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July 14, 2011

MEMORANDUM TO: Ronald K. Lorentzen
Deputy Assistant Secretary
for Import Administration

FROM Christian Marsh
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Issues and Decision Memorandum for the Final Results of the First Antidumping Duty Administrative Review

SUMMARY:

We have analyzed the case and rebuttal briefs of interested parties in the first administrative review of the antidumping duty order on circular welded austenitic stainless pressure pipe from the People's Republic of China ("PRC"). After considering interested parties' comments, we have made no changes to the Circular Welded Austenitic Stainless Pressure Pipe From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review, 76 FR 17819 (March 31, 2011) ("Preliminary Results"). We recommend that you approve the positions described in the "Discussion of the Issues" section of this Issues and Decision Memorandum. Below are the comments and rebuttal comments from interested parties:

Issues

Comment 1: The Reported Input Quantity of Steel
Comment 2: The Reported Scrap Offset

BACKGROUND:

The merchandise covered by the order is circular welded austenitic stainless pressure pipe as described in the "Scope of the Order" section of the Preliminary Results. The period of review ("POR") is September 5, 2008, through February 28, 2010. On March 31, 2011, the

Department published the Preliminary Results of this administrative review. In accordance with 19 CFR 351.309(c)(ii), we invited parties to comment on our Preliminary Results. On May 2, 2011, the Department received a case brief from domestic interested parties,[1] and, on May 9, 2011, the Department received a rebuttal brief from Zhejiang Jiuli Hi-Tech Metals Co., Ltd. ("Jiuli TC") and Huzhou Jiuli Welded Stainless Steel Pipe Co., Ltd. ("Jiuli SD Co."), the collapsed respondent in this administrative review.

Discussion of the Issues:

Comment 1: The Reported Input Quantity of Steel

Petitioners

- Petitioners contend that Jiuli TC erred in converting actual steel weights to theoretical weights when reporting the actual weight of steel consumed per theoretical weight of pipe produced because such a conversion resulted in numerous CONNUMs for which the weight of the reported steel input was less than the weight of the finished steel pipe (i.e., less than one kilogram of steel input per kilogram of pipe produced).

- Petitioners argue that the conversion errors render Jiuli TC's steel input data and the Department's calculated normal values ("NVs") unreliable, and thus, as facts available ("FA"), the Department should replace all reported CONNUM-specific steel consumption figures less than one kilogram with a figure of one kilogram.

- Petitioners also argue that, as FA, the Department should increase the reported steel input quantities by 22.5 % of the output weight (0.225 kilograms), the maximum permissible positive percentage variance in pipe wall thickness, per ASTM standards, because Jiuli TC (1) did not use a consistent wall thickness when calculating theoretical pipe weights which could lead to very different weights and (2) never compared the calculated theoretical pipe weights to actual weights.

Respondent

- Jiuli TC states that it accurately reported the *actual* per-unit weight of steel inputs used to produce a given *theoretical* weight of finished pipe. Jiuli TC notes that the Department verified the reported steel input and production quantities and the Department confirmed that in the normal course of business it records the actual weight of the steel coils or sheets consumed to produce pipe but does not weigh the finished pipe; rather it records pipe dimensions and the theoretical weight of the pipe.

- Jiuli TC contends it is possible for the theoretical weight of its pipe output to be slightly greater than the actual weight of the steel consumed in production because

[1]Specifically, Bristol Metals LLC, Felker Brothers Corporation, Marcegaglia U.S.A. Inc., and Outokumpu Stainless Products.

although it calculated theoretical pipe weight using the standard (nominal) wall thickness of the pipe, it at times used steel coil with an actual thickness that is less than the nominal wall thickness called for in pipe specifications but still within the tolerance range for wall thickness listed in the specification.

- Jiuli TC argues that since its U.S. sales prices are expressed on a per-unit theoretical weight basis, and the Department's comparison factors of production ("FOPs") are also on a weight basis, its calculation method is necessary and fully consistent with the Department's previous determinations that ensure that the cost build-up is expressed on the same basis as that of the U.S. prices.[2][3]

Department's Position:

We agree with Jiuli TC that it properly reported per-unit steel consumption quantities based on the accounting records kept in the normal course of business. Contrary to Petitioners' claim, Jiuli TC did not convert the actual weights of steel coils or sheets used in producing pipe to theoretical weights when reporting the FOPs but reported the actual per-unit weight of steel coils or sheets consumed in producing a given theoretical weight of pipe. Jiuli TC used this reporting methodology because, as confirmed at verification, it records the actual weight of steel coils or sheets consumed in producing subject pipe but does not weigh the finished pipe produced. Instead, Jiuli TC uses a standard formula to calculate a theoretical weight for the finished pipe and records this theoretical weight for finished goods inventory as well as sales documentation. At verification, we tied input and output weights from production records (actual weights for steel inputs and theoretical weights for steel pipe produced) to the reported steel consumption quantities. Further, at verification, we found that, at times, the thickness of the coils or sheets used in production was less than the wall thickness listed in the ASTM specification for the pipe produced (but still within the wall thickness tolerance for the pipe specification) which was the wall thickness used to calculate the pipe's theoretical weight. This finding is consistent with Jiuli TC's explanation of why the actual per-unit weight of the steel input may, at times, be less than the theoretical weight of the pipe produced. It is important to note that, as Jiuli TC has stated, it did not report to the Department that it took less than one kilogram of a steel input to produce a kilogram of steel pipe when both the input and output weights were determined on the same basis. Rather, the per-unit steel consumption figures that Jiuli TC reported and that the Department verified were the *actual* per-unit weights of steel inputs used to produce a given *theoretical* weight of finished pipe. Jiuli TC used this reporting methodology based on the records it had available in the normal course of business and due to the fact that when it sold its austenitic pipe in the United States, the pipe was sold to customers based on length, outside diameter, wall thickness, steel grade, and specification and not based on the weight of the pipe. Since normal value was constructed on a weight basis, and the pipe was not sold in the

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[2] See Certain Welded ASTM-312 Stainless Steel Pipe From the Republic of Korea; Final Results of Antidumping Duty Administrative Review, 65 FR 30,071 (May 10, 2000), and accompanying Issues and Decision Memorandum at Comment 1.

[3] See Final Results of Antidumping Duty Administrative Review and Partial Termination of Administrative Review: Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, 62 FR 55,574 (October 27, 1997) (Circular Welded Pipe) at Comment 2.

United States on a weight basis, Jiuli TC had to express the U.S. price on a per-kilogram theoretical weight basis. Thus, consistent with Departmental practice, normal value needs to be on the same basis, a per kilogram theoretical weight basis, for an apples-to-apples comparison.[4]

In addition, we agree with Jiuli TC that it applied a consistent methodology when calculating the theoretical weight of its finished pipe. Jiuli TC used the pipe wall thickness requested by the U.S. customer, either a specific thickness stated by the customer, or a thickness based on the ASTM A-312 schedule requested by the customer, to calculate the theoretical weight of the finished pipe. Therefore, although the actual wall thickness used in the theoretical weight calculation for a particular pipe could vary from order to order depending on the wall thickness requested by the customer, Jiuli TC always followed the same methodology to calculate theoretical weight because it always used the same formula in its calculation and always used the wall thickness specified by the customer in the formula. This approach ensured that Jiuli TC calculated the most accurate theoretical weight possible because it was based on the best information that Jiuli TC had as to the intended nominal wall thickness of the finished product.

Finally, we do not believe that it is appropriate, as suggested by Petitioners, to increase the per-unit steel consumption quantities reported to the Department by 0.225 kgs to account for any variance between the actual weight of the pipe produced and the theoretical pipe weight calculated by Jiuli TC. As noted above, Jiuli TC reported the actual quantity of steel consumed in producing a given *theoretical* weight of finished pipe, not an actual weight of finished pipe. Moreover, the Department verified the per-unit steel consumption quantities reported by Jiuli TC. Hence, there is no basis for adjusting the reported steel consumption figures.

Comment 2: Scrap Offset

Petitioners

- Petitioners maintain that Jiuli TC is not entitled to an offset for the scrap it sold because: (1) the reporting methodology it used (dividing steel consumed by the quantity of pipe produced) already accounts for yield loss; (2) the scrap sold is not linked to subject merchandise; (3) most of the scrap used as an adjustment is from non-subject merchandise (non-stainless steel merchandise) and subject stainless pipe could not have been produced from non-subject scrap; and (4) there is no evidence that yield loss for non-subject pipe represents the yield loss of subject pipe.

[4] See Notice of Final Determination of Sales at Less Than Fair Value: Steel Concrete Reinforcing Bars from the People's Republic of China, 66 FR 33522 (June 22, 2001) and accompanying Issues and Decision Memorandum at Comment 2 ("As noted in the Department's verification report … Laiwu does not maintain, in its normal course of business, a complete record of its actual production weight of rebar. … Therefore Laiwu's using the nominal weight to allocate the factors of production is consistent with the fact that Laiwu's reported U.S. sales are based on the nominal weight of rebar. Accordingly, we found Laiwu's method of allocating the factors of production to be reasonable and consistent with the manner in which the company maintains its production and sales records.").

- Petitioners argue that if the Department sets steel consumption figures of less than one kilogram to one kilogram per kilogram of finished pipe, as it advocates (see Comment 1) no offset would be appropriate because it is literally impossible to produce a kilogram of finished steel pipe from less than a kilogram of steel input.

Respondent

- Jiuli TC maintains that, based on verification findings, in its Preliminary Results, the Department adjusted the originally reported scrap offset, using a methodology that it determined reasonably linked the scrap offset to subject merchandise. Accordingly, Jiuli TC argues that no adjustment to the scrap offset calculated by the Department is necessary for the final results.

Department Position:

We agree with Jiuli TC. First, simply because a reporting methodology reflects the full quantity of steel used in production, including the quantity of steel scrap generated during production (i.e., reflects yield) it does not mean that the reporting methodology has accounted for recovered scrap that was sold, which is the basis of the scrap offset in this review. Thus, accounting for yield does not account for the scrap offset in this case. Second, Petitioners have focused their argument regarding the scrap offset on the offset originally claimed by Jiuli TC, but in the Preliminary Results, based on information obtained at verification, as facts available, the Department revised the reported scrap offset by removing from the offset calculation the scrap and production figures for the plants that only produced non-subject merchandise. Such a revision resulted in an adjustment for scrap offset that is more specific to the subject merchandise.[5] Petitioners have not alleged that the adjusted scrap offset calculation is unacceptable. Lastly, we verified the actual per-unit weights of steel inputs used to produce a given theoretical weight of finished pipe that were reported by Jiuli TC and tested the scrap offset at verification and found no discrepancies in our traces.[6] Given that we accepted Jiuli TC's actual input weight-theoretical output weight reporting methodology, there is no basis for rejecting the scrap offset because of Petitioners' less than one kilogram argument summarized above. Accordingly, we have continued to apply the revised scrap offset to Jiuli TC's margin calculation for purposes of the final results of this administrative review.

[5] For further details, see Memorandum to the File: Preliminary Analysis Memorandum for Zhejiang Jiuli Hi-Tech Metals Co., Ltd. ("Jiuli TC")/Huzhou Jiuli Welded Stainless Steel Pipe Co., Ltd. ("Jiuli SD"), dated March 25, 2010.

[6] See memorandum to the file, dated February 25, 2011, regarding "Verification of the Questionnaire Responses of Zhejiang Jiuli Hi-Tech Metals Co., Ltd. ("Jiuli TC")," which describes the Department's testing of Jiuli TC's reported steel inputs, pages 26 through 29, and scrap offset, pages 33 through 34.

RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting all of the above positions. If accepted, we will publish the final results of review and the final dumping margins in the Federal Register.

AGREE_____ DISAGREE_____

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Ronald K. Lorentzen
Deputy Assistant Secretary
for Import Administration

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Date