

outside the ordinary course of trade. To test whether these sales were made at arm's-length prices, we compared on a model-specific basis the starting prices of sales to affiliated and unaffiliated customers, net of all billing adjustments, rebates, movement charges, direct selling expenses, and home market packing. Where prices to the affiliated party were on average 99.5 percent or more of the price to the unrelated party, we determined that sales made to the related party were at arm's length. See 19 CFR 351.403(c).⁹ While TKAST made sales to affiliated parties in the home market during the POR, the Department determined that TKAST only needed to report certain affiliated customer's downstream sales. See Background Section *supra*, and TKAST's October 4, 2002 Section A response at page A-3 through A-4. We ran the arm's length test on the remaining sales to affiliated parties and excluded those sales which failed the arm's length test, but we did not require TKAST to report the downstream sales of these affiliates as TKAST was reporting the downstream sales of affiliate(s) that comprised the vast majority of affiliated sales. See Background Section *supra*. In our home market NV calculation, we have included TKAST's reported downstream sales.

3. Cost of Production

In the original investigation, the Department determined that TKAST made sales in the home market at prices below the COP and, therefore, excluded such sales from NV. See *Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Sheet and Strip in Coils From Italy*, 64 FR 30750, 30754-55 (June 8, 1999). Accordingly, the Department had reasonable grounds to believe or suspect that TKAST made sales in the home market at prices below the COP for this POR. See section 773(b)(2)(A)(ii) of the Act. As a result, pursuant to section 773(b)(1) of the Act, we conducted a COP analysis of home market sales by TKAST.

A. Calculation of the COP

In accordance with section 773(b)(3) of the Act, we calculated the COP based on the sum of TKAST's cost of materials and fabrication for the foreign like product, plus amounts for home market selling, general and administrative expenses ("SG&A"), interest expenses, and packing costs. We relied on the COP data submitted by TKAST in its original

and supplemental cost questionnaire responses and findings at verification.

B. Test of Home Market Prices

We compared the weighted-average COP for TKAST to its home market sales of the foreign like product, as required under section 773(b) of the Act, in order to determine whether these sales had been made at prices below the COP. In determining whether to disregard home market sales made at prices less than the COP, we examined whether such sales were made: (1) In substantial quantities within an extended period of time; and (2) at prices which permitted the recovery of all costs within a reasonable period of time, in accordance with sections 773(b)(1)(A) and (B) of the Act. We compared the COP to home market prices, less any applicable billing adjustments, movement charges, discounts, and direct and indirect selling expenses.

C. Results of the COP Test

Pursuant to section 773(b)(2)(c) of the Act, where less than 20 percent of TKAST's sales of a given product were, within an extended period of time, at prices less than the COP, we did not disregard any 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 TKAST's sales of a given product during the POR were at prices less than the COP, we determined such sales to have been made in "substantial quantities" within an extended period of time, in accordance with sections 773(b)(2)(B) of the Act. In such cases, because we used POR average costs, we also determined that such sales were not made at prices which would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act. We compared the COP for subject merchandise to the reported home market prices less any applicable movement charges. Based on this test, we disregarded below-cost sales. Where all sales of a specific product were at prices below the COP, we disregarded all sales of that product.

D. Calculation of Constructed Value

In accordance with section 773(e)(1) of the Act, we calculated constructed value ("CV") based on the sum of TKAST's cost of materials, fabrication, SG&A (including interest expenses), U.S. packing costs, direct and indirect selling expenses, and profit. In accordance with section 773(e)(2)(A) of the Act, we based SG&A and profit on the amounts incurred and realized by TKAST in connection with the

production and sale of the foreign like product in the ordinary course of trade, for consumption in the foreign country. For selling expenses, we used the actual weighted-average home market direct and indirect selling expenses.

Price-to-Price Comparisons

For those product comparisons for which there were sales at prices above the cost of production ("COP"), we based NV on prices to home market customers. We made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act. Where appropriate, we deducted early payment discounts, rebates, credit expenses, warranty expenses, and inland freight.

We revised the credit expense for sales that had an early payment discount because TKAST reported a payment date based on the terms of payment instead of one reflective of the early payment date. See *Sales and Cost Verification Report* at pages 15-16, and *Analysis Memorandum* at 2. We also revised the reported credit expense for the home market sales which TKAST factored with a financial institution. For the invoices that were factored, the financial institution, usually a bank, "purchased" TKAST's invoices and paid TKAST the value of the invoices at the time of factoring, which occurs about once a month. TKAST then collected payment from the customer, according to the regular payment terms of the sale, and TKAST in turn re-paid the bank. The bank charged two fees for this service, which were a fixed commission based on the value of the invoice and interest. See TKAST's supplemental Section B response dated February 28, 2003, at pages 5 and 6 and *Sales and Cost Verification Report* at 20.

TKAST reported that it was unable to report actual payment dates for its home market sales because the payment information is recorded in an accounts receivable system and cannot be linked directly with the invoicing system. Therefore, in the payment date field in the response, TKAST used the payment term dates and not the date the customer actually paid TKAST. See TKAST's Section B response dated October 15, 2002, at page B-17. Although TKAST cannot electronically track invoices and customer payment dates, we believe TKAST would be able to determine the actual payment date for a sale if it conducted a manual review of its records. See *Sales and Cost Verification Report* at 20.

For this administrative review, we are not requiring TKAST to conduct a manual review of every sale in order to

⁹ Because this review was initiated before November 23, 2002, the 99.5 percent test applies to this review. See *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186, 69197 (November 15, 2002).