DATE: June 6, 2017

MEMORANDUM TO: Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

FROM: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations


I. SUMMARY

In response to requests by interested parties, the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on certain circular welded non-alloy steel pipe from Mexico. On December 9, 2016, the Department published in the Federal Register the Preliminary Results. This administrative review covers eight companies: Conduit, S.A. de C.V. (Conduit); Lamina y Placa Comercial, S.A. de C.V. (Lamina y Placa); Maquilacero, S.A. de C.V. (Maquilacero); Mueller Comercial de Mexico, S. de R.L. de C.V. (Mueller); Productos Laminados de Monterrey, S.A. de C.V. (Prolamsa); PYTCO, S.A. de C.V. (PYTCO); Regionmontana de Perfiles y Tubos, S.A. de C.V. (Regiopytsa); and Ternium Mexico, S.A. de C.V. (Ternium). The Department selected two mandatory respondents for examination: Maquilacero and Regiopytsa. The period of review (POR) is November 1, 2014, through October 31, 2015. We recommend making changes from the Preliminary Results for these final results in accordance with the positions described in Comments 1, 2, and 4 of this memorandum.

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1 See Notice of Antidumping Duty Orders: Certain Circular Welded Non-Alloy Steel Pipe from Brazil, the Republic of Korea (Korea), Mexico, and Venezuela and Amendment to Final Determination of Sales at Less Than Fair Value: Certain Welded Non-Alloy Steel Pipe from Korea, 57 FR 49453 (November 2, 1992) (the Order).
3 See Preliminary Results; we continue to treat Regiopytsa and PYTCO as a single entity.
II.  BACKGROUND

On December 9, 2016, the Department published in the Federal Register the Preliminary Results. In accordance with 19 CFR 351.309(c)(1)(ii), we invited interested parties to comment on the Preliminary Results. On December 22, 2016, the Department issued post-preliminary supplemental questionnaires to Maquilacero and Regiopytsa. On January 18, 2017, Maquilacero submitted its response to the Department’s post-preliminary supplemental questionnaire. On January 19, 2017, Regiopytsa submitted its response to the Department’s post-preliminary supplemental questionnaire. On February 9, 2017, the Department extended the time limit for the final results. On February 21, 2017, the petitioner, Maquilacero, and Regiopytsa each submitted their case briefs. On February 27, 2017, the petitioner, Maquilacero, and Regiopytsa each submitted their rebuttal briefs. On April 24, 2017, the Department held an ex parte meeting with counsel for Maquilacero. On May 16, 2017, the Department again extended the time limit for the final results.

Below is a complete list of the issues for which we received comments from parties:

Comment 1: Calculation of Billing Adjustments
Comment 2: Programming Error – Month Matching
Comment 3: Theoretical versus Actual Weight
Comment 4: Accounting For, and Properly Assessing, All Sales of Subject Merchandise
Comment 5: Alleged Changes in Model Match Characteristics

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5 See Preliminary Results.
10 The petitioner is Wheatland Tube Company.
11 See Petitioner Letter re: Circular Welded Non-Alloy Steel Pipe from the Mexico: Case Brief, dated February 21, 2017 (Petitioner Case Brief); see also Maquilacero Letter re: Certain Circular Welded Non-Alloy Steel Pipe and Tube from Mexico; Maquilacero S.A. de C.V.’s Case Brief, dated February 21, 2017 (Maquilacero Case Brief); see also Regiopytsa Letter re: Circular Welded Non-Alloy Steel Pipe from Mexico: Case Brief, dated February 21, 2017 (Regiopytsa Case Brief).
12 See petition Letter re: Circular Welded Non-Alloy Steel Pipe from the Mexico: Rebuttal Brief, dated February 27, 2017 (Petitioner Rebuttal Brief); see also Maquilacero Letter re: Certain Circular Welded Non-Alloy Steel Pipe and Tube from Mexico; Maquilacero S.A. de C.V.’s Rebuttal Brief, dated February 27, 2017 (Maquilacero Rebuttal Brief); see also Regiopytsa Letter re: Circular Welded Non-Alloy Steel Pipe from Mexico: Rebuttal Brief, dated February 27, 2017 (Regiopytsa Rebuttal Brief).
III. SCOPE OF THE ORDER

The products covered by the order are circular welded non-alloy steel pipes and tubes, of circular cross-section, not more than 406.4 millimeters (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, galvanized, or painted), or end finish (plain end, beveled end, threaded, or threaded and coupled). These pipes and tubes are generally known as standard pipes and tubes and are intended for the low pressure conveyance of water, steam, natural gas, and other liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses, and generally meet ASTM A-53 specifications. Standard pipe may also be used for light load-bearing applications, such as for fence tubing, and as structural pipe tubing used for framing and support members for reconstruction or load-bearing purposes in the construction, shipbuilding, trucking, farm equipment, and related industries. Unfinished conduit pipe is also included in this order. All carbon steel pipes and tubes within the physical description outlined above are included within the scope of the order, except line pipe, oil country tubular goods, boiler tubing, mechanical tubing, pipe and tube hollows for redraws, finished scaffolding, and finished conduit. Standard pipe that is dual or triple certified/stenciled that enters the U.S. as line pipe of a kind used for oil or gas pipelines is also not included in the order.

The merchandise covered by the order and subject to this review is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheadings: 7306.30.10.00, 7306.30.50.25, 7306.30.50.32, 7306.30.50.40, 7306.30.50.55, 7306.30.50.85, and 7306.30.50.90. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

IV. DISCUSSION OF THE ISSUES

Comment 1: Calculation of Billing Adjustments

Regiopytsa’s Case Brief

- Because Regiopytsa reported its billing adjustments as negative values, the Department’s subtraction of these values in the margin calculation program resulted in adding the values to the gross unit price instead of properly deducting them from the gross unit price.
- For the final results, the Department should add the reported billing adjustments to the gross unit price.15

Petitioner’s Rebuttal Brief

- The Department’s Preliminary Results treated these adjustments correctly; therefore, no

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15 See Regiopytsa Case Brief, at 2-3.
change is appropriate.\textsuperscript{16}

\textit{Department’s Position:}

The Department normally makes deductions from the export price for certain adjustments. Here, we intended to reduce Regiopytsa’s reported gross unit price by the amount of its billing adjustments.\textsuperscript{17} However, because the margin calculation program subtracted the billing adjustments that were reported as negative values, it resulted in these billing adjustments being added to the gross unit price.

For these final results, we have made changes to Regiopytsa’s margin calculation program for certain reported billing adjustments, based on these adjustments being reported as negative values. Because these billing adjustments contain business proprietary information, for details, see the Final Analysis Memorandum.\textsuperscript{18}

\textbf{Comment 2: Programming Error – Month Matching}

\textbf{Regiopytsa’s Case Brief}

- The \textit{Preliminary Results} contained a margin programming error in defining the beginning of the window period, in which the variable for the first day of the window period in the margin program (USMONTH) is 12 months off from the variable for the first day of the window period in the comparison market program (CMMONTH). This error resulted in some U.S. sales being improperly matched to constructed value rather than sales of identical or similar control numbers (CONNUMs) in the contemporaneous month.
- The Department should correct this error for the final results.\textsuperscript{19}

\textbf{Petitioner’s Rebuttal Brief}

- The Department should update the program to ensure accurate month matches for Regiopytsa.\textsuperscript{20}

\textit{Department’s Position:}

We agree with Regiopytsa that the preliminary margin program contained an error in the date entered as the beginning of the window period. For these final results, we have corrected this

\textsuperscript{16} See Petitioner Rebuttal Brief, at 8.
\textsuperscript{19} See Regiopytsa Case Brief, at 3.
\textsuperscript{20} See Petitioner Rebuttal Brief, at 9.
error in the program, which results in accurate month matches. For details, see the Final Analysis Memorandum.21

Comment 3: Theoretical versus Actual Weight

Maquilacero’s Case Brief

- The Department should rely on the actual weights reported by Maquilacero, as the actual weight information is complete, accurate, and allows for comparisons between the home and U.S. markets on the same weight basis.22
- The theoretical weight data were not necessary since the actual weight data meet the Department’s requirements and practice, which indicates a preference for a consistent reporting basis across all markets and costs rather than a preference for theoretical data.23
- It was unreasonable for the Department to request new product information, i.e., the theoretical data, ten months after initiating this review, because the theoretical data were not necessary for the Department to calculate a margin, and because the request was unduly burdensome for Maquilacero.24 Additionally, requesting the theoretical data shortly before the preliminary determination was contrary to the Department’s practice to develop and set product matching criteria at the outset of a review.25
- The post-preliminary determination sales databases are not based on the invoiced quantities and products.26
- In the alternative, the Department should rely on the same databases it used in the Preliminary Results, especially since the cost database was calculated using a different methodology than the U.S. sales database.27

Petitioner’s Rebuttal Brief

- The Department should continue to use theoretical weight in its margin calculations for Maquilacero, as Maquilacero has suffered no prejudice and the record contains the necessary theoretical weight information.28
- Calculations based on scale weights are subject to distortions and are no more accurate than calculations based on the industry-standard theoretical weights relied upon by U.S. purchasers.29

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22 See Maquilacero Case Brief, at 3-4.
23 Id., at 9-13.
24 Id. at 4, 10.
25 Id. at 11-12.
26 Id., at 17-18.
27 Id., at 16-17 and 19-20.
28 See Petitioner Rebuttal Brief, at 1-2.
29 Id., at 5-7.
Department’s Position:

We agree with the petitioner, and will continue to use theoretical weight for these final results. Maquilacero asserts that the Department’s practice “indicates a preference for a consistent reporting basis across all markets and costs rather than a preference for theoretical data.” In previous pipe cases, the Department has based price comparisons on either theoretical or actual weight, depending on the particular facts of each case. However, in recent proceedings, the Department has expressed a preference for theoretical weight, stating that “theoretical weight is generally the preferable basis for the comparison methodology, given the potential inaccuracies of scale weight and the theoretical sales basis upon which products are sold in the United States.”

Regardless of its statements in case briefs, it has not been Maquilacero’s position over the course of the review that Department should exclusively use actual weight; rather, it has advocated partial use of actual weight combined with partial use of theoretical weight (or a weight referred to by the company as “expected weight,” which may differ from theoretical weight). For instance, in its section B questionnaire response, Maquilacero stated:

The expected weight of a shipment is determined based on the actual weight of product as it is weighed following production. However, during the {POR} there were cases where the scale at the end of a production line was not working, and in these cases theoretical weights were used when the product was loaded onto the truck at the warehouse. See the Section D narrative for a detailed explanation. This expected weight is “trued up” when the shipment is weighed before leaving the plant. The metric ton weights included on the invoices are the “trued up” weights, which will always reflect the actual weight of the shipment. If a shipment includes multiple products with different prices, the products will be loaded and weighed separately.

In its section D questionnaire response, Maquilacero stated (from the public version):

The quantities being reported in the cost database are based on actual weight except for the merchandise produced on the OTO 3 mill, which represented [ ] percent of its merchandise under consideration. The production of the merchandise under consideration produced at the OTO 3 mill was based on a theoretical weight, not an actual weight because the weigh scale at the end of the OTO 3 production line was not working during the POR.

30 For instances in which we have used theoretical weight, see, e.g., Certain Welded Stainless Steel Pipe from the Republic of Korea: Final Determination of Sales at Less Than Fair Value, 57 FR 53693 (November 12, 1992) and Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 57 FR 17885 (April 28, 1992); for instances in which we have used actual weights, see, e.g., Welded Carbon Steel Standard Pipe and Tube Products from Turkey: Final Results of Antidumping Administrative Review and Final Determination of No Shipments, 2013-2014, 80 FR 76674 (December 10, 2015) and Light-Walled Rectangular Pipe and Tube from Turkey: Notice of Final Results of Antidumping Administrative Review, 75 FR 61127 (October 4, 2010).
32 See Maquilacero Letter re: Certain Circular Welded Non-Alloy Steel Pipe and Tube from Mexico; Maquilacero S.A. de C.V.’s Section B Questionnaire Response, dated May 10, 2016, at 27.
The production weight is tracked as follows: expected weight for each bundle loaded onto a truck for shipment to the home market or the United States is the mill ticket weight based on the weight recorded manually by the production workers at the OTO 2 and OTO 3 lines. See Exhibits A-9 and A-10 of the Section A Response providing sample warehouse exit documents and weight tickets recording the weight. This expected weight is then recorded as the production weight in Maquilaceros accounting system and is reported as the production quantity in Maquilaceros cost database. Upon invoicing, the expected weight is trued-up to an actual weight when the bundles loaded onto the truck are weighed with the truck, before leaving the factory. See Exhibits A-9 and A-10 of the Section A Response. This trued-up actual weight is what Maquilacero recorded in its sales ledger in its accounting system and is what was reported for U.S. and home market sales.

Thus, Maquilaceros initial reporting was not actual weight but rather a “mixed” methodology, because of inaccuracies or lack of data due to scale failures. Therefore, we find that it was not unreasonable for the Department to request the theoretical weight data at the time we requested it, because the theoretical weight data were necessary for the Department to calculate a margin (in that the “mixed” reporting of Maquilacero was not usable) and because the Department’s proceedings are controlled by statutory deadlines. Nor do we find that the request was unduly burdensome for Maquilacero; as discussed above, the information was necessary for the Department to calculate a margin. Further, Maquilaceros responses were complete, and we have applied no adverse inferences with regard to clerical errors made by Maquilacero (see Comment 6, below) in the course of gathering this information. We continue to find that theoretical weight is appropriate for use in these final results, in that the theoretical weight data for both respondents are the most accurate data available on the record, notwithstanding that the Department might have accepted actual weights in other proceedings or even in other segments of this proceeding. Each administrative review of the order represents a separate administrative segment and stands on its own.

Additionally, we do not agree with Maquilacero that a change in the manner of reporting weight (i.e., from actual/mixed to theoretical) in the home market, U.S. market, and cost of production databases quantity fields, amounts to a change in the model matching criteria. Model matching criteria are for this case: grade, nominal pipe size, wall thickness, coating, and end finish. We address the specific theoretical data requested, and why they also do not constitute a change in the model matching criteria, in Comment 5.

33 See Maquilacero Letter re: Certain Circular Welded Non-Ally Steel Pipe and Tube from Mexico; Maquilacero S.A. de C.V.’s Section D Questionnaire Response, dated May 10, 2016, at 38-39. (This extract is from the public version and contained no ranging; the bracketed amount was less than 50 percent, but greater than 10 percent – in other words, it was not an insignificant amount.)
34 See Handong Huarong Mach. Co. v. United States, 29 CIT 484, 491 (CIT 2005) (“As Commerce points out ‘each administrative review is a separate segment of proceedings with its own unique facts. Indeed, if the facts remained the same from period to period, there would be no need for administrative reviews.’”)
35 See Department Letter, re: Maquilacero Antidumping Questionnaire, dated March 22, 2016 (Initial Maquilacero Questionnaire); see also Department Letter, re: Regiopytsa Antidumping Questionnaire, dated March 22, 2016 (Initial Regiopytsa Questionnaire).
Although we do not agree with Maquilacero with regard to the use of actual weight data, we do agree with Maquilacero that we should continue to use the same theoretical weight datasets (the third for each respondent) in the calculations as we used for the Preliminary Results, rather than update the margin calculations based on the fourth datasets, which were requested by the Department and provided after the Preliminary Results. Maquilacero and the petitioner have challenged the usefulness and accuracy of the fourth datasets submitted to the Department after the Preliminary Results (see Comment 5 below). Most importantly, we find that the third sales databases are each reported on the same basis as the cost of production database, but the fourth sales databases are not reported on the same basis as the cost of production database. Consequently, we agree that the fourth datasets are less accurate than the third datasets. As such, we have continued to use the same theoretical-weight sales and cost of production data for both Maquilacero and Regiopytsa that we used in the Preliminary Results.\(^{36}\)

**Comment 4: Accounting for, and Properly Assessing, All Sales of Subject Merchandise**

**Petitioner’s Case Brief**

- The preliminary cash deposit rate treats all sales reported by the respondents as subject merchandise, while the draft assessment instructions do not.\(^ {37}\)
- The Department should ensure that the respondents’ calculated duties are not under-assessed on Type 3 (entered for consumption and subject to antidumping or countervailing duties) entries by following the *Warmwater Shrimp* approach in the final results.\(^ {38}\)
- There is an apparent discrepancy in the record when CBP data indicate entries of merchandise manufactured by Mexican producers who deny making any exports to the United States; because Customs data are presumed to be accurate, absent conclusive evidence to the contrary, the Department should find that the Mexican producers failed to report U.S. sales.\(^ {39}\)

**Regiopytsa’s Rebuttal Brief**

- The Department should continue to use its normal methodology to calculate the assessment rate and issue its standard liquidation instructions.\(^ {40}\)
- An importer correctly identifying a Mexican producer as the manufacturer on an entry summary does not establish that that producer knew (or should have known) that its product sold in Mexico was subsequently exported to the United States; Regiopytsa has properly reported U.S. sales, and no discrepancy necessarily exists between: (1) a

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\(^{36}\) *See* Final Analysis Memorandum.

\(^{37}\) *See* Petitioner Case Brief, at 2.


\(^{39}\) *See* Petitioner Case Brief, at 7-8.

\(^{40}\) *See* Regiopytsa Rebuttal Brief, at 2.
producer’s claim that it did not import subject merchandise; and (2) some subject merchandise it produced, in fact, being subsequently imported into the United States.\(^{41}\)

**Maquilacero’s Rebuttal Brief**

- In the *Preliminary Results*, the Department calculated importer-specific assessment rates that comply with the statute, regulations, and the Department’s longstanding practice; the Department should make no changes to its CBP instructions.\(^{42}\)
- The petitioner’s challenges to the assessment rate calculation are untimely because comments on the draft assessment instructions were due by December 29, 2016; thus, the petitioner failed to exhaust administrative remedies and its case brief comments on this subject should be rejected.\(^{43}\)
- The petitioner’s allegations are premised on the expectation that importer-specific assessment rates are calculated based on entries in the POR, but the Department’s practice has been consistent in calculating assessment rates based on POR sales rather than POR entries.\(^{44}\)
- Maquilacero disagrees with the petitioner’s methodological comments on the Department’s CBP instructions because the regulations direct the Department to set assessment rates based on the calculated dumping margin.\(^{45}\)

**Department’s Position:**

With regard to Maquilacero under- or over-reporting its sales, we agree with Maquilacero. Maquilacero, on the basis of the Department’s ruling in a scope review\(^{46}\) for another company, entered some of its merchandise as Type 1 (entered for consumption but not subject to antidumping or countervailing duties) during the POR. Maquilacero then requested a scope ruling for its own products, the ruling for which was also issued during the POR. When the Department determined that the products subject to Maquilacero’s scope inquiry were in-scope and, thus, should be entered as Type 3 merchandise, Maquilacero had already entered some of its merchandise as Type 1. The CBP data\(^{47}\) obtained by the Department only reflect imports of Type 3 merchandise. However, Maquilacero’s Type 1 entries, which had been the subject of the scope ruling, were properly reported to the Department as part of the universe of Maquilacero’s sales of subject merchandise. Consequently, there is no discrepancy when the U.S. sales database presents a greater volume than is reflected in the CBP Information Memorandum.

\(^{41}\) See Regiopytsa Rebuttal Brief, at 6.

\(^{42}\) See Maquilacero Rebuttal Brief, at 3-4.

\(^{43}\) Id., at 5.

\(^{44}\) See Maquilacero Rebuttal Brief, at 5-6; the brief cites December 19, 2016, as both the date of the Department’s issuance and as the due date, the latter being a typographical error.

\(^{45}\) See Maquilacero Rebuttal Brief, at 6-7, citing sections 736(c)(3) and 751(a)(2)(C) of the Tariff Act of 1930, as amended (the Act), and 19 C.F.R. 351.212(b).


There is no record evidence that Maquilacero failed to report sales of subject merchandise to the Department as part of its universe of sales, or has failed to cooperate in this review.

With regard to Regiopytsa under- or over-reporting its sales, we agree with Regiopytsa. Regiopytsa, on the basis of the Department’s ruling in a scope review, entered some of its merchandise as Type 1 during the POR. Regiopytsa then requested a scope ruling for its own products, the ruling for which was issued while this administrative review was being conducted. The Department’s scope ruling excluded all of the products subject to Regiopytsa’s scope ruling request. However, in light of the results of the Maquilacero Scope Ruling (i.e., that certain non-stenciled products were in-scope), Regiopytsa did not include non-stenciled products in its scope inquiry. When the Department determined that the products subject to Maquilacero’s scope inquiry were in-scope, Regiopytsa had already entered some of its sales as Type 1. The CBP data obtained by the Department only reflect imports of Type 3 merchandise. However, Regiopytsa’s Type 1 entries, which were not covered by its scope inquiry request (because they were not stenciled), were properly reported to the Department as part of the universe of sales of subject merchandise. Consequently, there is not necessarily always a discrepancy when the U.S. sales database presents a greater volume than is reflected in the CBP Information Memorandum, nor when products of the same dimensions are reported in the U.S. sales database in some instances and not reported in other instances. There is no record evidence that Regiopytsa failed to report subject merchandise (or improperly reported non-subject merchandise) to the Department as part of its universe of sales, or has failed to cooperate in this review.

The petitioner also notes that some entries of subject merchandise that were the subject of Maquilacero’s and Regiopytsa’s scope inquiries may have been improperly classified as Type 1 in the CBP data. Consequently, the petitioner argues that simply instructing CBP to assess an antidumping duty rate on Maquilacero’s and Regiopytsa’s suspended entries (i.e., Type 3 entries) could result in a significant under-collection of the antidumping duties owed.

Section 351.212(b)(1) of the Department’s regulations states that the Department normally “will calculate the assessment rate by dividing the dumping margin found on the subject merchandise examined by the entered value of such merchandise for normal customs duty purposes.” However, in the instant review, the record contains evidence that the entered value of subject merchandise may have been under-reported to CBP, as a result of some entries of subject merchandise having entered as Type 1. In past cases, such as Warmwater Shrimp, the Department has made adjustments to the calculation of exporter-importer specific assessment rates in order to avoid the under-collection of the antidumping duties where some subject merchandise was not entered as Type 3. We find that such an adjustment is appropriate in this case.
case. To make this adjustment, the Department has calculated a dumping margin on all subject merchandise reported in the U.S. sales databases, regardless of whether it was entered as Type 1 or Type 3. Then, using that margin, the Department has calculated the amount of duties owed on all subject merchandise. We then divided the total dumping duties owed on all subject merchandise by the entered value of the Type 3 entries such that, when CBP liquidates the suspended Type 3 entries, the proper total amount of duties owed will be collected. Accordingly, we will instruct CBP to liquidate only suspended Type 3 entries at an assessment rate that is adjusted to incorporate the amount of duties owed on both Type 3 entries and Type 1 entries of subject merchandise. We will so instruct CBP because the record does not reflect that either respondent has reclassified its Type 1 entries of subject merchandise as Type 3 entries with CBP. Because the Department is committed to preventing the possible evasion of antidumping duties, we intend to forward this matter to CBP for possible further investigation.

With regard to whether the petitioner failed to exhaust administrative remedies by not commenting on the draft Customs instructions released after the preliminary results by the prescribed deadline, we do not agree with Maquilacero. First, we acknowledge that the Department set a 10-day comment deadline for the draft Customs instructions. The petitioner did not raise this issue at that time. Nonetheless, pursuant to the Department’s regulations, a party’s case brief “must present all arguments that continue in the submitter’s view to be relevant to the Secretary’s … final results, including any arguments presented before the date of publication of the … preliminary results.” Accordingly, the petitioner’s comments on the issue were put before the respondents and the Department in the petitioner’s case brief in accordance with the Department’s regulations, and the respondents were afforded the opportunity to respond to petitioner’s arguments. Furthermore, regardless of whether the petitioner’s allegation should have been raised within 10 days of the release of the draft Customs instructions, it is within the Department’s discretion to correct an error if the Department is made aware of it and able to make the correction. Here, the Department’s intent is to instruct CBP to collect the total amount of duties calculated on all entries of subject merchandise, including both those erroneously classified as Type 1, and those correctly classified as Type 3. We find that it is a reasonable exercise of our discretion to amend our Customs instructions to execute our intent, regardless of whether the petitioner raised the issue in a timely manner. Therefore, we decline to reject the petitioner’s comments on this issue as untimely.

Finally, we decline to determine on this record that, as the petitioner suggests, a Mexican producer failed to report U.S. sales, such that there are discrepancies between reported sales and the CBP data that must be “resolved.” We agree with Regiopytsa that the fact that an importer correctly identified a Mexican producer as the manufacturer of subject merchandise on an entry

10, 2009) and accompanying Issues and Decision Memorandum at Comment 7.
54 See 19 CFR 351.309(c)(iii)(2).
55 See Cf. Cemex, S.A. v. United States, 133 F.3d 897, 905 (CAFC 1998); see also Dorbest Ltd. v. United States, 604 F.3d 1363, 1377 (CAFC 2010).
57 See Petitioner Case Brief, at 7.
summary does not establish that that producer knew (or should have known) that its product, sold in Mexico to an unaffiliated purchaser, was subsequently exported to the United States. Indeed, although the petitioner points to a discrepancy in the amount of reported sales (as compared to the CBP data) in arguing that the Mexican producer failed to report U.S. sales, the petitioner does not point to any record evidence indicating that any Mexican producer had (or should have had) knowledge, at the time of the sale, that specific shipments other than those which were reported were destined for the United States. After a careful examination of the record, we find no record evidence that contradicts Regiopytsa’s statement regarding the petitioner’s concerns, which post-dated the CBP Information Memorandum. We find no record evidence to indicate that any party should have known that unreported sales were destined for the United States. Furthermore, the Mexican producer has been cooperative in all other aspects of this proceeding. Accordingly, we find no failure on the part of the Mexican producer to report U.S. sales and no grounds for using an adverse inference.

Comment 5: Alleged Changes in Model Match Characteristics

Petitioner’s Case Brief

- The Department’s requested change in the reporting of nominal pipe size (in a physical characteristic field) represents a change in the model match criteria, which the Department should explain.

Maquilacero’s Rebuttal Brief

- The Department’s changes to product reporting characteristics and request for theoretical weight data only a few weeks before the Preliminary Results constituted highly irregular and fundamental changes at a late stage of the proceeding; the Department should refrain from implementing these changes to product reporting in this review by relying on Maquilacero’s actual weight data.

Department’s Position:

Based on our review of the record of this administrative review, we disagree that we have changed the model matching criteria in this proceeding. The Department’s antidumping questionnaire for this segment (and all previous segments) provides the following instructions for reporting nominal pipe size in a manner consistent with the scope of the Order, i.e., in accordance with the schedules for ASTM A-53:

58 See Grain-Oriented Electrical Steel from the Czech Republic: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances, 79 FR 58324 (September 29, 2014).
60 See Petitioner Case Brief, at 9-10.
61 See Maquilacero Rebuttal Brief, at 10-11.
62 See Initial Maquilacero Questionnaire; see also Initial Regiopytsa Questionnaire.
63 The scope of the Order states, in part, “These pipes and tubes are generally known as standard pipes and tubes and are intended for the low pressure conveyance of water, steam, natural gas, and other liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses, and generally meet ASTM A-53 specifications.”
FIELD NUMBER 3.2: Nominal Pipe Size

FIELD NAME: SIZEH

DESCRIPTION: Report the nominal pipe size, as instructed below.

NARRATIVE: Your narrative response should contain a list of all the individual nominal pipe sizes for which you report XXX.

010 = ½”
020 = ¾”
200 = 1”
210 = 1 ¼”
220 = 1 ½”
230 = 2”
240 = 2 ½”
250 = 3”
260 = 3 ½”
270 = 4”
280 = 5”
290 = 6”
XXX = Other

In the U.S. market, both Maquilacero and Regiopytsa reported sales of in-scope ASTM A-51364 products. In its original sales and cost databases, Maquilacero reported actual, rather than nominal, pipe size in the SIZEH/U fields.65 We then issued the following instructions for reporting data in fields SIZEH/U, in order to obtain nominal pipe size:66

1. In Field 3.2 Nominal Pipe Size (SIZEH/U), report nominal outside diameter for each observation; do not create other fields for reporting in some other manner. Provide the numeric figure (in millimeters, rounded to the nearest one-hundredth of a millimeter) for the nominal outside diameter, using the figure that you use to determine the appropriate reporting code for field 3.2 (DIAMH) below. For example, if the nominal outside diameter is 21.33 mm, then report the numeric figure 21.33, etc. For products made to standards/specifications for which nominal outside diameters are not identified, and for products not made to any standard/specification at all, the nominal outside diameter is the outside diameter identified in the customer’s order.

64 See Maquilacero Letter, re: Certain Circular Welded Non-Alloy Steel Pipe and Tube From Mexico; Maquilacero S.A. de C.V.’s Section A Questionnaire Response, dated April 19, 2016, at 32; see also Regiopytsa Letter re: Circular Welded Non-Alloy Steel Pipe from Mexico: Response to Section A of the Department’s Questionnaire, dated April 26, 2016, at 2.
65 See, e.g., Maquilacero Letter, re: Certain Circular Welded Non-Alloy Steel Pipe and Tube From Mexico; Maquilacero S.A. de C.V.’s Section B Questionnaire Response, dated May 10, 2016, at 17.
66 See Department Letter, re: Maquilacero Supplemental Section A, B, C, and D Questions, dated October 24, 2016 (Maquilacero Third SQ); see also Department Letter re: Regiopytsa Supplemental Section A, B, C, and D Questions, dated October 24, 2016 (Regiopytsa Third SQ).
In future segments of this proceeding, we intend to instruct respondents to report nominal pipe size in accordance with the instructions provided in the original questionnaire. However, because the original instructions for reporting the SIZEH/U fields assigned one numeric code to individual measurements (e.g., “200 = 1”), rather than ranges of measurements (conceptually, such as “200 = 1 to 1.2499” and “250 = 1.25 to 1.4999,” etc.), we find that requiring respondents in this review to report the diameter measurement in millimeters does not change the model matching.

Another name for “certain circular welded non-alloy steel pipe” is “standard pipe,” which means it is made in standard sizes; A-513 is not. Standard pipes are typically identified, bought, and sold according to “nominal pipe size,” which is loosely related to the actual dimensions. For instance, a standard pipe with a nominal pipe size of 2 inches actually has an outside diameter of between 2.35125 and 2.39875 inches (given tolerances); its ideal outer diameter is 2.375 inches.67 The outside diameter is linked to specific nominal wall thicknesses according to “schedules.” A standard pipe with a nominal outside diameter of 2 inches can have a Schedule 10 nominal wall thickness of 0.109 inches (which, with the tolerance, can actually be between 0.095375-0.109 inches), or a Schedule 40 nominal wall thickness of 0.154 inches (which, with the tolerance, can actually be between 0.13475-0.154 inches), or a Schedule 80 nominal wall thickness of 0.218 inches (which, with the tolerance, can actually be between 0.19075-0.218 inches). If the nominal wall thickness for a pipe with a nominal outer diameter of 2 inches does not fit within one of these three “standard” sizes, it is not standard pipe. However, while A-513 pipe can and often does fit within these outer diameter and wall thickness combinations, there are no specific “schedules” for A-513; in other words, there are no “nominal” sizes for A-513 pipes in the same sense that there are for A-53 pipes. The revised instructions issued by the Department in this administrative review pertain only to these two respondents in this segment of this proceeding because both reported A-513 pipe (which is not produced according to schedules for outer diameter and wall thickness combinations), and do not constitute a change in the model match characteristics. Rather, they comprise detailed instructions for reporting the individual products with which we are dealing in this administrative review in the manner best suited to facts on the record.

Finally, in Comment 3, we addressed Maquilacero’s rebuttal argument that the Department’s request for theoretical weight data constituted an inappropriate change to product reporting characteristics, such that the Department should rely on Maquilacero’s actual weight data. As discussed above, we further disagree that the Department’s request for specific theoretical weight data constituted a change to product reporting characteristics, or that it was inappropriate for the Department to make a request for that information prior to the Preliminary Results.

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67 For a full explanation, see the Scope Rulings Memorandum, at the Perfiles Scope Ruling, at 7-11 and Appendix One.
Comment 6: Anomalies in Reporting of Wall Thickness and Pipe Size

Petitioner’s Case Brief

- Regiopytsa’s third and fourth databases contain wall thickness anomalies which go beyond what is explainable by rounding.\(^{68}\)
- Maquilacero’s third and fourth databases changed with respect to the both the wall thickness and the pipe size; the changes are not explainable by data changes such as reporting the length per piece or variations in manner of reporting the nominal wall thickness.\(^{69}\)
- The Department should make changes to the reported per unit values where a recalculation of theoretical weight using the four elements (size, wall, length, and pieces) applied to the formula shows the weight to be misreported.\(^{70}\)

Regiopytsa’s Rebuttal Brief

- The largest change identified by the petitioner was due to a clerical error in the second database which was corrected in the third version of the U.S. sales database.\(^{71}\)
- The petitioner assumes that the only changes should have been for rounding; however, the Department’s instructions were not only regarding rounding, but also regarding reporting the nominal wall thickness according to the specification or customer order – Regiopytsa complied with those instructions.\(^{72}\)

Maquilacero’s Rebuttal Brief

- Maquilacero reviewed its product characteristics and made corrections where it found clerical errors caused by reliance on handwritten records (as instructed by the Department) and aberrational results stemming from the use of theoretical weight required by the Department at the request of the petitioner.\(^{73}\)
- Home market sales where there were changes in the product dimensions (which the petitioner characterizes as beneficial to Maquilacero, and as attempts to manipulate the margin) were sales by Maquilacero’s affiliate which fail the Arm’s Length Test and are, therefore, removed from the pool of potential matching sales; none impact the margin.\(^{74}\)
- The impact of the size corrections for nominal diameter and nominal wall thickness on all other home market sales made by Maquilacero is negligible and does not favor Maquilacero, which has been transparent about any corrections or revisions made to the sales data by indicating when they were made and providing reasons for them.\(^{75}\)

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\(^{68}\) See Petitioner Case Brief, at 11-12.
\(^{69}\) See Petitioner Case Brief, at 12-14.
\(^{70}\) Id., at 14-15.
\(^{71}\) See Regiopytsa Rebuttal Brief, at 7.
\(^{72}\) Id.
\(^{73}\) See Maquilacero Rebuttal Brief, at 11.
\(^{74}\) Id.
\(^{75}\) Id., at 12-14.
Department’s Position:

As an initial matter, we stated above that we are not using the fourth set of databases submitted by either respondent for these final results because we find the third databases to represent the most accurate information on the record. Consequently, those arguments concerning alleged discrepancies between the fourth set of databases and earlier iterations are moot.

With regard to rounding, we gave no instructions in the original questionnaire. When we gave further instructions in the supplemental questionnaires, we gave a rounding instruction for the conversion (with regard to wall thickness and length) which directed rounding to the hundredth:

5. Please resubmit your home market, U.S. market, and cost of production databases. Calculate theoretical weight (nominal plain end mass in kilograms, do not add for coating) using the following formula:

\[
W_{pe} = 0.0246615(D - t)tlp
\]

\(D\) = nominal outside diameter to the nearest 0.1 mm

\(W_{pe}\) = nominal plain end mass

\(t\) = nominal wall thickness, rounded to the nearest 0.01 mm

\(l\) = length in meters, rounded to the nearest 0.01 m

\(p\) = number of pieces in the observation

(Or, expressed in words as: 0.0246615 * (nominal outside diameter in mm – nominal wall thickness in mm) * nominal wall thickness in mm * total length in meters * number of pieces.)

Use the theoretical weight derived for each observation as the value in QTYH, QTYU, PRODQTY, or wherever applicable; calculate all other fields accordingly for each database you have been instructed to report. {Footnote in original omitted.}

We issued the above instructions without regard to whether the respondents had previously rounded wall thickness and length to the tenth, hundredth, thousandth, ten-thousandth, etc., so some values changed in accordance with our instructions.

We agree with Regiopytsa that the error cited by the petitioner concerning the conversion of a wall thickness gauge to millimeters was from the second set of databases and corrected in the third database. Because we are using the third databases for these final results, arguments concerning errors contained in previous databases are moot. We also agree with Regiopytsa that our instructions in the supplemental questionnaires not only included directions regarding

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70 See Maquilacero Third SQ; see also Regiopytsa Third SQ.
rounding, but also directed the respondents to report the nominal wall thickness according to the specification or customer order (see the instructions above under Comment 5). This, as explained in Comment 4, was a change from prior instructions, which provided the respondents no guidance as to fitting reporting of A-513 pipes into reporting fields designed for A-53 pipes. We find that changes to these instructions fully explain every apparent discrepancy cited by the petitioner, and that Regiopytsa complied with our instructions. We have made no changes to the reported per unit values, because we find no instance where a recalculation of theoretical weight by Regiopytsa using the four elements (size, wall, length, and pieces) applied to the formula shows the weight to be misreported.

We agree with Maquilacero that its home market sales containing changes to the product dimensions were sales by Maquilacero’s affiliate, and these sales failed the arm’s-length test. Consequently, these sales were removed from the pool of potential matching sales and, therefore, have no impact on the margin calculation. We also agree with Maquilacero that the impact of the size corrections for nominal diameter and nominal wall thickness on all other home market sales made by Maquilacero does not favor Maquilacero. Accordingly, as stated above, we have made no recalculation for Maquilacero for these final results.

Comment 7: Continuous Entry Bonds

Petitioner’s Case Brief

- The respondents failed to report their surety charges for continuous entry bonds as U.S. price adjustments – Regiopytsa included them, instead, as a financial expense, while Maquilacero failed to include them as a U.S. price adjustment. These surety charges were incurred by the respondents because they are non-resident corporations (making them business expenses that arise out of being an importer of record, rather than financial expenses). Accordingly, the Department should re-classify these charges as U.S. price adjustments for the final results.77

Regiopytsa’s Rebuttal Brief

- The continuous entry bond expense is a minor adjustment which the Department has the authority to disregard.78
- This expense relates to all U.S. shipments (including non-subject merchandise); therefore, requiring accounting for the total value of all U.S. shipments would further reduce its already-negligible impact on the margin; the Department properly exercised its discretion to disregard this infinitesimal adjustment in the Preliminary Results and should continue to do so for the final results.79

77 See Petitioner Case Brief, at 15-16.
78 See Regiopytsa Rebuttal Brief, at 8, citing 19 CFR 351.413.
79 See Regiopytsa Rebuttal Brief, at 8.
Maquilacero’s Rebuttal Brief

- The Department’s regulations state that EP or CEP “shall be reduced by the amount, if any, included in such price, attributable to any additional costs, charges, or expenses, and United States import duties, which are incident to bringing the subject merchandise from the original place of shipment in the exporting country to the place of delivery in the United States.”

- Here, the continuous entry bonds are correctly not included in EP because they are not specific to the importation of subject merchandise (but rather cover all of Maquilacero’s exports to the U.S. over the time period of the bond), and are, therefore, not eligible for deduction.

- Such continuous entry bonds cannot be properly construed as “incident to bringing the subject merchandise from the original place of shipment in the exporting country to the place of delivery in the United States,” and were, therefore, properly classified as a financial expense and captured in Maquilacero’s cost of production.

Department’s Position:

CBP recognizes three categories of import bonds: there is a “continuous entry bond,” which is a one-year bond for all entries made in a single year by the entity depositing the bond; a “single entry bond,” which is a one-time bond that is issued to ensure compliance with U.S. laws and regulations pertaining to single entries (there are multiple types of single entry bond); and a “temporary import entry bond,” which is a special Customs entry for merchandise to be brought into the country exempt of duty, provided that the merchandise exits the country within a certain amount of time and under CBP supervision. The Department’s standard antidumping questionnaire presents a category only for reporting temporary import bonds in section C (regarding price adjustments). Continuous entry bonds differ from temporary entry bonds in that they are not specific to any particular entry or any particular product. We, therefore, agree with Maquilacero that continuous entry bonds, as opposed to the temporary import bonds, the expenses for which are requested in the questionnaire, are properly classified as financial expenses and captured in the cost of production.

Moreover, we agree with both respondents that a continuous entry bond relates to all U.S. shipments (including non-subject merchandise) by the importer. To calculate such an expense would require knowing the total value of all shipments to the United States by each respondent; this information is not on the record.

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80 See Maquilacero Rebuttal Brief, at 14-15, citing 19 USC 1677a(c)(2)(A).
82 See Maquilacero Rebuttal Brief, at 16-17.
84 See, e.g., Initial Maquilacero Questionnaire and Initial Regiopytsa Questionnaire, each at C-35-C-36.
The Department’s statute and regulations state that we may disregard insignificant adjustments, which are defined as “any individual adjustment having an *ad valorem* effect of less than 0.33 percent, or any group of adjustments having an *ad valorem* effect of less than 1.0 percent, of the export price, constructed export price, or normal value, as the case may be.”\(^{85}\) In this case, the *ad valorem* amount of the adjustment for respondents’ continuous import bonds—when calculated over a denominator of exclusively subject merchandise—is less than 0.33 percent. We find that the *ad valorem* amount of the adjustment would be even smaller were we to allocate the bonds for each respondent over a denominator including both subject and non-subject merchandise. Consequently, we find for these final results that any adjustment for respondents’ continuous entry bonds would be insignificant and may be disregarded. As such, we have not addressed the parties’ arguments on this matter.

**V. RECOMMENDATION**

We recommend applying the above methodology for these final results.

[ ] Agree [ ] Disagree

6/6/2017

Signed by: RONALD LORENTZEN

Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

\(^{85}\) See section 777A(a)(2) of the Act; 19 CFR 351.413.