



A-475-838
Administrative Review
POR: 11/22/2017 – 05/31/2019
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April 21, 2021

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

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Final Results of the
2017-2019 Administrative Review of the Antidumping Duty Order
on Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy
Steel from Italy

I. SUMMARY

We analyzed the comments filed by interested parties in the 2017-2019 administrative review of the antidumping duty (AD) *Order*¹ covering certain cold-drawn mechanical tubing of carbon and alloy steel (cold-drawn mechanical tubing) from Italy. As a result of our analysis, we made certain changes to the margin found in the *Preliminary Results*.²

We recommend that you approve the positions described in the “Discussion of Issues” section of this memorandum. Below is the complete list of issues in this administrative review for which we received comments from interested parties:

- Comment 1: Dalmine’s Cutting Costs
- Comment 2: Major Input Adjustment for Hollows
- Comment 3: Correct Level of Trade (LOT) Variables
- Comment 4: Ministerial Error Regarding Inventory Carrying Costs

¹ See *Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from the People’s Republic of China, the Federal Republic of Germany, India, Italy, the Republic of Korea, and Switzerland: Antidumping Duty Orders; and Amended Final Determinations of Sales at Less Than Fair Value for the People’s Republic of China and Switzerland*, 83 FR 26962 (June 11, 2018) (*Order*).

² See *Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from Italy: Preliminary Results of the Administrative Review of the Antidumping Duty Order; 2017-2019*, 85 FR 67509 (October 23, 2020) (*Preliminary Results*), and accompanying Preliminary Decision Memorandum (PDM).



II. BACKGROUND

On October 23, 2020, the Department of Commerce (Commerce) published the *Preliminary Results* of this administrative review. The period of review (POR) is November 22, 2017, through May 31, 2019.

On December 2, 2020, we received timely-filed case briefs on behalf of ArcelorMittal Tubular Products LLC, Michigan Seamless Tube, LLC, PTC Alliance Corp., and Webco Industries, Inc. (collectively, the petitioners) and Dalmine S.p.A (Dalmine).³ On December 11, 2020, we received timely-filed rebuttal briefs on behalf of the petitioners and Dalmine.⁴

On January 12, 2021, we extended the deadline for these final results.⁵ The deadline for the final results of this review is now April 21, 2021.

III. SCOPE OF THE ORDER

The products covered by the *Order* are cold-drawn mechanical tubing of carbon and alloy steel of circular cross-section, 304.8 mm or more in length, in actual outside diameters less than 331mm, and regardless of wall thickness, surface finish, end finish or industry specification. The subject cold-drawn mechanical tubing is a tubular product with a circular cross-sectional shape that has been cold-drawn or otherwise cold-finished after the initial tube formation in a manner that involves a change in the diameter or wall thickness of the tubing, or both. The subject cold-drawn mechanical tubing may be produced from either welded (*e.g.*, electric resistance welded, continuous welded, etc.) or seamless (*e.g.*, pierced, pilgered or extruded, etc.) carbon or alloy steel tubular products. It may also be heat treated after cold working. Such heat treatments may include, but are not limited to, annealing, normalizing, quenching and tempering, stress relieving or finish annealing. Typical cold-drawing methods for subject merchandise include, but are not limited to, drawing over mandrel, rod drawing, plug drawing, sink drawing and similar processes that involve reducing the outside diameter of the tubing with a die or similar device, whether or not controlling the inside diameter of the tubing with an internal support device such as a mandrel, rod, plug or similar device. Other cold-finishing operations that may be used to produce subject merchandise include cold-rolling and cold-sizing the tubing.

Subject cold-drawn mechanical tubing is typically certified to meet industry specifications for cold-drawn tubing including but not limited to:

(1) American Society for Testing and Materials (ASTM) or American Society of Mechanical Engineers (ASME) specifications ASTM A-512, ASTM A-513 Type 3 (ASME SA513 Type 3), ASTM A-513 Type 4 (ASME SA513 Type 4), ASTM A-513

³ See Petitioners' Letter, "Case Brief," dated December 2, 2020 (Petitioners Case Brief); *see also* Dalmine's Letter, "Case Brief," dated December 2, 2020 (Dalmine Case Brief).

⁴ See Petitioners' Letter, "Rebuttal Brief," dated December 11, 2020 (Petitioners Rebuttal Brief); *see also* Dalmine's Letter, "Rebuttal Brief," dated December 11, 2020 (Dalmine Rebuttal Brief).

⁵ See Memorandum, "Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from Italy: Extension of Deadline for Final Results of Antidumping Duty Administrative Review, 2017-2019," dated January 13, 2021.

Type 5 (ASME SA513 Type 5), ASTM A-513 Type 6 (ASME SA513 Type 6), ASTM A-519 (cold-finished);

(2) SAE International (Society of Automotive Engineers) specifications SAE J524, SAE J525, SAE J2833, SAE J2614, SAE J2467, SAE J2435, SAE J2613;

(3) Aerospace Material Specification (AMS) AMS T-6736 (AMS 6736), AMS 6371, AMS 5050, AMS 5075, AMS 5062, AMS 6360, AMS 6361, AMS 6362, AMS 6371, AMS 6372, AMS 6374, AMS 6381, AMS 6415;

(4) United States Military Standards (MIL) MIL-T-5066 and MIL-T-6736;

(5) foreign standards equivalent to one of the previously listed ASTM, ASME, SAE, AMS or MIL specifications including but not limited to:

(a) German Institute for Standardization (DIN) specifications DIN 2391-2, DIN 2393-2, DIN 2394-2);

(b) European Standards (EN) EN 10305-1, EN 10305-2, EN 10305-4, EN 10305-6 and European national variations on those standards (*e.g.*, British Standard (BS EN), Irish Standard (IS EN) and German Standard (DIN EN) variations, etc.);

(c) Japanese Industrial Standard (JIS) JIS G 3441 and JIS G 3445; and

(6) proprietary standards that are based on one of the above-listed standards.

The subject cold-drawn mechanical tubing may also be dual or multiple certified to more than one standard. Pipe that is multiple certified as cold-drawn mechanical tubing and to other specifications not covered by this scope, is also covered by the scope of the *Order* when it meets the physical description set forth above.

Steel products included in the scope of the *Order* are products in which: (1) iron predominates, by weight, over each of the other contained elements; and (2) the carbon content is 2 percent or less by weight.

For purposes of this scope, the place of cold-drawing determines the country of origin of the subject merchandise. Subject merchandise that is subject to minor working in a third country that occurs after drawing in one of the subject countries including, but not limited to, heat treatment, cutting to length, straightening, nondestruction testing, deburring or chamfering, remains within the scope of the *Order*.

All products that meet the written physical description are within the scope of the *Order* unless specifically excluded or covered by the scope of an existing order. Merchandise that meets the physical description of cold-drawn mechanical tubing above is within the scope of the *Order* even if it is also dual or multiple certified to an otherwise excluded specification listed below. The following products are outside of, and/or specifically excluded from, the scope of the *Order*:

(1) cold-drawn stainless steel tubing, containing 10.5 percent or more of chromium by weight and not more than 1.2 percent of carbon by weight;

(2) products certified to one or more of the ASTM, ASME or American Petroleum Institute (API) specifications listed below:

- ASTM A-53;
- ASTM A-106;
- ASTM A-179 (ASME SA 179);
- ASTM A-192 (ASME SA 192);
- ASTM A-209 (ASME SA 209);
- ASTM A-210 (ASME SA 210);
- ASTM A-213 (ASME SA 213);
- ASTM A-334 (ASME SA 334);
- ASTM A-423 (ASME SA 423);
- ASTM A-498;
- ASTM A-496 (ASME SA 496);
- ASTM A-199;
- ASTM A-500;
- ASTM A-556;
- ASTM A-565;
- API 5L; and
- API 5CT

except that any cold-drawn tubing product certified to one of the above excluded specifications will not be excluded from the scope if it is also dual- or multiple-certified to any other specification that otherwise would fall within the scope of the *Order*.

The products subject to this *Order* are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7304.31.3000, 7304.31.6050, 7304.51.1000, 7304.51.5005, 7304.51.5060, 7306.30.5015, 7306.30.5020, 7306.50.5030. Subject merchandise may also enter under numbers 7306.30.1000 and 7306.50.1000. The HTSUS subheadings above are provided for convenience and customs purposes only. The written description of the scope of this *Order* is dispositive.

IV. CHANGES SINCE THE *PRELIMINARY RESULTS*

We calculated export price, constructed export price (CEP), normal value (NV), and cost of production (COP) using the same methodology as stated in the *Preliminary Results*, except as follows:

- We changed the LOT variable in the programs to reflect our finding that sales to the U.S. and home markets during the POR were made at the same LOT.⁶ *See* Comment 3.
- We corrected an error in the margin program and properly converted inventory carrying costs reported in Euros to U.S. Dollars (USD).⁷ *See* Comment 4.

V. DISCUSSION OF THE ISSUES

Comment 1: Dalmine's Cutting Costs

During the POR, Dalmine sold merchandise to an affiliate in Romania, where it was cut to certain specifications for sale to a certain U.S. customer. Dalmine initially reported these cutting costs as a movement expense in its U.S. sales database, under the field DWAREHU. Commerce requested that Dalmine remove the expense from its U.S. sales database and report it in the cost database instead, since the expense was a production cost rather than a movement expense. We included this cutting cost as part of the COP in the *Preliminary Results*.⁸

*Petitioners' Comments*⁹

- Dalmine's initial reporting methodology was incorrect because the expense was for cutting done in Romania and it had nothing to do with movement expenses.
- The petitioners commented on this incorrect reporting prior to the *Preliminary Results*, and Commerce asked Dalmine to revise its cost reporting. Dalmine then reported the cutting costs in its cost database, allocated across all POR production.
- Dalmine's revised reporting is unreliable since it shifted the cutting costs it incurred from a specific U.S. sales quantity basis to an allocation of the cutting costs to all production quantities of control numbers (CONNUMs) in which cutting was done (which includes the quantity of merchandise produced for non-U.S. sales and non-POR sales). This leads to smaller per-unit costs for cutting compared to the same per-unit costs reported initially in DWAREHU.
- Dalmine previously was able to trace the cutting costs to specific U.S. sales as it did with its initial response in the field DWAREHU and could have submitted accurate per-unit cutting costs in its cost database; instead its reported fields are deficient because they represent lower per unit costs across the pertinent CONNUMs.
- After issuing a supplemental questionnaire on this issue, Commerce is still left with unreliable and inaccurate costs for cutting activities during the POR because Dalmine did not provide such information. Therefore, Commerce should apply facts available since there is a gap in the record as to the correct cutting costs incurred for the U.S. sales. As facts available, Commerce should use DWAREHU in the calculation for Dalmine's CEP

⁶ *See* Memorandum, "Administrative Review of the Antidumping Duty Order on Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from Italy: Final Results Analysis Memorandum for Dalmine S.p.A.," dated April 21, 2021 at 3.

⁷ *Id.* at 3-4.

⁸ *See* Memorandum, "Administrative Review of the Antidumping Duty Order on Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from Italy: Preliminary Analysis Memorandum for Dalmine S.p.A.," dated October 14, 2020 (Preliminary Analysis Memorandum).

⁹ *See* Petitioners Case Brief at 3-11 and Attachments 1 and 2.

expenses and CEP profit rather than using the cutting cost variables reported in the cost database.

*Dalmine's Comments*¹⁰

- The reported cutting costs are complete and accurate since they correctly allocate the identical amount of cutting costs pertaining to U.S. sales (*i.e.*, the same cutting costs). Dalmine is not underreporting or shifting costs.
- Because of the different denominators used for each variable in the different databases, making a comparison of the per-unit values between the two fields is inappropriate.
- The cutting cost fields in the cost database properly allocate the full amount of cutting costs Dalmine reported in DWAREHU only to the CONNUMs on which cutting was done and, therefore, which have cutting costs associated with them. Dalmine provided supporting documentation to further support the information reported to Commerce. The petitioners' argument that there is a gap in the record is incorrect.
- Dalmine reported more cutting costs in the cost database than in the sales database because the cost database captures cutting costs related to products cut but not sold in the POR. The petitioners acknowledge this point in their brief, but never provided a rebuttal argument to the fact that the overall cutting costs reported by Dalmine in its cost database do not in fact understate its cutting costs.
- Commerce correctly did not include the DWAREHU variable in the *Preliminary Results* and instead used the appropriate cutting cost variable from the cost database only, which represented the accurate cutting costs, to avoid double counting.
- Commerce should not use the field DWAREHU in these final results but instead should continue to use the methodology used in the *Preliminary Results*.

Commerce's Position: For these final results, we continue to use the cutting costs reported in Dalmine's cost database to account for Dalmine's third country cutting costs incurred. We agree with Dalmine that it reported its cutting costs in the form and manner requested by Commerce by moving the cutting costs from its U.S. sales database to its cost database.

We agree with the petitioners that Dalmine's initial reporting of cutting costs in the field DWAREHU was incorrect because the costs were not movement expenses, but rather production costs incurred prior to sale to U.S. customers.¹¹ The petitioners commented on this very issue¹² and, after reviewing the record, Commerce requested that Dalmine revise its databases and move its cutting costs to its cost database, which Dalmine did.¹³ Dalmine's revised cutting costs, provided in its response to our request, allocated the full cutting costs incurred that were previously reported in the DWAREHU variable to CONNUMs in the cost database on which cutting was done. Consistent with Commerce's practice, Dalmine aggregated these cutting costs

¹⁰ See Dalmine Rebuttal Brief at 2-8 and Exhibit 1.

¹¹ See Dalmine's Letter, "Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from Italy: Response to the Supplemental Sections B, C and D Questionnaire," dated June 23, 2020 (Dalmine June 23, 2020 SBQDQR) at 7-8; see also Dalmine's Letter, "Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from Italy: Response to the Supplemental Section D Questionnaire," dated September 11, 2020 (Dalmine September 11, 2020 SDQR3) at 14-16.

¹² See Petitioners' Letter, "Cold Drawn Mechanical Tubing from Italy – Petitioners' Comments on Dalmine's Section D Response," dated January 17, 2020.

¹³ See Petitioners Case Brief at 5; see also Dalmine September 11, 2020 SDQR3 at 14.

with other cutting costs incurred during the POR (including the cutting costs for subject merchandise cut but not sold during the POR), and then it allocated this total over the total POR production quantity for each CONNUM.¹⁴ Dalmine provided documentation to support this revision, and we found in the *Preliminary Results* that Dalmine's reporting was accurate.¹⁵

The petitioners commented on the cutting costs prior to the *Preliminary Results*, stating that the lower per-unit amounts in the revised cost database reflect Dalmine's deficient reporting and that Commerce should either apply total adverse facts available or partial facts available in the preliminary results.¹⁶ Dalmine responded to the petitioners' comments prior to the preliminary results, stating that the per-unit amounts in the cost database are lower because it weight-averaged the costs in that database by the entire production quantity of cut products, rather than allocating them only over POR sales through the Romanian affiliate.¹⁷ After carefully reviewing record information, for the *Preliminary Results*, we included the revised cutting costs reported in the field "CTLCOST_THE" as part of the cost buildup, instead of using deducting the same costs reported in field DWAREHU from CEP.¹⁸

The petitioners continue to argue that Dalmine is shifting costs to non-U.S. and non-POR sales, and that this shifting of costs makes its reporting unreliable, thereby creating a gap in the record. However, the record does not support the petitioners' assertion that Dalmine's reporting is unreliable. First, the petitioners themselves admit that it is Commerce's normal practice for a respondent "to calculate CONNUM-specific per-unit costs based on its worldwide production quantity, regardless of market sold, as the weighting factor."¹⁹ Dalmine has followed Commerce's normal practice in reporting its cutting costs in its cost database, and the petitioners did not claim that Dalmine diverged from Commerce's normal reporting practice. Instead, the petitioners argue that, when compared to the per-unit amounts reported in DWAREHU, the per-unit cutting costs reported in the cost database understate Dalmine's cutting costs. Dalmine demonstrates that its per-unit cutting costs in its cost database are smaller than the per-unit amounts reported in DWAREHU because Dalmine calculated the per-unit amounts using different denominators.²⁰ It is inherent in the reporting of the COP that any costs allocated over production quantities (a larger denominator) would have a lower per-unit value compared to the sales-specific quantities (a smaller denominator) used to report DWAREHU.²¹ We, therefore, agree with Dalmine that the reason its per-unit costs are lower than the per-unit amounts reported in DWAREHU is due to the use of different denominators in each calculation.

¹⁴ See Dalmine Rebuttal Brief at 14-16; see also Dalmine's Letter, "Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from Italy: Reply to Petitioners' Pre-Preliminary Results Comments Regarding Dalmine S.p.A." dated October 2, 2020 (Dalmine Rebuttal Pre-Prelim Comments) at 16-17.

¹⁵ See Dalmine September 11, 2020 SDQR3 at Exhibit Supp3. D6.

¹⁶ See Petitioners' Letter, "First Antidumping Review of the Antidumping Duty Order on Cold-Drawn Mechanical Tubing from Italy – Petitioners' Pre-Preliminary Results Comments Regarding Dalmine S.p.A.," dated September 25, 2020 (Petitioners Pre-Prelim Comments) at 8-9 and 21-26.

¹⁷ See Dalmine Rebuttal Pre-Prelim Comments at 16-17.

¹⁸ See Preliminary Analysis Memorandum at 4.

¹⁹ See Petitioners Case Brief at 6 and footnote 20.

²⁰ See Dalmine's Letter, "Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from Italy: Section B and C Questionnaire Response," dated November 1, 2019 at accompanying database; see also Dalmine September 11, 2020 SDQR3 at Exhibit Supp3. D6 and accompanying database; and Dalmine Rebuttal Pre-Prelim Comments at 16-17.

²¹ See Dalmine Rebuttal Brief at 6-7; see also Dalmine September 11, 2020 SDQR3 at Exhibit Supp3. D6.

We disagree that Dalmine underreported its cutting costs. When Dalmine moved its cutting costs to the cost database, it also reported additional costs for subject merchandise that was cut but not sold during the POR in order to completely capture those costs, given that the cost database includes all POR production.²² Further, the petitioners acknowledge that Dalmine reported those additional cutting costs.²³ Further, there is no evidence on the record that the reported per-unit amounts are not reliable. Therefore, we have continued to rely on these costs for the final results.

We also disagree with the petitioners that facts otherwise available must be applied to Dalmine's cutting costs to fill a gap in the record. According to section 776(a) of the Act, as amended (the Act), Commerce shall use facts otherwise available in reaching a decision if: (1) necessary information is not available on the record, or (2) an interested party or any other person (A) withholds requested information, (B) fails to provide such information by the deadlines for submission of the information or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782 of the Act, (C) significantly impedes a proceeding, or (D) provides such information but the information cannot be verified as provided by section 782(i) of the Act.

In this review, the petitioners claim that Dalmine's reported information is deficient and unreliable, and that despite given an opportunity to correct its deficiencies, Dalmine did not provide necessary information to remedy its reporting.²⁴ This conclusion is not supported by the record. Dalmine responded to all questions regarding its cutting costs, did not withhold information, and did not fail to provide the requested information in the form and manner required.²⁵ Dalmine timely filed its section D questionnaire response,²⁶ and it timely responded to a supplemental questionnaire regarding its cutting costs, providing supporting exhibits and a revised cost database.²⁷ After receiving this submission, Commerce did not identify any further deficiencies that Dalmine needed to resolve. Therefore, we find there is no gap in the record regarding these costs.²⁸ Accordingly, the use of facts otherwise available is not warranted, and we have continued to rely on Dalmine's cutting costs reported in the cost database.

²² See Dalmine Rebuttal Brief at 14-16; *see also* Dalmine Rebuttal Pre-Prelim Comments at 16-17.

²³ See Dalmine's Rebuttal Brief at Exhibit 1; *see also* Petitioners Case Brief at 8.

²⁴ See Petitioners Case Brief at 7-11.

²⁵ See Dalmine June 23, 2020 SBCDQR at 7-8; *see also* Dalmine September 11, 2020 SDQR3 at 14-16 and Exhibit Supp3. D6.

²⁶ See Dalmine's Letter, "Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel: Section D Questionnaire Response," dated October 29, 2019 (Dalmine October 29, 2019 DQR).

²⁷ See Dalmine October 29, 2019 DQR; *see also* Dalmine September 11, 2020 SDQR3 at Exhibit Supp3. D6 and accompanying database.

²⁸ We also disagree that using the costs in DWAREHU is warranted due to the manner in which they were reported; Dalmine incorrectly reported these costs as sales expenses and not production costs, a fact the petitioners do not dispute. *See* Petitioners Case Brief at 5. We, therefore, find that the costs in the DWAREHU field are not an appropriate proxy for the cutting costs in the cost database, as they do not correctly account for cutting as a cost of production.

Comment 2: Major Input Adjustment for Hollows

During the POR, Dalmine both purchased and self-produced hollows, a major input in the production of subject merchandise. Dalmine purchased its hollows from an affiliated supplier, S.C. Silcotub S.A. (Silcotub). In our *Preliminary Results*, we found that the transfer price of hollows from Dalmine's affiliated supplier was lower than the market price of hollows that Dalmine sold to unaffiliated customers, but higher than Silcotub's adjusted COP.²⁹ We, therefore, made an adjustment to the transfer price for the input to reflect the market price, in accordance with sections 773(f)(2) and (3) of the Act and 19 CFR 351.407(b).

*Petitioners' Comments*³⁰

- Dalmine's transfer price for hollows, reported in the field DIRMAT_SILCO_TP_THE, is inaccurate and inconsistent with information on the record.
- When comparing Silcotub's per-unit costs reported in DIRMAT_SILCO_THE to the per-unit transfer price (reported in DIRMAT_SILCO_TP_THE), the percent difference varies by CONNUM. This discrepancy continues when you compare the extended COP (*i.e.*, the total value of production costs for Silcotub) to the extended transfer prices.
- The percentage difference between the average COP and the average reported transfer price should be the same when one compares the per-unit COP to the per-unit transfer price cost, but that is not the case.
- The record demonstrates that Dalmine's reported transfer prices are not an accurate basis on which to rely when applying the major input rule. As a result, Commerce's calculated adjustment is fundamentally inaccurate.
- Because Dalmine inaccurately reported its transfer prices, Commerce should instead compare Silcotub's average COP to the market price for hollows to make the major input adjustment for the final results.

*Dalmine's Comments*³¹

- The petitioners' methodology to determine the difference between the reported transfer prices/costs and the average transfer prices/costs is flawed. The petitioners disregarded how Dalmine reported its per-unit amounts.
- For the CONNUMs exclusively purchased from Silcotub, the transfer prices equal the average unit transfer prices reported by Dalmine, with some minor differences due to rounding.
- Any differences for the remaining CONNUMs are attributable to the fact that the average costs include costs for both self-produced and purchased hollows.
- The petitioners are incorrect when they claim that Dalmine's transfer prices are understated. The petitioners' comparison between the extended transfer price and extended costs fails to take into account either the full production quantity or the reported variances. When properly extended and starting from the per-unit transfer prices, with the proper variance applied, the result is a nearly identical average transfer price for hollows as reported by Dalmine.

²⁹ See Preliminary Analysis Memorandum at 4.

³⁰ See Petitioners Case Brief at 11-15 and Attachments 3 and 4.

³¹ See Dalmine Rebuttal Brief at 8-14 and Exhibits 2 and 3.

- The petitioners' suggested adjustment relies on the difference between standard costs, without variances, and the market price. This would be an incorrect methodology to follow, and it does not properly adjust for the difference between the transfer and market prices.
- Commerce should continue to apply its methodology for the major input adjustment used in the *Preliminary Results*.

Commerce's Position: For these final results, we are continuing to use an upward adjustment to Dalmine's reported transfer price for its purchased hollows, consistent with the major input rule. As noted above, in our *Preliminary Results*, we found that the transfer price of hollows from Dalmine's affiliated supplier was lower than the market price for Dalmine's sales of hollows to unaffiliated purchasers. We, therefore, made an adjustment to the transfer price for the major input based on the market price for the input.

The purpose of the major input rule is to evaluate whether the purchases of a major input from an affiliate reflect arm's-length transactions. Commerce normally determines whether a transaction is made at arm's length by comparing the transfer price to the market price and to the affiliate's COP, in accordance with sections 773(f)(2) and (3) of the Act.³²

In all cases, available record evidence determines the information that is used as the transfer price and market price in applying the major input rule.³³ Normally for transfer price, Commerce uses the price of the respondent's purchases, directly or indirectly, of inputs or services from affiliated suppliers during the POR. For the market price, Commerce could use the price for the same inputs or services purchased by the respondent from unaffiliated suppliers during the POR. However, if the respondent did not purchase any of the same inputs or services from unaffiliated parties, the market price could be defined as the price the affiliated supplier charged its unaffiliated customers during the POR. Accordingly, in every case, Commerce evaluates the record information to determine appropriate comparisons to use in applying the major input rule.

Commerce's practice, according to 19 CFR 351.407(b), is to determine the value of a major input purchased from an affiliated person based on the higher of: (1) the price paid by the exporter or producer to an affiliated person for the major input; (2) the amount usually reflected in the sales of the major input in the market under consideration; or (3) the cost to the affiliated person of producing the major input.³⁴

In this review, Dalmine has provided its purchase price of hollows from an affiliated supplier (*i.e.*, its transfer price), its sales price for hollows to unaffiliated customers (*i.e.*, a market price), and the affiliated supplier's COP.³⁵ Dalmine reported each of these values and costs in

³² See 19 CFR 351.207(b).

³³ See *Certain Carbon and Alloy Steel Cut-to-Length Plate from the Federal Republic of Germany: Final Determination of Sales at Less Than Fair Value*, 82 FR 16360 (April 4, 2017), and accompanying IDM at Comment 31.

³⁴ See 19 CFR 351.407(b).

³⁵ See Dalmine September 11, 2020 SDQR3 at 6-12.

accordance with requests made by Commerce.³⁶ With respect to the transfer price, Dalmine reported the actual purchases of hollows from Silcotub during the POR, which it supported with source documentation.³⁷ We disagree that the petitioners' analysis demonstrates that these prices are inaccurate; the petitioners do not take into account all POR purchases when recalculating Dalmine's transfer price and Silcotub's costs; instead, the petitioners only account for the amounts reported in the cost database (which, as noted below, are not the appropriate starting point).

The petitioners do not reference any deficiency with Dalmine's books and records that were used as part of its reporting methodology.³⁸ Rather, their argument is that the percentage difference between the reported per-unit transfer price and affiliate's per-unit COP varies across CONNUMs when comparing the per-unit values in the cost database to the reported average transfer price and average COP.³⁹ We disagree with the petitioners that Dalmine's transfer price is unreliable for several reasons. First, the petitioners fail to account for the fact that Dalmine reported its costs for hollows as a combination of the cost of its own self-produced inputs and the transfer price of hollows purchased from Silcotub; this created variations between the transfer prices and the reported CONNUM-specific weight-averaged costs. We agree with Dalmine, when this difference in methodology is taken into account, the transfer prices and costs reconcile.⁴⁰ Despite raising this point prior to the *Preliminary Results*, the petitioners have not refuted Dalmine's conclusion that the mix of hollow prices and Dalmine's own costs leads to the small difference between the CONNUMs.⁴¹

The petitioners also allege that Dalmine improperly reported its transfer price, after comparing the percentage difference between: (1) the reported per-unit COP and per-unit transfer price; (2) the affiliate's extended COP and extended transfer price; and (3) the average transfer price and the average COP. According to the petitioners, the percentage differences across these three comparisons should be roughly the same. However, we disagree. In their comparisons, the petitioners fail to extend the values over the total production during the POR prior to averaging (for the extended comparison), and they fail to account for the variances used to restate standard costs to actual costs.⁴²

The petitioners raised this same issue prior to the *Preliminary Results* and Dalmine rebutted these same arguments then.⁴³ In their case briefs, the petitioners had an opportunity to address Dalmine's explanation, but they did not do so. Instead, the petitioners reiterated the same flawed understanding of Dalmine's reporting to support their argument, which we find unpersuasive.

³⁶ See Dalmine June 23, 2020 SBCDQR at 8 and Exhibit Supp. D1; see also Dalmine September 11, 2020 SDQR3 at Exhibit Supp3. D5.

³⁷ See Dalmine June 23, 2020 SBCDQR at 8 and Exhibit Supp. D1.

³⁸ See Dalmine June 23, 2020 SBCDQR at Exhibit Supp. D1; see also Dalmine September 11, 2020 SDQR3 at Exhibit Supp3. D5.

³⁹ See Petitioners Case Brief at 13-15.

⁴⁰ See Dalmine Rebuttal Brief at 12-13 and Exhibit 2; see also Dalmine September 11, 2020 SDQR3 at Exhibit Supp3. D1; and Dalmine Rebuttal Pre-Prelim Comments at Attachment 1.

⁴¹ See Dalmine Rebuttal Pre-Prelim Comments at 9-10 and Attachment 1.

⁴² See Petitioners Case Brief at 15; see also Dalmine September 11, 2020 SDQR3 at Exhibit Supp3. D3 and attached database.

⁴³ See Petitioners Pre-Prelim Comments at 9-11; see also Dalmine Rebuttal Pre-Prelim Comments at 6-9.

We, therefore, disagree with the petitioners that the transfer price reported by Dalmine is unsuitable for use in the major input adjustment. Nothing on the record shows Dalmine's reported transfer price to be deficient or unreliable. The petitioners cite no case precedent or record information supporting their claims. The petitioners attempt to recalculate Dalmine's transfer price is severely flawed, and Dalmine has clearly and adequately addressed each alleged deficiency in the petitioners' analysis.

Furthermore, the petitioners do not call into question Dalmine's calculation methodology for the affiliate's COP, only the inaccurate reporting of the transfer price for purchased hollows.⁴⁴ However, when calculating the extended transfer price and COP, the petitioners recalculated the affiliate's per-unit COP using the same calculation methodology they used to show alleged problems with the per-unit values reported for the transfer price. The petitioners then later ask Commerce to calculate the major input adjustment using Silcotub's reported COP and Dalmine's reported market price.⁴⁵ We disagree that this is appropriate; the proper comparison is between either the transfer price and the affiliated supplier's COP or the transfer price and the market price, with the adjustment based on the higher of the two differences. As we are adjusting the respondent's reported costs, not the supplier's costs, it would be an error to make the comparison as suggested by the petitioner. Further, as explained above, these recalculations are based on a misunderstanding of how Dalmine reported its transfer price and the affiliate's COP. We do not find Dalmine's reported transfer price to be deficient, and because it is higher than its affiliate's COP, we continue to use Dalmine's reported transfer price and compare it to the market price for hollows in our major input analysis. Therefore, we disagree that Commerce should use Silcotub's COP as the starting point for the major input analysis for these final results.

As a result, we continue to value hollows at the market price for hollows sold by Dalmine to its unaffiliated customers, because it is higher than the transfer price for hollows purchased from Silcotub. In other words, we continue to adjust the transfer price reported by Dalmine for its purchased hollows to reflect the higher market price for the same input in applying the major input rule for these final results.

Comment 3: Correct LOT Variables

In the *Preliminary Results*, we determined that Dalmine's home market LOT was not at a more advanced stage of distribution than its CEP sales. Thus, we did not grant Dalmine a CEP offset or an LOT adjustment, pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f). Neither party argues that Commerce should change this finding for these final results.

*Dalmine's Comments*⁴⁶

- Dalmine reported multiple LOTs in both the home and U.S. markets under the fields LOTH/U. Although Commerce determined that there is only one LOT in each markets, Commerce did not revise the reported data to set LOTH/U to the same value.
- Commerce should either exclude the LOTH/U variables Dalmine reported or recode the LOTH/U variables to reflect the single LOT in both markets.

⁴⁴ See Petitioners Case Brief. at 14.

⁴⁵ *Id.* at 15.

⁴⁶ See Dalmine Case Brief at 1-3.

*Petitioners' Comments*⁴⁷

- The *Preliminary Results* need not be changed. Dalmine's request to change the LOTH/U variable used by Commerce is unnecessary as Commerce correctly disallowed the LOT adjustment and CEP offset by setting the necessary fields to "NO."
- The LOT programming correctly identifies that there was only one LOT in both the home market and U.S. market.

Commerce's Position: We agree with Dalmine that changing the LOTH/U variable to be equal to "NA" is appropriate for these final results.

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales at the same LOT as the U.S. sales. Commerce will grant a CEP offset under section 773(a)(7)(B) of the Act if it determines that the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability (*i.e.*, no LOT adjustment is possible).⁴⁸ We determined in the *Preliminary Results* that sales to the home market during the POR were made at the same LOT as sales to the United States.⁴⁹ Because Dalmine's home market LOT is not at a more advanced stage of distribution than Dalmine's U.S. LOT, as required by section 773(a)(7)(B) of the Act, we also found that a CEP offset is not warranted. No party is arguing that Commerce should reexamine this determination and we continue to find that substantial record evidence supports our finding that sales to the U.S. and home markets during the POR were made at the same LOT.⁵⁰

The petitioners argue that, since Commerce did not grant an LOT adjustment or CEP offset to Dalmine, any change to the LOTH/U variables is unnecessary. However, this is incorrect because it fails to address the fact that the programs use LOTH/U to compare and match U.S. sales to NV. If there is more than one LOT reported in the LOTH/U fields, the programs will calculate a difference in LOTs between the home and U.S. market sales, and any differences will factor into the matching of U.S. sales to NV.⁵¹ Since we are continuing to find that a single LOT exists in both markets, the LOTH/U variables in the program must be set to the same value to correctly reflect our finding and to allow the program to properly match U.S. sales to NV. Therefore, for these final results, we are setting the LOTH/U variables to "NA" in accordance with our finding that a single LOT exists in both markets.

⁴⁷ See Petitioners Rebuttal Brief at 1-3.

⁴⁸ See, e.g., *Certain Hot-Rolled Steel Flat Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review*; 2016-2017, 84 FR 32720 (July 9, 2019), and accompanying IDM at Comment 16; see also *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not to Revoke Antidumping Duty Order in Part*, 75 FR 50999 (August 18, 2010), and accompanying IDM at Comment 7.

⁴⁹ See *Preliminary Results* PDM at 10-12.

⁵⁰ *Id.*

⁵¹ See *Circular Welded Carbon-Quality Steel Pipe from the United Arab Emirates: Final Results of Antidumping Duty Administrative Review*; 2017-2018, 85 FR 77159 (December 1, 2020), and accompanying IDM at Comment 3.

Comment 4: Ministerial Error Regarding Inventory Carrying Costs

In the *Preliminary Results*, we included the inventory carrying costs (INVCARU) in the calculation of CEP expenses in its original Euro denomination.

*Petitioners' Comments*⁵²

- Commerce converted a number of expenses in the U.S. sales database from Euros to USD and inadvertently excluded the INVCARU variable from this conversion. By not converting INVCARU to USD, Commerce understated the deduction to U.S. sales price for CEP selling expenses.
- To correct this error, Commerce should convert INVCARU from Euros to USD and include the USD-denominated INVCARU in the margin program accordingly.

*Dalmine's Comments*⁵³

- Dalmine agrees with the petitioners that Commerce did not convert INVCARU, reported in Euros, to USD.
- Commerce should make the petitioners' suggested changes.

Commerce's Position: We agree that we did not convert INVCARU from Euros to USD in the *Preliminary Results*. We have corrected the programming language to convert INVCARU to USD for purposes of the final results.

VI. RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting all of the above positions. If this recommendation is accepted, we will publish the final results of this administrative review in the *Federal Register*.



Agree



Disagree

X



Signed by: CHRISTIAN MARSH

Christian Marsh
Acting Assistant Secretary
for Enforcement and Compliance

⁵² See Petitioners Case Brief at 16-17.

⁵³ See Dalmine Rebuttal Brief at 14-15.