distinguish between exchange gains and losses from sales transactions and exchange gains and losses from purchase transactions. *See, e.g.*, Circular Welded Non-Alloy Steel Pipe and Tube from Mexico, 62 FR 37014, 37026 (July 10, 1997) (Final Results of the Administrative Review, Comment 31). The Department normally includes in its calculation of COP and CV foreign exchange gains and losses resulting from transactions related to a company's manufacturing operations (*e.g.*, purchases of inputs). *See, e.g.*, *Final Determination of Sales Less Than Fair Value: Polyethylene Tenephthalate Film, Sheet, and Ship From the Republic of Korea*, 56 FR 16305, 16313 (April 22, 1991) (comment 16). We do not consider foreign exchange gains and losses arising from sales transactions to relate to manufacturing activities of a company. Accordingly, for the final determination we included in COP and CV exchange gains and losses arising from purchase transactions (accounts payable), but disallowed exchange gains and losses arising from sales transactions.

Comment 5: Purchased Billet Costs

CIL argues that the Department should not specifically assign the cost of purchased billets to the specific CONNUMs produced from these billets. Instead, CIL maintains that the Department should allocate the cost of the purchased billets over all of CIL's production of subject merchandise. CIL claims that assigning the cost of purchased billets to the specific CONNUM distorts CIL's actual cost of production. CIL states that the company could have produced the purchased billet internally. The decision of which types of billets to purchase, however, was discretionary and driven by revenue and cost considerations, not by the type of billet.

CIL further claims that the purchase of billets is a departure from the company's normal course of business, in which it internally produces all billets. CIL states that, consistent with section 773(f)(1)(B) of the Act, its purchase of billets was a type of nonrecurring cost that benefitted the company's current production. Thus, according to CIL, the Department should adjust costs such that purchased billets are spread across all production.

Petitioners contend that whenever the Department is able to do so, it should assign costs only to those specific products whose production incurred such costs. Petitioners state that because the costs for purchased billets can be directly tied to specific CONNUMs, the most accurate method of calculating COP is to allocate purchased billet costs to the specific CONNUMs they were used to produce.

DOC Position

We agree with petitioners that the costs incurred for purchased billets should be charged directly to the products produced from these same billets. In fact, in this case, to do otherwise would not result in a product-specific cost since the record clearly demonstrates which products were manufactured by CIL from purchased billets.

With respect to CIL's characterization of purchased billets as a nonrecurring cost, we consider the company's reliance upon section 773(f)(1)(B) of the Act to be misplaced (19 U.S.C. 1677(f)(1)(B)). The billets at issue were purchased as direct material inputs used in the production of specific steel rod products. The statute, on the other hand, envisions nonrecurring costs as indirect costs that, by their nature, can be shown to benefit current or future production and, thus, should be systematically allocated to those products benefitted. As an example of such nonrecurring costs, the Statement of Administration Action (SAA), at page 835, cites preproduction research and development costs. Such costs may be demonstrated to provide a clear but indirect benefit to future production. In that regard, they differ markedly from the cost of purchased billets at issue here since the billets are simply a direct material input for a specific type of finished steel rod.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of steel wire rod from Trinidad and Tobago, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. The Customs Service will require a cash deposit or posting of a bond equal to the estimated duty margins by which the normal value exceeds the expert price, as shown below. These suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Manufacturer/producer/exporter	Weighted-average percentage margin
CIL	11.85
All other	11.85

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. As our final determination is affirmative, the ITC will determine, within 45 days, whether these imports are causing material injury, or threat of material injury, to an industry in the United States. If the ITC determines that material injury, or threat of material injury, does not exist, the proceedings will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue antidumping duty orders directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 735(d) of the Act.

Dated: February 13, 1998.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98–4695 Filed 2–23–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–122–826]

Notice of Final Determination of Sales at Less Than Fair Value: Steel Wire Rod From Canada

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of Final Determination of Sales at Less Than Fair Value.

EFFECTIVE DATE: February 24, 1998.

FOR FURTHER INFORMATION CONTACT: Alexander Braier at 202/482–3818, Lisette Lach 202/482–0190, Cindy Sonmez 202/482–0961 or Dorothy Woster at 202/482–3362, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the Tariff Act of 1930 (''the Act'') as amended, are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round Agreements Act (''URAA''). In addition, unless otherwise indicated, all citations to the Department's regulations are references to the provisions codified at

19 CFR part 353 (April 1997). Although the Department's new regulations, codified at 19 CFR 351 (62 FR 27296 (May 19, 1997)) do not govern these proceedings, citations to those regulations are provided, where appropriate, to explain current departmental practice.

Final Determination

We determine that steel wire rod (''SWR'') from Canada is being, or is likely to be, sold in the United States at less than fair value (''LTFV''), as provided in section 735 of the Act. The estimated margins are shown in the ''Suspension of Liquidation'' section of this notice.

Case History

Since the preliminary determination in this investigation (*see Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Steel Wire Rod (''SWR'') from Canada,* 62 FR 51572 (October 1, 1997) (''*Preliminary Determination*'')), the following events have occurred:

In October and November 1997, we conducted verification of the responses of the following respondents: Sidbec-Dosco (Ispat) Inc. (now Ispat-Sidbec), Stelco, Inc. (''Stelco''), and Ivaco, Inc. (''Ivaco''). In November and December 1997, the Department instructed Ispat-Sidbec, Ivaco, and Stelco to resubmit their computer data which incorporated corrections made at verification. On December 2, 1997, Stelco submitted its revised computer data. On December 15, 1997, Ispat-Sidbec requested an extension of time to resubmit its data. On December 18, 1997, the Department granted Ispat-Sidbec an extension, until January 7, 1998, in which to resubmit its computer data. On December 12, 1997, Ivaco requested an extension of time for the case and rebuttal briefs, originally due December 23, 1997, and December 30, 1997, respectively. On December 18, 1997, the Department granted an extension of time for submission of case and rebuttal briefs to all interested parties. The new deadline for the case briefs was January 7, 1998, and rebuttal briefs, January 14, 1998. As none of the parties requested a public hearing, no such hearing was held.

Scope of Investigation

The products covered by this investigation are certain hot-rolled carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch), inclusive, in solid cross-sectional diameter. Specifically excluded are steel products possessing the above noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (''HTSUS'') definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; (e) free machining steel that contains by weight 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium; or (f) concrete reinforcing bars and rods.

The following products are also excluded from the scope of this investigation:

- Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater than or equal to 0.68 percent; aluminum less than or equal to 0.005 percent; phosphorous plus sulfur less than or equal to 0.040 percent; maximum combined copper, nickel and chromium content of 0.13 percent; and nitrogen less than or equal to 0.006 percent. This product is commonly referred to as ''Tire Cord Wire Rod.''
- Coiled products 7.9 to 18 mm in diameter, with a partial decarburization of 75 microns or less in depth and seams no more than 75 microns in depth, containing 0.48 to 0.73 percent carbon by weight. This product is commonly referred to as ''Valve Spring Quality Wire Rod.''
- Coiled products 11 mm to 12.5 mm in diameter, with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater than or equal to 0.72 percent; manganese 0.50–1.10 percent; phosphorus less than or equal to 0.030 percent; sulfur less than or equal to 0.035 percent; and silicon 0.10–0.35 percent. This product is free of injurious piping and undue segregation. The use of this excluded product is to fulfill contracts for the sale of Class III pipe wrap wire in conformity with ASTM specification A648–95 and imports of this product must be accompanied by such a declaration on the mill certificate and/or sales invoice. This excluded product is commonly referred to as ''Semifinished Class III Pipe Wrapping Wire.''

The products under investigation are currently classifiable under subheadings 7213.91.3000, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Exclusion of Pipe Wrapping Wire

As stated in the *Preliminary Determination,* North American Wire Products Corporation (''NAW''), an importer of the subject merchandise from Germany, requested that the Department exclude SWR used to manufacture Class III pipe wrapping wire from the scope of the antidumping and countervailing duty investigations of SWR from Canada, Germany, Trinidad and Tobago, and Venezuela. Because petitioners did not agree to this scope exclusion, we did not exclude this merchandise in the preliminary determination. On December 22, 1997, NAW submitted to the Department a proposed exclusion definition. On December 30, 1997, and January 7, 1998, the petitioners submitted letters concurring with the definition of the scope exclusion and requesting exclusion of this product from the scope of the investigation. We have reviewed NAW's request and petitioners' comments and have excluded SWR for manufacturing Class III pipe wrapping wire from the scope of this investigation. *See* Memorandum to Richard W. Moreland dated January 12, 1998. Accordingly, on February 3, 1998, we instructed the U.S. Customs Service to terminate suspension of liquidation on all entries of Class III pipe wrapping wire from Canada.

Period of Investigation

The period of investigation (''POI'') for all respondents is January 1, 1996 through December 31, 1996.

Fair Value Comparisons

To determine whether sales of SWR sold by respondents to the United States were made at less than fair value, we compared the Export Price (''EP'') to the normal value (''NV''), as described in the ''EP and CEP'' and ''Normal Value'' sections of this notice below. In accordance with section 777A(d)(1)(A)(i), we calculated weighted-average EPs or CEPs for comparison to weighted-average NVs.

Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced by the respondents, covered by the description in the ''Scope of Investigation'' section above, and sold in the home market during the POI, to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we compared U.S. sales to the next most similar foreign like product on the basis of the characteristics listed in the antidumping duty questionnaire and the May 22, 1997, reporting instructions.

Consistent with our practice, we compared prime merchandise sold in the United States to prime merchandise sold in the home market, and secondary merchandise to secondary merchandise. *See e.g., Certain Cold-Rolled Carbon Steel Flat Products from the Netherlands; Final Results of Antidumping Duty Administrative Review*, 61 FR 48465 (Sept. 13, 1996).

On January 8, 1998, the Court of Appeals of the Federal Circuit issued a decision in *Cemex, S.A.* v. *United States*, No. 97–1151, 1998 WL 3626 (Fed. Cir. Jan. 8, 1998). In that case, based on the pre-URAA version of the Act, the Court discussed the appropriateness of using constructed value (''CV'') as the basis for foreign market value when the Department finds home market sales to be outside the ordinary course of trade. This issue was not raised by any party in this proceeding. However, the URAA amended the definition of sales outside the ''ordinary course of trade'' to include sales disregarded as below cost. *See* section 771(15) of the Act. Because the Court's decision was issued so close to the deadline for completing this administrative review, we have not had sufficient time to evaluate and apply (if appropriate and if there are adequate facts on the record) the decision to the facts of this ''post-URAA'' case. For these reasons, we have determined to continue to apply our policy regarding the use of CV when we have disregarded below-cost sales from the calculation of NV.

Level of Trade

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade (''LOT'') as the EP or CEP transaction. The NV LOT is that of the starting-price sales in the comparison market or, when NV is based on constructed value (''CV''), that of the sales from which we derive selling, general and administrative (''SG&A'') expenses and profit. For EP, the U.S. LOT is also the level of the starting-price sale, which is usually from exporter to importer. For CEP, it is the level of the constructed sale from the exporter to the importer.

To determine whether NV sales are at a different LOT than EP or CEP, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the LOT of the export transaction, we make an LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the difference in the levels between NV and CEP affects price comparability, we adjust NV under section 773(a)(7)(B) of the Act (the CEP offset provision). *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731 (November 19, 1997).

Ispat-Sidbec and Stelco did not claim a LOT adjustment. In the preliminary determination, for both respondents, we made no LOT adjustment, because we found all sales in the U.S. and home market to be at the same LOT. Our findings at verification do not warrant a change from our preliminary determination. Therefore, for the final determination, no LOT adjustment is warranted for Ispat-Sidbec and Stelco.

Ivaco did claim a LOT adjustment for its sales. In the preliminary determination, we determined that a LOT adjustment was appropriate, because we found sales in the U.S. and home market to be at different LOTs. Our findings at verification do not warrant a change from the preliminary determination. Therefore, for the final determination, where applicable, we have made a LOT adjustment for Ivaco's sales.

Export Price (''EP'') and Constructed Export Price (''CEP'')

We calculated EP and CEP, as appropriate, in accordance with subsections 772(a), (c) and (d) of the Act. The calculation for each respondent was based on the same methodology used in the preliminary determination.

Normal Value (''NV'')

We calculated NV, in accordance with subsections 773(a) of the Act. The calculation for each respondent was based on the same methodology used in the preliminary determination.

Cost of Production Analysis

A. Calculation of COP

The calculation for each respondent was based on the respective cost submissions for each respondent, with the following exceptions:

Ispat-Sidbec

We adjusted Ispat-Sidbec's reported COP to include the consolidated financing cost of Ispat International N.V. We recalculated Walker Wire's further manufacturing COM to reflect the yield loss incurred during the production process. *See* Memorandum to Chris Marsh from Stan Bowen, dated February 13, 1998.

Ivaco

We recalculated Ivaco's general and administrative amounts based on the expenses incurred by IRM, Sivaco Ontario, and Sivaco Quebec. We adjusted the cost of billets to account for Atlantic Steel's selling, general, and administrative costs. We recalculated further manufacturing general and administrative amounts to reflect Sivaco New York's verified expenses rather than IRM's expenses. We adjusted Ivaco's COM to reflect the green rod yield loss incurred during rod processing at Sivaco Ontario and Sivaco Quebec. *See* Memorandum to Chris Marsh from Art Stein, dated February 13, 1998.

Stelco

We adjusted Stelco's reported COP to allocate ingot teeming costs only to the products manufactured from billets produced at the facility for which these costs were incurred. We subtracted Stelco McMaster Ltee's G&A expenses from Stelco's combined G&A expense calculation. Stelco McMaster Ltee's G&A expense was applied to the billet cost of only those CONNUMs that were produced using Stelco McMaster Ltee's billets. We recalculated Stelco's general and administrative amounts to exclude certain off-sets to research and development and capital tax expenses. *See* Memorandum to Chris Marsh from Stan Bowen, dated February 13, 1998.

B. Test of Home Market Prices

The calculation for each respondent was based on the same methodology used in the preliminary determination.

C. Results of the COP Test

The calculation for each respondent was based on the same methodology used in the preliminary determination.

D. Calculation of Constructed Value (CV)

The calculation for each respondent was based on the same methodology used in the preliminary determination. We used the cost information submitted by each respondent, except for the adjustments noted above under ''Calculation of COP.''

Currency Conversion

For purposes of the preliminary determination, we made currency conversions using the official daily exchange rate in effect on the date of the U.S. sales. These exchange rates were derived from actual daily exchange rates certified by the Dow Jones & Company, Inc. *See* Change in Policy Regarding Currency Conversions, 61 FR 9434 (March 8, 1996).

Verification

As provided in section 782(i) of the Act, we verified the information submitted by all respondents for use in our final determination. We used standard verification procedures, including examination of relevant accounting and sales/production records and original source documents provided by respondents.

Comments Related to U.S. Price

Comment 1: Ispat-Sidbec Freight Expenses

Ispat-Sidbec contends that the Department should use Ispat-Sidbec's reported and verified freight expenses in its final determination. In the normal course of business, Ispat-Sidbec maintains all freight costs recorded in its accounting system in Canadian dollars, regardless of whether the original invoice was issued in U.S. or Canadian dollars by the shipper. Due to the large number of sales, and the fact that one sale may have multiple freight invoices, Ispat-Sidbec claims that it would be virtually impossible to report the freight expense for each sale in the currency in which the freight invoice was received. Moreover, Ispat-Sidbec states that the Department verified that the freight expenses had been properly converted to Canadian dollars, and that this is how these expenses are maintained in the company's internal accounting system. To support its position, Ispat-Sidbec claims that the Department recently reaffirmed its preference for the use of verified information maintained in a company's normal course of business, even when that information may not correspond exactly to that requested by the Department, citing *Certain Cut-to-Length Steel Plate From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 62 FR 61964, 91991 (November 20, 1997).

Petitioners counter that, pursuant to section 776(a)(2)(A), the Department should substitute the highest rate reported as adverse facts available for Ispat-Sidbec's U.S. freight costs because Ispat-Sidbec refused to submit freight expenses reported in the currency incurred, as requested by the Department. Petitioners argue that the Department must not accept Ispat-Sidbec's unilateral determination that the requested information is unnecessary. Petitioners claim that if the Department does not apply adverse inferences, Ispat-Sidbec will benefit from its own lack of candor and cooperation.

Department's Position

Before applying facts available, section 782(e) of the Act permits the Department to consider the ability of an interested party to submit requested information if the party notifies the Department it cannot provide the necessary information and includes a full explanation and suggested alternatives. In its January 7, 1998 submission, Ispat-Sidbec notified the Department that to report freight expenses in the currency in which they were incurred would create an enormous burden requiring Ispat-Sidbec to review numerous sales individually. While the Department's standard questionnaire normally requires all parties to report expenses in the currency in which they were incurred, the Department verified that the expenses had been properly converted to Canadian dollars using the daily exchange rate, and that this is how the expenses were kept in the company's internal accounting system. In this case, we have continued to use Ispat-Sidbec's reported and verified freight expenses for these final results.

Comment 2: Ispat-Sidbec U.S. Selling Expenses

Ispat-Sidbec claims that in converting Ispat-Sidbec's U.S. selling expenses to Canadian dollars for purposes of the CEP profit calculation, the Department incorrectly applied the exchange rate conversion to Ispat-Sidbec's inventory carrying cost in the country of manufacture, which was already reported in Canadian dollars.

Department's Position

We agree with respondent and have corrected the CEP profit calculation for this final determination.

Comments Related to Normal Value

Comment 1: Ispat-Sidbec Home Market Rebates

Ispat-Sidbec contends that the Department should continue to deduct both of its reported rebates on home market sales from NV in the final determination. Ispat-Sidbec claims that the Department verified the terms and conditions of one (REBATE2H), and that another (REBATE1H) clearly qualifies as a rebate under the Department's definition.

Department's Position

We agree with respondent that the record evidence supports a deduction from NV for these rebates. In both instances, we verified the terms and conditions of REBATE1H and REBATE2H. *See* Verification of the Sales Data for Sidbec-Dosco (Ispat) Inc., December 18, 1997, at 12 and 19. Therefore, we will continue to deduct both REBATE1H and REBATE2H from NV for purposes of this final determination.

Comment 2: Exclusion of Certain Stelco Home Market Sales

Petitioners argue that Stelco has reported home market sales of subject merchandise that are neither made in commercial quantities nor made in the ordinary course of business. Petitioners contend that sales which do not meet Stelco's minimum order requirements are not sold in commercial quantities. Particularly, petitioners argue that Stelco's home market sale of a single coil was not made in commercial quantities, as confirmed by Stelco at verification. Petitioners reject Stelco's explanation that the sale at issue was made to fulfill a previous under-delivery, as consistent with the record evidence.

Petitioners also argue that Stelco's sale of a single coil was not made in the ordinary course of trade. They insist that the sale of a single coil is aberrational in the wire rod industry and claim that sales of single coils are used for samples, testing purposes, or other aberrational circumstances. Petitioners allege that the preliminary determination produced an anomalous result in the model match, where Stelco's largest volume of U.S. sales was matched to the sale at issue. Therefore, petitioners contend that the Department should exclude this sale from the margin calculations, citing *Nachi-Fujikoshi Corp. v. United States*, 798 F. Supp. 716, 718 (CIT 1992); *Stainless Steel Angle from Japan*, 60 FR 16608, 16614 (March 31, 1995); *Granular Polytetrafluoroethylene Resin from Japan*, 60 FR 5622, 5623 (January 30, 1995); *Carbon Steel Plate from France*, 58 FR 37125, 37126 (July 9, 1993).

Stelco urges the Department to reject petitioners' request to exclude certain home market sales made by Stelco. Respondent maintains that petitioners' arguments are meritless, because they rely primarily on one sale made by

Stelwire. Stelco asserts that this sale of one coil is a perfectly normal sale because it was part of shipment of multiple products, all of which constituted a complete truckload.

Stelco also asserts that it included this sale, along with other sales made by Stelwire, in the sales listings at petitioners' insistence. It excluded this sale in the original response because the sale at issue was a sale to an affiliated party. However, upon the request of petitioners and the Department, Stelco included sales to affiliates in its supplemental submissions to the Department. Consequently, the sale of one coil was included in Stelco's subsequent submissions of the sales tapes.

Moreover, Stelco insists that petitioners misinterpret Department practice with respect to sales outside the ordinary course of trade. Stelco alleges that petitioners have cited to court cases and Department determinations arguing for, rather than against, the inclusion of the sale at issue. First, respondent asserts that the court case, *Nachi-Fujikoshi Corp. v. United States,* involved a decision in which the Court upheld the Department's decision not to exclude a sample sale from its LTFV comparisons as outside the ordinary course of trade. Second, with regard to petitioners' cite to *Stainless Steel Angles from Japan,* Stelco contends that petitioners fail to acknowledge that, in that case, the Department rejected requests from both petitioners and respondents to exclude certain sales as outside the ordinary course of trade. Instead, the Department included in its dumping comparisons the sales which parties argued were outside the ordinary course of trade. Finally, Stelco asserts that *Granular Polytetrafluoroethylene Resin from France,* and *Carbon Steel Flat Products from France,* also do not support petitioners' argument. Respondent maintains that, in both those cases, the Department decided to exclude sales from its dumping comparisons because they were samples and sales of seconds. Since petitioners have not alleged the sale at issue is a sample sale, Stelco argues that these decisions are not relevant to this investigation.

Department Position

We disagree with petitioners that certain Stelco home market sales, including the sale of the single coil they reference, should be excluded as sales not in ''usual commercial quantities'' and not in the ordinary course of trade. First, we note that, while petitioners refer to ''certain sales'' their arguments exclusively address Stelco's sale of a single. With respect to petitioners' claim that this sale was made in a non-commercial quantity, we reviewed the volumes, values, and prices of Stelco's home market sales and found no evidence on the record that this sale was not sold in ''usual commercial quantities'' within the meaning of section 771(17) of the Act. The record evidence demonstrates that over 10% of the number of Stelco's home market sales, to affiliated and unaffiliated customers, is comprised of quantities comparable to the sale of the single coil. The prices of these sales, including the price of the sale of the single coil, fall very close to the midpoint of the price range of both Stelco's home market affiliated and unaffiliated sales. Moreover, based upon the particular facts of this case, we do not consider Stelco's minimum order practices as determinative of whether these sales are within ''usual commercial quantities'' because the record evidence demonstrates that Stelco made a large number of sales of SWR in quantities below the volume orders, and we have discovered nothing aberrational concerning these sales.

We also found the sale of the single coil to be within the ordinary course of trade under section 771(15) of the Act. The Department considers sales outside the ordinary course of trade to have extraordinary characteristics for the market in question. 19 CFR 351.102, 62 FR at 27381. An ordinary course of trade determination requires evaluation of sales on ''an individual basis taking account all of the relevant facts of each case.'' *Nachi-Fujikishi Corp.* v. *United States,* 798 F. Supp. 716, 719 (CIT 1992). This means that the Department must review all circumstances particular to the sales in question. *See Gray Portland Cement and Clinker From Mexico: Final Results of Antidumping Duty Administrative Review,* 62 FR 17153 (April 9, 1997). The particular facts of this case do not support a finding that the sale of the single coil was an extraordinary transaction in relation to other home market sales transactions. First, during the POI, the sale of the single coil was shipped as a line item in an invoice including more than one type of subject merchandise, consistent with the vast majority of Stelco's sales, and was shipped pursuant to Stelco's regular shipping procedures. *See* Stelwire verification Exhibit 3. Second, Stelco had many similar sales of similar volumes in the home market to both affiliated and unaffiliated customers. Third, as noted above, the price of the sale at issue is near the midpoint of the price range of Stelco's home market sales, and there is no evidence that the price was aberrational. Fourth, there were no special handling or shipping arrangements made for this particular coil. In sum, we have found no record evidence demonstrating any significant distinctions between the sale of the single coil and Stelco's other home market sales. Therefore, since this sale was made in usual commercial quantities and in the ordinary course of trade, we will not exclude it from the home market sales listing.

Comments Related to Cost of Production

Comment 1: Ivaco Deferred Pre-Production Costs

Petitioners claim that the Department should deny Ivaco's deferral of ''start-up'' costs associated with its furnace conversion. Petitioners assert that the circumstances involving the furnace upgrade fail to satisfy the statutory and regulatory standards for a start-up cost adjustment because the furnace upgrade did not constitute a new production facility or the replacement or rebuilding of nearly all production machinery. Petitioners concede that the Department may rely on records kept by the respondent in the normal course of business if those accounts are in accordance with the home country GAAP and reasonably reflect the costs associated with the production of the subject merchandise. Petitioners argue that in this case, however, Canadian GAAP distorts actual costs. Petitioners, citing *Final Determination: Certain Pasta from Italy,* 62 FR 3026, 30355 (June 14, 1996) and *Micron Technology, Inc.* v. *United States,* 893 F. Supp. 21, 34 (CIT 1995), *aff'd* 117 F.3d 1386 (Fed. Cir. 1997), contend that because the furnace upgrade costs were incurred during the POI, they should be matched to the sales of the same period, and therefore, included in the POI production costs.

Ivaco asserts that it never requested a ''start-up adjustment under the statute,'' but that it deferred these expenses in its own books. Respondent claims that the upgrades implemented during the furnace conversion were extensive in nature and constituted major production changes. Ivaco states that its external auditors approved its deferral of its pre-production costs, as disclosed in notes (2) and (5) of IRM's 1996 audited financial statements. Ivaco argues that if the Department chooses to disallow Ivaco's methodology of deferring and amortizing its pre-production costs, then the Department must net out the pre-production costs that Ivaco capitalized prior to 1996 and amortized in 1996.

Department's Position

We agree with Ivaco that it properly deferred and amortized its pre-production costs associated with its furnace conversion. Section 773(f) of the Act directs the Department to calculate costs based upon the respondent's records, provided that such records are kept in accordance with respondent's home country GAAP and reasonably reflect the costs associated with the production of the merchandise. In this case, Ivaco is not claiming a start-up adjustment in accordance with section 773(f)(1)(C) of the Act. Rather, Ivaco, in the ordinary course of business, capitalized certain costs related to its conversion of a furnace. Ivaco's methodology of capitalizing and amortizing certain pre-production costs over periods of up to five years is consistent with Canadian GAAP and was approved by the company's auditors, as evidenced by the disclosures in notes (2) and (5) of IRM's 1996 audited financial statements.

Additionally, we consider it reasonable in this instance for Ivaco to spread the furnace upgrade costs over future periods because these costs will benefit the company's future operations through higher, more efficient production levels. Ivaco has demonstrated this, having deferred similar costs in past accounting periods. In fact, the amortization recognized by Ivaco this year with respect to such deferred costs from previous years approximates the total amount of furnace upgrade costs that Ivaco deferred in the current year. Thus, we find no reason to determine that such a methodology distorts the costs associated with the production of the merchandise. Because we have accepted Ivaco's methodology, the issue of netting out pre-production costs capitalized prior to 1996 is moot.

Comment 2: Ivaco Deferred Foreign Exchange Costs

Petitioners assert that the full amount of the POI foreign exchange losses should be included in the POI costs. Petitioners claim that Department precedent is to treat foreign exchange gains and losses as current period income or expenses, regardless of home country GAAP. According to petitioners, the Department may rely on records kept by the respondent in the normal course of business if those accounts are in accordance with the home country GAAP and reasonably reflect the costs associated with the production of the subject merchandise. Petitioners maintain that Canadian GAAP distorts actual costs in this situation. Petitioners cite *Certain Pasta from Italy*, where the Department stated that the extinguishment of debt caused a foreign exchange loss which represents a cost that provides no future benefit and that if the current foreign exchange losses were deferred they would not be properly matched against the sales of the period. Petitioners also cite *Micron Technology, Inc.* v. *U.S.*, an appeal from the Department's determination in *DRAMS from Korea*, in which it was ruled that if the foreign exchange translation gains and losses on outstanding foreign currency monetary assets and liabilities were deferred, the costs would not be appropriately matched to the sales of the company during the POI.

Ivaco justifies its practice of deferring foreign exchange gains and losses arising from non-current monetary items (*i.e.*, payments to be made after December 31, 1997) and amortizing those gains and losses over the payment of the debt, as being consistent with Canadian GAAP. Ivaco argues that this case differs from *Certain Pasta from Italy* because, in that case, the respondent sought to defer current foreign exchange gains and losses related to debt that had already been extinguished. Ivaco claims that it has deferred only those foreign exchange losses related to loans that were not extinguished, and that it has expensed all foreign exchange losses related to extinguished loans. Ivaco asserts that its methodology does not conflict with the decision in *Micron Technology, Inc.* v. *United States*, where the Court ruled that foreign exchange losses should be matched to the period in which the loss occurred. Ivaco maintains that all its foreign exchange losses related to loan repayments made in 1996 and projected loan repayments to be made in 1997 were expensed in 1996 and included in its COP, and that it deferred only those unrealized foreign exchange losses related to the non-current portion of its loans as of December 31, 1996. Finally, Ivaco makes the same consistency argument it made regarding its accounting for pre-production costs. Ivaco asserts that if the Department chooses to disallow the deferral of the foreign exchange losses, it should exclude the current period amortization of foreign exchange costs that were deferred from prior years. Ivaco claims that such treatment would result in a minimal difference in Ivaco's costs.

Department's Position

We agree with Ivaco that it properly amortized foreign exchange losses related to loans that were not extinguished during the POI. In this instance, there is little difference between its method of accounting for foreign exchange gains and losses and the method of amortizing deferred exchange gains and losses used by the Department in past cases. The Department normally relies upon the respondent's records, provided that such records are kept in accordance with respondent's home country GAAP and reasonably reflect the costs associated with the production of the merchandise. Ivaco demonstrated that its methodology of capitalizing non-current foreign exchange gains/losses attributable to its outstanding debt and amortizing the gains/losses over the payment of the debt is consistent with Canadian GAAP and was approved by its auditors, as disclosed in notes (1) and (6) of Ivaco Inc.'s 1996 audited financial statements. The Department's position, established in recent cases, is that exchange gains/losses should be amortized over the remaining life of the respondent's loans. *See Notice of Final Determination of Sales at Less Than Fair Value: Fresh Cut Roses from Ecuador*, 24 FR 7019, 7039 (February 6, 1995) and *Notice of Final Determination of Sales at Less Than Fair Value: Certain Steel Concrete Reinforcing Bars from Turkey*, 42 FR 9737, 9743 (March 4, 1997). In this case, the impact of the difference between Ivaco's methodology of deferring and amortizing exchange gains/losses on only the non-current portion of long term debt and the Department's preferred methodology of deferring and amortizing exchange gains/losses over the remaining life of the debt is immaterial. Therefore, we find Ivaco's methodology acceptable because it reasonably reflects the costs associated with the production of the subject merchandise.

Comment 3: Sivaco Ontario and Quebec Yield Cost

Ivaco claims that it explained in its cost submissions and at verification that because Sivaco Ontario's cost computation is based on the volume produced at each production stage, its computation properly accounts for the yield loss associated with the green rod. Ivaco asserts that the yield losses are accurately reflected because the denominator used to compute the per unit costs is the produced volume, net of the yield loss.

Department's Position

We disagree with Ivaco that its methodology properly accounts for yield loss, and therefore, reflects the actual cost of production of SWR as required by section 773(b)(3) of the Act. Although Sivaco Ontario and Sivaco Quebec properly accounted for the heat treating and cleaning/coating materials and processing costs associated with the rod lost during their processing, the companies failed to include such costs associated with the green rod received from IRM. We therefore calculated a weighted average yield loss percentage for the rod used in production at Sivaco Ontario and Sivaco Quebec. We based our calculation on the yields reported in Ivaco's submissions and the production volumes reported at verification. We then applied the yield loss percentage to the cost of the green rod.

Comment 4: Sivaco New York Further Manufacturing G&A Calculation

Ivaco states that the Department should use the reported further manufacturing data and G&A denominator in computing the further manufacturing G&A rate for Sivaco New York. Ivaco claims that the Sivaco New York cost of sales figure reported in the company's Section D submission is based on Sivaco New York's audited financial statement. Ivaco notes, however, that the cost of sales figure reported at verification is based on Sivaco New York's internal financial statement. Ivaco asserts that the cost of sales per Sivaco New York's audited financial statement exceeds the cost of sales per its internal financial statement by the sum of its shipping department and certain freight-in costs (for returning damaged or defective merchandise or racks). According to Ivaco, because these shipping department and certain freight-in costs are included in Sivaco New York's submitted further manufacturing costs, these costs must be included in the cost of sales figure used as the denominator in computing Sivaco New York's further manufacturing G&A rate.

Department's Position

We agree with Ivaco's contention that the cost of sales figure reported at verification was based on Sivaco New York's internal financial statement and excludes its shipping department and certain freight-in costs. We also agree with Ivaco that these costs were included in Sivaco New York's submitted further manufacturing costs. However, the difference between the cost of sales figure reported in the Section D submission and the cost of sales figure reported at verification is slightly larger than the sum of the shipping department and freight-in costs. We therefore adjusted the cost of sales figure reported at verification to include these costs and recalculated Ivaco's further manufacturing G&A rate for our final determination.

Comment 5: Ispat-Sidbec Interest Expense

Ispat-Sidbec contends that it is inappropriate for the Department to request that the company use an interest expense factor that is based on a reorganization that occurred after the POI. Ispat-Sidbec maintains that the company derived the revised interest expense factor solely for the Department's investigation and that it is not based on POI data maintained by Ispat-Sidbec in the ordinary course of business. According to Ispat-Sidbec, the statute requires the Department to calculate costs based on a company's normal records if the respondent maintains those records in accordance with GAAP. Ispat-Sidbec further notes that in *Aramid Fiber Formed of Poly-Phenylene Terephthalamide from the Netherlands,* 59 FR 23684, 23688 (May 6, 1994), the Department declined to calculate interest expense based on consolidated data, when the corporate restructuring did not occur until after the POI. Thus, Ispat-Sidbec argues that the Department should accept its interest expense factor as originally calculated based on the company's 1996 consolidated financial statements in accordance with Canadian GAAP.

Petitioners respond that for corporate groups, such as Ispat International and its subsidiaries, the Department generally calculates interest expense based on the consolidated financial results of a parent corporation and its subsidiaries, whether or not the respondent normally maintains such information in the ordinary course of business. Petitioners state that the Department's policy is ''based on the fact that the group's parent, primary operating company, or other controlling entity . . . because of its influential ownership interest, has the power to determine the capital structure of each member company within the group.'' *New Minivans from Japan,* 57 FR 21937, 21946 (May 26, 1992). Petitioners also note that Ispat-Sidbec's argument that this interest information as derived solely for the investigation is flawed because Ispat International's consolidated financial statements for 1994 through 1996 were part of the record.

Department's Position

We agree with petitioners that it is the Department's long-standing practice to calculate interest expense for COP and CV purposes based on the borrowing costs incurred at the consolidated group level. This methodology, which has been upheld by the CIT in *Camargo Correa Metals, S.A.* v. *U.S.,* No. 91–09–00641, Slip Op. 93–163 (CIT August 13, 1993), is based on the fact that the consolidated group's controlling entity has the power to determine the capital structure of each member of the group. Thus, financial expenses at the group consolidation level must reasonably reflect the borrowing costs incurred by each member of the group. In this instance, prior to the POI, Ispat-Sidbec was a wholly-owned subsidiary within a large group of companies. Although these companies would normally prepare consolidated financial statements at the group level, it was unnecessary for them to do so because they were privately owned. Shortly after the POI, the Ispat Group reorganized its operations, eliminating certain holding companies as well as making other changes to its overall corporate structure. As part of the reorganization, Ispat International N.V. emerged as the lead entity of the former Ispat Group. Ispat International prepared consolidated financial statements for the group, including statements covering the POI.

Contrary to respondents arguments, this situation differs from that in *Aramid Fiber Formed of Poly-Phenylene Terephthalamide from the Netherlands,* 59 FR 23684, 23688 (May 6, 1994). In that instance, the Department did not compute interest expense at the consolidated level because the equity ownership in the respondent did not meet the requirements for consolidation until the post POI reorganization. However, in this case, Ispat-Sidbec was a member of the same group of consolidating companies both prior to and after the reorganization. Therefore, we will continue to use the Ispat Group's consolidated interest expense factor for purposes of this final determination.

Comment 6: Walker Wire Further Manufacturing Yield Loss

Ispat-Sidbec states that the Department should accept the yield loss reported in Walker Wire's further manufacturing Section E questionnaire. Ispat-Sidbec claims that Walker Wire submitted the yield loss that it normally calculates. Respondent maintains that Walker Wire's cost accounting system appropriately tracks all costs, including yield loss. In addition, Ispat-Sidbec asserts that the method used to allocate yield loss to merchandise is appropriate and reasonable.

Department's Position

We disagree with Ispat Sidbec that Walker Wire's reported costs adequately accounts for yield loss associated with the further manufacture of the subject merchandise. Walker Wire's reported yield loss accounts only for a portion of its total yield loss because the company determined the reported loss based on the quantity of raw material recovered and sold for scrap. The company's methodology does not account for loss that it never recovers. Secondly, Walker Wire's reported conversion costs fail to account for yield loss incurred during production, which understates Walker Wire's conversion costs. Finally, Walker Wire uniformly allocates its yield loss to all products sold. Walker Wire allocated yield loss to merchandise bought for resale that required no fabrication and to customer-owned material that it fabricated. Neither of these items should incur the yield loss associated with Walker Wire's processing of its own materials. Therefore, for this final determination, we have increased Walker Wire's reported costs to account for the company's total yield loss.

Comment 7: Stelco Allocation of Excess Cost of Ingot Teeming

Stelco argues that it properly allocated the excess cost of ingot teeming (*i.e.*, the cost of ingots that are not required by Stelco's internal order practice) to only round products produced during the POI. Stelco notes that in its normal books and records it allocates these costs to all products produced, both flat-rolled and round products. However, in its submitted COP and CV data, Stelco allocated its ingot teeming costs to only round products produced since it cannot use ingots to produce flat-rolled products. Stelco contends that the Department should accept this allocation methodology because, in accordance with section 773(f) of the Act, it is the closest to Stelco's normal accounting procedures and because it reasonably reflects the actual cost of producing subject merchandise. Stelco further supports this argument by stating that the company can produce all of its round (*i.e.*, rod and bar) products from either ingot steel or cast steel.

Stelco further argues that if the Department does not accept its methodology of allocating excess ingot teeming costs to all round products, the Department should allocate these costs to those products that, because of customer requirements, could only be manufactured using ingots. Stelco maintains that during the POI, while no customers specifically required that only ingot steel be used in their orders, some customers required cast steel only.

Petitioners argue that the Department should reject Stelco's COP and CV data and apply total adverse facts available for the final determination because Stelco has repeatedly misreported its costs incurred on the teeming of ingots. Petitioners claim that Stelco incurs these costs on specific products and had the ability to assign its ingot teeming costs in a product-specific manner. Petitioners contend, however, that Stelco did not allocate its ingot teeming costs to specific products produced from ingots but, instead, allocated these costs over products that it claims could potentially be produced from ingots. Petitioners argue that this allocation methodology is unacceptable because the statute and the Department's long-standing practice require product-specific cost reporting. Petitioners cite *Final Results of Antidumping Duty Administrative Review: Gray Portland Cement and Clinker from Mexico,* 58 FR 25803, 25809 (April 28, 1993), as precedent for use of best information available, in this case, when the respondent does not report product-specific materials costs.

Petitioners also assert that Stelco's submitted costs are not based on its books and records maintained in the normal course of business and argue that neither of Stelco's various cost submissions reasonably reflect the costs associated with the production and sale of subject merchandise. Petitioners claim that because Stelco's submitted methodologies do not assign costs only to the products for which those costs were incurred, Stelco diluted the dumping margins on ingot-teemed products, while reducing its profit margins on non-ingot teemed products. Petitioners further argue that since there is no verified evidence on the record demonstrating which specific CONNUMs are ingot-teemed products, the Department does not have the ability to correct Stelco's reported costs. Thus, petitioners urge the Department to reject Stelco's reported costs in their entirety and apply total adverse facts available, using either the dumping margin alleged in the petition for a Canadian respondent, or the highest dumping margin generated on any sale reported in Stelco's questionnaire response.

Department's Position

We disagree with petitioners that because Stelco was unable to allocate ingot teeming costs only to those products manufactured from ingot-produced billets, the Department should reject Stelco's reported costs in their entirety and resort to total adverse facts available. First, we do not find that Stelco's cost submissions are totally flawed and rendered unusable for the final determination under section 782(e) of the Act. Stelco submitted its cost data in a timely manner, we were able to verify significant elements of its COP and CV data, and as discussed below, we were able to use the cost data without undue difficulties. Thus, the facts in this case, do not support rejection of the entire cost submission. *See* e.g., Certain Welded Carbon Steel Pipes and Tubes from Thailand: Final Results of Antidumping Duty Administrative Review, 62 FR 53808, 53819–20 (Oct. 16, 1997) (resorting to total adverse facts available because the respondent's cost submission was unverifiable). In addition, we do not find a sufficient basis to apply adverse inferences in accordance with section 776(b) of the Act because we determine that Stelco reported these costs to the best of its ability. Although Stelco did not report product-specific costs for all subject merchandise that used ingot steel, we confirmed at verification Stelco's claim that its computerized production records do not permit it to identify when a product is made using ingot steel. Based on this examination, we consider it acceptable for Stelco to allocate ingot teeming costs using an alternative methodology that reasonably reflects the costs associated with producing the subject merchandise.

However, we find neither of Stelco's alternative methodologies acceptable for the final determination. Because Stelco McMaster Ltee does not produce billets from ingots, allocating the ingot teeming costs incurred at the Hilton Works facility to all round products, including those made from billets manufactured at Stelco McMaster Ltee, unreasonably understates ingot teeming costs. Also, allocating ingot costs only to products that may be produced from ingots in the absence of actual production records unreasonably relies upon unsubstantiated costs. Therefore, we find that because Stelco states that it teems ingot to allow maximum utilization of available steel in the Hilton Works' ladles and that all round products can be produced using ingot steel, a reasonable methodology is to allocate ingot teeming costs to all products which used Hilton Works billets. Accordingly, for the final determination, we allocated ingot teeming costs incurred at the Hilton Works facility to all products manufactured from billets produced at this facility.

Comment 8: Inclusion of Stelco Capital Tax Credit in the G&A Expense Calculation

Stelco argues that its capital tax credit should be included in the general and administrative (''G&A'') expense calculation. Stelco cites *Final Results of Antidumping Duty Administrative Reviews: Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate from Canada,* 62 FR 18448, 18465 (April 15, 1997) (''Carbon Steel from Canada''), as precedent for classifying capital taxes as a G&A expense. Stelco contends that because capital tax is a G&A expense, it properly offset the capital tax credit against G&A expenses. Furthermore, Stelco notes that the Department's practice is to include income items that are properly a part of G&A in the G&A expense calculation. To support this argument, Stelco cites *Notice of Antidumping Duty Order and Amended Final Determination: Canned Pineapple Fruit from Thailand,* 60 FR 36775, 36776 (July 18, 1995), in which the Department states it inadvertently relied on the gross, rather than the net, G&A expenses of the company in the calculations of COP and CV. Stelco maintains that the full amount of the credit relates to the POI, and not to prior years.

Stelco further argues that if the Department accepts expense items which relate to non-POI periods because they are recorded in the company's normal books and records for the period, the Department should accept income items which relate to non-POI periods if they are recorded in the company's normal books and records in accordance with GAAP. Stelco cites *Final Results of Antidumping Duty Administrative Review: Certain Cold-Rolled Carbon Steel Flat Products from Canada,* 58 FR 37099, 37120 (July 9, 1993), in which the Department determined that because the respondent chose to expense the entire amount of certain expenses which related to future periods in the current period, the total expense was included in the calculation of COP and CV. Therefore, Stelco argues that even if the costs did relate to prior POI events, section 773(f) of the Act and the Department's long-standing policy require that costs be included in the calculation of COP and CV in the year those costs are recorded in a company's books, if those records are in accordance with GAAP and reasonably reflect the costs associated with the production and sale of the merchandise. Thus, Stelco maintains that its capital tax credit should be included in the calculation of G&A expenses for the final determination because it is recorded in Stelco's normal books and records in accordance with GAAP and reasonably reflects COP.

Petitioners urge the Department to exclude Stelco's capital tax offset from its G&A expense calculation. Petitioners argue that Stelco's credit to G&A expenses is improper because the Department does not normally include income taxes in its COP and CV calculations and because it does not relate to the POI since Stelco recorded this credit to reverse an overstated accrued liability from 1991. Petitioners state that, contrary to Stelco's claim, the Department does not have a long-standing policy of accepting such credits, particularly from prior years. To support this argument, petitioners cite *Final Results of Antidumping Duty Administrative Review: Fresh Kiwifruit from New Zealand,* 57 FR 13695, 13702 (April 17, 1992), in which the Department determined that ''tax recoveries cannot be used to offset costs.'' In addition, petitioners argue that while the Department often accepts costs in the year they are recorded in a company's books, the statue specifically notes that COP shall be based on those records only when they reasonably reflect the costs associated with the production and sale of the merchandise. Thus, petitioners maintain that Stelco's capital tax credit should be excluded from the G&A expense calculation because it artificially and improperly lowers G&A expenses for the POI.

Department's Position

We agree with Stelco that the capital tax, which is a non-income-based tax, is a G&A expense item and, therefore, credits to capital tax should be offset to G&A expenses. *See e.g., Oil Country Tubular Goods From Canada; Final Determination of Sales at Less Than Fair Value,* 51 FR 15029 (April 22, 1986) and *Certain Steel from Canada,* 62 FR at 18465. However, we disagree with Stelco that the total amount of the capital tax credit should be included in the calculation of G&A expenses. While it is reasonable to offset Stelco's capital tax expense with its capital tax credit, it is not reasonable to offset other G&A expenses by the amount of the credit that exceeds the amount of the capital tax expense. Specifically, because the credit represents a reduction in the amount of capital taxes due by the company, it is unreasonable to offset unrelated G&A expenses, such as administrative salaries, professional fees, and office supplies. Therefore, for the final determination, we are including in Stelco's calculation of G&A expenses its capital tax credit only to the extent of its current capital tax expenses.

Comment 9: Inclusion of Stelco Tax Credit in G&A Expense Calculation

Stelco asserts that its investment tax credit should be included as a reduction to the company's G&A expenses. Stelco maintains that the credit is a reimbursement by the Canadian government of research and development (''R&D'') expenses and, therefore, the company properly offset this credit to the R&D expenses it included as part of the total G&A expense. Stelco explains that although the Canadian government reimburses the company through a reduction of its income tax payable, the credit is not an income tax benefit. To support its argument that it properly recorded the credit as an offset to G&A expenses, Stelco cites the *Canadian Institute of Chartered Accountants (''CICA'') Handbook,* the Canadian equivalent of U.S. GAAP. The *Handbook* states, where the investment tax credit relates to R&D costs, it should be accounted for using the cost reduction approach by including it in the period's net income if it relates to current expenses. If on the other hand, the ITC relates to fixed asset purchases, it may be accounted for either, by deducting the credit from the related assets and calculating depreciation expense on the net basis of the asset, or by deferring it if it relates to the acquisition of assets and amortizing it to income. The *Handbook,* however, states that ''when the investment tax credits are not accrued in the year in which the qualifying expenditures are made because there is no reasonable assurance that the credit will be realized, such credits should be accrued in the subsequent year in which reasonable assurance of realization is first obtained.'' Stelco contends that reasonable assurance occurred in 1996 when the company had sufficient net income taxes payable to apply the investment tax credit. Stelco further argues that the Department's long-standing policy is to calculate COP and CV using net G&A expenses. Stelco maintains that the full amount of this credit should be included in the calculation of G&A expenses for the final determination. However, Stelco states that if the Department rejects its argument, it should at a minimum allow a full offset to Stelco's R&D expenses for the POI.

Petitioners counter that the Department should exclude Stelco's investment tax credit from the G&A expense calculation because the Department normally does not include income taxes in its COP and CV calculations. Petitioners cite *Statement of Financial Accounting Standards No. 109: Accounting for Income Taxes* to show that U.S. GAAP provides that investment tax credits be recorded as a reduction to income tax expense.

Petitioners respond that since Stelco concedes that the method of payment by the government is a reduction of income tax payable, the Department should adopt the approach that if a tax credit (such as an investment tax credit) results in an income tax reduction, it should be considered as an income tax item and thus excluded from G&A. Petitioners further argue that the credit should be excluded because portions of the credit may relate to R&D costs from previous years, or the credit may be calculated based on the purchase of equipment that is to be depreciated over future years. Petitioners allege that Canadian companies would receive an unfair advantage if the Department allows this credit to be classified as a reduction of cost of production instead of a reduction to income tax expense. Finally, petitioners claim that Stelco did not adequately support its classification of this credit to G&A expenses. They argue that the Department should reject as new factual information the CICA *Handbook* excerpts submitted by Stelco in its January 7, 1998, brief which relate to the timing of the receipt of the benefit, but do not address its classification. Petitioners conclude that Stelco's approach does not conform to Canadian GAAP because Stelco did not submit material to support its presentation and disclosure of the credit. Therefore, petitioners maintain that Stelco's investment tax credit should be excluded in the calculation of G&A expenses for the final determination.

Department's Position

We disagree with petitioners that the excerpts from the CICA *Handbook* submitted by Stelco in its January 7, 1998, brief constitute untimely new factual information which should be rejected. Stelco previously provided this information during the cost verification to clarify and support information already on the record. *See* Stelco Cost Verification Exhibit 29 at 10. However, we agree with petitioners that the Department normally does not include income taxes in its COP and CV calculations. The CICA *Handbook* states that ''investment tax credits are a type of government assistance related to specific qualifying expenditures that are prescribed by tax legislation.'' These credits reduce the amount of income taxes Stelco pays. We do not consider it appropriate to offset production costs by the reduced income tax liability arising from tax legislation, because the Department does not include income taxes in the calculation of COP and CV. *See e.g., Fresh Cut Flowers From Mexico; Final Results of Antidumping Duty Administrative Review and Revocation in Part of Antidumping Duty Order,* 61 FR 63822, 63824 (December 2, 1996). Thus, we are excluding Stelco's investment tax credit in the calculation of G&A expenses for the final determination.

Comment 10: Inclusion of Stelco Pension Expenses in the G&A Expense Calculation

Stelco included in its G&A expenses an adjustment for the company's additional pension liability as of December 31, 1995, which resulted from a 1996 court decision to partially wind up the company's pension plan. Stelco notes that the company did not have any ''control'' over the events which triggered the applicability of its pension expense or its capital tax credit recorded during the POI. Stelco argues that if the Department excludes its capital tax and investment tax credits from its calculation of G&A expenses because these credits relate to prior years, the Department should also exclude this partial pension wind-up cost from the G&A calculation because it relates to prior years.

Petitioners state that Stelco's recognition in the POI of pension costs from prior years was proper and should be included in the G&A expense calculation. Petitioners reason that Stelco should include this cost because, unlike Stelco's tax credits, this amount was not ''controlled'' by Stelco, but by the Canadian courts. In addition, petitioners claim that, unlike the tax credits, the pension expense was recorded in accordance with both Canadian and U.S. GAAP which state that a liability contingent on a lawsuit's outcome is recorded only if the company is likely to lose the suit. Therefore, petitioners argue that the Department should include Stelco's pension cost expense related to prior years in the G&A expense calculation.

Department's Position

We agree with petitioners that Stelco's partial pension wind-up costs should be included in the calculation of G&A expenses. In *Final Results of Antidumping Duty Administrative Reviews: Certain Cold-Rolled and Corrosion-Resistant Carbon Steel Flat Products from Korea,* 62 FR 18404, 18443 (April 15, 1997), (''*Carbon Steel Flat Products from Korea*''), we determined that including prior-period expenses, such as severance benefits, as an element of COP and CV is appropriate to reasonably reflect the costs associated with the production and sale of the subject merchandise. We disagree with Stelco that if the Department excludes the company's capital tax and investment tax credits from the calculation of G&A expenses, we must also exclude these pension expenses. The Department considers each cost issue separately, based on the facts and circumstances surrounding each issue. Stelco did not recognize the pension expenses as a contingent liability in prior years because Stelco expected to successfully appeal the Canadian pension commissioner's ruling that employees terminated in the early 1990's were entitled to certain pension benefits. Stelco recognized these costs for the first time during the POI in accordance with GAAP after the Canadian Supreme Court denied Stelco's appeal. *See* Cost Verification Report, at 2–3. Consistent with *Carbon Steel Flat Products from Korea,* we determine that including Stelco's prior-period pension expenses as an element of COP and CV is appropriate to reasonably reflect the costs associated with the production and sale of the subject merchandise. Therefore, for the final determination, we have included Stelco's partial pension wind-up cost in the calculation of G&A expenses.

Comments Related to Other Issues

Comment 1: Whether a LOT Adjustment for Ivaco is Warranted

Petitioners state that the Department should reverse its preliminary determination to grant a level of trade adjustment to Ivaco. Petitioners argue that when examining the way in which IRM and its affiliates do business, the record evidence demonstrates that no level of trade adjustment is applicable in this case.

Petitioners first note that in its Level of Trade Memorandum (''LOT Memorandum'') and *Preliminary Determination,* the Department found that IRM and Sivaco both sell to the same category of customer, and that both sell green and processed rod. Petitioners then state that the Department also found that warranty and credit services were provided at the same level. Petitioners argue that based on these similarities in business practices, and without record evidence of any substantial differences in the selling functions offered by the companies, the Department must determine that an LOT adjustment is not warranted in this case.

Petitioners then argue that the distinctions in selling functions between IRM and Sivaco, which Ivaco claims are indicative of different levels of trade, are instead simply a function of product mix, as IRM sells mostly green rod, while Sivaco, being a processor, sells mostly processed rod. Petitioners argue that a comparison of IRM and Sivaco on a product-to-product basis would yield very similar selling practices and expenses. First, petitioners assert that IRM provides the same inventorying and JIT services that Sivaco provides through a certain type of IRM sale. They argue that this type of IRM sale is identical to a Sivaco sale from inventory, as in both types of sale, the seller incurs all opportunity costs up to the point of sale, and the customer purchases merchandise only when needed.

Second, petitioners state that Ivaco's claimed differences in inventory carrying periods do not constitute evidence of substantially different selling activities but instead are largely attributable to product mix differences. Petitioners assert that the inventory periods for processed rod is similar for both entities. In addition, petitioners argue that the average inventory period verified by the Department does not include the inventory period of a particular type of IRM's sales. Petitioners point out that while it is true that Sivaco maintains green rod inventory for a different period than IRM, this is only logical since Sivaco's green rod typically must go through additional processing. Petitioners conclude that since IRM's sales of a particular type allow IRM to extend the same JIT services as Sivaco, both companies offer the same products and inventory services.

Third, petitioners take issue with Ivaco's claims concerning differences in delivery terms, arguing that differences in shipment quantities are irrelevant to the level of trade analysis because both companies sell rod on a delivered basis, both deliver rod to the majority of their customers by truck, and both sell in truckload and less than truckload quantities. Finally, petitioners' comments also briefly addressed other selling function distinctions alleged by Ivaco. Petitioners claim that Sivaco's provision of bid assistance does not constitute a substantial difference between IRM and Sivaco, because Sivaco supplied this service to only a few of its customers, and because the provision of this service occupied a small percentage of the time of their employees. They state that the other alleged selling functions, (producing to order, small order processing, shipping in small quantities, and customer pick-up services) are all part of the services offered by both IRM and Sivaco and as such, do not constitute differences in levels of trade.

In response, Ivaco notes that petitioners do not dispute the fact that IRM's sales are made at an earlier point in the chain of distribution than Sivaco's sales, which is the first criterion that must be established in order to qualify for an LOT adjustment. Petitioners' argument that the Department should look at the customer category is the old law standard. The new standard, citing *Professional Electric Cutting Tools from Japan*, is that ''* * * Differences in levels of trade are characterized by purchasers at different stages in the chain of distribution and sellers performing qualitatively or quantitatively different functions in selling to them.'' Ivaco Rebuttal Brief at 1. Ivaco notes that in the LOT Memorandum, the Department agreed with Ivaco on both these points.

According to Ivaco, petitioners ignore one of the most important differences between IRM and Sivaco: the fact that Sivaco offers significant inventory services while IRM does not. Ivaco notes that in order to provide these services, Sivaco maintains a large uncommitted general inventory, whereas IRM maintains no general uncommitted inventory. Ivaco notes that in its verification report, the Department confirmed that Sivaco Ontario inventories green rod many times longer than IRM. Further, Ivaco asserts that Sivaco acts as a service center for rod, bar, and wire, and maintains a large uncommitted inventory in order to service its customers' requirements for: ''(i) small quantities of rod; (ii) inventory services; and/or (iii) JIT delivery.'' Ivaco Rebuttal Brief at 9. Ivaco goes on to cite several cases (*Polyethylene Terephthalate Film, Sheet, and Strip from the Republic of Korea and* Welded Carbon Steel Pipe and Tube from Turkey), in which the Department has recognized the importance of services associated with maintaining inventory as a factor in defining distinct levels of trade.

Ivaco states that none of the arguments raised in petitioners' case brief alters the conclusion in the LOT memorandum, and confirmed by the Department's verification report and *Preliminary Determination*, that Sivaco offers significantly different services than IRM. Ivaco states, for example, that petitioners' contention that the difference in actual number of days of credit outstanding between IRM and Sivaco is not ''particularly large'' is contradicted by the facts on the record which indicate the actual difference in average payment dates is almost double for Sivaco Ontario as compared to IRM. Further, Ivaco noted that the Department stated in its LOT Memorandum that ''IRM's customer's average payment period * * * reflects the greater liquidity of a larger company, whereas Sivaco's * * * reflects the generally smaller size of its customers.'' Ivaco Rebuttal Brief at 7.

Ivaco states that petitioners' attempt to categorize the inventory services provided by Sivaco Ontario as a ''product-mix'' issue is without merit. The company asserts that petitioners' comparison of the quantity of processed rod sold by IRM versus Sivaco Ontario is misleading, because during the POR, processed rod as a percentage of IRM's total sales is extremely small, while for Sivaco Ontario, this percentage is a very high percentage of sales. Therefore, Ivaco concludes that petitioners' comparison of overall tonnage does not take into consideration the ''actual magnitude of sales or the business practices of either company.'' Ivaco Rebuttal Brief at 11.

Ivaco asserts that petitioners' argument that Sivaco does not offer significantly different delivery services is without merit because IRM's delivery services are structured to serve high-volume customers, whereas Sivaco's delivery services are structured to serve smaller customers who do not have the inventory capacity or buying power of larger customers and therefore require JIT or short-lead time delivery capability. Accordingly, Ivaco states, IRM sales structure is organized around its quarterly rolling schedule, while Sivaco's sales structure is organized around its uncommitted green rod inventory. Sivaco delivery services are set up to accommodate routine customer pick-up, while IRM is set up to provide for train-load deliveries. Further, Ivaco states that the Department's LOT Memorandum and Verification report confirm that Sivaco and IRM offer significantly different delivery services.

Ivaco also disagrees with petitioners' claim that IRM provides, for a particular type of sale, delivery services similar to those Sivaco provides its customers. Ivaco states that the only difference between its typical direct sales and this particular type of sale are the payment terms. Ivaco stresses that IRM provides no other services for this type of sale that are distinct from its other direct sales.

Department's Position

We disagree with petitioners that Ivaco's sales are made at the same LOT, and therefore, a LOT adjustment is not warranted in this case. As detailed in the LOT Memorandum for the preliminary determination, we examined the selling functions performed by IRM and Sivaco at each stage in the marketing process and identified substantial differences in services provided. We concluded that these differences were attributed to selling at different points in the chain of distribution, *i.e.,* IRM primarily sells direct from the factory and Sivaco acts as a reseller of SWR. Our findings at verification confirmed this analysis, and petitioners have identified no record evidence to warrant changing our preliminary determination. For example, petitioners continue to assert that no LOT differences exist because both IRM and Sivaco sell to end-users and provide the same type of warranty and credit services. However, customer category alone is not the determinative factor of establishing a level of trade. *See e.g., Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa,* 62 FR 61731, 61732 (Nov. 19, 1997). Moreover, the mere fact that certain selling activities are performed in a similar manner does not refute a finding of different LOTs, rather, the Department considers the totality of the circumstances in evaluating whether qualitatively and quantitatively different selling functions are performed for purchasers at different places in the chain of distribution. In this instance, the record evidence supports our finding of significant differences in the selling activities performed by IRM and Sivaco and no substantiation of petitioners' claim that these differences are attributable to product mix.

Comment 2: Petitioners' LOT Adjustment Methodology

Petitioners argue that if the Department does grant Ivaco a LOT adjustment, the Department should apply the cost test to the LOT-adjusted home market sales prices, and remove those sales which fail from the margin calculation. Petitioners state that this proposed methodology is supported by the statute, which requires the Department to make ''due allowance'' for any differences in EP CEP and NV caused by a difference in levels of trade. They assert that section 773(b) states that where 20 percent or more of a respondent's sales of a given product during the POI are at prices less than COP, the Department should disregard the below cost sales in the determination of normal value. Petitioners also point out that the Statement of Administrative Action (SAA) states that ''[t]he Administration intends that Commerce will disregard sales [below cost] when the conditions in the law are met.'' *See* Petitioners Case Brief at 13. Petitioners argue that, when viewed together, these provisions establish a clear intention that the Department must not make ''due allowance'' for a level of trade adjustment when such adjustment would cause the home market normal value to fall below cost. Petitioners state that the importance of the below-cost principle to the Department is demonstrated in *Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Japan,* 61 FR 38139, 38144 (July 23, 1996) (''*Printing Presses from Japan*''), in which the Department excluded below-cost sales from normal value, even though it did not initiate a below-cost investigation.

Finally, petitioners assert that, after removing the sales with prices below the cost of production, the data available does not provide an ''appropriate basis'' to determine a level of trade allowance, and therefore the Department should deny a level of trade adjustment for CEP sales in this investigation. Petitioners note, however, that the Department may grant a CEP offset where a LOT adjustment is not warranted, and where the comparison sales are made at a more advanced level of trade than sales to the United States, in accordance with section 773(a)(7)(B) of the Act.

Ivaco responds that petitioners' argument is specious, because it fails to take into account the fact that the sales used to calculate the LOT adjustment have already passed a below-cost test. As such, petitioners' cite to *Newspaper Presses* is not relevant, since, Ivaco claims, the issue there was whether the Department could use sales when no formal below-cost test was performed. In this case, the Department has already applied the below-cost test once; petitioners are requesting that it now be applied a second time. Ivaco states that petitioners, by contending that the LOT adjustment causes normal values to fall below cost, are asking the Department to: (1) Ignore the actual pricing differentials that exist between above cost sales at levels one and two; (2) perform a second below-cost test on home market sales that have already passed one below-cost test; and (3) perform a below-cost test on weighted-average normal values, which is contrary to the Department's practice for performing a below-cost test. Furthermore, Ivaco points out that it is just as likely that applying a difmer adjustment or a circumstances of sale (COS) adjustment might cause a given FUPDOL to be lower than the original home market sale's cost of production. Despite this fact, the Department has never thrown out such home market sales for failing the cost test. The reason, according to Ivaco, is obvious: the normal values in question have already passed a below-cost test.

Department Position

We disagree with petitioners that the Department should only apply the cost test to LOT-adjusted home market sales. The statute directs the Department to determine NV based on the price at which the foreign like product is sold for consumption in the home market, in the normal commercial quantities, and in the ordinary course of trade. Section 771(15) of the statute states that the sales which fail the cost test under section 773(b) are deemed to be outside the ordinary course of trade, and therefore should be excluded from the pool of home market sales used to determine NV. The statute contemplates that the remaining sales are suitable for purposes of determining NV. *See* section 773(b)(1) of the Act. The Department appropriately applies the LOT methodology after the cost test is administered to those sales which, according to the statute, are suitable for establishing NV. Moreover, petitioners ignore the fact that LOT-adjusted home market sales that ''fail'' the cost test do not do so because the actual selling prices are below cost, but do so as the result of other statutory adjustments to NV, which have nothing to do with determining COP. Thus, LOT-adjusted sales are not made at prices below cost within the meaning of section 773(b) of the Act. Based on the above, the Department finds that the petitioners' proposed methodology is inconsistent with the statute, and will not be used for the final determination.

Comment 3: Ivaco's Proposed Level of Trade Methodology

Ivaco asserts that the Department should use its proposed LOT methodology suggested in its pre-verification submissions. This methodology is to apply the Department's concordance program to the home market sales at level one and the home market sales at level two, and subsequently apply an appropriate difmer adjustment. Ivaco claims that this methodology allows the Department to analyze weight-averaged pricing for both identical and similar products, based on the same standard the Department uses for identifying similar products when comparing U.S. and home market sales. By employing this proposed methodology, the Department can assess the pricing differentials between levels one and two, rather than allowing a handful of products to determine the adjustment, as is currently the case. Furthermore, applying a difmer adjustment will remove any distortions that would result from differences in the product mix at each level.

Ivaco states that the SAA provides the Department with wide latitude in making a LOT adjustment, and does not mandate that the Department rely solely on home market sales of *identical* products. Ivaco asserts that the Department's methodology is inadequate to demonstrate a pattern of price differences because it takes into account a small percentage of possible comparisons, and accounts for less than 25 percent of the home market sales quantity. Ivaco states that by applying the Department's ''difmer'' adjustment to the home market sales listing, the Department would avail itself of all home market sales.

Ivaco asserts that by using only identical sales to determine the amount of the adjustment, the Department failed to take into account most of the products sold in the home market, and that the identical matches used were of green rod, thus limiting the price comparison to products that are not representative of the Sivaco Ontario's overall business.

Department Position

We disagree with Ivaco that a difmer adjustment should be used in our LOT methodology in this case. The SAA states that the Department will normally base the calculation on sales of the same product; however, if this information is not available, the adjustment may be based on sales of similar products by the same company. *See The Statement of Administration Accompanying the URAA*, H.R. Doc. 316, Vol.1, 103d Cong. 830 (1994). Consistent with the SAA, to the extent possible, the Department calculates the LOT adjustment based on identical merchandise to reasonably ensure that the LOT adjustment is isolated to differences in price between the two levels, and not other factors. *See e.g.*, section 351.412 (d)(s) and (e), Final Rule, 62 FR 27415 (May 19, 1997); *Antifriction Bearings (Other Than Tapered Roller Bearings and Parts Thereof from France: Final Results of Antidumping Duty Administrative Review*, 62 FR 2081, 2016 (Jan. 15, 1997).

Moreover, we disagree that our standard LOT methodology results in distorted comparisons. Products sold at both home market LOTs account for nearly 25% of the quantity of Ivaco's home market sales. Ivaco's argument that over 98% of the home market control numbers were not used in this calculation does not diminish the fact nearly 25% of Ivaco's production was accounted for. Further, we note that the control numbers used in the LOT analysis were sold at both LOTs in sufficient quantities for a finding of a pattern of consistent price differences. Ivaco further argued that the Department based its adjustment only on green rod sales, and thus limited the price comparison to products that are not representative of Sivaco Ontario's overall business. Ivaco's assertion, although factually accurate, fails to address the underlying rationale for making a LOT adjustment. The Department's LOT adjustment is designed to isolate pricing differentials due to the provision of *different services* by comparing sales of identical products at different levels of trade. The LOT adjustment isolates pricing differentials which exist due to *services provided to customers,* and not to differences in *products.* Sivaco provided these services to all of its customers, irrespective of the control number associated with the products it sold them. The Department found a pattern of consistence during the POI. These pricing *differentials,* therefore, between sales of identical products sold by Sivaco and IRM, reflect these different services, and thus the different levels of trade. The Department's methodology reflects this principle, in that it calculates only one LOT adjustment percentage for each type of comparison of identical products at different levels of trade, irrespective of the control number of the products being compared.

Comment 4: Freight and Packing Calculation

Ivaco states that the Department incorrectly allocated all freight and packing variables to U.S. and home market sales, when in fact some of these variables are cost items. Ivaco claims that in situations in which Sivaco Ontario, Sivaco Quebec, or Sivaco New York process on behalf of IRM or independently sell the rod themselves, IRM's freight or packing on the unfinished goods shipped to these entities should be part of the cost of production, constructed value and CEP profit.

Petitioners disagree that all freight and packing expenses for movement of rod from IRM to Sivaco Ontario, Sivaco Quebec and Sivaco New York should be included in the cost of production. Citing Section 773(a)(6)(B)(ii) of the Act, as well as several Department determinations, petitioners state that freight and packing expenses are charges deductible from the selling price of the subject merchandise, and the Department adjusts for freight as a COS adjustment where such adjustment constitutes a direct selling expense.

Department Position

We agree with Ivaco, and petitioners in part. We agree with Ivaco that the Department incorrectly assigned all freight and packing expense variables to selling expenses, when in fact some of these variables are cost items. For Ivaco sales of processed rod, the packing and freight required to transport the rod from IRM to the processor is necessary to complete the production process and, as such, is a cost of production. *See e.g., Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, Certain Corrosion-Resistant Carbon Steel Flat Products, Certain Cut-to-Length Carbon Steel Plate from Canada,* 58 FR 37099, 37118 (Feb. 4, 1993). The exception to this practice is with regard to CEP transactions. Consistent with the URAA, for these transactions, all packing and freight expenses incurred in order to transport the subject merchandise to the U.S. processor are treated as further manufacturing expenses for the purpose of establishing the constructed export price and CEP profit. *See* sections 772(d) and 772(f)(2)(B) of the Act. Freight and packing expenses incurred in order to transport the finished product in condition packed and ready for shipment to the place of delivery are deducted as movement expenses from EP and CEP and treated as direct selling expenses in the home market. *See* sections 772(c)(2)(A) and 773(a)(6)(B) of the Act. As petitioners have correctly noted, when appropriate, the Department adjusts for such direct expenses through a circumstances of sale adjustment to NV. Therefore, we have modified our programing for the final determination consistent with these principles.

Comment 5: Exclusion of Trials

Ivaco states that the Department should exclude trial sales from its calculations. Petitioners disagree, arguing that the statute only allows the Department to exclude sales that are not within the usual commercial quantities . . . or . . . ordinary course of trade. Petitioners state that the gross weighted-average home market and U.S. prices for the sales Ivaco reported as trials are comparable to the average prices reported for Ivaco's non-trial sales, and that only a certain number of trial sales exceed a certain quantity of short tons in shipment size. Petitioners conclude from these facts that Ivaco's trial sales are ''clearly not aberrational and certainly fall within the ordinary course of trade. Accordingly, the Department should retain these sales in the margin calculation, as well as other programs.

Department Position

We disagree with Ivaco. An analysis of the sales Ivaco reported as trials indicates that the majority of these sales were made in the typical quantities and prices of Ivaco's other sales that were found to be in the normal course of trade. Therefore, for the final determination, the Department has continued to include trial sales in the margin calculations for Ivaco.

Comment 6: Clerical Errors in the Level of Trade Program

Ivaco states that the pattern of price differences (LOT) program does not exclude Ivaco's sales of seconds, and sales of rod manufactured by other manufacturers. Petitioners did not comment on these items.

Department Position

We agree with Ivaco and have modified program for the final determination accordingly.

Comment 7: Clerical Errors in the Arm's Length Program

Ivaco claims that the Department's arm's length program does not exclude seconds, does not incorporate the LOT adjustment, and does not exclude sales of rod manufactured by other manufacturers. Petitioners did not comment on these items.

Department Position

We agree with Ivaco and have modified the final determination accordingly.

Comment 8: Clerical Errors in the Concordance Program

Ivaco claims the Department made several clerical errors in the concordance program used for the preliminary determination. First, Ivaco claims that the Department incorrectly applied the revised billet costs which overstated the reduction in the COM. Ivaco argues that this error artificially eliminates home market sales from comparison with U.S. sales. Ivaco contends that the revised billet costs should also be reflected in a revised value for variable COM. Second, Ivaco claims that the Department's concordance program failed to exclude sales of subject merchandise produced by other manufacturers, trial sales in the home and U.S. markets, and sales of secondary merchandise even though these categories of sales were excluded from the margin calculation program. Finally, Ivaco claims that the Department's concordance program improperly converted values for control numbers for U.S. sales to character values.

Department Position

We agree with Ivaco that we inadvertently applied the incorrect amount to revised billet costs and inadvertently failed to make a corresponding correction to variable COM. We also agree that sales of subject merchandise produced by other manufacturers and sales of secondary merchandise should be excluded from the concordance program. As we stated in the preliminary determination, we concluded that sales of SWR produced by other manufacturers are outside the scope of this investigation. *See Preliminary Determination,* 62 FR at 51573. In addition, while the Department normally includes sales of secondary merchandise in its margin calculations, matching sales of secondary merchandise in the home market to sales of secondary merchandise in the U.S., the record evidence demonstrates that Ivaco had no U.S. sales of secondary merchandise during the POI; therefore, we have excluded home market sales of secondary merchandise from the concordance program. We have made all of the above changes to the concordance program for the final determination.

We have not excluded trial sales from the concordance program because we have determined that these sales are properly included in the margin calculation, and we have corrected the program accordingly. (see Comment 5). Finally, we have also corrected the concordance program with respect to the assigned values to control numbers for U.S. sales.

Comment 9: Ivaco's U.S. Price Calculations

Ivaco claims that the U.S. price calculation improperly calculates prices without considering levels of trade. Second, Ivaco contends that the Department's program improperly merged the revised further manufacturing data with the U.S. sales data set, causing numerous values to be uninitialized, including the value for revised total further manufacturing costs for all U.S. sales. Third, Ivaco asserts that the Department erred in calculating the indirect selling expenses incurred in Canada by expressing Sivaco Ontario's and IRM's indirect selling expenses as percentages even though Ivaco reported the figures as percentages and also failed to deduct amounts for credit adjustments. Fourth, Ivaco states the Department incorrectly calculated weighted-average U.S. prices by failing to combine EP and CEP sales in the weighted-average calculation. Fifth, Ivaco argues the Department incorrectly calculated direct U.S. selling expenses by adding the cost of further manufacturing on Ivaco's CEP sales to direct U.S. selling expenses rather than deducting further manufacturing costs from the net U.S. price of the specific CEP transactions which incurred the cost. Sixth, Ivaco claims the Department added rather than subtracted the credit adjustment amount in the calculation of home market revenue for CEP profit.

Department Position

We disagree with Ivaco in part. The Department has properly calculated level of trade. We also disagree that EP and CEP sales should be combined in the weighted-average calculation. Section 777A(d)(1)(A)(i) of the Act directs the Department to compare weighted-average NVs to weighted-average EP or weighted-average CEP sales. *See e.g., Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate From South Africa,* 62 FR 61731, 61732 (Nov. 19, 1997). Because different statutory adjustments are made to determine the net price of EP and CEP sales, combining these prices to calculate a single weighted-average price would distort the margin calculation. We agree, however, that the margin calculations contain the other clerical errors identified above and have corrected the calculations accordingly for the final determination. In addition, we have added amounts for credit to the calculation of U.S. direct selling expenses.

Comment 10: Clerical Errors in Ivaco's CV Calculations

Ivaco asserts that the CV calculation contains the following clerical errors: (1) Direct and indirect selling expenses should be included in the calculation of net cost of production, (2) credit expenses should be excluded because they are imputed rather than actual expenses, (3) the CV calculation should be based upon selling expenses and profit for each LOT in the home market, (4) in calculating CV by LOT, the Department should correct the program to ensure that each U.S. sale will be matched to a constructed value at the same LOT, (5) variable credit expenses should be excluded from the CV calculations.

Department Position

We agree with Ivaco that we inadvertently excluded indirect and direct selling expenses from the calculation of net price cost of production and included credit and variable credit expenses in the CV calculations. We have corrected the margin calculations accordingly for the final determination. However, we disagree that CV should be calculated based upon LOT. As explained in the preliminary determination, our methodology is not to calculate CV based upon LOT. Rather, we calculate CV and then use the sales from which we derived selling expenses and profit in CV to determine the LOT of CV. The CV calculation program is consistent with the Department's standard methodology; therefore, we have not made Ivaco's suggested changes concerning LOT to the CV calculations.

Comment 11: Clerical Errors in Ivaco's CEP Calculations

Ivaco contends that several clerical errors exist in the calculation of CEP and CEP profit. First, Ivaco asserts that after correcting the calculation of U.S. indirect selling expenses as discussed above, the Department should make appropriate corrections to the calculation of total selling expenses in the CEP profit calculation. Second, Ivaco claims that the calculation of U.S. direct selling expenses should exclude amounts for imputed expenses and expenses incurred in the country of manufacture. Third, inventory carrying costs incurred for U.S. sales was reported in Canadian currency, and therefore, should be converted into U.S. dollars. Fourth, the calculation of U.S. selling expenses should be corrected to reflect amounts only for indirect selling expenses. Fifth, the Department should revise the CEP selling expenses variable to include direct selling expenses for further manufacturing and indirect selling expenses incurred in the U.S., including imputed expenses. Sixth, the calculation of CEP net price should be corrected to reflect the changes made in direct and indirect selling expenses.

Petitioners did not comment on any of these alleged clerical errors.

Department Position

We agree with Ivaco and have modified the calculations for the final determination accordingly.

Comment 12: Clerical Errors in Ispat-Sidbec Sales Below Cost Test

Ispat-Sidbec alleges that the Department made a clerical error in the sales below cost test. Ispat-Sidbec claims that the Department calculated the net price for each home market sale by deducting all movement, selling, and packing expenses from the gross unit price. The Department then compared this net price to a COP composed of the cost of manufacture, plus general and administrative expenses, net interest expense, plus selling expenses. Ispat-Sidbec claims that this results in an ''apples-to-oranges'' comparison, and that the Department should compare net price to a cost of production composed solely of total cost of manufacture, general and administrative expenses, and interest expenses. Ispat-Sidbec argues that the Department should change the margin calculation program accordingly for the final determination. Petitioners have no comment on this issue.

Department's Position

We agree with Ispat-Sidbec and have modified the calculations accordingly.

Comment 13: Exclusion of Secondary and Non-Prime Sales in Ispat-Sidbec Arm's Length Test

Ispat-Sidbec argues that the Department improperly excluded sales of secondary or non-prime merchandise from the arm's length test. Ispat-Sidbec contends that because the Department calculates dumping margins on sales of both prime and secondary merchandise, the Department's general practice is to include both types of merchandise in its arm's length test. To support its argument, respondent cites *Certain Cold-Rolled Carbon Steel Flat Products from Argentina,* 58 FR 7066, 7069 (February 4, 1993), and *Certain Cold-Rolled Carbon Steel Flat Products from Germany,* 60 FR 65264, 65273 (December 19, 1995), in which an arm's length analysis was performed on all sales.

Petitioners agree with Ispat-Sidbec that the Department's consistent practice for steel cases is to perform the arm's length test on all sales, including prime and secondary (non-prime) merchandise. However, petitioners also note that the Department recognizes the potential for distortion if sales of non-prime merchandise are compared to sales of prime merchandise. Therefore, argues petitioners, the Department must separate the non-prime from the prime merchandise before performing the arm's length test.

Department's Position

We agree with respondent that the Department improperly excluded sales of non-prime merchandise from the arm's length test. We also agree with petitioners that sales of prime and non-prime merchandise must be separated before performing the arm's length test. As noted in *Certain Cold-Rolled Carbon Steel Flat Products from Germany,* in cases where sales of prime and secondary merchandise were reported together in the same CONNUM, the Department treated them as separate CONNUMs for purposes of the arm's length test. For purposes of the final determination, the arm's length test has been conducted on all of Ispat-Sidbec's home market sales, separating prime from non-prime merchandise.

Comment 14: Ispat-Sidbec Model Match

Ispat-Sidbec argues that the model match hierarchy matched both non-AWS welding grades (GRDRANGH/U = '81') and products sold according to ASTM and CSA grades (GRDRANGH/U = '91') to the numerically closest ranges, instead of to the most similar match. Ispat-Sidbec argues that, for example, welding grades are most similar to each other, and AWS grades are most similar to non-AWS welding grades. Ispat-Sidbec proposes that the Department modify the model match hierarchy to produce the most similar matches.

Department's Position

At the home market verification, we examined several sales of products classified as GRGRANGH/U = '81' and verified the appropriateness of the grade range classification. We agree with respondent that such non-AWS welding grade products should be matched to other welding grade products in the absence of an identical match, and have modified the model match hierarchy accordingly for purposes of the final determination. However, with respect to products classified as GRDRANGH/U = '91' (products sold according to ASTM and CSA grades) we do not accept Ispat-Sidbec's separate classification of these products. In general, such products should fall within the AISI grade ranges determined by the Department. No such products were examined at verification, and the Department does not have enough information to determine which AISI grade range is most appropriate for these ASTM and CSA grade products. We also note that only a small number of home market sales were classified as GRDRANGH = '91,' and that no products classified as GRDRANGU = '91' were sold in the U.S. market. Therefore, we have not used products with GRDRANGH = '91' in the margin calculation for the final determination.

Comment 15: Classification of Silicon-Killed Steel with Titanium Additives (''Grade X'')

Stelco argues that the Department erroneously classified Stelco's product coding for one product sold by Stelco (*e.g.,* silicon-killed steel with titanium additives or ''Grade X''). Stelco contends that this classification, which allegedly results in an inappropriate product matching of dissimilar Grade X U.S. sales to dissimilar Grade X home market sales, is inconsistent with Department practice, court decisions, the underlying structure of the product matching hierarchy in this proceeding, and positions argued by petitioners at the outset of this investigation. Therefore, the Department should accept Stelco's revised product coding to ensure that Stelco's Grade X U.S. sales are matched only to Stelco's Grade X home market sales and accordingly revise the margin calculations of the final determination.

Stelco argues that Grade X steel warrants a separate deoxidation category other than those deoxidation categories, as defined in the Department's May 22, 1997 letter to Stelco, which revised the product coding system. Respondent maintains that such steel is fine-grained because titanium (an element not defined in any of the deoxidation codes in the above-mentioned letter) is a grain refiner. Classifying Grade X under deoxidation code of ''2'' for ''silicon-killed'' is inappropriate because silicon-killing is a deoxidant for coarse-grained steel rather than fine-grained steel. Stelco insists that merging coarse-grained steels with fine-grained steels is inconsistent with Department practice and courts decisions. Citing *NTN Bearing Corp.* v. *United States,* 747 F. Supp. 726 (CIT 1990), Stelco asserts that the principal objective of the Department's model match program is to obtain the most useful comparison possible. Stelco also argues that in practice the Department will consider a respondent's internal product code system in developing its product matching hierarchy as set forth in 19 CFR 351 (62 FR 27296, 27378 (May 19, 1997)).

Stelco contends that given the status of Grade X as a fine-grained steel, the Department should consider the most appropriate classification for Grade X steel. Stelco maintains that due to the physical, cost and price distinctions, this steel should not be classified under a deoxidation code of ''2'' for ''silicon-killed.'' Stelco claims that important physical differences exist between coarse-grained, silicon-killed steel correctly classified as a deoxidation code of ''2'' and Grade X steel and that the most significant differences are the grain-refining process and the resulting grain size. Furthermore, it maintains that, as presented at verification, the current cost information for a standard coarse-grained, silicon-killed steel and a Grade X steel demonstrates a vast cost difference between the two products. It also maintains that a similar examination of the Section D cost information for the same two products evidences disparities in the costs for the two products. Therefore, Stelco urges the Department to not reclassify Grade X steel under the deoxidation code of 2 for ''silicon-killed.''

Petitioners urge the Department to reject Stelco's request to reclassify Grade X steel. They argue that Stelco did not suggest that titanium had special properties that required a separate category during the product coding comment process at the outset of this investigation or for two months after the comment period, and that since that time, Stelco has presented no dispositive evidence to support its classification. Thus, petitioners maintain that Stelco's request to reclassify Grade X steel should be denied.

First, petitioners assert that Stelco's request to reclassify Grade X steel under a separate model match was untimely. They state that the Department conducted a thorough inquiry on model match issues, providing an opportunity for parties to argue extensively over whether and how to categorize different deoxidation and grain refinement practices. Since Stelco did not comment on the impact of titanium in the deoxidation process during this period, petitioners argue that the Department did not address this issue in its revised reporting instructions for product characteristics. As a result, the Department only created five deoxidation categories.

Second, petitioners insist that they have submitted reliable scientific evidence from multiple sources demonstrating that titanium is not a reliable grain refiner. They claim that they have shown that titanium grain refined is not a recognized industry product classification, and that purchasers generally do not specify titanium as a grain refiner. Petitioners refute respondent's claim that Grade X has fine-grain structure and that its customers requested the addition of titanium to produce fine-grain rods. Citing the Stelco Sales Verification Report, they argue that the first point is irrelevant, claiming that only specified physical characteristics matter. Given that Stelco provided the Department only ''hand-picked'' samples of Grade X steel, the existence of fine-grained steel is expected because titanium widely affects the grain structure. Therefore, petitioners reiterate that Stelco has failed to provide record evidence for its claim that titanium is a grain refiner. As such, they argue that the Department should classify Grade X steel as silicon-killed steel.

Department's Position

The Department agrees with petitioners that reclassification of Stelco's Grade X steel is not warranted in this case. First, the Department's May 22, 1997, letter to respondents which revised the reporting instructions for product characteristics for this investigation was ''in response to interested party comments regarding modifications to the product characteristic reporting requirements.'' *See* May 22, 1997, letters to Ivaco, Sidbec and Stelco at 1–3. After careful review of the comments received from both petitioners and respondents, the Department ''modified the product reporting instructions,'' including a field for deoxidation practices. *Id.* As a result, the Department derived the various deoxidation codes, as identified in the above-cited letter. Thus, all interested parties had an opportunity to review and comment on the Department's product characteristic reporting requirements.

Second, since the issue of titanium as a grain refiner was not addressed during the comment period and since the Department did not intend to account for every conceivable physical characteristic in the subject merchandise, the Department did not subdivide a separate category for silicon-killed with titanium additives. The Department bases the product matching criteria on commercially meaningful characteristics and on interested parties' comments, which permits the Department to draw reasonable distinctions between products for matching purposes, without attempting to account for every possible difference inherent in the merchandise. Through this process, the Department is able to match certain products as ''identical,'' consistent with section 771(16)(A) of the Act, even though they contain minor differences. *See e.g., Final Determination of Sales at Less Than Fair Value; Gray Portland Cement and Clinker from Mexico,* 55 FR 29244, 29247–48 (July 18, 1990). Furthermore, the Department need not account for every conceivable physical characteristic of a product in its model matching hierarchy. As such, in creating the various deoxidation codes, which reflected parties' comments, the deoxidation code of ''2'' for ''silicon-killed'' was intended to include all silicon-killed steels other than silicon-killed vanadium or niobium grain-refined steels. Since silicon-killed steel with titanium additives is not included among the five specific deoxidation codes, the Department has reclassified Grade X steels as Code ''2'' for ''silicon-killed.'' *See Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Steel Wire Rod from Canada,* 62 FR 51573 (October 1, 1997).

Comment 16: Rejection of Stelco Sales Data Due to Numerous Verified Changes

Petitioners urge the Department to reject the changes made to Stelco's revised December 2, 1997, sales listing and to calculate U.S. price and NV based on the sales listing submitted prior to the above-cited submission. They assert that Stelco's changes, as found by the Department at verification, affected a number of inputs to U.S. price and NV, including rebates, freight taxes, inventory carrying costs, packing costs and inland freight. Because these changes were presented at verification, petitioners claim that neither they nor the Department had the opportunity to verify thoroughly these significant changes. Furthermore, they argue that even at verification, the Department found several inaccuracies in the revised data and that they find it difficult to ascertain whether Stelco has actually corrected all the errors identified at verification. As such, for its final determination, the Department should reject these changes and calculate U.S. price and NV based on the sales tapes submitted prior to Stelco's December 2, 1997, submission.

Stelco urges the Department to accept Stelco's verified information, insisting that petitioners are incorrect in alleging that Stelco's December 2, 1997, sales tapes contain last-minute revisions. Stelco states that respondents in an investigation are permitted by long-standing Department policy to present corrections to their response found when preparing for verification. In supporting its allegation, Stelco cites section 351.301(b)(1) of the Department's regulations. In addition, respondent asserts that it presented its list of corrections at the outset of verification, and that the corrections were minor. *See* Stelco Sales Verification Report at 1.

Department Position

We agree with Stelco that it is appropriate to use its revised sales listings for purposes of this final determination. The Department's practice is to permit respondents to submit minor corrections to their submitted sales data prior to verification for use in the final determination. *See e.g., Certain Cut-to-Lengths Carbon Steel Plate from the People's Republic of China,* 62 FR 61996 (November 20, 1997). At the outset of its verification, Stelco presented a list of corrections it found while preparing for verification. The Department's review of the corrections during the course of the verification indicates that they were caused by oversight or clerical error on the part of Stelco. *See* Stelco's Sales Verification Report at 1. In addition, as a result of corrections found at the beginning of verification, the Department instructed Stelco to revise its sales listings. In previous cases, the Department has accepted such corrections for the final determination. Therefore, the Department disagrees with petitioners' request to reject Stelco's December 2, 1997, sales tapes due to minor errors which allegedly affected a host of inputs to U.S. price and normal value and believes that Stelco's latest submission of sales data is the most appropriate version for the final margin calculations.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of steel wire rod from Canada, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. The Customs Service will require a cash deposit or posting of a bond equal to the estimated duty margins by which the normal value exceeds the USP, as shown below. These suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Manufacturer/producer/exporter	Weight-average margin percentage
Ispat-Sidbec Inc.	11.94
Ivaco, Inc.	11.47
Stelco, Inc.	0.91
All Others Rate	11.62

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. As our final determination is affirmative, the ITC will determine, within 45 days, whether these imports are causing material injury, or threat of material injury, to an industry in the United States. If the ITC determines that material injury, or threat of material injury, does not exist, the proceedings will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue antidumping duty orders directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 735(d) of the Act.

Dated: February 13, 1998.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98–4700 Filed 2–23–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

University of Vermont; Notice of Decision on Application for Duty-Free Entry of Scientific Instrument

This decision is made pursuant to Section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Pub. L. 89–651, 80 Stat. 897; 15 CFR part 301). Related records can be viewed between 8:30 A.M. and 5:00 P.M. in Room 4211, U.S. Department of Commerce, 14th and Constitution Avenue, N.W., Washington, D.C.

Docket Number: 97–098. *Applicant:* University of Vermont, Burlington, VT 05405. *Instrument:* Special Laboratory Glass. *Manufacturer:* Louwers Hapert Glasstechnics BV, The Netherlands. *Intended Use:* See notice at 63 FR 809, January 7, 1998.

Comments: None received. *Decision:* Approved. No instrument of equivalent scientific value to the foreign instrument, for such purposes as it is intended to be used, is being manufactured in the United States. *Reasons:* This is a compatible accessory for an existing instrument purchased for the use of the applicant. The National Institutes of Health advises in its memorandum dated January 5, 1998, that the accessory is pertinent to the intended uses and that it knows of no comparable domestic accessory.

We know of no domestic accessory which can be readily adapted to the existing instrument.

Frank W. Creel,

Director, Statutory Import Programs Staff.

[FR Doc. 98–4694 Filed 2–23–98; 8:45 am]

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