

the home and U.S. market and, further, that these sales occurred at the same LOT. Therefore, we have not made a LOT adjustment to NV because all transactions are deemed at the same LOT, and an adjustment pursuant to section 773(a)(7)(A) of the Tariff Act is not appropriate. Finally, because we found the LOT in the home market matches the LOT of the CEP transactions, we did not provide a CEP offset to normal value as described at section 773(a)(7)(B) of the Tariff Act.

Currency Conversion

We made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank, in accordance with section 773A(a) of the Tariff Act.

Verification

In accordance with section 782(i) of the Tariff Act, we intend to verify all information relied upon in making our final determination.

Suspension of Liquidation

In accordance with section 733(d)(2) of the Tariff Act, the Department will direct the U.S. Customs Service to suspend liquidation of all entries of wire rod from Germany that are entered, or withdrawn from warehouse, for consumption on after 90 days prior to the date of publication of this notice in the Federal Register. We will instruct the U.S. Customs Service to require a cash deposit or posting of a bond equal to the estimated preliminary dumping margin indicated in the chart below. This suspension of liquidation will remain in effect until further notice. The weighted-average dumping margins for this preliminary determination are as follows:

Exporter/manufacturer	Margin
Saarstahl AG	14.56 percent
All Others	14.56 percent

Commission Notification

In accordance with section 733(f) of the Tariff Act, we have notified the Commission of our determination. If our final determination is affirmative, the Commission shall determine, before the later of 120 days after the date of this preliminary determination or 45 days after our final determination, whether these imports are materially injuring, or threatening material injury to, the U.S. industry.

Public Comment

Case briefs for this investigation must be submitted no later than one week after the issuance of verification reports. Rebuttal briefs must be filed within five dates after the deadline for submission of case briefs. A list of authorities used, a table of contents, and an executive summary of the issues, limited to five pages, should accompany any briefs submitted to the Department. In accordance with section 774 of the Tariff Act, the Department will hold a hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. Tentatively, such a hearing, if one is requested, will be held two days after the deadline for submission of rebuttal briefs, at the U.S. Department of Commerce, 14th Street and Constitution Avenue NW, Washington, DC 20230. In the event the Department receives requests for hearings from parties to several wire rod cases, the Department may schedule a single hearing to encompass all those cases. Parties should confirm by telephone or electronic mail the time, date, and place of the hearing at least 48 hours before the scheduled time. Interested parties who wish to request a hearing, or participate if one is requested, must submit a written request within 30 days of the publication of this notice. Requests should specify the number of participants and provide a list of the issues to be discussed. At any hearing each party may make an affirmative presentation only on issues raised in that party's case brief, and may make a rebuttal presentation only on arguments raised in that party's rebuttal brief. See 19 CFR 351.310(c). If this investigation proceeds normally, we will make our final determination no later than 75 days after the date of this preliminary determination.

This determination is issued and published in accordance with sections 733(f) and 777(i)(1) of the Tariff Act.

Dated: April 2, 2002

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02-8704 Filed 4-9-02; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-840]

Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Carbon and Certain Alloy Steel Wire Rod from Canada

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

EFFECTIVE DATE: April 10, 2002.

FOR FURTHER INFORMATION CONTACT: Constance Handley or Edward Easton at (202) 482-0631 or (202) 482-3003, respectively; AD/CVD Enforcement Group II Office 5, Import Administration, Room 1870, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

The Applicable Statute and Regulation

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR part 351 (2001).

Preliminary Determination

We preliminarily determine that carbon and certain alloy steel wire rod (steel wire rod) from Canada is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 733 of the Act. The estimated margins of sales at LTFV are shown in the Suspension of Liquidation section of this notice.

Case History

This investigation was initiated on September 24, 2001.¹ See *Initiation of Antidumping Duty Investigations: Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Ukraine, and Venezuela*, 66 FR 50164 (October 2, 2001) (*Initiation Notice*). Since the initiation of the investigation, the following events have occurred:

On October 12, 2001, the United States International Trade Commission

¹ The petitioners in this investigation are Co-Steel Raritan, Inc., GS Industries, Inc., Keystone Consolidated Industries, Inc., and North Star Steel Texas, Inc.

(ITC) preliminarily determined that there is a reasonable indication that the domestic industry producing steel wire rod is materially injured by reason of imports from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine of carbon and certain alloy steel wire rod.² See *Determinations and Views of the Commission*, USITC Publication No. 3456, October 2001.

The Department issued a letter on October 16, 2001, to interested parties in all of the concurrent steel wire rod antidumping investigations, providing an opportunity to comment on the Department's proposed model match characteristics and its hierarchy of characteristics. The petitioners submitted comments on October 24, 2001. The Department also received comments on model matching from respondents Hysla S.A. de C.V. (Mexico), Ivaco, Inc. (Ivaco) (Canada), and Ispat Sidbec Inc. (ISI) (Canada). These comments were taken into consideration by the Department in developing the model matching characteristics and hierarchy for all of the steel wire rod antidumping investigations.

On January 17, 2002, the petitioners requested a 30-day postponement of the preliminary determinations in this investigation. On January 28, 2002, the Department published a Federal Register notice postponing the deadline for the preliminary determinations until March 13, 2002. See *Notice of Postponement of Preliminary Antidumping Duty Determinations: Carbon and Certain Alloy Wire Rod from Brazil, Canada, Indonesia, Germany, Mexico, Moldova, Trinidad and Tobago, and Ukraine*, 67 FR 3877 (January 28, 2002). On March 4, 2002, the petitioners requested an additional 20-day postponement of the preliminary determinations in this investigation. On March 7, 2002, the Department published a Federal Register notice postponing the deadline for the preliminary determinations until April 2, 2002. *Notice of Postponement of Preliminary Antidumping Duty Determinations: Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine*, 67 FR 11674 (March 15, 2002).

² With respect to imports from Egypt, South Africa, and Venezuela, the ITC determined that imports from these countries during the period of investigation (POI) were negligible and, therefore, these investigations were terminated.

Postponement of Final Determination and Extension of Provisional Measures

Section 735(a)(2) of the Act provides that a final determination may be postponed until not later than 135 days after the date of the publication of the preliminary determination if, in the event of an affirmative preliminary determination, a request for such postponement is made by exporters who account for a significant proportion of exports of the subject merchandise. Section 351.210(e)(2) of the Department's regulations requires that exporters requesting postponement of the final determination must also request an extension of the provisional measures referred to in section 733(d) of the Act from a four-month period until not more than six months. We received a request to postpone the final determination from the petitioners, ISI and Ivaco. In their requests, ISI and Ivaco consented to the extension of provisional measures to no longer than six months. Since this preliminary determination is affirmative, the requests for postponement are made by exporters that account for a significant proportion of exports of the subject merchandise, and there is no compelling reason to deny the respondents' requests, we have extended the deadline for issuance of the final determination until the 135th day after the date of publication of this preliminary determination in the Federal Register and have extended provisional measures to no longer than six months.

Period of Investigation (POI)

The POI is July 1, 2000, through June 30, 2001. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition (i.e., August 2001).

Scope of Investigation

The merchandise covered by these investigations is certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, 5.00 mm or more, but less than 19.00 mm, in solid cross-sectional diameter.

Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; and (e) concrete reinforcing bars and rods. Also excluded are (f) free machining steel products (i.e., products that contain by weight one or more of the following elements: 0.03 percent or

more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium).

Also excluded from the scope are 1080 grade tire cord quality wire rod and 1080 grade tire bead quality wire rod. This grade 1080 tire cord quality rod is defined as: (i) grade 1080 tire cord quality wire rod measuring 5.0 mm or more but not more than 6.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no inclusions greater than 20 microns; (iv) having a carbon segregation per heat average of 3.0 or better using European Method NFA 04-114; (v) having a surface quality with no surface defects of a length greater than 0.15 mm; (vi) capable of being drawn to a diameter of 0.30 mm or less with 3 or fewer breaks per ton, and (vii) containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.006 percent or less of nitrogen, and (5) not more than 0.15 percent, in the aggregate, of copper, nickel and chromium.

This grade 1080 tire bead quality rod is defined as: (i) grade 1080 tire bead quality wire rod measuring 5.5 mm or more but not more than 7.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no inclusions greater than 20 microns; (iv) having a carbon segregation per heat average of 3.0 or better using European Method NFA 04-114; (v) having a surface quality with no surface defects of a length greater than 0.2 mm; (vi) capable of being drawn to a diameter of 0.78 mm or larger with 0.5 or fewer breaks per ton; and (vii) containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of soluble aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.008 percent or less of nitrogen, and (5) either not more than 0.15 percent, in the aggregate, of copper, nickel and chromium (if chromium is not specified), or not more than 0.10 percent in the aggregate of copper and nickel and a chromium content of 0.24 to 0.30 percent (if chromium is specified).

The designation of the products as "tire cord quality" or "tire bead quality" indicates the acceptability of the product for use in the production of tire

cord, tire bead, or wire for use in other rubber reinforcement applications such as hose wire. These quality designations are presumed to indicate that these products are being used in tire cord, tire bead, and other rubber reinforcement applications, and such merchandise intended for the tire cord, tire bead, or other rubber reinforcement applications is not included in the scope. However, should petitioners or other interested parties provide a reasonable basis to believe or suspect that there exists a pattern of importation of such products for other than those applications, end-use certification for the importation of such products may be required. Under such circumstances, only the importers of record would normally be required to certify the end use of the imported merchandise.

All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.

The products under investigation are currently classifiable under subheadings 7213.91.3010, 7213.91.3090, 7213.91.4510, 7213.91.4590, 7213.91.6010, 7213.91.6090, 7213.99.0031, 7213.99.0038, 7213.99.0090, 7227.20.0010, 7227.20.0020, 7227.20.0090, 7227.20.0095, 7227.90.6051, 7227.90.6053, 7227.90.6058, and 7227.90.6059 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive.

See Carbon and Certain Alloy Steel Wire Rod: Requests for exclusion of various tire cord quality wire rod and tire bead quality wire rod products from the scope of antidumping duty (Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Ukraine, and Venezuela) and countervailing duty (Brazil, Canada, Germany, Trinidad and Tobago, and Turkey) investigations.

Selection of Respondents

Section 777A(c)(1) of the Act directs the Department to calculate individual dumping margins for each known exporter and producer of the subject merchandise. Where it is not practicable to examine all known producer/exporters of subject merchandise, section 777A(c)(2) of the Act permits us to investigate either 1) a sample of exporters, producers, or types of products that is statistically valid, based on the information available at the time of selection, or 2) exporters and producers accounting for the largest volume of the subject merchandise that can reasonably be examined. In the

petition, the petitioners identified three producers of steel wire rod in Canada. Due to the limited resources available to the Department, we initially determined that we could investigate only the largest exporter, Ivaco. See *Respondent Selection Memorandum*, dated November 9, 2001. The second and third largest Canadian exporter/producers, ISI and Stelco Inc. (Stelco), volunteered to submit questionnaire responses.

On November 9, 2001, the Department issued the complete antidumping questionnaire to Ivaco.³ In a letter to the Assistant Secretary of Import Administration, dated November 21, 2001, the Canadian Embassy requested that the Department also select ISI and Stelco as regular respondents and calculate a company-specific rate for each company. On December 26, 2001, the Department determined that it had the resources to investigate these additional companies and notified ISI and Stelco that they would be treated as mandatory respondents.

The responses to section A of the antidumping questionnaire were submitted to the Department in November, 2001. Responses to sections D through E of questionnaire were submitted in December, 2001. Responses to the Department's supplementary questionnaires were submitted in February and March, 2002.

Collapsing Corporate Affiliates

The Department's regulations provide that we will "... treat two or more affiliated parties as a single entity where those producers have production facilities for similar or identical products ... and {the Department} concludes that there is a significant potential for the manipulation of price or production." See 19 CFR 351.401(f). This provision applies to the corporate affiliates of both Ivaco and Stelco.⁴

³ Section A of the questionnaire requests general information concerning a company's corporate structure and business practices, the merchandise under investigation that it sells, and the manner in which it sells that merchandise in all of its markets. Section B requests a complete listing of all home market sales or, if the home market is not viable, of sales in the most appropriate third-country market (this section is not applicable to respondents in non-market economy (NME) cases). Section C requests a complete listing of U.S. sales. Section D requests information on the cost of production (COP) of the foreign like product and the constructed value (CV) of the merchandise under investigation. Section E requests information on further manufacturing.

⁴ See Memorandum from Gary Taverman to Bernard Carreau, *Canadian Carbon and Certain Alloy Steel Wire Rod: Collapsing of Ivaco Inc. with Ivaco Rolling Mills and Stelco Inc. with Stelwire Ltd.*, April 2, 2002 (Collapsing Memorandum).

Ivaco

The management of the production and sales operations of Ivaco and Ivaco Rolling Mills (IRM) are closely intertwined.⁵ In addition to producing finished rod for its own account from green rod purchased from IRM (IRM), Ivaco provides tolling services which allow IRM to "produce" finished rod for IRM's account. In effect, Ivaco and IRM rely on the same facilities to both produce both steel wire rod and further manufactured products. The respective production facilities do not require substantial retooling to restructure the companies' manufacturing priorities. Furthermore, the production and sales operations of these companies have the potential to manipulate prices and production within the meaning of section 351.401(f), therefore, and we have collapsed these affiliates into a single entity. As a result, we have not considered sales from IRM to divisions of Ivaco in calculating the margin. See Collapsing Memorandum.

Stelco

The management of the production and sales operations of Stelco and Stelwire, Ltd. (Stelwire) are also closely intertwined. Stelco and Stelwire are both producers of the subject steel wire rod merchandise, using the same facilities to produce identical or similar products. Furthermore, the production and sales operations of Stelco and Stelwire have the potential to manipulate prices and production within the meaning of section 351.401(f), therefore, we have collapsed these affiliates into a single entity for the purpose of this investigation. See Collapsing Memorandum.

Product Comparisons

In accordance with section 771(16) of the Act, all products produced by the respondents covered by the description in the *Scope of Investigation* section, above, and sold in Canada during the POI, are considered to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. We have relied on eight criteria to match U.S. sales of subject merchandise to comparison-market sales of the foreign like product or constructed value (CV): grade range, carbon content range, surface quality, deoxidation, maximum total residual content, heat treatment, diameter range, and coating. These characteristics have been weighted by the Department, where appropriate. Where there were no sales of identical merchandise in the

⁵ Ivaco owns 99.999 percent of its subsidiary, Ivaco Rolling Mills.

home market to compare to U.S. sales, we compared U.S. sales to the next most similar foreign like product on the basis of the characteristics listed above.

Fair Value Comparisons

To determine whether sales of steel wire rod from Canada were made in the United States at less than fair value, we compared the export price (EP) and the constructed export price (CEP) to the normal value (NV), as described in the *Export Price and Constructed Export Price* and *Normal Value* sections of this notice. In accordance with section 777A(d)(1)(A)(i) of the Act, we calculated weighted-average EPs and CEPs. We compared these to weighted-average home market prices or CVs, as appropriate, in Canada.

Export Price and Constructed Export Price

For the price to the United States, we used, as appropriate, EP or CEP, as defined in sections 772(a) and 772(b) of the Act, respectively. Section 772(a) of the Act defines EP as the price at which the subject merchandise is first sold before the date of importation by the producer or exporter outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection 772(c) of the Act.

Section 772(b) of the Act defines CEP as the price at which the subject merchandise is first sold in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections 772(c) and (d) of the Act.

For all respondents, we calculated EP and CEP, as appropriate, based on the packed prices charged to the first unaffiliated customer in the United States. We found that all the respondents made EP sales during the POI. These sales are properly classified as EP sales because they were made outside the United States by the exporter or producer to unaffiliated customers in the United States prior to the date of importation.

We also found that each respondent made CEP sales during the POI. These sales are properly classified as CEP sales because they were made after the date of importation.

In accordance with section 772(c)(2) of the Act, we made deductions from the starting price for movement expenses and export taxes and duties, where appropriate. Section 772(d)(1) of

the Act provides for additional adjustments to calculate CEP. Accordingly, where appropriate, we deducted direct and indirect selling expenses related to commercial activity in the United States. Pursuant to section 772(d)(3) of the Act, where applicable, we made an adjustment for CEP profit.

A. ISI

As stated above, during the POI, ISI made both EP and CEP sales. We calculated an EP for sales where the merchandise was sold directly by ISI to the first unaffiliated purchaser in the United States prior to importation, and CEP was not otherwise warranted based on the facts on the record. We calculated a CEP for sales made by ISI's affiliated U.S. further processor after the importation of the subject merchandise into the United States. For both EP and CEP transactions, we made deductions from the starting price for movement expenses in accordance with section 772(c)(2)(A) of the Act. These included inland freight, warehousing expenses and brokerage fees.

For CEP sales, in accordance with section 772(d)(1) of the Act, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including direct expenses (credit expenses and warranty expenses), the cost of further manufacturing, and indirect selling expenses incurred by the affiliated further processor in the United States. We also deducted from CEP an amount for profit, in accordance with section 772(d)(3) of the Act.

B. Stelco

During the POI, Stelco made both EP and CEP sales. We calculated an EP for sales where the merchandise was sold directly by Stelco to the first unaffiliated purchaser in the United States prior to importation, and CEP was not otherwise warranted based on the facts on the record. We calculated a CEP for sales made by Stelco's affiliated U.S. further processor after the importation of the subject merchandise into the United States. For EP and CEP transactions, we made deductions from the starting price for billing adjustments and movement expenses in accordance with section 772(c)(2)(A) of the Act. Movement expenses included inland freight, warehousing expenses, and brokerage fees.

For CEP sales, in accordance with section 772(c)(2)(A), we deducted movement expenses, including inland freight, warehousing expenses, and brokerage fees. In accordance with section 772(d)(1) of the Act, we

deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including direct expenses (credit expenses, advertising expenses, warranty expenses and technical services); indirect selling expenses incurred by an affiliated further processor in the United States; and further manufacturing costs. We also deducted from CEP an amount for profit, in accordance with section 772(d)(3) of the Act.

C. Ivaco

During the POI, Ivaco made both EP and CEP sales. We calculated an EP for sales where the merchandise was sold directly by Ivaco to the first unaffiliated purchaser in the United States prior to importation, and CEP was not otherwise warranted based on the facts on the record. We calculated a CEP for sales made by IRM and by Ivaco's two affiliated U.S. further processors after the importation of the subject merchandise into the United States. For EP sales, we made additions to the starting price (gross unit price), where appropriate, for freight revenue (reimbursement for freight charges paid by Ivaco) and for billing errors (debit-note price adjustments made by Ivaco), and deductions, where appropriate, for billing adjustments (including credit-note price adjustments made by Ivaco), early payment discounts and rebates, and movement expenses in accordance with section 772(c)(2)(A) of the Act. Movement expenses included inland freight, warehousing expenses, brokerage fees, U.S. customs duty, and U.S. merchandise processing fees.

For CEP sales, we made the same adjustments to the starting price as for the EP transactions described above. In accordance with sections 772(d) of the Act, we also made deductions, where appropriate, for direct and indirect selling expenses, further manufacturing costs, and CEP profit. Included in the indirect selling expenses we deducted are those expenses Ivaco and IRM incurred in Canada which were associated with economic activities in the United States; i.e., expenses incurred arranging transportation to unaffiliated U.S. customers, evaluating orders from such customers, and issuing invoices for CEP sales, and so forth. The preamble to *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, at 27351 (May 19, 1997), states that the Department will deduct all CEP expenses related to the first sale to the first unaffiliated U.S. customer "... even if, for example, the foreign parent of the affiliated U.S. importer pays those expenses." See, also, the *Statement of*

Administrative Action (SAA) accompanying the URAA, H.R. Doc. 103-316, Vol. I (1994), at 823. The U.S. Court of International Trade has upheld such deductions. See *Mitsubishi Heavy Industry Ltd. v. United States*, 54 F. Supp. 2d 1183 (Ct. Int'l Trade 1999).

Normal Value

A. Selection of Comparison Markets

Section 773(a)(1) of the Act directs that NV be based on the price at which the foreign like product is sold in the home market, provided that the merchandise is sold in sufficient quantities (or value, if quantity is inappropriate), that the time of the sales reasonably corresponds to the time of the sale used to determine EP or CEP, and that there is no particular market situation that prevents a proper comparison with the EP or CEP. The statute contemplates that quantities (or value) will normally be considered insufficient if they are less than five percent of the aggregate quantity (or value) of sales of the subject merchandise to the United States.

We found that ISI, Ispat and Stelco each had a viable home market for steel wire rod. As such, the respondents submitted home market sales data for purposes of the calculation of NV.

In deriving NV, we made adjustments as detailed in the Calculation of Normal Value Based on Home Market Prices and Calculation of Normal Value Based on Constructed Value sections below.

B. Cost of Production Analysis

Based on allegations contained in the petition, and in accordance with section 773(b)(2)(A)(i) of the Act, we found reasonable grounds to believe or suspect that steel wire rod sales were made in Canada at prices below the cost of production (COP). See Initiation Notice, 66 FR at 50166. As a result, the Department has conducted an investigation to determine whether ISI, Ivaco and Stelco made home market sales at prices below their respective COPs during the POI within the meaning of section 773(b) of the Act. We conducted the COP analysis described below.

1. Calculation of Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated a weighted-average COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for the home market general and administrative (G&A) expenses, including interest expenses, selling expenses, and packing expenses. We relied on the COP data submitted by ISI

and Ivaco in their cost questionnaire responses.

For Stelco and Stelwire, we relied on the cost of production information submitted by the respondents in their questionnaire responses, except for the following adjustments:

a. We adjusted the reported cost of manufacture (COM) to reflect the highest of transfer price, market price and affiliated suppliers' COP for the inputs purchased from affiliated suppliers;

b. We calculated separate G&A rates (excluding interest expenses) for Stelco and Stelwire. We based Stelco and Stelwire's G&A rates on their fiscal year ended December 31, 2000, unconsolidated financial statements respectively. We then calculated a single G&A rate for Stelco and Stelwire by weight-averaging the two companies' individually-calculated G&A rates based on their reported shipment quantities;

c. We calculated Stelco's further manufacturing G&A expense rate based on the Stelco USA unconsolidated financial statements. We used the further processing cost component included in the cost of sales as a denominator to calculate the rate; and

d. We used the reported consolidated interest expense rate to calculate the total further manufacturing costs. See *Cost Calculation Memorandum* from Sheikh Hannan and Taija A. Slaughter to Neal Halper, Director Office of Accounting, dated April 2, 2002.

2. Test of Home Market Sales Prices

We compared the adjusted weighted-average COP for each respondent to the respective respondent's home-market sales prices of the foreign like product, as required under section 773(b) of the Act, to determine whether these sales had been made at prices below the COP within an extended period of time (*i.e.*, a period of one year) in substantial quantities and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time.

On a model-specific basis, we compared the revised COP to the home market prices, less any applicable movement charges, discounts, rebates, and direct and indirect selling expenses (which were also deducted from COP).

3. Results of the COP Test

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of a respondent's sales of a given product were at prices less than the COP, we did not disregard any below-cost sales of that product because we determined that the below-cost sales were not made in "substantial quantities." Where 20 percent or more of a respondent's sales

of a given product during the POI were at prices less than the COP, we determined such sales to have been made in "substantial quantities" within an extended period of time in accordance with section 773(b)(2)(B) of the Act. In such cases, because we compared prices to POI average costs, pursuant to section 773(b)(2)(D) of the Act, we also determined that such sales were not made at prices that would permit recovery of all costs within a reasonable period of time. Therefore, we disregarded comparison market sales for ISI, Ivaco and Stelco that failed the cost test.

C. Calculation of Normal Value Based on Home Market Prices

We determined price-based NVs for the respondent companies as follows. For each respondent, we made adjustments for any differences in packing and deducted home market movement expenses pursuant to sections 773(a)(6)(A) and 773(a)(6)(B)(ii) of the Act. In addition, where applicable in comparison to EP transactions, we made adjustments for differences in circumstances of sale (COS) pursuant to section 773(a)(6)(C)(iii) of the Act.

The company-specific COS adjustments are described below.

1. ISI

We made COS adjustments for ISI's EP transactions by deducting direct selling expenses incurred for home market sales (credit expenses and warranty expenses) and adding U.S. direct selling expenses (credit expenses and warranty expenses). For matches of similar merchandise, we made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act.

2. Stelco

We made COS adjustments for Stelco's EP transactions by deducting direct selling expenses incurred for home market sales (credit expenses, advertising expenses, warranty expenses and technical services) and adding U.S. direct selling expenses (credit expenses, advertising expenses, warranty expenses and technical services). For matches of similar merchandise, we made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act.

3. Ivaco

We made COS adjustments for Ivaco's EP transactions by deducting direct selling expenses incurred for home market sales (credit expenses and

warranty expenses) and adding U.S. direct selling expenses (credit expenses and warranty expenses). For matches of similar merchandise, we made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act.

Because Ivaco paid commissions on its EP sales, in calculating NV, we deducted the lesser of either (1) the weighted-average amount of commission paid on a U.S. sale for a particular product, or (2) the weighted-average amount of indirect selling expenses paid on the home market sales for a particular product. See preamble at 19 CFR 351.410(e), 62 FR at 27414 (May 19, 1997).

D. Arm's-Length Sales

The respondents each reported sales of the foreign like product to an affiliated customer. To test whether these sales to affiliated customers were made at arm's length, where possible, we compared the prices of sales to affiliated and unaffiliated customers, net of all movement charges, direct selling expenses, and packing. Where the price to the affiliated party was, on average, 99.5 percent or more of the price to unaffiliated parties, we determined that sales made to the affiliated party were at arm's length. See *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27355 (May 19, 1997) (preamble to the Department's regulations). Consistent with section 351.403(c) of the Department's regulations, we excluded from our analysis those sales where the price to the affiliated parties was less than 99.5 percent of the price to the unaffiliated parties.

E. Calculation of Normal Value Based on Constructed Value

Section 773(a)(4) of the Act provides that, where NV cannot be based on comparison-market sales, NV may be based on CV. Accordingly, for those models of steel wire rod for which we could not determine the NV based on comparison-market sales, either because there were no sales of a comparable product or all sales of the comparison products failed the COP test, we based NV on CV.

Section 773(e)(1) of the Act provides that CV shall be based on the sum of the cost of materials and fabrication for the imported merchandise plus amounts for selling, general, and administrative expenses (SG&A), profit, and U.S. packing expenses. We calculated the cost of materials and fabrication based on the methodology described in the COP section of this notice. We based

SG&A and profit on the actual amounts incurred and realized by the respondents in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the comparison market, in accordance with section 773(e)(2)(A) of the Act. In addition, we used U.S. packing costs as described in the Export Price section of this notice, above.

We made adjustments to CV for differences in COS in accordance with section 773(a)(8) of the Act and 19 CFR 351.410. These involved the deduction of direct selling expenses incurred on home market sales from, and the addition of U.S. direct selling expenses to, CV.

Company-specific adjustments are described below.

1. Stelco

For CEP and EP comparisons, we deducted direct selling expenses incurred for home market sales (credit expenses, advertising expenses, warranty expenses and technical services). For EP sales, we added U.S. direct selling expenses (credit expenses, advertising expenses, warranty expenses and technical services) to the NV.

2. Ivaco

For CEP and EP comparisons, we deducted direct selling expenses incurred for home market sales (credit expenses and warranty expenses). For EP sales we added U.S. direct selling expenses (credit expenses and warranty expenses) to the NV.

Because Ivaco paid commissions on its EP sales, in calculating NV, we deducted the lesser of either (1) the weighted-average amount of commission paid on a U.S. sale for a particular product, or (2) the weighted-average amount of indirect selling expenses paid on the home market sales for a particular product. See preamble at 19 CFR 351.410(e), 62 FR at 27414 (May 19, 1997).

F. Level of Trade/Constructed Export Price Offset

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

transactions, it is the level of the constructed sale from the exporter to the importer.

To determine whether NV sales are at a different level of trade than EP or CEP transactions, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different level of trade and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the level of trade of the export transaction, we make a level-of-trade adjustment under section 773(a)(7)(A) of the Act. For CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the difference in the levels between NV and CEP affects price comparability, we adjust NV under section 773(a)(7)(B) of the Act (the CEP-offset provision). See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731, 61733, 61746 (November 19, 1997).

In implementing these principles in this investigation, we obtained information from ISI, Ivaco and Stelco about the marketing stages involved in the reported U.S. and home market sales, including a description of the selling activities performed by the respondents for each channel of distribution. In identifying levels of trade for EP and home market sales we considered the selling functions reflected in the starting price before any adjustments. For CEP sales, we considered only the selling activities reflected in the price after the deduction of expenses pursuant to section 772(d) of the Act.

In conducting our level-of-trade analysis for each respondent, we examined the specific types of customers, the channels of distribution, and the selling practices of the respondent. Generally, if the reported levels of trade are the same, the functions and activities of the seller should be similar. Conversely, if a party reports levels of trade that are different for different categories of sales, the functions and activities may be dissimilar. We found that, for ISI and Stelco, the pattern was very similar; Ivaco, however, was characterized by a different pattern. We found the following.

1. ISI

EP sales to the United States and sales in Canada were made to re-drawers and to parts manufacturers. For all these sales, the selling functions that ISI performed for its different customers and channels of distribution were very similar for both types of customers in each market. Although ISI reported that wire drawers required more of its metallurgical services and product development consulting than parts manufacturers do, both types of customers required these services in the home market and the U.S. market. Therefore, we found the EP and home market levels of trade to be the same and made no level-of-trade adjustment.

With regard to the U.S. sales of further manufactured products, which were all CEP sales, we considered only the selling activities reflected in the price after the deduction of expenses and profit covered in section 772(d) of the Act. After we deducted the expenses and profit covered in section 772(d), the NV level of trade was more remote from ISI than that of its U.S. sales of further manufactured products, as adjusted. In addition, there is only one level of trade in the home market and we have no other appropriate information on which to determine if there is a pattern of consistent price differences between the sales on which NV is based and comparison market sales at the level of trade of the export transactions. As a result, we are granting a CEP offset pursuant to section 773(a)(7)(B) of the Act.

2. Stelco

For all its home market and EP sales, the selling functions Stelco performed for its different customer categories and channels of distribution were virtually identical. Therefore, we found the EP and home market levels of trade to be the same and made no level-of-trade adjustment.

With regard to CEP sales, we considered only the selling activities reflected in the price after the deduction of expenses and profit covered in section 772(d) of the Act. After we deducted the expenses and profit covered in section 772(d), the NV level of trade was more remote from Stelco than that of its U.S. sales of further manufactured products, as adjusted. In addition, there is only one level of trade in the home market and we have no other appropriate information on which to determine if there is a pattern of consistent price differences between the sales on which NV is based and comparison market sales at the level of trade of the export transactions. As a

result, we are granting a CEP offset pursuant to section 773(a)(7)(B) of the Act.

3. Ivaco

Ivaco reported two channels of distribution in the home market. The channels of distribution are: 1) direct sales by IRM and 2) direct sales by Sivaco. To determine whether separate levels of trade exist in the home market, we examined the stages in the marketing process and selling functions along the chain of distribution between Ivaco and its customers. Based on this examination, we preliminarily determine that Ivaco sold merchandise at two levels of trade in the home market during the POI. One level of trade is for sales made by Ivaco's steel wire rod manufacturing facility, IRM; the second level of trade is for sales made by Sivaco, Ivaco's customer service center, which is also a steel wire rod processing and drawing facility. From our analysis of the marketing process for these sales, we determined that sales by Sivaco are at a more remote marketing stage than that for sales by IRM. Sales by Sivaco have different, more complex, distribution patterns, involving substantially greater selling activities. Based on these differences, we concluded that two levels of trade exist in the home market, an IRM level of trade ("level one") and a Sivaco level of trade ("level two").

The Department analyzed Ivaco's selling functions in the home market, including inventory maintenance services, delivery services, handling services, freight services, sales administration services, bid assistance, technical services, and extension of credit.⁶ With regard to inventory maintenance, Sivaco offers more extensive inventory services than IRM. Sivaco maintains a significant general inventory, which results in a significantly longer inventory turnover rate for Sivaco, and additional services. This allows Sivaco to offer its customers just-in-time (JIT) delivery services. Thereby, Sivaco assumes the inventory services that would normally be performed by the customer. IRM does not provide these additional services. As stated by the Department in *Pipe and Tube from Turkey*, "inventory maintenance is a principal selling function" and "the additional responsibilities of maintaining merchandise in inventory also gives rise

to related selling functions that are performed."⁷

Specifically, Sivaco ships more often than IRM due to the fact that Sivaco offers its customers JIT inventory, while IRM produces and ships rod based on a quarterly rolling schedule. In addition, Sivaco provides more handling and freight services than IRM in that it offers smaller, more frequent shipments with more varied freight services. For example, IRM sells rod in either full truck load or rail car quantities, while Sivaco will arrange shipment for less than truck-load quantities. With regard to sales administration services, Sivaco has a smaller average shipment size than IRM, resulting in a higher proportional sales administrative service cost than IRM. Furthermore, Sivaco offers the following services to its customers, which IRM does not; 1) bid assistance to customers, 2) assistance with product specification and material/ processing review, and 3) a wider range of technical assistance, including helping customers solve usage problems and choose the best type of rod for their applications and machinery.

In the U.S. market, Ivaco reported two EP channels of distribution. The channels of distribution are: 1) direct sales by IRM to U.S. customers and 2) direct sales by Sivaco to U.S. customers. To determine whether separate levels of trade exist for EP sales to the U.S. market, we examined the selling functions, the chain of distribution, and the customer categories reported in the United States.

Specifically, we have found that direct sales by IRM to U.S. customers involve all the same selling functions as IRM's sales in the home market. Further, direct sales by Sivaco in the U.S. include all the same selling functions and are made at the same level of trade as those found in the home market. Sales by Ivaco's steel wire rod manufacturing facility, IRM, are made at level of trade one, the same as IRM's home market sales. EP sales by Sivaco are made at the second level of trade. Because the levels of trade in the United States for EP sales are identical to those in the home market, the preceding analysis with respect to the home market levels of trade applies equally to the U.S. market.

To the extent possible, we have compared U.S. EP transactions and home market sales at the same level of trade without making a level-of-trade adjustment. When we were unable to find sales of the foreign like product in

⁶ Due to its proprietary nature, credit risk was analyzed in Ivaco's Calculation Memo, March 28, 2002.

⁷ See *Certain Welded Carbon Steel Pipe and Tube From Turkey*, 63 Fed. Reg. 35, 190 (1998).

the home market at the same level of trade as the U.S. sale, we examined whether a level-of-trade adjustment was appropriate. When we compare U.S. sales to home market sales at a different level of trade, we make a level-of-trade adjustment if the difference in levels of trade affects price comparability. We determine any effect on price comparability by examining sales at different levels of trade in a single market, the home market. Any price effect must be manifested in a pattern of consistent price differences between home market sales used for comparison and sales at the equivalent level of trade of the export transaction. To quantify the price differences, we calculate the difference in the average of the net prices of the same models sold at different levels of trade. Net prices are used because any difference will be due to differences in level of trade rather than other factors. We use the average difference in net prices to adjust NV when NV is based on a level of trade different from that of the export sale. If there is no pattern of consistent price differences, the difference in levels of trade does not have a price effect and, therefore, no adjustment is necessary.

In addition, Ivaco has two CEP channels of distribution which constitute a single level of trade: 1) sales of goods manufactured by IRM that are not further manufactured before being sold to unaffiliated customers from inventory locations in the United States and 2) sales by IRM of products further manufactured in the United States by affiliated companies. For CEP sales, we examined the relevant functions after deducting the costs of further manufacturing, U.S. selling expenses and associated profit, as well as indirect selling expenses incurred in Canada associated with commercial activities incurred in the United States. As a result, there are no selling activities associated with Ivaco's CEP sales in either channel of distribution when effecting the level of trade comparison with home market sales. Therefore, we preliminarily find that the CEP level of trade is not comparable to either level of trade in the home market. We were unable to quantify the level of trade adjustment, in accordance with section 773(a)(7)(B) of the Act; therefore, we matched, where possible, to the closest home market level of trade, level of trade one, and granted a CEP offset pursuant to section 773(a)(7)(B) of the Act.

Currency Conversions

We made currency conversions into U.S. dollars in accordance with section 773A of the Act based on exchange rates

in effect on the dates of the U.S. sale, as obtained from the Federal Reserve Bank (the Department's preferred source for exchange rates).

Verification

In accordance with section 782(i) of the Act, we intend to verify all information relied upon in making our final determination.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to suspend liquidation of certain entries of carbon and certain alloy steel wire rod from Canada, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the *Federal Register*. We are also instructing the Customs Service to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the NV exceeds the EP or CEP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice. Because the estimated weighted-average dumping margin for Stelco is *de minimis*, we are not directing the Customs service to suspend the liquidation of entries for this company.

The weighted-average dumping margins are provided below:

Manufacturer/exporter	Margin (percent)
ISI	4.21
Ivaco	7.36
Stelco	1.32*
All Others	6.43

* *De minimis* - excluded from the calculation of the "All Others" rate.

Disclosure

The Department will disclose calculations performed within five days of the date of publication of this notice to the parties of the proceeding in this investigation in accordance with 19 CFR 351.224(b).

International Trade Commission Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. If our final antidumping determination is affirmative, the ITC will determine whether the imports covered by that determination are materially injuring, or threaten material injury to, the U.S. industry. The deadline for that ITC determination would be the later of 120 days after the date of this preliminary determination or 45 days after the date of our final determination.

Public Comment

Case briefs for this investigation must be submitted no later than one week after the issuance of the verification reports. Rebuttal briefs must be filed within five days after the deadline for submission of case briefs. A list of authorities used, a table of contents, and an executive summary of issues should accompany any briefs submitted to the Department. Executive summaries should be limited to five pages total, including footnotes. Further, we would appreciate it if parties submitting written comments would provide the Department with an additional copy of the public version of any such comments on diskette.

Section 774 of the Act provides that the Department will hold a hearing to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs, provided that such a hearing is requested by any interested party. If a request for a hearing is made in an investigation, the hearing will tentatively be held two days after the deadline for submission of the rebuttal briefs, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. In the event that the Department receives requests for hearings from parties to more than one steel wire rod case, the Department may schedule a single hearing to encompass all those cases. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request within 30 days of the publication of this notice. Requests should specify the number of participants and provide a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs.

We will issue our final determination no later than 135 days after the date of publication of this notice in the *Federal Register*. This determination is issued and published pursuant to sections 733(f) and 777(i)(1) of the Act.

Dated: April 2, 2002

Faryar Shizad,

Assistant Secretary for Import Administration.

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