Human Resources Manager, Western Administrative Support Center (WASC), National Oceanic and Atmospheric Administration WC2, 7600 Sand Point Way, NE, Bin C15700, Seattle, Washington, 98115, 206) 526–6057.

For all other records, information may be obtained from: Director for Human Resources Management, U.S. Department of Commerce, Room 5001, 14th & Constitution Avenue, NW., Washington, DC. 20230, (202) 482–4807.

* * * * *

Dated: February 27, 1998.

Brenda Dolan,

Privacy Act Officer.

[FR Doc. 98–6590 Filed 3–13–98; 8:45 am]

BILLING CODE 3510–FA

DEPARTMENT OF COMMERCE

Bureau of Export Administration

Transportation and Related Equipment Technical Advisory Committee; Notice of Closed Meeting

A meeting of the Transportation and Related Equipment Technical Advisory Committee will be held April 2, 1998, 9:00 a.m., in the Herbert C. Hoover Building, Room 1617M–2, 14th Street between Pennsylvania and Constitution Avenues, N.W., Washington, D.C. The Committee advises the Office of the Assistant Secretary for Export Administration with respect to technical questions that affect the level of export controls applicable to transportation and related equipment or technology.

The Committee will meet only in Executive Session to discuss matters properly classified under Executive Order 12958, dealing with the U.S. export control program and strategic criteria related thereto.

The Assistant Secretary for Administration, with the concurrence of the delegate of the General Counsel, formally determined on December 16, 1996, pursuant to Section 10(d) of the Federal Advisory Committee Act, as amended, that the series of meetings or portions of meetings of the Committee and of any Subcommittees thereof, dealing with the classified materials listed in 5 U.S.C. 552b(c)(1) shall be exempt from the provisions relating to public meetings found in section 10(a)(1) and (a)(3), of the Federal Advisory Committee Act. The remaining series of meetings or portions thereof will be open to the public.

A copy of the Notice of Determination to close meetings or portions of meetings of the Committee is available for public inspection and copying in the Central Reference and Records Inspection Facility, Room 6020, U.S. Department of Commerce, Washington, D.C. For further information, call (202) 482–2583.

Dated: March 11, 1998.

Lee Ann Carpenter,

Director, Technical Advisory Committee Unit.

[FR Doc. 98–6697 Filed 3–13–98; 8:45 am]

BILLING CODE 3510–DT–M

DEPARTMENT OF COMMERCE

International Trade Administration

[A–122–822, A–122–823]

Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate From Canada: Final Results of Antidumping Duty Administrative Reviews

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

ACTION: Notice of final results of antidumping duty administrative reviews.

SUMMARY: On September 9, 1997, the Department of Commerce (''the Department'') published the preliminary results of its administrative reviews of the antidumping duty orders on certain corrosion-resistant carbon steel flat products and certain cut-to-length carbon steel plate from Canada. These reviews cover five manufacturers/exporters of the subject merchandise to the United States during the period August 1, 1995, through July 31, 1996. We gave interested parties an opportunity to comment on our preliminary results. As a result of these comments, we have changed the results from those presented in the preliminary results of review.

EFFECTIVE DATE: March 16, 1998.

FOR FURTHER INFORMATION CONTACT: Lyn Baranowski (Dofasco, Inc. and Sorevco Inc. (''Dofasco'')); Carrie Blozy (Continuous Colour Coat (''CCC'')); Rick Johnson (Algoma Inc. (''Algoma'')); Doreen Chen, Gerdau MRM Steel (''MRM'')); N. Gerard Zapiain (Stelco, Inc. (''Stelco'')); Import Administration, International Trade Administration, U.S. Department of Commerce, 14th and Constitution Avenue, N.W., Washington DC 20230; telephone: (202) 482-3793.

SUPPLEMENTARY INFORMATION:

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (''the Act''), 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 to the regulations set forth at 19 CFR part 353 (April 1997).

Background

On September 9, 1997, the Department published in the **Federal Register** (62 FR 47429) the preliminary results of its administrative reviews of the antidumping duty orders on certain corrosion-resistant carbon steel flat products and certain cut-to-length carbon steel plate from Canada (''*Preliminary Results*''). We gave interested parties an opportunity to comment on our preliminary results. We received written comments from Algoma, CCC, Dofasco, MRM, Stelco, and from the petitioners (Bethlehem Steel Corporation, U.S. Steel Group (a unit of USX Corporation), Inland Steel Industries, Inc., Gulf States Steel Inc. of Alabama, Sharon Steel Corporation, Geneva Steel, and Lukens Steel Company). We have now completed these administrative reviews in accordance with section 751(a) of the Act.

On October 10, 1996, petitioners requested that the Department determine whether antidumping duties had been absorbed by Algoma, CCC, Dofasco, MRM, and Stelco during the period of review (POR), pursuant to section 751(a)(4) of the Act. Section 751(a)(4) provides that the Department, if requested, will determine during an administrative review initiated two years or four years after publication of the order whether antidumping duties have been absorbed by a foreign producer or exporter subject to the order if the subject merchandise is sold in the United States through an importer who is affiliated with such foreign producer or exporter. Section 751(a)(4) was added to the Act by the URAA. The Department's interim regulations do not address this provision of the Act. Section 351.213(j)(2) of the Department's May 19, 1997 regulations provides that, for transition orders as defined in section 751(c)(6)(C) of the Act, *i.e.*, orders in effect as of January 1, 1995, the Department will make a duty absorption determination upon request in administrative reviews initiated in 1996 and 1998. See *Antidumping Duties; Countervailing Duties: Final Rule*, 62 FR 27296, 27394 ('''new regulations'''). Although these new regulations do not govern these administrative reviews, they do constitute a public statement of how the Department will proceed in construing section 751(a)(4) of the Act. This approach assures that interested parties will have the opportunity to request a duty absorption determination prior to sunset reviews for entries for which the second and fourth years following an order have already passed. Because the orders on corrosion-resistant carbon steel flat products and cut-to-length carbon steel plate from Canada have been in effect since 1993, these are transition orders within the meaning of section 751(c)(6)(C) of the Act. Thus, as there has been a request for an absorption determination in these reviews (initiated in 1996), we are making a duty-absorption determination.

The statute provides for a determination on duty absorption if the subject merchandise is sold in the United States through an affiliated importer. Respondents are themselves the importers of record for either some (Algoma, Stelco, and Dofasco) or all (CCC and MRM) of their respective sales to the United States (*i.e.*, the exporter and the importer are the same entity). In addition, some of Dofasco's U.S. sales are made through a U.S. affiliate. Therefore, the importer and the exporter are ''affiliated'' within the meaning of 751(a)(4) for all Dofasco, MRM and CCC transactions, and for some Algoma and Stelco transactions. For corrosion-resistant subject merchandise, with respect to CCC, we have determined that there is a dumping margin on 2.72 percent of its U.S. sales during the POR. For corrosion-resistant subject merchandise with respect to Dofasco, we have determined that there is a dumping margin on 16.05 percent of its U.S. sales. For corrosion-resistant subject merchandise with respect to Stelco, we have determined that there is a dumping margin on 16.50 percent of its U.S. sales. In addition, for CCC, Dofasco, and Stelco corrosion-resistant product, we cannot conclude from the record that the unaffiliated purchaser in the United States will pay the ultimately assessed duty. Under these circumstances, therefore, we find that antidumping duties have been absorbed by Dofasco on 16.05 percent of its U.S. sales, by CCC on 2.72 percent of its U.S. sales and by Stelco on 16.50 percent of its U.S. sales of corrosion-resistant product. For Algoma, MRM and Stelco plate, we have determined that there are zero or *de minimis* dumping margins on their U.S. sales during the POR. For Algoma, MRM, and Stelco plate, because there are no dumping margins, we find that antidumping duties have not been absorbed.

Under section 751(a)(3)(A) of the Act, the Department may extend the deadline for completion of administrative reviews if it determines that it is not practicable to complete the review within the established time limit. On January 7, 1998, the Department published a notice of extension of the time limit for the final results in this case to March 9, 1998. See Extension of Time Limits for Antidumping Duty Administrative Reviews, 63 FR 808. The Department is conducting these reviews in accordance with section 751(a) of the Act.

Scope of Reviews

The products covered by these administrative reviews constitute two separate ''classes or kinds'' of merchandise: (1) certain corrosion-resistant steel and (2) certain cut-to-length plate.

The first class or kind, certain corrosion-resistant steel, includes flat-rolled carbon steel products, of rectangular shape, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished or coated with plastics or other nonmetallic substances in addition to the metallic coating, in coils (whether or not in successively superimposed layers) and of a width of 0.5 inch or greater, or in straight lengths which, if of a thickness less than 4.75 millimeters, are of a width of 0.5 inch or greater and which measures at least 10 times the thickness or if of a thickness of 4.75 millimeters or more are of a width which exceeds 150 millimeters and measures at least twice the thickness, as currently classifiable in the Harmonized Tariff Schedule (HTS) under item numbers 7210.31.0000, 7210.39.0000, 7210.41.0000, 7210.49.0030, 7210.49.0090, 7210.60.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.1000, 7210.90.6000, 7210.90.9000, 7212.21.0000, 7212.29.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, 7212.60.0000, 7215.90.1000, 7215.90.5000, 7217.12.1000, 7217.13.1000, 7217.19.1000, 7217.19.5000, 7217.22.5000, 7217.23.5000, 7217.29.1000, 7217.29.5000, 7217.32.5000, 7217.33.5000, 7217.39.1000, and 7217.39.5000. Included are flat-rolled products of non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process (*i.e.*, products which have been worked after rolling)—for example, products which have been beveled or rounded at the edges. Excluded are flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead (''terne plate''), or both chromium and chromium oxides (''tin-free steel''), whether or not painted, varnished or coated with plastics or other nonmetallic substances in addition to the metallic coating. Also excluded are clad products in straight lengths of 0.1875 inch or more in composite thickness and of a width which exceeds 150 millimeters and measures at least twice the thickness. Also excluded are certain clad stainless flat-rolled products, which are three-layered corrosion-resistant carbon steel flat-rolled products less than 4.75 millimeters in composite thickness that consist of a carbon steel flat-rolled product clad on both sides with stainless steel in a 20%-60%-20% ratio. These HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

The second class or kind, certain cut-to-length plate, includes hot-rolled carbon steel universal mill plates (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 millimeters but not exceeding 1,250 millimeters and of a thickness of not less than 4 millimeters, not in coils and without patterns in relief), of rectangular shape, neither clad, plated nor coated with metal, whether or not painted, varnished, or coated with plastics or other nonmetallic substances; and certain hot-rolled carbon steel flat-rolled products in straight lengths, of rectangular shape, hot rolled, neither clad, plated, nor coated with metal, whether or not painted, varnished, or coated with plastics or other nonmetallic substances, 4.75 millimeters or more in thickness and of a width which exceeds 150 millimeters and measures at least twice the thickness, as currently classifiable in the HTS under item numbers 7208.31.0000, 7208.32.0000, 7208.33.1000, 7208.33.5000, 7208.41.0000, 7208.42.0000, 7208.43.0000, 7208.90.0000, 7210.70.3000, 7210.90.9000, 7211.11.0000, 7211.12.0000, 7211.21.0000, 7211.22.0045, 7211.90.0000, 7212.40.1000, 7212.40.5000, and 7212.50.0000. Included are flat-rolled products of non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process (*i.e.*, products which have been worked after rolling)—for example, products which have been beveled or rounded at the edges. Excluded is grade X–70 plate. These

HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

The POR is August 1, 1995, through July 31, 1996.

Fair Value Comparisons

To determine whether sales of subject merchandise from Canada 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 ''Export Price'' and ''Normal Value'' sections of the preliminary results of review notice (*see Preliminary Results* at 47431). On January 8, 1998, the Court of Appeals for the Federal Circuit issued a decision in *CEMEX. United States*, 1998 WL 3626 (Fed Cir.). 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 below cost. *See* Section 771(15) of the Act. Consequently, the Department has reconsidered its practice in accordance with this court decision and has determined that it would be inappropriate to resort directly to CV, in lieu of foreign market sales, as the basis for NV if the Department finds foreign market sales of merchandise identical or most similar to that sold in the United States to be outside the ''ordinary course of trade.'' We will match a given U.S. sale to foreign market sales of the next most similar model when all sales of the most comparable model are below cost. The Department will use CV as the basis for NV only when there are no above-cost sales that are otherwise suitable for comparison. Therefore, in this proceeding, when making comparisons in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the ''Scope of Review'' section of this notice, above, that were in the ordinary course of trade for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade, based on the characteristics listed in Sections B and C of our antidumping questionnaire. We have implemented the Court's decision in this case, to the extent that the data on the record permitted.

Analysis of Comments Received

Algoma

Comment 1: Petitioners argue that Algoma improperly excluded what Algoma deemed to be ''excessively long'' production runs from its calculation of product costs. Petitioners cite *Final Determination of Sales at Less Than Fair Value: Titanium Sponge from Japan* (''*Titanium Sponge*'') 49 FR 38687 (October 1, 1984) and *Final Determination of Sales at Less Than Fair Value: Oil Country Tubular Goods from Austria* (''*OCTG from Austria*'') 60 FR 33551 (June 28, 1995) as cases in which the Department disallowed adjustments to a hypothetical production cost model. Petitioners assert that the Department should direct Algoma to recalculate its costs to account for these production runs.

Algoma claims that, contrary to petitioners' implication, it did not exclude any costs by excluding aberrant production runs from its productivity analysis. Algoma argues that the productivity matrices are merely the means of allocating Algoma's aggregate costs. Therefore, according to Algoma, petitioners' reliance on *Titanium Sponge* and *OCTG from Austria*, two cases in which the Department was concerned with the completeness of the cost reporting, is misplaced.

Algoma also notes that it reported and discussed its exclusion of aberrant production runs on the record of this review ''well in advance of'' the Department's verification. Nevertheless, according to Algoma, petitioners have not offered any specific modifications of Algoma's guidelines that would continue to identify and exclude aberrant production runs. Algoma further argues that inclusion of aberrant runs would be inappropriate.

Finally, Algoma argues that the appropriate standard by which to judge an allocation methodology is whether it is reasonable and representative under the circumstances and does not lead to a distortion of costs. By this standard, Algoma believes that, by basing its allocation on actual and verified production run times, it has met these criteria.

Department's Position: We agree with respondent. First, as Algoma has argued, the Department is not determining whether an adjustment to actual costs is appropriate, which was the question faced by the Department in *Titanium Sponge* and *OCTG from Austria*. For example, in *OCTG from Austria*, the Department did not allow two variances which were adjustments to actual costs, because (as petitioners have noted) they reflected ''an improper hypothetical normalization of actual costs incurred during the POI.'' *See OCTG from Austria* at 33552. In this case, the Department fully reconciled actual costs at verification (*see Algoma Cost Verification Report*, September 2, 1997, pp. 2–3), and Algoma is not seeking an adjustment to these costs by excluding aberrant production runs from its allocative system. Therefore, petitioners' reliance on *Titanium Sponge* and *OCTG from Austria* is misplaced.

With respect to the appropriateness of using an allocation methodology which excludes certain time data, we agree with respondent that in this case, Algoma's exclusion of excessively long production runs yields more accurate results. Indeed, if we were to accept petitioners' argument that all runs should be included in the cost calculations, manipulation of product-specific cost reporting would in fact be facilitated. For example, a disproportionate share of actual costs could be shifted to a product not sold in the United States simply through the application of purported ''equipment breakdowns'' during production runs of that product. Clearly, such a result does not reflect a product's actual costs. In fact, in this case we believe that the integrity of the allocation system employed by Algoma is supported by the fact that the aberrant production runs have been excluded.

Comment 2: Petitioners allege that, contrary to section 773A(a) of the statute, Algoma failed to report U.S. inland freight expenses in the currency incurred. Specifically, petitioners assert that Algoma's U.S. inland freight expenses incurred in U.S. dollars were converted using Algoma's ''projection'' of what the average exchange rate was going to be for the month in which the payment was made, instead of using the actual exchange rate.

Petitioners further point out that, because Algoma reports currency gains and losses, it must maintain records of its U.S. inland freight expenses in the currency incurred. Petitioners note that, given the number of U.S. sales, reporting would not have imposed a burden on respondents. Petitioners also point out that, because Algoma is participating in its third administrative review, it ''clearly'' had notice of the reporting requirement.

According to petitioners, the Department should apply adverse facts available to Algoma's U.S. inland freight expenses, because Algoma withheld the requested information and thus did not act to the best of its ability in providing the information.

Algoma contends that it was not reasonably possible to report these amounts in U.S. dollars because that information is not maintained electronically in Algoma's accounting records. Algoma does not regard as credible petitioners' contention that the recording of gains and losses on foreign currency transactions indicates an ability to report transaction-specific data to the Department. Specifically, Algoma claims that these gains and losses are based on account balances, not on individual transactions.

Furthermore, Algoma argues that there would have been no advantage to the company to deliberately withhold the data, because the exchange rate fluctuated very little during the POR.

Finally, Algoma argues that its reporting of these expenses in Canadian dollars was consistent with its practice in the normal course of business and with the manner in which these expenses have been reported in past reviews.

Department's Position: We agree with respondent. First, we note that Algoma has reported U.S. inland freight expenses in Canadian dollars in past reviews of this case. Moreover, the Department reviewed Algoma's reporting of these expenses at verification in the most recently completed segment of this proceeding. *See Memorandum to the File: Algoma Sales Verification Report*, August 12, 1996, which has been added to the record of this proceeding, at page 6 (''Algoma stated that it bills its U.S. customers in U.S. dollars but that Algoma maintains its records in Canadian dollars.'' *See* also pp. 10–13, the Department's review of ten U.S. sales traces, which revealed no discrepancies in Algoma's reporting). The Department accepted Algoma's method of reporting these expenses. Furthermore, Algoma stated for the record of this review that there ''have been no changes to Algoma's financial accounting practices since the Department conducted its verification of Algoma's COP questionnaire responses in the second administrative review'' (June 3–6, 1996). *See* Algoma's Section D response at page 16. We therefore do not believe that Algoma maintains these records in U.S. dollars.

Algoma has reported these expenses in a manner consistent with their record-keeping in the normal course of business. Furthermore, given the relatively stable exchange rate over the period in which these sales occurred (the USD/CD exchange rate ranged from approximately .72 to .75 for the POR, with a beginning POR rate of approximately .732 and an ending POR rate of approximately .727), reporting these expenses in Canadian dollars would not produce a significant effect on the Department's dumping calculations. Therefore, we have made no adjustments to Algoma's reported U.S. inland freight expenses for the final results of review.

Comment 3: Petitioners allege that Algoma may not have reported certain U.S. sales, based on the fact that Algoma reported commissions for some U.S. customers in the last six months of 1995, yet did not report sales to these customers in the 1995 portion of the POR (*i.e.*, August through December).

Algoma notes that the Department traced and reconciled its sales quantities and values at verification. Algoma maintains that the apparent discrepancy identified by petitioners is explained by the way Algoma pays its commissions. *See* Rebuttal Brief at page 15 (business proprietary version).

Department's Position: We disagree with petitioners. Petitioners' speculation that Algoma may not have reported certain U.S. sales is contradicted by information that the Department examined at verification, at which time we tied Algoma's reported U.S. sales to its sales register and annual report. *See Algoma Cost Verification Report*, Exhibit 17. Furthermore, record evidence supports Algoma's explanation of the way Algoma pays its commissions. As the discussion of this issue involves business proprietary information, *see* Exhibit 7 of Algoma's supplemental questionnaire response (December 20, 1996) (business proprietary version).

Based on these facts, we determine there is no basis to suspect that Algoma did not report certain U.S. sales.

Comment 4: Petitioners contend that Algoma should have reported commissions on a transaction-specific basis, instead of on a six-month average basis, given that Algoma has reported the ''exact payment schedule'' for its commission sales.

Algoma asserts that transaction-specific reporting in this instance is neither warranted nor possible because of the manner in which commissions were actually calculated and paid in the normal course of business. Furthermore, Algoma states that petitioners' alternative methodology would be mathematically incorrect and would not reflect the actual amount of commissions paid on the individual sales in question. Finally, Algoma argues that its allocation of commissions is in accordance with the Department's policy to accept such allocations if they are not inaccurate or distortive.

Department's Position: We agree with petitioners in part and respondents in part. With regard to reporting U.S. direct expenses such as commissions, the Department permits respondents to use averages only for expenses that cannot be tied to a specific sale. *See* Antidumping Questionnaire at page 4. When direct expenses cannot reasonably be tied on a sale-by-sale basis, it is the Department's clear preference to apply an allocation methodology at the most specific level permitted by the respondent's records kept in the normal course of business. *See, e.g., Certain Porcelain-on-Steel Cookware from Mexico: Final Results of Antidumping Duty Administrative Review,* Comment 6, 62 FR 42496, 42501 (August 7, 1997), in which the Department accepted respondents' allocation of a direct expense (freight).

Based on information on the record with respect to how Algoma pays commissions (see Exhibit 7 of Algoma's supplemental questionnaire response), we believe that it was appropriate for Algoma to report commissions on a customer-specific basis over a period of time. However, it is also clear that commissions were paid by Algoma based on monthly shipments, and not semi-annually. Therefore, Algoma should have reported its U.S. commissions on a monthly basis instead of a semi-annual basis.

The Department has therefore adjusted Algoma's reported commissions as appropriate for the final results of review. *See Algoma's Final Analysis Memorandum* at page 2.

Comment 5: Petitioners argue that Algoma's adjustment to normal value for pre-processing freight must be denied, as such charges should be included in the cost of manufacture. First, petitioners note that section 773(a) of the statute requires that only those movement charges ''incident to bringing the foreign like product from the original place of shipment to the place of delivery to the purchaser'' shall be deducted from normal value. According to petitioners, the Department has interpreted ''original place of shipment'' to mean the production facility. Because the cost of the outside processing has been included in the cost of manufacture, petitioners conclude that the outside processor's plant is a production facility.

Second, petitioners argue that, if the Department were to allow such freight expenses to be deducted from normal value, a respondent could manipulate dumping margins by, for example, performing certain processing at its own facility for U.S. sales, while having the same processing performed by an outside processor for the comparison sales in the home market.

Third, petitioners claim that the Department has determined in other cases that the cost of shipping unfinished merchandise to outside processors should be treated as a cost of manufacturing, and not a movement charge, citing, *inter alia,* the less-than-fair-value (LTFV) investigation of this proceeding. Furthermore, petitioners contend that respondents CCC and Stelco in this proceeding have been reporting such charges as manufacturing costs.

Accordingly, petitioners assert that the Department should deny these normal value adjustments, and should upwardly adjust Algoma's costs to include these freight expenses.

Petitioners additionally contend that, in the event the Department does not deny this adjustment in full, it should reduce the claimed adjustment using the average freight costs to the outside processors at one location (and increase the manufacturing costs for the affected control numbers by the same amount).

Algoma argues that the Department addressed this precise issue in the last review, and that the Department's position in that review should be upheld in this review.

Department's Position: We agree with respondent that Algoma's adjustment to normal value for pre-processing freight is allowable. As stated in the final results of the second review of this proceeding, ''the freight from Algoma to the further processor is a movement charge deductible pursuant to section 772(a)(6)(B)(ii) of the Act because it is not freight incurred in the process of manufacturing subject merchandise but freight incurred in sending subject merchandise for further processing at the customer's request as part of the sale . . . In order to insure that a proper comparison is made with ex-factory home market products and ex-factory U.S. market products, all ex-factory freight expenses need to be excluded from the price.'' *See Final Results of Antidumping Administrative Reviews on Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate from Canada* (''*1994/95 Canadian Steel*''), 62 FR 18448, 18453 (April 15, 1997). As there is no record evidence of any change in the facts of the case, and because there has been no change in statute or Department regulations since the publication of the final results of the second review, there is no basis to revisit our decision, with the exception of the additional argument raised by petitioners for this review.

With respect to petitioners' new argument in this review that the allowance of such freight deductions could lead to margin manipulation by respondent, we note that the rationale for allowing such a deduction in the first place is to compare ex-factory prices for U.S. sales to ex-factory prices of home market sales, in order to ensure that there are no distortions to actual prices. Moreover, petitioners have pointed to no evidence on the record suggesting that Algoma has positioned its own processing facilities, in Canada, significantly closer to its U.S. customers. Finally, even if such processing facilities owned by Algoma did exist, petitioners have not even attempted to show that the pattern suggested by petitioners exists with respect to Algoma: namely, that respondent could manipulate its dumping margins by performing processing at its own facility for U.S. sales, while having the same processing performed by an outside processor for the comparison sales in the home market. Therefore, we do not find that petitioners' speculation in this regard warrants reversal of our position on Algoma's freight expenses.

Comment 6: Petitioners allege that the Department made a ministerial error involving a currency conversion with regard to Algoma's U.S. inland freight expenses. Respondent agrees with petitioners.

Department's Position: We agree and have corrected this error. *See Algoma's Final Results Analysis Memorandum at page 2.*

CCC

Comment 7: Petitioners argue that CCC improperly reported the value of steel substrate purchased from Stelco. Petitioners state that the Department's July 17, 1997 questionnaire directed CCC to recalculate its cost data for Stelco substrate based on its transfer price and to submit a new COP/CV cost file reflecting only this change. Petitioners note that the cost of Stelco substrate as well as non-Stelco substrate changed in the revised cost submission. See CCC's response to the Department's supplemental questionnaire (July 31, 1997). Petitioners continue that because the cost of non-Stelco substrate changed, the Department should not rely on the cost data from CCC's third supplemental response. Moreover, they argue that because there is no reliable means of identifying Stelco substrate and non-Stelco substrate, the Department should recalculate CCC's cost data for all control numbers, citing *Final Results of Antidumping Administrative Reviews on Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate from Canada* (''*1994/95 Canadian Steel*''), 62 FR 18448, 18463 (April 15, 1997). Petitioners maintain that the Department should change the value of all control numbers by an amount equal to the difference between reported transfer price and cost for products reported by CCC as Stelco substrate.

Respondent argues that, in its July 31, 1997 response to the Department's supplemental questionnaire, it revised the cost of all control numbers that used Stelco substrate to reflect the invoice price charged by Stelco. CCC notes that changes were made on a work order-specific basis, and that control numbers were comprised of numerous work orders, some of which used Stelco substrate and others which did not. CCC concedes that the data field in the sales response which identifies the control number as containing either Stelco or non-Stelco coils is incorrect with respect to certain sales. CCC acknowledges that many control numbers contain both Stelco and non-Stelco coils. CCC maintains, however, that the accuracy of the cost submission is unaffected by the error in the sales response.

CCC asserts that the accuracy of its July 31, 1997 cost submission can be verified by cross-referencing control numbers to work orders provided in Exhibit 28 of CCC's December 20, 1996 Supplemental Response. CCC adds that cost data changed for a control number that was reported in the sales response as being produced from non-Stelco substrate for one of two reasons: either the sales response misidentified the coil origin; or CCC was unable to identify the specific work orders for the merchandise. CCC reports that, in the latter case, it used a weighted average of all work order costs for either painted or unpainted merchandise, as appropriate.

In conclusion, CCC argues that the Department should accept CCC's cost response as correct. CCC further contends that, in the event the Department determines that an adjustment is necessary, the Department should use CCC's calculation for the weighted average difference between Stelco's transfer price and cost of manufacture.

Department's position: While we agree with petitioners that there are some minor discrepancies concerning CCC's costs, we do not agree that these discrepancies are sufficient to discredit CCC's cost data. In the Department's

July, 17, 1997 letter to CCC, we requested that:

> ''[f]or all production of subject merchandise using steel substrate provided by Stelco, Inc., please recalculate CCC's cost data based on the transfer price (not cost of production) of such steel substrate. Please submit your COP/CV cost file (which, with the exception of this revision to the cost data, should be identical to your most recent submission) * * *''

There is no evidence to suggest that CCC failed to comply with the Department's request to revalue, at the invoice price paid by CCC, all control numbers that used Stelco substrate. In addition, based on information on the record of review, we agree with CCC that the original reporting for certain control numbers was inaccurate. Moreover, the accuracy of CCC's revised costs for those control numbers can be confirmed by information on the record. *See CCC Final Results Analysis Memorandum* at pages 2 and 3.

With respect to CCC's decision to report average costs for certain control numbers for which it could not identify the source of the substrate, we find respondent's methodology to be reasonable. Petitioners have provided no basis for concluding that CCC could have identified the source of the substrate, nor have they provided a ''neutral'' basis for calculating the costs. Pursuant to section 776(b) of the statue, the Department may not apply an ''adverse'' inference unless the respondent has not acted to the best of its ability in complying with the Department's requests for information. Respondent's methodology represents an appropriate use of the ''facts available'' pursuant to section 776(a) of the statute.

Comment 8: Petitioners argue that the Department should not accept CCC's allegedly improperly allocated price adjustments. Citing *Final Results of Antidumping Duty Administrative Reviews Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from France, Germany, Italy, Japan, Singapore, and the United Kingdom* (''*AFBs 1996*''), 61 FR 66472, 66498 (December 17, 1996), *Final Results of Antidumping Duty Administrative Reviews Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from France, Germany, Italy, Japan, Singapore, and the United Kingdom* (''*AFBs 1995*'') 60 FR 10900, 10929 (February 28, 1995), and *Final Results of Antidumping Duty Administrative Reviews Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from France, Germany, Italy, Japan, Singapore, and the United Kingdom* (''*AFBs 1993*'') 59 FR 39729, 39759 (July 26, 1993), petitioners maintain that longstanding Department practice requires price adjustments to be reported on a transaction-specific basis. In support, they also cite to *NSK Ltd.* v. *United States*, 910 F Supp. 365 (CIT 1995) and *Torrington Co.* v. *United States*, 926 F. Supp. 1151, 1159 (CIT 1996). Additionally, citing *Torrington Co.* v. *United States*, 832 F Supp. 365, 376 (CIT 1993) and *Smith Corona* v. *United States*, 713 F.2d 1568 (Fed. Cir. 1983), petitioners maintain that a price adjustment must have actually been paid on all sales to which it is allocated.

Petitioners argue that CCC did not report price adjustments on a transaction-specific basis. They claim that in some cases CCC allocated adjustments on invoices without determining whether the adjustment applied to all transactions recorded on the invoice. They also assert that, for some customers, CCC applied adjustments across all sales (including subject and non-subject merchandise) when they could only tie the credit or debit note to a particular customer. Finally, petitioners maintain that CCC incorrectly allocated the adjustments.

Petitioners state that the Department's new regulations (*see Antidumping Duties; Countervailing Duties*, 62 FR 27296 (May 19, 1997)) concerning allocated price adjustments are contrary to the Department's longstanding practice, established case law, and the URAA. However, petitioners argue that, even under its new regulations, the Department must continue to deny CCC its claimed price adjustments.

Petitioners maintain that CCC was able to report some of its price adjustments on a transaction-specific basis, and this indicates that CCC therefore could have reported all of its price adjustments in this manner. Because CCC did not do so, petitioners contend that CCC did not act to the best of its ability in responding to the Department's request for information. They continue that, because CCC did not report the total number of sales to which allocated adjustments applied, an adverse inference must be applied. Petitioners argue that the Department should reject all of CCC's claimed adjustments in both the home market and the U.S. market. As facts available, petitioners argue that the Department should apply the highest debit for any sale in the home market to all sales for which a debit was reported. In the U.S. market, petitioners argue that the Department should apply the highest credit for any sale to all sales for which a credit was reported.

Respondent argues that CCC's reported price adjustments should again be accepted by the Department as they were in the first and second administrative reviews. Respondent notes that the Department rejected petitioners' arguments concerning CCC's price adjustments in the first and second administrative reviews and that the Department verified CCC's methodology in the second administrative review. CCC maintains that it has applied pricing adjustments in the same manner in this review.

CCC argues that the Department's decision to accept CCC's claimed price adjustments is consistent with its decisions in other cases, citing *Final Results of Antidumping Duty Administrative Reviews on Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, Germany, Italy, Japan, Romania, Singapore, Sweden and the United Kingdom* (''*AFBs October 1997*''), 62 FR 54043 (October 17, 1997); *Final Results of Antidumping Duty Administrative Reviews on Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, Germany, Italy, Japan, Romania, Singapore, Sweden and the United Kingdom* (''*AFBs January 1997*''), 62 FR 2081 (January 15, 1997); and *AFBs 1996*. CCC states that the Department has verified in past reviews that CCC has applied its price adjustments using the most precise methodology possible and in a manner not unreasonably distortive. Therefore, CCC argues that, based on the precedents in this proceeding and the law, the Department should accept CCC's price adjustments.

Department's Position: We agree with respondent. In light of the Department's determination in recent cases and the facts of the record, we accept CCC's post-sale price adjustments.

In its rebuttal brief, CCC cites to *AFBs January 1997* and *AFBs October 1997*, in which the Department allowed the use of allocations where they did not cause unreasonable inaccuracies or distortions. The Department, citing section 776 of the Tariff Act, determined that ''it is inappropriate to reject allocations that are not unreasonably distortive in favor of facts otherwise available where a fully cooperating respondent is unable to report the information in a more specific manner'' (*AFBs January 1997* at 2090 and *AFBs October 1997* at 54049). Significantly, the Department treated these discounts, rebates and billing adjustments not as direct (or indirect) selling expenses but as ''direct adjustments necessary to identify the correct starting price.'' *Id.*

The Department's policy represented a departure from earlier AFBs cases, to which petitioners cite in their case brief. In these earlier cases, the Department only permitted adjustments if they were reported on a transaction-specific basis or granted on a fixed and constant percentage of sales on all transactions which were reported. *See AFBs 1993* at 39759, *AFBs 1995* at 10929, and *AFBs 1996* at 66498.

In the most recent AFBs cases, the Department addressed the relevance of *Torrington Co.* v. *United States,* 82 F.3d 1039, 1047–51 (Fed. Circ 1996) (''Torrington I''), to the allocation of adjustments. The Department noted that, while the Court of Appeals for the Federal Circuit (''CAFC'') in its decision in Torrington I questioned whether price adjustments constituted expenses (see Torrington I at n.15), the Court maintained that, if the adjustments were expenses, they had to be treated as direct selling expenses. Significantly, ''the CAFC did not find that such price adjustments could not be based on allocations'' (*AFBs October 1997* at 54050).

In its rebuttal brief, CCC notes that it has allocated price adjustments in the same manner as in previous reviews. In the second administrative review, the Department conducted a verification of CCC's response, in which the Department examined many home market and U.S. market sales, several of which contained adjustments similar to the ones in question in this review (see *CCC Verification Report for Certain Corrosion-Resistant Carbon Steel Flat Products From Canada* at pp. 11–15 (August 8, 1996)). We note that while there were some discrepancies, CCC accounted for these discrepancies to the Department's satisfaction. In our final results in the second administrative review, the Department accepted CCC's allocation of price adjustments.

Based on information on the record of this review, we find CCC to have fully cooperated and to have allocated its price adjustments using a methodology which is not unreasonably distortive. With respect to petitioners' comments on the legality of the Department's May 1997 regulations, we note that this case is being conducted under the Department's regulations as they existed prior to May 1997, and therefore petitioners' comments are not applicable here.

Comment 9: Respondent argues that the Department should recalculate G&A expenses to exclude antidumping legal expenses. CCC notes that the Department consistently has held that legal fees paid in connection with participating in an antidumping investigation or administrative review are not selling expenses. *See Final Results of Administrative Review of Antidumping Duty Order on Color Television Receivers from the Republic of Korea,* 58 FR 50333, 50366 (September 27, 1993); *Final Results of Antidumping Duty Administrative Review on Television Receivers, Monochrome and Color, from Japan,* 56 FR 28417, 38419 (August 13, 1991). CCC also notes that the Court of International Trade has affirmed the Department's exclusion of antidumping legal expenses in the margin calculation. *See, e.g., Federal-Mogul Corp.* v. *United States,* 813 F. Supp. 856, 871 (CIT 1993) *Daewoo Electronics Co., Ltd.* v. *United States,* 712 F. Supp. 931, 947 (CIT 1989). CCC argues further that, in the second administrative review of this proceeding, the Department determined that CCC's antidumping legal expenses should be excluded from its calculation of the G&A expense ratio. See *CCC Final Results Analysis Memo for Certain Corrosion-Resistant Carbon Steel Flat Products From Canada* (August 13, 1997).

Furthermore, CCC maintains that the Department has the information on the record needed to calculate G&A expenses exclusive of antidumping legal expenses. Respondent states that the antidumping legal expenses for the case were calculated from invoices received and paid by CCC during the POR. Respondent notes that, in its preliminary results notice, the Department rejected CCC's POR G&A calculations and recalculated the G&A expense ratio based on CCC's eleven month internal financial statement (*see* CCC's Supplemental Response at Exhibit 6, pg. 14 (December 20, 1996)). CCC states that the Department failed to deduct the antidumping legal expenses when the Department recalculated the G&A expense ratio. CCC argues that, if the Department does not deem the exclusion of the antidumping legal expenses from the G&A to be a ministerial error, the Department should exclude antidumping legal expenses from total selling and administrative expense as a matter of law.

Petitioners did not comment on this issue.

Department's Position: We agree with respondent that the Department made a ministerial error in the calculation of the G&A expense ratio, and that antidumping legal expenses should have been deducted from total selling and administrative expenses. We have recalculated the general and administrative expense ratio to exclude antidumping legal expenses. *See CCC Final Results Analysis Memorandum* at page 3.

Comment 10: Petitioners state that the Department should correct a ministerial error in its margin calculation program. They maintain that the Department erroneously calculated CCC's G&A for constructed value based on CCC's variable cost of manufacture. Instead, petitioners argue that G&A for CV should be calculated based on CCC's total cost of manufacture.

CCC did not comment on this issue.

Department's Position: We agree with petitioners. The Department has recalculated G&A for CV based on a percentage of total cost of manufacture. *See CCC Final Results Analysis Memorandum* at page 3.

Dofasco

Comment 11: Respondent argues that the Department should value the painting services that Dofasco receives from Baycoat based on the cost of production, not the invoice price. Dofasco asserts that, although Baycoat initially invoices Dofasco at a price that is higher than its cost of production, Baycoat issues the equivalent of a cash ''rebate'' to Dofasco at year-end that reduces the invoice price so that it is equal to Baycoat's cost of production. This is required by the terms of the shareholder agreement. Dofasco maintains that it records both the initial invoice price and the year-end cash rebate in its accounting records. Consequently, Dofasco asserts that all painting services are effectively valued in Dofasco's normal accounting records at year-end at Baycoat's cost of production.

Dofasco maintains that this situation is distinct from one in which intercompany profits are eliminated, because in this case, Dofasco actually receives a check from Baycoat at year-end. Dofasco argues that the Department should treat this situation as it would treat one involving a rebate that a company receives from a vendor. As such, respondent argues that the Department should change its methodology to include the rebate of profits from Baycoat to Dofasco in the calculation of total cost of manufacture.

Alternatively, Dofasco urges the Department to offset Dofasco's general and administrative expenses (G&A) with the ''miscellaneous income'' that is the difference between the invoice price and the net cost to Dofasco. Respondent cites *Final Determination of Sales at Not Less than Fair Value: Saccharin from Korea* (''*Saccharin from Korea*'') 59 FR 58826, 58828 (November 15, 1994) and *U.S. Steel Group* v. *United States* (''*U.S. Steel* v. *United States*''), *Slip Op. 97–95,* CIT (July 14, 1997) as two cases in which the Department offset G&A by miscellaneous income relating to production operations of the subject merchandise. In the instant case, respondent maintains that the remission of profits constitutes miscellaneous income.

Petitioners contend that it is the Department's practice, as reflected under 19 CFR 351.407(b) (regulations which the Department has noted, in the section of this notice entitled ''Applicable Statute and Regulations,'' do not apply to this case), to determine the value of a major input purchased from an affiliated person based on the higher of the price paid by the exporter, the amount usually reflected in sales of the major input in the market under consideration, or the cost to the affiliated person of producing the major input. Petitioners note that, in the most recently concluded segment of this proceeding, the Department valued Baycoat's services to Dofasco and Stelco based on the transfer price.

Petitioners assert that the Department rejected a similar argument made by Stelco in the last review. In that case, Stelco argued that the profit remitted by Baycoat constituted a rebate on each invoice which should be deducted from transfer price. Petitioners note that the Department denied the requested adjustment under the major input rule. *See 1994/95 Canadian Steel* at 18464. Dofasco, petitioners assert, has made no compelling new arguments warranting a reversal of that prior decision. In addition, petitioners cite *Mechanical Transfer Presses from Japan: Final Results of Antidumping Administrative Review (''MTPs from Japan''*), 61 FR 52910, 52913–14 (October 9, 1996) as a case in which respondent's requested downward adjustment from transfer price to cost was not allowed.

Petitioners additionally contend that Baycoat's profit remission is not analogous to a rebate. Rebates are generally related to sales in some way (*i.e.,* Baycoat would offer Dofasco a rebate if Dofasco purchased a certain amount of goods from Baycoat), but in this case, Dofasco receives its share of Baycoat's profits without regard to Dofasco's purchases from Baycoat. There is nothing on the record which demonstrates that this distribution is in any way related to the quantity or value of specific sales. Consequently, petitioners argue that the Department should maintain the methodology it adopted in the second administrative review and value Baycoat's painting services at transfer price.

Petitioners argue that Dofasco's suggested alternative, to offset Dofasco's G&A expenses by year-end profit received from Baycoat, is faulty for two reasons. First, petitioners contend that the remission of profits from Baycoat to Dofasco does not constitute miscellaneous income as it is not income which Dofasco receives from secondary or auxiliary activities, but instead is income that is produced by the corporation's principal business activities. In fact, petitioners argue that the record shows that Dofasco itself does not classify income it receives from Baycoat as ''miscellaneous income.'' Second, petitioners assert that even if the profit were to be considered miscellaneous income, an offset would be improper because an offset cannot be made to G&A when the cost relating to the activity in question is in the cost of manufacture. *See Certain Cold-Rolled and Corrosion-Resistant Steel Flat Products from Korea: Final Results of Antidumping Administrative Review* (''*Steel from Korea''*) 62 FR 18404, 18447 (April 15, 1997) and *Final Determination of Sales at Less Than Fair Value: Canned Pineapple Fruit from Thailand* (''*Pineapple from Thailand''*), 60 FR 29553, 29566 (June 5, 1995).

Nevertheless, should the Department consider granting the offset, petitioners maintain that the amount proposed by respondent must be rejected as it reflects the period of review rather than the calendar year 1995, which is the period upon which G&A is based. Petitioners assert that it would be distortive for the Department to apply the profit for one period to the G&A of another period. Finally, should the Department decide to include the profit from Baycoat as an offset, petitioners suggest that the Department also include other gains and losses related to other affiliates.

Department's Position: We agree with petitioners that it is appropriate to use an unadjusted transfer price in valuing Baycoat's painting services to Dofasco. Sections 773(f)(2) and (3) of the Act direct the Department to value inputs supplied by affiliated persons at the transfer price between the entities provided that such a price reflects the price commonly charged in the market and, for major inputs, is not below the cost of producing the input. In *AFBs January 1997* (at 2115), the Department found that ''in the case of a transaction between affiliated persons involving a major input, we will use the highest of the transfer price between the affiliated parties, the market price between unaffiliated parties, and the affiliated supplier's cost of producing the major input.'' As painting services obtained from Baycoat constitute a major input, we will continue to use the transfer price, as it is above cost and we have no other information regarding market values. Furthermore, we will not adjust the transfer price in any manner, whether it be a year-end cash rebate or an offset to G&A, for the reasons stated in Comment 22 of this notice (Stelco).

While it is inappropriate to adjust transfer price in any manner, there are further reasons to reject Dofasco's alternatives to adjusting the transfer price by a year-end cash rebate. With respect to a price-to-cost offset to G&A, in *MTPs from Japan,* the Department rejected an argument to offset the transfer price and determined that as the transfer price is higher than the cost of production, ''it would be inappropriate to ignore the transfer price.'' *See MTPs from Japan* at 52914. Also, we note that G&A expenses are defined as expenses incurred in performing general and administrative activities and are shown under the operating expense portion of a company's income statement. *See* Siegel, Joel G. and Jae K. Shim, *Barron's Dictionary of Accounting Terms* (1987), at 191. Profit remission from Baycoat is not an activity that Dofasco has classified in its own accounting records as a general or administrative expense.

Respondent cites *Saccharin from Korea* and *U.S. Steel Group* v. *United States* as cases in which ''miscellaneous income'' was permitted as an offset to G&A because this income was related to production operations. However, in the instant case, remission of profits does not constitute miscellaneous income, which is traditionally defined as income received from secondary or auxiliary activities. *See* Kieso and Weygandt, *Intermediate Accounting,* 5th Ed. (1986) at 118. The record shows that Dofasco classifies this income as income from steel operations in its financial statements. *See Dofasco's Cost Verification Report,* July 17, 1997, Exhibit 4 at 12 (hereinafter ''Dofasco Verification Report'').

Comment 12: Petitioners claim that the reconciliation Dofasco performed at verification between Dofasco's costs as kept in its normal accounting system and Dofasco's reported costs was incorrect, incomplete and based on unreliable information.

First, petitioners suggest that the record shows that there were significant discrepancies in the total costs and quantities between the response and the financial statements in three out of the four prime product categories.

Second, petitioners allege that Dofasco attempted to reconcile its reported costs to its earning statements, and not to its inventory values, which petitioners claim is standard practice.

Petitioners contend that Dofasco did not explain the relationship between values from earnings statements and inventory. Also, petitioners argue that Dofasco did not clarify which elements of cost are included in the costs of the earnings statements.

Third, petitioners contend that the reconciliation was invalid because Dofasco's comparisons were not made on an ''apples-to-apples'' basis; the two sets of costs that were being compared did not reflect the same items and were not based on data from the same time periods.

Fourth, petitioners further argue that Dofasco failed to include third country production costs in the calculation of the reported costs, and that this alleged failure is contrary to the Department's practice. *See Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from the United Kingdom: Final Results of Antidumping Administrative Review,* 60 FR 44009, 44012 (August 24, 1995). Petitioners maintain that the Department's comparison of costs and quantities reported in the response (which petitioners insist did not include third country production) to costs and quantities in the earnings statements (which petitioners claim did include these costs) was improper; any reconciliation based on this inconsistent comparison, petitioners assert, is therefore meaningless.

Fifth, petitioners state that an additional defect in Dofasco's reconciliation of cost concerns the fact that Dofasco reported cost of goods sold (COGS) instead of the cost of manufacture, which petitioners claim is contrary to the Department's practice. Petitioners argue that Dofasco's December 23, 1996 response indicates that Dofasco added an adjustment based on changes in inventory to COM to convert it to COGS. In the reconciliation, petitioners assert that Dofasco compared reported costs, based on COGS, to the costs in the earnings statement, based on cost of goods manufactured. Petitioners state that the verification exhibits show that costs from the earnings statement were adjusted by inventory change to reflect COM.

Sixth, according to petitioners, Dofasco did not use the yield loss rates maintained in its normal cost accounting system to prepare the costs in its response. Instead, petitioners point out that Dofasco used yields calculated by PaYs, its management cost system. Petitioners maintain that Dofasco acknowledged that there were differences in the bases upon which yields were calculated under the two systems but it did not account for these differences in the reconciliation. In addition, petitioners contend that the Department did not verify seemingly aberrational yield loss rates at verification.

Seventh, petitioners claim that Dofasco improperly included certain products and costs in its reconciliation for various product groups; this inclusion makes a proper reconciliation more improbable.

Eighth, petitioners argue that Dofasco has not properly treated fixed costs. According to petitioners, in its reconciliation, Dofasco adjusted the ''costs per earning statement'' to arrive at a variable cost of manufacture (VCOM) amount and then added only one fixed cost (depreciation) to calculate a total cost of manufacture (TOTCOM). This reconciliation, petitioners maintain, is inconsistent with the response where Dofasco stated that TOTCOM included VCOM as well as ''numerous'' fixed costs, such as an allocation from sundry cost of sales, the ongoing costs of idled operations, and the expense portion of capital projects. Therefore, for the reconciliation, Dofasco compared VCOMs from the response, which petitioners argue must have no fixed costs, to VCOMs from the earnings statement, which petitioners surmise to include all fixed costs other than depreciation.

Finally, petitioners assert that the total production costs and quantities which Dofasco attempted to reconcile to its accounting records were unreliable as their cost accounting (PaYs) categories were comprised of both subject merchandise and alloy products. The costs and quantities associated with the alloy products were important to a proper reconciliation, but petitioners argue that Dofasco did not explain its calculations relating to alloy products and did not properly corroborate quantities and costs for these products, thus making a proper reconciliation impossible.

Petitioners maintain that all of these failures contributed to Dofasco's inability to reconcile its reported costs to the accounting records. As such, petitioners assert that the Department should reject the reported costs, citing numerous cases in support of this assertion *See, e.g., Certain Welded Carbon Steel Piles and Tubes from Thailand: Preliminary Results of Antidumping Administrative Review,* 62 FR 17590, 17593–94 (April 10, 1997); and *Cut-to-Length Carbon Steel Plate from Sweden: Preliminary Results of Antidumping Administrative Review,* 61 FR 51899 (October 4, 1996). Petitioners also argue, citing *Notice of Final Determination of Sales at Less Than Fair Value: Certain Pasta from Turkey,* 61 FR 30309, 30312 (June 14, 1996), that the Department's practice in such cases is to apply total facts available. Petitioners argue that, should the Department decide to use partial facts available, the Department should use the highest reported cost for each inventory category as the cost for all products in that category. *See Granular Polytetrafluroethylene Resin from Italy: Final Results of Antidumping Administrative Reviews,* 62 FR 5590 (February 6, 1997).

Respondent asserts that petitioners' argument concerning Dofasco's cost reconciliation is without merit and demonstrates petitioners' basic misunderstanding of the thorough analysis performed by the Department verifiers. Dofasco states that the Department spent days at verification ensuring that detailed product costs properly reconciled to the average costs of the aggregate product groupings per Dofasco's financial statements. In fact, Dofasco asserts that the Department's cost verification report states that the Department was able to tie costs calculated by PaYs to costs per earnings statement.

Regarding petitioners' contention that there is a fundamental flaw in Dofasco's reconciliation because costs were reconciled to the earnings statements and not to inventory values, Dofasco argues that a basic cost accounting concept is that inventory values represent the costs at one point in time and that the cost of goods manufactured from the earnings statement represents the costs over the period of time corresponding to the cost reporting period. The Department's reconciliation, therefore, was based on the reconciliation of reported costs for the one year period to the total costs actually incurred during the same period.

Respondent also asserts that petitioners' argument that Dofasco performed its reconciliation solely on the basis of a comparison of per-unit costs is inaccurate. In fact, Dofasco claims that it reconciled the submission to both the per-unit costs and the total costs. Dofasco claims that the alleged differences in the total cost and total quantities in the verification exhibits are a result of timing differences in the reported production quantities and represent a reconciling item between the submission and the books. Thus, once the reconciling quantities are valued at the cost per the books, there is essentially no difference in the total costs. Dofasco states that, at verification, it was able to reconcile the fact that the per unit costs were comparable, and also that the total costs were comparable.

Dofasco disagrees with petitioners' argument that Dofasco failed to make ''apples-to-apples'' comparisons. According to Dofasco, the reported costs include all variances, sundry items, and depreciation. Dofasco contends that these same items were added to the earnings statement to ensure that the costs per the books for each of the selected product categories were on exactly the same basis as in the response. In addition, petitioners' allegation that the reported costs and the costs per the earnings statement are not for the same time period is factually incorrect, Dofasco maintains, as the earnings statement covers the period July 1, 1995 through June 30, 1996 (Dofasco's fiscal period) and the Department expressly allowed Dofasco to base its reported costs on its fiscal period rather than the POR.

Additionally, Dofasco disputes petitioners' claim that Dofasco did not include third country production costs in the calculation of the reported cost. Dofasco maintains that, as explained in its Section D response, Dofasco accumulates the costs for each factory process and weight averages the actual production cost and existing inventory cost of that process to arrive at an average product cost that flows into the next process. At the time that a product is manufactured, the mill floor is not aware of the destination of the order and is therefore unable to track the cost of North American and offshore orders separately. Hence, the total production cost at a factory process includes the cost of both North American and third country shipments.

Dofasco maintains that reported costs do in fact reconcile to both cost of goods manufactured and COGS, contrary to petitioners' allegation. Dofasco asserts that it adjusted TOTCOM to account for changes in its inventory only as a result of petitioners' suggestions and the Department's subsequent request to calculate inventory change on a quarterly basis. Regardless, Dofasco argues that the difference between the cost of sales per earning statement and the reported TOTCOM is insignificant.

Dofasco states that the allegation regarding yield loss rates is incorrect because the production data for financial statement purposes and PaYs flows from common systems and thus, the overall source of the production figures for calculating yields is the same for financial statement purposes as PaYs. In addition, respondent states that the Department did verify and accept Dofasco's explanation of the aberrant yield loss rates at verification.

Dofasco also disputes petitioners' claim that several products exist in Dofasco's reconciliation that do not exist in Dofasco's cost database. Dofasco states that the products at issue were products that Dofasco sold during the third administrative review period but did not produce during this period. Because Sorevco (an affiliated producer of subject merchandise) had produced these products and because the Department treats Dofasco and Sorevco as one entity, Dofasco reported per unit costs for such products based on Sorevco's costs. At reconciliation, Dofasco reported the cost for such products based on its own second administrative review costs because these were the actual costs associated with the products. Regardless, respondents assert that the difference this makes to the TOTCOM field is insignificant and represents petitioners' continued ''nitpicking.''

According to Dofasco, petitioners' argument that Dofasco's treatment of fixed costs was faulty and that sundry expenses were not included in the calculation of VCOM is ''ridiculous.'' Dofasco asserts that a careful examination of the calculations will show that sundry expenses were included in VCOM, which explains why depreciation is the only item added to VCOM to calculate TOTCOM. For the reconciliation, Dofasco states that all fixed overhead costs were included in calculating the unit cost for the selected product costs.

Finally, Dofasco disputes petitioners' claim that it failed to explain the nature of its calculations relating to alloy products. In fact, for the reconciliation, Dofasco had to include the cost of alloy products in order to calculate the total (and per unit) costs for products within the broad inventory groupings. Dofasco states that the cost of alloy products was calculated in exactly the same manner as the cost of subject goods. For purposes of the administrative review, however, alloy products are not in the scope of the review and therefore, Dofasco asserts that it was not required to submit any data related to alloy products on the record.

Department's Position: We agree with respondents that the Department was satisfied with the outcome of verification and note that one of the Department's principle mandates at verification is to reconcile the cost response with the financial statements to a point at which the accuracy of the response is confirmed. In this case, at verification, we reconciled the reported costs with the financial statements and determined that Dofasco properly reported costs as incurred. ''Dofasco's product costs, as calculated by PaYs and reported to the Department, were comparable to Dofasco's costs per earnings statement (and hence, Dofasco's normal cost accounting system).'' *See* Dofasco Verification Report at page 7. However, we will address each argument made by petitioners and respondent in turn.

(1) Discrepancies in Three Out of Four Prime Product Categories

The Department notes that costs for all of the categories reviewed (with the exception of galvanized waste and seconds) were reconciled such that the Department deemed the average costs to be ''comparable''. First, Dofasco has stated that differences between reported production quantities and the financial statements are timing differences. Petitioners have pointed to no compelling reason to dispute this explanation.

Moreover, and more importantly, the Department notes that minor differences between reported and financial costs are expected at verification. A company's inability to reconcile costs exactly does not, however, render a company's response unuseable. *See, e.g. Brass Sheet and Strip from the Netherlands: Final Results of Antidumping Administrative Review*, 62 FR 51449, 51453–454 (October 1, 1997) and *Final Determination of Sales at Less Than Fair Value: Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled*, From Japan, 61 FR 38139, 38154 (July 23, 1996). Rather, the Department's responsibility is to ensure that costs incurred for production of the subject merchandise during the POR have been properly reported, and that the allocations employed are not distortive. The Department reviewed the reported quantities and costs for these three categories at verification, and found that the costs were comparable. Concerning the fourth prime category for which there were more substantial differences in cost, Dofasco provided a reasonable explanation for this discrepancy. *See* Dofasco Verification Report at page 7–8.

(2) Reconciliation to Earnings Statements, Not Inventory Values

The Department has the discretion to determine how to best reconcile the cost response at verification, as long as the reconciliation serves to confirm the overall validity of respondent's reported costs. In this case, the Department accepted Dofasco's reconciliation of the response to the earnings statements and not to inventory values. Furthermore, the Department did not request an inventory value reconciliation at verification, but determined that a reconciliation to Dofasco's earnings statement would appropriately indicate whether Dofasco's reported costs were in line with Dofasco's normal cost accounting records. As stated in the Verification Agenda dated June 9, 1997 at 3–4, the Department specifically asked Dofasco to ''obtain a reconciliation of the total POR cost of manufacturing costs per cost accounting system to the total of the per-unit manufacturing costs submitted to the Department.'' This is in fact what was accomplished at verification. *See* Dofasco Verification Report at page 7.

(3) Timing and Product Differences

We agree with respondents that Dofasco's earnings statements were adjusted so that the cost response and the earnings statements reflected the same items. In fact, the Department expressly allowed Dofasco to report costs based on its fiscal period rather than the POR, as the two periods differed by only a month. *See* the Department's Antidumping Questionnaire dated September 9, 1996 at page D–1; *Memo to The File from Rick Johnson* dated November 12, 1996, and Dofasco's Section D Response dated November 13, 1996 at page D–2 and D–3. As such, the cost response and the financial statements reflected data from the same period.

(4) Third Country Production Costs

In the first administrative review of this case, petitioners raised the concern that Dofasco did not include third-country production in its weighted-average cost calculations. As we noted in that review, ''[t]he Department verified that Dofasco used costs incurred in its total production to determine the COP and CV of subject merchandise. Third country information was only disregarded when Dofasco weight-averaged its costs to determine U.S. specific CV data and home market-specific COP data.'' *See Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate From Canada: Final Results of Antidumping Administrative Reviews* (''*1993/94 Canadian Steel*'') 61 FR 13815 (March 28, 1996). Significantly, the CIT upheld the Department's finding, stating that ''Commerce's acceptance of Dofasco's methodology essentially finds a middle ground. Total production costs are incorporated into the COM, but final COP and CV are determined based on a weighted-average reflecting production for a particular market.'' *See AK Steel Corp. et al.* v. *United States, Slip Op. 97–152*, CIT (November 14, 1997) at page 14.

While Dofasco no longer reports market-specific costs for the same control number, its methodology with respect to the incorporation of third country production data has not changed since the first review. Thus, there is no compelling new information on the record which indicates any failure to include third country production costs in the calculation of COP and which would warrant a reexamination of this issue. Therefore, the Department is maintaining the position adopted in the first review and upheld by the CIT that third country production information has been properly included and accounted for in Dofasco's cost calculations.

(5) Reconciliation to Cost of Goods Sold

We agree in part with petitioners and respondents. We agree with petitioners that at verification, we compared the TOTCOM (effectively, cost of goods sold) from Dofasco's response to the cost of good manufactured from their accounting records. It would have been more appropriate to compare the reported costs to the costs in the earnings statement, had the two sets of numbers been calculated based on the same items (*i.e.*, both inclusive or exclusive of the inventory change adjustment). However, the difference between the two sets of figures resulting from the inventory change adjustment is insignificant. *See Dofasco Final Results Analysis Memorandum*, page 9.

(6) Calculation of Yield Loss Rates

We agree with petitioners that there may be some minor differences in the bases upon which yield loss rates were calculated in PaYs and in Dofasco's normal accounting system. However, these minor differences do not constitute a serious enough reason for rejecting the entire cost verification. We note that Dofasco has already acknowledged that there are minor differences between the yields calculated by PaYs as opposed to the yields calculated with Dofasco's normal cost accounting system. *See* Dofasco's December 23, 1996 response at 35–38. Significantly, the Department did not, as a result of the information provided by Dofasco, inform the company at that time that the difference provided a sufficient basis to question the use of PaYs as a reporting tool. Furthermore, the Department has found no evidence to contradict Dofasco's explanation regarding the reasons for the differences in the yields calculated by the two systems. *Id*.

Concerning petitioners' contention that the Department did not verify Dofasco's explanation concerning aberrational yield loss rates, we disagree. In the second administrative review, the Department adjusted certain yield loss rates reported by Dofasco because the Department determined that there were certain aberrant yield loss rates which affected the total yield loss rates generated by PaYs. *See 1994/95 Canadian Steel* at 18459. The Department stated that Dofasco did not offer an explanation of the apparently aberrational data. As such, for the final determination in the second administrative review, the Department applied facts available by excluding sales orders which incorporated what appeared to be inaccurate data and by upwardly adjusting Dofasco's reported cost of manufacture on all models by the percentage difference between the reported yield loss rate and the corrected yield loss rate. *See 1994/95 Canadian Steel* at 18468 (April 15, 1997).

However, for this review, Dofasco has provided an acceptable explanation regarding these apparently ''aberrational'' yields. Specifically, Dofasco stated that ''customization of an order often involves adding a piece of steel with the same characteristics as the existing steel being processed. Dofasco added that this customization usually occurs at either the pickle line or the galvanizing line * * *. Therefore, Dofasco explained that the yield loss rates reported in the PaYs system with respect to these orders in fact is accurate. Dofasco also stated that, because the customization of these orders involves taking pieces originally processed for other orders, those other orders would have correspondingly low yields.'' *See* Dofasco Verification Report at pg. 20, Exhibit 24. Therefore, we disagree with petitioners' assertion that the Department did not verify these seemingly aberrational rates.

(7) Inclusion of Certain Products and Costs

We disagree with petitioners concerning the allegedly improper inclusion of certain products and their costs in Dofasco's response. Petitioners are correct to point out that there are several CONNUMs reported in the response for which there are different costs per the earnings statement. The answer for this was presented by Dofasco at verification, when Dofasco noted that there were several products sold (by Sorevco) during the third administrative review period which were produced during the second administrative review. At reconciliation, Dofasco reported the cost for such products based on verified second administrative review costs. See Dofasco Verification Report at pp. 18–19.

(8) Calculation of Fixed Costs and Variable Cost of Manufacture (VCOM)

We agree in part with petitioners and respondents. While the record shows that there may be some differences regarding the items Dofasco included in VCOM as reported to the Department, compared to those items included in the reconciliation at verification, we note that regardless of the individual classification of certain items in the reconciliation, the Department reconciled Dofasco's reported costs to the costs determined from Dofasco's normal accounting system examined by the Department at verification. The Department found that the average costs per product grouping for those product groupings examined at verification were comparable (with the exception of one grouping, for which Dofasco provided an explanation). See Dofasco Verification Report at page 7. The Department's concern with comparing total costs for each product grouping is reflected in the verification report, in which the Department discusses the comparison of total manufacturing costs, as opposed to variable manufacturing costs: ''[w]e then compared total per unit values per earnings statement after the above reconciling items to the average TOTCOM2 as calculated from the submission to the Department.'' (Emphasis added) See Dofasco Verification Report at page 7. Whether certain costs were included in VCOM or not, the most important aspect of the cost reconciliation is that the same costs were included in both the submission and Dofasco's normal cost accounting system.

(9) Verification of Alloy Products

Concerning the inclusion of alloy products and costs, we disagree in part with both petitioners and respondents. For the reconciliation, the Department tied the costs per financial statements, exclusive of costs associated with alloy products, to the costs reported by Dofasco. See Dofasco Verification Report at pg. 7 (''We reviewed Dofasco's adjustment to exclude the cost of alloy products which are incorporated into Dofasco's normal cost accounting categories'').

We note that, contrary to Dofasco's assertion, the Department is indeed entitled to examine costs for alloy products at verification, as such costs were necessary to perform an adequate reconciliation. However, the Department has the discretion in deciding the depth to which it will examine any information presented at verification. The fact that respondents did not provide more complete information, when the Department did not ask for it, cannot be held against respondents. The purpose of verification is not to examine every number submitted by respondent: instead, the objective is to ensure the integrity of the response. *See, e.g., Silicon Metal from Argentina: Final Results of Antidumping Administrative Review,* 58 FR 65336, 65340 (December 14, 1993) (''the Department is not required to verify every figure reported in the questionnaire response. The process of verification involves spot-checking and cross-checking the information that the Department selects for emphasis in analyzing each specific response''); *Porcelain-on-Steel Cookware from Mexico: Final Results of Antidumping Administrative Review,* 55 FR 21061, 21064 (May 22, 1990) (''The Department has discretion to decide which items to verify''); *Monsanto Co.* v. *United States,* 698 Fed. Supp. 275, 281 (CIT 1988) (''Verification is a spot check and is not intended to be an exhaustive examination of the respondent's business'').

Comment 13: Petitioners maintain that Sorevco's reconciliation, which was placed on the record as part of its questionnaire response, shows a significant discrepancy. In attempting to show that the total cost of manufacture reported in its response agreed with the production costs in its financial statements, Sorevco determined the total of the COMs in the response for all products. However, Sorevco's database shows that Sorevco's total COMs (*i.e.* the sum of the COM for each CONNUM multiplied by the quantity for that CONNUM) is different. Petitioners state that where there is a discrepancy between the reported costs and the costs maintained in the financial statement, the Department has increased the reported costs by the difference. *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Pasta from Italy,* 61 FR 30326, 30358 (June 14, 1996).

Respondent states that petitioners' allegation that there is a discrepancy in Sorevco's reported costs is in error because petitioners incorrectly attempted to compare the total COM reported to the Department on the computer database with the reconciliation that Sorevco provided in Exhibit 4 of its December 23, 1996 supplemental response. According to Sorevco, this is not an appropriate comparison. The COM reported by Sorevco in the December 23, 1996 response reflected Sorevco's costs as the company maintains them in the normal course of business; that is, this COM reflects the transfer price at which Sorevco buys cold-rolled steel from Dofasco and Sidbec-Dosco. However, as a result of the Department's treatment of Dofasco and Sorevco, Dofasco provided its per-unit cost of production for the cold-rolled steel it sold to Sorevco. For each Sorevco product code, Dofasco's per-unit cost of production was weight-averaged with Sidbec-Dosco's transfer price to arrive at a weight-averaged cost of production that was used in the response. Therefore, respondent states that in the computer database, Sorevco's COM is calculated using both cost and transfer price data for cold-rolled material. Respondent states that this same methodology was used in prior reviews, has been verified by the Department, and has never been challenged by petitioners.

Department's Position: We agree with respondent. In past reviews and in the instant case, the Department has accepted Sorevco's methodology for reporting COM, including the valuation of substrate provided by related parties. This methodology leads to the difference between the costs reported to the Department and Sorevco's internal cost accounts. The difference is therefore adequately explained.

Comment 14: Petitioners claim that on May 28, 1997, Dofasco for the first time submitted freight information that had been the subject of two prior information requests by the Department. Petitioners maintain that Dofasco had the information in its possession and claimed complete reporting but did not submit this information until petitioners demonstrated, in another review, that Dofasco's claim of complete reporting was incorrect. Petitioners further suggest that the Department use adverse facts available based on the fact that Dofasco did not comply to the best of its ability when it repeatedly failed to supply the necessary freight rates in response to the Department's information requests. As such, petitioners argue that the May 28, 1997 response constitutes an untimely submission of factual information which warrants the application of facts available by the Department.

Dofasco contends that it did not withhold information from the Department. According to Dofasco, in the second administrative review it became clear that there was a programming error which caused certain freight costs to be missing. As soon as this programming error was discovered in the second review, Dofasco alleges that its counsel contacted the Department to inform the Department that the same error existed in the third review. Dofasco contends that as a result of this conversation, the Department issued a supplemental questionnaire on this issue which was intended to allow Dofasco to explain whether any freight costs were missing and provide any missing data. At that time, Dofasco explains that it informed the Department of the programming error and provided the data for the locations in question. Dofasco maintains that it could not have withheld information because Dofasco did not even know that an error existed at the time it filed its first supplemental questionnaire response in the third review.

In addition, Dofasco claims that section 782(d) of the Act provides the Department with the discretion to allow respondents to remedy or explain deficiencies. Respondent states that this was exactly what the Department did when it issued the supplemental questionnaire to Dofasco requesting information on the missing maximum freight rates. After receiving the information from Dofasco, Dofasco maintains that the Department appeared to be satisfied with the information and used it in the preliminary results over three months later.

In conclusion, Dofasco argues that the information was submitted in a timely manner according to the second supplemental questionnaire, could be verified, was not incomplete, and could be used without undue difficulty. Moreover, Dofasco maintains that it acted to the best of its ability to provide the information as soon as it was discovered that it was missing. As a result, Dofasco argues that the Department should continue to use the information supplied by Dofasco in the final results.

Department's Position: We agree with respondent. In its original questionnaire, the Department required Dofasco to report the freight cost incurred for each sale to the United States. Dofasco stated that for certain sales, it was unable to report the actual freight charges; instead, it reported maximum freight for each destination. *See* Dofasco's November 13, 1996 response at C–22, 23 (proprietary version). In the database submitted in the response dated November 13, 1996, however, there were numerous sales in the United States for which Dofasco reported a prepaid freight but failed to report a maximum freight rate. In a supplemental questionnaire, the Department asked Dofasco to explain why it had not reported a maximum freight rate for certain sales. *See* the *Department's Supplemental Questionnaire* dated December 5, 1996 at page 4. Dofasco responded that it had reported maximum freight for these sales, either in the MAXFRTU field or else in the DINLFTWU field. *See* Dofasco's December 23, 1996 response at 16 (proprietary version). In early May of 1997, it became apparent, in the second review of this proceeding, that there was a programming error which caused certain freight costs to be missing. The Department issued Dofasco a second supplemental questionnaire dated May 16, 1997, which asked Dofasco to explain why there were certain sales with no associated maximum freight value, despite Dofasco's statement to the contrary. Dofasco explained that due to a programming error, it inadvertently failed to report maximum freight charges for certain sales; it supplied the missing maximum freight rates for four customer shipping locations. *See* Dofasco's response dated May 28, 1997 at page 2.

Section 782(d) of the Act and section 353.31(b)(1) of the Department's regulations permit the Department to solicit and consider information which was not supplied in the original or first supplemental questionnaire responses. Based on this statutory and regulatory authority, the Department accepted this information as reported. Since Dofasco's May 28, 1997 response to the Department's May 16, 1997 questionnaire was submitted by the deadline, there is no basis to petitioners' claim that the information was not submitted in a timely manner. Therefore, we have continued to use this information for the final results of this review.

Comment 15: Petitioners argue that the Department has traditionally treated sales to the United States as constructed export price (''CEP'') sales when the sale is made through a foreign producer's U.S. subsidiary. Petitioners claim that, where sales are made prior to importation, the Department will classify such U.S. sales as export price (''EP'') sales when the merchandise is shipped directly to an unaffiliated buyer without being introduced into the affiliated selling agent's inventory or where this procedure is the customary sales channel between the parties and the affiliated selling agent only acts as a processor of paper and a communications link between the unaffiliated buyer and the foreign producer.

In the instant case, petitioners maintain that the record shows that Dofasco's U.S. subsidiary, Dofasco U.S.A. (''DUSA''), introduced the merchandise into its inventory and performed an active role in selling the merchandise. Thus, petitioners contend that CEP treatment is warranted.

First, petitioners allege that DUSA introduces merchandise into its physical inventory in cases where it stores the merchandise at independently-owned warehouses prior to delivery. The Department's practice, petitioners contend, has been to classify sales as CEP whenever the merchandise is warehoused by the affiliate. *See Certain Cut-to-Length Carbon Steel Plate from Germany: Final Results of Antidumping Administrative Review*, 62 FR 18390, 18391 (April 15, 1997). Petitioners allege that in the instant case, a significant portion of Dofasco's sales were warehoused in the United States prior to delivery.

In addition, petitioners maintain that DUSA plays an active role in Dofasco's selling activities. They maintain that the Department has accorded CEP treatment to sales where the foreign producer attended meetings with U.S. customers, reserved the right to approve all orders, and limited the affiliate's ability to negotiate prices within certain ranges. *See Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Germany: Preliminary Results of Antidumping Administrative Review*, 62 FR 47446 (September 9, 1997) and *Cut-to-Length Carbon Steel Plate from Belgium: Preliminary Results of Antidumping Administrative Review*, 62 FR 48213, 49214–15 (September 15, 1997). In the instant case, petitioners claim that the issue is not whether DUSA has negotiating authority, but instead whether DUSA's level of participation in the selling process is sufficiently substantial. Petitioners cite certain letters on the record which they believe demonstrates DUSA's substantial involvement in the selling process. Furthermore, they point out several documents on the record which discuss DUSA's involvement in arranging further manufacturing and warehousing, which they claim the Department has determined in other cases to constitute more than simply routine selling functions (thus meriting CEP treatment). *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled from Germany (''Printing Presses from Germany'')*, 61 FR 38166 (July 23, 1996).

Dofasco asserts that the Department correctly determined that all of Dofasco's U.S. sales were EP transactions based on the fact that the sales were made before importation. Dofasco maintains that the Department's practice has been to treat U.S. sales through a U.S. affiliate as EP transactions if the following three criteria are met: (1) the merchandise is shipped directly to the U.S. customer without entering the affiliate's inventory; (2) this is the customary channel of trade and (3) the affiliate only acts as a sales document processor and communications link. *See Steel from Korea,* 62 FR 18404, 18423 (April 15, 1997) and *Printing Presses from Germany,* 38175.

Dofasco argues that the Department defines ''inventory'' as merchandise that is in storage and is available for sale to various customers. *See Certain Cut-to-Length Steel Plate from Germany: Final Results of Antidumping Administrative Review (''Steel Plate from Germany''),* 61 FR 13834, 13843 (March 28, 1996) and *Final Determination of Sales at Less Than Fair Value: Certain Stainless Wire Rods from France (''Wire Rod from France''),* 58 FR 68865, 68868–69 (December 29, 1993). Dofasco maintains that the Department has held that even though a U.S. affiliate may have taken title to the imported merchandise and arranged for its warehousing in the U.S., if the merchandise was warehoused to await delivery to a specific customer or if the customer dictated that merchandise be warehoused, then the sale is not considered to be a CEP transaction. *See Zenith Electrical Corp.* v. *United States (''Zenith''), Slip Op. 94–146 at 7–8* (CIT 1994) and *Cellular Mobile Telephones and Subassemblies from Japan: Preliminary Results of Antidumping Administrative Review,* 54 FR 48922, 48923 (Nov. 28, 1989). In this case, Dofasco contends that for the few sales through DUSA that were warehoused, this merchandise was warehoused in independent warehouses after the sale, and thus was not stored awaiting sale.

Dofasco also maintains that DUSA's role is that of a paper processor and communications link that does not negotiate prices or market products. Even were the affiliate to extend credit to U.S. customers, process warranty claims, and engage in project development, Dofasco argues that the Department has held that a sale through the U.S. affiliate is properly an EP transaction because the affiliate's selling functions are of a kind that the exporter or foreign producer would normally perform. Dofasco argues that an affiliate ceases to be a paper processor and communications link only if it controls the terms of sale. *See Certain Corrosion-Resistant Carbon Steel Flat Products from Korea: Final Results of Antidumping Administrative Review,* 61 FR 18547, 18552 (April 26, 1996); *Steel Plate from Germany* at 13842–43; and *Wire Rod from France at 68869.* In this case, Dofasco alleges that DUSA does not perform any additional selling functions that Dofasco would normally perform; documents on the record demonstrate that Dofasco is responsible for conducting sales activities.

Department's Position: We agree with respondents. The Department, in the first and second administrative reviews of this proceeding, determined that Dofasco's sales through DUSA were EP transactions. The Department noted that ''while the Department usually finds further manufacturing of merchandise occurs in the context of ESP (now CEP) sales, and while 19 U.S.C. section 1677a(e)(3), discussing adjustments to ESP, is the only explicit reference to further manufacturing in the statute, it would clearly be a mistake to define the sale as an ESP sale simply because there is further manufacturing.'' *See Memorandum for Roland McDonald: Administrative Review of Corrosion Resistant Carbon Steel Flat Products from Canada: Categorization of Sales of Dofasco, Inc. (''Memorandum for Roland McDonald''),* page 2 (July 12, 1995) (Public Version).

In the second administrative review, the Department determined that sales through DUSA should not be classified as CEP sales based on the following: (1) warehousing inventory destined for specific customers at privately owned warehousing facilities does not constitute taking the merchandise into DUSA's physical inventory; (2) Dofasco's channels of delivery remain the same—that is, the Department verified that the merchandise is delivered directly from Dofasco to the U.S. customer; and (3) DUSA's role in the sales process constitutes only that of a communications link and paper processor. *See 1994/95 Canadian Steel* at 18460–18462 (April 15, 1997).

A further discussion of this policy exists in *Certain Cold-Rolled and Corrosion-Resistant Carbon Steel Flat Products from Korea: Final Results of Antidumping Administrative Review (''Korean Steel Final Results''),* which was signed March 9, 1998. In that notice, we explain that CEP treatment is appropriate where certain facts indicate ''that the subject merchandise is first sold *in the United States* by or for the account of the producer or exporter'' and not sold by the producer or exporter *outside* the United States. Such a finding requires that certain criteria be met, such as: (1) whether the merchandise was shipped directly from the manufacturer to the unaffiliated U.S. customer; (2) whether this was the customary commercial channel between the parties involved; and (3) whether the function of the U.S. selling agent is limited to that of a ''processor of sales-related documentation'' and a ''communication link'' with the unrelated U.S. buyer. Where the factors indicate that the activities of the U.S. affiliate are ancillary to the sale (*e.g.* arranging transportation or customs clearance, invoicing), we treat the transactions as EP sales. Where the U.S. affiliate has more than an incidental involvement in making sales (*e.g.*, solicits sales, negotiates contracts or prices) or providing customer support, we treat the transactions as CEP sales.''

For this administrative review, petitioners do not present any new arguments regarding this issue, nor is the fact pattern pertaining to DUSA sales significantly different from past reviews. Moreover, as we also indicate in Comment 16 below, we believe that evidence on the record indicates that DUSA's involvement in the sales process is ancillary. Therefore, we are maintaining the methodology we adopted in the first and second administrative reviews and classifying DUSA's sales as EP transactions.

Comment 16: Petitioners urge that, in the event the Department does not agree with petitioners with respect to the classification of all DUSA sales as CEP sales, the Department should classify all further manufactured sales as CEP sales. Petitioners cite *Certain Cold-Rolled and Corrosion-Resistant Carbon Steel Flat Products from Korea: Preliminary Results of Antidumping Administrative Review (''Korean Steel''),* 62 FR 47422, 47425–26 (September 9, 1997) as a case in which the Department found that certain sales made by a respondent prior to importation had substantial involvement on the part of the U.S. subsidiary. Petitioners argue that the same facts apply here.

Dofasco argues that sales through DUSA which were further processed should not be treated as CEP transactions solely because of this further processing. Dofasco argues that the Department's position in the first and second administrative reviews (that it would be incorrect to define the sale as CEP simply because there is further processing) is still valid as there is no additional information on the record in this review which would merit a revisiting of this issue.

Department's Position: We disagree with petitioners that the information on the record proves that DUSA plays an ''active'' role in the selling process. In fact, the evidence on the record does not suggest that DUSA's role in the selling process was anything beyond an ancillary role. As much of this information is business proprietary, please refer to *Dofasco's Final Results Analysis Memorandum,* page 5 (business proprietary version). In addition, *Korean Steel* discussed four factors in its determination of CEP/EP treatment for sales with further processing, not all of which apply to this case. *See Dofasco's Final Results Analysis Memorandum,* page 5 (business proprietary version). Therefore, for these final results, we have classified all sales made through DUSA as EP transactions.

Comment 17: Petitioners contend that Dofasco improperly calculated home market credit expenses in its response by applying the interest rate to the gross unit price plus the amount of the goods and services tax (''GST''). Petitioners maintain that the Department's clearly stated practice is that home market credit expenses are to be calculated on the basis of gross unit price exclusive of any value added tax (''VAT''). *See Certain Cut-to-Length Carbon Steel Plate from Brazil: Final Results of Antidumping Administrative Review* (''*Carbon Steel Plate from Brazil*''), 62 FR 18486, 18487–88 (April 15, 1997), *Silicon Metal from Brazil: Final Results of Antidumping Administrative Review and Determination not to Revoke in Part,* 62 FR 1954, 1961 (January 14, 1997), *Ferrosilicon from Brazil: Final Results of Antidumping Administrative Review,* 61 FR 59407, 59410 (November 22, 1996), *Steel Wire Rope from the Republic of Korea: Final Results of Antidumping Administrative Review,* 60 FR 63499, 63504 (December 11, 1995), and *Circular Welded Non-Alloy Steel Pipe and Tube from Mexico: Final Results of Antidumping Administrative Review* (''*Steel Pipe and Tube from Mexico*''), 62 FR 37014, 37016 (July 10, 1997). Accordingly, petitioners contend that the Department should recalculate Dofasco's home market credit expense exclusive of the seven percent GST.

Dofasco does not dispute that the Department's practice has been to exclude VAT from the calculation of credit expense. *See, e.g., Steel Pipe and Tube from Mexico* at 37106. However, they allege that the Department's reasoning for doing so is incorrect. Dofasco claims that the Department's statement that VAT is a revenue for the government is correct. However, Dofasco claims that the Department is incorrect in stating that credit expenses for VAT payment by the company is a government expense. In fact, Dofasco maintains that because there is a lag between the time that it pays the tax (the date of shipment) and the date it receives payment from the buyer, Dofasco incurs an opportunity cost associated with the time it does not have use of the money. Dofasco requests that the Department reconsider its position on this issue and calculate Dofasco's credit expense inclusive of VAT.

Department's Position: We agree with petitioners and respondents that it has been the Department's long-standing practice to calculate a company's credit expense exclusive of VAT. However, we disagree with respondents that the Department should revisit this position. In *Carbon Steel Plate from Brazil* at 18486, the Department rejected the argument Dofasco makes here, stating that ''there may be a potential opportunity cost associated with the respondents'' prepayment of the VAT, [however] this fact alone is not a sufficient basis for the Department to make an adjustment in price-to-price comparisons. Thus, to allow the type of credit adjustment suggested by the respondents would imply in the future the Department would be faced with the virtually impossible task of trying to determine the potential opportunity cost or gain of every charge and expense reported in the respondents' home market and U.S. databases.'' Therefore, for the final results of this review, the Department has recalculated Dofasco's credit expense so that it is exclusive of VAT, as suggested by petitioners.

Comment 18: Respondent argues that the Department should correct certain clerical errors it made in the preliminary results of review. Specifically, Dofasco claims that the Department: (1) incorrectly subtracted prepaid freight from the reported gross unit price in the margin calculation program; (2) failed to use the proper exchange rate conversions in the calculation of direct selling expenses; and (3) used maximum freight expenses instead of actual freight expenses, where provided, to calculate U.S. movement expenses. Additionally, as stated above in Comment 11, Dofasco disagrees with the Department's use of Baycoat's invoice prices. However, if the Department uses those prices, Dofasco asserts that it must also use the reported G&A and interest expenses that are based on the invoice price.

Petitioners disagree that the Department should value U.S. movement expenses based on actual, instead of maximum, freight as the record allegedly shows certain inconsistencies which suggest that the computer system which tracks actual freight is not yet functional. In particular, petitioners contend that an invoice submitted in order to confirm the validity of the computer program which tracks actual freight in fact proves that the program is not working properly, since the database reflects a different number than that reported in the invoice. *See* Dofasco's December 23, 1996 Response (proprietary version) at Exhibit 17, compared to, inter alia, observation number 1921 in Dofasco's December 23, 1996 Section C computer printout.

Petitioners agree with respondents that the Department should include reported G&A and interest expenses for reported costs based on Baycoat's invoice prices.

Petitioners argue that the Department failed to include all relevant freight charges for certain U.S. sales. In particular, petitioners assert that the Department should add inland freight from the warehouse to the U.S. customer (INLFWCU) to its calculation of U.S. moving expenses for these sales.

Department's Position: We agree with respondent that we incorrectly subtracted prepaid freight from the reported gross unit price in the margin calculation program and have corrected this error for the final results. We also agree with respondents that we should revise our exchange rate conversion errors in the calculation of direct selling expenses for the final results.

We agree with petitioners that the record demonstrates that the computer program which Dofasco has begun using to calculate actual freight expenses is not working properly as the actual freight charge which is shown on the invoice does not match that reported in Dofasco's database. As there is nothing on the record that can demonstrate the accuracy of the actual freight field, we are continuing to use the maximum freight field when determining U.S. moving expenses for certain sales in the final results of this review.

We agree with both respondents and petitioners that we should use the reported G&A and interest expenses based on Baycoat's transfer price and have corrected this error for the final results of this review.

We disagree with petitioners that the Department should add inland freight from the warehouse to the U.S. customer (INLFWCU) to its calculation of U.S. moving expenses for certain sales. The Department understands the MAXFRTU field to represent the maximum freight expenses from the warehouse to the customer. *See* the Department's questionnaire dated September 19, 1996 at page C–30 and Dofasco's November 13, 1996 response to the Department's questionnaire at page C–21–23. As such, we will treat U.S. movement expenses consistently with our treatment of movement expenses in earlier segments of this proceeding. *See, e.g., 1994/95 Canadian Steel at 18462.*

MRM

Comment 19: Petitioners argue that MRM has reported estimated freight expenses despite its ability to report actual freight expenses on an invoice-by-invoice basis. Therefore, petitioners contend that the Department should reject MRM's reported freight expense. Because MRM allegedly withheld information requested twice by the Department, petitioners contend that the Department should apply adverse facts available in calculating MRM's freight expenses for both the home market (by disallowing all reported freight expenses) and the U.S. market (by applying the highest reported freight expense to all sales).

MRM maintains that it does not track actual freight costs on an invoice-specific or transaction-specific basis in the ordinary course of business. For this administrative review, MRM reported an estimated freight cost based on the application of MRM's freight rate to each specific shipment. MRM claims that when the actual freight costs are available, it records this information in its accounts payable files. MRM contends that reporting actual freight expense instead of the estimated freight expense would have been extremely tedious and burdensome for MRM and would have little effect on the Department's margin analysis. Moreover, MRM claims that the Department accepted MRM's allocation method for freight expenses for the first review. *See 1993/94 Canadian Steel* at 13829. MRM argues that the Department verified MRM's treatment of freight expenses and the Department's questionnaire did not prohibit the use of an appropriate allocation methodology in determining freight expense.

MRM argues that the Department has consistently allowed the use of reasonable allocative methodologies in reporting freight expense. *See Notice of Final Determination of Sales at Less Than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel, Standard, Line and Pressure Pipe from Italy,* 60 FR 31981, 31987 (June 19, 1995), and *Final Determination of Sales at Less Than Fair Value: Oil Country Tubular Goods from Korea,* 60 FR 33561, 33563 (June 28, 1995).

Department's Position: We agree with respondent. First, we note the Department's standard questionnaire explicitly contemplates a respondent's inability to report actual freight expenses. *See* Antidumping Duty Questionnaire, page 4 (''Averages may only be used for expenses that can be tied to a particular sale (*e.g.*, freight) when to do otherwise would create a significant burden because of the manner in which your accounting records are maintained''). Second, the Department has in the past allowed the reporting of estimated freight expenses as long as the freight estimates are reasonable and any differences between estimated amounts and actual freight charges are minor. *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel, Standard, Line and Pressure Pipe from Italy,* 60 FR 31981, 31987 (June 19, 1995).

In this review, MRM reported that it does not track the actual freight payment on an invoice-by-invoice basis in the normal course of business. *See Verification of Gerdau MRM Steel's (''MRM'') Sales Response* at pp. 6–9. At verification, we examined documentation concerning MRM's freight expenses and tied them to the response. In addition, we examined the variances between actual and estimated freight payments for both home market and U.S. sales and found that the variances were either nonexistent or minimal. Consequently, we determine that MRM's freight methodology is reasonable and have allowed the adjustments for the final results.

Comment 20: Petitioners argue that MRM improperly reported credit expense. Specifically, petitioners argue that MRM inappropriately calculated credit expense using the average payment date information instead of actual payment date information. Petitioners claim that MRM recorded actual payment data but then deleted this information from its computer system. Because MRM allegedly deleted this information, petitioners insist that the Department must disallow MRM's reported home market credit expense. Furthermore, petitioners urge the Department to apply adverse facts available for credit expense for U.S. sales by using the highest reported credit period.

MRM argues that it reported estimated dates based on each customer's terms of payment because it does not maintain records of the actual date of payment received for each invoice in its ordinary course of business. MRM asserts that its ordinary operating procedures do not provide for the maintenance of information on the date of payment. MRM notes that the maintenance of information on the date of payment is neither relevant to MRM from a business perspective, nor mandated under Canadian GAAP. Further, MRM argues that the Department verified the methodology used by MRM in this review, and accepted MRM's methodology for approximating the date of payment in the first review of plate from Canada. *See 1993/94 Canadian Steel* at 13829.

MRM contends that they were not instructed by the Department in the first administrative review to follow any particular methodologies in future reviews. MRM also notes that in the first review, the Department accepted the same method utilized in this case for purposes of calculating MRM's credit expense. *Id.* Further, MRM asserts that in the litigation arising from the review, the Department withdrew its request for a remand on the issue of the allowance of the adjustment to FMV for MRM's credit expenses. Finally, MRM argues that, even if MRM's U.S. credit expense was uniformly increased by the amount suggested by petitioners, the result would be a minimal decrease in MRM's ''large'' negative margins.

Department's Position: We disagree with petitioners that MRM's credit expenses should be denied. Based on the results of verification, we find MRM's use of the average age of invoices for each month of the POR to be an acceptable methodology for determining credit expenses. At verification, we found that MRM was unable to report the actual expense because in the normal course of business, MRM does not maintain information on the date of payment in its computer system. We reviewed MRM's credit information contained in their sales response and determined that actual accounts receivable balances were divided by average daily sales figures to arrive at average days outstanding balances for Canadian customers and U.S. customers. Furthermore, MRM stated that this is the same methodology it uses in submitting information to its parent company in the normal course of business. *See Verification of Gerdau MRM Steel's (''MRM'') Sales Response* at pg. 9. Finally, petitioners have pointed to no record evidence showing that MRM's methodology has led to a distortion of reported credit expenses. Therefore, we have allowed MRM's reported credit expenses for the final results.

Comment 21: Petitioners argue that MRM failed to substantiate its claimed home market rebate adjustment. Petitioners charge that MRM did not meet its burden of showing that its customers had prior knowledge of the rebates. Because MRM has not established its entitlement to this adjustment, petitioners urge the Department to reject MRM's claim.

MRM argues that there is substantial evidence on the administrative record to support the Department's decision to adjust normal value for claimed rebate amounts. MRM insists that the Department routinely grants adjustments to normal value for rebates or other post-sale price adjustments. *Smith-Corona Group* v. *United States,* 713 F.2d 1568 (1983). MRM notes that the Department deducted rebate amounts from FMV in the first administrative review of steel plate from Canada. *See 1993/94 Canadian Steel* at 13829. MRM argues that since it used the same methodology to derive and report transaction-specific rebate amounts in the first review, the Department's preliminary decision to reduce normal value for these amounts should be adopted in the final results of the instant review.

MRM further argues that they have satisfied the legal criteria for rebates and therefore should receive an adjustment to normal value on that basis. *See Smith-Corona Group, Consumer Products Division, SCM Corp.* v. *United States,* 3 CIT 126, 146–49 (1982). MRM asserts that it is the Department's ''general policy to allow rebates only when the terms of sale are predetermined.'' *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from France et al.; Final Results of Antidumping Duty Administrative Review, Partial Termination of Antidumping Reviews, and Revocation in Part of Antidumping Duty Orders,* 60 FR 10900, 10930 (Feb. 28, 1995).

MRM argues that the rebate amounts are properly viewed as ''predetermined.'' MRM claims that customers had prior knowledge of the rebate amount since customers were informed of the MRM's rebate practices through telephone contacts and invoices which indicated the total rebate amount. MRM maintains that the method of setting rebates and the level of rebates are based on MRM's standard business practices. In addition, MRM maintains that the Department verified written agreements with regard to rebates.

If, in the alternative, the Department declines to adjust normal value for rebates granted by MRM, MRM urges the Department to grant an adjustment to normal value for the same amounts as post-sale price adjustments. MRM maintains that the Department makes post-sale price adjustments that reflect a respondent's ''normal business practice.'' MRM claims that there is substantial evidence on the administrative record of these proceedings to support MRM's assertion that MRM's rebate program is an integral part of MRM's business practice. MRM adds that the Department found the payments in question to be ''part of the company's ''normal business practice''' in the first administrative review. *See 1993/94 Canadian Steel* at 13828.

Department's Position: We agree with respondent that these adjustments are allowable as rebates. At verification, we examined documentation which sufficiently demonstrated that MRM's customers had prior knowledge of MRM's rebate program. We also confirmed that in the normal course of business, MRM normally made verbal agreements with its customers concerning rebates, and that its rebate program has not changed since 1993. We examined a letter of confirmation of a rebate agreement for one of MRM's customers. Finally, we also examined correspondence between MRM and another customer which indicated the customer's acknowledgment of MRM's rebate policies. *See Verification of Gerdau MRM Steel's (''MRM'') Sales Response* at p. 11, and Exhibit S–36. Therefore, because substantial record evidence indicates that MRM's customers were aware of the rebate prior to the time of sale, we have continued to adjust normal value to account for rebates for these final results of review.

Stelco

Comment 22: Stelco argues that there is no factual or legal basis for the Department's decision to increase Stelco's submitted actual costs of production for certain inputs supplied by Baycoat (painting services), Z-Line Company (galvanizing services), and iron ore obtained from Stelco's affiliated mines for both corrosion-resistant and plate products. Stelco maintains that the Department erroneously ''grossed up'' the costs beyond Stelco's actual costs of production, to what the Department claimed to be the ''unadjusted transfer price'' of these inputs. Stelco asserts that (1) the antidumping statute requires that the Department use the actual costs of production of the company as it calculates them, provided that these are not distortive; (2) the statutory language of the ''major input rule'' does not require the Department to increase an affiliated supplier's actual cost of production in valuing its major inputs; and (3) the major input rule does not apply to affiliated suppliers that are collapsed with the respondent.

Stelco continues that, in any event, the Department's methodology for comparing the transfer price to the affiliated supplier's cost is incorrect, because it used a transfer price that did not accurately reflect how Stelco records its cost of inputs, which resulted in double counting of expenses.

Petitioners, in response to Stelco's argument, state that the Department correctly valued at transfer price the inputs received from Stelco's affiliated suppliers. Petitioners continue that the statute does not permit valuation of a major input based on an affiliated supplier's cost when such cost is below the transfer price and that it is the Department's practice to value a major input based on transfer price where such price exceeds the affiliated supplier's COP.

Petitioners further argue that Stelco's assertion that the Department should treat Stelco and its affiliated suppliers as a single entity is baseless. Petitioners state that Stelco has failed to establish (1) that the affiliated suppliers are ''divisions'' of Stelco, or (2) that the requirements for collapsing, which petitioners assert are not even applicable to this situation, have been satisfied with respect to any of its affiliates.

Petitioners conclude that the Department properly rejected Stelco's adjustments to transfer prices. Petitioners maintain that transfer prices should not be reduced by the affiliated suppliers' profit, G&A and interest expense.

Department's Position: We agree with petitioners that it is appropriate to use the transfer price to value Stelco's major inputs. Under section 773(f)(2) of the Act, the Department's current practice is to request information on both the transfer price and the market value of the input and to choose the higher of the two valuations. Pursuant to section 773(f)(3) of the Act, the Department may alter this valuation only in those cases where the input is ''major'' and the value determined under section 773(f)(2) is lower than the COP of the inputs. All parties agree that the inputs in question are major inputs within the meaning of section 773(f)(3); we have determined that the value determined under section 773(f)(2) is not lower than the COP of the inputs.

Stelco cites *Torrington Co.* v. *United States* (''*Torrington*'') (881 F. Supp 622, 642–643 CIT 1995) and *SKF USA Inc.* v. *United States* (''*SKF*'') (888 F. Supp 152, 156 CIT 1995) to support its contention that a COP valuation is appropriate when it is below transfer price. However, in those cases, which concerned the calculation of CV, the Department had not requested or received information on the transfer prices of the inputs. The CIT did not say that the Department was prohibited from requesting the transfer prices of the inputs; rather, it said that the Department was within its discretion to choose to rely on cost information. Here, because of the Department's current policy, the Department requested and received the transfer prices of the inputs. These transfer prices are greater than the affiliated suppliers' COP.

The policy applied here was the policy applied by the Department in the second review of this case. The Department held in the second administrative review (the most recently completed segment of this proceeding) that the statute directs it ''to value inputs supplied by affiliated persons at the transfer price between the entities provided that such a price reflects the price commonly charged in the market and, for major inputs, is not below the cost of producing the input.'' *See 1994/95 Canadian Steel* at 18464.

Stelco also argues that it and its affiliated suppliers should be treated as a single entity for determining cost of production. However, Stelco has not established either that the affiliated suppliers are ''divisions'' of Stelco or that the requirements for sales collapsing have been satisfied with respect to its affiliates. In *Certain Forged Steel Crankshafts from the United Kingdom*, 61 FR 54613, 54614 (October 21, 1996), (''*Crankshafts*'') respondent argued that because it and its affiliated supplier were ''both unincorporated operating divisions within a single entity, * * * they are parts of the same company and share a common steel COP.'' The Department ruled that the record evidence indicated that they were divisions of the same corporation and found that the major input rule did not apply. Unlike the respondent in *Crankshafts*, Stelco does not contend that the affiliated suppliers are actual divisions of a single entity. Rather, Stelco contends that the affiliated suppliers and the manufacturer should be treated as a single entity for purposes of the major input rule. The Department rejected a similar argument in *Mechanical Transfer Presses from Japan* 55 FR 335 (January 4, 1990) (''*MTPs from Japan*'') in which respondent maintained that its wholly-owned subsidiaries ''function[ed] as divisions.'' The Department noted that the ''wholly-owned subsidiaries are separate legal entities,'' and thus applied the major input rule. The subsidiaries in question here are clearly separate legal entities and thus the rule of *Crankshafts* does not apply.

Certain Cold-Rolled and Corrosion-Resistant Carbon Steel Flat Products from Korea, 62 FR 18404, 18430 (April 15, 1997) (''*Korean Steel*'') represents another instance where we have determined that the major input rule does not apply. In that case, the Department disregarded the major input rule for transactions between producers of the subject merchandise where it had determined that such producers should be collapsed into a single respondent for purposes of analyzing sales. The criteria applied for determining whether sales collapsing is appropriate do not apply in cases where the affiliated supplier does not have the capacity to produce the subject merchandise. *See* 19 FR 351.401(f) (new regulation which does not, technically, apply in this proceeding, but which restates the Department's practice on collapsing).

The criteria applied by the Department for purposes of sales collapsing do not, on their face, apply to affiliations with suppliers that do not produce the subject merchandise. We agree with petitioners that Stelco has not established a basis for the treatment of Stelco's affiliated suppliers as ''collapsed'' entities.

Finally, a year-end profit distribution does not function as an adjustment to price. The entitlement to a profit distribution arises from the ownership interest, not from the sale. The Department has therefore allowed no adjustments to the transfer price between Stelco and its affiliated suppliers.

Comment 23: Petitioners argue that the Department must recalculate home market credit expenses, because they maintain that Stelco's inclusion of the GST and provincial sales tax (''PST'') in its home market credit expense calculation was improper. GST and PST are not revenues for the company, but for the government, and thus, according to petitioners, Stelco's home market credit expenses should be recalculated to exclude such taxes.

Department's Position: We agree with petitioners. Accordingly, the Department has corrected Stelco's home market credit expenses to exclude both GST and PST.

Comment 24: Petitioners maintain that Stelco failed to use the interest rate on actual borrowings by its U.S. subsidiary to determine credit expense on U.S. dollar-denominated sales. Petitioners argue that, during the POR, Stelco USA borrowed against a line of credit. Petitioners contend that it is the Department's practice to use a respondent's actual cost of short-term financing in the currency of sale. Because money is fungible, argue petitioners, and a corporate parent determines the capital structure of a company, it does not matter whether the entity doing the actual borrowing is a parent or its subsidiary. Therefore, conclude petitioners, the Department should recalculate the credit expense on Stelco's U.S. dollar-denominated sales, using the rate on actual borrowings by Stelco USA.

Stelco argues that there is no basis for modification of the interest rate utilized to calculate imputed credit for Stelco's U.S. sales. Stelco argues that: (1) Stelco Inc. (and not Stelco USA) was the only entity that made sales of subject merchandise (corrosion-resistant and cut-to-length plate) to the United States; (2) Stelco Inc. did not borrow U.S. dollars during the POR; and (3) Stelco Inc. had access to borrowed funds at the LIBOR rate through an open line of credit. *See* Stelco's section B questionnaire response of November 4, 1996 and its supplemental response of December 24, 1996. Respondent states that there is evidence on the record regarding what rate it would have received had it borrowed U.S. dollars. Consequently, the Department was correct to use the LIBOR rate to calculate imputed credit expense for Stelco's U.S. sales.

Department's Position: We disagree with both respondent and petitioners. As we stated in *Import Administration Policy Bulletin 98.2* (February 23, 1998) at pg. 6, ''[i]n cases where a respondent has no short-term borrowings in the currency of the transactions, we will use publicly available information to establish a short-term interest rate applicable to the currency of the transaction. * * * For dollar transactions, we will generally use the average short-term lending rates calculated by the Federal Reserve to impute credit expenses.'' Therefore, for the final results of review, we have recalculated imputed credit expense based on Federal Reserve rates. *See* Stelco's Final Results Analysis Memorandum for Corrosion-Resistant Products.

Comment 25: Petitioners argue that certain sales of both corrosion-resistant and plate products in the home market were erroneously matched to sales made in the United States, and that the Department should adopt certain proposed corrective steps.

Stelco argues that petitioners' suggestion would result in a ''wholesale change in the reporting of product characteristics.'' Stelco concludes that petitioners' suggestion would result in a completely unworkable change in the Department's questionnaire.

Department's Position: We agree with Stelco, and will not make petitioners' proposed change to the Department's program. For further discussion of this comment, including business proprietary information, please see Stelco's analysis memorandum, at pg. 13.

Comment 26: Petitioners contend that Stelco failed to properly report pension expense in accordance with its actual funding obligations based on independent actuarial assessments. Thus, petitioners argue that the Department must disallow Stelco's reporting methodology calculated for financial statement purposes, even though these pension expenses were reported in accordance with Canadian GAAP. Petitioners argue that Stelco adjusted its standard product costs to reflect a different pension amount. Petitioners argue that, in the investigation in this proceeding, the Department determined that Stelco's pension expense should be reported in accordance with Canadian GAAP. Petitioners continue that the Department stated that, because the difference between the CICA pension expense and the higher required funding was ''recorded as a deferred asset on Stelco's financial statements,'' it is ''not properly included in current expenses.'' *See Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to Length Carbon Steel Plate from Canada, Final Determination* (''*Canadian Steel Investigation*'') 58 FR 37099, 37120 (July 9, 1993). Petitioners state that under nearly identical circumstances in *Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to Length Carbon Steel Plate from Brazil; Final Determination,* 58 FR 37091 (July 9, 1993), the Department rejected pension expense reporting under Brazilian GAAP and accepted pension expense reporting in accordance with an independent actuary's report. Petitioners conclude that it is the Department's practice, now codified at section 773(f)(1)(A) of the Tariff Act of 1930, as amended, to rely on a company's normal books and records if such records are in accordance with home country GAAP and reasonably reflect the costs associated with production of the merchandise. In this instance, although it conforms to Canadian GAAP, petitioners argue that the CICA pension expense reflected in Stelco's financial statements does not reasonably reflect the costs associated with producing the subject merchandise. Petitioners reason that therefore, the CICA pension adjustment must be disallowed for purposes of the final results.

Stelco states that the Department should reject petitioners' suggestion to reverse the Department's precedent regarding its methodology for calculating pension costs. Stelco asserts that the appropriate methodology to value its pension obligations is the methodology required by Canadian GAAP, and not the cash outlay (actuarial) methodology petitioner suggests. Stelco concludes that the Department followed this methodology in the investigation and in both subsequent reviews. *See Canadian Steel Investigation* at 37120. Stelco states that petitioners confuse cash outlay in an accounting period with cost of production, and that for any company which operates on an accrual accounting basis, the amount of cash paid in a year does not accurately reflect the cost of production in that year. Stelco continues that this is the case for pension costs. According to Stelco, CICA (which establishes Canadian GAAP) prohibits companies from declaring the cash value of their pension outlays in a year as the cost of the pensions in that year because using the cash methodology distorts pension costs. That is, according to Stelco, companies make cash payments to pension funds for reasons that have ''nothing to do with'' the nature of a company's pension obligations. To permit companies to account for pension costs on the basis of cash outlays would, in CICA's view, severely distort a company's true cost picture.

Stelco continues that petitioners imply that Stelco's standard costs value pension costs at their actuarial value, and that petitioners erroneously imply that this treatment carries through to Stelco's calculation of its cost of production. Stelco further notes that petitioners state that the CICA pension adjustment, which adjusts pension costs to conform to GAAP, is for financial purposes only. Stelco argues that its standard costs are budgeted costs set at the beginning of the year on the basis of estimates, and because these are estimates, the Department requires that costs not be reported purely on a standard basis, but rather that all standard costs be adjusted to reflect actual outlays. Stelco states that, in order for its standards to be corrected on an actual basis, they must be adjusted monthly and annually to take into account appropriate variances. Stelco argues that its true costs of production are therefore not calculated using the cash outlay methodology of pension costs, just as the standard cost of production is not fully reflective of their actual cost of production. Hence, the application of such pension outlays would not properly reflect the true costs of producing this merchandise. Stelco concludes that the Department's long-standing precedent in this case requires the use of CICA methodology in calculating pension costs.

Department's Position: We agree with respondent. Stelco's treatment of its pension costs is in accordance with both Canadian and U.S. GAAP. These accounting principles are not arbitrary, but are established as the method deemed to be the most accurate representation of a company's costs. Furthermore, in *Canadian Steel Investigation* (58 FR 37099, 37120 (July 9, 1993)), the Department determined that the appropriate methodology for Stelco to value its pension obligations is the methodology required by Canadian GAAP, not the cash outlay (actuarial methodology). Petitioners' reliance on *Certain Hot-Rolled Carbon Steel Flat Products, etc., from Brazil, Final Determination,* 58 FR 37091 (July 9, 1993) is misplaced because in it, the Department noted that the respondent acknowledged that according to an independent actuary's report, these costs (as recorded in the company's books) may not be sufficient to cover the respondent's ultimate liability. The actuary's report apparently indicated that the normal accounting treatment did not fully reflect the company's cost obligations, and the respondent did not contest that conclusion. The nature of the reports and the nature of the cost situations involved are very different in these two cases. Therefore, for the final results of review, we have used Stelco's pension costs as reported and have not applied the cash outlay methodology to determine Stelco's pension funding cost.

Comment 27: Petitioners allege that the Department made the following ministerial errors in its margin calculation program for both corrosion-resistant and plate products:

For corrosion-resistant: (1) The Department revised Stelco's total cost of manufacture for cost of production purposes using the variable name ''TCOM.'' However, in revising Stelco's general and administrative and interest expenses, the Department failed to use the revised TCOM, using ''TOTCOM'' instead. (2) The Department recalculated general and administrative expenses for constructed value purposes, using the variable name ''GNACV.'' Similarly, the Department renamed the interest variable for CV purposes ''INTEXCV.'' However, when calculating GNA and interest factors as a percentage of the total cost of manufacture, the Department failed to use the recalculated GNACV and the renamed INTEXCV. (3) The Department erroneously converted PACKU into U.S. dollars twice. (4) The Department revised respondent's total cost of manufacture for CV purposes using the variable name ''TCOM.'' Subsequently, the Department failed to use the variable ''TCOM,'' using ''TOTCOMCV'' instead.

For plate: The Department revised respondent's total cost of manufacture for CV purposes using the variable name TCOM. However, when the Department recalculated CV profit and total CV, the Department failed to use the variable name TCOM, using ''TOTCOMCV'' instead.

Department's Position: We agree with petitioners and have made the appropriate modifications to the Department's margin calculation programs. *See Stelco's Final Results Analysis Memorandum for Corrosion-Resistant Products,* pp. 3 and 4 and *Stelco's Final Results Analysis Memorandum for Plate,* pg. 3.

Final Results of Review

As a result of our review, we determine the dumping margin (in percent) for the period August 1, 1995, through July 31, 1996 to be as follows:

Manufacturer/exporter	Margin (percent)
Corrosion-Resistant Steel:	
Dofasco	0.72
CCC	0.54
Stelco	3.48
Cut-to-Length Plate:	
Algoma	[1] 0.44
MRM	0.00
Stelco	[1] 0.23

[1] *Deminimis.*

The Department will determine, and the U.S. Customs Service shall assess, antidumping duties on all appropriate entries. For assessment purposes, we have calculated importer-specific ad valorem duty assessment rates for the merchandise based on the ratio of the total amount of antidumping duties calculated for the examined sales during the POR to the total quantity of sales examined during the POR. Individual differences between U.S. price and normal value may vary from the percentages stated above. The Department will issue appraisement instructions directly to the Customs Service.

Furthermore, the following deposit requirements will be effective upon publication of these final results for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date provided by section 751(a)(1) of the Act: (1) The cash deposit rates for the reviewed companies will be the rates stated above; (2) if the exporter is not a firm covered in this review, a prior review, or the original less than fair value (LTFV) investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (3) the cash deposit rate for all other manufacturers or exporters will continue to be the ''all others'' rate made effective by the final results of the 1994–1995 administrative review of this order (*See* Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate from Canada: Final Results of Antidumping Duty Administrative Reviews 62 FR 18448 (April 15, 1997)). As noted in those final results, these rates are the ''all others'' rates from the relevant LTFV investigations which were 18.71 percent for corrosion-resistant steel products and 61.88 percent for plate (See Final Determination, 60 FR 49582 (September 26, 1995)). These deposit requirements, when imposed, shall remain in effect until publication of the final results of the next administrative review.

Notification of Interested Parties

This notice also serves as a final reminder to importers of their responsibility under 19 CFR 353.26 to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of the antidumping duties occurred and the subsequent assessment of double antidumping duties.

This notice also serves as a reminder to parties subject to administrative protective orders (APOs) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 353.34(d)(1). Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This administrative review and notice are in accordance with section 751(a)(1) of the Act (19 U.S.C. 1675(a)(1)) and 19 CFR 353.22(c)(5).

Dated: March 9, 1998.

Robert S. LaRussa

Assistant Secretary for Import Administration

[FR Doc. 98–6689 Filed 3–13–98; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–351–817]

Certain Cut-To-Length Carbon Steel Plate From Brazil: Final Results of Antidumping Duty Administrative Review

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

ACTION: Notice of final results of antidumping duty administrative review.

SUMMARY: On September 9, 1997, the Department of Commerce (the Department) published the preliminary results of the administrative review of the antidumping duty order on Certain Cut-to-Length Carbon Steel Plate from Brazil. This review covers one collapsed entity which was a manufacturer/exporter of the subject merchandise to the United States during the period of review (POR), August 1, 1995, through July 31, 1996. We gave interested parties an opportunity to comment on our preliminary results. Based on our analysis of the comments received, we have changed the results from those presented in the preliminary results of review.

EFFECTIVE DATE: March 16, 1998.

FOR FURTHER INFORMATION CONTACT: Samantha Denenberg or Linda Ludwig, Enforcement Group III, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–0414 or (202) 482–3833, respectively.

SUPPLEMENTARY INFORMATION:

Background

On July 9, 1993, the Department published in the **Federal Register** (58 FR 37091) the final affirmative antidumping duty determination on Certain Cut-to-Length Carbon Steel Plate from Brazil. We published an antidumping duty order on August 19, 1993 (58 FR 44164). On September 9, 1997, the Department published in the **Federal Register** (62 FR 47436) the preliminary results of the administrative review (*Preliminary Results*) of the antidumping duty order on Certain Cut-