursuant to 19 CFR § 351.410(c), we find that the expenses in question were direct selling expenses that properly fall under the category of warranty expenses.

Having determined that the warranty expenses in question should be treated as direct selling expenses, we next address the manner in which the Department should quantify the expenses. The Department's normal practice is to base the warranty calculation on the respondent's experience during the POR. However, the Department has also recognized that warranties typically extend over a period of time that is longer than the POR. Thus, complete information

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[2]We note that Hylsa does not make the claim that the expenses reported were linked to the salaries of the personnel who evaluated the warranty claims. Had the expenses in question been linked to the salaries of the personnel, they would be considered indirect selling expenses.

for the reviewed sales is often not available at the time the questionnaire response is received. This allows us to evaluate whether the expenses reported for the POR are reasonable. See, e.g., Notice of the Final Determination of Sales at Less Than Fair Value: Certain Carbon and Alloy Steel Wire Rod from Canada, 59 FR 18795 (April 20, 1994) ("Wire Rod from Canada"). Because of this, we requested that Hylsa provide us with the average warranty expenses for the three-year historical period, based on subject merchandise, which it submitted. See Hylsa's Sections B-C Response at Appendix B-11. Consistent with our findings in the first administrative review of wire rod from Mexico, and Wire Rod from Canada, a review of the information on the record shows that the POR and prior year figures vary greatly and that the three-year period is more reflective of Hylsa's warranty expense experience. See Final Results of the First Administrative Review of the Antidumping Duty Order of Carbon and Certain Alloy Steel Wire Rod from Mexico, 70 FR 25809 (May 16, 2005) ("Wire Rod from Mexico AR 1"), and the accompanying Issues and Decision Memorandum ("Wire Rod from Mexico AR 1 Decision Memorandum") at Comment 6. Therefore, we have recalculated Hylsa's warranty expense using a three-year average expense. See Hylsa's Final Calculation Memorandum, at Comment 1.

Comment 3: Hylsa's Cost Materials from Affiliated Supplier -Major Input Test

Petitioners argue that the Department did not properly apply the major input test. They state that Hylsa's affiliated iron ore and steel scrap suppliers' costs and transfer prices must be tested against market prices in accordance with 19 CFR §351.407. In particular, petitioners state that each major input purchased from its affiliates should reflect the highest amount from among cost, transfer price, or market price. Petitioners allege that for iron ore pellets and scrap the market price was higher than the transfer price. They also argue that Hylsa's affiliates' recorded costs of production ("COP") are understated.

Hylsa disagrees with petitioners' allegation that the market price is higher than the transfer price for its purchases of iron ore and scrap from affiliated suppliers. Hylsa contends that the Department should not make any adjustment to its cost for iron ore or scrap.

A. Iron Ore

With respect to Hylsa's purchases of iron ore pellets from affiliated parties, petitioners assert that the Department must apply the iron ore market price as published in the Metal Bulletin. Specifically, they argue that the market price for sales of iron ore from Brazil to Japan reflects a market price for sales within Mexico during the POR; therefore, the Department should use this price to conduct the major input test. Moreover, petitioners contend that iron ore is a worldwide commodity. Furthermore, they also claim that the prices in the Metal Bulletin are actually prices that are used in the Mexican market. Petitioners contend that SICARTSA, the other Mexican respondent, uses certain prices listed in the Metal Bulletin in its supply contract with affiliates. See Petitioners' Case Brief at 7.

Hylsa argues that the Department should not adjust Hylsa's reported costs of iron ore. Hylsa asserts that for purchases of iron ore and steel scrap from affiliated parties, the Department should continue to use the methodology employed in the Preliminary Results. Hylsa maintains that it purchased iron ore pellets and steel scrap from its affiliates at a higher price than market price. According to Hylsa, the total amount paid by Hylsa to its affiliated companies exceeded the affiliated companies' COP.

Further, Hylsa takes issue with petitioners' claim that the price reported in Metal Bulletin for a sale of iron ore from Brazil to Japan reflects the market price for sales within Mexico. Hylsa contends that petitioners' citation to iron ore from Brazil concerning the use of market price is inappropriate in this situation. According to Hylsa, the Department should not use the information because petitioners failed to demonstrate that the published price for Brazilian iron ore pellet relates to the same type of pellet supplied by Hylsa's affiliates.

B. Steel Scrap

With respect to affiliate supplied steel scrap, since Hylsa failed to report actual market prices, petitioners argue that the Department should apply partial facts available in its final determination and adjust the reported steel scrap costs upward by the same factor used to adjust iron ore pellet transfer prices. See Petitioners' Case Brief at 7.

Hylsa argues that petitioners' request to apply partial facts available is not warranted because of the circumstances of the sale. Hylsa explains that its affiliated supplier of iron ore pellets did not produce steel scrap, rather it purchased the scrap from unaffiliated suppliers. Moreover, according to Hylsa, petitioners failed to provide evidence to indicate that the price that affiliated supplier charged Hylsa was below market price. In conclusion, Hylsa urges the Department to reject petitioners' arguments and make no adjustments for the major input analysis.

The Department's Position

We agree with petitioners that we should perform the major input test on Hylsa's reported costs for the final results of this review. Pursuant to section 773(f)(3) of the Tariff Act of 1930, as amended (the "Act"), for transactions between affiliated persons involving the production of a major input to the merchandise, the Department, if it suspects that the amount of the input is less than the COP of the input, may determine the value of the major input on the basis of the information available regarding the COP. The Department's regulations provide criteria for determining whether to accept the respondent's transfer price of the major input or to use the COP. According to 19 CFR §351.407(b), the Department will determine the value of the major input purchased from an affiliated person based on the higher of: 1) the price paid by the exporter or producer to the affiliated person for the major input; 2) the amount usually reflected in sales of the major input in the market under consideration; and 3) the cost to the affiliated person of producing the major input. We have relied on this methodology in other cases; see, e.g., Final Determination of Sales at Less Than Fair Value: Stainless Steel Round Wire from Taiwan, 64 FR 17336, 17337 (April 9, 1999), Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from France, Final Results of Antidumping Duty Administrative Reviews and Revocation of Orders in Part, 66 FR 36551, at Comment 1 (July 12, 2001) ("AFBs 2001"). Moreover, the Court of International Trade ("CIT") has upheld our application of this regulation. See Mannesmann v. United States, 77 F. Supp 2d 1302, at 17 (CIT 1999). Therefore, in the instant case, because iron ore and steel scrap are major inputs, under section 773(f)(3) of the Act and in accordance with 19 CFR §351.407(b), we compared the transfer price, market price and COP for the products obtained by Hylsa from affiliates. We applied the regulatory criteria to determine which price was the highest. We then adjusted the final calculations to reflect the highest of the three amounts. See, e.g., Certain Corrosion-Resistant Carbon Steel flat Products and Certain Cut-to Length Carbon Steel Plate from Canada: Final Results of Antidumping Duty Administrative Reviews, 62 FR 18448, 18456 (April 15, 1997) ("Core from Canada"). Where the market price exceeded the transfer price, we calculated a "market price adjustment" by subtracting the transfer price from the market price. For these inputs, we added this "market-price adjustment" to Hylsa's reported costs which were based on transfer prices. Where the transfer price exceeded or equaled the market price, we made no adjustment.

Iron Ore

Regarding affiliate-supplied iron ore pellets, we agree with petitioners that Hylsa's reported costs were understated for affiliated purchases of iron ore. In addition, Hylsa did not provide market-price information regarding iron ore pellets on the record in order to compare its purchases of iron ore from affiliated suppliers. We note that petitioners have suggested that the Department use as a comparison for sales of iron ore in Mexico, prices of iron ore from Brazil to Japan. The Department is obligated under 19 CFR §351.407 to compare the transfer price, to the COP of the affiliated supplier and a market price. We are using, as the market price, a composite price from Brazil and Chile, as reported in the Metals Bulletin. SICARTSA, the other respondent in this case, reported that its purchases of iron ore are pursuant to a contract which bases the prices on market prices published in the Metal Bulletin. See SICARTSA's February 11, 2005, Section D questionnaire response at page D-9. Therefore, we determine that these prices of iron ore pellets are reflective of prices which could be obtained in the Mexican market. We took an average of these two prices to calculate the market price and compared it to Hylsa's transfer price and its affiliated suppliers' COP. Based on the results of our analysis, we found that the market price for iron ore was higher than either Hylsa's transfer price or its affiliated suppliers' COP. We therefore find that it is appropriate to make an adjustment. See Hylsa's Final Calculation Memorandum at page 4.

Steel Scrap

Regarding petitioners' argument that due to Hylsa's failure to report market prices for steel scrap we should, as partial facts available, adjust the reported steel scrap costs upward by the same factor used to adjust iron ore pellet transfer prices, we have re-examined information on the record and have determined that such an adjustment is not appropriate. The Department found that the information with respect to steel scrap market prices is available on the record. See Hylsa's September 30, 2005, Supplemental Response at Appendix SD-1 ("Metal Bulletin"). Therefore, the Department used information currently on the record of this proceeding to conduct its analysis. See 19 CFR §351.308.

Based on the results of our analysis, the transfer price for steel scrap was found to exceed both the market price and the affiliates' COP; therefore, no adjustment was made. See Hylsa's Final Calculation Memorandum at page 4.

In conclusion, as a result of our analysis, we have adjusted Hylsa's reported material costs for inputs purchased from affiliated suppliers in accordance with section 773(f)(3) of the Act, and 19 CFR §351.407(b) to ensure that the transfer price is in accordance with the market prices during the POR. See, e.g., CORE from Canada, 62 FR at 18456.

Comment 4: Sales with Negative Dumping Margins ("Zeroing")

Hylsa argues that the Department should not treat negative dumping margins found on Hylsa's sales during the POR as zero margins because that distorts the weighted-average margin upward. Hylsa states that while this methodology is consistent with the Department's practice, it is inconsistent with the "fair comparison" requirement of the WTO Antidumping Agreement as determined in a number of decisions by the WTO's Appellate Body.

Hylsa acknowledges the recent WTO Panel decision that the Department's practice of "zeroing negative margins" was consistent with its obligations under the WTO Antidumping Agreement. See United States-Laws, Regulations, and Methodology for Calculating Dumping Margins, Report of the Panel, WT/DS294/R, October, 31 2005 ("Offset Report"). However, Hylsa states that "the Panel's Decision in that case has not been adopted by the Dispute Settlement Body, and is still subject to appeal." See Hylsa's Case Brief at page 4, footnote 2, Comment 1. Therefore, Hylsa urges the Department to revise its calculations to give full weight to the positive and negative margins on Hylsa's U.S. sales in order to achieve the fair comparison required by the U.S. statue and the WTO antidumping Agreement.

Petitioners argue that the Department should abide by its longstanding practice of denying the offset for negative dumping margins. They point out that the WTO Panel has recently affirmed the Department's continued practice of denying the offset in all respects. See Offset Report at ¶8.1. Therefore, petitioners conclude that the Department should not adjust its calculations for these final results.

The Department's Position

Section 771(35)(A) of the Act defines "dumping margin" as the "amount by which the normal value exceeds the export price and constructed export price of the subject merchandise." The Department interprets this statutory definition to mean that a dumping margin exists only when normal value is greater than export or constructed export price. As no dumping margins exist with respect to sales where normal value is equal to or less than export or constructed export price, the Department will not permit these non-dumped sales to offset the amount of dumping found with respect to other sales. The U.S. Court of Appeals for the Federal Circuit has held that this is a reasonable interpretation of the statute. Timken Co. v. United States, 354 F.3d 1334, 1342 (Fed. Cir.), cert. denied sub nom., Koyo Seiko Co. v. United States, 543 U.S. 976 (2004).

See also Corus Staal BV v. Department of Commerce, 395 F.3d 1343, 1347 (Fed. Cir. 2005), cert. denied, 126 S. Ct. 1023, 163 L. Ed. 2d 853 (January 9, 2006).

With regard to the WTO-specific arguments by the parties, "WTO dispute settlement reports" do not have a direct effect under U.S. law. Instead, if and when the U.S. determines to implement a dispute settlement report, that determination will provide the basis for any change in how U.S. law is applied. At this time, no implementation has occurred which effects the Department's decision to deny offsets for non-dumped sales in this case.

Comment 5: Treatment of Hylsa's Managerial Labor Costs

Petitioners claim that Hylsa's reported managerial labor costs based on transfer prices charged by Hylsa's affiliate, Tecnica Industrial, S.A. de C.V. ("TISA"), are understated. They argue that these costs should be revised to reflect the actual costs incurred by Hylsa's affiliate company and to account for a loss that TISA incurred during the 2003 fiscal year. They further argue that because Hylsa failed to provide the 2004 fiscal year financial statement of its subsidiary, TISA, TISA's financial statement of 2003 should be used as an adjustment factor to the labor costs. Moreover, according to petitioners, because Hylsa's labor costs have been included in fixed overhead, the Department should apply the corrected ratio to the following cost variables: fixed overhead costs for the DRI process ("DRIFOH"), fixed overhead costs in the melt shop ("MSFOH") and fixed overhead costs in the rolling mill ("RMFOH").

Hylsa contends that its management labor costs were properly included in its cost databases. Hylsa argues that there is no basis for the Department to recalculate its managerial labor expenses. In particular, Hylsa asserts that petitioners have misrepresented Hylsa's methodology for reporting managerial labor expenses. Hylsa maintains that it provided TISA's financial statement for the 2004 fiscal year which shows that TISA did not incur a loss during the 2004 fiscal year and that period relates to nine of the, 12 months of the POR. Accordingly, Hylsa asserts that the Department should continue to use its calculation of home-market managerial labor expenses for these final results.

The Department's Position

We have reviewed the information on the record for Hylsa's home-market costs and find that during the POR, Hylsa's managerial personnel were provided by its subsidiary, TISA, and recorded in Hylsa's cost databases. We note that the wages and salaries were paid by Hylsa and recorded as expenses in Hylsa's normal accounting records. Furthermore, we find that the evidence on the record confirms that Hylsa reported its affiliate's financial statement for the year of 2004 in "Hylsa Consolidation Worksheets for 2004," therefore, basing Hylsa's managerial labor costs solely on TISA's 2003 financial statement for calculating Hylsa's managerial labor costs is not warranted and it would result in misallocation of Hylsa's managerial labor expenses. See Hylsa's August 8, 2005, Section D Response at Appendix D-5-F.

Moreover, we find that although TISA did report a loss for 2003, the 2004 financial statements of TISA indicate that the company reported a gain and because our POR ranges from October

2003 to September 2004, we are capturing only a relatively small portion of managerial labor costs from the year of 2003. On this basis, we agree with petitioners that Hylsa's managerial labor costs were under-reported in reference to fiscal year 2003. However, Hylsa accurately reported the costs for managerial labor for fiscal year 2004 and as the majority of Hylsa's managerial labor expenses for the POR incurred in 2004 (nine out of 12 months), we determine that it is not appropriate to make any adjustments to Hylsa's labor costs.

In conclusion, we have not altered our treatment of reported managerial wages from the Preliminary Results, and we continue to rely upon the amounts for home-market managerial expenses, as reported by Hylsa for these final results.

Comment 6: Parent Company G&A Expense

Petitioners argue that the Department should not accept Hylsa's corporate parent's calculation of G&A expenses. Petitioners assert that this calculation is unwarranted. They argue that the Department must adjust Hylsa's G&A expense ratio to include "corporate charges" from affiliated parties.

Hylsa argues that the Department should accept its methodology for calculating Hylsa Puebla's G&A expense ratio using a layered approach. Hylsa explains that with this methodology the actual corporate G&A expenses incurred by each entity (i.e., Alfa, Hylsamex, and Hylsa Puebla) were allocated over each entity's consolidated cost of goods sold. Hylsa points out that the methodology used for Hylsa Puebla and Hylsa is consistent with the Department's longstanding practice. Hylsa explains that in the previous segment of the proceeding, Hylsa used, and the Department accepted, a layered calculation of its G&A expense ratio. Therefore, Hylsa asserts that the Department should use the layered approach in computing the G&A expense rate for the final determination.

The Department's Position

We agree with petitioners. The corporate parent of Hylsa improperly excluded certain expenses from the calculation of its G&A expenses. Hylsa's corporate parent company, Hylsa Puebla, should have reported the transfer price of the corporate charges with its affiliates and not replaced the transfer price with the affiliates' cost of providing these services in its calculation of G&A expenses. See Hylsa's Response to Section D at Appendix D-9.

Pursuant to section 773(e)(2)(B) of the Act, we are disallowing this deduction and including the corporate charges from respondent's books and records in the G&A expense rate calculation for the final results. With respect to Hylsa's allegation that the Department did not find this error in the prior proceeding in which Hylsa was a respondent, we note that the Department makes determinations based on the facts and its understanding of the facts on the record of each review. Moreover, it is the Department's practice to include a parent company's corporate charges in the G&A expense ratio. See July 7, 2005, Section D questionnaire, where the Department required the respondent company to include in the reported G&A expenses an amount for administrative services performed on your company's behalf by its parent company or other affiliated party.

As such, Hylsa should have included and not excluded the corporate charges that its parent company incurred, in calculating its G&A expenses ratio. Therefore, for the final results, the Department is including Hylsa's parent company's corporate charges in the G&A expense ratio.

Accordingly, in recalculating Hylsa's parent company's G&A ratio for these final results, we used Hylsa's parent company's transfer price rather than the cost of providing the services. We applied this new ratio to Hylsa's COP and constructed value ("CV") in the final results calculation. See Hylsa's Final Calculation Memorandum at page 5.

Comment 7: Parent Company Employee Profit Sharing Expenses

Petitioners argue that the Department should include employee profit sharing expenses in its calculation of Hylsa's parent company, Hylsa Puebla's G&A expense rate. See Hylsa's September 6, 2005, Supplemental Questionnaire at Appendix SA-5-B. According to petitioners, the Department has found that profit-sharing expenses are part of production costs and therefore should be included in G&A expenses. In support of this position, they cite Porcelain-on-Steel Cookware from Mexico: Preliminary Results of Antidumping Duty Administrative Review, 63 FR 1430 (January 9, 1998); Light-Walled Rectangular Pipe and Tube from Mexico: Notice of Final Determination of Sales at Less Than Fair Value, 69 FR 53,677 (September 2, 2004) ("LWRPT from Mexico") and its accompanying Issues and Decision Memorandum.

Hylsa claims that such an adjustment is not warranted because Hylsa itself did not record any employee profit sharing amounts during its 2003 and 2004 fiscal years. Furthermore, Hylsa argues that petitioners failed to provide a reason why certain expenses should be included in the G&A expenses for Hylsa Puebla.

The Department's Position

We agree with petitioners. We have examined the record and have determined that these expenses should be included in the numerator of the G&A expense ratio calculations. The Department's established practice is to include such expenses in the calculation of COP and CV and to calculate the G&A expense rate based on the respondent company's unconsolidated financial statement plus a portion of the parent company's G&A expenses. See, e.g., Porcelain-on-Steel Cookware from Mexico: Notice of Final results of Antidumping Duty Administrative Review, 62 FR 25908, 25914 (May 12, 1997); see also, Stainless Steel and Strip in Coils from Mexico; Final Results of Antidumping Duty Administrative Review 70 FR 73444 at 73446 (December 12, 2005), and accompanying Issues and Decision Memorandum at Comment 5. Pursuant to this practice, the Department bases the G&A rate on the unconsolidated financial statements of the respondent company including an allocated portion of the parent company's G&A expenses, not based on a parent company's consolidated financial statement. See LWRPT from Mexico Issues and Decision Memorandum at Comment 25, and Final Results of the New Shipper Review of the Antidumping Duty Order on Certain Pasta from Italy, 69 FR 18869 (April 9, 2004), and its accompanying Issues and Decision Memorandum at Comment 6. See also Porcelain-on-Steel Cookware from Mexico: Notice of Final Results of Antidumping Duty Administrative Review (May 12, 1997). In the instant case, we determined that it was appropriate to include Hylsa's parent company's profit-sharing expense in the G&A expenses because it is related to the compensation of direct labor. Therefore, pursuant to section 773(e)(2)(B) of the Act, we adjusted final calculations accordingly. See Hylsa's Final Calculation Memorandum at page 5.

Comment 8: Use of Monthly Costs for Profit Calculation

Hylsa argues that the Department should substitute monthly profit rates for an average annual profit in its calculation of CV in light of the fact that the dramatically changing market conditions during the POR led to drastic changes in Hylsa's prices and profits. Hylsa adds that while the world market prices of the subject merchandise experienced a rapid increase during the POR, Hylsa's costs were rising at a much slower rate. According to Hylsa, as a result of these changes, "the overall average profit for the POR was substantially higher than the actual monthly profit at the beginning of the period, and substantially lower than the actual monthly profit at the end of the period." See Hylsa's Case Brief at Comment 2b.

Although Hylsa acknowledges that the Department's normal practice is to calculate CV on a POR basis, it claims that the evidence in this case warrants its request that the Department revise its CV calculation methodology. Moreover, Hylsa argues that due to the dramatic shift in prices, use of an average profit rate is not contemporaneous. Hylsa further argues that section 773(a)(1)(A) of the Act provides that, "in general" normal value should be determined "at the time reasonably corresponding to the time of the sale used to determine the export price or constructed price." Hysla further asserts that the Department has implemented the statutory contemporaneity requirement by comparing U.S. and home-market sales on a monthly basis, and by using a monthly average normal value. It argues that by applying a single average profit in the CV calculation, the Department fails to implement the statutory contemporaneity requirement.

Petitioners claim that Hylsa's request for monthly profit ratios should be rejected because Hylsa provided no justification for departing from the Department's normal methodology. They argue that the record does not support the finding that any of the Department's limited exceptions can be applied to this proceeding. Petitioners cite another case which mirrors a similar request to Hylsa's request for monthly profit ratios which was rejected by the Department. See Final Results, Rescission of Antidumping Duty Review in Part, and Determination to Revoke in Part: Certain Steel Concrete Reinforcing Bars from Turkey, 70 FR 67665 (November 8, 2005) ("Rebar from Turkey"). Petitioners explain that in that proceeding, respondents unsuccessfully requested that the Department base its analysis on a quarterly cost because of significant raw material cost increases during the POR of that proceeding. Petitioners assert that Hylsa failed to demonstrate the changes as significant and consistent price and cost changes, significant COP changes, high inflation or technological advancements that led to increased costs or sale-specific raw material costs. They contend that for the same reasons that the Department prefers annual costs, the use of an annual profit ratio is preferred, which is part of the cost analysis.

Therefore, petitioners contend that adopting a monthly profit methodology in this case would be an unjustified departure from the Department's practice. Thus, for these final results, the Department should continue using annual data in determining COP and CV.

The Department's Position

We disagree with Hylsa that the Department should deviate from its normal practice of using annual average costs to calculate COP and CV for these final results. The evidence on the record of this review does not support a departure from the Department's normal practice of using POR-average costs. The Department uses annual average costs to smooth the effects of fluctuating material costs, erratic production levels, major repairs and maintenance, inefficient production runs, and seasonality. See Color Television Receivers from the Republic of Korea; Final Results of Antidumping Duty Administrative Review, 55 FR 26225, 26228 (June 27, 1990), and Grey Portland Cement and Clinker from Mexico: Final Results of Antidumping Duty Administrative Review, 58 FR 47253, 47256 (September 8, 1993). In addition, relying on monthly profit or cost averaging periods creates uncertainty as to how accurately the average costs during the shorter period relate to the sales that occurred during the same period. The Department determined in Rebar from Turkey that many factors affect the timing relationship between the purchase of the raw materials, production, and sale of the product. Over an extended period of time, these factors tend to smooth out, resulting in an average cost that reasonably reflects the cost of production for sales made throughout the year. See Rebar from Turkey, 70 FR 67665 at Comment 1.

Our practice for a respondent in a country that is not experiencing high inflation is to calculate a single weighted-average cost for the entire POR. However, the Department may deviate from its normal practice under certain limited circumstances. As stated in Certain Pasta from Italy, the Department has previously used monthly or quarterly costs in instances of non-inflation when there is a single primary-input product and that input experiences a significant and consistent decline or rise in its cost throughout the reporting period. See Certain Pasta from Italy: Final Results of Antidumping Duty Administrative Review, 65 FR 77852 (December 13, 2000) ("Certain Pasta from Italy") and accompanying Issues and Decision Memorandum at Comment 18. See also Final Results of Antidumping Duty Administrative Review and Determination Not to Revoke the Antidumping Order: Brass Sheet and Strip from the Netherlands, 65 FR 742, 746 (January 5, 2000). Conversely, when there are inconsistent fluctuations in both directions, we use a single weighted-average cost for the entire POR. See, e.g., Fujitsu General Ltd. V. United States, 88 F. 3d 1034, 1038-39 (Fed. Cir. 1996).

Furthermore, we have resorted to using shorter cost averaging periods in unusual cases such as significant price and cost changes and significant changes in the COP during a short period of time due to rapid technological advancements in the production process. In SRAMs from Taiwan and DRAMS from Korea we calculated quarterly weighted-average costs due to significant and consistent price and cost declines in the market. See Notice of Final Determination of Sales at Less than Fair Value: Static Random Access Memory Semiconductors from Taiwan, 63 FR 8909, 8926 (February 23, 1998) ("SRAMs from Taiwan"); see also Final Determination of Sales at Less Than Fair Value: Dynamic Random Access Memory

Semiconductors of One Megabit and Above from the Republic of Korea, 58 FR 15467, 15476 (March 23, 1993) ("DRAMS from Korea").

Based on the facts of this case, we determine that while Hylsa's profit rate changed from the beginning of the POR to the end, none of these limited exceptions previously cited apply in this proceeding to justify a departure from the Department's normal practice (e.g., no high inflation in this case, etc.). We find the facts in this case do not support using a shorter cost averaging period as urged by Hylsa. Therefore, we believe that the POR weighted average accurately reflects a fair comparison of production and sales.

In conclusion, we are not persuaded by Hylsa's argument that our methodology should be modified with respect to calculating profit. Thus, for the final results we continue to follow our normal practice of using a single weighted-average cost for the entire POR in our dumping margin calculations.

Comment 9: Hylsa's Home-Market Credit Expenses

According to Hylsa, the Department erred in its decision not to include home-market VAT in the price used as the basis for the calculation of home-market credit expenses. Hylsa acknowledges that the Department's longstanding practice is to determine credit expenses on VAT-exclusive prices. However, Hylsa asserts that the Department's past decisions are "economically and legally misguided." See Hylsa's Case Brief at 12. Hylsa explains that the purpose of calculating credit expenses is to determine the economic cost to the seller when it decides to allow the customer to delay its payment and that the Department has recognized this in its past decisions. See Final Results of Antidumping Duty Administrative Review; Certain Fresh Cut Flowers from Mexico, 56 FR 1794, 1798 (January. 17, 1991). Hylsa argues that the Department should calculate credit expenses based on the total price actually paid by the customer, the invoice amount, because the cost to Hylsa of the delayed payment must be measured by the total amount on which payment was delayed, which includes the tax-exclusive price, plus VAT. Thus, Hylsa asserts that the Department should use the credit expenses for home-market sales as reported by Hylsa, based on the total amount due from the customer on each transaction.

Petitioners argue that the Department correctly re-calculated Hylsa's home-market credit expenses based on a VAT-exclusive price. According to petitioners, Hylsa's argument that the Department's practice is "economically and legally misguided" is without merit because there is no record that Hylsa was required to pay government VAT bills for VAT amounts, thus there was no opportunity cost associated with the VAT portion of the receivable. See Petitioners' Rebuttal Brief at 7. Therefore, petitioners claim that it is appropriate for the Department to recalculate Hylsa's credit expenses to reflect a VAT-exclusive price for the final results.

The Department's Position

We disagree with Hylsa that VAT should be included in the home market credit expense calculation because VAT is not a revenue for Hylsa but for the government. As the Department explained in Certain Cut-to Length Carbon Steel Plate from Brazil: Final Results of Antidumping Duty Administrative Review, 62 FR 18486, 18488 (April 15, 1997), it is not our practice to include VAT payments in credit expense calculations. In that case we stated that ". . . while there may be a potential opportunity cost associated with the respondents' prepayment of the VAT, this fact alone is not a sufficient basis for the Department to make an adjustment in price-to-price comparisons." Id. The Department continued to explain that "to allow the type of credit adjustment suggested by the respondents would imply that in the future the Department would be faced with the virtually impossible task of trying to determine the potential opportunity cost or gain of every charge and expense reported in the respondents' home market and U.S. databases." Id. Furthermore, no statue or regulation requires the Department to include VAT in the home-market credit expense calculation. See Circular Welded Non-Alloy Steel Pipe and Tube from Mexico: Final Results of Antidumping Duty Administrative Review, 63 FR 33041, 33050 (June 17, 1998). As the Statement of Administrative Action ("SAA") states at page 827, " . . . The deduction from normal value for indirect taxes constitutes a change from the existing statute. The change is intended to ensure that dumping margins will be tax-neutral."

Therefore, for these final results, we are following our established practice of excluding VAT from home-market credit expense calculations. See Frozen Concentrated Orange Juice from Brazil: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review, 64 FR 5767, 5769 (February 5, 1999).

Comment 10: Ministerial Error in the Calculation of Net Price for U.S. sales with Billing Adjustments

Hylsa states that the Department made a ministerial error in its program by adding Hylsa's billing adjustments to the gross unit price to determine the net price for the U.S. sales. Hylsa explains that the billing adjustments that increased the unit price were reported as negative amounts, thus they should be deducted from the gross unit price. Therefore, the Department should correct this error for these final results.

Petitioners did not comment regarding this issue.

The Department's Position

We have re-examined the record and agree with Hylsa. We have made the suggested changes in the programs to correct this error.

SICARTSA

Comment 11: Major Input of Iron Ore and Ferrous Scrap

Petitioners argue that the Department should analyze SICARTSA's purchases of both iron ore and ferrous scrap from its affiliated suppliers. Petitioners assert that the Department failed to compare SICARTSA's purchases of iron ore from its affiliate to market prices. Petitioners state that the Department compared transfer prices and COP but did not use a market-based benchmark to make the comparison. Moreover, they claim that the Department erred in determining in the Preliminary Results that, because SICARTSA lacked market purchases and its affiliate lacked market sales, the Department was precluded from using a market price component in the major input analysis. Petitioners further assert that 19 CFR §351.407(b)(2) requires the Department to examine "the amount usually reflected in sales of the major input in the market under consideration." Petitioners argue that the Department must recognize that the major inputs to steel (iron ore and scrap) are listed as a worldwide commodity, and that published sources are readily available and should be used in the Department's analysis.

Petitioners also assert that the Department should, as partial facts available, adjust SICARTSA's ferrous scrap costs upward by the same amount as the adjustment for iron ore for the final results.

SICARTSA asserts that petitioners' allegation that SICARTSA's transfer price for iron ore, mineral concentrate, should be increased, is not accurate. SICARTSA argues that petitioners' calculations in their pricing allegation do not properly convert the market price, which petitioners are urging the Department to use. SICARTSA claims that in order to use the market price, the price must be converted from long tons to metric tons and then from concentrate to dry iron ore. After properly converting the market price, SICARTSA claims, the Department will determine that the transfer price from SICARTSA's affiliate is greater than the published market price. Next, SICARTSA claims that petitioners based their calculation of the price of concentrate from Carol Lake, Canada which is the higher of the two prices published in the Metal Bulletin. SICARTSA contends that a more reasonable approach would be to take an average of the price for concentrate sourced from Carol Lake, Canada, and of the price for concentrate sourced from Kudremulk, India. Even using this price, SICARTSA contends that the transfer price that it paid was greater than the average price from the Metal Bulletin. SICARTSA concludes that the Department should not therefore adjust the cost of manufacturing ("COM") of iron ore.

SICARTSA also argues that hematite and pellets, which petitioners suggest that the Department compare, are not the same product. SICARTSA claims that hematite is raw iron ore extracted from the earth and used directly in the blast furnace while pellets are produced from lower iron content ore and are further processed. Moreover, SICARTSA claims that it does not purchase pellets, it produces them. Therefore it states that the Department should not adjust SICARTSA's reported costs for hematite based on published prices for pellets.

SICARTSA also refutes petitioners' claim that the Department should increase SICARTSA's reported scrap cost by a facts-available percentage. SICARTSA disagrees with petitioners' claim that it did not provide certain information that the Department should have requested. SICARTSA asserts that it provided the Department with all of the information that was requested and that any use of facts available is only justified where the Department has requested specific information, the respondent company has failed to provide it and the Department has provided the company with the opportunity to cure the deficiency. SICARTSA stresses that in this case, it has complied with all of the requests for information from the Department.

SICARTSA asserts that the Department did not request additional information regarding scrap purchases or market prices; therefore it would be inappropriate to use any form of facts available, as suggested by petitioners.

SICARTSA asserts that the Department incorrectly determined that its average transfer price for iron ore was below the affiliate's COP. SICARSTA further points out that it acquired three types of iron ore from an affiliated party during the POR: (1) mineral concentrate, (2) hematite for use in blast furnaces, and (3) hematite byproducts. SICARTSA contends that the Department has the volume and value of each type of iron ore purchased from its affiliate, as well as the transfer price and cost of production for each type of iron ore on the record. Based on this information, SICARTSA asserts that the average transfer price is above the average COP. Moreover, SICARTSA claims that 19 CFR §351.407(b) directs the Department to use the higher of cost of production, transfer price, or market price, when major inputs are acquired from affiliated parties. SICARTSA further claims that there were no unaffiliated purchases or sales of iron ore, and, thus, no market prices. SICARTSA contends that the Department should only make a cost adjustment if the affiliate's COP is higher than the transfer price, which it states is not the case.

SICARTSA also states that, if the Department determines that an adjustment to the price of iron ore needs to be made, the calculations should be revised. Specifically, SICARTSA claims that the Department in the Preliminary Results incorrectly adjusted the COM by the percentage of the COM that iron ore purchases accounted for, rather than the alleged difference between the transfer price and the affiliate's COP. SICARTSA contends that if the Department determines that it is appropriate to make an adjustment, it should weight average the adjustment by multiplying any cost adjustment by the percentage of total COM, before applying the adjustment to total COM, to ensure that the adjustment is properly calculated.

Petitioners reiterate that the Department must adjust SICARTSA's raw material costs to reflect the highest of transfer price, affiliated supplier's cost, or the market price. They contend that just because SICARTSA did not purchase any iron ore from an unaffiliated supplier does not mean that there is not a "market price" for iron ore. Petitioners assert that market prices must be considered in all evaluations of transfer prices affecting major inputs. Moreover, petitioners uphold that the test is whether the affiliate's transfer price "fairly reflects the amount usually reflected in sales of merchandise under consideration in the market under consideration" not to test the prices that a respondent company may have paid to an unaffiliated supplier. They further note that if this comparison leads the Department to conclude that the transfer price is lower than the usual market price, then the Department is to adjust the cost of the input based on "information available as to what the amount would have been if the transaction had occurred between persons who are not affiliated." Petitioners also stress that using a market price as a benchmark is critical given the rising costs and prices in the steel industry. In addition, petitioners purport that the Department should use conservative (freight-exclusive) estimates of the market price for the three types of iron ore used by SICARTSA.

The Department's Position

We agree with both SICARTSA and petitioners' argument that we improperly analyzed SICARTSA's purchases of iron ore and scrap from affiliates. We agree with petitioners that pursuant to 773(f)(3) of the Act and 19 CFR §351.407(b)(2), if a major input is purchased from an affiliate, the Department is required to compare and select the highest of the following three prices: transfer price of the purchase from the affiliate, the affiliates COP of the input, and the market price. If the Department determines that the transfer price, the price that was reported in the cost database, is not the highest price, then the Department must adjust the COM in the program. In the Preliminarily Results, we incorrectly analyzed and adjusted SICARTSA's COM in the calculations. For these final results, we have compared the price that SICARTSA paid its affiliate for iron ore, the affiliates' COP of iron ore and a market price. As our market price, we used the Metals Bulletin and calculated an average price for iron ore. See May 8, 2006, Final Calculation Memorandum for Siderurgica Lazaro Cardenas Las Truchas (SICARTSA) ("SICARTSA's Final Calculation Memorandum") at page 2. After comparing these three prices, we find that the price SICARTSA paid to its affiliate was the highest of the three. We, therefore, determine that it is not necessary to make any adjustment to the COM for purchases of iron ore.

We also agree with petitioners that the Department erred in the Preliminary Results when we did not examine whether scrap was a major input in the production of subject merchandise. We determine that scrap is a major input and, therefore, we are required to examine the purchases of scrap from affiliates as directed by section 773(f)(3) of the Act and 19 CFR §351.407(b)(2). The Department is not able to base its analysis on all three of the required elements as the record is lacking COP information for SICARTSA's affiliate. We find that as we have the transfer price that SICARTSA paid its affiliates for scrap and the transfer price that it paid non-affiliates for scrap, we are able to make an accurate determination. In comparing the two prices, we find that SICARTSA's transfer price was the higher of the two prices. See SICARTSA's Final Calculation Memorandum at page 2. Therefore, we will not make any adjustments to the COM in the final programs.

We disagree with petitioners' assertion that the Department should apply an adverse inference in analyzing SICARTSA's purchases of scrap from affiliated suppliers. We find that there is sufficient information on the record to make an accurate comparison and that it would not be appropriate to apply any adverse or facts available adjustment.

Comment 12: Credit Expense using U.S. Dollar Interest Rates

Petitioners claim that for the final results calculations the Department should use SICARTSA's U.S. dollar interest rate to calculate the credit expense rather than using CCC Steel's ("CCC") borrowing rate.

SICARTSA refutes petitioners' claim that CCC's short-term interest rate on dollar-denominated loans was used in the preliminary calculations; rather, it claims that SICARTSA's U.S. dollar interest rate was used to calculate the U.S. credit expenses.

The Department's Position

The Department disagrees with petitioners' claim that we used CCC's short-term interest rate in calculating SICARTSA's U.S. credit expense in the comparison market program. In calculating U.S. credit expense, the Department used SICARTSA's short-term interest rate for dollar-denominated loans.

Comment 13: Assessment Rate

Petitioners assert that the Department should prepare SICARTSA's liquidation instructions using a per-unit assessment rate rather than an ad valorem rate. Petitioners argue that SICARTSA was the importer of record for all of the U.S. sales, and it presumably knew the entered value of the imports; however, it did not report the entered value for its U.S. sales. Petitioners allege that the Department should calculate, for the purposes of liquidation instructions, an assessment rate based on the per-unit duty owed rather than an ad valorem rate based on an estimated or surrogate entered value. They further explain that entered values may differ significantly from prices on invoices, and that a per-unit value would ensure an accurate duty assessment. Petitioners further state that basing the liquidation instructions on a per-unit rate would not result in either under-collecting or over-collecting duties.

SICARTSA refutes petitioners' claim that the Department should calculate its assessment rate on a per-unit basis. SICARTSA attests that the Department in the Preliminary Results followed the same methodology used in the first administrative review and should do so for these final results. SICARTSA argues that the cash deposit rate should be based on an ad valorem basis.

The Department's Position

Pursuant to 19 CFR § 351.212(b), the Department will normally calculate an assessment rate for each importer of subject merchandise covered by the review. The Department normally will calculate the assessment rate by dividing the dumping margin found on subject merchandise by the entered value. In the current review SICARTSA did not provide the entered value for subject merchandise, in spite of the fact that it indicated that it was the importer of record. Therefore, we determine that it is appropriate to apply an assessment rate on a per-unit basis. To calculate the assessment rate on a per-unit basis, the Department divided the total dumping margin for SICARTSA (calculated as the difference between normal value and export price) for each importer by the total quantity of subject merchandise sold to that importer during the POR. The Department will direct CBP to assess importer-specific assessment rates based on the resulting per-unit (i.e., per-metric ton) rates by the weight in metric tons of each entry of the subject merchandise during the POR.

Regarding the cash deposit rate for SICARTSA, we have continued to apply the method used in the Preliminary Results. Accordingly, we have calculated SICARTSA's cash deposit rate on an ad valorem basis.

Comment 14: <u>Adjustments to SICARTSA's G&A</u>

Petitioners claim that the G&A ratio that the Department used in adjusting SICARTSA's G&A expenses was unsupported. Petitioners assert that the Department should revise the G&A ratio for the final results calculations.

SICARTSA refutes petitioners' claim that the Department used an incorrect G&A adjustment factor. SICARTSA claims that the G&A factor it submitted in its July 15, 2005, supplemental response at Exhibit 12, was structured in the same manner as the calculation provided for the first administrative review. Moreover, it contends that the Department did not request clarification of the worksheets nor any additional supporting information. Therefore, SICARTSA asserts that it would be inappropriate for the Department to reject the G&A adjustment for the final results.

<u>The Department's Position</u>

We disagree with petitioners' argument that we used an incorrect figure for the G&A ratio. We find that the information that SICARTSA reported supports the provided G&A ratio and was structured in the same fashion as the prior administrative review. <u>See</u> Wire Rod from Mexico AR 1 Decision Memorandum at Comment 11, where we state "we have relied on the G&A expenses as reported by SICARTSA pursuant to section 782(e) of the Act." Therefore, consistent with our past practice and the methodology employed in the first review of this order, we will continue to accept and use SICARTSA's G&A information.

However, we note that we incorrectly made an adjustment to SICARTSA's G&A ratio in the preliminary calculation program. We determine that the G&A ratio included in SICARTSA's section D dataset was correct and that there is no need for an additional adjustment. Therefore, for the comparison and margin programs we are not making any adjustment to G&A.

Comment 15: <u>Home-Market Discounts and Rebates</u>

SICARTSA claims that the Department inadvertently omitted the variable for debit notes in calculating home-market discounts and rebates in the comparison market program.

Petitioners did not brief this issue.

<u>The Department's Position</u>

The Department agrees with SICARTSA's claim that the variable for debit notes should be included in the home-market discounts and rebates calculation in the comparison market. We have included this variable for the final results. <u>See</u> SICARTSA's Final Calculation Memorandum at page 4.

Comment 16: <u>Home-Market Credit Expense</u>

SICARTSA claims that the Department in the comparison market program used an incorrect syntax to sum the various home-market credit expense fields. It contends that the Department's program simply summed the first and last fields rather than summing all of the fields.

Petitioners did not brief this issue.

<u>The Department's Position</u>

We agree with SICARTSA's claim that the home-market credit expense is incorrect. We have made the appropriate modifications to the program.

Comment 17: <u>Treatment of Unpaid Accounts Receivable</u>

SICARTSA claims that the Department incorrectly excluded partially unpaid accounts receivables from the calculation of home-market credit expenses. SICARTSA claims that the program does not set a payment date for sales that received partial payments, and should revise the calculation for the final results.

Petitioners did not brief this issue.

<u>The Department's Position</u>

We agree with SICARTSA that the preliminary comparison market excluded partially unpaid accounts receivable, and that this error should be corrected for the final results. We, therefore, have made the appropriate corrections to include partially unpaid accounts receivable in the calculation of home-market credit expenses.

Comment 18: <u>Incorrect File Name</u>

SICARTSA claims that the Department's margin program used an incorrect file name to import home-market selling expenses for CV. The Department should correct this error in the margin program for the final results.

Petitioners did not brief this issue.

<u>The Department's Position</u>

We agree with SICARTSA that we used an incorrect file name to import home-market selling expenses for CV. We have corrected this error for the final results. <u>See</u> SICARTSA's Final Calculation Memorandum at page 9.

Recommendation

Based on our analysis of the comments received, we recommend adopting the above positions. If these recommendations are accepted, we will publish the final results and the final weighted-average dumping margins in the Federal Register.

Agree __________ Disagree _________

____
David M. Spooner
Assistant Secretary
for Import Administration

____
Date