and performed minor further manufacturing activities to produce merchandise that was still within the scope of the review. Changwon claims that the above determinations are indistinguishable from the facts pertaining to Changwon and, thus, the Department should continue to utilize Changwon's reported manufacturer for each sale.

Petitioners did not comment on this issue.

DOC Position

We agree with Changwon and given there are no arguments or evidence on the record to suggest otherwise, we have continued to use Changwon as the manufacturer, as reported, where appropriate.

Continuation of Suspension of Liquidation

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directing the Customs Service to continue to suspend liquidation of all entries of SSWR from Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the **Federal Register**.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

Exporter/manufacturer	Weighted-average margin percentage
Dongbang Special Steel Co., Ltd./ Changwon Specialty Steel Co., Ltd./ Pohang Iron and Steel Co., Ltd.	3.18
Sammi Steel Co., Ltd.	28.44
All Others	3.18

Pursuant to section 735(c)(5)(A) of the Act, the Department has excluded the margins determined entirely under section 776 of the Act (facts available) from the calculation of the ''All Others Rate.''

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 777(i) of the Act.

Dated: July 20, 1998.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 98–20017 Filed 7–28–98; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–475–820]

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

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

EFFECTIVE DATE: July 29, 1998.

FOR FURTHER INFORMATION CONTACT: Shawn Thompson or Irina Itkin, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–1776 or (202) 482–0656, 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 regulations of the Department of Commerce (the Department) are to the regulations at 19 CFR part 351, 62 FR 27296 (May 19, 1997).

Final Determination

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

Case History

Since the preliminary determination in this investigation on February 25, 1998 (*see Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Stainless Steel Wire Rod from Italy*, 63 FR 10831 (Mar. 5, 1998)), the following events have occurred:

In February 1998, we issued supplemental questionnaires to the two respondents in this case, Acciaierie Valbruna S.r.l. (including its subsidiary Acciaierie di Bolzano SpA) (collectively ''Valbruna'') and Cogne Acciai Speciali S.r.l. (CAS). We received responses to these questionnaires in March 1998.

In March, April, and May 1998, we verified the questionnaire responses of the two respondents, as well as the section A response of an additional company, Rodacciai SpA (Rodacciai). In May 1998, CAS and Valbruna submitted revised sales databases at the Department's request.

The petitioners (*i.e.*, AL Tech Specialty Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc., and the United Steel Workers of America, AFL-CIO/CLC) and both respondents submitted case briefs on June 3, 1998, and rebuttal briefs on June 10, 1998. The Department held a public hearing on June 17, 1998.

Scope of Investigation

For purposes of this investigation, SSWR comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.

The most common size for such products is 5.5 millimeters or 0.217 inches in diameter, which represents the smallest size that normally is produced on a rolling mill and is the size that most wire-drawing machines are set up to draw. The range of SSWR sizes normally sold in the United States is between 0.20 inches and 1.312 inches diameter. Two stainless steel grades, SF20T and K–M35FL, are excluded from the scope of the investigation. The chemical makeup for the excluded grades is as follows:

SF20T

Carbon	0.05 max.
Manganese	2.00 max.
Phosphorous	0.05 max.
Sulfur	0.15 max.
Silicon	1.00 max.
Chromium	19.00/21.00.
Molybednum	1.50/2.50.
Lead	added (0.10/0.30).
Tellurium	added (0.03 min).

K–M35FL

Carbon	0.015 max.
Silicon	0.70/1.00.
Manganese	0.40 max.
Phosphorous	0.04 max.
Sulfur	0.03 max.
Nickel	0.30 max
Chromium	12.50/14.00.
Lead	0.10/0.30.
Aluminum	0.20/0.35.

The products under investigation are currently classifiable under subheadings 7221.00.0005, 7221.00.0015, 7221.00.0030, 7221.00.0045, and 7221.00.0075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation (POI) is July 1, 1996, through June 30, 1997.

Fair Value Comparisons

To determine whether sales of SSWR from Italy to the United States were made at less than fair value, we compared the Export Price (EP) to the Normal Value (NV). Except as noted below, our calculations followed the methodologies described in the preliminary determination.

On January 8, 1998, the Court of Appeals for the Federal Circuit issued a decision in *CEMEX* v. *United States*, 1998 WL 3626 (Fed Cir.). In that case, based on the pre-URAA version of the Act, the Court discussed the appropriateness of using constructed value (CV) as the basis for foreign market value when the Department finds home market sales to be outside the ''ordinary course of trade.'' This issue was not raised by any party in this proceeding. However, the URAA amended the definition of sales outside the ''ordinary course of trade'' to include sales below cost. *See* Section 771(15) of the Act. Consequently, the Department has reconsidered its practice in accordance with this court decision and has determined that it would be inappropriate to resort directly to CV, in lieu of foreign market sales, as the basis for NV if the Department finds foreign market sales of merchandise identical or most similar to that sold in the United States to be outside the ''ordinary course of trade.'' Instead, the Department will use sales of similar merchandise, if such sales exist. The Department will use CV as the basis for NV only when there are no above-cost sales that are otherwise suitable for comparison. Therefore, in this proceeding, when making comparisons in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the ''Scope of Investigation'' section of this notice, above, that were in the ordinary course of trade for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade, based on the characteristics listed in Sections B and C of our antidumping questionnaire. We have implemented the Court's decision in this case, to the extent that the data on the record permitted.

In instances in which a respondent has reported a non-AISI grade (or an internal grade code) for a product that falls within a single AISI category, we have used the actual AISI grade rather than the non-AISI grade reported by the respondent for purposes of our analysis. However, in instances in which the chemical content range of a reported non-AISI (or an internal grade code) grade is outside an AISI grade, we have used the grade code reported by the respondents for analysis purposes. For further discussion of this issue, see *Comment 3* in the ''Interested Party Comments'' section of this notice, below.

Level of Trade

In the preliminary determination, we conducted a level of trade analysis for both respondents. Based on this analysis, we determined that a level of trade adjustment was not warranted for either company. No party to this investigation has commented on our level of trade determination. Accordingly, for purposes of the final determination, we continue to find that a level of trade adjustment is not warranted.

Export Price

For both respondents, we used EP methodology, in accordance with section 772(a) of the Act, because the subject merchandise was sold directly to the first unaffiliated purchaser in the United States prior to importation and CEP methodology was not otherwise indicated. For further discussion, see *Comment 1* in the ''Interested Party Comments'' section of this notice.

A. CAS

We calculated EP based on the same methodology used in the preliminary determination, except as noted below:

1. At the time of the preliminary determination, CAS had not reported U.S. customs duties and U.S. brokerage and handling expenses for certain U.S. sales. Because this information is now on the record and has been verified, we have used it for purposes of the final determination.

2. We made adjustments for other transportation expenses *(e.g.,* demurrage), where appropriate, based on our findings at verification.

B. Valbruna

We made no changes to the methodology used in the preliminary determination.

Normal Value

We calculated NV, cost of production (COP) and CV based on the same methodology used in the preliminary determination, except as noted below.

A. CAS

For the calculation of COP and CV, we adjusted CAS's reported costs by:

1. Adding the accelerated portion of CAS's depreciation expenses (*see Comment 10*);

2. Adding depreciation expenses related to leasehold improvements (*see Comment 11*);

3. Adding back to material costs a deduction made by CAS for the balance in its inventory provision (*see Comment 12*);

4. Deducting finished goods inventory write-downs from CAS's general and administrative expenses (*see Comment 12*);

5. Adding back to material and variable overhead costs a deduction made by CAS for inventory write-up adjustments (*see Comment 13*);

6. Adding unaccrued purchase costs that were excluded by CAS (*see Comment 14*);

7. Reclassifying certain expense and income items from general and administrative expenses to financial expenses (*see Comment 16*);

8. Correcting the double-counting of certain expenses that were reported in both variable overhead and general and administrative (G&A) expenses; and

9. Correcting an error made by CAS in a reported variable overhead adjustment factor.

These adjustments are further discussed in the Memorandum regarding Cost Calculation Adjustments from William Jones to Chris Marsh, dated July 20, 1998.

As in the preliminary determination, we found that, for certain models of SSWR, more than 20 percent of CAS's home market sales within an extended period of time were at prices less than COP. Further, the prices did not provide for the recovery of costs within a reasonable period of time. We therefore disregarded the below-cost sales and used the remaining above-cost sales as the basis for determining NV, in accordance with section 773(b)(1) of the Act. For those U.S. sales of SSWR for which there were no comparable home market sales in the ordinary course of trade, we compared EP to CV in accordance with section 773(a)(4) of the Act.

We made the following changes to our price-to-price or price-to-CV comparisons:

1. In the preliminary determination, we made no adjustment for home market packing costs or warranty expenses because CAS failed to provide the supporting documentation requested by the Department. Because verified packing and warranty information is now on the record, we have used it for purposes of the final determination.

2. Also in the preliminary determination, we made no adjustment for home market credit expenses because CAS based its credit periods on estimates, rather than on the accounts receivable information requested in a supplemental questionnaire. Because verified accounts receivable information is now on the record, we made an adjustment for home market credit expenses for purposes of the final determination.

3. We offset home market freight expenses by a freight revenue factor based on our findings at verification.

B. Valbruna

We made the following changes to our price-to-price comparisons:

1. In the preliminary determination, we made no adjustment for pre-sale warehousing expenses because Valbruna had not appropriately segregated these expenses from its indirect selling expenses. Because this information is now on the record, we have used it for purposes of the final determination. *See Comment 18.*

2. In the preliminary determination, we also made no adjustment for certain inland freight expenses because these expenses were based on data outside the POI. Because Valbruna revised its freight calculations to utilize POI data, we have adjusted for these freight expenses in the final determination.

Currency Conversion

As in the preliminary determination, 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 of the Act.

Interested Party Comments

General Issues

Comment 1: CEP vs. *EP Methodology.* The petitioners argue that the Department should treat all of the respondents' sales through their affiliated parties in the United States as CEP transactions. According to the petitioners, the Department's practice in this area is to classify sales as CEP sales when the U.S. affiliated party has more than an incidental involvement in making the sale (*e.g.,* soliciting sales, negotiating sales contracts or prices) or performs other selling functions. As support for this assertion, the petitioners cite *Certain Cold-Rolled and Corrosion-Resistant Steel Flat Products from Korea: Final Results of Antidumping Duty Administrative Reviews,* 63 FR 13170, 13172 (Mar. 18, 1998) (*Korean Steel*); and *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Stainless Steel Wire Rod from Spain,* 63 FR 10849, 10852 (Mar. 5, 1998) (*SSWR from Spain Preliminary*).

The petitioners allege that documents obtained at verification demonstrate that the affiliated parties were substantially involved in the sales process and were not mere communication links with their Italian parents. Specifically, the petitioners assert that these documents show that the affiliates served as contacts for the U.S. customers and were involved in the negotiation of sales terms and prices.

Regarding CAS, the petitioners maintain that its U.S. affiliate, CAS USA, was unable to demonstrate at verification that CAS controlled all pricing decisions in Italy, because: 1) CAS USA was unable to provide any customer inquiries during the POI; and 2) the post-POI document proffered by CAS merely showed that the Italian sales manager approved a portion of the order. Morever, the petitioners note that CAS USA recorded the purchase and resale of SSWR in its accounting records, collected payment from the customer, took title to the merchandise, and stored it in a U.S. warehouse while it awaited delivery to the U.S. customer.

According to the respondents, the Department correctly found in the preliminary determination that all of their U.S. sales were EP transactions. The respondents note that the Department's long-standing practice is to classify sales as EP if the sale occurred prior to importation and the following three criteria are met: 1) the merchandise is shipped directly to the U.S. customer without entering the affiliate's inventory; 2) this is the customary channel of trade for the affected sales; and 3) the affiliate acts only as a sales document processor and communications link. In support of their position, the respondents cite *Certain Cold-Rolled and Corrosion-Resistant Steel Flat Products from Korea: Final Results of Antidumping Duty Administrative Reviews,* 62 FR 18404, 18423 (Apr. 15, 1997); *Final Determination of Sales at Less Than Fair Value: Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled from Germany,* 61 FR 38166, 38175 (July 23, 1996); and *Final Results of Antidumping Duty Administrative Reviews; Certain Corrosion-Resistant Carbon Steel Flat Products from Canada,* 63 FR 12725 (Mar. 16, 1998).

The respondents argue that their sales meet each of the above criteria. Regarding the first two criteria, they state that subject merchandise never enters their physical inventory in the United States and that this sales channel is their customary channel of trade, CAS argues that CAS USA exerts no physical control over the subject merchandise, because almost all sales are either shipped directly to the U.S. customer or to the customer's storage facility for its own account. Moreover, CAS asserts that any warehousing performed at the port is done merely while unloading occurs; this merchandise is destined for a specific customer and cannot be sold to another party. Thus, CAS notes that SSWR never enters CAS USA's physical inventory.

Regarding CAS USA's involvement in the sales process, CAS asserts that CAS USA's role is ancillary or incidental, because CAS USA simply functions as a paper processor and communications link with CAS. CAS asserts that it controls all aspects of the marketing and sales process from Italy. Specifically, CAS maintains that CAS USA has no negotiating or pricing authority with regard to SSWR, but rather only forwards sales inquiries from U.S. customers to Italy. According to CAS, because most of its pricing instructions to CAS USA are via telephone, the absence of written records is not significant.

CAS asserts that the decision made in *Korean Steel* is not applicable here. Specifically, CAS asserts that the U.S. affiliate of one of the two respondents in that case had almost complete negotiating control over the sale, including the authority to write and sign sales contracts and to set prices, while the U.S. affiliate of the other respondent engaged in significant after-sale activity.

Valbruna notes that all of its U.S. merchandise was shipped directly to the U.S. customer without entering a warehouse in the United States. Moreover, Valbruna notes that its U.S. affiliates act only as paper processors and communications links with their parent companies, due to the time difference that exists between the United States and Italy. Valbruna maintains that it negotiates all sales and makes all pricing decisions in Italy, confirms the sale, determines the production and delivery schedule, arranges for the delivery, invoices the customer, and collects payment. According to Valbruna, the evidence of U.S. selling activity cited by the petitioners was either taken out of context or misinterpreted. For example, Valbruna notes that, in one instance, the petitioners cited a fax relating to non-subject merchandise and, in another, merely referenced a pro forma closing statement to a letter.

DOC Position

We agree with the respondents and have continued to classify their U.S. sales as EP transactions for purposes of the final determination. We have based this finding on an analysis of the three factors that the Department uses to determine the appropriate classification of U.S. sales transactions (*i.e.*, customary channel of trade, method of shipment, and the affiliate's role in the sales process).

Regarding the first two criteria, we find that both respondents shipped their merchandise directly to the U.S. customer without the merchandise entering the affiliate's inventory and that this constituted the customary channel of trade for the affected sales. Thus, we find that the first two criteria for designating these sales as EP transactions have been met. Regarding the petitioners' contention that CAS USA warehoused SSWR at the port, we disagree that this is relevant. We noted at verification that the warehousing performed by CAS USA was independent of the company's normal physical inventory maintained for non-subject products. Because the merchandise never entered CAS USA's physical inventory, we consider the criterion for designating the sales as EP transactions to be met.

Regarding the third criterion, we find that both respondents' affiliates acted as processors of paperwork and communication links with their Italian parent companies for sales of subject merchandise. Specifically, we confirmed at verification that both companies have no authority to negotiate prices or sales terms with the customer, they do not contact customers on their own initiative, and they perform no marketing activities or after-sale support functions. We found that these companies received requests for quotations from customers, via either fax or telephone, which they then forwarded on to Italy for approval or counter-offer. For this reason, we find that the significant selling activities for the sales in question took place in Italy, while those activities performed in the United States (*e.g.*, invoicing, collecting payment, etc.) were ancillary or incidental to the sale.

Regarding the company-specific concerns raised by the petitioners, we note that CAS USA was operational for only four months during the POI. Consequently, while CAS USA was able to provide only a limited number of examples of written communication between itself and its parent, this is sufficient to demonstrate that pricing decisions are made in Italy. Regarding Valbruna, we find that the statements cited by the petitioners were taken out of context, as asserted by Valbruna.

In addition, we note that the petitioners' citation to *Korean Steel* does not apply here. In *Korean Steel*, one of the U.S. affiliates had the authority to write and sign sales contracts, while another performed significant after-sale support functions. Neither of these conditions apply in this case. Likewise, we find that *SSWR from Spain Preliminary* also is not applicable. In that case, not only was the respondent unable to demonstrate that pricing decisions were made in Spain, but the U.S. affiliate admitted, and the Department verified, that it had the authority to set prices for certain sales without consultation with its parent and initiated contact with the U.S. customers on its own authority. None of these facts are present here.

Consequently, we have continued to classify the respondents' sales through their U.S. affiliated parties as EP sales for purposes of the final determination. We also have continued to treat CAS's sales through AST USA as EP sales for purposes of the final determination because the sales process for these sales is nearly identical to that of sales through CAS USA. Our decision here is consistent with our decisions on the matter in the concurrently published final determinations on SSWR from Spain and Taiwan.

Comment 2: Date of Sale.

According to the petitioners, the Department should continue to use purchase order date as the date of sale for CAS and revise its date of sale methodology for Valbruna to use the date of sales confirmation instead of invoice date. The petitioners assert that use of these dates is consistent with both the Department's regulations and its practice, because the material terms of sale are set at the time of the purchase order/sales confirmation. As support for Department precedent in this area, the petitioners cite memoranda issued in the 1995–1996 new shipper review on stainless steel flanges from India and the 1996–1997 new shipper review on stainless steel bar from India, in which the Department used the date of purchase order as the date of sale, as well as the *Notice of Final Results of Antidumping Duty Administrative Review; Canned Pineapple Fruit from Thailand*, 63 FR 7392, 7394 (Feb. 13, 1998), in which the Department used the date of a sales contract.

The petitioners note that, not only do both respondents produce SSWR to order, but the sales documents reviewed at verification also showed that the price, quantity, product specifications, and shipment dates were established when the order was approved. Further, the petitioners note that the lag-times between shipment and invoicing (for CAS) and sales confirmation and invoicing (for Valbruna) are significant.

The petitioners contend that Valbruna should not be allowed to report an incorrect date of sale merely because the proper date is not readily available in a computerized database, especially given that Valbruna was able to provide the proper information in a previous antidumping duty investigation involving stainless steel bar. According to the petitioners, the Department should use the average number of days between sales confirmation and invoice date, as observed at verification, in order to construct a theoretical date of sales confirmation. Specifically, the petitioners contend that this average period should be subtracted from the reported invoice date to derive the date of sale, and that this resulting date should be used when making currency conversions.

According to CAS, the Department erred in its preliminary determination by using the purchase order date instead of the invoice date as the date of sale. CAS argues that the Department's regulations establish a strong presumption in favor of using invoice date as the date of sale for purposes of antidumping proceedings and that the Department should adhere to this presumption for several reasons.

First, CAS asserts that, because the exact amount of the alloy surcharge is not known until the time of shipment, it would be distortive to compare U.S. prices to Italian prices based on the purchase order date as the date of sale. Second, CAS states that use of invoice date eases the reporting and verification burdens because it is the date recorded in CAS's accounting records in the ordinary course of business. Third, CAS argues that using the purchase order date as the date of sale establishes bad precedent, in that one of the purposes of the Department's current regulations was to simplify reporting requirements and improve the predictability of the antidumping law. CAS notes that the circumstances under which the Department would depart from its presumption in favor of the invoice date are not present here, because CAS neither sells large custom-made merchandise nor sells pursuant to long term contracts. As support for this position, CAS cites to the preamble to the Department's regulations (*see Antidumping Duties; Countervailing Duties; Final rule,* 62 FR 27296, 27349, 27350 (May 19, 1997) (*Final rule*).

According to Valbruna, it appropriately reported the date of invoice as the date of sale. Specifically, Valbruna notes that the Department not only instructed it to report the date of invoice, but the Department also verified that this information was reported accurately.

Valbruna maintains that the petitioners' reliance on the length of time between sales confirmation and invoicing is misplaced. According to Valbruna, the Department's standard test is to compare the dates of shipment and invoicing, rather than the dates of order confirmation and invoicing. As support for this contention, Valbruna cites the Department's questionnaire at Appendix I–4. Valbruna asserts that the time between when it ships its merchandise and when it issues its invoices is inconsequential, because this period is a matter of days, not weeks or months.

Finally, Valbruna asserts that the petitioners' reference to the stainless steel bar investigation is equally misplaced. According to Valbruna, in the bar case, the order confirmation used as the date of sale was the confirmation issued by the U.S. subsidiary. Valbruna asserts that, in this investigation, all of the sales documentation is issued by Valbruna in Italy. Consequently, Valbruna claims that there is no relationship between the dates of sale used in the bar case and here.

DOC Position

We disagree with CAS, in part, and agree with Valbruna. The Department treats the invoice date as the date of sale under normal circumstances. As both discussed in the preamble to the Department's regulations and noted by CAS, use of invoice date simplifies the reporting and verification of information and enhances the predictability of outcomes. *See Final rule* at 27348. The preamble, however, confirms that the Department retained the flexibility to use a different date as the date of sale in appropriate circumstances. *See Final rule* at 27348, 27349 and 27411 (19 CFR 351.401(i)). In the preamble to the regulations, the Department indicated that use of invoice date may not be appropriate in situations involving large, custom-made products or long-term contracts. *See Final rule* at 27349, 27350. The Department further articulated conditions under which it would consider departing from the invoice date as the date of sale in its questionnaire. Therein, the Department stated:

> [G]enerally, the date of sale is the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business, provided that: (1) the exporter does not use long-term contracts to sell its subject merchandise; and (2) there is not an exceptionally long period between the date of invoice and the date of shipment. *See* letter from James Maeder to William Silverman, September 19, 1997, at Appendix I–4.

In the instant investigation, neither respondent sold subject merchandise pursuant to long-term contracts, nor did they sell the type of large custom-made merchandise envisioned in the preamble to the regulations. However, in the case of CAS, a significant period of time often passes between the date of shipment and the date of invoice. Therefore, because the material terms of sale are normally set no later than the date of shipment, we find that the invoice date is not an appropriate date of sale for CAS. Having ruled out the invoice date for CAS, we then determined that the purchase order date, which we used in the preliminary determination, best reflected the date at which the material terms of sale were established.

We disagree with CAS's assertion that it would be distortive to compare U.S. and Italian prices using the purchase order as the date of sale. CAS's argument relies upon the fact that the alloy surcharges are not known until the time of shipment. However, this is not accurate, as the final amount paid by the customer often is determined at the time of the purchase order. Nevertheless, even assuming that the purchase order date might not be appropriate in some instances, use of this date does not create distortion because: (1) we used it as the date of sale for both markets; and (2) we determined that the length of time between purchase order and invoice date was comparable in the two markets. Given those circumstances and the fact that we compare POI-average NVs to POI-average EPs, we find that no material distortion exists in our price-to-price comparisons due to minimal timing differences related to the alloy surcharges received by CAS.

For Valbruna, we have continued to use invoice date as the date of sale. As discussed above, our presumption is that the invoice date is the appropriate date of sale unless the facts suggest otherwise. For Valbruna, there is no significant difference between the shipment and invoice dates, and we have no reason to believe that the material terms of sale are set significantly prior to the date of invoice. Moreover, the fact that a different date of sale was used for Valbruna in the stainless steel bar case is irrelevant because each antidumping proceeding is distinct and based on its own record.

Comment 3: Use of AISI Grade Designations for Product Matching.

According to the petitioners, the Department should perform its model matches using standard AISI grades for steel, rather than the respondents' internal grade designations.

The respondents agree, noting that the Department verified that they appropriately classified each of their internal grades into its corresponding AISI category where possible.

DOC Position

We agree. We examined the respondents' grade classifications at verification and confirmed that both of the respondents appropriately classified each of their internal SSWR grades into the corresponding AISI category. Accordingly, we have utilized this information for purposes of the final determination.

Comment 4: Corrections Arising From Verification.

According to both the petitioners and the respondents, the Department should correct the respondents' data for clerical errors found during verification.l

DOC Position

We agree. We have made the appropriate corrections for purposes of the final determination. These corrections are further discussed in a separate memorandum regarding the calculation adjustments performed for this company. (*See* Memorandum regarding Calculations Performed for Acciaierie Valbruna Srl/Acciaierie di Bolzano SpA (Valbruna) for the Final Determination in the Antidumping Duty Investigation on Stainless Steel Wire Rod from Italy from Shawn Thompson to The File, dated July 20, 1998.)

Specific Issues

A. CAS

Comment 5: Treatment of U.S. Sales Involving AST USA: In the preliminary determination, the Department treated AST USA.

A party unaffiliated with CAS, as a U.S. sales agent. According to the petitioners, both CAS's description of AST USA's sales process and the U.S. sales documents contained in the questionnaire responses and reviewed at verification indicate that AST USA was a customer rather than a sales agent. Specifically, the petitioners cite CAS's March 16, 1998, supplemental response, in which CAS stated that it ''has concluded that it may be more appropriate to consider AST USA as CAS's first unaffiliated U.S. customer.'' Accordingly, the petitioners state that, because the Department is required to base U.S. price on the sale to the first unaffiliated customer, it must base U.S. price on the price between CAS and AST USA for purposes of the final determination.

Nonetheless, the petitioners contend that, should the Department determine that AST USA acted as a sales agent, the Department should also determine that sales made through AST USA should be classified as CEP sales for the same reasons that sales made through CAS USA should be classified as CEP sales. *See Comment 1.*

Notwithstanding its March 16, 1998, statement, CAS maintains that AST USA operated as CAS's unaffiliated sales agent and not as its U.S. customer. Therefore, CAS maintains that the Department should continue to base U.S. price on the price that AST USA charged its unaffiliated customers.

DOC Position

We agree with CAS. Based on the information on the record, we find that AST USA acted as a sales agent for CAS in making sales of SSWR in the United States. Specifically, AST USA had a formal sales representative agreement with CAS which outlined the relationship between the parties during the POI. According to this agreement, AST USA was responsible for taking orders from U.S. end-user customers on behalf of CAS, for which AST USA, in turn, earned a sales commission. This agreement stated explicitly that CAS company officials have exclusive authority to make decisions regarding sales terms. *See* CAS Home Market Verification Report, May 13, 1998, at 4.

In addition to the conditions outlined in the formal agreement, we found that CAS knew AST USA's customers and it shipped its merchandise directly to them in the United States. At verification, we found that AST USA performed essentially the same role in the sales process as did CAS's affiliated sales agent, CAS USA. *See* CAS USA Verification Report, May 22, 1998, at 5.

For these reasons, we have continued to treat AST USA as a sales agent for purposes of the final determination. Moreover, as discussed in *Comment 1*, we have also continued to treat sales through AST USA as EP sales.

Comment 6: Treatment of Commissions Paid to AST USA.

The petitioners argue that the Department should make an adjustment for commissions paid to AST USA for selling the subject merchandise in the United States. As support for their position, the petitioners cite section 772(d)(1)(A) of the Act and 19 U.S.C. 1677a(d)(1)(A).

CAS agrees that the Department should adjust for commissions paid to AST USA for purposes of the final determination.

DOC Position

Where U.S. price is based on EP, it is the Department's practice to adjust for commissions paid to unaffiliated parties under the circumstance of sale provision set forth in section 773(a)(6) of the Act. (*See* also 19 CFR 351.410(e).) Because AST USA is an unaffiliated party that received commissions related to EP sales during the POI, we have made a circumstance-of-sale adjustment to NV to account for these commissions for purposes of the final determination.

Comment 7: Treatment of Commissions Paid by CAS to CAS USA.

The petitioners assert that the Department should treat the difference between the price that CAS charged CAS USA and the price that CAS USA charged the unaffiliated customer as a commission for purposes of the final determination. The petitioners further assert that the Department should adjust for these commissions, regardless of whether the Department determines CAS's U.S. sales to be EP or CEP sales. If the Department finds CAS's U.S. sales to be CEP sales, the petitioners assert that the Department should use the commission as a surrogate for indirect selling expenses, given that CAS was not required to report its actual indirect selling expenses.

According to CAS, the spread between the price that CAS charged CAS USA and the price that CAS USA charged the unaffiliated U.S. customer accounts for costs that CAS would have incurred in Italy, but for the relocation of the incidental services that CAS USA performs on behalf of CAS in the United States. Further, CAS states that, since these expenses would not be deductible from the U.S. price in an EP scenario, the Department should not deem the difference to be a commission and, therefore, should not make a commission adjustment for purposes of the final determination.

DOC Position

We agree with CAS. The Department's current practice is to not make an adjustment for affiliated party commissions in EP situations because we consider them to be intra-company transfers of funds to compensate an affiliate for actual expenses incurred in facilitating the sale to unaffiliated customers. *See Notice of Final Determination of Sales at Less Than Fair Value: Steel Wire Rod from Trinidad and Tobago*, 63 FR 9177, 9181 (Feb. 24, 1998) and *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, Germany, Italy, Japan, Romania, Singapore, Sweden, and the United Kingdom; Final Results of Antidumping Duty Administrative Reviews*, 63 FR 33320, 33345 (Jun. 18, 1998). Consequently, we have not adjusted U.S. price for these commissions for purposes of the final determination.

Regarding the petitioners' argument concerning the commission adjustment as a surrogate for indirect selling expenses, this issue is moot because we have determined that the sales made by CAS through CAS USA are EP sales. *See Comment 1.*

Comment 8: Treatment of Unreported Sales.

During the U.S. verification, the Department discovered that CAS did not report any POI sales with invoices issued in 1998. According to the petitioners, for purposes of the final determination, the Department should base the margins for these sales on either: (1) the average of the margins alleged in the petition; or (2) the highest non-aberrant calculated margin. As support for its position, the petitioners cite *Final Determination of Sales at Less Than Fair Value: Certain Stainless Steel Wire Rods from France*, 58 FR 68865, 68869 (Dec. 29, 1993) (*SSWR from France*), in which the Department used best information available to determine the margin for sales that were not reported due to a computer error.

According to CAS, its failure to report the sales in question was inadvertent. Specifically, CAS notes that, at the time the Department requested that sales data be submitted on an order date basis, the invoices in question had not yet been issued and, therefore, were not available for inclusion in the sales listing. However, CAS maintains that, because the prices associated with these sales are typical of other POI sales, no adverse inference is warranted.

CAS asserts that the situation in *SSWR from France* is distinguishable from the present case. Specifically, CAS states that the French sales were omitted due to computer error, whereas its own sales data were not available at the time of the submission of the relevant sales listing. Furthermore, CAS notes that this issue would be moot if the Department were to use invoice date as the date of sale (*see Comment 2,* above).

DOC Position

We agree with the petitioners. Although the invoice data did not exist at the time that CAS submitted its January 1998 sales listing, the purchase order and other transaction-related information did exist when CAS completed its questionnaire response. Moreover, the invoice information existed and was available when CAS submitted its March 1998 supplemental response. Because CAS failed to provide a complete database, we have based the margin for the unreported U.S. sales on facts available.

Section 776(b) of the Act provides that adverse inferences may be used when a party has failed to cooperate by not acting to the best of its ability to comply with requests for information. *See also* Statement of Administrative Action accompanying the URAA, H.R. Rep. No. 316, 103d Cong., 2d Sess. 870 (SAA). CAS's failure to report the information in question to the Department's questionnaire demonstrates that it has failed to act to the best of its ability in this investigation. Thus, the Department has determined that, in selecting among the facts otherwise available to this company, an adverse inference is warranted.

As adverse facts available, we have selected a margin from the fair value comparisons which were performed for CAS's reported sales that is sufficiently adverse so as to effectuate the statutory purposes of the adverse facts available rule to induce respondents to provide the Department with complete and accurate information in a timely manner. We also sought a margin that is indicative of CAS's customary selling practices and is rationally related to the transactions to which the adverse facts available are being applied. To that end, we selected a margin for sales of a product that involved a substantial commercial quantity and fell within the mainstream of CAS's transactions based on quantity. Finally, we found nothing on the record to indicate that the sales of the product we selected were not transacted in a normal manner. For details regarding the methodology used to select the margin for the sales in question, see the Sales Calculation Memorandum from Irina Itkin to the File, dated July 20, 1998.

Comment 9: Treatment of Unpaid Sales.

At verification, the Department found that CAS had not received payment for a small number of U.S. sales. According to the petitioners, the Department should use the date of the final determination as date of payment for these transactions. As support for their position, the petitioners cite *Certain Stainless Wire Rods from France; Final Results of Antidumping Duty Administrative Review*, 61 FR 47874, 47881 (Sep. 11, 1996).

DOC Position

We disagree. The Department's recent practice regarding this issue has been to use the last day of verification as the date of payment for all unpaid sales. *See Brass Sheet and Strip from Sweden; Final Results of Antidumping Administrative Review,* 60 FR 3617, 3620 (Jan. 18, 1995), *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From Taiwan,* 63 FR 8909 (Feb. 23, 1998), and *Extruded Rubber Thread from Malaysia; Final Results of Antidumping Duty Administrative Review,* 63 FR 12752, 12757 (Mar. 16, 1998). Accordingly, we have used the last day of CAS's U.S. verification as the date of payment for all unpaid transactions or portions thereof.

Comment 10: Depreciation Expenses.

The petitioners argue that the Department should increase CAS's COP and CV data for accelerated depreciation expenses, which were excluded from its submitted costs. The petitioner notes that the Department's policy is to calculate COP/CV based on the normal accounting records maintained by the respondent and that CAS's income statement reflects the accelerated depreciation expenses in question.

CAS notes that Italian fiscal law allows companies to recognize additional depreciation expense (*i.e.*, accelerated depreciation) on new equipment in an amount equal to the ordinary expense that would be calculated using a straight-line depreciation method. According to CAS, the purpose of recognizing such additional expense is to reduce taxable income. CAS argues that, because accelerated depreciation does not accurately reflect the company's actual cost of manufacturing, it excluded the accelerated portion of depreciation expense recognized in the company's financial statements. Specifically, CAS claims that the use of both ordinary straight-line depreciation and accelerated depreciation would double its depreciation expenses for qualified assets and, thus, cannot reasonably reflect the company's actual manufacturing costs. As support for its position, CAS cites to *Final Determination of Sales at Less Than Fair Value: Fresh and Chilled Atlantic Salmon from Norway,* 56 FR 7661, 7665 (Feb. 25, 1991) (*Norwegian Salmon*), in which the Department included only the respondent's ordinary depreciation expenses in COP and CV.

DOC Position

We agree with the petitioners and have adjusted CAS's submitted costs to reflect the total depreciation expense reported in its financial statements. Section 773(f)(1)(A) of the Act states:

> [c]osts shall normally be calculated based on the records of the exporter or producer of the merchandise, if such records are kept in accordance with the generally accepted accounting principles of the exporting country (or the producing country, as appropriate) and reasonably reflect the costs associated with the production and sale of the merchandise. The administering authority shall consider all available evidence on the proper allocation of costs . . . if such allocations have been historically used by the exporter of producer, in particular for establishing appropriate amortization and depreciation periods, and allowances for capital expenditures and other development costs.

For the past three years, CAS has chosen to use an accelerated depreciation methodology, which is consistent with Italian generally accepted accounting principles (GAAP), to calculate depreciation expenses on both its audited financial statements and its tax return. Accelerated depreciation methods, such as the one applied by CAS, provide for a higher depreciation charge in the years immediately following an asset's acquisition, while lower charges are recorded in later periods. We disagree with CAS's assertion that the use of this accelerated depreciation methodology results in an inaccurate cost of manufacturing. Other than merely stating that the accelerated depreciation method results in a greater expense than would be calculated using a straight-line methodology, CAS has provided no evidence demonstrating that its depreciation methodology is distortive.

According to *Intermediate Accounting: 8th Edition* (Kieso & Weygandt, 1995), the use of an accelerated depreciation methodology is neither wrong nor distortive. The text notes that an accelerated method may, in some instances, be more appropriate than a straight-line depreciation method that records an equal amount of depreciation each year an asset is in service. As the text states, ''The matching concept does not justify a constant charge to income. If the benefits from the asset decline as the asset gets older, then a decreasing charge to income would better match cost to benefits.''

In past cases, the Department has included the accelerated portion of depreciation expenses when such an approach is reflected in the respondent's financial statements, in accordance with the home country GAAP, and the respondent has not demonstrated that the use of accelerated depreciation is distortive. *See, e.g., Silicon Metal from Brazil; Final Results of Antidumping Duty Administrative Review and Determination Not to Revoke in Part,* 62 FR 1954, 1958 (Jan. 14, 1997), in which COP was calculated using the respondent's financial records, which reflected the historical use of accelerated depreciation in accordance with Brazilian GAAP; and *Notice of Final Determination of Sales at Less Than Fair Value: Foam Extruded PVC and Polystyrene Framing Stock From the United Kingdom,* 61 FR 51411, 51418 (Oct. 2, 1996), in which COP was calculated using the respondent's financial records, which historically used an accelerated depreciation method. Our practice is to adhere to a respondent's recording of costs in accordance with GAAP of its home country if we are satisfied that such records reasonably reflect the costs of producing the subject merchandise. *See, e.g., Certain Fresh Cut Flowers from Colombia; Final Results of Antidumping Duty Administrative Reviews,* 61 FR 42833, 42846 (Aug. 19, 1996); and section 773(f)(1)(A) of the Act. This practice has been sustained by the Court of International Trade (CIT). *See, e.g., Laclede Steel Co. v. United States,* Slip Op. 94–160 at 21–25 (CIT Oct. 12, 1994) (upholding the Department's rejection of the respondent's reported depreciation expenses in favor of verified information from the company's financial statements that were consistent with Korean GAAP); and *Hercules, Inc. v. United States,* 673 F. Supp. 454 (CIT 1987) (upholding the Department's reliance on COP information from the respondent's normal financial statements maintained in conformity with GAAP).

Comment 11: Leasehold Improvements.

The petitioners argue that the Department should adjust CAS's COP and CV data to include the cost of leasehold improvements, which were excluded from its submitted costs. The petitioners note that the Department's policy is to calculate COP and CV based on the normal accounting records maintained by the respondent and that CAS's income statement reflects the cost of leasehold improvements.

CAS notes that, during 1995 and 1996, it made several improvements to leased assets, including a new production facility roof, a new cafeteria, and an infirmary. According to CAS, under Italian GAAP, lessors are prohibited from capitalizing and depreciating leasehold improvements and, instead, are required to expense such costs in the year incurred. CAS argues that the inclusion of the full value of its leasehold improvements in COP/CV would be highly distortive, given that these expenditures represent a long-term investment in fixed assets and have a multi-year usefulness. CAS proposes that a logical alternative to excluding leasehold improvement costs in total would be to depreciate the cost over the thirty-year term of its lease.

DOC Position

We agree with the petitioners, in part. Section 773(f)(1)(A) of the Act states that COP and CV shall normally be calculated based on the books and records of the exporter or producer of the merchandise if such records are kept in accordance with GAAP of the exporting country and if such records reasonably reflect the costs associated with the production of the merchandise under investigation. Because the leasehold improvements made by CAS represent costs that were associated with the production of the merchandise under investigation, we find that it is appropriate to include them in the calculation of its COP and CV.

We disagree with the petitioners, however, that the full cost of the leasehold improvements should be recognized in the year incurred. These costs, as argued by CAS, are expected to benefit future periods. We therefore consider it appropriate, in this instance, to deviate from Italian GAAP by capitalizing and depreciating these costs over a reasonable period of time, not to exceed the actual term of the lease. CAS's proposal of a thirty-year depreciation period would be appropriate if the company could be expected to benefit from the improvements for that period of time. However, the useful life of CAS's fixed assets, as submitted, indicates that a shorter period is appropriate for the types of leasehold improvements in question. Accordingly, we calculated depreciation expense for the leasehold improvements made by applying the accelerated depreciation methodology used in CAS's normal accounting records to the useful life of the assets.

Comment 12: Adjustment Related to the Inventory Write-down Provision.

The petitioners argue that the Department should value material costs in accordance with CAS's financial statements. Specifically, the petitioners argue that the Department should disallow CAS's submitted offset to materials costs for its inventory write-down provision. According to the petitioners, the Department's policy is to calculate COP and CV based on the normal accounting records maintained by the respondent.

CAS argues that it properly reduced its materials costs for the inventory write-down provision. CAS notes that it adjusts the provision at the end of each fiscal year to account for fluctuations in the values of its raw materials, work-in-process (WIP), and finished goods inventories, which are stated on a last-in, first-out (LIFO) basis. CAS claims that the provision reflects the difference between the LIFO values of its inventories and their current market values. CAS argues that, consistent with this approach, its reported materials costs reflect the deduction of the inventory write-down provision from the cost of materials consumed as reported on its financial statements. As support for its position, CAS cites to *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, Germany, Italy, Japan, Singapore, and the United Kingdom; Final Results of Antidumping Duty Administrative Reviews,* 62 FR 2081, 2118 (Jan. 15, 1997), in which the Department stated that the respondent's inventory write-downs ''are not actual costs but are a provisional reduction-in-

inventory value in anticipation of a lower resale value.''

According to CAS, the Department noted at verification that CAS included the 1996 addition to its inventory write-down provision in its reported G&A expenses. CAS argues that, should the Department revise the reported COP/CV data in order to exclude the provision, it should make a corresponding adjustment by removing the 1996 addition from the G&A calculation to avoid double-counting this expense.

DOC Position

We agree with the petitioners that CAS should not have reduced its material costs by the value of its inventory write-down provision. The provision that CAS established for inventory value fluctuations is a balance sheet account that relates to CAS's inventory values at the end of the year and has no impact on the actual cost of materials used in production. Accordingly, in calculating COP and CV, there is no basis for reducing the material costs actually incurred by the full amount of the inventory write-down provision on CAS's balance sheet.

We disagree with CAS's assertion that, because we have not reduced the company's materials costs by the full amount of the inventory write-down provision, the Department must exclude from G&A expenses the amount of the change to the provision that was reported as an expense in CAS's 1996 income statement. Specifically, only the incremental increase or decrease in this provisional account is recognized by the company on its income statement and the incremental change during 1996 was reported by CAS as a G&A expense item for purposes of its submission. The incremental change in the provision is the only portion of the provision that may be appropriate to include in CAS's COP and CV calculations. In this case, however, the full amount of the increase to the provision should not be included in the calculation of COP and CV because the portion of the write-down associated with finished goods inventory is not a cost of production to CAS. Unlike the complete write-off of unsaleable merchandise which the Department considers a cost, this type of inventory write-down arises when a company determines that the market value for its finished goods inventory is less than its cost to produce the merchandise. Consequently, it would be unreasonable to include such write-down amounts, which arise only because CAS cannot sell the merchandise for what it cost to produce, as an additional cost of production.

We disagree with CAS's assertion, however, that write-downs associated with raw materials and WIP inventories should also be excluded from COP and CV. Both raw materials and WIP inventories are inputs into the cost of manufacturing the merchandise. It is the Department's practice to recognize the full amount paid to acquire production inputs, which are included in raw materials and WIP inventories, in determining the cost of producing the merchandise.

Consequently, for the final determination, we removed the offset to CAS's material costs for the inventory write-down provision. Additionally, we included in G&A expense only the incremental change in CAS's inventory write-down provision that is associated with raw materials and WIP inventories.

Comment 13: Materials and Spare Parts.

The petitioners argue that CAS inappropriately reduced its 1997 materials and spare parts costs for an inventory ''write-up'' adjustment that is not reflected in its financial statements or normal accounting records. CAS applied the adjustment to the costs shown in its normal accounting records to derive the reported costs.

CAS argues that, in calucating its reported 1997 material and spare parts costs, it adjusted its inventory based on prices paid during the period. CAS argues that such an adjustment is necessary to calculate its cost of production on a current basis, although the adjustment is not reflected in its financial statements.

DOC Position

We agree with the petitioners. It is the Department's practice to base the cost of manufacturing on costs incurred during the period of investigation, as reflected in CAS's normal books and records, rather than on current prices. In accordance with section 773(f)(1)(A) of the Act, the Department accepts the inventory valuation methods historically used by the respondent unless it can be shown that these methods distort the reported costs. The simple fact that costs would be lower using an alternative inventory valuation method is not a valid reason for deviating from a company's normal books and records. Accordingly, we have removed the adjustment applied by CAS in calculating its submitted costs.

Comments 14: Accruals for Previous Year Purchases.

The petitioners argue that the Department should make an adjustment for supplier invoices related to 1996 purchases that were excluded from CAS's reported costs.

CAS argues that the Department should not adjust its submitted costs. According to CAS, at year-end 1996, it properly accrued expenses on purchases for which it anticipated it would receive invoices in 1997. CAS claims that its accrual was based on a reasonable estimate of the amounts on the invoices to be received and was prepared in accordance with Italian GAAP and the company's normal internal accounting policies. CAS notes that it recorded the difference between its accrual and the invoiced amounts as extraordinary expense in 1997, and that such treatment is also consistent with Italian GAAP.

DOC Position

We agree with the petitioners. While CAS's treatment of the supplier invoices received in 1997 for 1996 purchases may have been in accordance with Italian GAAP, it does not properly reflect the cost of production during the period of investigation. The recording of an accrual is a normal part of the year-end accounting process and, as CAS notes, is based on an estimate. At the end of 1996, CAS recorded accruals for supplier invoices yet to be received for purchases made during the year. In early 1997, it became known that CAS's 1996 accruals were understated and, therefore, its 1996 production costs were understated. The POI encompasses portions of both 1996 and 1997 and, thus, it is proper to adjust the submitted amounts to include the correct input costs rather than an incorrect estimate. We have therefore corrected for the understated production costs for purposes of the final determination.

Comment 15: Offset to G&A Expenses.

The petitioners claim that the Department should remove an offset that was included in CAS's G&A expense calculation. The offset amount represents a correction of prior year accruals and is classified in the financial statements as non-operating management profits. The petitioners argue that a correction of prior year accruals does not relate to operations during the POI and, therefore, should not be used to offset actual G&A expenses incurred during the POI.

DOC Position

We agree with the petitioners. Since CAS failed to provide details surrounding the over-accrued amounts which were corrected during the POI, we are unable to determine exactly what merchandise the accruals relate to. The prior year accruals being corrected may relate solely to non-subject merchandise (in which case we would exclude the correction), solely to subject merchandise (in which case we would apply the amount to offset the cost of manufacturing), or to the general production activity of the company as a whole (in which case we would apply the offset to G&A expenses). Since we do not know which activities these over-accruals relate to, we excluded the correction of the prior year's accruals from the submitted COP and CV computations.

Comment 16: Foreign Exchange Gains and Losses.

The petitioners argue that the Department should revise CAS's reported G&A expense calculation to exclude certain foreign exchange gains and losses related to hedging. The petitioners note that such amounts were classified in CAS's financial statements as financial income or financial expense and argue that the Department should treat these amounts in the same manner.

CAS agrees with the petitioners regarding the classification of foreign exchange gains and losses.

DOC Position

We agree. The foreign exchange gains and losses incurred by CAS on its hedging operations are more properly classified as financial income and expenses. Accordingly, we reclassified these amounts for the final determination.

Comment 17: Double-Counting of Currency Option Expenses.

CAS argues that the Department, in making its preliminary determination, improperly adjusted CAS's financial expenses to include an amount related to currency option expenses. CAS notes that this amount was already included in its G&A expense calculation and, as a result, the Department double-counted these costs in calculating COP and CV.

DOC Position

We agree. We have corrected the G&A expense calculation to exclude the amount that was double-counted.

B. Valbruna

Comment 18: Home Market Warehousing Costs.

According to Valbruna, the Department erred in its preliminary determination by not adjusting for various costs incurred at its home market service centers. Specifically, Valbruna contends that the Department should have deducted its service center costs from NV under the warehousing provision of the regulations (*i.e.*, 19 CFR 351.401(e)(2)), because one of the functions of the service centers is warehousing. However, Valbruna asserts that, if the Department does not consider all service center costs to be warehousing for purposes of the final determination, it should, at a minimum, deduct all costs directly associated with warehousing.

The petitioners argue that the Department should continue to disallow an adjustment for Valbruna's service center costs. The petitioners cite the Department's preliminary concurrence memorandum, which stated that the Department denied Valbruna's claim for the preliminary analysis because: 1) the service centers were merely branches or sales offices of Valbruna; and 2) only one of the service centers carried inventory of SSWR. Accordingly, the petitioners maintain that, if the product under investigation is not maintained in inventory at the service centers, there is no basis for subtracting from NV any warehousing costs incurred there.

DOC Position

We agree with Valbruna, in part. Under 19 CFR 351.401(e)(2), the Department considers warehousing expenses that are incurred after the merchandise leaves the original place of shipment to be movement expenses. Accordingly, to the extent that Valbruna incurred expenses relating to the warehousing of SSWR at its service centers, we have treated these expenses as movement costs.

Regarding those expenses incurred at the service centers which relate to selling functions, however, we disagree with Valbruna that these expenses also constitute part of its warehousing. Rather, we find that these expenses constitute indirect selling expenses. Because we have found U.S. sales to be EP sales and we are making no offsets for U.S. commissions under 19 CFR 351.410(e), we have disregarded these expenses for purposes of the final determination.

Comment 19: Use of Long-Term Debt in the Calculation of the Home Market Interest Rate.

Valbruna argues that the Department should base the calculation of its home market interest rate on the company's interest experience on all of its current liabilities, not just those arising from short-term obligations. Specifically, Valbruna asserts that the Department should include in its calculation the short-term portion of a long-term debt, because this debt is classified as a current liability on the company's balance sheet. As such, Valbruna asserts, it is part of the company's working capital, which is used to finance the company's current assets (including accounts receivables).

The petitioners disagree. According to the petitioners, it is irrelevant that Valbruna reclassified a portion of its long-term debts as a current liability; the interest rate on that portion remains the rate paid on the company's long-term obligations. According to the petitioners, it is not appropriate to include long-term debts in the formula used to calculate the weighted-average short-term interest rate, because the interest paid on these debts does not properly measure a company's short-term interest experience. Consequently, the petitioners maintain that the Department should continue to exclude the current portion of Valbruna's long-term debt from the calculation of its short-term interest rate.

DOC Position

We agree with the petitioners. The imputed credit calculation measures the opportunity cost associated with carrying accounts receivables. Because accounts receivables are short-term in nature, it is appropriate to base the interest rate used in the credit calculation only on rates paid on short-term loans.

We note that long-term debt generally is incurred to finance large-scale projects (*e.g.*, acquisition of machinery, capital improvements, etc.). Because it is not incurred to manage the day-to-day cash flow of a company, it would be inappropriate to include the interest paid on this type of debt in the credit calculation. The fact that some portion of the long-term debt becomes a current liability each year is irrelevant to this reasoning. Accordingly, we have continued to exclude long-term debt from the calculation of the home market interest rate for purposes of the final determination.

Comment 20: Inventory Carrying Costs as a Direct Selling Expense.

Valbruna claimed the inventory carrying costs at certain of its service centers as a direct selling expense. According to the petitioners, the Department should continue to treat these expenses as indirect, because Valbruna could not substantiate its claim for direct treatment at verification. Specifically, the petitioners argue that Valbruna could not demonstrate that it maintained a customer-specific inventory during the POI, nor could it show that the merchandise initially tagged for shipment to particular customers was not sold to different companies after it left the factory.

Valbruna contends that the expenses in question are analogous to pre-sale warehousing expenses. According to Valbruna, the URAA establishes that home market movement expenses, including pre-sale freight and warehousing expenses, are to be deducted from normal value in all cases, without being subject to a ''direct/ indirect'' test similar to selling expenses.

Nonetheless, Valbruna argues that the facts cited by the petitioners are inconsequential. According to Valbruna, the fact that its inventory records are not company-specific does not prove that it incurred no pre-sale warehousing expenses. Moreover, Valbruna asserts that it shipped merchandise tagged for particular customers to other clients only under emergency situations.

DOC Position

We agree with the petitioners. The expenses in question are not actual pre-sale warehousing expenses, such as rent on the warehouse or salaries of the warehousing personnel. Rather, they are the imputed costs associated with maintaining an inventory at the warehouse. As such, they form part of Valbruna's selling expenses, not its warehousing expenses.

Valbruna was unable to substantiate the facts on which it based its assertion that these costs were directly related to the sales of SSWR reported in its home market sales listing. Notably, we found that the data which formed the basis for Valbruna's claim reflected the company's inventory levels more than eight months after the end of the POI. Therefore, we have made no adjustment for these expenses for purposes of the final determination.

Comment 21: Home Market Freight Costs.

In its questionnaire response, Valbruna calculated freight expenses at one of its service centers using an 11-month period, rather than the full 12-month POI. Valbruna contends that the Department should accept this calculation, rather than recalculate Valbruna's freight costs using 12 months, because the volume of shipments in the twelfth month was insignificant. Valbruna asserts that such a recalculation would be inappropriate because it would result in a mis-matching of expenses over time.

According to the petitioners, the Department should allocate Valbruna's freight costs over the entire POI. The petitioners note that not only did Valbruna make shipments throughout the POI, but also many of the expenses (*e.g.*, depreciation and insurance) were incurred regardless of whether the company's trucks were idle.

DOC Position

We agree with the petitioners. At verification, we noted that Valbruna both shipped SSWR to its customers and incurred freight expenses throughout the POI. Accordingly, we have used a freight factor applicable to the 12-month POI for purposes of the final determination.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of SSWR from Italy—except those produced and sold for export to the United States by Valbruna, for whom the final antidumping rate is *de minimis*—that are entered, or withdrawn from warehouse, for consumption, on or after March 5, 1998, the date of publication of our preliminary determination in the **Federal Register**. Article VI.5 of the General Agreement on Tariffs and Trade (GATT 1994) provides that ''[n]o product . . . shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization.'' This provision is implemented by section 772(c)(1)(C) of the Act. Since antidumping duties cannot be assessed on the portion of the margin attributed to export subsidies, there is no reason to require a cash deposit or bond for that amount. The Department has determined, in its *Final Affirmative Countervailing Duty Determination: Certain Stainless Steel Wire Rod from Italy*, that the product under investigation benefitted from export subsidies. Normally, where the product under investigation is also subject to a concurrent countervailing duty (CVD) investigation, we instruct the Customs Service to require a cash deposit or posting of a bond equal to the weighted-average amount by which the NV exceeds the EP, as shown below, minus the amount determined to constitute an export subsidy. (*See Antidumping Order and Amendment of Final Determination of Sales at Less Than Fair Value: Extruded Rubber Thread from Malaysia*, 57 FR 46150 (Oct. 7, 1992).) For CAS, we are subtracting for cash deposit purposes, the cash deposit rate attributable to the export subsidies found in the CVD investigation for that company (*i.e.*, 0.01 percent). The ''All Others'' deposit rate is also based on subtracting the rate attributable to the export subsidies found in the CVD investigation for CAS.

These suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/Manufacturer	Weighted-average margin percentage	Bonding percentage
Acciaierie Valbruna/Acciaierie di Bolzano SpA	1.27	N/A
Cogne Acciai Speciali S.r.l	12.73	12.72
All Others	12.73	12.72

Pursuant to section 735(c)(5)(A) of the Act, the Department has excluded all zero and *de minimis* weighted-average dumping margins from the calculation of the ''All Others'' rate.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered for consumption on or after the effective date of the suspension of liquidation.

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

Dated: July 20, 1998.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

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