

drawback adjustment. *See, Isibars Calculation Memorandum, Viraj Calculation Memorandum, and Venus Calculation Memorandum* for further details.

## Normal Value

### A. Home Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, whether the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we compared each respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with 19 CFR 404(b)(2). Because each 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 for the subject merchandise, we determined that the home market was viable.

### B. Cost of Production

#### 1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses ("G&A"), and interest expenses, and home market packing costs, where appropriate (*see* the "Test of Comparison Market Sales Prices" section below for treatment of home market selling expenses).

For each respondent, we have implemented a change in practice regarding the treatment of foreign exchange gains and losses. The Department's previous practice was to have respondents identify the source of all foreign exchange gains and losses (*e.g.*, debt, accounts receivable, accounts payable, cash deposits) at both a consolidated and unconsolidated corporate level. At the consolidated level, the current portion of foreign exchange gains and losses generated by debt or cash deposits was included in the interest expense rate computation. At the unconsolidated producer level, foreign exchange gains and losses on accounts payable were either included in the G&A rate computation, or under certain circumstances, in the cost of manufacturing. Gains and losses on accounts receivable at both the consolidated and unconsolidated producer levels were excluded from the COP and CV calculations.

Instead of splitting apart the foreign exchange gains and losses as reported in

an entity's financial statements, we will normally include in the interest expense computation all foreign exchange gains and losses. In doing so, we will no longer include a portion of foreign exchange gains and losses from two different financial statements (*i.e.*, consolidated and unconsolidated producer). Instead, we will only include the foreign exchange gains and losses reported in the financial statement of the same entity used to compute each respondent's net interest expense rate. This approach recognizes that the key measure is not necessarily what generated the exchange gain or loss as opposed to how well the entity as a whole was able to manage its foreign currency exposure in any one currency. As such, for the preliminary results, we included all foreign exchange gains or losses in the interest expense rate computation. We note, however, that there may be unusual circumstances which may cause the Department to deviate from this general practice.

We relied on the COP data submitted by the respondents, except where noted below:

#### *Isibars*

Isibars claimed a startup adjustment for its new bar and rod mill.

Section 773(f)(1)(C)(ii) of the Act authorizes adjustments for startup operations "only where (I) a producer is using new production facilities or producing a new product that requires substantial additional investment, and (II) production levels are limited by technical factors associated with the initial phase of commercial production. For purposes of subclause (II), the initial phase of commercial production ends at the end of the startup period. In determining whether commercial production levels have been achieved, the administering authority shall consider factors unrelated to startup operations that might affect the volume of production processed, such as demand, seasonality, or business cycles." Moreover, the SAA at 836 directs that attainment of peak production levels will not be the standard for identifying the end of the startup period because the startup period may end well before a company achieves optimum capacity utilization. In addition, the SAA notes that Commerce will not extend the startup period so as to cover improvements and cost reductions that may occur over the entire life cycle of the product. The SAA further instructs that a producer's projections of future volume or cost will be accorded little weight, as actual data regarding production are much more reliable than a producer's expectations.

The SAA also notes that the burden is on the respondent to demonstrate its entitlement to a startup adjustment; specifically, the respondent must demonstrate that production levels were limited by technical factors associated with the initial phase of commercial production and not by factors unrelated to startup, such as marketing difficulties or chronic production problems.

In this administrative review, Isibars stated that its new bar and rod mill started trial runs in June 1998. Isibars claims that it began initial commercial production on April 1, 2001, because it was required to do so by its lenders. Isibars notes that it complied with its lenders' requirement even though the plant had not been fully stabilized and it was not able to produce merchandise in commercially feasible quantities. Isibars submitted a startup adjustment based on the theoretical production capacity of the mill based on a 24-hour operation period. As noted above, the SAA directs that attainment of peak production levels will not be the standard for identifying the end of the startup period because the startup period may end well before a company achieves optimum capacity utilization. Based on the information submitted by Isibars, it appears that Isibars reached commercial levels of production prior to the start of the POR. For a more detailed discussion, *see* Memorandum from Nancy Decker through Michael Martin to Neal Halper, "Isibars Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results" memorandum dated February 28, 2003.

In addition, we find that the problems reported by Isibars do not demonstrate that production levels were limited by technical factors associated with the initial phase of commercial production. Rather, we find that these problems primarily appear to be chronic production problems rather than technical factors associated with startup. For a more detailed discussion, *see* Memorandum from Nancy Decker through Michael Martin to Neal Halper, "Isibars Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results" memorandum dated February 28, 2003. Because section 773(f)(1)(C)(ii) of the Act establishes that both prongs of the start-up test must be met before a startup adjustment is warranted, these findings demonstrate that Isibars has failed to meet the second prong of the test, which is sufficient to deny Isibars' claim for a startup adjustment.

As discussed above, we adjusted Isibars', Isinox's and Zenstar's interest expense, G&A expenses, and cost of