

DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-826]

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

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

EFFECTIVE DATE: October 1, 1997.

FOR FURTHER INFORMATION CONTACT: Lisette Lach (202/482-6412); Cindy Sonmez (202/482-0961); or Dorothy Woster (202/482-3362) for Stelco, Inc. and Sidbec-Dosco (Ispat), Inc.; Alexander Braier (202/482-3818); Abdelali Elouaradia (202/482-2243); or Sharon Harris (202/482-0190) for Ivaco, Inc. Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230.

The Applicable Statute

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 references to the provisions codified at 19 CFR Part 353 (April 1997). Although the Department's new regulations, codified at 19 CFR 351 (62 FR 27296, May 19, 1997), do not govern this investigation, citations to those regulations are provided, where appropriate, as a statement of current departmental practice.

Preliminary Determination

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

Case History

Since the initiation of this investigation on March 18, 1997 (see *Notice of Initiation of Antidumping Duty Investigations: Steel Wire Rod from Canada, Germany, Trinidad and Tobago, and Venezuela*, 62 FR 13854 (March 24, 1997), ("Notice of Initiation")), the following events have occurred:

On April 14, 1997, the United States International Trade Commission ("ITC") notified the Department of Commerce ("the Department") of its affirmative preliminary injury determination in this case.

On April 21, 1997, the Department issued the antidumping duty questionnaire to counsel for the following producers/exporters of SWR: Stelco, Inc. ("Stelco"); Sidbec-Dosco (Ispat) Inc. ("SDI"); and Ivaco, Inc. ("Ivaco") (collectively "respondents"). The questionnaire is divided into four sections: Section A requests general information concerning a company's corporate structure and business practices, the merchandise under investigation that it sells, and the sales of the merchandise in all of its markets. Sections B and C request home market sales listings and U.S. sales listings, respectively. Section D requests information on the cost of production ("COP") of the foreign like product and the constructed value ("CV") of the subject merchandise. Section E requests information on further manufactured merchandise.

During April and May 1997, the Department received interested party comments regarding modifications to the product characteristic reporting requirements. On May 22, 1997, the Department issued revised product characteristic reporting instructions.

Respondents submitted their questionnaire responses in May and June 1997. The Department issued supplemental requests for information in June, July, August, and September 1997, and received the supplemental responses to these requests in July, August and September 1997. Petitioners in this investigation (Connecticut Steel Group, Co-Steel Raritan, GS Industries, Inc., Keystone Steel & Wire Co., North Star Steel Texas, Inc., and Northwestern Steel & Wire Co.) filed comments on respondents' questionnaire responses in June, July, August, and September 1997.

On July 3, 1997, petitioners made a timely request that the Department postpone the preliminary determination in this investigation and the companion investigations of SWR from Canada, Trinidad and Tobago, and Venezuela to September 24, 1997. We did so on July 14, 1997, in accordance with section 733(c)(1) of the Act (see *Notice of Postponement of Preliminary Antidumping Duty Determinations: Steel Wire Rod from Canada, Germany, Trinidad and Tobago, and Venezuela*, 62 FR 38257 (July 17, 1997)).

On July 18, 1997, the Department granted requests received from all three respondents to exclude certain categories of "outlier" sales that

represented an insignificant portion of each company's home market and U.S. sales (see Memoranda from Roland L. MacDonald to Joseph A. Spetrini, dated July 18, 1997).

Postponement of Final Determination and Extension of Provisional Measures

On September 15, 1997, Ivaco requested that, pursuant to section 735(a)(2)(A) of the Act, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination, until not later than 135 days after the date of publication of the affirmative preliminary in the **Federal Register**. In accordance with section 735(a)(2)(A) of the Act and 19 CFR 353.2(b), inasmuch as our preliminary determination is affirmative, Ivaco accounts for a significant proportion of exports of the subject merchandise, and we have not identified any compelling reasons for denying this request, we are granting Ivaco's request and postponing the final determination. Suspension of liquidation will be extended accordingly. See *Final Determination of Sales at Less Than Fair Value: Certain Pasta From Italy*, 61 FR 30326 (June 14, 1996).

Scope of Investigation

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

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

Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater than or equal to 0.68 percent; aluminum less than or equal to 0.005 percent; phosphorous plus sulfur less than or equal to 0.040 percent; maximum

combined copper, nickel and chromium content of 0.13 percent; and nitrogen less than or equal to 0.006 percent. This product is commonly referred to as "Tire Cord Wire Rod."

Coiled products 7.9 to 18 mm in diameter, with a partial decarburization of 75 microns or less in depth and seams no more than 75 microns in depth, containing 0.48 to 0.73 percent carbon by weight. This product is commonly referred to as "Valve Spring Quality Wire Rod."

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

North American Wire Products Corporation ("NAW"), an importer of the subject merchandise from Germany, has requested that the Department exclude SWR used to manufacture pipe wrapping wire from the scope of the antidumping and countervailing duty investigations. Petitioners have not agreed to this scope exclusion. For purposes of the preliminary determination, we have not excluded SWR for manufacturing pipe wrapping wire from the scope.

On June 2, 1997, Ivaco requested that the Department exclude from its antidumping analysis U.S. and home market sales of processed rod (subject merchandise) produced from non-Canadian sourced "green" rod which falls within the physical description of merchandise subject to the proceeding. We examined the nature of the processing, which consisted of heat treating and cleaning/coating, to determine whether the green rod was substantially transformed so as to qualify as Canadian-origin merchandise within the scope of this investigation. Under the Department's "substantial transformation" practice, the nature of the processing must result in an article different in character and use to render the merchandise a product of the country in which it was processed. See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Carbon Steel Butt-Weld Pipe Fittings From India*, 60 FR 10545, 10546 (Feb. 27, 1995); *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Carbon Steel Flat Products From Argentina (Appendix 1)*, 58 FR 37062, 37066 (July 9, 1993).

Ivaco's response indicates that Sivaco performed two processing steps on its purchases of green SWR during the POI:

cleaning/coating and heat treatment. The cleaning/coating step first removes scale from the SWR, while the coating aids in subsequent wire drawing and cold drawing. The heat treatment modifies the SWR microstructure in order to produce desired mechanical and metallurgical properties.

Neither of these two steps significantly change the physical or chemical properties of the product, nor do they change the intended uses. Further, the dimensional characteristics are similarly unchanged. The types of processing Sivaco performed does not move the product out of the scope or create a product of a new class or kind. Instead, this processing would at most change the classification of a given rod within individual model match characteristics. In sum, the nature of these processing steps do not substantially transform the subject merchandise. We note that our finding is consistent with the Customs' practice of treating such processing as less than substantial transformation. Therefore, we find that processed rod produced from non-Canadian green SWR is outside the scope of this investigation. Thus, these sales have been excluded from our analysis.

Period of Investigation

The period of investigation ("POI") is January 1, 1996 through December 31, 1996.

Product Comparisons

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

For Stelco, the Department noted that, in the product characteristic field deoxidation practice, silicon-killed titanium grain refined steel had been classified under the category "other" rather than "silicon-killed." However, the category "silicon-killed" was intended to include all silicon-killed steels other than silicon-killed vanadium or niobium grain refined steels. Silicon-killed titanium grain refined steel is not included among these specific exceptions; hence, the

Department has reclassified all silicon-killed titanium grain refined transactions as "silicon-killed" under deoxidation practice.

On April 4, 1997, as the Department was in the process of preparing its antidumping duty questionnaire, the Department requested comments on the product characteristics to be included in the questionnaire. On April 18, 1997, Ivaco requested the Department to establish a separate class or kind of subject merchandise for cold heading quality ("CHQ") wire rod. On April 21, 1997, the Department issued the antidumping duty questionnaire, which specified the physical characteristics to be used in matching sales of subject merchandise. In response to comments made by interested parties regarding the appropriate product characteristics, on May 13, 1997, the Department requested comments from all interested parties regarding modification to the product characteristic reporting requirements. On May 22, 1997, the Department issued the revised product characteristic reporting instructions, which included the deoxidation variable. We preliminarily find that the respondents' diversified analysis does not provide a sufficient basis for finding a separate class or kind of merchandise for CHQ. However, we have accounted for product differences in the revised product characteristics.

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

Fair Value Comparisons

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

Level of Trade

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade ("LOT") as the EP or CEP transaction. The NV LOT is that of

the starting-price sales in the comparison market or, when NV is based on constructed value ("CV"), that of the sales from which we derive selling, general and administrative ("SG&A") expenses and profit. For EP, the U.S. LOT is also the level of the starting-price sale, which is usually from exporter to importer. For CEP, it is the level of the constructed sale from the exporter to the importer.

To determine whether NV sales are at a different LOT than EP or CEP, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the LOT of the export transaction, we make an LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the difference in the levels between NV and CEP affects price comparability, we adjust NV under section 773(a)(7)(B) of the Act (the CEP offset provision). See *Certain Welded Carbon Steel Standard Pipes and Tubes From India: Preliminary Results of New Shipper Antidumping Duty Administrative Review*, 62 FR 23760, 23761 (May 1, 1997).

Stelco

In this investigation, we calculated NV based on the same LOT. Stelco did not claim a LOT adjustment. To examine whether such an adjustment was necessary, we requested and examined Stelco's distribution system, including classes of customers, selling functions, and selling expenses. Stelco's home market sales are made through two channels of distribution: (1) Direct sales from Stelco to unaffiliated customers, and (2) direct sales by Stelwire, Stelco's wholly-owned processor, to unaffiliated customers. Sales at both channels are made to the same category of customer, (e.g., original equipment manufacturers (OEMs)). We next reviewed where sales are made in the chain of distribution. Sales by Stelco are made directly from the factory, whereas sales by Stelwire are not—Stelwire first purchases rod from Stelco, then resells the rod to unaffiliated customers. Sales by a reseller represent an additional stage in the marketing process, since the reseller is an intermediary between the factory and the customer. Thus, sales by the two

entities appear to be made at different stages in the chain of distribution. However, we found no evidence that the entities perform different selling activities (e.g., inventory services, technical services, credit extension, and warranty services), or incur different selling expenses at these different marketing stages. We therefore conclude that Stelco's home market sales were made at one LOT.

Stelco reported EP sales in the U.S. market. We conducted an identical analysis as described above and found that all sales were made at the same stage in the chain of distribution, i.e., direct to unaffiliated customers, with no distinction in selling functions provided, or selling expenses incurred, among U.S. sales. On this basis we conclude that Stelco's sales in the U.S. are made at one LOT. Finally, we found no differences among the LOTs in the U.S. and home market. Stelco provided the same or similar services with respect to U.S. transactions and home market transactions. Overall, based on this analysis, we conclude that there is no difference among the LOT in the U.S. and home markets. As we are able to calculate NV based on the same LOT as a U.S. sale, no LOT adjustment is warranted.

SDI

In this investigation, we calculated NV based on the same LOT. SDI did not claim a LOT adjustment. To examine whether such an adjustment was necessary, we requested and examined information on SDI's distribution system, including classes of customers, selling functions, and selling expenses. We noted that SDI had only one channel of distribution (wire drawers and parts manufacturers) in the home market and two channels of distribution in the U.S. market: EP sales (wire drawers and parts manufacturers) and CEP sales (further manufactured products). We also noted that SDI had two classes of customers (i.e., wire drawers and parts manufacturers) in the home market and U.S. market. Furthermore, SDI's selling functions were the same for both classes of customers in the home market and U.S. markets (for CEP sales, we examined these functions after deducting U.S. selling expenses and associated profit). Finally, we also noted that SDI performed all selling functions or services during the POI, regardless of channel of distribution, and the related expenses were reported to the Department as indirect selling expenses. These functions and services include (1) negotiating terms/developing/maintaining customer base, (2) preparing merchandise for shipment, (3)

maintaining records, (4) collecting bills, (5) providing technical assistance and services (provided to a greater degree to wire drawers rather than parts manufacturers in both the United States and Canada), and (6) after-sale service, and they are the same for the home market and U.S. market (including EP and CEP sales). Therefore, it appears that all sales made by SDI in both the home and U.S. markets were made at one LOT. As such, no LOT adjustment is warranted for SDI.

Ivaco

We also 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 LOTs in the home market during the POI. One level of trade is for sales made by Ivaco's wire rod manufacturing facility, Ivaco Rolling Mills ("IRM"); the second level of trade is for sales made by Ivaco's wire rod processing and drawing facilities, Sivaco Ontario and Sivaco Quebec. From our analysis of the marketing process for these sales, we determined that sales by Sivaco Ontario and Sivaco Quebec are at a more remote marketing stage than that for sales by IRM. See Memorandum from Alexander Braier to Roland MacDonald, dated September 24, 1997, which is on file in Import Administration's Central Records Unit, Room B-099, U.S. Department of Commerce, 14th & Constitution Avenue, N.W., Washington, D.C. We also found significant distinctions between the selling activities and associated expenses between these sales at each marketing stage. Based on these differences, we concluded that two LOTs exist in the home market, an IRM LOT and a Sivaco LOT.

Ivaco reported both EP and CEP sales in the U.S. market, claiming that the same two LOTs exist in the U.S. as in the home market. We examined the chains of distribution in the U.S., which were the same as those reported for the home market. We also examined the selling functions with respect to these sales (for CEP sales, we examined these functions after deducting U.S. selling expenses and associated profit). Based on this analysis, we concluded that there are two LOTs in the U.S. market and that these LOTs are the same as those found in the home market. Because the LOTs in the United States are identical to those in the home market, the preceding analysis with respect to the home market LOTs applies equally to the U.S. market. Therefore, the preceding analysis

applies to the U.S. market in total. See Memorandum from Alexander Braier to Roland L. MacDonald, dated September 24, 1997.

To the extent possible, we have compared U.S. and home market sales at the same LOT without making a LOT adjustment. When we were unable to find sales of the foreign like product in the home market at the same LOT as the U.S. sale, we examined whether a LOT adjustment was appropriate. The Department makes this adjustment when it is demonstrated that a difference in LOT effects price comparability. To make this determination, we compared the weighted-average of Ivaco's NV prices of sales made in the ordinary course of trade at the two LOTs for models sold at both levels. Because the weighted-average prices were higher at one of the LOTs for a preponderance of the models and higher for a preponderance (by quantity) of total sales on the quantities of each model sold, we considered this to demonstrate a pattern of consistent price differences. See *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, et al.; Final Results of Antidumping Duty Administrative Reviews*, 62 FR 2081, 2106 (January 15, 1997). Thus, we made an adjustment to NV for the differences in LOT when appropriate. To calculate the LOT adjustment, we applied the percentage differential between the weighted-average home market starting price at one LOT and the weighted-average home market starting price at the next LOT. Because we were able to quantify the LOT adjustment, in accordance with section 773(a)(7)(B) of the Act, no CEP offset is applicable to relevant NV-CEP comparisons. For a detailed discussion of Ivaco's LOT analysis, see Memorandum from Alexander Braier to Roland MacDonald, dated September 24, 1997.

Export Price/Constructed Export Price

For Stelco, SDI, and Ivaco, we used the Department's EP methodology, in accordance with section 772(a) of the Act, where the subject merchandise was sold to the first unaffiliated purchaser in the United States prior to importation because CEP methodology was not otherwise warranted based on the facts on the record. For SDI and Ivaco, we used the Department's CEP methodology, in accordance with sections 772(b) of the Act, where the subject merchandise was sold to unaffiliated purchasers after importation into the United States.

We made company-specific adjustments as follows:

1. Stelco

In accordance with section 772(c) of the Act, we calculated EP based on packed, delivered prices to the first unaffiliated customer in the United States. We made deductions from the starting price (gross unit price), where appropriate, for rebates, pre-sale warehousing, Canadian inland freight from plant to distribution warehouse, inland freight from plant/warehouse to point of delivery in the United States, U.S. brokerage and handling, and U.S. customs duties.

2. SDI

We calculated EP based on packed, delivered prices to the first unaffiliated customer in the United States. We made deductions from the starting price (gross unit price), where appropriate, for rebates, Canadian inland freight from warehouse to port of exit, U.S. inland freight from warehouse to unaffiliated customers, U.S. inland freight from port to warehouse, U.S. brokerage and handling, and U.S. customs duties.

We calculated CEP based on packed, delivered prices to the first unaffiliated customer in the United States. We made the same deductions from the starting price as described above. In accordance with sections 772(d)(1) and (2) of the Act, we also made deductions, where appropriate, for direct selling expenses, including credit and warranty expenses, indirect selling expenses, including Canadian and U.S. inventory carrying costs, further manufacturing costs, and CEP profit, in accordance with section 772(d)(3) of the Act.

3. Ivaco

We calculated EP based on packed, delivered prices to the first unaffiliated customer in the United States. In some instances, customers took delivery of the merchandise at the factory. We made additions to the starting price (gross unit price), where appropriate, for freight revenue (reimbursement for freight charges paid by Ivaco) and debit-note price adjustments (adjustments made by Ivaco for billing errors), and deductions, where appropriate, for discounts, rebates, inland freight from IRM to Sivaco Ontario or Sivaco Quebec, inland freight from IRM to Sivaco New York, inland freight from IRM to unaffiliated U.S. customers, inland freight from IRM to unaffiliated U.S. processors, inland freight from Sivaco Ontario to unaffiliated customers, inland freight from Sivaco Ontario, Sivaco Quebec, or Sivaco New York to their unaffiliated U.S. customers, U.S. customs duties, U.S. brokerage and handling, and credit price adjustments.

We calculated CEP based on packed, delivered prices to the first unaffiliated customer in the United States. In some instances, customers took delivery of the merchandise at the factory. We made the same adjustments to the starting price as described above. In accordance with sections 772(d)(1) and (2) of the Act, we also made deductions, where appropriate, for direct and indirect selling expenses, commissions, further manufacturing costs, and CEP profit, in accordance with 773(d)(3) of the Act.

Normal Value

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is greater than five percent of the aggregate volume of U.S. sales), we compared each respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Since each respondent's aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales for the subject merchandise, we determined that the home market was viable for each respondent. Therefore, we have based NV on home market sales.

We based NV on the price at which the foreign like product was first sold for consumption in Canada, in the usual commercial quantities, in the ordinary course of trade in accordance with section 773(a)(1)(B)(i) of the Act. To the extent practicable, we based NV on sales at the same level of trade as the EP or CEP sales. If NV was calculated at a different level of trade, when appropriate, we made an adjustment in accordance with section 773(a)(7) of the Act. This adjustment is discussed further in the Level of Trade section above.

Because Stelco, SDI, and Ivaco reported home market sales to affiliated parties during the POI, we tested these sales to ensure that the affiliated party sales were at "arm's length." To conduct this test, we compared the gross unit prices of sales to affiliated and unaffiliated customers net of all movement charges, direct selling expenses (credit and warranty expenses), rebates, and packing. Where the price to the affiliated party was on average 99.5 percent or more of the price to the unaffiliated party, we determined that the sale made to the affiliated party was at arm's length. Based on the results of this test, we

excluded from the calculation of each respondent's NV all sales made to an affiliated party that failed the "arm's length" test.

Cost of Production Analysis

Pursuant to an allegation made by petitioners, we initiated a cost of production investigation in our notice of initiation. See Notice of Initiation, 62 FR 13854 (March 24, 1997). Before making any fair value comparisons, we conducted the COP analysis described below.

a. Calculation of COP

We calculated the COP based on the sum of the respondent's cost of materials and fabrication for the foreign like product, plus amounts for home market general expenses and packing costs in accordance with section 773(b)(3) of the Act. We adjusted the company's reported COP as follows:

1. *Stelco*: We adjusted Stelco's reported COP to allocate ingot teeming costs only to the products manufactured from billets produced at the facility for which these costs were incurred. We recalculated Stelco's general and administrative amounts to exclude off-sets to research and development and capital tax expenses. See Memorandum to Chris Marsh from Beverly Lyons, dated September 17, 1997.

2. *Ivaco*: We recalculated Ivaco's general and administrative amounts based on the expenses incurred by IRM, Sivaco Ontario, and Sivaco Quebec. We adjusted the cost of billets to account for Atlantic Steel's selling, general and administrative costs. We recalculated further manufacturing general and administrative amounts to reflect Sivaco New York's expenses rather than IRM's expenses. See Memorandum to Chris Marsh from Art Stein, dated September 18, 1997.

b. Test of Home Market Prices

We used each respondent's submitted POI weighted-average COPs, as adjusted (see above). We compared the weighted-average COP figures to home market sales of the foreign like product as required under section 773(b) of the Act. In determining whether to disregard home market sales made at prices below the COP, we examined whether (1) within an extended period of time, such sales were made in substantial quantities, and (2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time. On a product-specific basis, we compared the COP to the home market prices, less any applicable movement charges, rebates, discounts, packing, and direct and indirect selling expenses.

c. Results of COP Test

Pursuant to section 773(b)(2)(C), where less than 20 percent of the 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 the 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, we also determined that such sales were not made at prices which would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act. Therefore, we disregarded the below-cost sales. Where all sales of a specific product were at prices below the COP, we disregarded all sales of that product, and calculated NV based on CV, in accordance with section 773(a)(4) of the Act.

d. Calculation of CV

In accordance with section 773(e) of the Act, we calculated CV based on the sum of the respondent's cost of materials, fabrication, G&A, U.S. packing costs, direct and indirect selling expenses, interest expenses, and profit. As noted above, we adjusted Stelco's COP for ingot teeming costs and recalculated general and administrative expense amounts. We also adjusted Ivaco's cost of billets, and general and administrative expense amounts.

In accordance with section 773(e)(2)(A) of the Act, we based SG&A and profit on the amounts incurred and realized by the respondent in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the foreign country. For selling expenses, we used the actual monthly weighted-average home market direct and indirect selling expenses.

e. Adjustments to Prices

1. *Stelco*: We calculated NV based on packed, delivered prices to unaffiliated customers and prices to affiliated customers where the sales were made at arm's length. We made deductions from the starting price (gross unit price), where appropriate, for rebates, inland freight from plant to distribution warehouse, inland freight from plant/warehouse to customers, pre-sale warehouse expense, and packing, in accordance with section 773(a)(6) of the

Act. Pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 353.56(a)(2), we made circumstance-of-sale adjustments, where appropriate, by deducting home market direct selling expenses (*i.e.*, warranty, credit and technical service expenses) and adding U.S. direct selling expenses (*i.e.*, warranty, credit and technical service expenses).

Because Stelco paid commissions on U.S. sales, in calculating NV for the respondents, 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 351.410(e), 62 FR 27414 (May 19, 1997).

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. *SDI*: We calculated NV based on packed, delivered prices to unaffiliated customers and prices to affiliated customers where sales were made at arm's length. We made deductions from the starting price (gross unit price), where appropriate, for rebates, inland freight from plant/warehouse to customer, packing, and warranty and credit expenses, in accordance with section 773(a)(6) of the Act. Pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 353.56(a)(2), we made circumstance-of-sale adjustments, where appropriate, by deducting home market direct selling expenses (*i.e.*, warranty and credit expenses) and adding U.S. direct selling expenses (*i.e.*, warranty and credit 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.

3. *Ivaco*: We calculated NV based on packed, delivered prices to unaffiliated customers and prices to affiliated customers where sales were made at arm's length. We made deductions from the starting price (gross unit price), where appropriate, for discounts, rebates, post-sale price adjustments, foreign inland freight, warranty expense, and the direct portion of technical service expenses, in accordance with section 773(a)(6) of the Act. Pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 353.56(a)(2), we made circumstance-of-sale adjustments, where appropriate, for warranty and credit expenses. If NV was calculated at a different level of trade than EP, we made an adjustment in accordance with section 773(a)(7) of the Act, as discussed in the Level of Trade section above.

If NV was calculated at a different level of trade than CEP, we made an adjustment in accordance with section 773(a)(7) of the Act, as discussed in the Level of Trade section above.

Because Ivaco paid commissions on U.S. sales, in calculating NV for the respondent, 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 351.410(e), 62 FR 27414 (May 19, 1997). 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.

Currency Conversions

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

Verification

As provided in section 782(i) of the Act, we will verify all information determined to be acceptable for use 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 all imports of subject merchandise that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We will instruct 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 export price, as indicated in the chart below. These suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacture	Weighted-average margin percentage
Stelco, Inc.	2.43
Sidbec-Dosco (Ispat), Inc.	11.76
Ivaco, Inc.	7.49
All Others Rate	7.79

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. If our final determination is affirmative, the ITC will 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 or other written comments in at least six copies must be submitted to the Assistant Secretary for Import Administration no later than December 16, 1997, and rebuttal briefs, no later than December 30, 1997. A list of authorities used and an executive summary of issues should accompany any briefs submitted to the Department. Such summary should be limited to five pages total, including footnotes. In accordance with section 774 of the Act, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. Tentatively, the hearing will be held on January 6, 1998, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. 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 to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, within ten days of the publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs. We will make our final determination not later than 135 days after the publication of this notice in the **Federal Register**.

This determination is published pursuant to sections 733(f) and 777(i) of the Act.

Dated: September 24, 1997.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 97-26040 Filed 9-30-97; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A-428-822]

Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Steel Wire Rod From Germany

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

EFFECTIVE DATE: October 1, 1997.

FOR FURTHER INFORMATION CONTACT: Judith Wey Rudman or John Brinkmann, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482-0192 or (202) 482-5288, respectively.

The Applicable Statute

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

Preliminary Determination

We preliminarily determine that steel wire rod ("SWR") from Germany is being, 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 are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the initiation of this investigation on March 18, 1997 (see *Notice of Initiation of Antidumping Duty Investigations: Steel Wire Rod from Canada, Germany, Trinidad and Tobago, and Venezuela*, 62 FR 13854 (March 24, 1997), "Notice of Initiation"), the following events have occurred:

On April 14, 1997, the United States International Trade Commission ("ITC") notified the Department of its affirmative preliminary injury determination in this case.