

between 1.15 and 1.35 percent, but lower manganese of between 0.20 and 0.80 percent, phosphorus of no more than 0.025 percent, silicon of between 0.20 and 0.50 percent, and sulfur of no more than 0.020 percent. This product is supplied with a hardness of more than Hv 500 guaranteed after customer processing, and is supplied as, for example, "GIN6."⁸

Product Comparisons

In accordance with section 771(16) of the Act, we considered all SSSS products covered by the "Scope of the Review" section of this notice, *supra.*, which were produced and sold by TKAST in the home market during the POR, to be foreign like products for the purpose of determining appropriate product comparisons to U.S. sales of SSSS products. We relied on nine characteristics to match U.S. sales of subject merchandise to comparison sales of the foreign like product (listed in order of preference): (1) Grade; (2) hot/cold rolled; (3) gauge; (4) surface finish; (5) metallic coating; (6) non-metallic coating; (7) width; (8) temper; and (9) edge trim. Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we compared U.S. sales to the next most similar foreign like product on the basis of the characteristics and reporting instructions listed in the Department's questionnaire.

Constructed Export Price

In accordance with section 772(b) of the Act, CEP is the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter.

For purposes of this review, TKAST requested a CEP offset with respect to its CEP sales in the United States. For further discussion on CEP offset, *see* the "Level of Trade" section, *infra.* Based on the information on the record, we preliminarily find that all of TKAST's U.S. sales are appropriately classified as CEP sales. TKAST reported that it sold the subject merchandise in the United States through two channels (*i.e.*, channel one, and channel two). With respect to channel one sales, TKAST reported that these sales are shipped directly from the factory in Italy to the U.S. customer. However, TKAST USA, TKAST's U.S. based affiliated reseller,

serves as the principal point of contact for the U.S. customer. For channel one sales, customers place their orders with TKAST USA, which then places an order with TKAST. Upon confirmation from TKAST, TKAST USA separately issues an invoice to the customer. TKAST USA is solely responsible for collecting payment from the U.S. customer, and separately responsible for paying TKAST for the merchandise. TKAST USA separately invoiced and received payment from those customers. Channel two sales are made from the inventory of TKAST USA. Accordingly, the Department preliminarily determines that TKAST's channel one and two sales were made "in the United States" within the meaning of section 772(b) of the Tariff Act of 1930, as amended ("the Act") and should be treated as CEP transactions, consistent with *AK Steel Corp. v. United States*, 226 F.3d 1361, 1374 (Fed. Cir. 2000).

We calculated CEP in accordance with section 772(b) of the Act. We based CEP on the packed prices to the first unaffiliated purchaser in the United States. We made adjustments to the starting price for billing adjustments, the alloy surcharge, skid charges and freight revenue, where applicable. We also made deductions for the following movement expenses, where appropriate, in accordance with section 772(c)(2)(A) of the Act: International freight, U.S. inland freight from warehouse/plant to the unaffiliated customer, other U.S. transportation expense, U.S. Customs duties, and inland freight from the plant/warehouse to port of exit. In accordance with section 772(d)(1) of the Act, we deducted selling expenses associated with economic activities occurring in the United States, including direct selling expenses, technical services expenses, inventory carrying costs, and other indirect selling expenses.

For U.S. indirect selling expenses, TKAST provided the Department with a recalculated indirect selling expense ratio on page 12 of its May 13, 2003 response. However, TKAST did not revise the computer database to reflect this recalculated ratio; therefore, the Department has revised the computer programs to use the recalculated U.S. indirect selling expense ratio. *See* May 13, 2003 response at page 12 and *Analysis for the Preliminary Results of Review of Stainless Steel Sheet and Strip in Coils from Italy*, ("Analysis Memorandum"), dated July 31, 2003 at 3. In addition, we disallowed TKAST's claimed insurance revenue for certain U.S. sales based on the fact that the insurance payments did not represent additional revenue, but only

reimbursement for the costs associated with these insurance claims. *See CEP Verification Report* at pages 9–14, and *Analysis Memorandum* at 3.

We deducted the profit allocated to expenses deducted under sections 772(d)(1) and (d)(2) in accordance with sections 772(d)(3) and 772(f) of the Act. In accordance with section 772(f) of the Act, we computed profit based on total revenues realized on sales in both the U.S. and home markets, less all expenses associated with those sales. We then allocated profit to expenses incurred with respect to U.S. economic activity, based on the ratio of total U.S. expenses to total expenses for both the U.S. and home market.

Normal Value

After testing home market viability, as discussed below, we calculated normal value ("NV") as noted in the "Price-to-CV Comparisons" and "Price-to-Price Comparisons" sections of this notice.

1. Home Market Viability

In accordance with section 773(a)(1)(c) of the Act, to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is greater than or equal to five percent of the aggregate volume of U.S. sales), we compared TKAST's volume of home market sales of the foreign like product to the volume of its U.S. sales of the subject merchandise. Pursuant to sections 773(a)(1)(B) and (c) of the Act, because TKAST'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 sales in the home market provide a viable basis for calculating NV. We therefore based NV on home market sales in the usual commercial quantities and in the ordinary course of trade.

Thus, we used as NV the prices at which the foreign like product was first sold for consumption in Italy, in the usual commercial quantities, in the ordinary course of trade, and, to the extent possible, at the same level of trade ("LOT") as the constructed export price ("CEP") sales, as appropriate.

2. Arm's-Length Test

TKAST reported that during the POR, it made sales in the home market to affiliated and unaffiliated end users and distributors/retailers. If any sales to affiliated customers in the home market were not made at arm's length prices, we excluded them from our analysis because we considered them to be

⁸ "GIN6" is the proprietary grade of Hitachi Metals America, Ltd.