

within the scope of the order (*see Notice of Scope Rulings*, 59 FR 8910 (February 24, 1994); and (4) certain mechanical transfer press parts exported from Japan are outside the scope of the order (*see Notice of Scope Rulings*, 62 FR 9176 (February 28, 1997).)

Verification

As provided in section 782(i) of the Tariff Act of 1930, as amended (the Act), we verified the sales and cost information provided by H&F using standard verification procedures, on-site inspection of the manufacturer's facilities and the examination of relevant sales, financial, and cost accounting records. Our verification results are outlined in the public and proprietary versions of the verification report, which are on file in the Central Records Unit of the Department.

Affiliation of HZC and H&F

HZC owns significantly more than 50 percent of H&F. Accordingly, we preliminarily find HZC and H&F to be affiliated pursuant to sections 771(33)(E) and (G) of the Act.

Collapsing HZC and H&F

Section 351.401(f) of the Department's regulations outlines the criteria for collapsing (*i.e.*, treating as a single entity) affiliated producers. Pursuant to section 351.401(f), the Department will treat two or more affiliated producers as a single entity where (1) those producers have production facilities for similar or identical products that would not require substantial retooling of either facility in order to restructure manufacturing priorities, and (2) the Department concludes that there is a significant potential for the manipulation of price or production. Pursuant to section 351.401(f)(2), in identifying a significant potential for the manipulation of price or production, the Department may consider the following factors:

- (i) The level of common ownership;
- (ii) The extent to which managerial employees or board members of one firm sit on the board of directors of an affiliated firm; and,
- (iii) Whether operations are intertwined, such as through the sharing of sales information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers.

To establish the first prong of the collapsing test, pursuant to section 351.401(f)(1), the producers must have production facilities equipped to manufacture similar or identical products that would not require

substantial retooling of either facility to restructure manufacturing priorities. H&F maintains a production facility that produces MTPs in Fukui Prefecture and another facility at Kanazu Town that produces press accessories. HZC owns two subsidiaries that sometimes fabricate significant MTP components: Hitachi Zosen Diesel and Engineering Co., Ltd. (HZD&E) and IMEX Corporation. HZD&E, which is wholly owned by HZC, is capable of manufacturing complete MTPs, according to the H&F's response.

With regard to common ownership, which is one of the factors to be considered under 19 CFR 351.401(f)(2)(i), HZC owns significantly more than 50 percent of H&F's voting stock.

Finally, with regard to 19 CFR 351.401(f)(2)(iii), there are intertwined operations between companies. According to section A of the July 2, 2001 response for the 2000–2001 administrative review, HZC's and H&F's press businesses were integrated in July 1999. The former HZC engineers moved to a newly created Large Presses Department. *See* "Memorandum from Jacqueline Arrowsmith to the File: Mechanical Transfer Presses from Japan," dated February 25, 2003, placing this information on the record of this review. Moreover, HZC sometimes acts as the nominal 'reseller' for H&F's MTPs; for these 'resales,' HZC does not perform any selling functions; it merely allows H&F to use its name for consideration in order to inspire the customer's confidence.

Based upon our review of the level of common ownership and the intertwined operations, we preliminarily find that collapsing of these two entities under 19 CFR 351.401(f) is appropriate in this case.

Normal Value Comparisons

To determine whether respondents' exports of the subject merchandise to the United States were made at less than NV, we compared export price (EP) to NV, as described in the "Export Price" and "Normal Value" sections of this notice.

Export Price

In accordance with section 772(a) of the Act, EP is the price at which subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside the United States to an unaffiliated purchaser for export to the United States. For purposes of this administrative review, HZC/H&F has classified its sales as EP. Based on the fact that HZC/H&F sold the subject

merchandise to unaffiliated trading companies in Japan prior to importation into the United States, we preliminarily determine that HZC/H&F's sales were EP sales. Furthermore, we found no evidence that treating these sales as constructed export price sales is warranted. We calculated EP for HZC/H&F based on the packed, freight prepaid price to the U.S. customer. We made deductions from the starting price for foreign inland freight, foreign inland insurance, foreign brokerage and handling, international freight, marine insurance, U.S. inland freight, U.S. inland brokerage and handling, and supervision installation expenses, in accordance with section 772(c)(2) of the Act.

Normal Value

While the home market is viable, in accordance with precedent in this proceeding, we have determined that constructed value (CV) should be used to calculate NV. MTPs are made-to-order, and there are significant physical differences among these machines. For example, when discussing two MTPs with similar ton capacities, H&F officials explained that two particular subject presses had fundamentally different designs because of the number of strikes, even when these MTPs have similar capacities. *See* "Memorandum from Jacqueline Arrowsmith and Doug Campau to the File: Sales and Cost Verification of Hitachi Zosen Corporation & Hitachi Zosen Fukui Corporation in the Antidumping Administrative Review of Mechanical Transfer Presses from Japan," dated January 31, 2003. *See also Mechanical Transfer Presses From Japan; Preliminary Results of Antidumping Duty Administrative Review, and Intent To Revoke, In-Part*, 63 FR 10363 (March 7, 2002); *Mechanical Transfer Presses From Japan: Final Results of Antidumping Duty Administrative Review and Revocation, in-Part*, 67 FR 35958 (May 22, 2002).

Accordingly, we are using CV as the basis for NV for HZC/H&F, in accordance with section 773(a)(4) of the Act. CV consists of direct materials, direct labor, variable overhead, fixed overhead (yielding total cost of manufacturing), plus selling, general and administrative expenses, net interest expense, profit, and U.S. packing expenses. We subtracted home market direct selling expenses (warranties and credit). We added to CV amounts for direct selling expenses (warranties and credit) for merchandise exported to the United States.