

MEMORANDUM TO: Joseph A. Spetrini  
Acting Assistant Secretary  
for Import Administration

FROM: Barbara E. Tillman  
Acting Deputy Assistant Secretary  
for Import Administration

SUBJECT: Stainless Steel Butt-Weld Pipe Fittings from Korea: Issues and  
Decision Memorandum for the 2003 - 2004 Administrative Review

#### SUMMARY

We have analyzed the comments of Sungkwang Bend Company<sup>1</sup> in the 2003 - 2004 administrative review of the antidumping duty order covering stainless steel butt-weld pipe fittings from Korea. As a result of our analysis, we have made changes in the margin calculations. We recommend that you approve the positions we have developed in the "Discussion of Issues" section of this Issues and Decision Memorandum. Below is the complete list of the issues in this administrative review for which we received comments:

1. Addition of Billing Adjustments to U.S. Price
2. Revisions to the Model Match Program, Use of the Concordance Submitted by Sungkwang Bend Company
3. Inventory Carrying Costs

---

<sup>1</sup>Sungkwang Bend Company is the sole respondent and the only party to submit comments.

## BACKGROUND

On March 7, 2005, the Department of Commerce (the Department) published the preliminary results of administrative review of the antidumping duty order covering stainless steel butt-weld pipe fittings from Korea. See Stainless Steel Butt Weld Pipe Fittings from Korea; Notice of Preliminary Results of Antidumping Duty Administrative Review, 70 FR 10982 (March 7, 2005) (Preliminary Results). The merchandise covered by this order is stainless steel butt-weld pipe fittings as described in the “Scope of the Order” section of the Federal Register notice. The period of review (POR) is February 1, 2003, through January 31, 2004. We invited parties to comment on our Preliminary Results. This review covers Sungkwang Bend Company Ltd. (SKBC).

In response to our Preliminary Results, we received a case brief from SKBC. We received no rebuttal briefs.

### *Comment 1: Addition of Billing Adjustments to U.S. Price*

In the preliminary results, the Department subtracted from U.S. price the billing adjustments reported by SKBC. SKBC contends that the Department should properly have added these billing adjustments to the U.S. Price because these billing adjustment were 1) not reflected in U.S. Price and 2) represented an additional charge for payment of U.S. duties.

### **Department’s Position:**

We agree with SKBC. The billing adjustments reported by SKBC represent an additional charge that SKBC’s customer paid to SKBC. (See SKBC May 26, 2004, response at 48). In these final results we have amended our margin program and have added billing adjustments to the U.S. price.

### *Comment 2: Use of the Concordance Submitted by Sungkwang, Weighting of Size and Wall Thickness in Model Match Program, Selection of Contemporaneous Month*

SKBC contends that the Department should base its model match selections upon the concordance provided by SKBC in its April 7, 2004 questionnaire. SKBC contends that the model match program utilized by the Department resulted in instances wherein the Department failed to match U.S. merchandise with the most similar available home market model. SKBC contends that such errors resulted from the Department’s use of fractions to determine nominal size and wall thickness codes. SKBC notes that the Department’s model match program rounded any difference in such fractions to the nearest whole number. (For instance, SKBC observes that this results in the model match program treating home market merchandise with nominal sizes of ½ inch and ¾ inch as equally similar to U.S. merchandise with a nominal wall thickness of ½ inch.)

Should the Department continue to use the model match program utilized in its preliminary results, SKBC asserts that the Department should use whole number weight values to represent the nominal size and wall thickness. At attachment 1 of its April 6, 2005 brief, SKBC provided suggested programming code to correct the treatment of the size and wall thickness variables. SKBC further asserts that the Department should revise its model match program to ensure that the model match program utilizes matches in the most contemporaneous home market month.

**Department's Position:**

We agree in part with SKBC. Our standard practice is to match U.S. sales to home market merchandise according to the following selection criteria: type, grade, seam, size and schedule. (See, e.g., Preliminary Results at 10983.) To make these merchandise selections, the Department utilizes a model-match program in order to 1) select the most comparable home market (or third-country) model from the models available for comparison purposes, and 2) to ensure consistency of practice from review to review. Accordingly, in these final results we have continued to rely upon our model-match program rather than the concordance data provided by SKBC.

However, we agree with SKBC that we should modify our programming language to ensure we properly distinguish between fittings with fractional size or wall thickness measurements. To effect this, we have incorporated the suggested programming language set forth at Attachment 1 of SKBC's April 6, 2005 case brief. We also agree with SKBC concerning selection of the most contemporaneous home market sale. We have adjusted our final model match program accordingly. In this final model match program we have included language from our standard computer program that corrects the error in selecting the most contemporaneous model mentioned by SKBC.

*Comments 3: Inventory Carrying Costs*

SKBC contends that the Department's established practice is to limit deductions for inventory carrying costs to those inventory carrying costs incurred within the United States. Because all of the inventory costs incurred by SKBC were accumulated in Korea, SKBC asserts that the Department should remove the deduction for this variable (DINVARCU) from U.S. price.

**Department's Position:**

We agree with SKBC. Section 351.402(b) of the Department's regulations directs the Department to "make adjustments for expenses associated with commercial activities in the United States that relate to the sale to an unaffiliated purchaser, no matter where or when paid." Also, the *Statement of Administrative Action* (SAA) at 823 indicates that "constructed export price will be calculated by reducing the price of the first sale to an unaffiliated customer in the United States by the amount of the following expenses (and profit) associated with economic activities occurring within the United States." The Department considers inventory carrying costs incurred in the home market on sales to an affiliated party in the United States to be unrelated to economic activity in the United States within the meaning of the SAA. (See, e.g.,

Certain Stainless Steel Butt-Weld Pipe Fittings from Taiwan: Final Results and Final Recission in Part of Antidumping Duty Administrative Review, 68 FR 69996 (December 16, 2003) at Comment 9. Consistent with past precedent, we have made no deduction from the U.S. price for home market inventory carrying costs.

### **Recommendation**

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

Agree \_\_\_\_\_

Disagree \_\_\_\_\_

Let's Discuss \_\_\_\_\_

\_\_\_\_\_  
Joseph A. Spetrini  
Acting Assistant Secretary  
for Import Administration

\_\_\_\_\_  
Date