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International Trade Administration
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Admin Review 2011-12

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May 31, 2013

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

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

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping
Duty Administrative Review: Welded Carbon Steel Standard Pipe
and Tube Products from Turkey; 2011-2012 Administrative
Review

SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on welded carbon steel standard pipe and tube products from Turkey (welded pipe and tube). The review covers the following four producers/exporters of the subject merchandise:

- Borusan Group and all affiliates (Borusan Mannesmann Boru Sanayi ve Ticaret A.S., Borusan Istikbal Ticaret T.A.S., Borusan Holding A.S., and Borusan Lojistik Dagitim Depolama Tasimacilik ve Tic A.S. (collectively, Borusan));
- ERBOSAN Erciyas Boru Sanayi ve Ticaret A.S. (Erbosan);
- Toscelik Profil ve Sac Endustisi A.S., Toscelik Metal Ticaret A.S., Tosyali Dis Ticaret A.S. (collectively, Toscelik);
- the Yucel Group and all affiliates (Cayirova Boru Sanayi ve Ticaret A.S., Yucel Boru ve Profil Endustrisi A.S., and Yucelboru Ihracat Ithalat ve Pazarlama A.S. (collectively, Yucel)).



The period of review (POR) is May 1, 2011 through April 30, 2012. We preliminarily find Borusan sold welded pipe and tube in the United States below normal value (NV). We also preliminarily find Erbosan did not sell subject merchandise below NV during the POR.

Background

Pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), and in accordance with 19 CFR 351.213(b)(2), Borusan and Erbosan both requested a review of their shipments on May 31, 2012. On the same date, domestic interested party U.S. Steel Corporation (U.S. Steel) and petitioner Wheatland Tube Company (Wheatland) requested reviews of Borusan, Toscelik, and Yucel, in accordance with 19 CFR 351.213(b)(1).¹ Additionally, Wheatland requested a review of Erbosan. U.S. Steel submitted a clarification of its review request on June 14, 2012, specifying which affiliates of Borusan, Toscelik and Yucel should properly be subject to review. On July 10, 2012, the Department published a notice of initiation of administrative review of the antidumping duty order on welded pipe and tube from Turkey. See Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part, 77 FR 40565, 40572 (July 10, 2012).

On August 20, 2012, both Toscelik and Yucel submitted letters claiming they had no sales, shipments or entries of subject merchandise during the POR.²

On November 13, 2012, the Department exercised its discretion to toll deadlines for the duration of the closure of the federal government from October 29 through October 30, 2012.³ As a result, the revised deadline for the preliminary results was extended to February 2, 2013. Further, on January 11, 2013, in accordance with section 751(a)(3)(A) of the Act, the Department extended the due date for the preliminary results by an additional 120 days to June 2, 2013. However, because June 2, 2013 is a Sunday, the preliminary results became due on June 3, 2013.

Scope of the Order⁴

The products covered by this order is welded carbon steel standard pipe and tube products with an outside diameter of 0.375 inch or more but not over 16 inches of any wall thickness, and are currently classified under the following Harmonized Tariff Schedule of the United States (HTSUS) subheadings: 7306.30.10.00, 7306.30.50.25, 7306.30.50.32, 7306.30.50.40, 7306.30.50.55, 7306.30.50.85, and 7306.30.50.90. Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under

¹ See Letters from Borusan, Erbosan, and U.S. Steel to the Department dated May 31, 2011.

² See Letters from Toscelik and Yucel, both dated August 20, 2012.

³ See Memorandum to the File from Victoria Cho dated November 13, 2012, and the accompanying memorandum from Paul Piquado, Assistant Secretary for Import Administration, regarding "Tolling of Administrative Deadlines As a Result of the Government Closure During Hurricane Sandy," dated October 31, 2012.

⁴ Beginning in 1996, we note we inadvertently used an incorrect case name and incorrect scope language in many of our notices in this proceeding. The Department is now using the original and correct case name and scope in this segment, as reflected in the original 1986 order. *See Antidumping Duty Order; Welded Carbon Steel Standard Pipe and Tube Products from Turkey*, 51 FR 17784 (May 15, 1986).

investigation is dispositive. These products, commonly referred to in the industry as standard pipe or tube, are produced to various ASTM specifications, most notably A-120, A-53 or A-135.

Preliminary Determination of No Shipments

As noted above, the Department received timely submissions from Toscelik and Yucel reporting that they did not sell or export the subject merchandise to the United States during the POR.⁵ We transmitted a “No-Shipment Inquiry” to U.S. Customs and Border Protection (CBP) regarding these companies on September 19 (Yucel) and September 24, 2012 (Toscelik).⁶ In response to these inquiries, the Department received no notification from CBP of entries of subject merchandise by either Yucel or Toscelik. No other record evidence suggests shipments by either company. Accordingly, based on record evidence, we preliminarily determine that Toscelik and Yucel had no shipments during the POR.

In our May 6, 2003, “automatic assessment” clarification, we explained that, where respondents in an administrative review demonstrated that they had no knowledge of sales through resellers to the United States, we would instruct CBP to liquidate such entries at the rate for the intermediate reseller or at the all-others rate applicable to the proceeding.⁷ Because “as entered” liquidation instructions do not alleviate the concerns that the Assessment Policy Notice was intended to address, instead of rescinding the review with respect to Toscelik and Yucel, we find it appropriate to complete the review and issue liquidation instructions to CBP concerning entries for Toscelik and Yucel following issuance of the final results of review. If we continue to find that Toscelik and Yucel had no shipments of subject merchandise in the final results, we will instruct CBP to liquidate any existing entries of merchandise produced by Toscelik and Yucel, but exported by other parties, at the rate for the intermediate reseller, if available, or at the all-others rate.⁸

Verification

As provided in section 782(i)(3) of the Act, and in accordance with 19 CFR 351.307(b)(1)(v), the Department conducted verifications of Borusan’s sales and cost information from April 8 to April 16, 2013. We conducted the verifications in Turkey using standard verification procedures, including examination of relevant cost of production (COP), sales, and financial records, and selection of original documentation containing relevant information. The Department issued its findings in reports dated May 14, 2013, and June 3, 2013.⁹

⁵ See the no-shipment letters filed by Toscelik and Yucel on August 20, 2012.

⁶ See CBP Messages No. 2268302, dated September 19, 2012 (Yucel) and No. 2268301, dated September 24, 2012 (Toscelik).

⁷ See Antidumping and Countervailing Duty Proceedings: Assessment of Antidumping Duties, 68 FR 23954 (May 6, 2003) (Assessment Policy Notice).

⁸ See, e.g., Magnesium Metal From the Russian Federation: Preliminary Results of Antidumping Duty Administrative Review, 75 FR 26922, 26923 (May 13, 2010), unchanged in Magnesium Metal From the Russian Federation: Final Results of Antidumping Duty Administrative Review, 75 FR 56989 (September 17, 2010).

⁹ See Memorandum to the File entitled “Verification of the Sales Response of Borusan Mannesmann Boru Sanayi ve Ticaret A.S.: Antidumping Review of Certain Welded Carbon Steel Pipe and Tube from Turkey,” dated May 14, 2013 and Memorandum to the File entitled “Verification of the Cost Response of Borusan Mannesmann Boru Sanayi ve Ticaret A.S. in the Antidumping Review of Welded Carbon Steel Standard Pipe and Tube Products from Turkey” dated June 3, 2013.

Comparisons to Normal Value

Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.414(c)(1) and (d)(2012), to determine whether Borusan and Erbosan sales of subject merchandise from Turkey to the United States were made at less than NV, the Department compared the export price (EP) to the NV as described in the “Export Price” and “Normal Value” sections of this memorandum.

A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1) (2012), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average export prices (or constructed export prices) (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping investigations, the Department examines whether to use the average-to-transaction method as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department's examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping investigations.¹⁰ In recent proceedings, the Department has applied a “differential pricing” analysis for determining whether application of average-to-transaction comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.¹¹ The Department finds the differential pricing analysis used in those recent proceedings may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the average-to-average method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of export prices for comparable merchandise that differs significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported

¹⁰ See Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews: 2010–2011, 77 FR 73415 (December 10, 2012).

¹¹ See Memoranda to Paul Piquado, Assistant Secretary for Import Administration, from Abdelali Elouaradia, Director of AD/CVD Operations Office 4, entitled “Less Than Fair Value Investigation of Xanthan Gum from Austria: Post-Preliminary Analysis and Calculation Memorandum,” “Less Than Fair Value Investigation of Xanthan Gum from the People's Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Neimenggu Fufeng Biotechnologies Co., Ltd. (aka Inner Mongolia Fufeng Biotechnologies Co., Ltd.) and Shandong Fufeng Fermentation Co., Ltd.,” and “Less Than Fair Value Investigation of Xanthan Gum from the People's Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Deosen Biochemical Ltd,” all dated March 4, 2013.

customer names. Regions are defined using the reported destination code (*i.e.*, city name) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region and time period, that the Department uses in making comparisons between export price and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s *d* test is applied when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is calculated to evaluate the extent to which the net prices to a particular purchaser, region or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant if the calculated Cohen’s *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

Next, the “ratio test” assesses the extent of the significant price differences for all sales as measured by the Cohen’s *d* test. If the value of sales to purchasers, regions, and time periods that passes the Cohen’s *d* test accounts for 66 percent or more of the value of total sales, then the identified pattern of EPs that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that passes the Cohen’s *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen’s *d* test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen’s *d* test. If 33 percent or less of the value of total sales passes the Cohen’s *d* test, then the results of the Cohen’s *d* test do not support consideration of an alternative to the average-to-average method.

If both tests in the first stage (*i.e.*, the Cohen’s *d* test and the ratio test) demonstrate the existence of a pattern of export prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, we examine whether using only the average-to-average method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative method, based on the results of the Cohen’s *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two

calculations is meaningful, this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if (1) there is a 25 percent relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method when both results are above the de minimis threshold, or (2) the resulting weighted-average dumping margin moves across the de minimis threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

B. Results of the Differential Pricing Analysis

For Borusan, based on the results of the differential pricing analysis, the Department preliminarily finds that 77.22 percent of Borusan's export sales pass the Cohen's *d* test, and confirms the existence of a pattern of export prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. Further, the Department preliminarily determines the average-to-average method cannot appropriately account for such differences because the resulting weighted-average dumping margin calculated using the average-to-average method and an alternative method based on applying the average-to-transaction method to all U.S. sales moves above the de minimis threshold. Accordingly, the Department preliminarily determines to use the average-to-transaction method for all U.S. sales to calculate the weighted-average margin of dumping for Borusan.

For Erbosan, based on the results of the differential pricing analysis, the Department finds that none of Erbosan's export sales pass the Cohen's *d* test, and does not confirm the existence of a pattern of export prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. Therefore, the Department has not considered whether the average-to-average method can account for such differences, and no additional argument to the contrary has been placed on the record. Accordingly, the Department has determined to use the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Erbosan.

Product Comparisons

In accordance with section 771(16) of the Act, we compared prices for products sold in the U.S. market with prices for products sold in the home market which were either identical or most similar in terms of the physical characteristics. In the order of importance, these physical characteristics are grade, nominal pipe size, wall thickness, surface finish, and end finish.

Date of Sale

Section 351.401(i) of the Department's regulations states that the Department normally will use the date of invoice, as recorded in the producer's or exporter's records kept in the ordinary course of business, as the date of sale. The regulation provides further that the Department may

use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established.

Erbosan reported the date of the commercial invoice to the U.S. customer as the date of sale for its U.S. sales. However, we have used the date of the pro forma invoice to the U.S. customer as the date of sale because the material terms of sale were set by that date and there were no changes to price, quantity or other terms of sale to any of Erbosan's U.S. sales after its signing.¹²

With respect to Borusan's U.S. sales, record evidence indicates that the contract date is the date that best reflects when the material terms of sale are set. See Borusan's October 9, 2012, section A submission at A-26 and its February 20, 2013, submission at 26. Borusan reaches definitive agreement on the material terms of sale (particularly, quantity and price) at the time the final contract is reached. After the contract is finalized, there are no further changes in the material terms of sale.

With respect to both Erbosan's and Borusan's home market sales, consistent with our regulatory presumption, we have used the invoice date as the date of sale because record evidence indicates the invoice date is the date on which prices and quantities are finalized, and no subsequent changes take place. See Erbosan's March 12, 2013, sales supplemental questionnaire response at 4 and Exhibit SA-02 (originally submitted February 20, 2013) and its April 24, 2013, supplemental questionnaire response at 1 and Borusan's October 9, 2012, section A questionnaire response at A-25.

Export Price

For sales to the United States, the Department calculated export price in accordance with section 772(a) of the Act because the merchandise was sold prior to importation by the exporter or producer outside the United States to the first unaffiliated purchaser in the United States and because constructed export price methodology was not otherwise warranted. We calculated export price based on the "cost-and-freight" price or other basis negotiated with the customer. Where appropriate, we made deductions, consistent with section 772(c)(2)(A) of the Act, for the following movement expenses: domestic inland freight, domestic brokerage and handling, U.S. brokerage and handling, international freight, marine insurance, U.S. duty, and other international movement expenses. No other adjustments were claimed or applied.

Normal Value

A. Home Market Viability as Comparison Market

To determine whether there was a sufficient volume of sales of welded pipe and tube in the home market to serve as a viable basis for calculating NV, the Department compared the volume of the respondents' home market sales of the foreign like product to their volume of U.S. sales of the subject merchandise in accordance with section 773(a) of the Act. Pursuant to section

¹² See Erbosan's January 16, 2013, Section A response at A-15 (originally submitted October 9, 2012). See also Erbosan's March 12, 2013, sales supplemental questionnaire response at 4 and 5 (originally submitted February 20, 2013).

773(a)(1)(B) of the Act, because each of the respondent's aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise, we determined that the home market was viable for comparison purposes for both Borusan and Erbosan.

B. Level of Trade

In accordance with section 773(a)(1)(B) of the Act and the Statement of Administrative Action accompanying the Uruguay Round Agreements Act,¹³ to the extent practicable, the Department determines NV based on sales in the comparison market at the same level of trade as the export price. Pursuant to 19 CFR 351.412(c)(1), the NV level of trade is based on the starting price of the sales in the comparison market or, when NV is based on constructed value, the starting price of the sales from which we derive selling, general, and administrative expenses and profit. For export price sales, the U.S. level of trade is based on the starting price of the sales in the U.S. market, which is usually from the exporter to the importer.

To determine whether comparison market sales are at a different level of trade than export price sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.¹⁴ If the comparison market sales are at a different level of trade and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and the comparison market sales at the level of trade of the export transaction, we make a level of trade adjustment under section 773(a)(7)(A) of the Act.

Erbosan reported that in its home market it sold to wholesalers, retailers, and end-users, but also that the terms of all sales were "ex-factory," and almost all sales were made from inventory. Based on our analysis of the information Erbosan provided, we determine that Erbosan has only one level of trade in its home market. With respect to its U.S. market, Erbosan reported that it produced all sales to order and shipped them directly to its U.S. customers, all of whom were traders/wholesalers. Based on this information, we determine that only one level of trade exists in Erbosan's U.S. market.

Borusan reported that in its home market it sold to trading companies, distributors, industrial end-users, and construction companies. However, there is only one channel of distribution, and prices do not vary between customer categories. In its U.S. market, Borusan sold to only traders/distributors. Based on this information, we determine that only one level of trade exists in both Borusan's home and U.S. markets.

Borusan and Erbosan also provided the Department with information on their selling activities in their home and U.S. markets. We find that Borusan and Erbosan provided virtually the same level of customer support services on their U.S. sales (all of which were EP) as they did on their home market sales, and that the minor differences that do exist do not establish a distinct and separate level of trade. Consequently, the record evidence supports a finding that in both markets Borusan and Erbosan performed essentially the same level of services. While we found

¹³ See H.R. Doc. No. 316, 103d Cong., 2d Sess. 829-831 (1994).

¹⁴ See 19 CFR 351.412(c)(2).

minor differences between the home and U.S. markets, we determine that for both Borusan and Erbosan the EP and the starting price of home market sales represent the same stage in the marketing process, and are, thus, at the same LOT. For this reason, we preliminarily find that an LOT adjustment is not warranted for either Borusan or Erbosan. As there are no CEP sales, no CEP offset is appropriate.

C. Affiliated Party Transactions and the Arm's-Length Test

The Department may calculate NV based on a sale to an affiliated party only if it is satisfied that the price to the affiliated party is comparable to the price at which sales are made to parties not affiliated with the exporter or producer, *i.e.*, sales at arm's-length prices. See 19 CFR 351.403(c). During the POR, Erbosan made some sales to affiliated parties in its home market. To test whether Erbosan's home market sales to affiliated parties were made at arm's-length prices, we compared the prices of sales of comparable merchandise to affiliated and unaffiliated customers, net of all billing adjustments, discounts, movement charges, and direct selling expenses. Pursuant to 19 CFR 351.403(c) and in accordance with our practice, when the prices charged to an affiliated party were, on average, between 98 and 102 percent of the prices charged to unaffiliated parties for merchandise comparable to that sold to the affiliated party, we determined that the sales to the affiliated party were at arm's-length prices. See Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade, 67 FR 69186, 69187 (November 15, 2002). We included in our calculations of NV those sales to affiliated parties that were made at arm's-length prices and excluded those sales that were not made at arm's-length prices. With certain exceptions, because such sales were either consumed by the affiliate or were in insignificant volumes, in accordance with 19 CFR 351.403(d), we did not rely on downstream sales in place of the excluded sales to the affiliate.

D. Cost of Production Analysis

In the last administrative review of the order completed prior to the initiation of this review, the Department disregarded certain home-market sales made by Borusan at prices below the COP.¹⁵ Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that Borusan made sales of the foreign like product in its comparison market at prices below the COP in the current review period. Pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of home market sales by Borusan. Based on our analysis of Borusan's cost data, we preliminarily determine that our quarterly cost methodology is not warranted.¹⁶ Therefore, we have applied our standard methodology of using annual costs based on Borusan's reported data.

With respect to Erbosan, we received a sales-below-cost allegation from petitioner on February 20, 2013. Upon analysis, we determined that the allegation provided a reasonable basis to

¹⁵ See Circular Welded Carbon Steel Pipes and Tubes from Turkey: Notice of Preliminary Results of Antidumping Duty Administrative Review, 77 FR 32508, 32511 (June 1, 2012); unchanged in Circular Welded Carbon Steel Pipes and Tubes from Turkey: Final Results of Antidumping Duty Administrative Review: 2010 to 2011, 77 FR 72818 (December 6, 2012).

¹⁶ See Memo to Neal M. Halper, "Cost of Production and Constructed Value for the Preliminary Results – Borusan Mannesmann Boru Sanayi ye Ticaret A.S.," dated June 3, 2013.

initiate a COP investigation. We initiated this investigation on March 7, 2013.¹⁷ Based on our analysis of Erbosan's cost data, we preliminarily determine that our quarterly cost methodology is not warranted.¹⁸ Therefore, we have applied our standard methodology of using annual costs based on Erbosan's reported data.

1. Calculation of Cost of Production

We calculated the COP on a product-specific basis, based on the sum of the respondent's costs of materials and fabrication for the foreign like product plus amounts for general and administrative expenses, interest expenses, and the costs of all expenses incidental to preparing the foreign like product for shipment in accordance with section 773(b)(3) of the Act.

We relied on Borusan's COP data submitted in its February 19, 2013 response to the Department's supplemental cost questionnaire.

We relied on Erbosan's COP data submitted in its May 6, 2013, response to the Department's supplemental cost questionnaire. We adjusted Erbosan's reported general and administrative expense ratio to include idle capacity losses.¹⁹

2. Test of Comparison Market Sales Prices

On a product-specific basis, we compared the adjusted weighted-average COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales had been made at prices below the COP. In particular, in determining whether to disregard home market sales made at prices below their COP, we examined whether such sales were made within an extended period of time in substantial quantities and at prices which permitted the recovery of all costs within a reasonable period of time, in accordance with sections 773(b)(2)(B), (C), and (D) of the Act. We determined the net comparison market prices for the below-cost test by adjusting the gross unit price for all applicable movement charges, discounts, rebates, billing adjustments, direct and indirect selling expenses, and packing expenses excluding all adjustments for imputed expenses.

3. Results of the Cost of Production Test

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given product were at prices less than the COP, we did not disregard below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent's home market sales of a given product were at prices less than the COP, we disregarded the below-cost sales because (1) they were made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act and (2) based on our comparison of prices to the weighted average of the COPs,

¹⁷ See memorandum from the Team to Richard Weible, "Petitioner Wheatland Tube Company's Allegation of Sales Below the Cost of Production for Erbosan Boru Sanayi ve Ticaret A.S.," dated March 7, 2013.

¹⁸ See memorandum to Neil M. Halper "Cost of Production and Constructed Value for the Preliminary Results – Erbosan Ercivas Boru Sanayi ve Ticaret A.S.," dated June 3, 2013.

¹⁹ For a detailed explanation of this adjustment, see *id.*

they were at prices which would not permit the recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act. Because we are applying our standard annual average cost methodology in these preliminary results, we have also applied our standard cost-recovery test with no adjustments.

Our cost test for Borusan and Erbosan indicated that for home market sales of certain products, more than 20 percent were sold at prices below the COP within an extended period of time and were at prices which would not permit the recovery of all costs within a reasonable period of time. Thus, in accordance with section 773(b)(1) of the Act, we disregarded these below-cost sales in our analysis as outside of the ordinary course of trade and used the remaining sales to determine NV, as well as to calculate selling expenses and profit for constructed value.

E. Calculation of Normal Value Based on Comparison Market Prices

We calculated NV based on the prices Borusan and Erbosan reported for home market sales to unaffiliated customers that we determined were within the ordinary course of trade. As explained above, for Erbosan, we also included home market sales to affiliated parties that were made at arm's-length prices. We adjusted the starting price, where appropriate, for discounts, rebates, billing adjustments, and interest revenue. We also made deductions from NV, consistent with section 773(a)(6)(B)(ii) of the Act, for movement expenses. In addition, we made adjustments for differences in circumstances of sale in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. We made these adjustments, where appropriate, by deducting direct selling expenses incurred on home market sales and adding U.S. direct selling expenses to NV. Direct selling expenses consisted of credit expenses, advertising, warranty expenses, and bank fees. We made an additional adjustment, where appropriate, for duty drawback. We also made adjustments for differences in domestic and export packing expenses in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act. See Borusan and Erbosan Preliminary Analysis Memoranda for further details.

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like products and the subject merchandise. See 19 CFR 351.411(b).

Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. The exchange rates are available on the Import Administration web site at <http://ia.ita.doc.gov/exchange/index.html>.

Recommendation

We recommend applying the above methodology for these preliminary results.

✓

Agree

Disagree

Ronald K Lorentzen

Ronald K. Lorentzen
Acting Assistant Secretary
for Import Administration

May 31, 2013

(Date)