A-823-817
Investigation
4/1/2019 – 3/31/2020
Public Document
E&C/OIII: Team

April 5, 2021

MEMORANDUM TO: Christian Marsh
Acting Assistant Secretary
for Enforcement and Compliance

FROM: Scot Fullerton
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Final Affirmative Determination in the Less-Than-Fair-Value Investigation of Prestressed Concrete Steel Wire Strand from Ukraine

I. SUMMARY

The Department of Commerce (Commerce) finds that prestressed concrete steel wire strand (PC strand) from Ukraine is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The period of investigation (POI) is April 1, 2019, through March 31, 2020.

We analyzed the comments submitted by interested parties and have made changes to the *Preliminary Determination*.[1] As a result of our analysis, and based on our findings through a supplemental questionnaire in lieu of an on-site verification, we made changes to the margin calculations for PJSC PA Stalkanat-Silur (Stalkanat). We recommend that you approve the positions described in the "Discussion of the Issues" section of this memorandum. Below is the complete list of the issues in this LTFV investigation for which we received comments from interested parties:

Comment 1: Whether Commerce Should Apply Total Adverse Facts Available (AFA) to Stalkanat
Comment 2: Whether Commerce Should Apply Partial AFA to Calculate Stalkanat's Packing Expenses in the Home and U.S Markets
Comment 3: Whether the Preliminary Home and U.S. Packing Expense Calculation Double Counted Labor and Energy Costs

[1] *See Prestressed Concrete Steel Wire Strand From Ukraine: Preliminary Affirmative Determination of Sales at Less Than Fair Value and Preliminary Negative Determination of Critical Circumstances, Postponement of Final Determination, and Extension of Provisional Measures*, 85 FR 73688 (November 19, 2020) (*Preliminary Determination*), and accompanying Preliminary Decision Memorandum (PDM).

Comment 4: Whether to Apply a Warranty Expense to All of Stalkanat's U.S. Sales
Comment 5: Whether to Revise the Calculation of Stalkanat's Indirect Selling Expenses
Comment 6: Whether to Revise the Calculation of Stalkanat's General and Administrative (G&A) Expenses
Comment 7: Whether to Revise the Calculation of Stalkanat's Interest Expenses

II. BACKGROUND

On November 19, 2020, Commerce published in the *Federal Register* its affirmative *Preliminary Determination* of sales at LTFV of PC strand from Ukraine. During the course of this investigation, travel restrictions were imposed that prevented Commerce personnel from conducting on-site verification. However, Commerce took additional steps in lieu of verification and, on December 16, 2020, we issued a post-preliminary determination questionnaire to Stalkanat to verify the information relied upon in making this final determination, in accordance with section 782(i) of the Act.[2] On December 23, 2020, we received Stalkanat's response to our post-preliminary determination questionnaire.[3]

On January 11, 2020, we invited interested parties to comment on the *Preliminary Determination* and Stalkanat's verification questionnaire response.[4] On January 15, 2021, at the request of Insteel Wire Products Company, Sumiden Wire Products Corporation, and Wire Mesh Corp. (the petitioners), we extended the dates for interested parties to submit case and rebuttal briefs to January 26 and February 2, 2021, respectively.[5] On January 26 and February 2, 2021, we received timely filed case and rebuttal briefs from the petitioners and Stalkanat.[6]

Based on our analysis of the comments received, we revised our calculations of Stalkanat's weighted-average dumping margin from our calculations in the *Preliminary Determination*.

III. SCOPE OF THE INVESTIGATION

The product covered by this investigation is PC strand. For a complete description of the scope of this investigation, *see* this memorandum's accompanying *Federal Register* notice at Appendix I.

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[2] *See* Commerce's Letter, "Questionnaire in Lieu of Verification," dated December 16, 2020 (VQNR).
[3] *See* Stalkanat's Letter, "Prestressed Concrete Steel Wire Strand from Ukraine; Supplemental Questionnaire Response in Lieu of Verification," dated December 23, 2020 (VRQNR Response).
[4] *See* Memorandum, "Establishment of Case and Rebuttal Briefing Schedule," dated January 11, 2021.
[5] *See* Memorandum, "Extension of Case and Rebuttal Briefing Schedule," dated January 15, 2021.
[6] *See* Petitioners' Letter, "Petitioners' Case Brief," dated January 26, 2021 (Petitioners' Case Brief); Stalkanat's Letter, "Stalkanat's Case Brief," dated January 26, 2021 (Stalkanat's Case Brief); Petitioner's Letter, "Petitioners' Rebuttal Brief," dated February 2, 2021 (Petitioners' Rebuttal Brief); and Stalkanat's Letter, "Stalkanat's Rebuttal Brief," dated February 2, 2021 (Stalkanat's Rebuttal Brief).

IV. CHANGES SINCE THE *PRELIMINARY DETERMINATION*

We calculated export price (EP), normal value (NV), and cost of production (COP) for Stalkanat using the same methodology as stated in the *Preliminary Determination*, except as follows:[7]

- We revised Stalkanat's home and U.S. market packing expenses so that they are based entirely on standard costs, as initially reported by Stalkanat.[8] *See* Comment 2 below.
- We revised the indirect selling expense (ISE) ratio utilized in the *Preliminary Determination*. Specifically, we allocated the indirect selling expenses initially reported by Stalkanat over its total metal sales for the POI. Additionally, we allocated Stalkanat's bad debt over its total sales for the POI. We then utilized these revised ISE ratios to calculate revised indirect selling expense fields in the home and U.S. market.[9] *See* Comment 5 below.
- We have revised Stalkanat's cost of manufacturing to account for a discrepancy related to production quantity.[10] *See* Comment 5 below.
- We have revised the general and administrative and financial expense ratios to include certain revenue items.[11] *See* Comments 6 and 7 below.

V. DISCUSSION OF THE ISSUES

Comment 1: Whether Commerce Should Apply AFA to Stalkanat

Petitioners' Case Brief[12]

- In its VQNR Response, Stalkanat failed to reconcile its total sales of "other products" to its financial records. In the VQNR Response, Stalkanat provided a table that purported to contain sales data for its "other sales," but did not explain the exact content of the table or the method used to generate the contents.[13]
- Further, the values in the table do not add up to the total "other product" sales that Stalkanat reported in its questionnaire response, but instead sum to a significantly larger number.[14]

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[7] *See Preliminary Determination* PDM; *see also* Memorandum, "Analysis for the Preliminary Determination of the Less-Than-Fair Value Investigation of PC Strand from Ukraine for PJSC PA Stalkanat-Silur," dated November 12, 2020 (Preliminary Sales Memorandum); Memorandum, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination – PJSC PA Stalkanat-Silur S.A.," dated November 12, 2020 (Preliminary Cost Memorandum); Memorandum, "Analysis for the Final Determination of the Less-Than-Fair-Value Investigation of PC Strand from Ukraine for PJSC PA Stalkanat-Silur," dated concurrently with this memorandum (Final Analysis Memorandum); and Memorandum, "Cost of Production and Constructed Value Calculation Adjustments for the Final Determination – PJSC PA Stalkanat-Silur S.A.," dated concurrently with this memorandum (Final Cost Memorandum).

[8] *See* Final Analysis Memorandum.

[9] *Id*.

[10] *See* Final Cost Memorandum.

[11] *Id.*

[12] *See* Petitioners' Case Brief at 3-12.

[13] *See* Petitioners' Case Brief at 8 (citing VQNR Response at 2-3 and Exhibit 10).

[14] *Id*.

- In the VQNR, Commerce instructed Stalkanat to demonstrate how its beginning and ending inventory balances for wire rod, as reported in its questionnaire responses, tie to its financial records, trial balance, and balance sheet.
- However, Stalkanat's inventory movement schedule for wire rod and PC strand cannot be tied to its trial balance or financial statements. The VQNR Response failed to provide a narrative explanation to accompany the source documents submitted to reconcile its beginning and ending inventory values for the POI. Further, in the case of PC strand, Stalkanat failed to demonstrate how its inventory movement schedule for PC strand ties to its 2019 year-end financial statement.[15]
- The VQNR instructed Stalkanat to provide the invoice and supporting documentation corresponding to its largest wire rod purchase in March 2020. The sales documentation for Stalkanat's largest purchase of wire rod in March 2020 does not identify the unit of measure or currency. Further, the quantity and value for this purchase, as listed in Stalkanat's financial records, do not match the quantity and value as listed on the invoice.[16]
- Stalkanat failed to reconcile its reported total POI production quantity of PC strand to its cost accounting records. Stalkanat failed to reconcile differences between the total production quantity calculation based on its financial records and the total production quantity calculation based on its inventory movement schedule.[17]
- For this reason, Commerce should find that Stalkanat's questionnaire responses are not verifiable and, thus, warrant the application of a total AFA rate of 53.83 percent *ad valorem*, as listed in the *Initiation*.[18]

Stalkanat's Rebuttal Brief [19]

- The application of AFA is not warranted. In the VQNR Response, Stalkanat successfully reconciled the data in its responses to its financial records.
- In the VQNR Response, Stalkanat demonstrated how its sales of "other products," as listed in its financial records, was the sum of its sales of other self-produced products, sales of other products not produced by Stalkanat, and sales of services.[20] In the VQNR Response, Stalkanat further demonstrated how the values of the components comprising its "other products" sales tie to its questionnaire responses.[21] Thus, contrary to the petitioners' claims, in the VQNR Response, Stalkanat substantiated its sales of other products.
- Regarding the inventory movement schedule, the VQNR Response explains that "In the schedule of the movement of stocks, there are no initial and final values of stocks for the requested period, the balance sheet also reflects these values at the beginning and end of

[15] *Id*. (citing VQNR Response at Exhibit 12).
[16] *See* Petitioners' Case Brief at 10-11 (citing VQNR Response at Exhibit 15).
[17] *Id*. (citing VQNR Response at 6 and Exhibit 17).
[18] *See Prestressed Concrete Steel Wire Strand from Argentina, Colombia, Egypt, Indonesia, Italy, Malaysia, the Netherlands, Saudi Arabia, South Africa, Spain, Taiwan, Tunisia, the Republic of Turkey, Ukraine, and the United Arab Emirates: Initiation of Less-Than-Fair-Value Investigations*, 85 FR 28605, 28608 (May 13, 2020) (*Initiation*).
[19] *See* Stalkanat's Rebuttal Brief at 1-13.
[20] *Id.* at 9 (citing VQNR Response at Exhibits 6, 10, and 11).
[21] *See* Stalkanat's Rebuttal Brief at 9 (citing Stalkanat's Letter, "Second Supplemental Section A Response," dated September 17, 2020 (Section A SQNR2 Response), at Exhibit 12; and Stalkanat's Letter, "Second Supplemental Sections B and C Response," dated October 23, 2020 (Section BC SQNR2 Response), at 8).

the periods." In other words, there was a zero value at the beginning of the period and a zero value at the end of the period, which in turn was reflected in Stalkanat's financial records.[22] As there were no values in the beginning and closing balances of the inventory movement schedules for wire rod, there is no discrepancy.

- Commerce instructed Stalkanat to reconcile the invoice for the largest purchase of wire rod in March 2020. In the VQNR Response, Stalkanat provided the trial balance of wire rod purchases for March, which identified the largest wire rod purchase for the month.[23] This transaction involved several invoices. Stalkanat traced the largest purchase from among the several invoices from its questionnaire response to the corresponding invoice, thereby fulfilling Commerce's request.[24]
- Contrary to the petitioners' claims, Stalkanat reconciled its inventory movement for PC strand. Stalkanat provided screen shots of the balance sheet for the movement of finished goods, strands, and reinforcing ropes for April to December 2019, and January to March 2020.[25] Further, Stalkanat tied the values for these goods, as listed in the balance sheet, to the values reported in its Section D QNR Response.[26] The information in the VQNR Response and Section D QNR Response demonstrates that Stalkanat had no values for opening or closing balances of PC strand in the steel wire rope section. Thus, there is no discrepancy.
- The petitioners' claimed data gaps and discrepancies are, in fact, non-existent or immaterial. Therefore, there is no basis for Commerce to apply AFA as proposed by the petitioners.

Commerce's Position: We disagree that the application of total AFA, as proposed by the petitioners, is warranted. As noted in the *Preliminary Determination*, Stalkanat filed timely responses to all of Commerce's questionnaires.[27] Further, Stalkanat filed a timely VQNR Response, which we find provides the necessary source documents requested by Commerce.

Sections 776(a)(1) and 776(a)(2) of the Act provide that Commerce shall, subject to section 782(d) of the Act, apply facts otherwise available in reaching the applicable determination if necessary information is not on the record, or if an interested party: (A) withholds information that has been requested by Commerce; (B) fails to provide such information in a timely manner or in the form or manner requested subject to section 782(c)(1) and (e) of the Act; (C) significantly impedes a proceeding; or (D) provides such information but the information cannot be verified as provided for in section 782(i) of the Act. Further, section 776(b) of the Act provides that, if Commerce finds that an interested party has failed to cooperate by not acting to the best of its ability to comply with a request for information, Commerce may use an inference adverse to the interests of that party in selecting from among the facts otherwise available. Below, we discuss the record evidence related to each of the sales and cost reporting issues

[22] *Id.* at 11 (citing VQNR Response at Exhibit 12).
[23] *See* Stalkanat's Rebuttal Brief at 13 (citing VQNR Response at Exhibit 15).
[24] *Id*. (citing VQNR Response at Exhibit 15).
[25] *Id.* at 13-14 (citing VQNR Response at Exhibit 11).
[26] *See* Stalkanat's Rebuttal Brief at 13-14 (citing Stalkanat's Letter, "Section D Response," dated July 16, 2020 (Section D QNR Response), at Exhibit 11).
[27] *See Preliminary Determination* PDM at 1-3.

raised and address how that evidence leads us to conclude that the statutory requirements for applying AFA in this case have not been met.

Stalkanat provided a breakdown of its sales in the VQNR Response, which included screenshots from its accounting system indicating its total sales for the POI.[28] Accounting for minute rounding differences, the sales value contained in its accounting system matches the total sales for the POI Stalkanat reported in its questionnaire response.[29] Using screenshots from its accounting system and financial statement, Stalkanat demonstrated that the total sales figure is comprised of sales of self-produced goods, other goods not produced by Stalkanat, and services.[30] The sales values for these three sales categories, as contained in the VQNR Response, match the sales values reported in Stalkanat's questionnaire responses.[31] Referencing information from its accounting system, Stalkanat next demonstrated in its VQNR Response how its sales of self-produced products are comprised of sales of strands and ropes and sales of other self-produced products, the latter of which is the sum of seven sub-categories of other product sales.[32] The sales values for Stalkanat's self-produced products (including self-produced other products), as listed in its accounting system, match the values Stalkanat reported in its questionnaire responses.[33] Based on this information, we find that Stalkanat substantiated its sales of other products during the POI.

Regarding its inventory movement schedule for wire rod inputs, we do not agree that the figures cannot be tied to the company's trial balance or financial statements. In its VQNR, Commerce requested that Stalkanat demonstrate how the POI beginning and POI ending inventory from the schedule reconcile to the company's trial balance, and how the year-ended December 2019 value tied to its financial statements.[34] The inventory movement schedule for wire rod inputs submitted with Stalkanat's original questionnaire response indicates that there was no inventory of wire rod on hand at either the beginning or ending of the POI (*i.e.*, April 1, 2019, and March 31, 2020, respectively) or at the end of the 2019 fiscal year.[35] In the VQNR Response, Stalkanat provided fully translated screen shots of its accounting system showing the relevant balance sheet accounts for wire rod and the corresponding inventory balances (*i.e.*, zero) for the periods specified in Commerce's VQNR.[36] Our examination of these documents does not reveal any discrepancies in this information as alleged by the petitioners. In addition, although the petitioners assert that Stalkanat failed to provide a narrative response to Commerce's questions regarding its inventory movements and further failed to summarize and present the data, we note that the company included in the relevant exhibits descriptions of the documents therein which

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[28] *See* VQNR Response at Exhibit 8.
[29] *See* Stalkanat's Letter, "First Supplemental Sections B and C Response," dated August 27, 2020 (Section BC SQNR Response), at Exhibit 9.
[30] *See* VQNR Response at Exhibit 11.
[31] *See* Section A SQNR2 Response at Exhibit 12; *see also* Section BC SQNR2 Response at 8.
[32] *See* VQNR Response at Exhibits 6, 10, and 11.
[33] *See* Section BC SQNR2 Response at 8; and Stalkanat's Letter, "First Supplemental Section A Response," dated August 3, 2020 (Section A SQNR Response), at Exhibit 12.
[34] *See* VQNR at question 1.a.
[35] *See* Section D QNR at Exhibit 3.
[36] *See* VQNR Response at Exhibit 12.

demonstrate how the inventory quantities and values for wire rod from the inventory movement schedule may be linked with its accounting records.[37]

The petitioners also allege that Stalkanat failed to substantiate its largest purchase of wire rod for March 2020. In its VQNR Response, as requested, Stalkanat identified its largest wire rod purchase for that month from its trial balance.[38] As Stalkanat notes, the largest single entry into its purchase ledgers for the month was comprised of several individual invoices.[39] Stalkanat provided a copy of the vendor invoice corresponding to the largest single transaction associated with that purchase, as well as screenshots from its accounting system to document the invoice booking.[40] In reviewing the information provided, we do not find there to be any discrepancies as alleged and are satisfied that Stalkanat has complied with our requests related to its reported wire rod purchase data.

We also disagree with the petitioners that Stalkanat failed to reconcile the values from its inventory movement schedule for finished PC strand products to its trial balance and financial statements. In its VQNR, Commerce requested that Stalkanat demonstrate how the POI beginning (*i.e.*, April 1, 2019) and POI ending (*i.e.*, March 31, 2020) inventory values for PC Strand from the schedule reconciled to the trial balance, and how the year-ended December 2019 value tied to its financial statements.[41] In its VQNR Response, Stalkanat provided screenshots of the balance sheet showing finished goods inventory values for PC Strand and other finished products.[42] Based on those documents, it is clear that the PC Strand inventory values for the specified dates tie directly to the information from the inventory movement schedules submitted in the section D response.[43] Similar to its claims regarding wire rod inputs, the petitioners also assert here that Stalkanat failed to provide a narrative response and failed to summarize and present the data appropriately. Our review of the data relating to its inventory values for PC Strand reveals otherwise. Further, Stalkanat's narrative responses are contained within the exhibits themselves. We find that Stalkanat has provided all the pertinent information, in the form and manner requested, which enables us to confirm its reported inventory values for PC strand.

Lastly, the petitioners contend that Commerce is unable to verify Stalkanat's total POI production quantity. In Commerce's VQNR, we requested that Stalkanat reconcile the total POI production quantity for PC Strand from the inventory movement schedule in the section D response to its accounting or production control systems.[44] We agree with the petitioners that there is a discrepancy between the production reported in the company's inventory movement schedule and the accounting documents from its VQNR Response.[45] Stalkanat did not address

[37] *Id.*
[38] *See* VQNR Response at Exhibit 15.
[39] *See* Stalkanat's Rebuttal Brief at 13.
[40] *See* VQNR Response at Exhibit 15.
[41] *See* VQNR at question 2.a.
[42] *See* VQNR Response at Exhibit 16.
[43] *See* Section D QNR Response at Exhibit 11.
[44] *See* VQNR at question 2.c.
[45] *See, e.g.*, Section D QNR at Exhibit 11 (inventory movement schedule for PC Strand showing production quantity in the "receipts" column); and VQNR Response at Exhibit 17 (reflecting a different total POI production quantity figure).

this discrepancy either in its VQNR Response or in its rebuttal brief. As such, for the final determination, we have made an adjustment to the company's reported manufacturing costs to account for the small difference between the unreconciled production quantity figures.[46] However, we do not find this minor discrepancy to be grounds for the application of AFA, either on its own or when considered along with the petitioners' other arguments related to Stalkanat's sales and cost reporting.

For the reasons set forth above, we determine that Stalkanat did not withhold information that was requested of it, did not fail to provide that information in a timely manner and in the form requested, did not significantly impede the proceeding, and did not provide unverifiable information. Further, we find that Stalkanat has not failed to cooperate by not acting to the best of its ability in complying with our requests. Accordingly, we find that the application of total AFA, as proposed by the petitioner, is not warranted.

Comment 2: Whether Commerce Should Apply Partial AFA to Calculate Stalkanat's Packing Expenses in the Home and U.S Markets

Petitioners' Case Brief [47]

- In the *Preliminary Determination*, Commerce determined that Stalkanat's actual labor and energy costs for its home and U.S. packing expenses were missing from the revised packing expenses that Stalkanat reported in its Section BC SQNR Response.[48]
- As a result, Commerce calculated a revised packing expense consisting of actual material packing costs from Stalkanat's Section BC SQNR2 Response and standard labor and energy costs provided in its Section BC QNR Response.[49]
- The record of the investigation demonstrates that Stalkanat failed to cooperate to the best of its ability when reporting its packing expenses, and thus, the application of partial AFA is warranted.
- Despite Commerce's instruction to report actual packing expenses, Stalkanat reported the home and U.S. packing fields based on standard costs.[50]
- When instructed to justify its use of standard costs in the packing field, Stalkanat explained in the Section BC SQNR that it is unable to separate actual packings costs from other manufacturing costs in its accounting system because it does not report packing costs in a separate account.[51]
- When Commerce asked Stalkanat to explain its inability to report actual packing costs given information in its accounting system that appeared to indicate otherwise, Stalkanat explained that its accounting system only tracked actual packing material expenses and

[46] *See* Final Cost Memorandum at 1.
[47] *See* Petitioners' Case Brief at 14-20.
[48] *See Preliminary Determination* PDM at 10 (citing Preliminary Sales Calculation Memorandum).
[49] *See* Petitioners' Case Brief at 15 (citing Preliminary Sales Calculation Memorandum at 5-6; Section BC SQNR2 Response at 7-8 and Exhibit 6; and Stalkanat's Letter, "Prestressed Concrete Steel Wire Strand from Ukraine; Sections B and C Response," dated July 9, 2020 (Section BC QNR Response), at Exhibit B-9).
[50] *See* Petitioners' Case Brief at 15 (citing Section BC QNR Response at Exhibit B-9).
[51] *See* Petitioners' Case Brief at 15 (citing Section BC SQNR Response at 21).

did not separately track its actual labor and energy costs associated with its packing activities.[52]

- Information on actual packing expenses, as recorded in Stalkanat's accounting system, do tie to its trial balance. Further, the actual packing expenses referenced in Stalkanat's accounting system do not include actual labor and energy costs associated with its packing activities.
- Commerce afforded Stalkanat three opportunities to report its actual packing expenses, and Stalkanat failed to do so.
- Thus, rather than rely on the packing adjustments from the *Preliminary Determination*, which employed a mix of actual packing material costs that do not tie to Stalkanat's accounting records and standard labor and energy costs for packing activities, Commerce should rely on partial AFA to determine Stalkanat's packing expenses.
- Specifically, as partial AFA, Commerce should rely on the standard home and U.S. packing costs reported in Stalkanat's initial questionnaire response.[53]

Stalkanat's Rebuttal Brief[54]

- Stalkanat has reconciled the information it submitted in its questionnaire responses with the VQNR Response. Therefore, it is not appropriate to find that Stalkanat's packing expense information is unreliable or unverifiable.
- In the final determination, Commerce should avoid double counting the labor and energy costs Stalkanat incurred in connection with its packing activities by: 1) using only the actual packing expenses reported in its Section BC SQNR2 Response (so that the labor and energy costs are included only once in the Stalkanat's Cost response); or 2) continuing to use the packing expenses Commerce derived in the *Preliminary Determination* and deducting the labor and energy cost for packing from the variable cost of manufacturing (VCOMCOP) and total cost of manufacturing (TCOMCOP) (so that Stalkanat's costs are adjusted downwards for the conversion costs already included in Commerce's derived home and U.S. packing expenses).

Commerce's Position: As explained in Comment 1 above, we find that Stalkanat has filed timely responses to all of Commerce's questionnaires,[55] and that its VQNR Response provides the necessary source documents requested by Commerce.[56] Therefore, we find that the application of partial AFA in connection with the home and U.S. packing fields, as proposed by the petitioners, is not warranted.

Rather, at issue here are the data sources Commerce should use to derive Stalkanat's packing expenses. Stalkanat has demonstrated that it does not record actual costs for all aspects of its packing operations. Specifically, the information on the record demonstrates that while Stalkanat's accounting system tracks actual packing material costs,[57] the system tracks labor and

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[52] *See* Petitioners' Case Brief at 17 (citing Section BC SQNR2 Response at 7).
[53] See Petitioners' Case Brief at 15 and 17 (citing Section BC QNR Response at Exhibit B-9).
[54] See Stalkanat's Rebuttal Brief at 15-16.
[55] *See Preliminary Determination* PDM at 1-3.
[56] *See* VQNR Response; *see also supra* Comment 1.
[57] *See* Section BC SQNR2 Response at 7-8 and Exhibit 6.

energy costs associated with its packing activities on a standard basis.[58] In the *Preliminary Determination*, we relied on a hybrid approach where we combined Stalkanat's actual packing material costs with its standard labor and energy costs for packing.[59] However, upon further review, we find it more appropriate to rely on the standard packing costs (including the associated labor and energy costs) that Stalkanat reported for the home and U.S. packing fields in its initial questionnaire response.[60] We based this approach on the fact that Stalkanat deducted the standard packing costs from the cost of manufacture (COM) that it reported to Commerce in its Section D QNR Response,[61] an approach to which the petitioners did not object or claim was unreliable. Further, these costs reflect the standard costs Stalkanat maintains in the ordinary course of business.[62] Therefore, we have determined to base the home and U.S. packing costs on Stalkanat's standard costs, as reported in its Section BC QNR Response.

Comment 3: Whether the Preliminary Home and U.S. Packing Expense Calculation Double Counted Labor and Energy Costs

Stalkanat's Case Brief [63]

- In the *Preliminary Determination*, Commerce calculated Stalkanat's home and U.S. packing costs as the sum of its packing material costs, as reported in its Section BC SQNR2 Response, and the labor and energy costs for packing, as reported in its Section BC QNR Response.[64]
- This approach double counted Stalkanat's labor and energy costs associated with packing.
- Stalkanat's cost of production (COP) excludes packing material costs but includes labor and energy costs associated with packing. This is because its cost accounting system does not distinguish between packing labor and energy costs between manufacture and packing of finished goods.
- While Stalkanat excluded the cost of packing materials from its cost calculation, it did not exclude labor and energy costs for packing.
- Thus, Commerce double counted when it included labor and energy costs for packing in the preliminary calculation for home and U.S. packing expenses.
- To correct this error, Commerce should calculate the packing expense fields based solely on the material packing costs contained in the Section BC SQNR2 Response at Exhibit 6 or leave the home and U.S. packing fields (as calculated in the *Preliminary Determination*) unchanged and subtract the labor and energy costs that comprise the packing fields from Stalkanat's reported VCOMCOP and TCOMCOP.

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[58] *See* Section BC QNR Response at Exhibit B-9.
[59] *See* Preliminary Sales Calculation Memorandum at 5-6.
[60] *See* Section BC QNR Response at Exhibit B-9.
[61] *See* Section D QNR Response at 25 (describing the deduction from the cost of manufacturing of the standard per-unit amount for packing for a sample CONNUM) and Section BC QNR at Exhibit 9 (showing that the per-unit value is inclusive of labor and energy costs).
[62] *See* Section D QNR Response at Exhibit 8.
[63] *See* Stalkanat's Case Brief at 1-3.
[64] *Id.* at 2 (citing Preliminary Sales Calculation Memorandum at 5-6; Section BC SQNR2 Response at 7-8 and Exhibit 6; and Section BC QNR Response at Exhibit B-9).

Petitioners' Rebuttal Brief [65]

- Stalkanat's arguments are contrary to the record and should be rejected.
- Stalkanat took into account the labor and energy costs for packing in reporting its standard per-unit packings costs in its Section D QNR Response.[66] Further, in its cost reconciliation, the standard packing costs Stalkanat deducted from its COM included labor and energy for packing.[67]
- In its Section BC QNR Response, Stalkanat indicated that Commerce should calculate home and U.S. packing expenses based on the standard packing material and labor and energy packing costs.[68] Further, Stalkanat did not argue in its Section BC SQNR2 Response that Commerce should rely on the actual packing material expense contained in Exhibit 6 of that submission instead of the standard costs for packing materials and labor and energy packing costs it initially reported in order to avoid double counting.
- Thus, it is clear Stalkanat failed to demonstrate that the COP it reported to Commerce includes conversion costs associated with packing. Accordingly, Commerce should reject Stalkanat's claim that the methodology employed in the *Preliminary Determination* double counts packing conversion costs.

Commerce's Position: As explained in Comment 2 above, we have determined to value Stalkanat's home and U.S. packing expenses based on the standard costs it reported in its initial questionnaire response.[69] These standard packing costs include Stalkanat's packing material costs and the labor and energy costs associated with its packing activities.[70] Meanwhile, the COM Commerce calculated for Stalkanat in the *Preliminary Determination* was net of Stalkanat's standard costs for packing materials and labor and energy packing costs.[71] Therefore, we find no basis for the claim that Commerce has double counted Stalkanat's packing costs.

Comment 4: Whether to Apply a Warranty Expense to All of Stalkanat's U.S. Sales

Petitioners' Case Brief [72]

- A U.S. customer requested a warranty claim during the POI, and Stalkanat compensated the customer by reducing the price of a sales order, or annex. The annex corresponds to OBSU 66-68 in the U.S. database. The customer subsequently cancelled the remainder of this particular sale after a portion of the merchandise had already been shipped to the customer.
- The U.S. sales database does not provide a basis for Commerce to identify which sales to the U.S. customer are associated with which annex.

[65] *See* Petitioners' Rebuttal Brief at 4-7.
[66] *Id.* (citing Section D QNR Response at Exhibit 9).
[67] *See* Petitioners' Rebuttal Brief (citing Stalkanat Letter, "Second Section D Supplemental Response," dated November 2, 2020 (Section D SQNR2 Response), at Exhibit 7).
[68] *See* Petitioners' Rebuttal Brief at 7 (citing Section BC QNR Response at Exhibit B-9).
[69] *See* Section BC QNR Response at Exhibit 9.
[70] *Id*.
[71] *See* Section D QNR Response at 25 (describing the deduction from the cost of manufacturing of the standard per-unit amount for packing); and Section BC QNR Response at Exhibit 9 (showing that the per-unit value is inclusive of labor and energy costs).
[72] *See* Petitioners' Case Brief at 20-23.

- There are a number of inconsistencies in Stalkanat's response. The sales volume at OBSU 66-68 is not equal to the volume Stalkanat stated that it had shipped before the customer cancelled the remainder of the order. The reduction in the unit price of OBSU 66-68 does not equal the full amount of the warranty claim.
- Stalkanat does not explain how it compensated its U.S. customer for the warranty expense. Accordingly, Commerce should resort to partial AFA and allocate the remaining unpaid warranty expenses to all of Stalkanat's U.S. sales.

Stalkanat's Rebuttal Brief:[73]

- Commerce should not deduct a hypothetical amount for a warranty claim associated with U.S. sales, as the petitioners argue.
- The amount of the warranty claim at issue was paid in the form of price reductions to the U.S. customer. The price reductions in OBSU 66-68 reflect the warranty expenses actually paid to the U.S. customer in the form of reduced prices.
- Any additional amount of warranty claim may be paid to the U.S. customer in the future. However, consistent with Stalkanat's agreement with the customer, this amount would be reflected in lower prices on future U.S. sales that will be subject to an antidumping administrative review.
- The warranty expense that the petitioners argue should be allocated to all U.S. sales is based on an amount that is unconfirmed. Even if the total amount were confirmed, such an allocation would result in double counting the amount of the claim, because the claim would already be reflected in the reduced sales price in a future administrative review.

Commerce's Position: We disagree that Commerce should resort to a partial AFA with respect to the remaining warranty claim amount related to a U.S. sale during the POI. Stalkanat acknowledged a quality issue with the merchandise under investigation shipped to a U.S. customer, and informed the customer that compensation for the defective merchandise would be paid in the form of a discounted price on a subsequent sale.[74] The total amount of the discount in the new sales contract was roughly equal to the total price of the defective merchandise.[75] The discounted unit price is reflected in certain reduced-priced sales that are included in Stalkanat's U.S. sales database.[76]

Stalkanat explained that for accepted warranty claims in its home market and for U.S. sales, it compensated customers with either replacement goods or price compensation.[77] With respect to U.S. sales subject to investigation in this case, Stalkanat paid a warranty claim to its U.S. customer in the form of price compensation (*i.e.*, price reduction). Stalkanat further explained that the U.S. customer later cancelled part of the subject sales order with the discounted price, and that Stalkanat shipped only a portion of the total volume specified in the contract.[78] Because the U.S. customer cancelled a portion of the sales order with the discounted unit price, Stalkanat did not fully compensate the customer for the defective merchandise from a previous shipment.

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[73] *See* Stalkanat's Rebuttal Brief 16-17.
[74] *See* Stalkanat's Second Section A SQNR Response at Exhibit 3.
[75] *Id.*
[76] *See* Stalkanat's Section BC SQNR2 Response, Exhibit 7 at 4.
[77] *Id.* at 18.
[78] *See* Stalkanat's Second Section A SQNR Response at 18 and Exhibit 3.

The petitioners argue that this outstanding warranty amount should be allocated to all U.S. sales, citing to *Certain Corrosion-Resistant Carbon Steel Flat Products from Korea* and *Certain Pasta from Italy*.[79] However, Stalkanat's circumstances regarding its partially paid warranty expenses are unique from the circumstances in both prior proceedings. In the decisions cited by the petitioners, the discussion was whether to allocate warranty expenses the respondent paid during the period of review to all sales, or to allocate such warranty expenses more narrowly given the fact pattern (*e.g.*, certain customers, products, markets, particular transactions, *etc.*). Here, Stalkanat did not pay the warranty expense amount that the petitioners argue should be allocated overall sales. Stalkanat's arrangements with its U.S. customer resulted in an unpaid warranty expense balance that, if incurred after the POI, will be reflected in the discounted price for sales to that U.S. customer. Further, should this investigation go to order, we will address additional warranty expenses paid in any future administrative review.

At issue here is the actual warranty expense amount Stalkanat paid during the POI. Consistent with Stalkanat's narrative description, the record reflects the actual amount of warranty expense paid in the form of a unit price discount on later sales (as opposed to a lump sum warranty claim paid out to the customer). Thus, we find it inappropriate to attribute hypothetical price discounts on potential future sales outside the POI that Stalkanat may make to this customer to the U.S. sales Stalkanat made to the customer during the POI. Accordingly, we find no basis to change the U.S. warranty expense calculation for the final determination.

Comment 5: Whether to Revise the Calculation of Stalkanat's Indirect Selling Expenses

Stalkanat's Case Brief [80]

- In the *Preliminary Determination*, Commerce added provisions for bad debt from Stalkanat's 2019 trial balance to Stalkanat's POI indirect selling expenses. Commerce then recalculated the indirect selling expense ratio by dividing the revised expenses by POI metal sales, which resulted in a higher ratio.
- This calculation is incorrect. The adjusted calculation includes bad debt expense data from 2019, which is outside the POI. Additionally, bad debt expense is associated with all sales, not only metal sales.
- Commerce should instead calculate bad debt expense from the POI as a percentage of the sales value from the POI.
- Stalkanat was not provided an opportunity to submit information regarding the bad debt. Stalkanat's records indicate that the bad debt expense was not associated with the sale of metal products, but such information is not on the record of this proceeding.

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[79] *See Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Notice of Final Results of the Fourteenth Administrative Review and Partial Rescission*, 74 FR 11082 (March 16, 2009) (*Certain Corrosion-Resistant Carbon Steel Flat Products from Korea*), and accompanying Issues and Decision Memorandum (IDM) at Comment 13; and *Certain Pasta From Italy: Notice of Final Results of 16th Antidumping Duty Administrative Review; 2011-2012* (February 28, 2014) (*Certain Pasta from Italy*), and accompanying IDM at Comment 2.

[80] *See* Stalkanat's Case Brief at 3-4.

Petitioners' Rebuttal Brief [81]

- Commerce used bad debt expense data from Stalkanat's POI trial balance, not its 2019 trial balance as Stalkanat argues.
- Stalkanat also argued that the provision for bad debt was not associated with sales of metal products, and thus should not be included in the indirect selling expense ratio.
- Commerce has a well-established practice of including provisions for bad debt in the indirect selling expense ratio, as discussed in *Glycine from India* and *Steel from Mexico*.[82]
- Stalkanat did not include its provisions for bad debt in its indirect selling expense ratio calculation and provided no explanation for why it should be excluded.
- Commerce should continue to use the indirect selling expense ratio calculated for the *Preliminary Determination*.

Commerce's Position: It is Commerce's practice to include provisions for bad debt in the indirect selling expense ratio.[83] In the *Preliminary Determination*, Commerce added Stalkanat's POI bad debt expense to the indirect selling expenses reported by Stalkanat, and allocated this sum over Stalkanat's total metal sales for the POI.[84] As an initial matter, information on the record confirms that the bad debt expenses Commerce used to calculate the indirect selling expense ratio in the *Preliminary Determination* reflect the POI,[85] and not, as Stalkanat contends, bad debt expense from a period outside the POI (*i.e.*, the 2019 trial balance).

Stalkanat explained that its bad debt expenses during the POI were not associated with its metal sales. The record does not contain documentation to support this claim. Therefore, we have continued to include Stalkanat's bad debt expenses in the indirect selling expense calculations. However, because we lack information indicating that Stalkanat incurred the bad debt expenses exclusively in regard to metal sales, we agree with Stalkanat that it is not appropriate to allocate its bad debt expenses over its total metal sales. Accordingly, in the final determination, we have allocated Stalkanat's bad debt expenses over its total sales for the POI.[86] This approach is consistent with Commerce's practice.[87] Thus, for the final determination, we calculated an indirect selling expense ratio equal to the indirect selling expenses initially reported by Stalkanat divided by its total metal sales for the POI and an indirect selling expense ratio equal to Stalkanat's total bad debt expenses divided by its total sales for the POI. We then used these

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[81] *See* Petitioners' Rebuttal Brief at 7-8.
[82] *Id.* at 8 (citing *Glycine from India: Notice of Final Determination of Sales at Less Than Fair Value*, 73 FR 16640 (March 28, 2008) (*Glycine from India*), and accompanying IDM at Comment 2; and *Stainless Steel Sheet and Strip in Coils from Mexico; Final Results of Antidumping Duty Administrative Review*, 70 FR 73444 (December 12, 2005) (*Steel from Mexico*), and accompanying IDM at Comment 3).
[83] *See Glycine from India* IDM at Comment 2 ("The Department normally classifies bad-debt expense as indirect selling expenses because those expenses relate to the sales of a company."); and *Steel from Mexico* IDM at Comment 3 ("For Mexinox, the bad debt provision represents an estimate of doubtful accounts based on Mexinox's historical experience. The bad debt provision therefore is the appropriate amount to be used in the sum of indirect selling expenses for purposes of the 2003-2004 POR.").
[84] *See* Preliminary Sales Memorandum at 6-7.
[85] *See* Stalkanat's SDQR at Exhibit 20, "POI Trial Balance."
[86] *See* Final Analysis Memorandum at Attachment I.
[87] *See Porcelain-on-Steel Cookware from Mexico: Final Results of Antidumping Duty Administrative Review*, 65 FR 30068 (May 10, 2000), and accompanying IDM at Comment 4 ("Because the record does not indicate which sales were associated with these bad debt expenses, we have allocated them over all sales by CIC . . .").

indirect selling expense ratios to calculate Stalkanat's indirect selling expenses in the home and U.S. market.[88]

Comment 6: Whether to Revise the Calculation of Stalkanat's G&A Expenses

Stalkanat's Case Brief [89]

- Commerce added non-operational expenses to Stalkanat's reported G&A) expenses, and deducted other income from a write-off of fixed assets.
- If Commerce adds such non-operational expenses to Stalkanat's reported G&A, it should also deduct other income items from G&A expenses. Such other income items include:
  - Revenue from sale of other current assets;
  - Revenue from operational rent of assets;
  - Received fines, surcharges, penalties;
  - Revenue from charge-off of accounts payable;
  - Other revenue from operational activity; and
  - Revenue from sales of other capital assets held for sale.
- For the final determination, Commerce should revise Stalkanat's G&A by deducting the line items above when calculating the G&A ratio.

Petitioners' Rebuttal Brief [90]

- Commerce has included gains and losses from the sale/disposal of fixed assets in the calculation of the G&A ratio in prior proceedings.[91]
- However, Stalkanat's classification of "other capital assets" as "held for sale" indicates that such assets will not be employed for the purpose of manufacturing operations but are to be held and sold for a profit. Stalkanat has not provided evidence that its "other capital assets held for sale" are directly related to manufacturing activities, and therefore Commerce should not offset Stalkanat's G&A expense ratio with "Revenue from sales of other capital assets held for sale" in the final determination.
- Similarly, Stalkanat has not explained the nature of "other current assets." The record lacks evidence that such "other current assets" are directly related to manufacturing operations. Commerce should not offset Stalkanat's G&A expense ratio with "Revenue from sale of other current assets" in the final determination.
- Consistent with Commerce's established practice to disallow gains and losses relating to accounts receivable from the G&A expense ratio,[92] Commerce should not offset Stalkanat's G&A expense ratio with "Revenue from charge-off of accounts payable" in the final determination.

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[88] *See* Final Analysis Memorandum at Attachment I.
[89] *See* Stalkanat's Case Brief at 4-5.
[90] *See* Petitioners' Rebuttal Brief at 9-10.
[91] *Id.* at 9 (citing *Polyethylene Terephthalate Film, Sheet and Strip From Korea: Final Results of Antidumping Duty Administrative Review; 1999-2000*, 66 FR 57417 (November 15, 2001) (*PET Film*), and accompanying IDM at Comment 1; and *Notice of Final Results of the Sixth Administrative Review of the Antidumping Duty Order on Certain Pasta from Italy and Determination Not to Revoke in Part*, 69 FR 6255 (February 10, 2004), and accompanying IDM at Comment 24).
[92] *See PET Film* IDM at Comment 1.

Commerce's Position: We agree with Stalkanat, in part. In the *Preliminary Determination*, Commerce adjusted the company's G&A ratio to include certain non-operating expenses such as the write-off of assets, fines, charges, and penalties paid, and other miscellaneous expenses.[93] According to Stalkanat, if Commerce determined it appropriate to include these types of non-operational expenses, it should also allow an offset for related non-operational income items. We agree that the G&A expense rate should be revised to include revenue from the sale of other current assets, rental revenue, revenue from fines, surcharges, and penalties paid, other miscellaneous revenue, and revenue from accounts payable charge-offs. With respect to the gain on the sale of capital assets held for sale that is presented separately, Stalkanat did not provide any information regarding the nature of the underlying assets. As such, we are unable to determine if the gain relates to the routine disposition/sales of fixed assets, which we would normally include as part of G&A expenses, or whether it is associated with activity that is separate from Stalkanat's primary business activities and thus does not relate to the general operations of the company. As such, we do not consider it appropriate to include the gain in the company's G&A expenses. For the final determination, we have revised the G&A expense rate accordingly.[94]

Comment 7: Whether to Revise the Calculation of Stalkanat's Interest Expenses

Stalkanat's Case Brief [95]

- In the *Preliminary Determination*, Commerce added "Expenses for buying/selling foreign currency" and "Losses from operating currency exchange difference" to Stalkanat's reported INTEX expenses.
- If Commerce adds such expenses for buying and selling foreign currency to Stalkanat's INTEX expense, it should also deduct related revenue from the sale and purchase of foreign currency. Likewise, if Commerce adds losses from operating currency exchange differences, it should deduct revenue from operational interest rate differences.
- Accordingly, Commerce should deduct the following from its revised INTEX calculation for the final determination:
    - Revenue from sale and purchase of foreign currency;
    - Revenue from operational interest rate difference;
    - Revenue from operational foreign exchange difference (quarter);
    - Interest received; and
    - Other revenue from financial operations.

Petitioners' Rebuttal Brief [96]

- It is Commerce's established practice to calculate net financial expenses using the sum of a respondent's long- and short-term interest expenses and net foreign exchange gains and losses and deduct interest income on short-term investment of working capital.[97]

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[93] *See* Preliminary Cost Calculation Memorandum.
[94] *See* Final Cost Calculation Memorandum.
[95] *See* Stalkanat's Case Brief at 5-6.
[96] *See* Petitioners' Rebuttal Brief at 10-12.
[97] *Id.* at 11 (citing *Forged Steel Fittings from India: Final Affirmative Determination of Sales at Less Than Fair Value*, 85 FR 66306 (October 19, 2020), and accompanying IDM at Comment 4).

- Stalkanat does not cite evidence that "Interest received" and "Other revenue from financial operations" constitute short-term interest income.
- Stalkanat also did not explain how "Revenue from operational interest rate difference" and "Revenue from sale and purchase of foreign currency" are related to Stalkanat's short-term interest on working capital or net foreign exchange gains and losses.
- Accordingly, for the final determination, Commerce should not revise Stalkanat's INTEX ratio by deducting the revenue items above.

Commerce's Position: We agree with Stalkanat, in part. At the *Preliminary Determination*, Commerce adjusted Stalkanat's financial expense ratio to include expenses related to "buying/selling foreign currency" and losses arising from "operating currency exchange differences."[98] According to Stalkanat, Commerce should include related financial income items in the financial expense rate calculation. We agree that revenue associated with foreign currency sales/purchases, operational interest rate differences, and operational foreign exchange differences are appropriately included as part of financial expenses, and we have revised the calculation accordingly for the final determination.[99] However, we do not agree with Stalkanat that interest received or "other revenue from financial operations" should in this instance be included as offsets to its financial expenses. Commerce has long held that financial income offsets to a respondent's financial expenses must be earned on short-term investments of working capital.[100] However, the record here indicates that both of these items were generated from long-term sources, and we have therefore not allowed them as offsets in the revised calculation.[101]

[98] *See* Preliminary Cost Calculation Memorandum.
[99] *See* Final Cost Calculation Memorandum.
[100] *See Common Alloy Aluminum Sheet From Bahrain: Final Affirmative Determination of Sales at Less Than Fair Value*, 86 FR 13331 (March 8, 2021), and accompanying IDM at Comment 9 ("Commerce has acknowledged in its practice that the burden to substantiate a reported offset is placed on the claiming party to demonstrate its eligibility for such an adjustment. Moreover, Commerce has long held that interest income offsets to a respondent's reported financial expenses must be earned from short-term interest-bearing assets.").
[101] *See* Stalkanat's Letter, "First Section D Supplemental Response," dated October 6, 2021, at Exhibit 18.

VI. RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting the above positions. If this recommendation is accepted, we will publish the final determination in the investigation and the final weighted-average dumping margins in the *Federal Register*.

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Agree Disagree

4/5/2021

X

Signed by: CHRISTIAN MARSH

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Christian Marsh
Acting Assistant Secretary
for Enforcement and Compliance