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MEMORANDUM TO: James Jochum
Assistant Secretary
for Import Administration

FROM: Holly A. Kuga
Acting Deputy Assistant Secretary
for Import Administration, Office II

SUBJECT: Issues and Decision Memorandum for the Final Determination in the
Antidumping Duty Investigation of Floor-Standing, Metal-Top Ironing
Tables and Certain Parts Thereof 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 floor-standing, metal-top ironing tables and certain parts thereof (ironing tables) from the People's Republic of China (PRC). As a result of our analysis of the preliminary determination, we have made changes in the margin calculations, including corrections of certain inadvertent errors. 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 Home Products International, Inc. (the petitioner), and the respondents, Since Hardware (Guangzhou) Co., Ltd., (Since Hardware), and Shunde Yongjian Housewares Co., Ltd. (Yongjian):

- Comment 1: Whether the Department Should Correct Alleged Ministerial Errors in the Preliminary Determination
- Comment 2: Whether the Department Should Use the Most Current Wage Rate for China
- Comment 3: Whether the Department Should Correct Surrogate Values for Inland Freight and Brokerage and Handling
- Comment 4: Whether the Department Should Use Different Harmonized Tariff Classifications for Certain Material Inputs
- Comment 5: Whether the Department Used The Best Available Data Source to Value Certain Material Inputs
- Comment 6: Whether the Department Used Aberrant Surrogate Values for Certain Material Inputs

- Comment 7: Whether the Department Should Accept Since Hardware's Market Economy Purchases that Were Not Verified by the Department
- Comment 8: Whether the Department Should Use the Market Economy Price to Value Cold-Rolled Steel Inputs
- Comment 9: Whether the Department Should Consider Billing Adjustments in the Calculation of Since Hardware's U.S. Price
- Comment 10: Whether the Department Selected the Proper Data Source for its Calculation of Surrogate Overhead, SG&A, and Profit Ratios
- Comment 11: Corrections Arising from Verification

Background

On February 3, 2004, the Department of Commerce (the Department) published the preliminary determination in the less-than-fair-value investigation of ironing tables from the PRC. See Notice of Preliminary Determination of Sales at Less Than Fair Value: Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof from the People's Republic of China, 69 FR 5127 (February 3, 2004) (Preliminary Determination). The products covered by this investigation are certain ironing tables. The period of investigation (POI) is October 1, 2002, through March 31, 2003.

We invited parties to comment on the preliminary determination. The respondents filed case briefs on April 29, 2004, and the petitioner filed its case brief on April 30, 2004. The respondents filed rebuttal briefs on May 4, 2004, and the petitioner filed its rebuttal brief on May 5, 2004. On June 2, 2004, we received additional comments from Yongjian. On June 10, 2004, we returned the comments to Yongjian as untimely submitted and removed the submission from the official record. Based on our analysis of the comments received, as well as our findings at verification, we have changed the weighted-average margins from those presented in the preliminary determination.

Discussion of the Issues

Comment 1: Whether the Department Should Correct Alleged Ministerial Errors in the Preliminary Determination

Since Hardware claims that in the Preliminary Determination, the Department made two ministerial errors in the margin calculation program that must be corrected for the final determination. See Comments from Adams C. Lee, Counsel to Since Hardware, to the Honorable Donald L. Evans, Secretary of Commerce, "Since Hardware's Case Brief," dated April 29, 2004 (Since Hardware's Case Brief), at 1 - 3.

First, Since Hardware contends that, in calculating the deduction for domestic inland freight and brokerage and handling, the Department inadvertently added the weight for the pads and covers inputs to the reported WEIGHT variable. Since Hardware states that, at verification, the Department

confirmed that the total weight of each product reported in the field WEIGHT includes both the weight of the material inputs used for the metal ironing board and, also, the inputs used to produce the ironing board pad and cover. See Since Hardware's Case Brief, at 2, citing to Since Hardware Factors of Production Verification Exhibits, Exhibit 5, page 1, including handwritten notes from the Department's verifier stating that the reported product weight for production code SFT28-I-1454 is reported "w/ pad, cover, string." Since Hardware urges that the Department correct this error for the purposes of the final determination.

Second, Since Hardware and Yongjian allege that the Department improperly added the cost of packing materials to the total cost of manufacturing prior to the application of the surrogate overhead ratio. Since Hardware notes that it has been the Department's practice to add packing costs in its normal value calculation after the application of the surrogate financial ratios. See Since Hardware's Case Brief, at 2 and 3; See Rebuttal Comments from Francis J. Sailer, Counsel for Shunde Yongjian Housewares Co., Ltd., to the Honorable Donald L. Evans, Secretary of Commerce, "Yongjian's Rebuttal Brief," dated May 4, 2004 (Yongjian's Rebuttal Brief), at 3 and 4. Since Hardware and Yongjian urge that the Department correct this error for the purposes of the final determination.

In rebuttal, the petitioner claims that various errors alleged by Since Hardware do not warrant correction by the Department. The petitioner notes that the Department was justified in adding pad and cover materials to Since Hardware's reported WEIGHT variable for purposes of calculating adjustments for domestic inland freight and brokerage and handling. The petitioner claims that the record does not show that Since Hardware included the pad and cover weights in the reported WEIGHT values. The petitioner points out that the only product unit weight reference by Since Hardware with respect to the factors of production data is the "unit steel weight of each product" used to derive a steel consumption ratio and recovered steel scrap figure. Id., at 45 and 46. Moreover, the petitioner states that the Since Hardware Cost Verification Report does not support Since Hardware's claim that the reported total weights include the weight of pads and covers. In fact, the petitioner claims that, with respect to component weights (not the reported total product weight), the Since Hardware Cost Verification Report states that the verifiers "took apart the selected ironing boards model...and weighed the actual weight of the above-mentioned materials and compared the weights to the weights reported...." Therefore, the petitioner argues, the materials were weighed separately and not included in the weight of the bare board. According to the petitioner, Since Hardware's allegation of double-counting the pad and cover weights should be disregarded. See Comments from Roberta Kinsela Daghir, Counsel to Home Products International Inc., to the Honorable Donald L. Evans, Secretary of Commerce, "Petitioner's Case Brief," dated April 30, 2004 (Petitioner's Case Brief).

Department's Position: We agree with the petitioner. In the Preliminary Determination, the Department 1) properly added pad and cover weights to Since Hardware's WEIGHT variable, in order to achieve a proper full weight for purposes of calculating adjustments for domestic inland freight and brokerage and handling, and 2) appropriately added packing to each of the respondent's total cost of manufacturing in the build up to normal value. Therefore, the Department did not make two ministerial errors in the

margin calculation program.

In order to calculate the deduction for domestic inland freight and brokerage and handling, the Department must use the total weight of the merchandise being transported and handled. The record indicates that “Since Hardware has reported the weight of the bare board product (*i.e.* without pad and cover)...” See Since Hardware’s Sections C and D Questionnaire Response, dated October 14, 2003, at 5. For the calculation of Since Hardware’s margin in the preliminary determination, the Department stated that Since Hardware’s WEIGHT field represents the “bare weight of the ironing board....” See Memorandum to the File from Sam Zengotitabengoa, Import Compliance Specialist, to the File, “Since Hardware’s Margin Calculation Analysis for the Preliminary Determination in the Antidumping Duty Investigation of Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof from the People’s Republic of China,” dated January 26, 2004. As a result of Since Hardware’s response that its WEIGHT variable includes only the bare weight of the ironing board, the Department added the pad, cover, and packing material weights to the WEIGHT variable. Therefore, by adding the weight of the pad, cover, and packing materials to the weight of the bare board weight reported in the field WEIGHT, the Department obtained the total weight of the ironing board, which is required in order to calculate the selling expense deductions for domestic inland freight and brokerage and handling.

At verification, the Department’s verifiers found no discrepancies in Since Hardware’s questionnaire response with regard to the weight of the bare board reported in the field WEIGHT. See Memorandum from Paige Rivas and Sam Zengotitabengoa, Import Compliance Specialists, to Tom Futtner, Acting Office Director, “Report on the Verification of the Questionnaire Responses of Since Hardware,” dated April 20, 2004. With respect to Since Hardware’s allegation that the verifiers’ handwritten note confirms that the weight reported in the field WEIGHT includes the pad and cover weight, we disagree. The handwritten note does not verify that Since Hardware’s reported product weight for production code SFT28-I-1454 includes “...pad, cover, string.” In this note, the verifiers were referring, instead, to the verifiers’ methodology. The verifiers measured the reported WEIGHT of the bare board, as well as the other components associated with production code SFT28-I-1454. The verifiers’ note indicates that the pad, cover, and string were also measured but the verified weights were not taken as an exhibit. As the final verification report indicates, the Department’s verifiers noted no discrepancies in Since Hardware’s bare board WEIGHT questionnaire response. Therefore, for this final determination, the Department will continue to calculate Since Hardware’s adjustment for domestic inland freight and brokerage and handling by adding the pad and cover weights with the weight of the bare board reported in the field WEIGHT.

Second, Since Hardware alleges that the Department mistakenly added packing costs to the normal value calculation before the application of the surrogate financial ratios. We disagree that this methodology is incorrect. In this case, the Department was not able to separately identify packing costs in the financial statements of Godrej & Boyce Manufacturing Co., Ltd. (Godrej), the company used to calculate the financial ratios used in our calculation of normal value. Because it is reasonable to assume that all expenses are included in any income statement, we know that packing costs are included in the

Godrej data. Although packing is not presented as a separate line item within the Godrej's data, the primary line item used by the Department in calculating the cost of manufacture is "raw materials consumed." Furthermore, we note that Schedule T of the income statement provides a list of the items that constitute new materials consumed, one of which is titled "others." Since companies frequently include packing materials in the cost of manufacturing, it is reasonable to assume that packing costs are included in this line item. In the Preliminary Determination calculation build up to normal value, the Department added the cost of packing materials to the cost of manufacturing prior to the application of the surrogate financial ratio in order to apply these ratios in a manner consistent with how the ratios were calculated. Therefore, for this final determination, the Department continues to add packing to the cost of manufacturing in the calculation build up to normal value.

Comment 2: Whether the Department Should Use the Most Current Wage Rate for China

The petitioner contends that the data source used to derive the PRC's labor wage rate was last updated on May 14, 2003, subsequent to the Preliminary Determination. As such, for this final determination, the petitioner urges the Department to value the wage rate for the PRC by incorporating the most current and contemporaneous data available. See Petitioner's Case Brief, at 11.

Department's Position: We agree with the petitioner. The Department will value the PRC's labor wage rate using the most current labor rate of USD 0.90/hr. See "Expected Wages of Selected Non-market Economy Countries, 2001 Income Data," Revised September 2003, as published by the Department at <http://ia.ita.doc.gov/wages/01wages/01wages.html>.

Comment 3: Whether the Department Should Correct Surrogate Values for Inland Truck Freight and Brokerage and Handling

Yongjian argues that the surrogates that the Department used to value inland truck freight and brokerage and handling in the Preliminary Determination are based on stale and unreliable data. For this final determination, Yongjian urges the Department to use the data it submitted in calculating the surrogate values for inland truck freight and brokerage and handling. See Comments from Francis J. Sailer, Counsel for Shunde Yongjian Housewares Co., Ltd., to the Honorable Donald L. Evans, Secretary of Commerce, "Yongjian's Case Brief," dated April 29, 2004 (Yongjian's Case Brief), at 21 and 22.

Yongjian contends that, for the final determination, the Department should value inland truck freight using data from InFreight.com, rather than the 17 Indian freight company quotes, for shipping tapered roller bearings, from November 1999 that were used in the Preliminary Determination. Yongjian notes that the data from InFreight.com were originally used by the Department in the preliminary determination of Carrier Bags from the PRC. See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Polyethylene Retail Carrier

Bags from the People's Republic of China, 69 FR 3544, 3546 (January 26, 2004) (Carrier Bags Prelim).

Yongjian also notes that, in the Preliminary Determination, the Department relied on data derived from Certain Stainless Steel Wire Rod from India: Final Results of Administrative Review and New Shipper Review, 64 FR 856 (January 6, 1999) (Indian Wire Rod) to calculate surrogate values for brokerage and handling. The surrogate value from Indian Wire Rod is from 1997 and was obtained from an Indian broker. Yongjian asserts there are two reasons to reject these data in the final determination: 1) they are stale compared to alternative and nearly contemporaneous data; and 2) they are improper for use in this case since they are premised on a high value product. Therefore, Yongjian urges the Department to use the data it submitted, which the Department used in Carrier Bags Prelim, to value brokerage and handling in the final determination. See Yongjian's Case Brief, at 22.

Department's Position: We agree with Yongjian, in part.

With regard to inland truck freight, we agree with Yongjian that the Department should calculate the surrogate value using data obtained from InFreight.com. According to the InFreight.com website, we note that "InFreight.com is a privately held Limited Liability Company," which provides "a vertical {business-to-business} portal that covers all the critical aspects of the Indian road transport industry...." See <http://InFreight.com/>. InFreight.com provides publicly available Indian truck freight rates as a flat fee for transportation between specified cities. Based on an InFreight.com data query, we were able to obtain Indian inland freight rates from/to six major Indian cities for the week of January 8, 2003. Because the POI is October 2002 to March 2003, we find InFreight.com data is contemporaneous with the POI whereas the 17 Indian freight company quotes from November 1999 are not. Furthermore, the inland truck freight surrogate value is used in our calculations to value the freight for many different raw material inputs, in addition to complete ironing boards. For this reason, we also find the truck freight surrogate value from InFreight.com, which is not limited to only a shipment of one product, to be the better surrogate value than the November 1999 Indian freight company quotes, which are only for shipments of tapered roller bearings. Therefore, for this final determination, the Department will rely on the data from InFreight.com to value inland freight. See "Yongjian's Margin Calculation Analysis for the Final Determination in the Antidumping Duty Investigation of Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof from the People's Republic of China," dated June 15, 2004.

With regard to brokerage and handling, we disagree with Yongjian that the Department should value brokerage and handling based on the surrogate value used in the Carrier Bags Prelim. In choosing the appropriate surrogate value for the final determination, we examined whether the surrogate data are both product-specific and contemporaneous. The surrogate value used for brokerage and handling in the Preliminary Determination is based on a 1997 brokerage and handling charge for a shipment of stainless steel wire rod. See Memorandum from Sam Zengotitabengoa, International Trade Compliance Analyst, to the File, "Surrogate Country Factors of Production Values," dated January 26, 2004, at Exhibit 72, containing the original source documentation. In Yongjian's surrogate value submission, Yongjian

suggests that the Department use the 1999-2000 surrogate value for brokerage and handling from the Carrier Bags Prelim. However, in its submission, Yongjian did not include a copy of its source documents that support its brokerage and handling value. Without source documents that substantiate the surrogate value advocated by Yongjian (e.g., source documents that identify how the value was calculated and that confirm the reported units), we find the surrogate value used in the Preliminary Determination to be more reliable than Yongjian's suggested value. Furthermore, although Yongjian claims that the surrogate value used in the Preliminary Determination is inappropriate because it is based on brokerage and handling charges for a shipment of stainless steel wire rod, which is a high value product, Yongjian provided no evidence to demonstrate that the surrogate value is based on ad valorem charges. Therefore, we have continued to value brokerage and handling using brokerage and handling charges reported in Indian Wire Rod.

Comment 4: Whether the Department Should Modify Harmonized System Tariff Classifications for Certain Material Inputs

A. Muriate of Potash

For the Preliminary Determination, the Department valued muriate of potash using HS 2815.2000, the subheading for potassium hydroxide (caustic potash). The petitioner alleges that potash muriate is actually defined as potassium chloride. Therefore, the petitioner urges the Department to value muriate of potash using HS 2827.3909, the classification for other chlorides, not elsewhere specified.

In rebuttal, Since Hardware contends that there is no evidence on the record to support the view that potassium hydroxide (caustic potash) is not an appropriate surrogate for muriate of potash. Since Hardware states that although the Department did not specifically examine the type or grade of muriate of potash that it consumes in the ordinary course of business, it is reasonable to assume from the Department's overall verification findings that Since Hardware does consume muriate of potash, as reported. Therefore, the surrogate value used in the Preliminary Determination is a reasonable and accurate basis on which to value Since Hardware's consumption of muriate of potash for the final determination. See Rebuttal Comments from Adams C. Lee, Counsel to Since Hardware, to the Honorable Donald L. Evans, Secretary of Commerce, "Since Hardware's Rebuttal Brief," dated May 4, 2004 (Since Hardware's Rebuttal Brief), at 4 - 7.

Department's Position: We agree with Since Hardware. We find that HS 2815.2000, the subheading which covers potassium hydroxide (caustic potash), is more appropriate for Since Hardware's production process than the petitioner's suggested subheading HS 2827.3909, which covers other chlorides not elsewhere specified. Throughout this proceeding, Since Hardware has consistently reported HS 2815.2000 as the appropriate subheading to calculate the surrogate value for its input labeled muriate of potash. We find, via internet research, that one of the general uses of potassium hydroxide (caustic potash), which is covered under HS 2815.2000, is as a component of certain plating

processes, which is consistent with Since Hardware's manufacturing process. See Memorandum from Paige Rivas to the File: "Surrogate Valuation Research" dated June 15, 2004 (Research Memo). On the other hand, the petitioner's suggestion of HS 2827.3909, other chlorides, not elsewhere specified, is not specific enough for the Department to make a similar finding with respect to the general uses of the products covered under that subheading. Therefore, we continue to find that HS 2815.2000 is the most appropriate classification to value the muriate of potash consumed by Since Hardware during the POI.

B. PE Septa

For the Preliminary Determination, the Department stated in the surrogate value memorandum that it used HS 3907.6000, which covers PE terephthalate (PET) in primary forms (limited to liquids and pastes, including dispersions and solutions, and blocks of irregular shape, lumps, powders, granules, flakes and similar bulk forms), to calculate the surrogate value for PE septa. The petitioner contends that PET in primary forms cannot serve as a septum or membrane. However, while the Department states that it used HS 3907.6000, the petitioner alleges that the Department based its calculations of the surrogate value for PE septa using data from HS 3920.1001, the classification for plastic sheets of PET. As such, the petitioner urges the Department to continue to value PE septa using HS 3920.1001, the subheading for sheets of PE, for the final determination. See Petitioner's Case Brief, at 14.

Since Hardware did not comment on this issue.

Department's Position: We agree with the petitioner. In the Preliminary Determination, we mistakenly stated in the narrative of the surrogate value memorandum that we used HS 3907.6000, which covers PET in primary forms, to calculate the surrogate value for PE septa. See Memorandum from Sam Zengotitabengoa to the File: "Surrogate Country Factors of Production Values in the Preliminary Determination of the Antidumping Duty Investigation on Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof from the People's Republic of China," dated January 26, 2004 (Prelim Factors Memo). However, in Exhibit 25 of the Prelim Factors Memo, we actually used HS 3920.1001, which includes plates, sheets, film consisting of PET, to calculate the surrogate value for PE septa.

In considering which HS subheading is appropriate, we find that the definition of septa is a thin membrane or sheet. Therefore, it is not appropriate to value PE septa with HS 3907.6000, which covers PET in primary forms. Instead, the Department finds that HS 3920.1001, which covers other plates, sheets, film consisting of PET, is the appropriate surrogate value for PE septa. Therefore, for this final determination, we have continued to use HS 3920.1001 to value PE septa.

C. Stainless Steel

For the Preliminary Determination, the Department classified stainless steel using HS

7210.1202, the subheading for flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated, with tin, of a thickness of less than 0.5 mm (tin plated stainless steel). The petitioner argues that there is no evidence on the administrative record indicating that the stainless steel used by the respondents is tin plated. Therefore, the petitioner urges the Department to value stainless steel using HS 7220.1202, the subheading covering stainless steel in strips for making pipes and tubes. Alternatively, on the basis of material dimensions provided by Since Hardware and its chemical content, including nickel and chromium, the petitioner urges the Department to use the weighted average value for HS 7219.3401 and HS 7219.3402, the subheadings covering flat-rolled products of stainless steel, of a width equal to or greater than 600 mm, cold-rolled, of a thickness equal to or greater than 0.5 mm but less than 1 mm. For the final determination, the petitioner urges the Department to revise the material input values according to the HS subheadings listed above. See Petitioner's Case Brief, at 14 and 15.

In rebuttal, Since Hardware contends that there is no evidence on the record to suggest that tin-plated stainless steel is not an appropriate surrogate for stainless steel. In fact, Since Hardware states that although the Department did not specifically examine the type or grade of stainless steel that Since Hardware consumes in the ordinary course of business, it is reasonable to assume from the Department's overall verification findings that Since Hardware consumes the type or grade of stainless steel that it reported, which is close or identical to the stainless steel covered by HS 7210.1202. For the final determination, Since Hardware stresses that the Department has no basis or justification for altering the Preliminary Determination's surrogate value used to value Since Hardware's consumption of stainless steel. See Since Hardware's Rebuttal Brief, at 5 and 6.

Department's Position: We agree with the petitioner. A review of the record indicates that there is no evidence that Since Hardware's stainless steel input is plated. As a result, we find that a surrogate value calculated from HS 7219.34 better represents Since Hardware's stainless steel than subheading HS 7210.1202, which covers plated or coated material. Moreover, subheading HS 7219.34 covers flat-rolled products of stainless steel, which are comparable to the description in Exhibit 7 of the input materials being valued in Since Hardware submission, dated January 12, 2004 (the actual product description is business proprietary information). Because there is no evidence on the record of the specific nickel and chromium content of Since Hardware's stainless steel input, we have not used a weighted-average of HS 7219.3401 and HS 7219.3402, as suggested by the petitioner. Instead, we find that the broader HS 7219.34, which encompasses both HS 7219.3401 and HS 7219.3402, is more appropriate given the lack of information on the record concerning the chemical content of stainless steel. In addition, we have not used the petitioner's suggested stainless steel in strips subheading, HS 7220.1202, because it covers flat-rolled products of stainless steel of a width of less than 600mm and does not match Since Hardware's product description of its stainless steel input. Therefore, for this final determination, we find that HS 7219.34 is appropriate to value the stainless steel consumed by Since Hardware during the POI..

D. Welding Wire

For the Preliminary Determination, the Department classified welding wire under HS 7408.1902, the subheading for copper wire. However, the petitioner alleges that there is no evidence on the record indicating that the welding wire used by Since Hardware is made of copper. The petitioner urges the Department to value welding wire using HS 8311.2000, the classification covering cored wire of base metal for electric arc welding. For the final determination, the petitioner urges the Department to revise the material input values according to the HS subheadings provided. See Petitioner's Case Brief, at 15 and 16.

In rebuttal, Since Hardware contends that there is no evidence on the record to suggest that welding wire of copper is not an appropriate surrogate for welding wire. In fact, Since Hardware states that although the Department did not specifically examine the type or grade of welding wire that Since Hardware consumes in the ordinary course of business, it is reasonable to assume from the Department's overall verification findings that Since Hardware consumes the type or grade of welding wire that it reported, which is close or identical to the welding wire covered by HS 7408.1902. As such, for the final determination, Since Hardware stresses that the Department has no basis or justification for altering the Preliminary Determination's surrogate value used to value Since Hardware's consumption of welding wire. See Since Hardware's Rebuttal Brief, at 6 and 7.

Department's Position: We agree with the petitioner. A review of the record indicates that there is no evidence that Since Hardware uses welding wire made of copper. In fact, Since Hardware indicates that the welding wire it uses is made out of a material other than copper. See Since Hardware's fourth supplemental questionnaire response, dated February 11, 2004, at Exhibit 2 (Since Hardware's Fourth Supplemental). Based on that information, we find that HS 8311.2000, the subheading for cored wire of base metal for electric arc welding, is more representative of Since Hardware's welding wire than HS 7408.1902, the subheading for copper wire. Therefore, for the final determination, we find that HS 8311.2000 is appropriate to value the welding wire consumed by Since Hardware during the POI.

E. Pigment

For the Preliminary Determination, the Department classified pigment under HS 3801.9000, the subheading for other graphite-based preparations. However, Since Hardware alleges that this subheading does not reflect the physical characteristics of the pigment that Since Hardware consumes in the ordinary course of business. Instead, Since Hardware urges the Department to use HS 2803.0009, the subheading for carbon black, a form of pigment or dye used in common manufacturing applications, to value pigment in the final determination. See Since Hardware's Case Brief, at 3 and 4.

The petitioner claims that Since Hardware's criticisms of the Department's choice of HS subheading for the valuation of pigment are unwarranted. The petitioner notes that Since Hardware's submissions, dated December 17, 2003, and January 12, 2004, indicated that HS 3801.9000 is the classification applicable to Since Hardware's pigment. In addition, the petitioner states that Since Hardware's submission on surrogate values, dated March 29, 2004, was made subsequent to the

Preliminary Determination. The petitioner notes that the data submitted by Since Hardware were not drawn from the period covered by the POI and were submitted with no explanation as to the material which Since Hardware considered them relevant.

Department's Position: We agree with Since Hardware. We find, via internet research, that the carbon black covered under subheading HS 2803.0009 is considered a common pigment. In addition, our internet research indicates that graphite, which is covered by subheading 3801.9000, can be used in paints and pigments but is not used for its color. Instead, graphite is typically used as lubrication to spread the pigment more quickly. See Research Memo. In Since Hardware's Fourth Supplemental, Exhibit 1, Since Hardware includes a description of its inputs that is more consistent with carbon black (the specific product description is business proprietary information). Therefore, for the final determination, we have used HS 2803.0009 to value pigment using Indian import statistics.

With respect to the petitioner's statement that Since Hardware's March 29, 2004, submission was made after the Department's Preliminary Determination, we note that Since Hardware's submission was timely and in accordance with the Department's regulations. According to section 351.301(c)(3)(i) of the Department's regulations, parties have until 40 days after the publication of the Preliminary Determination to submit publicly available information to value factors of production. Since Hardware's submission was within this 40 day time limit.

F. Silica Gel Parts

For the Preliminary Determination, the Department valued silica gel parts using HS 2811.2200, the subheading for silicon dioxide. However, Since Hardware alleges that this subheading does not reflect the physical characteristics of the silica gel parts that Since Hardware consumes in the ordinary course of business. Instead, Since Hardware urges the Department to use HS 3824.9015 to value silica gel parts in the final determination. HS 3824.9015 is the subheading for mixed PE glycols, which Since Hardware alleges are chemicals commonly used in the production of rubber or plastic parts used in manufacturing and assembly operations. See Since Hardware's Case Brief, at 4.

The petitioner did not comment on this issue.

Department's Position: We agree with Since Hardware. We confirmed via internet research that silica gel, which is a form of silicon dioxide covered under HS 2811.2200, is commonly used as an absorbent. Mixed PE glycols, covered by HS 3824.9015, on the other hand, are materials that are used with plastic parts processing. See Research Memo. In fact, PE is specifically identified as a component of Since Hardware's plastic parts processing segment of its production process in the Production Flowchart in Since Hardware's section C and D questionnaire response at Exhibit 2, dated October 14, 2003 (Since Hardware's October 14, 2003, response). Therefore, for the final determination, the Department will use HS 3824.9015 to value Since Hardware's consumption of silica gel parts.

G. Cotton Thread

In the Preliminary Determination the Department valued cotton thread using HS 5204.1101, the subheading for cotton thread. Since Hardware claims that this subheading does not reflect the physical characteristics of the cotton thread that Since Hardware consumes in the ordinary course of business. Instead, Since Hardware urges the Department to use HS 5204.2009, the subheading for other cotton sewing thread offered for retail sale, to value cotton in the final determination. See Since Hardware's Case Brief, at 4.

The petitioner claims that Since Hardware's criticisms of the Department's choice of HS subheading for cotton thread are lacking in merit. The petitioner states that the HS 5204.1101, the subheading used by the Department in the Preliminary Determination covers cotton sewing thread, containing 85 percent or more by weight of cotton, not offered for retail sale. The petitioner notes that the subheading advocated by Since Hardware as providing "a more appropriate basis" covers other cotton sewing thread offered for retail sale. The petitioner questions whether Since Hardware is acquiring its cotton thread in a configuration offered for retail sale, noting that the respondent has proffered no evidence to support such an improbable claim.

Department's Position: We agree with the petitioner. We find that HS 5204.1101 identifies cotton thread, containing 85 percent or more of cotton, not offered for retail sale, to be an appropriate subheading in calculating the surrogate value for cotton thread. Since Hardware's suggested subheading, HS 5204.2009, covers other cotton sewing thread offered for retail sale. Because Since Hardware is a manufacturing company that purchases cotton thread as one of many inputs used to produce ironing boards, it is reasonable to assume that it purchases cotton thread in bulk from a wholesaler, rather than purchasing this material at retail. In addition, Since Hardware has provided no evidence that its reported cotton thread input contains less than 85 percent by weight of cotton and does not state why HS 5204.2009, the subheading for other cotton sewing thread offered for retail sale, better reflects Since Hardware's cotton thread input. Therefore, for the final determination, we continue to find that HS 5204.1101 is the appropriate subheading to value Since Hardware's consumption of cotton thread.

H. Cotton Rope

For the Preliminary Determination, the Department classified cotton rope using HS 5604.9000, the subheading for other rubber thread and cord. However, Since Hardware alleges that this classification does not reflect the physical characteristics of the cotton rope that Since Hardware consumes in the ordinary course of business. Instead, Since Hardware urges the Department to use HS 5607.9002, the subheading for cordage, cable ropes, and twine of cotton, to value cotton rope in the final determination. See Since Hardware's Case Brief, at 5.

The petitioner claims that Since Hardware's criticisms of the Department's choice of HS

subheading for cotton rope are unwarranted. The petitioner notes that Since Hardware's submissions, dated December 17, 2003, and January 12, 2004, indicated that HS 5604.9000 is the subheading applicable to Since Hardware's cotton rope. This is the subheading that the Department applied in its Preliminary Determination. In addition, the petitioner states that Since Hardware's March 29, 2004, submission, was made subsequent to the Preliminary Determination. Furthermore, the petitioner notes that the data submitted by Since Hardware were not drawn from the period covered by the POI and were submitted with no explanation as to the material which Since Hardware considered them relevant.

Department's Position: We agree with Since Hardware. The subheading HS 5604.9000 that the Department used in the Preliminary Determination covers rubber thread and cord, textile covered; textile yarn and strip and the like of headings 5404 and 5405 (which cover man-made materials), impregnated, coated, covered or sheathed with rubber or plastics. The materials under this subheading appear to be predominantly man-made. Item number HS 5607.9002, which covers cordage, cable ropes, and twine of cotton, includes materials more similar to the material reported by Since Hardware. As a result, we find that HS 5607.9002 is appropriate for the valuation of cotton rope in this final determination. For the timing of Since Hardware's submission, see the Department's Position under comment 4-E.

I. Zinc Galvanized Iron Clips

For the Preliminary Determination, the Department valued zinc galvanized iron clips using HS 7318.2400, the subheading for non-threaded cotters and cotter pins. However, Since Hardware alleges that this classification does not reflect the physical characteristics of the zinc galvanized iron clips that Since Hardware consumes in the ordinary course of business. Instead, Since Hardware urges the Department to use HS 7210.4900, the subheading for other products of iron/non-alloy steel otherwise plated/coated with zinc, to value zinc galvanized iron clips in the final determination. See Since Hardware's Case Brief, at 5.

The petitioner claims that Since Hardware's criticisms of the Department's choice of HS subheading for galvanized iron clips are unwarranted. The petitioner notes that Since Hardware's submissions, dated December 17, 2003, and January 12, 2004, indicated that HS 7318.2400 is the subheading applicable to Since Hardware's zinc galvanized iron clips. In addition, the petitioner states that Since Hardware's March 29, 2004, submission was made subsequent to the Preliminary Determination. Furthermore, the petitioner notes that the data submitted by Since Hardware were not drawn from a period covered by the POI and were submitted with no explanation as to the material which Since Hardware considered them relevant. The petitioner also states that in its January 15, 2004, submission, it provided explanatory information on "circlips," which might describe the galvanized iron clips used by Since Hardware.

Department's Position: We agree with the petitioner. We find that Since Hardware's surrogate value suggestion on HS 7210.4900 is not appropriate to value zinc galvanized iron clips because subheading HS 7210 refers to flat rolled steel products of iron or nonalloy steel, of a width of 600 mm or more,

clad, plated, or coated. There is no indication that this subheading refers to any type of clip, or any article employed in a clip-like application, similar to that used in the production of ironing boards. In fact, the width of 600 mm or more indicates that it is not used in an application similar to a clip, but is much larger in size. HS subheading 7318.2400 is a more appropriate surrogate for zinc galvanized iron clips for the following reasons: (1) HS subheading 73 is the subheading for articles of iron or steel, some plated and coated (a zinc galvanized iron clip is an article of iron); and (2) HS subheading 7318 refers to screws, nuts, bolts, coach screws, screw hooks, rivets, cotters, cotter pins, washers, and similar articles of iron and steel. Although zinc galvanized clips are not specifically mentioned, the above-listed items perform functions similar to the function a clip performs, or at least are more similar than a flat-rolled iron sheet. Therefore, the Department continues to value zinc galvanized iron clips using HS 7318.2400. For the timing of Since Hardware's submission, see the Department's Position under comment 4-E.

J. Glue

For the Preliminary Determination, the Department valued glue using subheading HS 3214.1000, the subheading for glaziers putty, grafting putty, resin cements, and caulking. Since Hardware alleges that this subheading does not reflect the physical characteristics of the glue that Since Hardware consumes in the ordinary course of business. Instead, Since Hardware urges the Department to use HS 3505.2000, the subheading for glues to value glue in the final determination. See Since Hardware's Case Brief, at 5.

The petitioner claims that Since Hardware's criticisms of the Department's choice of HS subheading for glue are unwarranted. The petitioner notes that Since Hardware's submissions, dated December 17, 2003, and January 12, 2004, indicated that HS 3214.1000 is the classification applicable to Since Hardware's glue. This is the classification that the Department applied in its Preliminary Determination. In addition, the petitioner states that Since Hardware's March 29, 2004, submission was made subsequent to the Preliminary Determination. Furthermore, the petitioner notes that the data submitted by Since Hardware were not drawn from the period covered by the POI and were submitted with no explanation as to the material which Since Hardware considered them relevant.

Department's Position: We agree with Since Hardware. Upon further review of the HS subheadings, we find that the subheading initially suggested by the respondent, HS 3214.1000, does not include glue or glue-like materials. The HS subheading suggested by Since Hardware in its last surrogate value submission, HS 3505.2000, however, does cover glue. Therefore, for the final determination, we find that subheading HS 3505.2000 is appropriate for calculating a surrogate value for glue. For the timing of Since Hardware's submission, see the Department's Position under comment 4-E.

K. Cotton Fixing Strips

For the Preliminary Determination, the Department classified cotton fixing strips using HS

5604.9000, the subheading for other rubber thread and cord. Since Hardware alleges that this subheading does not reflect the physical characteristics of the cotton fixing strips that it consumes in the ordinary course of business. Instead, Since Hardware urges the Department to use for the final determination its market-economy purchase price for cotton fabric or, alternatively, the surrogate value that the Department used in the Preliminary Determination to value Yongjian's consumption of cloth strip, HS 5208.1901. Since Hardware argues that Yongjian's cloth strip is an input that is presumably identical to cotton fixing strips. See Since Hardware's Case Brief, at 6.

The petitioner claims that Since Hardware's criticisms of the Department's choice of HS subheading for cotton fixing strips are unwarranted. The petitioner notes that Since Hardware's submissions, dated December 17, 2003, and January 12, 2004, indicated that HS 5604.9000 is the subheading applicable to Since Hardware's cotton fixing strips. In addition, the petitioner states that Since Hardware's March 29, 2004, submission was made subsequent to the Preliminary Determination. Furthermore, the petitioner notes that the data submitted by Since Hardware were not drawn from the period covered by the POI and were submitted with no explanation as to the material which Since Hardware considered them relevant.

Department's Position: We agree with Since Hardware, in part. Regarding Since Hardware's assertion that the Department should value cotton fixing strips with its reported market economy price of cotton fabric, Since Hardware does not claim that it uses the cotton fabric it purchases from a market economy supplier as cotton fixing strips. In fact, Since Hardware reports cotton fabric as a separate material input altogether. See Since Hardware's Fourth Supplemental at Exhibit 1. Therefore, we have not valued cotton fixing strips with the market economy price it reported for cloth fabric.

However, with respect to Since Hardware's argument that we should value cotton fixing strips using HS 5208.1901, we agree. In the Preliminary Determination, the Department valued Since Hardware's cotton fixing strips using HS 5604.9000, which covers rubber thread and cord, textile covered; textile yarn and strip and the like of heading 5404 and 5405 (which cover man-made materials), impregnated, coated, covered or sheathed with rubber or plastics. The materials under this subheading are predominantly man-made. The name of the material input, cotton fixing strips, indicates that it is a strip made out of cotton. Item number HS 5208.1901 covers other fabrics of woven fabrics containing 85% or more by weight of cotton. As a result, we find that HS 5208.1901 is appropriate for the valuation of cotton fixing strips in this final determination. For the timing of Since Hardware's submission, see the Department's Position under comment 4-E.

Comment 5: Whether the Department Used The Best Available Data Source to Value Certain Material Inputs

Yongjian notes that the Department relied on the Government of India, Ministry of Commerce & Industry, Director General, Commercial Intelligence and Statistics data, published in the WTA, to calculate the values for hot-rolled steel, and cold-rolled steel. As an alternative, Yongjian submitted various data taken from InfodriveIndia.com that, according to Yongjian, reports official Indian government import statistics on an entry by entry basis. See Yongjian's Surrogate Value Submission, dated March 29, 2004. Yongjian states that the Department in other proceedings used certain data derived from InfodriveIndia.com. See, e.g., Memorandum from the Team to the File, "Certain Color Television Receivers from the People's Republic of China: Preliminary Determination Factors Valuation Memorandum," dated November 21, 2003. Therefore, for the final determination, Yongjian urges the Department to use the data it submitted from InfodriveIndia.com to calculate surrogate values for certain material inputs. See Yongjian's Case Brief, at 2, 3, and 8.

The petitioner argues that Yongjian's position lacks merit and should be dismissed by the Department. The petitioner notes that Yongjian is the only party in this proceeding raising an objection to the Indian import statistics. The petitioner claims that the Department should continue to value Yongjian's material inputs on the basis of WTA data (also referred to as Indian import statistics). In addition, the petitioner states the only assistance that Yongjian offered the Department with respect to the surrogate valuation of inputs consisted of data based exclusively upon India's official import statistics. The petitioner argues that the values utilized by the Department in the Preliminary Determination have been available to Yongjian throughout this proceeding and yet the respondent offered no rebuttal to the petitioner's surrogate valuation submission dated October 24, 2003, nor did Yongjian submit any comment at any time in opposition to the WTA data.

In addition, the petitioner argues that Yongjian provides no valid basis for a departure from surrogate valuation on the basis of WTA data. The petitioner states that the Department has previously used Indian import statistics published by the WTA for surrogate valuation purposes in numerous nonmarket economy (NME) cases. The petitioner argues that Yongjian provides no data that are superior in reliability, nor does it provide any data that are usable as benchmarks, which can be used to judge the WTA data. The petitioner claims that the WTA figures are official government statistics maintained by the Government of India, they are matched exactly to the POI, and are based upon commodity descriptions detailed to an 8-digit level of specificity. In addition, the petitioner states that the WTA data are demonstrably internally consistent in terms of economic and commercial logic. According to the petitioner, the Department should continue to use the WTA data to value all of Yongjian's material inputs because the Indian import statistics meet the Department's criteria of availability, contemporaneity, specificity and reliability.

The petitioner claims that Yongjian fails to demonstrate that the surrogate values based upon the Indian import statistics used by the Department are aberrant or unreliable. On the contrary, the petitioner argues that the data relied upon by Yongjian are inapposite or unreliable. The petitioner argues that Yongjian's comparison sources for cold-rolled steel, InfodriveIndia.com is an unofficial and non-governmental source and has been used only once for the surrogate valuation of inputs. The

petitioner further states that, in that case, the Department states that its preferred source of surrogate value data continues to be the WTA data because it represents the best information available, but the Department would not be precluded from turning to InfodriveIndia.com data where the Indian import classification categories “are overly broad.” Concerning specificity, the petitioner argues that the HS categories are extremely precise with respect to the inputs at issue in this case.

The petitioner argues that InfodriveIndia.com information submitted by Yongjian is not drawn from Indian customs entry forms but from commodity descriptions appearing on bills of lading and/or vessel manifests. The petitioner claims that these descriptions reflect exporter subjectivity and the HS classifications associated with them would be subject to no official verification and thus are inherently unreliable. For example, the petitioner points out that the InfodriveIndia.com printout identifies the “Foreign Country” only intermittently. According to the petitioner, Yongjian tells us that it is able to identify shipments that would be excluded as sourced from NME or export-subsidy countries on the basis of the name of the exporter. The petitioner adds that the Department may question whether such an approach is reliable or sustainable, or whether it may be subject to inconsistency.

The petitioner contends that each of the values selected or concocted by Yongjian for purposes of demonstrating that the value used by the Department may be aberrant is: (1) inapposite with respect to the input at issue (with respect to the input-specific value that Yongjian seeks to challenge), (2) inappropriate for the purposes of valuation, (3) unreliable or patently inaccurate, or (4) so generic as to have no utility in an input-specific context.

Department’s Position: We agree with the petitioner. In the Preliminary Determination, in accordance with past practice, we utilized WTA data (more specifically, Indian import statistics) in order to calculate surrogate values for many of Yongjian’s material inputs. In selecting the best available information for valuing factors of production, in accordance with section 773(c)(1) of the Tariff Act of 1930, as amended (the Act), we selected values which are : 1) non-export average values; 2) most contemporaneous with the POI; 3) product-specific; and 4) tax-exclusive. See Manganese Metal From the People's Republic of China; Final Results and Partial Rescission of Antidumping Duty Administrative Review, 63 FR 12441, 12442 (Mar. 13, 1998). While we recognize that both Indian import statistics and InfodriveIndia.com: 1) represents import data; 2) are contemporaneous with the POI; 3) are product-specific; and 4) are tax exclusive, we find that Indian import statistics represent the best available information in this case.

With regard to Yongjian’s assertion that the Department has used InfodriveIndia.com in previous cases, we note that the Department has used this source only once in a final determination. See Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers From the People's Republic of China, 69 FR 20594 (April 16, 2004) (CTVs from the PRC). For the inputs valued using InfodriveIndia.com, we used this source because it provided the most product-specific information available and not because Indian import statistics were aberrational or unreliable. In addition, we clearly stated in this case our

preference for Indian import statistics over InfodriveIndia.com except in instances where the HS categories are overly broad. See CTV's from the PRC, Issues and Decision Memorandum at Comment 9. In the current proceeding, there is no evidence on the record that the HS subheadings used by the Department to calculate surrogate values for cold-rolled steel coil and hot-rolled steel coil are overly broad.

Regarding Yongjian's argument that the HS subheadings used to value its steel inputs are too broad, we note that there is no evidence on the record of this investigation to support that contention. With respect to cold-rolled steel, in its October 15, 2003, section D questionnaire response, Yongjian states that it uses cold-rolled steel sheet with a thickness of 0.8 millimeters and cold-rolled steel sheet with a thickness of 1 mm to form meshes. In its case brief, Yongjian claims that HS 7209.1700 is too broad. HS 7209.1700 covers flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled, (cold-reduced), not clad, plated or coiled; in coils, not further worked than cold-rolled (cold-reduced) of a thickness of 0.5 or more but not exceeding 1 mm. This description matches the cold-rolled steel characteristics of the material input that Yongjian reported in its questionnaire responses.

With respect to hot-rolled steel, in its October 15, 2003, section D questionnaire response, Yongjian states that it uses hot-rolled steel with a thickness ranging from 0.6 millimeters to 2.5 millimeters. In its case brief, Yongjian claims that HS 7208.3900, used in the Preliminary Determination, is too broad. HS 7208.3900 covers flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coiled; in coils, of a thickness less than 3 mm. This description matches the hot-rolled steel characteristics reported of the material input that Yongjian reported in its questionnaire responses.

As a result of verification, we found that Yongjian used cold-rolled steel coil and hot-rolled steel coil instead of the cold-rolled and hot-rolled steel sheet it reported in its section D questionnaire responses. Therefore, for the final determination, we have valued Yongjian's cold-rolled steel coil using HS 7209.1700 and hot-rolled coil using HS 7208.3900. For additional discussion of this issue, see Comments 7 and 12.

Although Yongjian states that the Department relied on data that "clearly included further processed products from those used in Yongjian's production..." to calculate its surrogate value for cold-rolled steel coil and hot-rolled steel coil, Yongjian provided no information to indicate why it considered certain materials listed in InfodriveIndia.com to be inappropriate for comparison to the above-listed steel inputs. For example, for cold-rolled steel coil, Yongjian suggests that automotive steel blanks are not comparable to the steel coil used in ironing table production but does not justify that assertion with evidence or facts. See Yongjian's Case Brief at 24. With respect to hot-rolled steel coil, Yongjian generally states that much of the materials imported under HS 7208.3900, which the Department used to value hot-rolled steel coil in the final determination, is of a semi-finished or otherwise processed material. However, Yongjian fails to state in its case brief which specific materials are semi-

finished and otherwise processed material and does not cite any evidence in support of its claim. In addition, even if semi-finished or otherwise processed materials are included in HS 7208.3900, Yongjian fails to demonstrate why such materials do not reflect the same steel used in Yongjian's production of ironing tables. The Department prefers to use surrogate values that are representative of a range of prices in effect during the period under consideration. Thus, using only a portion of the imports under HS 7209.1700 and HS 7208.3900 to calculate the surrogate values for cold-rolled and hot-rolled steel, respectively, without evidence to support this approach, is inconsistent with the criteria the Department uses to select surrogate values.

As a result, the Department does not find that the HS subheadings used in the final determination are overly broad and continues to rely on WTA to calculate surrogate values for cold-rolled and hot-rolled steel coil.

Comment 6: Whether the Department's Used Aberrant Surrogate Values for Certain Material Inputs

Yongjian contends that it is Department practice that unreasonable and aberrational surrogate values will not be used in the calculation of normal value. See Refined Antimony Trioxide from the PRC: Final Determination of Sales at Less Than Fair Value, 57 FR 6801, 6803 (February 28, 1992). Yongjian argues that although the Department stated that "the surrogate values employed in the valuation of the factors of production were selected because of their quality, specificity, and contemporaneity" (See Preliminary Determination, at 5131), the record evidence demonstrates the aberrant nature of the surrogate values used in the Preliminary Determination. See Yongjian's Case Brief, at 3 - 5.

A. Cold-Rolled Steel

For the Preliminary Determination, the Department relied upon WTA data to calculate the surrogate value for cold-rolled steel sheet. As discussed above, Yongjian asserts that the InfodriveIndia.com data demonstrate that the majority of cold-rolled steel imported under HS 7209.1700 is a semi-finished or otherwise processed material that does not reflect the input used in the production of ironing boards. Therefore, Yongjian contends that the Department's Preliminary Determination surrogate value of cold-rolled steel sheet is based on aberrant data as compared with Yongjian's surrogate value filing of InfodriveIndia.com for cold-rolled steel coil, Since Hardware's market value of cold-rolled steel coil, CRU Monitor export prices of cold-rolled steel coil, and the American Metal Market (AMM) price for cold-rolled steel coil. See Yongjian's Case Brief, at 9 and 10. In addition, Yongjian contends, in a footnote, that the surrogate value for cold-rolled steel used by the Department in the Preliminary Determination for Since Hardware also yields an aberrant value.

The petitioner argues that it is not aberrational but entirely logical and predictable that cold-rolled steel coil would carry a lower average value than steel that has been subjected to a capital-intensive

slitting process, like cold-rolled steel sheet. The petitioner also notes that a comparison to Since Hardware's claimed market economy purchases reflects an apple to oranges approach because Since Hardware's inputs are vastly different from Yongjian's inputs. With respect to Yongjian's AMM prices, the petitioner argues that the sources provide no meaningful specificity whatsoever with respect to the commodity addressed in relation to the input valued by the Department and notes that Yongjian acknowledges the lack of utility these prices have for valuation purposes. In addition, the petitioner notes that the AMM does not disclose the quantities upon which the reported average prices are based, which makes it impossible to assess the breadth of the data sample.

Department's Position: We agree with the petitioner. Consistent with the material reported in Yongjian's questionnaire responses, the Department used HS 7211.2300, or cold-rolled steel sheet, to calculate a surrogate value for Yongjian's cold-rolled steel inputs in the Preliminary Determination. In its case brief, Yongjian compares the cold-rolled sheet surrogate value to data using the prices of cold-rolled coil, which is either listed as HS 7209.1700 or labeled cold-rolled steel coil to demonstrate that the sheet prices are aberrational. However, as discussed above, the Department found at verification that Yongjian actually used cold-rolled coil in its production process instead of the cold-rolled sheet it previously reported. See Yongjian's sections C and D questionnaire response dated October 15, 2003. See also, Comment 11.

Consequently, for the final determination, we valued Yongjian's cold-rolled steel input based on HS 7209.1700. The appropriate HS subheading for cold-rolled steel coil is HS 7209.1700, and discussed in Comment 5, we do not believe this HS subheading is overly broad. However, we have re-examined the surrogate value data on the record of this investigation for this HS subheading in order to determine whether any of the data falling under this HS subheading are, in fact, aberrational.

Based on this examination, we have excluded from our calculations certain imports under this HS subheading which we determined were aberrationally high in relation to the other Indian import data contained in this HS subheading. See the June 15, 2004, memorandum to the File from Sam Zengotitabengoa entitled, "Final Determination Factors Valuation Memorandum" (Final Factors Memo). Therefore, with these adjustments, for the final determination, we have continued to use HS 7209.1700 to value cold-rolled steel coil.

B. Hot-Rolled Steel

For the Preliminary Determination, the Department relied on WTA data to calculate the surrogate value for hot-rolled steel. As discussed above, Yongjian asserts that the InfodriveIndia.com data demonstrate that the majority of hot-rolled steel imported under HS 7208.3900 is a semi-finished or otherwise processed material that does not reflect the input used in the production of ironing boards. As such, Yongjian contends that the Department's Preliminary Determination valuation of hot-rolled steel is based on aberrant data as compared with Yongjian's surrogate value filing of InfodriveIndia.com, Since Hardware's market economy prices of hot-rolled steel coil purchases, Essar Steel home market

price of hot-rolled steel coil, CRU export prices, and AMM price. See Yongjian's Case Brief, at 11 and 12.

The petitioner states that Yongjian's comparison of hot-rolled steel values is faulty. The petitioner argues that Yongjian's summary of a database submitted in another case by a single respondent (Essar Steel) selected by Yongjian, providing only ranged price and quantity data for a sampling of home market sales in a non-contemporaneous period and for a product of undisclosed description or specification cannot be taken seriously. In addition, the petitioner states that Since Hardware's claimed market economy purchase prices do not relate to Yongjian's input; therefore they would not be appropriate for use in valuing Yongjian's inputs, while other suitable surrogate value information is available. In this instance, the petitioner continues, the Since Hardware value detracts directly from Yongjian's assertion that its comparison values represent "export pricing that would have been available to Indian and Chinese importers." The petitioner notes that, if this were the case, and Yongjian's values had validity, one would expect that Since Hardware would have purchased at the InfodriveIndia price rather than at a higher cost.

Department's Position: We agree with the petitioner. Consistent with the material reported in Yongjian's questionnaire responses, the Department used HS 7211.1900, the subheading for hot-rolled steel sheet, to calculate a surrogate value for Yongjian's hot-rolled steel inputs in the Preliminary Determination. In its case brief, Yongjian compares the hot-rolled steel sheet surrogate value to data based on prices of hot-rolled steel coil, which is either listed as HS 7208.3900 or labeled hot-rolled steel coil to demonstrate that the sheet prices were aberrational. However, as discussed above, the Department found at verification that Yongjian actually used hot-rolled steel coil in its production process instead of the hot-rolled steel sheet it previously reported. See Yongjian's sections C and D questionnaire response dated October 15, 2003. See also, Comment 11.

Because the Department is using a surrogate value for hot-rolled steel coil in the final determination, we examined imports under the HS subheading to determine if any imports under this category were aberrational. We also examined whether the Department's surrogate value for hot-rolled steel coil, is aberrational as compared to Yongjian's alternative pricing data contained in its case brief. We find that the surrogate value used in final determination is not aberrationally high. For the final determination, we have calculated a surrogate value for hot-rolled coil of \$.28/kg. In comparing the surrogate value calculated by the Department to the range of prices contained in Yongjian's case brief (\$.28/kg to \$.35/kg), we find that the Department's surrogate value for hot-rolled steel coil is appropriate for the final determination.

C. Steel Wire Rod

For the Preliminary Determination, the Department relied on WTA data to calculate the surrogate value for steel wire¹. Yongjian contends that the valuation of steel wire is based on aberrant data as compared with the steel wire rod prices from InfodriveIndia.com, Since Hardware's market economy purchase price, P.T. Ispat Indo's home market price, and AMM prices. See Yongjian's Case Brief, at 12 - 14.

With respect to wire rod, the petitioner claims that Yongjian's comparison is not reliable because Since Hardware's claimed market economy purchase price of steel wire rod was at a price higher than Yongjian's comparison prices from InfodriveIndia.com and AMM prices. The petitioner contends that if such low prices of steel wire rod were available, Since Hardware would have purchased steel wire rod at that price. The petitioner also states that the comparison is not meaningful because the material used by Yongjian is substantially different from Since Hardware's steel wire rod input. In addition, the petitioner claims that Yongjian's use of another case, in which Yongjian summarized the public version of another respondent's home market database, to compare to the Department's surrogate value for steel wire rod in this investigation, is unacceptable because it abandons contemporaneity and involves products of undisclosed description and specification .

Department's Position: We disagree with Yongjian and the petitioner. Consistent with the material reported in Yongjian's questionnaire responses, the Department used HS 7217.1001, the subheading for steel wire, to calculate a surrogate value for Yongjian's steel wire inputs in the Preliminary Determination. In its case brief, Yongjian compares the steel wire surrogate value to data using prices of steel wire rod, which is either listed as HS 7217.1001 or labeled steel wire rod to demonstrate that the sheet prices are aberrational. However, as discussed above, the Department found at verification that Yongjian actually used steel wire rod in its production process instead of the steel wire it previously reported. See Yongjian's sections C and D questionnaire response dated October 15, 2003. See also Comment 11.

Because the Department is using a surrogate value for steel wire rod in the final determination, we examined imports under the HS subheading to determine if any imports under this category were aberrational. Therefore, for the final determination, we have calculated a surrogate value for steel wire rod based on HS 7213.9109.

D. Circular Pipe and Tube and Non-Circular (Rectangular) Pipe and Tube

For the Preliminary Determination, the Department relied on WTA data to calculate the

¹ We note that Yongjian reported steel wire in its section D questionnaire responses. However, at verification, we found that Yongjian consumed steel wire rod. For the final determination, we are valuing this input as steel wire rod.

surrogate value for circular and non-circular (rectangular) cross-section pipe and tube. Yongjian contends that the Department's valuation of circular and non-circular (rectangular) pipe and tube in the Preliminary Determination is based on aberrant data compared with net prices contained in the home market databases for four companies that were respondents in U.S. antidumping duty proceedings involving certain types of pipe and tube from Mexico, Turkey, Thailand, and Taiwan. For circular pipe and tube, Yongjian used prices from the publicly ranged home market databases for two companies, Saha Thai from Thailand, and Yieh Hsing from Taiwan. For non-circular pipe and tube, Yongjian used prices from the publicly ranged home market databases from a Mexican company, Regiomontana, and a Turkish company, MMZ. See Yongjian's Case Brief, at 14 and 15. Although Yongjian provided the Department with pricing information as a benchmark, it did not suggest which surrogate value to use.

The petitioner argues that Yongjian relies solely upon summarized, sampled data from selected respondents in other antidumping cases. The petitioner also claims that the data obtained from these other cases are not contemporaneous with the POI, and are from markets having no economic comparability to the PRC. In addition, the petitioner asserts that Yongjian fails to explain how the respondents' production in these antidumping cases involves merchandise comparable to the material inputs for ironing tables.

Department's Position: We agree with the petitioner. For both of these material inputs, we find that the WTA data used in the Preliminary Determination are reasonable to use in the final determination for the following reasons: (1) there is no evidence on the record that the merchandise in the other antidumping cases cited in Yongjian's case brief are more similar to the material inputs used in this investigation by Yongjian; (2) gross prices are more appropriate for comparison to Indian import statistics, not net prices; and (3) the other respondents' data are not contemporaneous to the POI. We note that neither the respondents in this case nor the petitioner is arguing the Department used incorrect HS subheadings in the Preliminary Determination and we have no evidence on the record that indicates that HS 7306.300 (circular pipe and tube) or HS 7306.6000 (non-circular pipe and tube) are overly broad or otherwise inappropriate subheadings for these material inputs. In addition we examined imports under the HS subheading to determine if any imports under these categories were aberrational and we do not find that the information contained in these HS subheadings are aberrational. Since the HS is not overly broad and the Indian import statistics are not aberrant, we continue to find that the WTA data represent the best available information for calculating surrogate values for circular and non-circular pipe and tube for the final determination.

E. Powder Coating

For the Preliminary Determination, the Department used WTA data for HS 3208.1009 to calculate the surrogate value for powder coating, the subheading for paints and varnishes (including enamels and laquers), based on polyesters. However, Yongjian alleges that this classification does not reflect the physical characteristics of the powder coating that it uses to produce subject merchandise. Instead, Yongjian asserts that the Department verified that the powder coating used by Yongjian is not in

liquid form, like standard paint or varnish, but rather is in the form of a dry powder, and the powder coating is not solely based on polyesters, but rather on a 1:1 mixture of polyester and epoxy resins. As such, for the final determination, Yongjian urges the Department to use HS 3907.3001 and HS 3907.9102 to value powder coating.

The petitioner states that it agrees with Yongjian that Indian import statistics should be used to value powder coating but questions why the respondent provided import data covering the whole year rather than the POI. The petitioner argues that, in view of the respondent's failure to provide data contemporaneous to the POI, the Department should value powder coating as it did in the Preliminary Determination as the best information available.

Department's Position: We agree with Yongjian. During verification, we found that the powder coating Yongjian uses is a dry mixture of polyester and epoxy resins. We are using HS 3907.3001, the subheading for epoxide resins, and HS 3907.9102, the subheading for polyester resins, to calculate a surrogate value for powder coating. However, we find that it is not appropriate to calculate the surrogate value for this material input based on a full year's data, as suggested by Yongjian. Therefore, we have valued powder coating with surrogate values using data for the POI based on HS 3907.3001 and HS 3907.9102 for the purposes of the final determination. See Comment 11.

F. Cardboard Cartons

For the Preliminary Determination, the Department relied on Indian import statistics for HS 4819.1009 to calculate the surrogate value for cardboard cartons. Yongjian contends that this value is aberrant compared with a domestic Indian price quote from Aakritee Packaging, which was cited in the Carrier Bags Prelim, and Since Hardware's market economy purchase price for cardboard cartons.

Yongjian claims that the Department has expressed a preference for the use of domestic prices from the surrogate country rather than import values. See, e.g., Pure Magnesium from the People's Republic of China: Final Results of Antidumping Duty New Shipper Administrative Review, 63 FR 3085, 3087 (January 21, 1998) (Pure Magnesium). Moreover, Yongjian contends that the Department has rejected Indian import statistics in favor of domestic prices based on the relative specificity of the data to the input being valued. See Certain Non-Frozen Apple Juice Concentrate from the People's Republic of China: Final Results of 1999-2001 Administrative Review and Rescission of Review, 67 FR 68987 (November 14, 2002), Issues and Decision Memo at Comment 1. Therefore, Yongjian argues that where the Department has the choice between domestic and import prices, it should select the price derived from the source that is more reliable and product-specific. See Yongjian's Case Brief, at 18 - 20.

The petitioner argues that there is nothing to indicate error in the Department's valuation of this input. The petitioner contends that the data sources that are used by Yongjian confirm that the Indian import statistics are to be relied upon more heavily than domestic price quotations. In this instance,

according to the petitioner, because the dimensions of the cardboard cartons are not appropriate for a product similar to ironing boards, the domestic sales price quote proposed by Yongjian could not have applied to an input of the same size that is used by Yongjian. Therefore, the Department should retain the surrogate value for cardboard cartons that it used for the Preliminary Determination. The petitioner states that Yongjian offers no valid reason to change the surrogate value and the Department should retain the surrogate value it employed for purposes of the Preliminary Determination.

Department's Position: We agree with the petitioner. In the Preliminary Determination, we used HS 4909.1009, the subheading for cartons, boxes and cases of corrugated paper or paperboard, to calculate a surrogate value of cardboard cartons. There is no information on the record of this investigation that indicates that the domestic price from Aakritee Packaging² is more reliable and specific to the product being valued than the surrogate value calculated using Indian import statistics. We acknowledge the fact that the Department may have in a particular case expressed a preference for domestic prices instead of Indian import statistics. However, this is a case-by-case determination. In Pure Magnesium, for example, the domestic prices that were selected were more representative and closer in time to the period of review than other sources. See Pure Magnesium. In this case, Yongjian does not provide any evidence that the cardboard cartons sold by Aarkritee Packing are the same or more similar to the type of cardboard carton used by ironing board manufacturers than the cartons imported under HS 4909.1009. Therefore, we have continued to use the Indian import statistics in the final determination.

G. Filler Pads

For the Preliminary Determination, the Department calculated the surrogate value for filler pads using Indian import statistics for HS 4808.1000, which covers corrugated paper and paperboard, whether or not perforated. Yongjian contends that the Department's Preliminary Determination valuation of filler pads is based on aberrant data as compared with Yongjian's surrogate value derived from Indian import statistics under HS 4805.2901, which covered cardboard and was used in the Carrier Bags Prelim. Yongjian claims that the surrogate value calculated for HS 4805.2901 is corroborated by Since Hardware's market economy purchase price of corrugated paper. See Yongjian's Case Brief, at 20.

The petitioner states that Yongjian offers no support for its claim that the filler pads are specific or even similar to the specific input that Since Hardware uses. Moreover, the petitioner argues that Yongjian selected the lower value, without justification, of the two HS subheadings used to value filler pads in the Carrier Bags Prelim. The petitioner states that Yongjian offers no valid reason to change this

²Furthermore, we note that the Department did not use the domestic price of Aakritee Packaging in the Carrier Bags Prelim. Instead, the Department used a weighted-average of HS subheadings 4919.1001 and 4819.1009.

surrogate value and the Department should continue the surrogate value treatment it employed for purposes of the Preliminary Determination.

Department's Position: We agree with the petitioner. Nowhere on the record of this investigation has Yongjian stated that the filler pads it used during the POI are similar to the separating corrugated paper reported by Since Hardware or the products covered under HS 4805.2901, which the Department used in Carrier Bags from China to value cardboard inserts as cited in Yongjian's March 29, 2004, submission. Yongjian classifies filler pads as a part of its packing materials but does not fully explain their use. HS 4808.1000, which covers corrugated paper and paperboard, whether or not perforated and HS 4805.2901, which covers cardboard, are two distinct products and there is no evidence on the record that indicates it is appropriate to compare the two products to determine if the price of one is aberrational. We note that Yongjian has not argued that the HS subheading that the Department used in the Preliminary Determination is inappropriate to calculate a surrogate value for filler pads. We have examined imports under the HS subheading to determine if any imports under this category were aberrational and found that they were not. Therefore, for the final determination, we have continued to use HS subheading 4808.1000 to calculate a surrogate value for filler pads.

H. Labels and Bar Code Labels

For the Preliminary Determination, the Department relied on the Indian import statistics for HS 4821.9000, which covers paper labels (not printed), self-adhesive or not, to calculate the surrogate value for labels and bar code labels. However, Yongjian contends that the labels and bar code labels used by Yongjian are printed, some self-adhesive and some not. Yongjian contends that the Department's Preliminary Determination valuation of labels and bar code labels is excessive as compared with Yongjian's surrogate value derived from Indian import statistics for the four-digit HS 4821, which covers labels of paper or paperboard, printed or not. Yongjian states that the surrogate value of HS 4821 is in line with Since Hardware's ranged market economy purchase price for its manual labels. See Yongjian's Case Brief, at 20 and 21.

Department's Position: We disagree with Yongjian. Despite Yongjian's assertion in its Case Brief, there is nothing on the record of this investigation that demonstrates that Yongjian uses labels other than the paper labels (not printed), self-adhesive or not, that are classified under HS 4821.9000. In addition, in stating that the Department's surrogate value for labels and bar code labels are aberrant compared to Since Hardware's market economy purchase price of manual labels, we note that Yongjian made no effort to document that the two types of labels are similar or are classified under the same HS number. In fact, Since Hardware itself distinguishes between the two types of labels that it purchases, one type is valued with a market economy price (i.e. manual labels), and the other type (i.e. marking label) is valued using the same HS number used to value Yongjian's labels and bar code labels, HS 4821.9000. Therefore, for the final determination, the Department has continued to value Yongjian's labels and bar code labels using HS 4821.9000.

Comment 7: Whether the Department Should Accept Since Hardware's Market Economy Purchases that Were Not Verified by the Department

The petitioner argues that for the Preliminary Determination the Department erred by using market-economy purchase prices for cold-rolled steel coil and hot-rolled steel coil used by Since Hardware. See Petitioner's Case Brief, at 18 - 24. The petitioner states that it submitted pre-verification comments to the Department where it challenged the authenticity of certain market economy purchases because (1) the material input prices appeared to be inconsistent with regional commodity trends and (2) the HS codes submitted to Chinese customs do not represent the materials that Since Hardware claimed to have imported. These comments emphasized that all market economy transactions warranted close scrutiny by the Department during verification. The petitioner acknowledges that the Department verified market economy purchases made in December 2002, but notes that the Department did not verify transactions made in 2003. Therefore, the petitioner urges the Department to reject Since Hardware's 2003 purchase values of market economy materials as unverified and inherently unreliable. See Petitioner's Case Brief, at 18 - 24.

In rebuttal, Since Hardware states that the Department should not revise any of the market-economy input pricing data reported by Since Hardware in the Preliminary Determination. See Since Hardware's Rebuttal Brief, at 9 - 11. Since Hardware contends that it is the Department's practice to verify information contained in a company's responses on the basis of the sampling of submitted data. Since Hardware states that the Court of International Trade (CIT) concluded that the Department "has the discretion to choose which items it will verify, and so long as Commerce has not uncovered facts in the process of verification that point to an improper accounting ... Commerce is not compelled to search further." See PMC Specialities Group, Inc. v. United States, 20 C.I.T. 1130, 1134-35 (1996). Since Hardware states that because the Department verified Since Hardware's market-economy material purchases of cold-rolled steel coil and hot-rolled steel coil and noted no discrepancies, there was no evidence of improper accounting, or evasion, and there was no reason for the Department to search further. As such, Since Hardware urges the Department not to revise any of the market-economy input pricing data reported by Since Hardware for the final determination. See Since Hardware's Rebuttal Brief, at 9 - 11.

Department's Position: We agree with Since Hardware. When conducting verification, the Department is not required to test every single sale or purchase reported by the respondent during the course of an investigation. To do so would be an almost impossible task. Instead, the Department verifies samples of submitted data. The CIT has affirmed this approach, observing:

Verification is like an audit, the purpose of which is to test information provided by a party for accuracy and completeness. Normally an audit entails selective

examination rather than testing of an entire universe. Hence, evasion is a common possibility, but only when audits uncover facts indicating the actuality thereof are auditors compelled to search further . . . Commerce has the discretion in choosing which items it will verify, and so long as Commerce has not uncovered facts in the process of verification that point to an improper accounting . . . Commerce is not compelled to search further.”

See PMC Specialities Group, Inc. v. United States, 20 CIT 1130, 1134-35 (1996). See Certain Welded Carbon Steel Pipes and Tubes from Thailand, 65 FR 60910 (October 13, 2000).

We note that the petitioner’s pre-verification comments were extensive and voluminous. In the limited amount of time allotted to verification, the verifiers covered a vast portion of the petitioner’s concerns while still completing a full and detailed verification following the procedures explained in the verification outline. At verification, we looked at a number of market economy purchases and found no discrepancies. For example, we examined cold-rolled steel and hot-rolled steel market economy purchases. Based upon the information gathered at verification, the Department has no reason to question Since Hardware’s reported market economy purchases. The Department found no discrepancies in Since Hardware’s methodology in reporting market economy prices for its market economy purchases. 19 C.F.R. 351.307(b) and (d) provide for flexibility in conducting verifications by permitting the examination of a sample of expenses, adjustments, and other topics that we consider relevant to factual information submitted. This reflects the fact that verification is like a sampling exercise and is not intended to be an exhaustive examination of every topic. See Certain Internal-Combustion Industrial Forklift Trucks from Japan; Final Results of Antidumping Duty Administrative Review, 62 FR 5592, 5602 (February 6, 1997). In this case, the Department followed its verification procedures and thoroughly examined the market economy purchases of cold-rolled and hot-rolled steel coil for certain months and found no discrepancies.

However, we note that the petitioner’s argument with respect to the market economy purchase price of cold-rolled steel coil is moot. For the final determination, we have continued to use a surrogate value for Since Hardware’s cold-rolled steel coil input. See Comment 8. With respect to Since Hardware’s market economy purchase price for hot-rolled steel coil, we do not think that the purchase price is aberrationally low. According to Since Hardware’s March 31, 2004 public version of ranged prices for its hot-rolled steel coil purchases, Since Hardware’s purchase price of hot-rolled steel coil is \$0.32/kg. By comparing Since Hardware’s publicly ranged price of \$0.32/kg to the Department’s surrogate value for hot-rolled steel coil of \$.028/kg, the Department finds that Since Hardware’s market economy purchase price is reasonable. Because Indian import statistics are based on the sum of all imports into India during the POI, we regard that figure as a reliable benchmark. Nowhere in this investigation has the petitioner suggested that the WTA data that the Department used in calculating the surrogate value for hot-rolled steel coil is aberrational. Therefore, for the final determination, we have continued to use Since Hardware’s market economy price to value hot-rolled steel coil.

Comment 8: Whether the Department Should Use the Market Economy Price to Value Cold-

Rolled Steel Inputs

Since Hardware urges the Department to use the actual market economy prices paid to a Hong Kong supplier to value Since Hardware's cold-rolled steel inputs. See Since Hardware's Case Brief, at 6 - 10. Citing section 351.408(c)(1) of the Department's regulations, Since Hardware states that "where a factor is purchased from a market economy supplier and paid for in a market economy currency, the Secretary normally will use the price paid to the market economy supplier" to value the factors of production. However, for the Preliminary Determination, Since Hardware alleges that the Department disregarded the actual prices paid by Since Hardware for Hong Kong purchases of cold-rolled steel. Instead, Since Hardware asserts that the Department indicated that it had "reason to believe or suspect that cold-rolled steel from the country in question {was} being dumped," and thus the Department "disregarded prices for cold-rolled steel from this country, and instead used the Indian surrogate value..." See Preliminary Determination, at 5131. See Since Hardware's Case Brief, at 6 and 7.

Since Hardware argues that while the cold-rolled steel it purchased might have been manufactured in a country subject to a PRC antidumping duty order, Since Hardware did not purchase the cold-rolled steel directly from that country. Instead, Since Hardware claims that it purchased the cold-rolled steel sheet directly from its Hong Kong reseller supplier, that, in turn, may have purchased the cold-rolled steel either directly or indirectly from a country subject to the PRC antidumping duty order. See Since Hardware's Case Brief, at 7 and 8.

Furthermore, Since Hardware notes that, in CTVs from the PRC, the Department considered whether to accept the prices for inputs purchased through Hong Kong trading companies that originated in a country with broadly available non-industry-specific export subsidies that might be distorted due to subsidies. In comparing CTVs from the PRC to the current investigation, Since Hardware explains that its cold-rolled steel supplier is located in Hong Kong. Since Hardware states that this trading company was not subject to any PRC government dumping investigation, and cannot be presumed to have benefitted from any input price distortion caused by dumping. Therefore, Since Hardware concludes that the Department has no reason to believe or suspect that the sales prices from this Hong Kong supplier to Since Hardware are distorted. Because there is no record evidence that Since Hardware's Hong Kong supplier of cold-rolled steel purchased the input at dumped prices, or that it "passed" any distortion on to Since Hardware, Since Hardware contends that there is no reason for the Department to deviate from its normal practice of using the prices paid to a market economy supplier to value Since Hardware's factors of production. As such, for the final determination, Since Hardware urges the Department to follow its practice in CTVs from the PRC, and not reject prices of goods purchased in Hong Kong based on the country of origin of the goods. See Since Hardware's Case Brief, at 9 and 10.

The petitioner argues that Since Hardware's purchases of cold-rolled steel produced in the market economy country should be valued using surrogate prices. The petitioner states that Since

Hardware's suggestion in its Case Brief that it was not certain of the origin of the cold-rolled steel that it purchased is hardly the case. The petitioner notes that in Since Hardware's own questionnaire response, Since Hardware acknowledged that it purchased the steel from the market economy country subject to the PRC dumping case. In addition, the petitioner points out that the sales confirmations, which ultimately complete the contract of sale, clearly record the country of origin of certain cold-rolled steel and it is undisputed that cold-rolled steel from its market economy country is subject to a Chinese antidumping order.

The petitioner states that Since Hardware's argument that there is no evidence on the record to suggest that the prices paid by Since Hardware's Hong Kong supplier, or paid by Since Hardware to its Hong Kong supplier, for cold-rolled steel were distortive, ignores the body of authority squarely against its position. The petitioner argues that the existence of the PRC antidumping duty order alone provides the Department with a reason to believe or suspect that the input is being dumped and no formal investigation into costs or pricing is required. The petitioner states that it can in no way matter whether the dumped input is imported into the NME country directly from the country of origin or, indirectly, through a trading company in a third country: country of origin, not the country of exportation, determines whether a product is subject to an antidumping duty order.

Additionally, the petitioner disagrees with Since Hardware's argument that the Department should accept its market economy prices for cold-rolled steel because the Department chose to accept the prices for inputs purchased through Hong Kong trading companies that originated in a country with broadly available, potentially price-distorting non-industry-specific export subsidies. See CTVs from the PRC. The petitioner argues that CTVs from the PRC is directed specifically at subsidies (based on information regarding general availability), rather than at dumped inputs (based specifically on a Chinese antidumping duty order). The petitioner notes that the Department noted the difference between findings of dumping and countervailable subsidies and it stated that it will disregard market economy prices for imported inputs as dumped "when the importing country has an antidumping duty order in effect for the products in question." See Final Determination of Sales at Less than Fair Value: Folding Metal Tables and Chairs from the People's Republic of China, 67 FR 20090 (April 24, 2002) (Folding Metal Tables and Chairs). The petitioner points out that a subsidy finding may not necessarily be based on an action taken in the importing NME country, but could be based on a CVD order issued anywhere in the world, or even simply information tending to show the existence of generally available, non-industry specific export subsidies. See Id; See also Automotive Replacement Glass Windshield from the People's Republic of China, 67 FR 6482 (February 12, 2002). The petitioner argues that, in this case, the importing country, China, conducted an investigation and entered an antidumping order against the product and Since Hardware offers no evidence, nor does it even suggest that China would permit its trade remedies to be so easily circumvented by excluding products subject to a dumping order from dumping duties if they were shipped through a third country seller.

Finally, the petitioner states that, while the existence of the Chinese antidumping duty order is sufficient to presume dumping or distorted prices of products covered by that order, the record contains

evidence of distorted and aberrational pricing of the cold-rolled steel purchased by Since Hardware. The petitioner claims that the prices reportedly paid by Since Hardware during the POI for cold-rolled steel from the market economy country are not comparable to the product imported into China or produced in China or other cold-rolled steel prices in the administrative record. The petitioner states that the record shows that the prices paid by Since Hardware are aberrational and unreliable and should not be considered by the Department. The petitioner argues that the Department should reject Since Hardware's alleged market economy prices for cold-rolled steel sheet from the market economy country, as it has done in the Preliminary Determination, and value this input based on surrogate prices from India.

Department's Position: We agree with the petitioner. In this case, Since Hardware reported that it purchased from a Hong Kong reseller cold-rolled steel that was produced in the market economy country (the name of the market economy country is business proprietary information). See Since Hardware's Section C and D questionnaire response at Exhibit 4, dated October 14, 2003. However, in contrast to CTVs from the PRC, the Department has generally available public information indicating that the PRC government has imposed an antidumping duty order on cold-rolled steel originating in Kazakhstan, the Republic of Korea, Ukraine, Russia, and Taiwan (PRC Antidumping Order). See Memorandum from Sam Zengotita-Bengo, International Trade Compliance Analyst, to the File, "PRC AD Final Determination," dated January 26, 2003. The country and products covered by the PRC Antidumping Order correspond to the cold-rolled steel purchases made by Since Hardware during the POI. Thus, we know that Since Hardware purchased cold-rolled steel covered by a PRC Antidumping Order. The Department has said that when an importing country has an antidumping duty order in effect for the products in question, it will disregard the market economy prices for these imported inputs as dumped. See Synthetic Indigo From the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 68 FR 53711 (September 12, 2003) and accompanying Decision Memorandum at Comments 4 and 8.

Regarding Since Hardware's argument that there is no evidence on the record to suggest that the prices it paid for cold-rolled steel were dumped or distorted, we find that no specific evidence is necessary. The Department only needs to have a reason to believe or suspect that this input is being dumped. See Final Determination for the 1998-99 Administrative Review of Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China, 66 FR 1953 (January 10, 2001), Issues and Decision Memorandum at Comment 1. In this case, the PRC Antidumping Order provides the Department with a reason to believe or suspect that cold-rolled steel produced in a covered market economy country may be dumped. Therefore, for the final determination, we have continued to use Indian import statistics to value Since Hardware's cold rolled steel coil input.

Comment 9: Whether the Department Should Consider Billing Adjustments in the Calculation of Since Hardware's U.S. Price

The petitioner argues that for the Preliminary Determination the Department erred by granting Since Hardware a billing adjustment for extra inland freight and origin receiving charges (ORCs) incurred on behalf of Since Hardware's customers and for which Since Hardware was reimbursed. See Petitioner's Case Brief, at 17 and 18. The petitioner emphasizes that Since Hardware distinguishes these costs from the "general inland freight and port handling charges for all sales of the subject merchandise." See Petitioner's Case Brief at 17. The petitioner states that because "these fixed charges are incurred at the request of the customer, are paid initially by Since Hardware but are reimbursed directly by the customer, and quite logically are not included in the price of the merchandise, there is no need for the Department to devise an adjustment to account for such "extra costs" – but there also is no need for the extra costs to be added, as billing adjustments, to the sales price (since they are not any part of such price)." See Petitioner's Case Brief, at 18. Instead, the petitioner believes that these extra charges should be appropriately treated as a separate item, not affecting the price of the subject merchandise. As such, for the final determination, the petitioner urges the Department not to consider these extra costs for purposes of a billing adjustment in the calculation of Since Hardware's export value. See Petitioner's Case Brief, at 17 and 18.

In rebuttal, Since Hardware states that the Department should not adjust the treatment of Since Hardware's claimed and verified billing adjustment as incorporated in the Preliminary Determination. See Since Hardware's Rebuttal Brief, at 7 - 9. In justifying the billing adjustment, Since Hardware claims that the price used to establish export price and constructed export price shall be "(1) increased by (A) when not included in such price, the cost of all containers and coverings and all other costs, charges, and expenses incident to placing the subject merchandise in condition packed ready for shipment to the United States." See Section 772(c) of the Act. Since Hardware alleges that the Department has interpreted the "charges" as requiring that U.S. price be increased by the amount of any freight, packing, and handling revenue that is charged to the U.S. customer. See, e.g., Ball Bearings (Other Than Tapered Roller Bearings) and Parts Thereof, From Germany: Preliminary Results of New Shipper Antidumping Duty Administrative Review, 61 FR 4763, 4764 (February 8, 1996). See, also, Certain Hot-Rolled Carbon Steel Flat Products from the Netherlands: Preliminary Results of Antidumping Duty Administrative Review, 68 FR 68341, 68344 (December 8, 2003). See, also, Wax and Wax/Resin Thermal Transfer Ribbons From the Republic of Korea, 68 FR 71078, 71080 (December 22, 2003). In addition, Since Hardware claims that the Department noted that "where freight and movement charges are not included in the price, but are invoiced to the customer at the same time as the charge for the merchandise, the Department considers the transaction to be similar to a delivered price transaction since the seller may consider its return on both transactions in setting price." See Stainless Steel Wire Rod from the Republic of Korea: Final Results of Antidumping Duty Administrative Review, 69 FR 19153 (April 12, 2004) (Stainless Steel Wire Rod), at Issues and Decisions Memorandum, Comment 9. For this final determination Since Hardware urges the Department to add to the gross unit price Since Hardware's ORC revenue associated with each sale (reported in "BILLADJU"), and subtract from the gross unit price the brokerage and handling expense incurred by Since Hardware to ship the subject merchandise to the United States. See Since Hardware's Rebuttal Brief, at 7-9.

Department's Position: We agree with the petitioner. In the Preliminary Determination, the Department granted Since Hardware's billing adjustment by adding the billing adjustment to the U.S. gross unit price. At verification, the Department verified that Since Hardware did, indeed, charge certain U.S. customers for an expense incurred at the port called the ORC. This charge was reported as a billing adjustment. However, we disagree with Since Hardware's characterization of this expense as freight or handling revenue. The amount that Since Hardware charged the U.S. customer is merely a reimbursement for an expense Since Hardware incurred. In this case, the customer elects to bear this extra cost when it requests that Since Hardware ship merchandise out of certain ports where the ORC is assessed. Since Hardware initially pays for this expense on behalf of the customer and then charges the customer for the fixed amount as a separate line item on the invoice. It is not part of the negotiated price of the merchandise and there is no indication that it is part of the surrogate value for brokerage and handling.

Additionally, we note that Since Hardware's reliance on Stainless Steel Wire Rod is misplaced. In Stainless Steel Wire Rod, the delivery terms were part of the terms of sale and, hence, can be expected to have a direct impact on the negotiated sales price. However, in this case, Since Hardware clearly indicated that the ORC charges are "extra costs borne by Since Hardware's customers" and, as extra costs, are not a part of the delivery terms and should have no impact on the negotiated sales price. Therefore, for the Final Determination, we have not included the billing adjustment in the calculation of export price.

Comment 10: Whether the Department Selected the Proper Data Source for its Calculation of Surrogate Overhead, SG&A, and Profit Ratios

The petitioner contends that the administrative record does not contain information from a producer of merchandise identical or comparable to the producer of the subject merchandise. As such, the petitioner urges the Department to calculate the surrogate ratios for factory overhead, selling, general, and administrative (SG&A) expenses, and profit (collectively financial ratios) by using data published in the Reserve Bank of India Bulletin (RBI Bulletin). Specifically, the petitioner urges the Department to use the data for 997 companies, as published in the April 2004 RBI Bulletin, because these are the most contemporaneous data of companies that have a paid-up capital that are similar to the capitalization of the respondents. See HPI's Case Brief, at 2 - 11.

Since Hardware contends that in the Preliminary Determination, the Department erred in using the data for 2,024 companies, as published in the October 2003 RBI Bulletin, to calculate the financial ratios. Since Hardware asserts that the Department will normally use non-proprietary information gathered from producers of identical or comparable merchandise in the surrogate country to calculate financial ratios. See 19 C.F.R. 351.408(c)(4). Since Hardware alleges that the Department has a preference for using data from individual producers of identical or comparable merchandise rather than data having a more generalized industry-wide basis. See Notice of Final Determination of Sales at Less Than Fair Value: Non-Malleable Cast Iron Pipe Fittings from the People's Republic of China, 68 FR

7765 (February 18, 2003), Issues and Decision Memorandum, at Comment 4. Moreover, Since Hardware suggests that the Department rely on Import Administration's Policy Bulletin 04.1, "Non-Market Economy Surrogate Country Selection Process" (Surrogate Country Selection Policy Bulletin), dated March 1, 2004, as a guide to determine what is identical or comparable merchandise.

Since Hardware states that Godrej & Boyce Manufacturing Co., Ltd. (Godrej) is a company that produces metal-fabricated cabinets, shelves, and wardrobes. Since Hardware contends that Godrej produces products that are comparable to the subject merchandise because: (1) they have similar physical characteristics, and use the same material inputs (*e.g.* steel/cold-rolled steel); (2) the production processes for ironing tables and the metal-fabricated shelving and cabinets are similar in that both involve relatively simple metal-fabrication and assembly production processes; and (3) in terms of end uses, ironing tables are comparable to the metal-fabricated shelving and cabinets in that both are finished consumer goods. Since Hardware contends that data published in the RBI Bulletin are based on a broad spectrum of Indian manufacturers, agricultural companies, and service providers. Moreover, Since Hardware claims that the Department has rejected RBI data when data from a producer of comparable merchandise were available. See, e.g., Lawn and Garden Fence Posts from the People's Republic of China, 67 FR 72141 (December 4, 2002); Glycine from the People's Republic of China: Final Results of New Shipper Administrative Review, 66 FR 8383 (January 31, 2001) (Glycine), 66 FR 8383 (January 31, 2001); and 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) (Cased Pencils), and accompanying Issues and Decision Memorandum, at Comment 5. In addition, Since Hardware alleges that the CIT has acknowledged that the RBI data are not an appropriate surrogate value source because of their generalized nature. See Shanghai Foreign Trade Enterprises Co., Ltd. and Shanghai Pudong Malleable Iron Plant, v. the United States and Anvil International, Inc. and Ward Manufacturing, Inc., No. 03-00218, Slip Op. 04-33 (CIT April 9, 2004) (Non-Malleable Remand); and Yantai Oriental Juice Co. v. United States, Slip Op. 02-56, at 27 (CIT June 18, 2002) (Yantai Oriental). Lastly, since the Department previously accepted Godrej financial data to calculate surrogate financial ratios in Folding Chairs, Since Hardware urges the Department to also accept the Godrej financial data in this investigation given the nearly identical physical characteristics shared by folding metal tables and chairs and ironing boards. As such, Since Hardware contends that the data published in the RBI Bulletin cannot be more appropriate than the Godrej data for purposes of calculating the financial ratios. As such, Since Hardware urges the Department to use the financial data from Godrej. See Since Hardware's Case Brief, at 10 - 15; See Since Hardware's Rebuttal Brief, at 1 - 4.

Yongjian contends that the valuation of financial ratios needs to be based on the experience of market economy producers of "identical or comparable merchandise." See Section 351.408(c)(4) of the Department's regulations. Yongjian asserts that to determine whether merchandise is identical or comparable to the subject merchandise, the Department should consider "whether the products have similar physical characteristics, end uses, and production processes. When evaluating production processes, the Department {should consider} the complexity and duration of the processes and types of

equipment used in production.” See Cased Pencils, Issues and Decision Memorandum, at Comment 5. Yongjian asserts that in Glycine the Department states that it is its “practice to use financial data that are more narrowly limited to a producer of comparable merchandise than data based on a wider range of products when the former data are available. In addition, Yongjian claims that in the Notice of Final Determination of Sales at Less Than Fair Value: Bulk Aspirin from the People’s Republic of China, 65 FR 33805 (May 25, 2000) (Bulk Aspirin), Issues and Decision Memorandum, at Comment 4, the Department states that “because we seek information that pertains as narrowly as possible to the subject merchandise, the Department, in most cases, has used the producer-specific data since industry-specific data available to the Department tends to be broad in terms of the merchandise included. This, however, does not mean that we would always prefer the producer-specific data, if we were presented with industry and producer data that were equally specific in terms of the merchandise produced.” Id.

Yongjian alleges that Godrej’s fabricated metal merchandise and the subject merchandise are two slightly different classes of fabricated metal products that are comparable to one another because they are: 1) made of steel sheet, flat steel products, metal fasteners and the like, probably steel pipe/tube (as garment hanging rods in wardrobes), various plastic and rubber components, and oven baked luster enamel coatings; and 2) joined together with the same general production process (*i.e.* welding and assembly of moving parts). Yongjian asserts that the data published in the RBI Bulletin are insignificantly impacted by the fabricated metal products companies. In addition, Yongjian points out that the gross profits and profits after tax in 2002-2003 were negative for the fabricated metal products industry. As such, Yongjian contends that, because the data published in the RBI Bulletin are too generic to withstand serious scrutiny in view of the Department’s stated policy, its specific regulation, and recent and consistent pronouncements of the CIT, the Department should use the financial data from Godrej, that allegedly operates in the same fabricated metals industry as ironing table producers, to calculate the surrogate financial ratios. See Yongjian’s Case Brief, at 25 - 32; Yongjian’s Rebuttal Brief, at 2 and 3.

Yongjian summarizes that in the Notice of Final Determination of Sales at Less Than Fair Value: Creatine Monohydrate from the People’s Republic of China, 64 FR 71,204 (December 20, 1999) (Creatine Monohydrate), Issues and Decision Memorandum, at Comment 1, the Department “eschewed” the use of data published in the RBI where information relating to a narrower category of comparable products was available. As prior examples of how the Department analyzed comparability, Yongjian points to the following notices: Notice of Final Determination of Sales at Less Than Fair Value: Urea Ammonium Nitrate Solutions from the Russian Federation, 68 FR 9977 (March 3, 2003) (Urea Ammonium Nitrate Solutions), Issues and Decision Memorandum, at Comment 6, where the Department considered ammonium nitrate and urea to be comparable to the urea ammonium nitrate solutions under investigation; Cased Pencils, Issues and Decision Memorandum, at Comment 5, where the Department considered wooden cabinets, doors, and handicrafts to be comparable to the cased pencils under review. In Cased Pencils, Yongjian cites that the Department “did not have industry sector-specific RBI data for an industry more comparable to pencil production.” Id.; Glycine, Issues and Decision Memorandum, at Issue f, where the Department considered phenylglycine to be

comparable to the glycine under investigation, because the products appeared to have similar raw materials, similar production equipment, and similar production processes; Notice of Final Determination of Sales at Not Less Than Fair Value: Pure Magnesium in Granular Form from the Russian Federation, 66 FR 49,347 (September 27, 2001) (Pure Magnesium), Issues and Decision Memorandum, at Comment 1, where the Department determined zinc to be comparable to the pure magnesium under investigation. See Yongjian's Case Brief, at 25 and 27; Synthetic Indigo from the People's Republic of China: Notice of Final Determination of Sales at Less Than Fair Value, 65 FR 25,706 (May 3, 2000) (Synthetic Indigo), Issues and Decision Memorandum, at Comment 6, where Yongjian first states that the Department considered general chemical and hydrogen peroxide not to be comparable to the synthetic indigo under investigation (See Yongjian's Case Brief, at 26, footnote 44) but then states that the Department found that phenylglycine and synthetic indigo used some of the same raw materials and had similar production processes (See Yongjian's Case Brief, at 28). See Yongjian's Case Brief, at 25 and 27 - 28.

In rebuttal, the petitioner explains that Godrej is a conglomerate of companies that does not produce merchandise that is identical or comparable to the subject merchandise. Instead, the petitioner argues that Godrej's data are based upon so diverse a product mix that they cannot reflect data from a producer of ironing tables. The petitioner also contends that the Godrej financials are not as contemporaneous as the data published in the RBI Bulletin. Furthermore, the petitioner argues that Godrej's 2003 financial data is aberrational and distortive because of Godrej's changes in structure and operations, as well as changes in accounting methods that affect the surrogate financial ratios. Lastly, the petitioner contends that Godrej's 2002-2003 performance represents an extreme divergence from the preceding year and is an outlier with respect to all of the Godrej data on this record. Moreover, the petitioner argues that the data published in the RBI Bulletin represent a year-to-year reliably stable source for surrogate financial ratios. Comparatively, the petitioner argues, Godrej's aggregate ratios vary widely, with year-to-year performances exceeding 10 percentage points between single years which can hardly be viewed as reliable. As such, the petitioner claims that the Department turned to data published in the RBI Bulletin well within its authority.

In its rebuttal, Since Hardware argues that the Department's regulations and practice do not recognize the level of capitalization as a determinant for selecting appropriate surrogate value information. See Bulk Aspirin, Issues and Decision Memorandum, at Comment 4, (where the Department states that "{r}egarding the petitioner's arguments about capacity, we do not believe that size or capacity of the surrogate producer always poses a necessary consideration. In this case, unlike Sigma v. United States, 117 F. 3d 1401, 1414 (Fed. Cir. July 7, 1997) (Sigma), we have no evidence demonstrating that overhead rates vary directly with the scale or capacity of Indian aspirin (or other chemical) producers."). See Since Hardware's Rebuttal Brief, at 1 - 3.

Department's Position: We agree with the respondents. The Department's regulations directs the Department to "normally... use non-proprietary information gathered from producers of identical or comparable merchandise in the surrogate country." See 19 C.F.R. 351.408(c)(4). To determine

whether merchandise is identical or comparable to the subject merchandise, the Department compares physical characteristics, end uses, and production processes between the merchandise produced by a company and the subject merchandise. See Cased Pencils, Issues and Decision Memorandum, at Comment 5. If the record contains reliable and contemporaneous data from a company that produces merchandise that is identical or comparable to the subject merchandise, then the Department will use that company's financial data to calculate the surrogate financial ratios.

In this instance, Godrej's 2002-2003 Annual Report indicates that Godrej manufactures a variety of products, a significant portion of which is steel furniture. See Information from Keir A. Whitson, to the Honorable Donald L. Evans, Secretary of Commerce, "Publicly Available Information," dated March 29, 2004, at exhibit 2 "Godrej's Annual Report & Accounts for the Year Ended 31st March, 2003." We find that steel furniture is more comparable to ironing boards than the broad industry groupings provided in the RBI Bulletin, which reflect an unknown, but likely substantially smaller, portion of comparable merchandise. The Department uses broader industry averages as published in the RBI Bulletin when no usable financial data from producers of comparable merchandise are available. In this case, the Department does not need to rely upon surrogate information derived from broader industry groupings (*i.e.* data published in the RBI Bulletin) to calculate surrogate financial ratios. Instead, in accordance with section 351.408(c)(4) of the Department's regulations, we find that Godrej's 2002-2003 Annual Report provides non-proprietary information gathered from a producer of comparable merchandise in the surrogate country that is suitable for purposes of calculating surrogate financial ratios.

In response to the petitioner's argument that Godrej's financial data is aberrational and distortive, we disagree. Godrej's 2002-2003 Annual Report states that Godrej acquired two companies and accounted for them in accordance with "auditing standards generally accepted in India... and relevant requirements under the Companies Act of 1956." See Godrej's 2002-2003 Annual Report, at 12 and 29. Notwithstanding Godrej's acquisitions, the 2002-2003 Annual Report states that steel furniture sales increased significantly from the previous year, and that steel furniture sales remain at the top of Godrej's product mix. Therefore, although we recognize that Godrej did undergo a change in corporate structure, we find that the change did not substantially impact the production or sales of steel furniture.

Because data published in the RBI Bulletin represents the average experience of companies from broad industry groupings, we find that Godrej's financial statements offer more product-specific financial information than RBI data. Although Godrej manufactures other products besides steel furniture, we are able to discern that a significant portion of its production is devoted to steel furniture. In contrast, we are unable to find whether or not comparable merchandise represents a significant portion of the data published in the RBI Bulletin.

Therefore, for the reasons mentioned above, and consistent with prior practice, the Department is relying on Godrej's 2002-2003 financial information to calculate surrogate financial ratios.

Comment 11: Corrections to Yongjian's Database Presented at Verification

Yongjian noted that at verification it presented the Department with a revised factors of production chart containing corrections and clarifications for cold-rolled steel, hot-rolled steel, steel wire, and powder coating. Yongjian states that these corrected materials should be used in the calculation of Yongjian's normal value. See Yongjian's Case Brief, at 6 and 7.

The petitioner did not comment on this issue.

Department's Position:

On the first day of verification, Yongjian provided the Department with a list of minor corrections. During the course of verification, we reviewed these corrections and verified that they were accurately submitted. See Yongjian's FOP Verification Exhibits, Exhibit 1. Therefore, we have included Yongjian's corrections in the final determination.

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 in the Federal Register.

Agree_____ Disagree_____

James Jochum
Assistant Secretary
for Import Administration

Date