

**HEBEI METALS & MINERALS IMPORT & EXPORT CORPORATION AND HEBEI  
WUXIN METALS & MINERALS TRADING CO., LTD. v. UNITED STATES**

Court No. 03-00442

Slip Op. 04-88 (Ct. Int'l Trade July 19, 2004)

**FINAL RESULTS OF REDETERMINATION  
PURSUANT TO REMAND**

**SUMMARY**

The Department of Commerce (the Department) has prepared these final results of redetermination pursuant to the remand order of the U.S. Court of International Trade (the Court) in Hebei Metals & Minerals Import & Export Corporation and Hebei Wuxin Metals & Minerals Trading Co., Ltd. v. United States, Slip Op. 04-88 (Ct. Int'l Trade July 19, 2004) (Hebei Metals). The Court remanded three aspects of the Department's duty calculation for Hebei Metals: (1) use of an Indian import price rather than an Indian domestic price for the surrogate coal value, (2) inclusion of the allegedly aberrational Swedish import value in the surrogate value for steel-pallet packing material, and (3) exclusion of internal consumption from raw material expenditures in the calculation of surrogate ratios for general expenses and profit. *Id.* at 2.

First, in accordance with the Court's instructions, the Department has reconsidered its analysis of the use of the Indian import prices for the surrogate coal value it used in the final determination of this proceeding with respect to specific points which the Court addressed. The Department continues to find, as explained in detail below, that substantial evidence on the record indicates that the use of the Indian import prices for the surrogate value of coal yields a more accurate surrogate value than the domestic coal value on the record of this proceeding. Therefore, the Department has not revised its calculation of the dumping margin with respect to coal.

Second, pursuant to the Court's instructions, the Department has excluded the Swedish import value from its calculation of the surrogate value for steel pallets. See Hebei Metals at 24. The Department has also determined and explained that the inclusion of the Swedish import value in the surrogate value for steel pallets was in accordance with the law, and the Department has provided a reasonable explanation as to why this value was not aberrational. Despite the Department's findings, the Department has revised its margin calculation in accordance with the Court's instructions. Hebei Metals at 24.

Third, in accordance with the Court's instructions, the Department has reconsidered its analysis and reasoning for the removal of internal raw material consumption from its surrogate-ratio calculations. Id. at 35. The Department has indicated the substantial evidence upon which it has relied to demonstrate the significance of internal consumption and how its removal from the denominator increases the accuracy of the ratios. Id. at 2.

## **BACKGROUND**

In the investigation covering the October 1, 2001, through March 31, 2002, period of investigation (POI), the Department determined that, among other manufacturers of lawn and garden steel fence posts from the People's Republic of China (PRC), Hebei sold its products at less than fair value based on a normal-value calculation using surrogate values from India for the calculation of the surrogate coal value, the surrogate steel-pallets value, and the surrogate ratios. See Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Lawn and Garden Steel Fence Posts from the People's Republic of China, 67 FR 72141 (December 4, 2002) (Preliminary Determination), Final Determination of Sales at Less Than Fair Value: Lawn and Garden

Fence Posts from the People's Republic of China, 68 FR 20373 (April 25, 2003) (Final Determination), and the accompanying Decision Memorandum for the Final Determination of the Antidumping Duty Investigation of Lawn and Garden Steel Fence Posts from the People's Republic of China (April 18, 2003) (Decision Memorandum). Hebei received an affirmative dumping margin in the Final Determination of 6.60 percent. Final Determination, 68 FR at 20376.

1. **Surrogate Coal Value**

First, in the Final Determination, the Department determined to base the surrogate value for coal on the Indian import prices for the “others” basket of coal (HTS 2701.1909) as published in the 2001–2002 Indian Import Statistics rather than the Tata Energy Research Institute’s (TERI) Energy Data Directory & Yearbook for 2000/2001 domestic coal prices for steam coal placed on the record by respondent Hebei in this proceeding. See Final Determination and accompanying Decision Memorandum at Comment 4. The Department stated clearly in its Decision Memorandum that domestic coal prices for “steam coal” were not appropriate because there was no information on the record showing that “steam coal, which is suitable for use in boiler-generated steam and most often used for electricity generation, was used in the production process” and because Hebei “did not demonstrate the ‘useful heat value’ (UHV) of the coal used” in its production process.

Prior to the Final Determination, Hebei argued that the Department should value coal using domestic Indian prices as opposed to the import prices the Department used in the Preliminary Determination. Hebei contended that the Department had stated a preference for using domestic rather than import prices from the surrogate country to value factors of production although the Department conceded that this preference is not unconditional, citing Pure Magnesium From the People's Republic

of China: Final Results of Antidumping Duty New Shipper Administrative Review, 63 FR at 3085 and 3087 (January 21, 1998) (Magnesium from China). Hebei asserted that the Department should use the domestic Indian coal prices it submitted. Hebei argued that the domestic data it submitted prior to the Preliminary Determination for coal was more contemporaneous to the POI and that the Department rejected the data without explanation in the Preliminary Determination and the Final Determination.

Hebei also claimed that the domestic Indian coal prices on the record of this proceeding were more representative of the production experience of the Chinese producer than the import prices the Department had used in the Preliminary Determination. Hebei argued that the record indicates that the Chinese producers under investigation sourced coal domestically, presumably because, as in India, the domestic price is cheaper than the import price.

Hebei cited the Court's decision in Yantai Oriental Juice Co., et al. v. United States and Coloma Frozen Foods, Inc., et al., Slip Op. 02-56 at 21 (June 2002) (Yantai Oriental), where the Court examined the use of Indian import prices from the Monthly Statistics of Foreign Trade of India (MSFTI) versus the use of the TERI data for the purpose of valuing steam coal. Hebei argues that the TERI data at issue in Yantai Oriental was identical to the data Hebei submitted on the record in this proceeding. Hebei continued that, in Yantai Oriental, the Court stated that domestic prices should be used for surrogate-value purposes unless there is evidence that the domestic price is distorted such that the use of import data is preferred and the use of imported surrogate values would better approximate the cost incurred by the Indian producers. Hebei argued that there was no evidence that the domestic prices for steam coal were distorted and that the domestic price better approximated the costs incurred by the Indian producers of fence posts. The Court determined in Hebei Metals that the

Department used the Indian import price for the surrogate coal value but did not provide substantial evidence demonstrating why imported coal yielded a more accurate surrogate value than domestic coal. See Hebei Metals, at 2. Consequently, on remand, the Court instructed the Department to either provide further explanation based on record evidence or conduct further investigations to determine whether Indian import or domestic data provides a value that reflects more accurately the coal-consumption patterns of producers in the relevant industry. Id. at 16-17.

## 2. **Surrogate Steel-Pallets Value**

Second, regarding the surrogate value for steel pallets, in the Preliminary Determination, the Department calculated the surrogate value for steel pallets based on Indian import statistics from 25 countries during the period April 2001, through December 2001. See Preliminary Determination, 67 FR at 20376. Due to the fact that this information was not contemporaneous with the POI, the Department inflated the value. See Preliminary Determination, 67 FR at 72141; see also Memorandum Regarding Factors of Production Valuation for the Preliminary Determination (November 27, 2002) (Preliminary FOP Memorandum). Hebei did not object to the Department's inclusion of imports from Sweden in the calculation of a surrogate value in the Preliminary Determination. Hebei submitted a new set of data for Indian imports of seamless tubes/pipes published in the World Trade Atlas which was more contemporaneous with the POI than the data the Department used in the Preliminary Determination and also included prices from Sweden. See Letter from Hebei to the Department Regarding Surrogate Values (January 21, 2003).

In the Final Determination, the Department replaced the value for steel pallets with the more contemporaneous data Hebei had submitted, which were Indian import statistics based on imports from 21 countries during the period October 2001, through March 2002. See Memorandum Regarding Factors of Production Valuation for the Final Determination (April 18, 2003) (Final FOP Memorandum). The Department explained that it had “examined the contemporaneous data and found that the values were based on a significant volume of imports from various market economy countries, and did not appear aberrational.” Id.

In response to the Final Determination, Hebei stated that the Department made a ministerial error by including the value of Swedish imports in its valuation of steel pallets. See Letter from Hebei to the Department Regarding Clerical Errors in the Final Determination (April 28, 2003). Hebei argued that the steel-tube imports from Sweden must be considered aberrational given the Department’s other finding in the Final Determination that the Indian domestic price for powder coating submitted by Hebei as a surrogate value was aberrational because it was 43 percent lower than the import price. Hebei claimed that, if a 43-percent difference constitutes the standard for an “aberrational” price, the Department should disregard the Swedish steel-tube import value as aberrational because it is 1134 percent greater than the average value of imports from the other 20 separate countries listed within the Indian import value for steel pallets.

The Department found no ministerial error and explained that it intended to exclude from the calculation only those Indian imports sourced from non-market-economy (NME) countries and countries maintaining non-industry-specific export subsidies which might distort export prices. Due to

the fact that the Swedish steel-tube value did not fall into either of these categories, the Department found no reason to exclude it. See Memorandum from Salim Bhabhrawala and Christopher Smith to Gary Taverman, Re: Ministerial Error Allegations (May 12, 2003).

In Hebei Metals, the Court determined that the Department chose not to exclude the Swedish import value from the surrogate value for steel pallets and did not provide a reasonable explanation why this uniquely high-priced/low-volume import value was not aberrational. Hebei Metals, at 2. On remand, the Court instructed the Department to “exclude the Swedish import value from its steel pallet surrogate value calculations.” Id. at 24.

### 3. **Surrogate Financial-Ratio Calculations**

Third, prior to the Preliminary Determination, Hebei submitted a copy of the 2001 Annual Report of Surya Roshni Ltd. (Surya), an Indian steel-tube manufacturer, for use in calculating the surrogate ratios for selling, general and administrative expenses (SG&A), factory overhead, and profit. See Letter from Hebei to the Department Regarding Surrogate Values (September 18, 2002). The Surya annual report included a profit and loss statement (P&L) listing the income and expenditures for the year ended March 31, 2001.

In the Preliminary Determination, when calculating the surrogate ratios for SG&A, factory overhead, and profit—where the Department’s formula calls for direct manufacturing expenses or material costs—the Department used the figure from the “Raw Material Consumed” line-item in the Surya P&L, which included costs attributed to internal consumption. See Preliminary Determination, 67 FR at 72145; see also Preliminary FOP Memorandum at 6. Prior to the Final Determination, the petitioner in the investigation, Steel City Corporation, submitted comments regarding the calculation of

surrogate ratios for SG&A, overhead, and profit, and it presented the argument that the Department should deduct from Surya's raw material expenditures the amount shown for internal consumption on the Surya P&L. See Case Brief from Steel City Corporation to the Department (March 18, 2003).

Hebei argued that the Department should not adjust its surrogate overhead and SG&A ratio calculations for the use of gross rather than net materials cost. It stated that the petitioner had not argued persuasively what "internal materials transfers" might represent if they are not part of the direct materials costs. Also, Hebei stated that there is no precedent for the Department to exclude a portion of the raw materials cost based on a designation such as "internal consumption." See Letter from Hebei to the Department Regarding Surrogate Values (March 13, 2003).

In the Final Determination, the Department recalculated the overhead and SG&A ratios by not including internal consumption in Surya's raw material costs. See Final Determination and accompanying Decision Memorandum at Comment 4. The Department explained its decision as follows:

*{I}nternal consumption, in so far as it represents the use of raw materials to produce internal assets rather than finished products for sale, should not be applied to the cost of goods sold. Only those materials consumed in the production of finished goods should be included in the cost of goods sold. Likewise, if the material costs were increased to include internal transfers between factories or cost centers, only the net material cost figure would avoid double-counting material costs in the denominator of the financial ratios.*

See Decision Memorandum at Comment 4; emphasis added.

In Hebei Metals, the Court found that it could not sustain the Department's decision to remove internal raw material consumption from its surrogate-ratio calculations even though the Department lacked substantial evidence to demonstrate the significance of internal consumption and how its removal

from the denominator would increase the accuracy of the ratios. *Id.* at 2. Therefore, the Court remanded the Department’s decision to exclude internal raw material consumption for further explanation and, if necessary, further investigation. Hebei Metals, at 35. **ANALYSIS**

*Issue 1: Surrogate Coal Value*

The Court remanded the Department’s selection of an Indian import value for coal because it found it was not based on substantial evidence. Hebei Metals, at 16. In particular, the Court determined that the Department’s decision to use the “others” basket of coal from the 2001-2002 Indian Import Statistics did not address the more persuasive secondary argument that the broad scope of the term “steam coal” is evident from Hebei’s submission to the record. *Id.* at 12-13. The Court also found that the Department did not identify a distortion in the Indian domestic coal market or explain how import coal values best approximate the cost incurred by Indian fence-post producers. *Id.* at 15-16. The Court also found that the Department’s statement that the data was contemporaneous and “free of taxes and duties” was not sufficient because it did not address whether taxes and duties distorted the Indian domestic coal market. *Id.* at 15. On remand, the Court instructed the Department to either provide further explanation based on record evidence or conduct further investigations to determine whether Indian import or domestic data provides a value that reflects more accurately the coal-consumption patterns of producers in the relevant industry. *Id.* at 15-16.

It appears that the Court agreed with the Department that Hebei did not provide record evidence demonstrating that the type or types of coal represented in the TERI data is no more or less accurate than the surrogate value of the Indian import statistics. Hebei Metals at 11-14. Further, Hebei did not provide evidence that the TERI data is more accurate than the Indian import statistics.

For example, the limited record that the respondent Chinese producers submitted to the Department during the investigation does not indicate exactly what type of coal fence-post producers use, what the UHV of this coal is, and whether Indian fence-post producers use domestic or imported coal in their manufacturing process. See Hebei Metals at 14.

Despite the absence of evidence that the TERI data submitted by Hebei is more accurate, the Court stated that it is the Department's duty to "calculate normal value as accurately as possible on the basis of the best information" available. Id. at 15. In the Final Determination, the Department used the Indian import price for surrogate coal value rather than the TERI domestic coal prices for steam coal placed on the record by Hebei in the proceeding. See Preliminary FOP Memorandum at Exhibit Y. The Court stated that the Department did not provide substantial evidence demonstrating why imported coal yielded a more accurate surrogate value than domestic coal.

Accordingly, after re-examining the record evidence for the remand determination, the Department finds that there are several price distortions in the domestic coal values which Hebei submitted during the investigation. Specifically, the Department provides a more thorough explanation supported by record evidence that the Indian domestic coal value on the record in this proceeding is more distorted and less accurate than the coal value in the Indian import statistics which the Department used in the original investigation. Therefore, the Department determines again that it was appropriate to use the Indian import statistics to value coal because insufficient information was placed on the record with regard to the TERI domestic coal prices.

The calculated surrogate value which Hebei proposed in this proceeding and placed on the record was incomplete. When Hebei submitted the TERI domestic coal value to the record, it also

submitted a spreadsheet that was not included in the TERI publication which illustrated the calculation for its proposed coal rate in this proceeding. See Letter from Hebei to the Department Regarding Surrogate Values (September 18, 2002). The proposed calculation included coal grades A, B, C, and D. The TERI source documentation also provided prices for coal grades E, F, and G. Hebei stated in its September 18, 2002, submission that these “steam coal prices are based on grades for non-coking coal that are determined by coal UHV.” Without explanation, the calculation worksheet submitted by the respondent does not state that grades E, F, and G are coking coal grades. In fact, page 44 of the TERI publication shows clearly that grades E, F, and G are also coking grades of coal. See Id. Hebei offered no explanation or reason why it decided to exclude these grades of coal in its spreadsheet calculation of an average coal price to use as a surrogate value in this proceeding. Given these unexplained exclusions from the domestic coal value which Hebei submitted, the Department finds that the domestic coal value is distorted and unreliable.

After reviewing the record evidence again and contrary to Hebei’s allegation that the evidence on the record indicates that the domestic coal value represented a broad scope of coal, the Department finds that the evidence regarding the definition of the respondent’s calculated domestic coal value is unclear and arbitrarily limited in scope. For example, the Department finds that the prices for Hebei’s domestic coal value were also categorized by “*steam coal and rubble*,” “*slack coal and washery middlings*,” and “*run-of-mine coal*.” In its submitted spreadsheet, Hebei selected the prices for “*steam coal and rubble*” but provided no reason why and no evidence indicating that this type of coal was more or less accurate than the other coal values on the record. When comparing the TERI data to that of the Indian import statistics, the Department finds that the definition of coal in the Indian import

statistics indicates a value for a basket category of coal rather than grades of coal specifically selected and presented by the respondent. Thus, the Department defends its assertion that the coal value in the Indian import statistics was more appropriate for use in the Final Determination.

On remand, the Department's analysis of the domestic coal prices submitted by Hebei, those of grades A through G, finds a range of prices from 1362 Rs/MT to 243 Rs/MT. The Department finds that the highest price (i.e., 1362 Rs/kg) for coal in the TERI data is over 560 percent greater than the lowest coal price on the record (i.e., 243 Rs/kg). The Department's analysis of the Indian import statistics finds a range of prices from 2463.23 to 900.98 Rs/MT; the highest price for coal in the Indian import statistics was 274 percent greater than the lowest coal price. Overall, the Department finds that, when compared to the Indian import statistics, the TERI data had a greater variance of coal prices with a greater proportion of aberrational and inconsistent gaps in the data.

In pursuing the most accurate surrogate values, the Department must also rely on surrogate value prices that are tax-exclusive. See Taiyuan at 706. In the Final Determination, the Department defended its use of the Indian import statistics on the grounds that the data was "free of taxes and duties." Although the Department's original rationale may have fallen short of a detailed explanation, the Department's analysis of the record evidence on remand supports its original statement that the TERI data is likely inclusive of duties and taxes, just as other domestic surrogate values it used in this proceeding are. For example, in the Final Determination, the Department valued hydrochloric acid using a domestic value from the publication Chemical Weekly. See Decision Memorandum at 12. Within the calculation of hydrochloric acid, the Department obtained tax-exclusive prices by deducting a 16-percent excise tax, as listed in the 2001 - 2002 Easy Reference Customs Tariff book, from the

Chemical Weekly price to arrive at the tax-exclusive domestic price it used in the surrogate-value calculation. See Final FOP Memorandum at Exhibit D. Furthermore, the Department has deducted the excise tax for surrogate values from Chemical Weekly in countless proceedings. See, for example, Notice of Final Determination of Sales at Less Than Fair Value: Polyethylene Retail Carrier Bags From the People's Republic of China, 69 FR 34125 (June 18, 2004).

In fact, the Department always attempts to identify whether domestic Indian price quotes are inclusive of Indian excise and sales taxes. In the case of the TERI data, the Department had no way of knowing whether these taxes are included. Therefore, lacking record evidence or any clarifying information about the TERI data, the Department determined that the domestic coal prices may not be free of taxes and duties. The Department chose to use the Indian import statistics knowing that the values were free of taxes and duties. See Decision Memorandum at 12.

As the statute provides, the Department must base the surrogate values for the factors of production “on the best available information with regard to the values of such factors in a market economy country or countries considered to be appropriate by the administering authority.” See section 773(c)(1) of the Tariff Act of 1930, as amended (the Act). Although the statute does not define “best available information,” it “grants to the Department broad discretion to determine the ‘best available information’ in a reasonable manner on a case-by-case basis,” as recognized consistently by the Courts. Nation Ford Chem. Co. v. United States, 166 F.3d 1373, 1377 (Fed. Cir. 1999) (citing Lasko Metal Prods., Inc. v. United States, 43 F.3d 1442, 1446 (Fed. Cir. 1994)), Shandong Huraron Gen.Corp. v. United State, 159 F. Supp. 2d 714, 721 (Ct. Int’l Trade 2001), and Raoping Xingyu Foods Co., Ltd. v. United States, Slip. Op. 2004-111 (August 31, 2004). Despite this broad

discretion, the Department acknowledges that this discretion is not untempered and that the best available information must bear a rational and reasonable relationship to the factors of production it represents. In this particular case, after reviewing this issue on remand, the Department again determines that the Indian import statistics are the most accurate surrogate value on the record in this proceeding. As the Court stated in Rhodia, Inc. v. United States, 185 F.Supp. 2d 1343 (CIT 2001), “[t]he decision on which price to use—domestic or import—is based on which value will result in a more accurate normal value.” See Nation Ford Chem Co. v. United States, 166 F.3d 1375, 1378 (Fed. Cir. 1999).

Although the Court’s comparison to Yantai Oriental is instructive for the purpose of understanding the analysis the Department must conduct, it is factually inapposite to this case. Specifically, in Yantai Oriental, after reexamining the record evidence, the Department found that there was no evidence that the Indian domestic prices were distorted and, therefore, it used the domestic prices for the steam-coal surrogate value. See Yantai Oriental at 32. In this case, as discussed at length above, the Department finds substantial record evidence indicating that the domestic Indian coal values in the TERI data are distorted, arbitrary, and unreliable. Thus, based on the record evidence in this case, the Department determines that the import coal values approximate the cost incurred by Indian fence-post producers better than the domestic coal values in the TERI data. Again, within the TERI data there are varying values and grades of coal from different provinces of India. The Department has no evidence on the record which would show any or all of these values to be more accurate than the basket category for coal in the Indian import statistics. In Taiyuan Heavy Machinery Import and Export Corp. v. United States, 23 CIT at 709-710 (1999) (Taiyuan), the Court affirmed

the Department's decision to use an import coal value rather than a domestic value due to the lack of understanding of the domestic values. Specifically, in Taiyuan, the Court found that plaintiff did not provide reasons for finding the import values to be unreliable and no record evidence existed with regard to coal "on how the product-specific indices were determined." Id. The same circumstances exist with the record in this case. Therefore, the Department finds that the record evidence indicates that the Indian domestic coal surrogate value is distorted for several reasons as discussed above and, accordingly, has provided further explanation based on substantial record evidence why it selected the Indian import statistics over the TERI data for the value of coal in this remand determination.

*Issue 2: Surrogate Steel-Pallets Value*

The Court has instructed the Department to exclude the value of Swedish imports from its calculation of a surrogate value for steel pallets. See Hebei Metals, at 24. Although the Department disagrees respectfully with the Court's instruction to apply the presumption that the Swedish value is aberrational, nonetheless and in accordance with the Court's instructions, it has excluded the value of Swedish imports from its calculation and adjusted Hebei's margin accordingly. See CIT Remand Final Calculation Memorandum - Hebei Metals & Minerals Import & Export Corporation and Hebei Wuxin Metals & Minerals Trading Co., Ltd. (October 20, 2004).

The Department disagrees respectfully with the Court's factual determination that the Swedish value within the Indian import statistics was aberrational. First, it is only during this remand determination that the Department has had the first opportunity during the administrative process to explain the reasonableness of its methodological choice to include the value of the imports from Sweden in the steel-pallet surrogate value.

Second, although the Court finds that the application of the exhaustion doctrine is inappropriate in this case, Hebei's allegation of an aberration misconstrued the record evidence. For example, the Court explains accurately that the elimination of the Swedish import value from the Indian import value for steel pallets at the Preliminary Determination would have reduced the average steel pallet price by eleven percent, yet in the Final Determination the reduction would have been 24 percent. See Hebei Metals, at 19 n.4. This methodological approach misunderstands our original finding with regard to powder coating, which we discuss in more detail below. Furthermore, if applied consistently to the calculation of other surrogate values in this proceeding such as the surrogate value for wood pallets, such a methodology for the elimination of aberrational values would cause the Department to eliminate Indian imports from Austria, Italy, Singapore, and the United States because excluding these countries would have *decreased* the calculated surrogate value for wood pallets in the Preliminary Determination by 38.53 percent; at the Final Determination the elimination of these same "aberrational" values would have *increased* the surrogate-value calculation by 61.85 percent. See Preliminary FOP Memorandum at Exhibit M; see also Final FOP Memorandum at Exhibit G.

Third, in its opinion, the Court discussed the difference in the value of the Swedish import price between the Preliminary Determination (629.24 Rs/kg) and the Final Determination (706.23 Rs/kg). See Hebei Metals, at 19. During this remand, however, the Department has considered all the variances (both quantity and volume) creating the difference in the Indian import price for steel pallets from the Preliminary Determination to the Final Determination. The Department finds that, not only did the weighted-average Swedish value change between the data it used in the Preliminary Determination and the Final Determination, the weighted-average value of imports from Belgium changed from 382.15

Rs/kg to 20.16 Rs/kg. See Final FOP Memorandum at Exhibit L. Therefore, the Department considers it important to examine so-called aberrational values for the steel-pallets value in the context of all weighted-average import values equally and, consequently, the Department finds that the value of Swedish imports is not aberrational.

Further, the volume of the Swedish steel-pallet imports within the Indian import statistics is significant and does not suggest that these imports from Sweden are unusual, outside the normal course of business, or otherwise abnormal or aberrational. In using these values for the Preliminary Determination, the volume of the imported Swedish steel pallets was 214,355 kg; in using these values for the Final Determination, the volume was 168,424 kg. Within both determinations, there were imports from several countries reflected in the Indian import statistics for steel pallets that had significantly lower volumes (i.e., Denmark and Finland in the Preliminary Determination; Brazil and Switzerland in the Final Determination). See Preliminary FOP Memorandum at Exhibit U; see also Final FOP Memorandum at Exhibit L. In fact, the volume is not extraordinarily small or large; rather, it is within the normal range of quantity relative to other volumes within the Indian import statistics and, therefore, should not be considered aberrational. See Final FOP Memorandum at Exhibit L.

Fourth, the Court also states that the benchmark for an aberrational value was only established in the Final Determination when the Department excluded an Indian domestic value for powder coating that was 43 percent lower than the Indian import value and 34 percent lower than the Indonesian import value. See Hebei Metals at 18-19. In this instance, the Court affirmed Hebei's comparison of values from three separate and individual sources of information: (1) an Indian powder-coating value from Chemical Weekly, (2) an Indonesian powder-coating value from World Trade Atlas, and (3) an

Indian powder-coating value from MSFTI based on Indian import statistics. Hebei presented all three of these separate sources of data to develop a benchmark for aberrational values. It applied this so-called benchmark, which compared distinct and separate sources for a surrogate value, to the Swedish import value within a single source, the Indian import statistics.

The Department finds that a simple comparison between different surrogate factor values does not make one or the other wrong. In fact, this benchmark methodology for defining an aberrational value is not an “apples-to-apples” comparison when setting a benchmark for aberrational values. Indeed, the Department finds the methodology which creates a benchmark for aberrational values by comparing different sets of source documents and then translating this benchmark to a single value within a single source document to be flawed.

Nowhere in the original investigation did the Department examine individual line items within the sourced surrogate values based on their aberrational nature. For example, there were several individual line items the Department used to generate the surrogate value for powder coating in the Final Determination of this proceeding. The powder-coating surrogate value the Department used in the Final Determination came from the MSFTI Indian import statistics and was based upon all the import values except those the Department excluded because the goods came from NME countries or countries having non-industry-specific export subsidies. After these exclusions, the Department calculated the weighted-average surrogate value for powder coating. See Final FOP Memorandum at 2.

The weighted average of the surrogate value for powder coating in the Final Determination was 120.25 Rs/kg. Id. Within the individual values the Department used to generate the surrogate value for powder coating were several values significantly lower and higher than the calculated weighted-average value. Some weighted-average values for powder coating exceed the Court's threshold of 43 percent lower than the average price. Hebei has not made an argument, however, about the "aberrational" nature of these powder-coating values nor did the Court ask the Department to strike any of these individual values from its weighted-average calculation for powder coating. Nonetheless, the Court has instructed the Department to remove the value for Swedish imports from the weighted-average calculation of a surrogate value for steel pallets because the Court finds that value to be aberrational.

Given the Department's comparisons of the Swedish import value and several other facts and values placed on the record in this proceeding, the Department finds that the Swedish value is not aberrational. Although the Department disagrees with the Court's factual determination that the Swedish value is aberrational and, therefore, should be excluded, it has followed the Court's explicit instructions and excluded the Swedish import value from its calculation of the surrogate value for steel pallets. The revised value for steel pallets excluding the Swedish import value is 53.80 Rs/kg.

### *Issue 3: Surrogate Financial-Ratio Calculations*

The Court remanded the Department's decision to exclude internal raw material consumption for further explanation and, if necessary, further investigation. Hebei Metals, at 24. The Court instructed the Department to explain adequately, if possible, the rationale for not including internal raw material consumption in the denominator of the surrogate ratios; then the Department must determine to what extent, if any, SG&A and factory overhead expenses are attributable to internal raw material raw

consumption and remove appropriate amounts from the numerators of the SG&A and factory overhead surrogate ratios. Hebei Metals, at 35. The Court instructed that, if the Department is unable to explain adequately the rationale for not including internal raw material consumption in the denominator of the surrogate ratios, the Department must include internal raw material consumption in the denominator of the SG&A, factory overhead, and profit surrogate ratios or provide a rational explanation why more accurate surrogate ratios result from the removal of internal raw material consumption from the ratio's denominators. Hebei Metals, at 35-36.

Pursuant to the Court's remand instructions, the Department provides the following explanation and rationale, based on the record evidence, for not including internal raw material consumption in the denominator of the surrogate ratios. In addition, based upon the Department's discussion below that explains the differences between the calculations in this proceeding and the ratio calculations it revised in response to Fuyao Glass Indus. Group Co., Ltd. v. United States, No. 02-00282, Slip Op. 03-169, at 33 (CIT 2003) (Fuyao), the Department also determines that, in this case, no SG&A and factory overhead expenses are attributable to internal raw material raw consumption and, consequently, it should not adjust the numerators of the SG&A and factory overhead surrogate ratios.

The Department begins its explanation with a general discussion of a company, Surya, whose financial data is at the center of this issue. Surya started operations in 1973 as a manufacturer of steel pipe. In 1984, Surya set up its first factory for lighting products. See <http://www.suryaroshnilighting.com/htmldoc/corphist.html> for an explanation of Surya's corporate history. Currently, Surya has two divisions (steel and lighting) and multiple production facilities. Surya claims to be the only lighting company in India with 100 percent vertical integration. It manufactures all

its components. Surya lists lighting components as its products which include glass shells, tubular shells, filaments, cathodes, fluorescent powders, drawn wires, and capping cements. These components can either be sold to external customers or consumed internally to manufacture lamps and luminaries. Id.

For internal purposes, it is common for a company to consider each production facility as a separate accounting entity and prepare a facility-wide income statement. For the purposes of preparing the company-wide financial statements, however, these facility-wide income statements are usually combined and inter-facility transactions are eliminated. Based upon the evidence on the record and the publicly available information discussed above, the Department has made a reasonable inference using the financial statements on this record to determine that no SG&A and factory overhead expenses are attributable to internal consumption of raw materials. Further, these statements regarding internal consumption of raw materials are far from “speculative enterprise” about which the Court expressed concern in Kerr-McGee Chem. Corp. v. United States, 21 CIT 1353, 1361, 985 (1997).

Based on our accounting experience and judgement of this information, “internal consumption of components” of Rs 730,575,211, which has been deducted from the total sales revenue in the company-wide income statement, reflects the transfers of components from one facility to another facility. See Preliminary FOP Memorandum at Exhibit Z; see also Final FOP Memorandum at Exhibit P. Although the company-wide income statement shows this amount as “internal consumption,” schedule 13 of the audited financial statements shows this amount as “internal consumption of components.” Final FOP Memorandum, Exhibit P at page 2. The facilities that manufactured and transferred these components recognized revenue of

Rs 730,575,211, which the company included in the total sales revenue of Rs 8,248,040,297, and the facilities also recognized the associated manufacturing costs which the company included in the expenditure section of the income statement. Id. Although the Department has never verified Surya, based upon its expertise in connection with the information discussed above, it finds it reasonable to determine that the receiving facilities of Surya used these components to manufacture lamps and luminaries for sale to external customers. Revenues earned by the receiving facilities from the sales of lamps and luminaries manufactured from these components, received from the transferring facilities, were also included in the total sales revenue of Rs 8,248,040,297. Id. Likewise, the receiving facilities recognized the entire cost of the lamps and luminaries as manufacturing expenses. When inter-facility transfers are recognized as sales by the transferring facilities, the total sales revenue for the consolidated corporate entity are inflated artificially. See Hebei Metals at pages 29-31. As a result, the total sales revenue of Rs 8,248,040,297 included the sales value of the components twice. Final FOP Memorandum, Exhibit P at 2. The first occurred when it transferred components from one facility to another and the second occurred when lamps and luminaries were sold to external customers/entities which included these components.

The same double-counting happens with manufacturing costs. Id. at 12 (Schedule 16). To report the company-wide sales to external customers, inter-facility transfers which are recorded as sales should be eliminated. For this reason, Surya deducted Rs 730,575,211 from the total sales revenue of Rs 8,248,040,297 to report the company-wide sales of Rs 7,517,465,086. Id. at 11 (Schedule 13). Therefore, the Department finds that both sides of the income statement are adjusted equally.

The facilities that manufactured and transferred these components of Rs 730,575,211 recorded the costs associated with the manufacturing of these components in the appropriate cost categories (i.e., raw material costs, conversion costs, and general and administrative expenses). Id. For inter-facility transfers, selling expenses are not incurred because there were no sales from a company-wide perspective. Rather, goods have simply been moved from one pocket to another pocket of the same company. The raw material costs associated with manufacturing these components were included in the total raw material consumed cost of Rs 4,597,091,230. Id. at 2. The receiving facilities recognize these transfers of components as purchases of raw materials and record the value (which is equal to the sales revenue recognized by the transferring facility) as raw material inventory (i.e., an asset). When these components are used in the manufacture of lamps and luminaries, the raw material inventory account is cleared and raw material consumed costs are recorded. From record evidence, the Department infers that the “internal consumption of raw materials” of Rs 717,871,564 represents the use of these components by the receiving facilities for the production of lamps and luminaries and was included in the total cost of raw material consumption of Rs 4,597,091,230. Id. The value of “internal consumption of components” should be the same as the value of the “internal consumption of raw materials,” provided the total quantity of components transferred from one facility was consumed by the other facility during the accounting period. See Hebei Metals at 30. In the Department’s experience, most of the time the value of “internal consumption of components” differs from the value of the “internal consumption of raw materials” because of the change in the raw material inventory of the receiving facilities and, thus, the difference is included in the income statement line item “accretion/(decretion) in stock” (i.e., increase/(decrease) in stock). See Final FOP Memorandum,

Exhibit P at 2 (Income Statement). When inter-facility transfers are recognized as purchases and subsequently as the cost of raw material consumed by the receiving facilities, they inflate the total cost of raw materials consumed artificially. The total cost of raw materials consumed (Rs 4,597,091,230) included the raw material costs associated with the manufacture of these components by the transferring facilities and also the value of these components recorded as raw material by the receiving facilities.

Final FOP Memorandum, Exhibit P at 2. Finally, to report the company-wide cost of raw material consumed, a company should eliminate the consumption of components from inter-facility purchases.

For this reason, Surya deducted

Rs 717,871,564 from the total cost of raw material consumed of Rs 4,597,091,230 to report the company-wide cost of raw material consumed of Rs 3,879,219,666. Id.

In an NME case, the Department calculates the surrogate factory overhead, SG&A, and profit ratios based on the amounts incurred and earned by a surrogate company as reflected in its financial statements. In this case, we are using Surya's financial statements to calculate the above-mentioned ratios. It is appropriate for the Department to remove the "internal consumption of raw materials" of Rs 717,871,564 from the denominator it uses to calculate these ratios because Surya has not incurred this amount in its sales to outside parties. It is merely a number used by Surya for internal purposes to value its inter-facility transfers and to recognize an income and an expenditure simultaneously. Because the income and expenditure cancel each other, this amount has no impact on Surya's company-wide operations or on its financial statements. Because we are calculating surrogate rates that reflect the company's experience in making sales and profits to outside parties, the inter-facility double-counted amounts must be excluded from the denominators we use to calculate these rates.

This case is different from the Fuyao case. In Fuyao, it was appropriate for the Court and the Department to include the cost of “traded goods” in the denominator of the surrogate ratios because the company purchased traded goods from external parties and also sold traded goods to external parties. In the process it incurred an expenditure and earned an income, and no double-counting of product costs occurred. In this case, however, the internal raw material consumption is an intra-company event. Surya neither incurred this expenditure nor earned this income. Final FOP Memorandum, Exhibit P at 2. For internal purposes, it simply recorded an expenditure and an income. Surya’s recording of income and expenditure for intra-company events cancel each other and has no impact on Surya’s company-wide operations or on its financial statements.

Given these factual and accounting differences between this case and the Fuyao case, the Department finds that, based upon its study of the Surya’s financial statements and the company’s history, the evidence indicates that there are no SG&A or factory overhead expenses attributable to internal raw material raw consumption. Therefore, it is not appropriate to remove any attributable expenses from the numerators of the SG&A and factory overhead surrogate ratios.

SG&A and factory overhead expenses are not attributable to the internal raw material consumption stated on Surya’s financial statements per se. Rather they should be attributed to the raw material only once. By eliminating the internal transfers of components we avoid double-counting these raw materials in the denominator of our ratio, once as an individual component “sold” by one facility to another and once as part of the lamp or luminary. By counting these raw materials or parts only once in the denominator we avoid understating the SG&A and overhead ratios. Likewise a reduction to the

numerators of the SG&A and factory overhead surrogate ratios is not warranted because our purpose here is to derive a ratio that allocates the entire amount of SG&A and factory overhead expense to the products produced and sold by the company to outside parties.

## COMMENTS

The Department issued a draft redetermination to Hebei on October 4, 2004, and provided an opportunity to comment. On October 12, 2004, Hebei provided comments on our draft results of redetermination.

### *Issue 1: Surrogate Coal Value*

Hebei states that the Department's draft redetermination did not demonstrate any distortion in the Indian domestic coal price and it did not provide a rational explanation for why the significantly higher-priced imported coal would be used by the domestic fence-post industry.

Hebei comments that the Department's draft redetermination contains no evidence demonstrating that the domestic coal prices from TERI are less accurate than the imported coal values. Hebei argues that the Court has presumed that the domestic coal prices are more accurate absent a finding that the domestic coal prices are distorted or that the imported coal values more accurately reflect the experience of the domestic producers, citing Hebei Metals at 16. Hebei argues that the Department's draft redetermination indicates that the average price for domestic coal is 802.5 Rs/MT while the average price for imported coal is 1682.1 Rs/MT. Thus, Hebei argues, it is unreasonable for the Department to assume that fence-post manufacturers in India would pay twice as much for imported coal if the cheaper domestic coal was available. Hebei contends that the Department did not provide record evidence to the contrary.

Hebei also contends that the Department's demonstration of a greater variance in prices for domestic coal values within the TERE data compared to the variance in prices for the import values of coal in the Indian import statistics within the draft redetermination ignores the fact that the price range for the imported values is greater than that of the domestic values. Furthermore, Hebei argues that the Department has ignored the fact that the average price for coal using the import prices is twice as high as the average price using the TERE data. Hebei argues that it is unreasonable for the Department to assume that fence-post producers would import coal.

The respondent also argues that the Department's claim that the TERE data contains distortions is factually misleading and without merit. Hebei refutes the Department's statement that the TERE data is distorted and unreliable because Hebei's submitted spreadsheet did not include all grades and types of coal. Hebei asserts that the Department's analysis does not demonstrate any distortions in the TERE values themselves. Hebei states that the Department could have valued coal using the prices for all grades and all types of coal contained in the TERE data.

Finally, Hebei asserts that the Department's statement that the TERE data may include duties and taxes, which should not be included in the surrogate value, is not an adequate justification for rejecting the TERE coal data. Hebei suggests that, rather than using the import value for coal, the Department should deduct the excise tax from the TERE value.

For the above reasons, Hebei argues that the Department did not provide any evidence that the higher import value is more appropriate than the TERE data and the Department should calculate a surrogate value for coal using all the prices contained in the TERE data after making appropriate deductions for excise taxes.

**Department’s Position:** The Court agreed with the Department that Hebei did not provide record evidence demonstrating that the type or types of coal represented in the TERI data is more or less accurate than the surrogate value of the Indian import statistics. See Hebei Metals at 11-14. As we explained, during the investigation, Hebei did not indicate exactly what type of coal fence-post producers use, what the UHV of this coal is, and whether Indian fence-post producers use domestic or imported coal in their manufacturing process. See Final Determination and accompanying Decision Memorandum at Comment 4. These facts are not on the record in this proceeding, as the Department has stated. Therefore, due to the absence of these facts, the Department has determined that the basket category for coal, as listed in the Indian import statistics, presents a more accurate surrogate value than an average of several types and grades of coal illustrated in the TERI data. See above at 9-10.

As discussed above, coal being used in the fence-post production process is the only information Hebei has placed on the record. See above at 10-11; see also Final Determination and accompanying Decision Memorandum at Comment 4. The categories in the TERI data include domestic coal value categorized by “*steam coal and rubble*,” “*slack coal and washery middlings*,” and “*run-of-mine coal*.” The Department has no record evidence demonstrating that any of these coal values would be more accurate than the coal value within the Indian import statistics on the record in this proceeding. These import values are defined as an “others” basket category of coal (HTS 2701.1909). There is nothing on the record to suggest that this basket category is not appropriate. Therefore, the Department finds that the import prices were more suitable because insufficient

information was placed on the record with regard to the TERI domestic coal prices. See above at 10-11.

The Department also maintains that its preference is to use data which comes from the same source, where possible, for all factors of production. Due to the fact that the majority of the other surrogate values are from the Indian import statistics, the value of coal it used in the draft redetermination is consistent with the Department's practice. In the Notice of Final Determination of Sales at Less Than Fair Value: Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof From the People's Republic of China, 69 FR 35296 (June 24, 2004) (Ironing Tables), the Department stated that, in accordance with past practice, it used "WTA data (more specifically, Indian import statistics) in order to calculate surrogate values" for many of the respondent's material inputs. See Ironing Tables at 12. In the Ironing Tables determination, the Department used this preference for consistency as a determining factor when selecting appropriate surrogate values. Thus, in this proceeding, the Department maintains that the imported coal value is the most representative surrogate value for coal.

With respect to the price range for the individual values within the Indian import statistics, although the values may have a higher price variance, the coverage of the import data, which is a broad basket category of several subsets of coal, proves that the Indian import statistics value for coal is more reliable because it represents one product represented by one HTS number. See Preliminary FOP Memorandum at Exhibit Y. While the Indian import statistics contain values for an "others" basket category for coal, the TERI data contains values for coal grades A, B, C, D, E, F, and G. These grades are then sub-divided into "*steam coal and rubble*," "*slack coal and washery middlings*," and

“*run-of-mine coal.*” Id. For Hebei to claim that there is *less* variance in the TERI data than in the Indian import statistics, based merely on price, is incorrect. Hebei argues about variance in price alone as the reason to use the TERI data to value coal rather than the Indian import statistics. The Department has demonstrated that there is a variance in the prices of the TERI data, however, perhaps because of the selective types of coal represented in the TERI data. These two variances in the TERI data outweigh the simple price variance within the Indian import statistics. In addition, the Department reiterates the fact that it does not have enough record evidence to determine exactly which coal Hebei used to produce fence posts during the POI, so it has done the best it can to value coal by using the Indian import statistics.

Finally, Hebei suggests that, rather than using the import value for coal, the Department should deduct the excise tax from the TERI value. As the Department stated in the Final Determination, there is no evidence on the record demonstrating whether the TERI data is inclusive of excise taxes. See Decision Memorandum at Comment 12; see also above at 13. In selecting the best available information for valuing the factors of production, in accordance with section 773(c)(1) of the Act, the Department selects surrogate values which are non-export average values, most contemporaneous with the POI, product-specific, and tax-exclusive. See Manganese Metal From the People's Republic of China; Final Results and Partial Rescission of Antidumping Duty Administrative Review, 63 FR 12441 (March 13, 1998). While we recognize that the Indian import statistics are *exclusive* of excise taxes, we cannot be certain whether the TERI data is *tax-inclusive*. Therefore, the Department has decided not to make such an adjustment given the lack of evidence with regard to excise taxes and other inaccuracies within the TERI data.

Overall, the Department provided a thorough explanation supported by record evidence that the Indian domestic coal value on the record of the investigation is more distorted and less accurate than the coal value in the Indian import statistics which the Department used in the Final Determination. See above at 10. Therefore, the Department maintains that it is appropriate to use the Indian import statistics to value coal because insufficient information was placed on the record to find the TERI domestic coal prices more accurate than the Indian import statistics.

*Issue 2: Surrogate Steel-Pallets Value*

Hebei states that the Department's arguments in the draft results of redetermination in defense of the continued use of aberrational steel-pallet values from Sweden are not a proper subject for this Remand Determination given the Court's instructions to remove the value from the calculation of a value for steel pallets. Hebei also contends that the arguments by the Department are misleading and based on an incomplete analysis of the record.

**Department's Position:** The Court gave the Department explicit instructions to exclude the Swedish import value from its calculation of the surrogate value for steel pallets. See Hebei Metals at 24. The Department has followed the Court's instructions and has recalculated Hebei's margin accordingly. See CIT Remand Final Calculation Memorandum - Hebei Metals & Minerals Import & Export Corporation and Hebei Wuxin Metals & Minerals Trading Co., Ltd. (October 20, 2004). The Department also explained that this remand provided the first opportunity for it to consider this methodological decision, which it has now analyzed and cited evidence placed on the record by Hebei itself regarding this issue. See above at 15 (citing Preliminary Determination, Final Determination, Preliminary FOP Memorandum at Exhibit U, and Final FOP Memorandum at Exhibit L). The

Department stated in the draft results of redetermination that it disagrees respectfully with the Court's factual determination that the Swedish value is aberrational and, therefore, should be excluded.

Nonetheless, the Department affirms that it has followed the Court's explicit instructions and excluded the Swedish import value from its calculation of the surrogate value for steel pallets for the purposes of this remand. Although Hebei claims that the Department's analysis in the draft results of redetermination is misleading and based on an incomplete analysis of the record, it does not cite a single instance where the Department used record evidence to mislead or provide an analysis that is incomplete in any way.

### *Issue 3: Surrogate Financial-Ratio Calculations*

Hebei asserts that the Department's justification for removing internally consumed raw materials from the denominator of its surrogate ratios without making a corresponding adjustment for expenses related to internal consumption is flawed because the Department's conclusions regarding Surya's internally consumed raw materials is nothing more than unsupported speculation. Hebei contends that the information about Surya's accounting policies and the Department's assertions regarding Surya's internal consumption of raw materials is based on conjecture and not substantial evidence.

Hebei also argues that, if the Department's assertion regarding Surya's internal consumption is correct, the Department's conclusion that these internal-consumption activities generate no factory overhead or SG&A is wholly unreasonable and contrary to record evidence. Finally, Hebei argues that the Department's position is contrary to administrative and court precedent acknowledging that even the "intra-company transfers of raw materials or the sale of traded goods" generates expenses. For these reasons, Hebei believes that the Department has not complied with the Court's instructions.

**Departments Position:** We disagree with Hebei. The Court's instructions regarding this matter are very clear and the Department complied with the instructions fully. See above at 19-26. The Court asked the Department to provide a more detailed and rational explanation as to why more accurate surrogate ratios result from the removal of internal raw material consumption from the ratio's denominators. Thus, the Department followed the Court's instructions. While Hebei claims that this analysis is nothing more than unsupported speculation, the Department uses record evidence and other publicly available information to formulate a rational explanation as to why evidence shows that SG&A and factory overhead expenses can not be attributed to the internal raw material consumption stated on Surya's financial statements. The Department also explains the differences between the calculations in this proceeding and the ratio calculations it revised in response to Fuyao. Therefore, the Department not only provided a rational explanation for its decision but also demonstrated how its decision is not inconsistent with previous practice.

The Department also disagrees with Hebei's claim that its analysis is wholly unreasonable and contrary to record evidence. Hebei placed evidence on the record regarding Surya, an Indian steel-tube manufacturer, for use in calculating the surrogate ratios for SG&A, factory overhead, and profit. See Letter from Hebei to the Department Regarding Surrogate Values (September 18, 2002). Based on our accounting experience with record evidence in past cases and our understanding of generally accepted accounting principles, it is reasonable to infer that the internal consumption of components of Rs 730,575,211, which has been deducted from the total sales revenue in Surya's company-wide income statement, reflects the intra-company transfers of components from one facility to another.

Thus, the Department's extensive analysis explains clearly why its course of action is not contrary to record evidence, the Court's instructions, or Department practice.

## **RESULTS OF THE REMAND**

Based on the analysis described above and in accordance with the remand instructions of the Court, the Department determines the following. First, the Department has used substantial evidence on the record to demonstrate that the use of the Indian import prices for the surrogate value of coal yields a more accurate surrogate value than the domestic Indian coal values on the record of this proceeding. The Department has continued to use the Indian import coal value as in the Final Determination.

Second, although the Department does not feel that its arguments regarding the calculation of surrogate value for steel pallets did not provide a reasonable explanation as to why high-price/low-volume values should be included in the calculation of the surrogate value, the Department has followed the Court's instructions and has excluded the Swedish import value from its calculation of a surrogate value for steel pallets and has recalculated Hebei's margin accordingly. See CIT Remand Final Calculation Memorandum - Hebei Metals & Minerals Import & Export Corporation and Hebei Wuxin Metals & Minerals Trading Co., Ltd. (October 20, 2004).

Third, with respect to the financial ratios, the Department has explained how double-counting of certain line items would occur if the internal consumption reflects intra-facility transfers and how double-counting would distort the surrogate ratios. The Department has also provided reasonable inferences and cited to the record evidence to make the interpretation of the internal-consumption figure more than

a speculative enterprise and, thus, has continued to remove internal raw material consumption from the denominator of the surrogate ratios.

Therefore, as a result of its recalculation of the adjustment to the value of steel pallets, in accordance with the Court's order, the recalculated weighted-average margin for the period October 1, 2001, through March 31, 2002, is as follows:

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Manufacturer/exporter	Weighted-Average Margin (percent)	
	<u>Final Determination</u>	<u>Remand</u>
Hebei Metals and Minerals Imports and Export Corporation	6.60	6.52

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These final results of redetermination pursuant to remand are in accordance with the Court's instructions in Hebei Metals & Minerals Import & Export Corporation and Hebei Wuxin Metals & Minerals Trading Co., Ltd. v. United States, Slip Op. 04-88 (Ct. Int'l Trade July 19, 2004).

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James J. Jochum  
Assistant Secretary  
for Import Administration

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Date