68 FR 7765, February 18, 2003

A-570-875
Investigation
POI: 07/01/2001-12/31/2001
Public Document
GIIO4:SZ

MEMORANDUM TO: Faryar Shirzad
Assistant Secretary
for Import Administration

FROM: Bernard T. Carreau
Deputy Assistant Secretary
for Import Administration, Office II

SUBJECT: Issues and Decision Memorandum for the Final Determination in the Antidumping Duty Investigation of Non-Malleable Cast Iron Pipe Fittings from the People's Republic of China

Summary

We have analyzed the comments and rebuttal comments of the interested parties in the antidumping duty investigation of non-malleable cast iron pipe fittings (pipe fittings) from the People's Republic of China (PRC). As a result of our analysis of these comments, we have made changes in the margin calculations, including corrections of certain inadvertent errors, from the preliminary determination. We recommend that you approve the positions we have developed in the "Discussion of the Issues" section of this memorandum for this final determination.

Below is the complete list of issues in this investigation for which we received comments and rebuttal comments from Anvil International, Inc. and Ward Manufacturing, Inc. (collectively referred to as the petitioners), and the respondents, Jinan Meide Casting Co., Ltd. (JMC) and Shanghai Foreign Trade Enterprises Co., Ltd. (SFTEC):

Comment 1: Whether Respondents Properly Reported the Necessary Factors of Production (FOP) Information to the Department.
Comment 2: Whether the Department Correctly Calculated the Distance for the Non-Market Economy (NME) Inland Freight Charge for JMC
Comment 3: Whether the Department Should Correct the Treatment of Scrap and the Coke Offset Reported by SFTEC.
Comment 4: Whether the Department Correctly Derived Surrogate Financial Ratios.
Comment 5: Whether the Department Should Credit JMC with the Recovery of Scrap from the

Smoothing and Threading Workshops.

Comment 6: Whether the Department Erred in Valuing the Surrogate Value for Pig Iron for SFTEC.

Comment 7: Whether the Department Should Adjust SFTEC's Coke Usage.

Comment 8: Whether the Department Properly Calculated the Surrogate Brokerage and Handling Value for SFTEC.

Comment 9: Whether the Department Will Correct the Ministerial Errors from the Preliminary Determination

Background

On September 25, 2002, the Department of Commerce (the Department) published the preliminary determination of sales at less-than-fair-value in the antidumping duty investigation of pipe fittings from the PRC. See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Non-Malleable Cast Iron Pipe Fittings from the People's Republic of China, 67 FR 60,214 (September 25, 2002) (Preliminary Determination). The period of investigation (POI) is July 1, 2001, through December 31, 2001. Since publication of the Preliminary Determination, the following events have occurred.

On September 30, 2002, and October 1, 2002, respectively, JMC and SFTEC filed preliminary determination clerical error allegations. The Department concluded that certain allegations constituted ministerial errors, to be corrected in the final determination, but that the errors did not amount to significant ministerial errors for purposes of issuing an amended preliminary determination. See Ministerial Error Allegations Memorandum, to Bernard T. Carreau, dated November 4, 2002 (Ministerial Error Memorandum).

From October 25, 2002, through November 5, 2002, the Department conducted a sales and FOP verification of JMC and SFTEC. See Memorandum to the File from the Team, Verification of Sales Information Reported by Jinan Meide Casting Co., Ltd., to the file, dated December 4, 2002; Memorandum to the File from the Team, Verification of Sales Information Reported by Shanghai Foreign Trade Enterprises Co., Ltd., to the file, dated December 4, 2002; Memorandum to Neal M. Halper from the Team, Verification Report on the Factors of Production Data Submitted by Jinan Meide Casting Co., Ltd., dated December 11, 2002 (JMC FOP Verification Report); and Memorandum to Neal M. Halper from the Team, Verification Report on the Factors of Production Data Submitted by Shanghai Foreign Trade Enterprises, Ltd., and its Suppliers, dated December 11, 2002 (SFTEC FOP Verification Report).

SFTEC filed surrogate value information and data on September 11, 2002, and November 25, 2002. JMC filed available surrogate value information and data on November 4, 2002, and the petitioners filed surrogate value information and data on November 1, 2002. On October 25, 2002, SFTEC filed a request for a public hearing in this investigation, and JMC and the petitioners filed a request to appear and participate in a hearing if one was requested by another party. The Department

scheduled a hearing for January 8, 2003. However, SFTEC withdrew its request for this hearing on January 7, 2003.

Both respondents filed case briefs on December 23, 2002, and the petitioners filed a case brief on December 24, 2002. The petitioners and the respondents filed rebuttal/reply briefs on January 3, 2003. In response to requests, we held meetings with the petitioners, on January 14, 2003, JMC, on February 4, 2003, and SFTEC, on February 5, 2003, during which the party in question highlighted issues raised in its briefs.

Discussion of the Issues

Comment 1: Whether Respondents Properly Reported the Necessary FOP Information to the Department

The petitioners urge the Department to apply total adverse facts available (FA) to determine JMC and SFTEC's antidumping margins at the final determination. See Petitioners' Case Brief, to Donald L. Evans, dated December 24, 2002 (Petitioners' Case Brief), at 7 - 15. According to the petitioners, the Department requested the respondents to provide information on the gross quantity of input materials needed to produce each unique product, represented by a control number (CONNUM), and to provide the FOP (*e.g.*, labor and energy) specifically required to produce each unique CONNUM. The petitioners argue that neither respondent provided the CONNUM-specific yield information that the Department requested and was needed to allocate FOP on a CONNUM-specific basis. Instead, the petitioners assert that the respondents essentially provided a single average FOP value, based on weight, applicable to all CONNUMs. The petitioners contend that the respondents failed to provide the quantity and source of scrap recovered from the casting stage, the quantity of unrecovered scrap generated at the casting stage, and the quantity of recovered scrap from the casting stage recycled into production. According to the petitioners, these quantities greatly affect: the magnitude of the FOP; the calculation of the offset to gross FOP; and, therefore, the normal value (NV) for subject merchandise. The petitioners also emphasize that the source from which the steel scrap is generated is vitally important because both respondents produce substantial quantities of non-subject and subject malleable pipe fittings from which steel scrap is generated. The petitioners argue that self-generated scrap from the production of non-subject fittings may be used in the production of subject fittings. However, without knowing the source of the scrap used, it is impossible to know whether the respondents have properly recorded the correct scrap consumption amounts. As such, the petitioners assert that without product-specific quantity data, the respondents' FOP submissions are not suitable for use in the derivation of NV.

The petitioners argue that, at verification, the Department found that each respondent, in the normal course of business, maintained product-specific yield ratios for the casting stage that would have allowed them on a CONNUM-specific basis to calculate the gross amount of input materials consumed at that stage in the production of subject merchandise. Moreover, the petitioners note, that yield losses

vary significantly among CONNUMs. See JMC FOP Verification Report, at Exhibit 5; and SFTEC FOP Verification Report, at 6. As such, the petitioners contend that respondents had records allowing them to report the gross input quantities for FOP on a CONNUM-specific basis, and allocate unrecoverable-scrap loss in the casting stage using the ratios.

The petitioners assert that, since the respondents maintained this data (product-specific yield ratios) in the regular course of business, and since the data was not provided to the Department when requested, there are sufficient grounds to find that the respondents were not acting to the best of their ability and that the respondents' conduct fell below the standard for a reasonable respondent. See Notice of Final Determination of Sales at Less Than Fair Value: Hot-Rolled Flat Rolled Carbon-Quality Steel Products from Japan, 64 FR 24,329, 24,361 (May 6, 1999); and Nippon Steel Corporation v. United States, 118 F. Supp. 2d 1366, 1377-1378 (CIT 2000). The petitioners contend that because the respondents failed to submit this data to the record by the statutory deadline, the Department may "decline to consider this information." See Section 782(d) of the Tariff Act of 1930, as amended (the Act).

The petitioners allege that each criteria in Section 776(b)(1) of the Act are met by the respondents failure to provide essential information in the form and manner requested by the Department and by the respondents' failure to "cooperate by not acting to the best of its ability to comply with a request for information." Furthermore, the petitioners state that, because the respondents have not cooperated, and may greatly benefit from not reporting the quantity and source of scrap generated and recycled into production, the Department may employ "adverse inferences about the missing information to ensure that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully. See Statement of Administrative Action (SAA), accompanying the Uruguay Round Agreements Act, H.R. Doc. No. 103-316 (1994), at 870.

In rebuttal, SFTEC states that the petitioners did not take into account SFTEC's submission of September 9, 2002,which replaced the simple average weight-based FOP the company originally submitted. SFTEC alleges that its revised data base, which JMC did not even attempt to provide, provides product-specific FOP. As such, SFTEC maintains that the two respondents should not be lumped together by the petitioners when they argue for the application of adverse FA. See SFTEC's Rebuttal Brief, to Donald L. Evans, dated January 3, 2003 (SFTEC's Rebuttal Brief), at 2 - 15.

With respect to raw materials, SFTEC states that its suppliers used their contemporaneous recipes for the different types of iron produced at each of the four foundries for SFTEC, reflecting the iron and foundry specific differences in the usage of each of the raw material inputs.

Similarly, for labor and energy costs, SFTEC states that its suppliers used piece rates to fix laborers' compensation. SFTEC contends that the application of the relative differences reflected in these piece rates, to labor and energy, at the casting stage, represents years of production experience and the relative degree of difficulty in producing each different type of casting. This approach results in

the reallocation and distribution of costs among products, assigning higher costs to the lower-yield products and lower costs to the higher-yield products.

With regard to the scrap generated at the finishing stage, that was sold, SFTEC asserts that it allocated this scrap offset to specific products using the proportionate differences between each product's semi-finished and finished theoretical weights. SFTEC notes that it employed the same approach to account for yield loss at the casting stage. In addition, SFTEC explains that only one of its suppliers produces malleable and non-malleable merchandise and contrary to petitioners' concerns, the malleable facility of this supplier uses scrap generated by the non-malleable workshop.

SFTEC further states that the World Trade Organization (WTO), the antidumping statute, and the Department's regulations require the Department to rely on the normal books and records of the respondent. Moreover, SFTEC argues that unless the Department can show these records materially distort the factor quantities, it cannot punish a company in a NME for failing to maintain the books and records that are maintained by producers in market economies.

Finally, SFTEC alleges that, with the September 9, 2002, revised data on the record, the Department may not resort to FA, because SFTEC's foundries all acted to the best of their abilities.

In response, JMC disagrees with the petitioners' suggestion that JMC failed to report gross inputs, gross unrecoverable yield loss, scrap recovery, and consumption of recycled scrap in the gray iron casting workshop on a CONNUM-specific basis, and that this warrants an adverse FA determination. Instead, JMC argues that the Department should accept its net FOP allocation as being reasonable and non-distortive. See JMC's Reply Brief, to Faryar Shirzad, dated January 3, 2003 (JMC's Reply Brief), at 5 - 25.

JMC states that its weight based FOP allocations in the gray iron casting workshop were the most accurate, reasonable, feasible, and verifiable allocations available. See Verification of the Responses of Longkou TLC Machinery Co., Ltd.: Sixth AD New Shipper Review of Brake Rotors from the PRC (July 2, 2002) (Public Version), at 17 (noting respondent foundry's allocation of production costs "on the basis of the finished products' net weight and not by production order, production run, number of pieces or production hours"). Unlike in the U.S. industry, JMC contends that its foundry process is low-tech, un-automated, and reliant on manual, unskilled labor. JMC asserts that in its casting workshop it is not feasible to record and maintain FOP consumption, or the amount of breakage and defects, spillage, unrecoverable yield loss, scrap recovery, or consumption of recovered scrap experienced on a "batch-specific" or "model-specific" basis. JMC argues that reliance on manual labor constrains its ability to control variations in productivity and the rate of errors, or to predict performance, and forecloses any detailed monitoring of the production process. JMC contends that its production process is not structured to record or allocate the consumption of materials, labor, or energy on a model-specific basis. JMC also states that its production process is not structured to collect gross input and gross output data such as casting scrap recovery, recycled casting scrap consumption, or

unrecoverable scrap loss. Accordingly, for the casting workshop, JMC allocated FOP consumption (net of any consumption of scrap recovered from broken or defective castings, from spillage, or from casting rivers) over production (net of any "unrecoverable" yield loss and net of any "recoverable" yield losses due to breakage or defects, to spillage, or to casting "rivers"). JMC further points out that the casting consumption and production amounts were verified by the Department. As such, JMC argues that its net allocation accurately depicts the casting workshop's production system, and appropriately allocates the unquantifiable effects of breakage, unrecoverable yield loss, and scrap recovery over all gray iron castings.

JMC also disagrees with the petitioners' assertion that the listed "River Recycling Ratios" provides a source that would allow the gross FOP to be allocated to specific CONNUMs. JMC claims that at verification it introduced the theoretical ratios, developed several years ago as a shorthand method for, at best, approximating the ratio between the standard smoothed weight for a single fitting and the weight of the corresponding casting rivers connecting within the mold cavity. JMC asserts that even if these ratios are deemed reliable, they are still not "yield loss" factors because they only indicate the relative volume of recovered casting rivers to the standard weights, and do not account for unrecoverable yield loss, recovery of breakage, recovery of spillage, spoilage, consumption of scrap, and, consequently, gross (as opposed to net) inputs. JMC argues that without this gross data, the ratios cannot provide a viable gross-basis FOP allocation. As such, JMC claims that any effort to use the ratios to create CONNUM-specific FOPs would inappropriately exaggerate the statistical effects of the recycled rivers, while ignoring the statistical effects of recycled breakage, recycled spillage, and unrecoverable yield loss. In this regard, JMC asserts that even if the Department views the ratios as reliable indicators of overall yield loss or scrap recovery, variations between these ratios are insignificant, and do not distort the allocation.

JMC maintains that because it clearly acted as a reasonable respondent in reporting verifiable net average FOP for the casting workshop, resorting to FA, much less adverse FA, is unwarranted. Further, JMC maintains that it acted reasonably with respect to the "River Recycling Ratios." JMC states that because it cannot document the original derivation of the ratios, the ratios were unverifiable. JMC points out that the Department was able to test the ratios at verification only because verification happened to coincide with the production of JMC's first order for subject merchandise in four months. JMC asserts that it could not have reasonably relied on unverifiable, undocumented estimates to prepare its FOP response. Furthermore, JMC claims that even if the ratios were reliable, they cannot provide the basis for a full gross FOP allocation. JMC states that penalizing JMC would contravene the Department's established preference for allocations based on records generated in the ordinary course of business. JMC cited Certain Cut-to-Length Carbon Steel Plate from the People's Republic of China, 62 FR 61,961, 61,991 (November 20, 1997) (Steel Plate from China), where the Department used the respondent's database reasoning that reliance on production records generated by actual production presented a more reasonable reporting methodology and produced less distortive results than would follow from the use of a constructed reporting methodology that deviates from records.

Alternatively, JMC notes that if the Department relies on FA, or adverse FA, the adjustment should be confined to the consumption of energy and labor in the gray iron casting workshop. JMC notes that the Department verified the FOP allocations for the smoothing, threading, and packing workshops. Moreover, because JMC claimed no scrap offset in the casting workshop, an adjustment to the raw materials costs is not necessary. JMC claims that allocation of net material consumption over net useable output appropriately accounts for all material costs in the casting workshop. As such, JMC asserts that any remaining concerns regarding yield loss or recovery apply only to the allocation of energy and labor costs in the gray iron casting workshop.

Department's Position: With regard to JMC, we agree with the petitioners in part. Section 776(a) of the Act authorizes the Department to resort to FA only where necessary information is not available on the record or an interested party (A) withholds information, (B) fails to comply with the Department's reporting requirements, (C) significantly impedes the proceeding, or (D) submits unverifiable information. Section 776(b) of the Act further provides that adverse inferences may be used where an interested party has failed to cooperate by not acting to the best of its ability to comply with the Department's requests for information. Although we agree with petitioners that JMC's responses contain certain deficiencies, we have examined JMC's submitted information and determined that resorting to total FA is not warranted in this investigation. We have applied only partial FA, using an adverse inference for JMC's failure to provide requested information related to product-specific FOPs. This application of FA is consistent with the SAA, at 869, which authorizes the use of FA to fill gaps in the record due to deficient responses. See Notice of Final Determination of Sales at Less Than Fair Value: Certain Preserved Mushrooms from Chile, 63 FR 56,614 (October 22, 1998). The Department is relying on JMC's submitted data except for those areas where verification of the data proved to be incomplete. Further, the Department is relying on the data provided by JMC where we were able, through the verification process, to establish that the FOP data was reliable. The Department disagrees with both JMC and SFTEC's assumption that companies in NMEs, especially those that rely upon manual labor, are excused from reporting accurate FOP data. Moreover, contrary to JMC and SFTEC's assertion that they are unsophisticated companies, the record demonstrates that both of the respondents are global exporters and produce a variety of products to international specifications. See JMC's Section A Questionnaire Response, dated May 21, 2002, at Exhibit 12. In doing so, they must have a degree of control over their production process which requires some level of sophistication. Therefore, it is reasonable for the Department to expect JMC and SFTEC to have some type of records in their normal books and records which track production costs.

In its original submission, JMC calculated the average FOP (*i.e.*, materials, labor, energy) per kilogram across all non-malleable products and adjusted these averages by the weight per piece, instead of reporting the product-specific FOP. See JMC's Section D Questionnaire Response, dated June 14, 2002. The Department requested product specific FOPs in the original questionnaire and in three supplemental questionnaires. See DOC's Supplemental Questionnaires to JMC, dated July 12, 2002, August 15, 2002, and August 27, 2002. In each of its three responses, JMC responded that they did

not have information that would allow it to calculate product specific costs at the casting workshop. However, in its third supplemental response, JMC did differentiate the FOP for unskilled labor at the smoothing and threading stages based on time trials from producing non-subject malleable cast iron pipe fittings. See JMC's Supplemental Section D Questionnaire Response, dated September 4, 2002.

At verification, the Department discovered that JMC did have, in its normal books and records, standard river recycling ratios for each subject and non-subject product produced. See JMC FOP Verification Report, at 5. JMC officials explained to the Department that these river recycling ratios were calculations of the moltent material needed to produce the pipe fittings and address the connecting rivers within a mold. Even though, as JMC points out in its case brief, these recycling river ratios do not reflect a complete yield loss ratio as they do not reflect spillage of liquid cast iron or subsequent breakage of gross forgings, these standards nonetheless provide a reasonable basis to allocate FOP at the casting workshop on a product specific basis. These ratios allow the variance in FOP between products to be captured, while the breakage on gross forgings is captured on an overall basis. At the same time, the Department agrees with JMC that these ratios should only be used to adjust the conversion factors (*i.e.*, coke, firewood, electricity, and all types of labor) at the casting workshop, because these are the only factors affected by the different yield losses between CONNUMs.

We disagree with the petitioners' contention that the FOP at the casting workshop must capture the gross inputs of each type of forgings. The Department verified that the cast iron scrap recovered at the casting stage is reused in subsequent casting batches. See JMC FOP Verification Report, at 9. Furthermore, the Department found that the recipe of raw materials for non-malleable cast iron forgings (*i.e.*, pig iron, scrap, ferrosilicon, and ferromanganese) is the same for each product produced in JMC's cast iron workshop. See JMC FOP Verification Report, at 9. Therefore, we find that, at the casting stage, there are not differerent amounts of gross inputs used for the different cast iron products.

The Department finds that JMC failed to cooperate and did not act to the best of its ability by not submitting product specific conversion costs in the casting workshop, and as such the Department finds JMC's failure warrants use of adverse FA. See Section 776(b) of the Act. JMC could have provided its information using the standard river recycling ratios when originally requested by the Department. JMC's assertions that, when requested, it did not report the product specific river recycling ratios because the ratios were unsubstantiated and unverifiable, are inconsistent with information on the record, as discussed below. In its August 15, 2002, second supplemental section D questionnaire, the Department instructed JMC to report its factors using actual product specific yield rates, and, if actual CONNUM specific yield rates were not available, to report factor information based on product standards and product specific standard yield rates. When the books and records of a respondent do not fully account for all cost differences, it is the Department's normal practice to instruct respondents to use other production and accounting data normally maintained to calculate the missing cost differences. See Notice of Final Determination of Sales at Less Than Fair Value: Polyethylene Terephthalate Film, Sheet, and Strip from Taiwan, 67 FR 35,474 (May 20, 2002), and accompanying Issues and Decision

Memorandum, at Comment 3. If the river recycling ratios had been disclosed, it would have been possible to explore their usefulness as a basis of calculating FOPs for each CONNUM. As such, the Department would have had an opportunity to determine the source of the ratios as well as the best way to verify them. If it was truly JMC's position that this data was inaccurate and unverifiable, it should have stated such on the record, instead of withholding it and waiting to see if the Department would discover these data at verification. In fact, in its responses, JMC never mentioned the existence of product-specific river recycling ratios until questioned by the Department at verification. See JMC FOP Verification Report, at 5.

The Department disagrees with JMC's claim that, had it not been that an order for subject merchandise was received just prior to verification, the river recycling ratios would not have been verifiable. The Department noted that the report of river recycling ratios was prepared for both subject (non-malleable cast iron pipe fittings) and non-subject (malleable cast iron pipe fittings) merchandise. See JMC FOP Verification Report, at 5. In the absence of current production of subject merchandise, the Department could have verified the accuracy of the report by testing the ratios of non-subject merchandise being produced during the verification. Furthermore, JMC's reference to Steel Plate from China is off point. In that case, the Department determined that using a database that conformed to the respondent's records, kept in the normal course of business, is a more reasonable reporting methodology, and produced less distortive results, than would follow from the use of a constructed reporting methodology that deviated from the respondents' records. See Steel Plate from China, 62 FR at 61,991. In the current case, JMC's river recycling ratios were, and still continue to be, an intergral part of JMC's normal books and records. The Department was not asking JMC to construct a reporting methodolgy that deviated from its normal records, but rather to use the information from its production control system to allocate product specific FOPs.

The Department was able to verify and reconcile the other information in JMC's questionnaire responses. Therefore, the Department relied on the submitted data except for those areas where relevant information was discovered at verification. For the missing information, the Department relied upon information obtained in the course of verification, or FA, to make appropriate adjustments to the submitted data. See JMC FOP Verification Report, at 5. As partial adverse FA, we adjusted the conversion costs to account for the difference between the highest product-specific yield loss and the average yield loss of all products in the gray iron casting workshop See Memorandum from Michael P. Harrison, Senior Accountant, to Neal M. Halper, Director, Office of Accounting, Factors of Production Adjustment for the Final Determination, dated February 7, 2003.

Regarding SFTEC, we disagree with the petitioners that the Department should apply total adverse FA. In its initial response, SFTEC provided an average FOP value for all CONNUMs calculated using a weight-based methodology. See SFTEC's Section D Questionniare Responses, and Supplemental Section D Questionnaire Responses, respectively, dated July 1, 2002, and August 5, 2002. In response to these SFTEC submissions, on August 14, 2002, the Department issued a second

supplemental questionnaire that asked SFTEC to provide CONNUM-specific FOPs that reflect the product-specific yield rates experienced during the POI. In response to that questionnaire, SFTEC revised its methodology and provided FOP data on a CONNUM-specific basis. See SFTEC's Section D Supplemental Questionniare Response, dated September 9, 2002. Thus, we find the petitioners' claim that SFTEC simply provided average FOP data to be unfounded.

Moreover, we disagree with the petitioners' assertion that SFTEC failed to capture the differences in casting yield losses between products. The revised methodology adjusted the average consumption factors for labor and overhead at the casting stage using labor piece rates that are maintained in the normal course of business. These labor piece rates enabled SFTEC to account for the differences in casting yield rates, and the different efforts needed to produce each mold, and thus the corresponding CONNUM. As such, the revised methodology addresses the Department's concerns outlined in the supplemental questionnaire.

In light of the fact that SFTEC was able to address the Department's concerns regarding product-specific FOP data, we do not find that SFTEC was unresponsive or withheld requested information. SFTEC provided a methodology that reflects the differences in yield rates and production efforts among products, and their effects on labor and energy consumption, using information maintained in the normal course of business. As such, because SFTEC responded to each of the Department's questionnaires to the best of its ability, we find that the record does not warrant use of adverse FA in accordance with section 776(a).

Finally, we find the petitioners' concern regarding SFTEC's inability to provide the quantities and source of its recovered and recycled scrap to be unfounded. As SFTEC has stated, its supplier's non-subject workshop produces malleable iron using only recycled scrap instead of pig iron or new steel scrap. The record indicates that in order to do so, the malleable iron workshop must consume recycled scrap generated in the non-malleable workshop. See SFTEC Verification Exhibits 3 and 5. Thus, contrary to the petitioners' assertion that pig iron and steel scrap consumption quantities may be underreported due to the consumption of malleable scrap at the non-malleable workshop, it appears that pig iron and steel scrap consumption quantities are not understated.

Comment 2: Whether the Department Correctly Calculated the Distance for the Non-Market Economy (NME) Inland Freight Charge for JMC

The petitioners state that the Department's surrogate inland freight cost for JMC was calculated using the reported distance from the domestic input supplier to the factory processing subject merchandise. According to the petitioners, the Department should have measured the distance from the producer of the input to the factory that used the input in processing subject merchandise. See Petitioners' Case Brief, at 19 - 22.

According to the petitioners, the "Sigma Rule" accounts for the shorter of the reported distances from either the closest PRC port of importation to the factory processing the subject merchandise, or the inputs source of origin to the factory processing the subject merchandise, irrespective of intermediate distribution centers. Further, the petitioners argue that the Court of Appeals of the Federal Circuit (CAFC) made it clear that the relevant location was the source at which the materials were produced in the NME, describing the distance at issue as "from the Chinese pig iron mill to the Guangdong's foundries." See Sigma v. United States, 117 F. 3d 1401, 1414 (Fed. Cir. July 7, 1997) (Sigma).

The petitioners argue that the input suppliers, used to calculate inland distance, did not actually produce the materials, but instead purchased and distributed them, therefore making their location irrelevant to the determination of NME freight costs. Instead, the petitioners claim that the relevant location was requested when the Department asked JMC to provide "the distance from the producers of raw materials to JMC's plant, not the distance from the distribution center to JMC's plant," whereby JMC responded to the Department by stating that "JMC has no basis for ascertaining the distances from the ultimate 'sources' of material inputs purchased from suppliers." See JMC's July 26, 2002, Supplemetal Questionnaire Response, at 6. The petitioners claim that JMC reported the distances between its foundry and its suppliers' distribution centers, but not the distances between its foundry and the origin of the materials. As such, the petitioners claim that the Department used the distances from JMC's suppliers distribution centers to its foundry in deriving the NME inland freight charge. In contrast, the petitioners argue that, in its final determination, the Department must rely on the distance from the closest PRC port of importation to the factory processing the subject merchandise to calculate inland freight.

In response, JMC asserts that, in NME investigations, the Department consistently values inland freight "using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory." See, *e.g.*, Notice of Preliminary Determination of Sales at Less Than Fair Value: Saccharin From the People's Republic of China, 67 FR 79,049, 79,055 (December 27, 2002); Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Ball Bearings and Parts Thereof from the People's Republic of China, 67 FR 63,609, 63,614 (October 15, 2002). Consequently, JMC claims that it properly reported the distances from the suppliers of raw materials to JMC. See JMC's Reply Brief, at 26 - 29.

JMC maintains that, contrary to the petitioners' assertion, the Department's consistent interpretation of the "Sigma Rule" makes no distinction between domestic distributors or producers of raw materials. Further, JMC notes that no Department determination or judicial ruling has ever construed the "Sigma Rule" by interpreting the distance from the domestic supplier of a material as the distance from the original production facility of that raw material. Moreover, JMC asserts that the petitioners can cite to no authority distinguishing "distributors" of raw materials from producers of raw materials for calculating inland freight based on the distance from a respondent's plant to the

respondent's suppliers' suppliers.

Lastly, JMC claims that if the Department were to impute freight costs from the actual suppliers' "end-of-the-line" sources, the means for identifying and verifying this information would entail a complicated and arduous process for the Department that would likely lead to contentious disputes.

Department's Position: In constructing the NV in an NME case, the Department uses market economy surrogates for FOP values associated with the NME producers. See Section 773(c)(3) of the Act. In this investigation, the Department is using various prices that consumers of the same FOP in the Indian market pay for imported inputs, based on a cash, insurance and freight (CIF) price at the Indian port of importation. Because, in a market economy, the cost of an input to a producer would also include the price of transporting that input to the place of production of the subject merchandise, an inland freight amount is added to the input price to account for this transportation cost.

In Sigma, the CAFC held that when a CIF import price is used as a surrogate for the price at which an input is domestically-sourced in an NME country, this price already includes some freight expense, such that the automatic addition of a surrogate freight value based on the entire distance from the NME domestic source to the production location could over-estimate the value of the inland freight element. See Sigma. Thus, the appellate court remanded for the Department to devise an inland freight methodology that would reflect the fact that "a manufacturer would minimize its material and freight costs by purchasing imported pig iron if the cost of transportation from the port to the foundry were less than the cost of transportation from the domestic pig iron mill to the foundry." See *Id.*, at 1417. In response, the Department created, and the Court of International Trade (CIT) upheld, what has been termed the "Sigma Rule" for determining the distance used in calculating a surrogate estimation of a market value for the inland freight component of the value of a domestically-sourced input valued using surrogate CIF import prices. See Amended Final Results of Redetermination Pursuant to Court Remand, Sigma Corp. v. United States, Consolidated Court Nos. 91-02-00154, 92-04-00283, at p. 10 (January 30, 1998), as cited in Sigma Corp. v. United States, 86 F. Supp. 2d 1344 (CIT February 10, 2000).

Under the "Sigma Rule," the Department uses, as the distance upon which the inland freight component of such an input is valued, "the shorter of the two reported distances from either {1} the closest PRC seaport to the {location producing the subject merchandise} or from {2} the PRC domestic materials supplier to the {location producing the subject merchandise}." See *Id.*, at 1348. This formula reflects the Court's premise that, although the market CIF price in fact serves as the value of the input at its NME domestic source, it could also serve as a surrogate for a CIF price of an imported input available to the producer at a corresponding NME port, and that, within a market economy context, the producer would likely source the input from the nearer of the NME port of entry or the domestic supplier.

Underlying Sigma, in Certain Iron Construction Castings from the People's Republic of China, a pig iron producer had supplied pig iron directly to the manufacturer of the subject iron castings. See

Sigma. In that case, therefore, a direct link existed between the original source of the input (pig iron) and the manufacturer of the subject merchandise. In this case, however, the manufacturer of the subject merchandise (JMC) purchased inputs from non-producing resellers, rather than from the original producers of these inputs. JMC provided the location of these resellers as the "source" point from which the inland freight distance should be measured. See JMC's Section D Questionnaire Response, dated June 14, 2002, at exhibit 4. When the Department asked JMC to "reflect the distance from the producers of raw materials to JMC's plant, not the distance from the distribution centers to JMC's plant," JMC responded that it had "no basis for ascertaining the distances from the ultimate 'sources' of material inputs purchased from suppliers." See Department's Section D Supplemental Questionnaire, dated July 12, 2002, and JMC's Supplemental Questionnaire Response, dated July 26, 2002, at 6.

While the Department requested the producer's distance, we note that JMC was unable to produce it. In addition, the Department has a history of using the reseller distance. See, *e.g.*, Notice of Preliminary Determination of of Sales at Less Than Fair Value: Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China, 67 FR 45,451, 45,454 (July 9, 2002); See also Notice of Preliminary Determination of of Sales at Less Than Fair Value: Ferrovanadium from the People's Republic of China, 67 FR 45,088, 45,092 (July 8, 2002); Notice of Preliminary Determination of of Sales at Less Than Fair Value: Sulfanilic Acid From the People's Republic of China, 67 FR 31,770, 31,772 (May 10, 2002). Given the facts of this investigation, we have no basis to make an adverse inference and will do the same here. For the final determination, we have used the distance between the input supplier and the factory producing subject merchandise to value the inland freight component of the input materials.

Comment 3: Whether the Department Should Correct the Treatment of Scrap and Coke Offset Reported by SFTEC

The petitioners argue that the Department should correct SFTEC's treatment of its scrap and coke sales offsets. See Petitioners' Case Brief, at 22 - 23. The petitioners assert that the reduction of the actual consumption quantities of each raw material, using a ratio for scrap and coke sales by SFTEC's supplier, is contrary to the Department's normal practice of granting an offset based on the sales revenue of the by-products in question. See, *e.g.*, Notice of Final Determination of Sales at Less Than Fair Value: Bulk Aspirin from the People's Republic of China, 65 FR 33,805 (May 25, 2000) (Bulk Aspirin from China), and accompanying Issues and Decision Memorandum, at comment 13. The petitioners maintain that the benefit that the supplier received is related to the revenue received from the scrap sales, and should not be based on the reduction of actual consumption quantities by a scrap ratio. Accordingly, the petitioners argue that the Department should recalculate the raw material consumption factors for SFTEC's supplier using the total unadjusted consumption quantities of each raw material.

In rebuttal, SFTEC argues that its reported scrap and coke offset does not need to be corrected, and that the petitioners' request should be rejected. See SFTEC's Rebuttal Brief, at 18. SFTEC asserts that the offset relates to only one foundry out of four and that it should, therefore, be

specifically applied against only that foundry's raw material consumption. SFTEC maintains that if it were treated as a scrap offset generally, the effect would be to credit the other foundries for material with which they have no connection.

SFTEC disagrees with the petitioners reference to Bulk Aspirin from China, and asserts that in that case the Department stated that the offset should be allowed for the amount of by-products sold rather than the amount produced. Similarly, SFTEC argues that the scrap offset in the instant proceeding is only based on scrap sold and not scrap produced. Thus, SFTEC contends, no adjustment is warranted to its data.

Department's Position: We agree with the petitioners that the Department should correct SFTEC's treatment of its scrap sales offset. SFTEC's calculation attempts to treat the scrap generated during the production process, and sold during the POI by one of its suppliers, as a co-product, and assigns a proportionate amount of the total consumption quantities of each raw material to both scrap sold and good production. See SFTEC FOP Verification Report, at 11.

With respect to by-product sales, the Department's normal practice is to grant an offset for the revenue received from the sale of the by-products. See, *e.g.*, Bulk Aspirin from China, and accompanying Issues and Decision Memorandum, at Comment 13. Because, in this instance, SFTEC's treatment of scrap is contrary to the Department's normal practice of by-product sales, we have adjusted the reported raw material consumption factors to reflect the treatment of scrap as a by-product and offset the calculated costs with the sales revenue received from scrap sales, based on the surrogate value for cast iron scrap. *Id.* We agree with SFTEC's concerns that the scrap offset should only be applied against the raw material consumption of the one foundry that sold scrap during the POI. Therefore, in making an adjustment, we weighted the offset calculation based on the quantities of the affected products produced at each of the four workshops. See SFTEC's Final Calculation Memorandum, to the file, dated February 7, 2003 (SFTEC's Final Calculation Memorandum).

We find petitoners' allegation regarding coke sales to be unfounded. Evidence obtained at verification shows that the coke sales quantities used in the factor calculations were needed only to reconcile total discharges from inventory. They were not offset against the actual quantity of coke consumed in production. Thereofore, we found no basis to conclude that the Department should correct the treatment of coke sales reported by SFTEC. See SFTEC FOP Verification Exhibit 5.

Comment 4: Whether the Department Correctly Derived Surrogate Financial Ratios

JMC urges the Department to value factory overhead, selling, general and administrative expenses (SG&A), and profit financial ratios using the financial statements of Rajesh Malleables Ltd., (Rajesh) and the Indian Brake Rotor Makers reviews, because reliance on the Reserve Bank of India (RBI) data would be an abuse of agency discretion. See JMC's Case Brief, to Faryar Shirzad, dated

December 23, 2002 (JMC's Case Brief), at 3 - 14.

JMC asserts that the Department's regulations and practice, and the CIT precedent, prescribe the use of financial statements of specific producers of "identical or comparable" products to subject merchandise for purposes of valuing surrogate financial ratios. JMC contends that although the regulations do not define "identical or comparable merchandise," the Department's Notice of Proposed Rulemaking emphasizes the Department's aim to apply surrogate financial ratios that are "as specific as possible to the subject merchandise." See Notice of Proposed Rulemaking and Request for Public Comments: Antidumping Duties; Countervailing Duties, 61 FR 7,308 (February 27, 1996). Thus, JMC suggests that "producers of identical or comparable merchandise" are defined by comparing their product lines to the subject merchandise, in light of (a) similarities in the products' uses and physical traits and (2) similarities in their production processes' duration, complexity, material inputs, and equipment. See Final Results and Partial Rescission of Antidumping Duty Administrative Review: Certain Cased Pencils from the People's Republic of China, 67 FR 48,612 (July 25, 2002) (Pencils Final Determination), and accompanying Issues and Decision Memorandum, at Comment 5. Furthermore, JMC claims that when selecting the surrogate producer for calculating financial ratios, the Department's "preference is to base {its} decision on the comparability of the merchandise, rather than the number of producers included in the surrogate data source," and to use the surrogate producer whose products are most comparable to the subject merchandise. See Notice of Final Determination of Sales at Less Than Fair Value: Pure Magnesium in Granular Form From the People's Republic of China, 66 FR 49,345 (September 27, 2001), and accompanying Issues and Decision Memorandum, at Comment 3 (finding Indian aluminum producers to be the producers of the "most comparable" merchandise to magnesium).

In examining the available surrogate data on the record, JMC states that Rajesh is an Indian foundry producing malleable cast iron pipe fittings. JMC cites to the recently filed malleable cast iron pipe fittings petition to confirm that malleable and non-malleable cast iron pipe fittings are often produced in the same foundry, with almost the same production processes, and are used for similar applications. As such, JMC articulates that because Rajesh produces similar, if not identical, merchandise, Rajesh should be used to value factory overhead expense and SG&A ratios.

JMC further states that because Rajesh did not demonstrate profit, the profit ratio applied by the Department should be the profit ratio of the producers of the next-most comparable merchandise. JMC alleges that Indian cast-iron brake rotor makers (*i.e.* Kalyani Brakes Ltd. (Kalyani), Jayaswals Neco Limited (Jayaswals), and Rico Auto Industries Ltd.(Rico)) have the next most comparable merchandise on the record. See Final Results and Partial Rescission of the Fourth Antidumping Duty Administrative Review: Brake Rotors From the People's Republic of China, 67 FR 65,779 (October 28, 2002). JMC states that these rotors are made with strikingly similar materials, methods, foundry equipment, and finishing procedures as the subject merchandise. JMC contends that the similarities in the production processes of brake rotors and pipe fittings outweigh the differences in their end-uses. According to

JMC, in Lawn and Garden Steel Fence Posts From the People's Republic of China, the Department calculated surrogate financial ratios using financial statements of an Indian steel pipe producer rather than RBI data. See Notice of Preliminary Determination of Sales at Less than Fair Value and Postponement of Final Determination: Lawn and Garden Steel Fence Posts From the People's Republic of China, 67 FR 72,141 (December 4, 2002). Further, JMC explains that in Glycine from the People's Republic of China, the Department scrutinized the "comparability" of phenylglycine to glycin. Despite their completely different end uses (where one is an edible additive for food and the other is a toxic ingredient for dyes), JMC states that the Department determined that in that instance the two products were comparable, stressing that they were produced using similar equipment and similar production processes involving a similar sequence of steps. See Final Results of New Shipper Administrative Review: Glycine from the People's Republic of China, 66 FR 8,383 (January 31, 2001). Lastly, JMC argues that because the petition initiated for this investigation acknowledges that Jayaswals produces identical or comparable merchandise, JMC contends that the Department cannot tenably conclude that Jayaswals, Rico, and Kalyani are not producers of identical or comparable merchandise. As such, JMC urges the Department to use the profit ratio applied by the Department in the Brake Rotors from the PRC reviews.

In addition, JMC claims that the Department's reliance on RBI data would be an abuse of agency discretion. JMC asserts that the 1,914 Indian "non-Government non-financial public limited" companies' data published by RBI is not probative of JMC's financial performance. See Reserve Bank of India Bulletin, June 2001, at 631. JMC states that RBI data is a surrogate source of last resort, because: (1) reliance on overly-broad industry-wide or nation-wide data contravenes the Department's aim to value overhead, SG&A, and profit using the record data drawn from producers of the most comparable products to subject merchandise, whenever possible. See Yantai Oriental Juice Co., et al. v. U.S., LEXIS 56, Slip Op. 2002 - 2056, at 2038 (CIT June 18, 2002); and (2) the Department consistently relies on modest similarities between the surrogate producers' products and subject merchandise to avoid reliance on nonspecific RBI data, such as was done in the Pencils Final Determination, where furniture, cabinets, doors, windows, gates, handicrafts and the like, were compared to pencil makers.

At the same time, SFTEC demands that the Department's use of RBI data for surrogate financial ratios must be rejected in favor of industry-specific foundry financial statements on the record. See SFTEC's Case Brief, to Donald L. Evans, dated December 23, 2002 (SFTEC's Case Brief), at 2 - 6. Citing Section 351.408(c)(4) of the Act, SFTEC notes that "{f}or manufacturing overhead, general expenses, and profit, the Secretary normally will use *non-proprietary information gathered from producers of identical or comparable merchandise in the surrogate country*" (emphasis supplied). SFTEC contends that the Department has in the past clearly expressed its preference for "producer-or industry-specific data for overhead, SG&A and profit," and has stated that financial ratios obtained from actual companies, even if the company does not produce the subject merchandise, are preferable to data from the RBI, which "are stale and unreliable." See Notice of Final Determination of Sales at Less Than Fair Value: Creatine Monohydrate from the People's Republic of China, 64 FR 71,104, 71,107 (December 20, 1999) (Creatine Final Determination); See also Final Results and Partial Rescission of

Antidumping Duty Administrative Review and Determination Not To Revoke in Part: Heavy Forged Hand Tools from the People's Republic of China, 66 FR 48,026 (September 17, 2001) (Hand Tools Final Determination), and accompanying Issues and Decision Memorandum, at Comment 18. As such, SFTEC contends that the Department has more industry-specific data than the data reflecting the finances of 1,914 public companies in India. Specifically, SFTEC claims that the financial data for an Indian cast iron parts producer, that produces cast iron automobile parts, contains industry-specific data that clearly relates to the production of merchandise comparable to cast iron pipe fittings. To exemplify, SFTEC asserts that the Department recently declined to use similar RBI data in favor of industry specific data *even though* the surrogate producer used for the derivation of surrogate financial ratios was a paper producer and the Chinese company subject to investigation was a wood product producer. See Pencils Final Determination, and accompanying Issues and Decision Memorandum, at Comment 5.

In rebuttal, the petitioners urge the Department to continue to use RBI data to calculate the surrogate financial ratios, as was done in the Preliminary Determination. See Petitioners' Rebuttal Brief, to Donald L. Evans, dated January 3, 2003 (Petitioners' Rebuttal Brief), at 3 - 7.

The petitioners allege that the financial data on the record submitted by the respondents are not useful industry-specific data because these companies do not produce identical or comparable merchandise to the subject non-malleable cast iron pipe fittings. See Section 351.408(c)(4) of the Department's Regulations, as codified at 19 CFR Part 351 (April 2002) (Regulations); See also Bulk Aspirin Final Determination, and accompanying Issues and Decision Memorandum, at Comment 4. Although the cast iron automobile parts and the cast iron brake rotors are made from cast iron, they are not comparable merchandise to non-malleable cast iron pipe fittings.

The petitioners claim that to define "comparable merchandise," in selecting surrogate values for financial ratios, the Department has considered whether products have similar physical characteristics, end uses, and production processes. See Pencils Final Determination, and accompanying Issues and Decision Memorandum, at Comment 5. The petitioners assert that auto components and brake rotors do not share the same physical characteristics as non-malleable cast iron pipe fittings (*i.e.*, types of fittings, pipe size, outside diameter, etc.). The petitioners further assert that the end use of non-malleable cast iron pipe fittings (*i.e.*, normally to thread to pipes used in fire sprinklers) is not comparable to the end use of auto components and brake rotors. The petitioners lastly assert that although non-malleable cast iron pipe fittings and brake rotors may share certain common production steps because they are cast iron products, they remain not comparable, because in terms of physical characteristics and end uses they are completely different.

The petitioners note that malleable cast iron pipe fittings are comparable to non-malleable cast iron pipe fittings. However, the petitioners explain that JMC's submitted financial statements of Rajesh should not be used because: (1) Rajesh is a "sick" company, where the petitioners cite clause 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, defining sick company as –

> "{A}n industrial company (being a company registered for not less than 7 years) which has at the end of any financial year accumulated losses equal to or exceeding its entire net-worth and has also suffered cash losses such financial year and the financial year immediately preceding such financial year";

(2) the "long workers strike," discussed in Rajesh's financial statement, badly affected the manufacturing activities of the company; and (3) the financial statements cover 18 months instead of 12. See JMC's November 4, 2002, submission of Rajesh's 2001 Annual Report, at 4, 9, and 21. As such, the petitioners maintain that Rajesh's financial statements are distorted and unreliable for use in calculating surrogate financial ratios.

In addition, the petitioners claim that the financial statements on the record are not representative of the production experience of the Chinese non-malleable pipe fittings producers. The petitioners explain that there are numerous foundries in China, and they tend to be small. Therefore, the petitioners argue that because one or two large public companies in India will distort the industry-wide experience of Chinese pipe fittings producers, the Department should not rely on the financial statements submitted by the respondents.

Lastly, the petitioners state that since neither the Department nor the respondents have been able to obtain surrogate information for valuing overhead, SG&A, and profit, that pertains specifically to the non-malleable pipe fittings industry, the Department must rely on surrogate information derived from broader industry groupings, like the RBI data used in the Preliminary Determination. See Notice of Final Results of New Shipper Review: Petroleum Wax Candles from the People's Republic of China, 67 FR 41,395 (June 18, 2002) (Wax Candles Final Results), and accompanying Issues and Decision Memorandum, at Comment 6.

In rebuttal, SFTEC disagrees with JMC's contention that Rajesh is the producer that provides the most product-specific basis for assessing surrogate financial overhead and SG&A ratios. See SFTEC's Rebuttal Brief, at 15 - 17. According to SFTEC, the malleable iron pipe fittings, and other cast iron articles, produced by Rajesh are not meaningfully distinguishable either from the products produced by SFTEC's suppliers or Rico. SFTEC claims that the cast iron products produced by these companies all use the same materials and production processes. SFTEC further contends that Rajesh's lack of profit, although it may be indicative of the foundry industry in India, has in the past often caused the Department to reject the producer's financial statements.

Finally, SFTEC claims that, in this instance, it would be improper for the Department to base the surrogate financial ratios on the results of a single Indian producer, because the experience of only one company increases the risk of adopting an anomalous, unrepresentative surrogate. Instead, SFTEC suggests that the Department always uses the average financial experience of multiple companies, such

as Rico and Kalyani (and not Rajesh because of its lack of profitability), to arrive at a "broader-base surrogate value that minimizes the particular circumstances of any one producer." Final Results of New Shipper Review: Certain Preserved Mushrooms From the People's Republic of China, 66 FR 45,006 (August 27, 2001), and accompanying Issues and Decision Memorandum, at Comment 1; Final Results of Sixth Antidumping Duty New Shipper Review: Brake Rotors From the People's Republic of China, 67 FR 53,913 (August 20, 2002); See also Final Results of Third New Shipper Review and Final Results and Partial Rescission of Second Antidumping Duty Administrative Review: Brake Rotors From the People's Republic of China, 64 FR 73,007, 73,011 (December 29, 1999); and Notice of Final Determination of Sales At Less Than Fair Value: Solid Agricultural Grade Ammonium Nitrate From the Ukraine, 66 FR 38,632 (July 25, 2001).

Department's Position: Section 351.408(c)(4) of the Department's regulations directs the Department to value manufacturing overhead, general expenses, and profit using non-proprietary information gathered from producers of identical or comparable merchandise in the surrogate country.

Under the Department's established NME practice, the Department has a preference for selecting surrogate value sources that derive from producers of identical merchandise, provided that the surrogate data is not distorted or otherwise unreliable. See Persulfates from the People's Republic of China: Final Results of Antidumping Administrative Review, 66 FR 42,628 (August 14, 2001) (Persulfates Final Review), and accompanying Issues and Decision Memorandum, at Comment 5. To determine whether the producer's merchandise is identical or comparable, the Department has analyzed similarities in physical characteristics, end uses, and production processes. See Pencils Final Determination, and accompanying Issues and Decision Memorandum, at Comment 5. Moreover, when evaluating production processes, the Department has taken into account the complexity and duration of the processes, the types of material inputs and the size of equipment used in production of the subject merchandise. Id.

Whenever possible, the Department has used producer-specific data. Unlike industry-specific data, which tends to be broader in terms of merchandise included, product-specific data pertains directly to the subject merchandise. See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Pure Magnesium in Granular Form From the People's Republic of China, 66 FR 49,345 (September 27, 2001), and accompanying Issues and Decision Memorandum, at Comment 3. However, should neither the Department nor the parties be able to obtain surrogate information for valuing overhead, SG&A, and profit, that pertains to manufacturers of identical or comparable merchandise, the Department must rely upon surrogate information derived from broader industry groupings. See Wax Candles Final Results, and accompanying Issues and Decision Memorandum, at Comment 6. In the present investigation's Preliminary Determination, and in numerous investigations and reviews, the Department obtained broader financial data from the RBI. See, e.g., Id.; Final Results of Antidumping New Shipper Review: Potassium Permanganate from the PRC, 66 FR 46,775 (September 7, 2001), and accompanying Issues and Decision Memorandum, at Comment 20; Hand Tools Final

Determination, and accompanying Issues and Decision Memorandum, at Comment 18; Notice of Initiation of Antidumping Duty Investigation: Lawn and Garden Steel Fence Posts From the People's Republic of China, 67 FR 37,388, 37,391 (May 29, 2002), and accompanying Issues and Decision Memorandum, at Comment 6. However, before applying information derived from broader industry groups for the final determination, we must first analyze the information submitted on the record to determine whether there is data that can be used from producers of identical or comparable merchandise in the surrogate country. See Section 351.408(c)(4) of the Department's Regulations.

JMC submitted Rajesh's 2000-2001 annual report, for purposes of establishing surrogate values for manufacturing overhead and general expenses during the six month POI. See JMC's submission to the Department, Publicly Available Information of Factors of Production, dated November 4, 2002 (JMC's November 4, 2002, Submission), at Exhibit 1. We note that Rajesh's 2000-2001 annual report is unusual in that it covers18 months, not the typical financial statement reporting period. Rajesh also acknowledges that it experienced a long strike that affected its manufacturing activities. Moreover, in this report, Rajesh states that it did not make a profit and that it is a "sick" company. See Id., at 4, 9, and at 21. As Rajesh is a recognized "sick" company, the Department will follow its practice of not relying on a sick company's data for purposes of establishing surrogate overhead and financial ratios. See Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Final Results of 1997-1998 Antidumping Duty Administrative Review and Final Results of New Shipper Review, 64 FR 61,837 (November 15, 1999), and accompanying Issues and Decision Memorandum, at Comment 1.

In JMC's November 4, 2002, Submission, JMC states that since Rajesh lost money, it was submitting the financial statements for three additional companies for the sole purpose of calculating a surrogate value for profit. It submitted the Annual Report for Rico for 1998-1999; the Annual Report for Jayaswals Neco Limited (Jayaswals) for 1998-1999; and, the Annual Report for Kalyani Brakes Ltd. (Kalyani) for 2000-2001. In a footnote in its case brief, JMC contends that if Rajesh's financial data is rejected, the Department is "compelled" to use the financial data of these three companies for the purpose of calculating all financial ratios. See JMC's Case Brief, at footnote 33. We note that SFTEC also argues that we should use Rico and as SFTEC provided a financial statement for the company that is more contemporaneous with the POI, we have analyzed the financial statement that SFTEC submitted for Rico below. While the Department used the financial data from Jayaswals Annual Report for 1999-2000, for purposes of initiating the antidumping investigation, we used RBI data at the Preliminary Determination. After the Preliminary Determination, no interested party submitted comments arguing that the Department should have used the Jayaswals 1999-2000 financial data for calculating financial ratios. Further, neither JMC, the petitioner nor any other interested party has provided justification for using Jayaswals 1998-1999 financial data for calculating financial ratios for this final determination. In fact, in their brief, the petitioners advocate that the Department continue to use the RBI data. Finally, like the other two companies discussed above, JMC has not shown how Kalyani is representative of a manuafacturer that produces identical or comparable merchandise. JMC's footnote merely asserts that

these three companies should be evaluated or used by the Department, but JMC has not analyzed whether any of these companies constitute a reasonable producer of identical or comparable merchandise for purposes of calculating financial ratios. Therefore, we have not used the financial data from JMC to calculate the financial ratios for this final determination.

SFTEC alleges that Rico is a producer of cast iron automobile components. See SFTEC's Letter to the Department, dated September 11, 2002, at Attachment 15. However, in analyzing Rico's annual report, we were unable to find any evidence demonstrating that Rico produces cast iron automobile components. Instead, the annual report demonstrates that Rico's business covers a myriad of products and services, including: an agro division that produced soyabean and mustard solvent oil, soyabean and mustard deoiled cake, and soyabean refined vegetable oil; a wholly owned information technology (IT) subsidiary that operated IT enabled services, training centres, and third party call centers; and an auto division that manufactured generator parts, dies and molds, auto parts and other parts for the automotive and two wheeler industries.

As SFTEC notes, relying on the financial ratios of a single company increases the risk of adopting anomalous or unrepresentative surrogate financial values. Given the range of products that Rico handles, we attempted to determine how much of its product line comprises merchandise potentially similar to the subject imports. Ricos's financial statement records the values of raw materials, components, stores and spare parts the company consumed. Of these items, the materials that correspond most closely to the materials used to produce non-malleable cast iron pipe fittings, pig iron and steel scrap, account for only 1.66 percent[1] of the total value of the raw materials consumed by Rico. While we do not know if these materials are used to produce comparable merchandise, this percentage suggests that if they are, the items made from these materials are not a large part of Rico's product line. Further, neither Rico's IT subsidiary nor the agro division appear to produce products that are identical or comparable to non-malleable cast iron pipe fittings. Additionally, although the auto division primarily manufactures auto parts, the record does not indicate what sort of auto parts Rico produces. While it is possible that some of Rico's auto division parts may have production processes, physical characteristics, or end uses that resemble the non-malleable cast iron pipe fittings under review, there is no factual information on the record for the Department to make such a determination. Therefore, we are not convinced that these data are a better alternative to the RBI data used in the preliminary determination in this case. In cases where parties have not established that the surrogate data they placed on the record is from producers of identical or comparable merchandise, the Department must rely upon surrogate information derived from broader industry groups to value manufacturing overhead, general expenses, and profit. As previously mentioned, in numerous investigations and reviews, the Department obtained broader financial data from the RBI. See, e.g., Wax Candles Final Results, and accompanying Issues

[1] 376.48 Rs. in Lacs of pig iron and steel scrap / (4,564.21 Rs. in Lacs of aluminum alloy + 376.48 Rs. in Lacs of pig iron and steel scrap + 12, 661.70 Rs. in Lacs of other materials and components + 1,460.43 Rs. in Lacs of stores and spare parts + 3,242.17 Rs. in Lacs of soya seed + 359.41 Rs. in Lacs of others) = 1.66 percent.

and Decision Memorandum, at Comment 6; Final Results of Antidumping New Shipper Review: Potassium Permanganate from the PRC, 66 FR 46,775 (September 7, 2001), and accompanying Issues and Decision Memorandum, at Comment 20; Hand Tools Final Determination, and accompanying Issues and Decision Memorandum, at Comment 18.

Arguing that RBI data is a surrogate source of last resort, SFTEC notes that the Department consistently relies on modest similarities between the surrogate producer's products and the subject merchandise, and points to the Pencils Final Determination, where furniture, cabinets, doors, windows, gates, handicrafts and the like, were compared to pencils. However, the current investigation is distinguishable from the Pencils Final Determination in two ways. First, in pencils, the RBI data contained no wood products manufacturers. However, in the current investigation, the RBI data contains a number of potentially comparable producers of pipe fittings. Second, in pencils, the comparable producer made wooden products. However, in the current investigation, SFTEC's suggested producer, Rico, produces a myriad of products, none of which have been shown to be comparable merchandise. In addition, as SFTEC claims in their brief, it could be improper for the Department to base the surrogate financial ratios on the results of a single Indian producer, because the experience of only one company increases the risk of adopting an anomalous, unrepresentative surrogate. Therefore, unlike the situation in pencils, the use of the RBI data is reasonable for the calculation of manufacturing overhead expenses, general expenses, and profit in this final determination.

While SFTEC claims that, in the Creatine Final Determination, the Department expressed the view that the RBI data are "stale and unreliable," we note that the RBI data was from 1992-1993, while the period of investigation was from July 1, through December 31, 1998, some 6 years later. See Notice of Final Determination of Sales at Less Than Fair Value: Creatine Monohydrate from the People's Republic of China, 64 FR 71,104, 71,107 (December 20, 1999). In the present investigation, the Department finds that the 1999-2000 RBI data used in the Preliminary Determination, and in a number of other investigations and reviews, is reasonably contemporaneous and represents the average experience of companies in an industry group that would include producers of comparable merchandise. See, e.g., Final Results of Antidumping New Shipper Review: Potassium Permanganate from the PRC, 66 FR 46,775 (September 7, 2001), and accompanying Issues and Decision Memorandum, at Comment 20; Hand Tools Final Determination, and accompanying Issues and Decision Memorandum, at Comment 18; Wax Candles Final Results, and accompanying Issues and Decision Memorandum, at Comment 6. Therefore, for the final determination, we are continuing to rely on the 1999-2000 RBI data for purposes of valuing the surrogate financial manufacturing overhead, general expense, and profit ratios.

Comment 5: Whether the Department Should Credit JMC's Smoothing and Threading Workshop Scrap

JMC alleges that the Department verified that smoothing and threading workshop scrap was

weighed, recorded, and returned to the recovered scrap inventory, reentering production as "fresh" consumption from inventory. See JMC's Case Brief, at 16 - 17. JMC further contends that contrary to the Department's Preliminary Determination, JMC's reported consumption of steel scrap in production is not "reduced" by the scrap recovered from the smoothing and threading workshops. Consequently, JMC alleges that failure to credit the recovery of scrap from the smoothing and threading workshops double counts JMC's consumption of recycled scrap. Thus, JMC urges the Department to deduct the scrap credits reported in fields STEELSCRP-SM and STEELSCRP-TH from the consumption of scrap reported in field STEELSCRP.

In rebuttal, the petitioners urge the Department to increase JMC's per unit surrogate values, to account for recycled scrap inputs generated from the production of non-subject merchandise which are then used in the production of the subject merchandise. See Petitioners' Rebuttal Brief, at 8 - 12.

The petitioners assert that JMC's per unit surrogate values are understated because JMC did not account for recycled scrap, or recycled iron, generated from production of non-subject merchandise, that was used in producing the subject merchandise, by increasing consumption quantities by the quantity of the recycled non-subject input. See JMC FOP Verification Report, at 5. As an example, the petitioners contend that each ton of scrap, or recycled iron, generated from non-subject merchandise that is used in producing a particular CONNUM with a yield of 70 percent finished fittings overstates the weight of finished subject pipe fittings by .7 ton. As such, the petitioners state that JMC should have increased the consumption quantity to account for the addition of the scrap or iron recycled from non-subject production.

The petitioners assert that the Department instructed JMC to provide worksheets showing the quantity of iron scrap sold and reused in production, and to "weigh and report all outputs (*e.g.*, raw castings, recyclable iron)" and iron fine inputs used in producing the subject merchandise. See JMC's Section D Second Supplemental Questionnaire, dated August 15, 2002, at 2. The petitioners claim that because JMC did not report how much scrap or iron is generated in the production of non-subject merchandise that is used in the production of subject merchandise, the Department should apply total FA to determine JMC's dumping margins.

Department's Position: We agree with JMC and and have allowed its scrap offset for the recovery of scrap generated from subject merchandise at the smoothing and threading workshops. The Department verified the amount of scrap recovered from the smoothing and threading workshops. See JMC FOP Verification Report, at 9. The Department reviewed the scrap offset with JMC and determined that the offset was based on a calculation of scrap recovered from the production of subject merchandise during the POI. See *Id.*, at 4 and 5. In calculating the scrap offset, JMC computed the amount of scrap recovered from subject merchandise based on the percentage of subject and non-subject material produced at each workshop during the POI. JMC calculated its scrap offset by dividing the scrap generated from subject merchandise by the subject merchandise produced during the POI. Also, the Department verified, from production and inventory records, that the calculation of the FOP of steel

scrap consumed at the gray iron workshop included the inputs of steel scrap recovered from the finishing workshops. *Id.*, at 9. Therefore, for the final determination, we have allowed JMC's offset for scrap recovered.

Comment 6: Whether the Department Erred in Valuing the Surrogate Value for Pig Iron for SFTEC

SFTEC claims that the Department's surrogate valuation of pig iron from multiple Harmonized Tariff Schedule (HTS) item categories was in error. See SFTEC's Case Brief, at 6 - 15. SFTEC asserts that the Department's pig iron surrogate value is aberrationally high, in comparison to three other sources, and not representative of the material used by the respondents. Furthermore, SFTEC contends that certain pig iron data, published in the Monthly Statistics of the Foreign Trade of India (Indian Import Statistics), are aberrational and should be eliminated from the calculation. SFTEC states that because pig iron is used in the production of cast iron products, the Department erred by including the commodities cast iron and alloy iron in the valuation of pig iron.

SFTEC asserts that unreasonable and aberrational surrogate values ought not be used in the calculation of NV. See Final Determination of Sales at Less Than Fair Value: Refined Antimony Trioxide from the People's Republic of China, 57 FR 6,801, 6,803 (February 28, 1992). Moreover, SFTEC asserts that the Department has stated that it will examine surrogate values for reasonableness. See Final Results of Antidumping Duty Administrative Review: Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Romania, 62 FR 37,194, 37,199 (July 11, 1997); Steel Concrete Bars Final, and accompanying Issues and Decision Memorandum, at Comment 2; and Notice of Final Determination of Sales at Less Than Fair Value: Certain Cased Pencils From the People's Republic of China, 59 FR 55,625, 55,633. (November 8, 1994) (Final LTFV Pencils). Finally, SFTEC asserts that in accordance with Section 773(c)(1)(B) of the Act, the Department's policy is to weigh all the relevant characteristics of the surrogate value information on a case-by-case basis to determine the best available data for valuing FOPs.

SFTEC alleges that the pig iron data used is aberrational because the HTS number 7201, used in the Preliminary Determination, yields a number that is not reflective of the material input used by SFTEC's suppliers. SFTEC notes, that within the HTS 7201 category, HTS item numbers 7201.5001 and 7201.5009 include the finished product SFTEC's suppliers are producing. As such, SFTEC urges the Department not to use these disparate and imprecise data, but instead to use SFTEC's three data sets, comprising: the JPC Bulletin (JPC), an Indian government publication representing a "market analysis" showing the "Trend of Market Prices, Variation {with regard to} Previous Month & Availability Position of Selected Items" in Calcutta, Delhi, Bombay, Madras, Hyderabad and Kanpur; reports from the same publication representing the "Landed Cost of Imports & Stockyard Price of Selected Items"; and a weekly report, from the website at IndiaInfoline.com, of domestic pig iron prices, during 21 of the 26 weeks of the POI. Moreover, in using surrogate data, SFTEC states that the Department's practice is to construct a value for the subject merchandise as if it were manufactured by a

producer in the surrogate country for export, so that excise duties, levies and taxes are offset. See Final LTFV Pencils. SFTEC claims that when this is done, the Indian HTS data is aberrational in comparison to the other three, independent, public sources of data on the record.

In addition, SFTEC argues that the import data forming the basis for the pig iron price, calculated in the Preliminary Determination, of 1,040 tons in a six-month period, is neither statistically nor commercially significant. As such, SFTEC asserts that in circumstances where data are reflective of insignificant quantities, the Department does not view them as representative. See Final Results of New Shipper Administrative Review: Heavy Forged Hand Tools From the People's Republic of China, 66 FR 54503 (October 29, 2001) (HFHTs Final), and accompanying Issues and Decision Memorandum, at Comment 1.

However, SFTEC contends that even if the Department believes the Indian import data should be used, the further-processed pig iron components of those data, specifically finished cast and alloy iron, should be removed.

In rebuttal, the petitioners urge the Department to continue to calculate the surrogate pig iron values using the Indian Import Statistics entire HTS 7201 series, or, in the alternative, to use the Indian Import Statistics HTS number 7201.1000, because they are not aberrational and the other surrogate values on the record are not superior to those derived from the Indian Import Statistics. See Petitioners' Rebuttal Brief, at 13 - 15.

The petitioners rebut SFTEC's argument that the entire group of HTS number 7201 did not reflect the material input used by SFTEC's suppliers, including "HTS item numbers 7201.5001 and 7201.5009 {that} *includes the finished product SFTEC's suppliers are producing*!" (Italics in original). See SFTEC's Case Brief, at 9. Instead, the petitioners assert that the Department has the discretion to reflect the amount of defective fittings returned to the melting process during the production of cast iron through the surrogate pig iron values. In addition, the petitioners allege that although the surrogate pig iron value reported at the Preliminary Determination is higher than SFTEC's proposed surrogate values (*i.e.*, less than double the lowest JPC-import value and, at most, within the range), the petitioners maintain that a higher value is not necessarily aberrational.

As such, the petitioners urge the Department to continue to calculate the surrogate pig iron values using the Indian Import Statistics entire HTS 7201 series. In the alternative, the petitioners assert that the Department should calculate the surrogate value using the HTS number 7201.1000, because this item includes the type of pig iron used by SFTEC. See SFTEC's Supplemental Section C and D questionnaire, dated August 5, 2002, at Exhibit S-10.

The petitioners rebut SFTEC's allegation that the import quantity of Indian Import Statistics is not commercially significant, and that the import price is allegedly unrepresentative. Instead, petitioners

point out that the JPC and "IndiaInfoline.com" data contain no quantity at all, which makes them completely unrepresentative. In addition, the petitioners contend that because the Department does not know whether these two sources used the type of pig iron accounted for by SFTEC, the Department should continue to calculate the surrogate pig iron values using the Indian Import Statistics.

Department's Position: The Department agrees with SFTEC that, in the Preliminary Determination, we mistakenly used the entire HTS category 7201 in valuing pig iron. This value does not accurately reflect the material input used by SFTEC's suppliers. For the final determination, the Department has recalculated the surrogate value for pig iron. We have eliminated the quantities and values of cast and alloyed iron that are covered by HTS item numbers 7201.5001 and 7201.5009, and have used the quantities and values identified in HTS item numbers 7201.1000 and 7201.2000, which include the type of pig iron used by SFTEC. See SFTEC's Supplemental Section C and D Questionnaire Response, dated August 5, 2002, at Exhibit S-10.

With regard to SFTEC's claim that the data supplied by SFTEC from the JPC Bulletin and the "IndiaInfoline.com" are superior to the data from the Indian Import Statistics, we note that the Department has long used Indian Import Statistics values for other investigations and reviews, and is not persuaded by SFTEC's argument that it should disregard this source in this investigation. See HFHTs Final, and accompanying Issues and Decision Memorandum, at Comment 10. SFTEC has provided no record evidence substantiating its claim that the information provided from "IndiaInfoline.com" and the JPC Bulletin are a more accurate representation of competitive prices in the Indian market. Further, SFTEC has offered no support for its assertion that the import quantities from the Indian Import Statistics are neither statistically nor commercially significant. In addition, SFTEC did not indicate the quantity of pig iron reported in the JPC Bulletin or "IndiaInfoline.com." Therefore, the Department has no evidence that SFTEC's surrogate values for pig iron, based on prices from the JPC Bulletin and "IndiaInfoline.com," are derived from statistically or commercially significant quantities. Thus, for this final determination, we have continued to calculate the surrogate value for pig iron using Indian Import Statistics data, as identified in HTS item numbers 7201.5001 and 7201.5009. See HFHTs Final.

Comment 7: Whether the Department Should Adjust SFTEC's Coke Usage

SFTEC argues that the Department should decrease its coke usage factors to account for the use of low-grade coke. See SFTEC's Case Brief, at 15 - 16. SFTEC contends that the Department generally adjusts surrogate values to account for different concentrations of active ingredients in inputs. See Notice of Final Determination of Sales at Less Than Fair Value: Creatine Monohydrate from the People's Republic of China, 64 FR 71,104 (December 20, 1999). According to SFTEC, the coke that is purchased by its foundries contains less carbon than standard foundry coke. Thus, SFTEC maintains that the Department should either adjust the surrogate value for coke, or adjust the suppliers' consumption of coke by the ratio of the carbon content in the coke purchased by the foundries to the carbon content in standard foundry coke.

In rebuttal, the petitioners argue that the Department should deny SFTEC's proposed adjustment to its coke usage factors. See Petitioners' Rebuttal Brief, at 12 - 13. The petitioners assert that SFTEC has not identified the carbon content of the foundry coke imported into India, which forms the basis of the surrogate value in this proceeding. According to the petitioners, the comparison that SFTEC makes between the carbon content of the coke used by its foundries, and the carbon content of standard coke used in China, does not provide an appropriate measure for adjusting the surrogate value. The petitioners argue that because the level of carbon concentration in the foundry coke imported into India is not known, the Department cannot adjust SFTEC's coke usage factors in reaching its final determination. See Final Results of Antidumping Administrative Review: Certain Helical Spring Lock Washers from the People's Republic of China, 61 FR 41,994, 42,000. (August 13, 1996).

Department's Position: We agree with the petitioners that the Department should not allow an adjustment to SFTEC's coke usage factors. While we agree with SFTEC that, in certain instances, the Department does adjust raw material surrogate values for different concentration levels, we find that SFTEC has not provided any information regarding the carbon levels of the coke imports shown in the Indian import statistics, nor has the Department been able to determine such carbon levels on its own. Therefore, for the final determination, we have made no adjustment for the carbon concentration levels of the coke used by SFTEC's suppliers where the surrogate concentration levels are not known.

Comment 8: Whether the Department Properly Calculated the Surrogate Brokerage and Handling Value

SFTEC notes that in the Preliminary Determination the Department used as its surrogate value for brokerage and handling charges the average brokerage and handling expenses reported in the public version of the US sale listings placed on the record in the Final Results of Administrative Review and New Shipper Review: Certain Stainless Steel Wire Rod from India, 64 FR 856 (January 9, 1999) (Stainless Steel Wire Rod). See Preliminary Determination, at 18 and 19; See also Factors of Production Valuation Memorandum, to the file, dated September 25, 2002. According to SFTEC, these data are old and irrelevant to the facts in this case. See SFTEC's Case Brief, at 16 - 17.

SFTEC argues that it is "ridiculous" to assign an iron product the same value-based brokerage and handling charge as was assigned to a stainless steel product. SFTEC maintains that the Department should follow the precedent in the Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products From the People's Republic of China, 66 FR 49,632 (September 28, 2001) (Hot-Rolled Steel). SFTEC claims that on September 11, 2002, it provided the Department with a surrogate brokerage and handling value from Hot-Rolled Steel, which it alleges is the value most appropriate data for use in this case.

The petitioners and JMC did not address this issue.

Department's Position: Although it is our practice to consider product specificity in selecting surrogate

values, (See Final Results of Antidumping Duty Review: Sebacic Acid from the People's Republic of China, 62 FR 10,530, 10,534 (March 7, 1997)), there is insufficient information in this proceeding to demonstrate that the brokerage and handling expense for hot-rolled steel are more appropriate than that used for stainless steel wire rod. In Hot-Rolled Steel, the Department explained that it used the brokerage and handling from the preliminary determination in the investigation of certain hot-rolled carbon steel flat products from India because the merchandise subject to investigation in both cases was the same. See Hot-Rolled Steel, and accompanying Issues and Decision Memorandum, at Comment 8; See also Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Hot-Rolled Carbon Steel Flat Products From India, 66 FR 22,157 (May 3, 2001). However, in the instant case, SFTEC has failed to provide evidence that the brokerage and handling expenses for hot-rolled carbon steel flat products are more product specific and relevant to pipe fittings than those associated with stainless steel wire rod. Therefore, for the final determination, the Department will continue using as our surrogate value the brokerage and handling charges from Stainless Steel Wire Rod.

Comment 9: Whether the Department Corrects the Ministerial Errors from the Preliminary Determination

JMC and SFTEC urge the Department to correct the Preliminary Determination's clerical errors for calculation of the final determination. According to the respondents, these errors include: the valuation of plastic sheet (JMC); the valuation of wooden crates (SFTEC); and the calculation of the SG&A expense ratio (both respondents). See JMC and SFTEC's Case Briefs, at 19 and 18, respectively.

The petitioners did not comment on this issue.

Department's Position: After the Preliminary Determination, the respondents alleged that there were ministerial errors in the Department's calculation of the preliminary dumping margins. The Department concluded that the allegations regarding the valuation of plastic sheet, the valuation of wooden crates, and the calculation of the SG&A expense ratio constituted ministerial errors, to be corrected in the final determination. See Ministerial Error Memorandum Therefore, we have corrected the valuation of plastic sheet for JMC and wooden crates for SFTECand recalculated SG&A in the margin calculation programs of both JMC and SFTEC for this final determination. See JMC's Final Calculation Memorandum, and SFTEC's Final Calculation Memorandum.

Recommendation

Based on our analysis of the comments received, we recommend adopting all of the above positions and adjusting all related margin calculations accordingly. If these recommendations are accepted, we will publish the final determination in this investigation and the final weighted-average dumping margins for JMC, SFTEC, and the PRC-wide entity in the Federal Register.

Agree_____ Disagree_____

_____
Faryar Shirzad
Assistant Secretary for
Import Administration

_____
Date