

report the actual date on which the customer pays TKAST. However, in any subsequent administrative review, the Department will expect TKAST to report the actual date on which the customer paid TKAST. Also, in this administrative review for the home market credit expense, we used the actual credit expense reported by TKAST, which included the commission and interest expenses actually paid by TKAST to the factoring bank, and allocated it over the home market sales that were factored. We determined this was appropriate because TKAST did not report the payment date on which it was actually paid by the customer, but it did report the actual credit expense, therefore calculating an imputed credit expense is unnecessary. *See Analysis Memorandum* at pages 2–3.

We also adjusted the starting price for billing adjustments, alloy surcharge, skid charges, and freight revenue. In accordance with section 773(a)(6), we deducted home market packing costs and added U.S. packing costs. In accordance with the Department's practice, where all contemporaneous matches to a U.S. sale observation resulted in difference-in-merchandise adjustments exceeding twenty percent of the cost of manufacturing ("COM") of the U.S. product, we based NV on CV.

Price-to-CV Comparisons

In accordance with section 773(a)(4) of the Act, we based NV on CV if we were unable to find a home market match of identical or similar merchandise. We calculated CV based on the costs of materials and fabrication employed in producing the subject merchandise, selling, general and administrative expenses ("SG&A"), and profit. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expense and profit on the amounts incurred and realized by the respondent in connection with the production and sale of the foreign like product in the ordinary course of trade for consumption in Italy. For selling expenses, we used the weighted-average home market selling expenses. Where appropriate, we made adjustments to CV in accordance with section 773(a)(8) of the Act. We deducted from CV the weighted-average home market direct selling expenses.

Level of Trade

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade ("LOT") as the EP or CEP transaction. The NV LOT is that of

the starting-price sales in the comparison market or, when NV is based on CV, that of the sales from which we derive SG&A expenses and profit. For EP sales, the LOT is also the level of the starting-price sale, which is usually from the exporter to the importer. For CEP sales, the LOT is the level of the constructed sale from the exporter to the affiliated importer. *See* 19 CFR 351.412(c)(1). As noted in the "Export Price/Constructed Export Price" section, *supra*, we preliminarily find that all of TKAST's U.S. sales are appropriately classified as CEP sales.

To determine whether NV sales are at a different LOT than EP or CEP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. Substantial differences in selling activities are a necessary, but not sufficient condition for determining that there is a difference in the stage of marketing. *See* 19 CFR 351.412(c)(2). If the comparison market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the LOT of the export transaction, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the differences in the levels between NV and CEP sales affect price comparability, we adjust NV under section 773(A)(7)(B) of the Act (the CEP offset provision). *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731, 61732 (November 19, 1997).

In the present administrative review, TKAST requested a CEP offset. To determine whether a CEP offset was necessary, in accordance with the principles discussed above, we examined information regarding the distribution systems in both the United States and Italian markets, including the selling functions, classes of customer, and selling expenses.

TKAST reported one LOT in the home market, with two channels of distribution: (1) Direct factory sales to end-users, manufacturers, service centers and distributors; and (2) warehouse sales to end-users, service centers and distributors. TKAST performed the same selling functions for sales in both home market channels of distribution, including production guidance, price negotiations, sales calls and services, arranging for freight and

delivery, technical assistance and general selling activities. *See* TKAST's October 4, 2002 Section A response. The only differences are that for warehouse sales, TKAST initiates the sale (whereas direct sales are initiated by either party), and conducts inventory maintenance, and that warehouse sales typically carry no guarantee or warranty. Accordingly, because these selling functions are substantially similar for both channels of distribution, we preliminarily determine that there is one LOT in the home market.

TKAST reported two channels of distribution for the U.S. market: (1) Direct factory sales through TKAST USA to end-users and service centers; and (2) warehouse sales from the inventory of TKAST USA to end-users and service centers. We reviewed the selling functions and services performed by TKAST in the U.S. market, as represented by TKAST in its section A response and verification findings. We have determined that the selling functions for the two U.S. channels of distribution are similar because TKAST provides almost no selling functions to either U.S. channel of distribution. TKAST reported that the only services it provided for the CEP sales were very limited freight and delivery arrangements and very limited warranty services. *See* TKAST's October 4, 2002 Section A response at page A–25 and TKAST's January 17, 2003 Supplemental Section A response at Exhibit 42. Accordingly, because these selling functions are substantially similar for the two channels of distribution, we preliminarily determine that there is one LOT in the U.S. market.

In order to determine whether NV was established at a different LOT than CEP sales, we examined stages in the marketing process and selling functions along the chains of distribution between TKAST and its home market customers. We compared the selling functions performed for home market sales with those performed with respect to the CEP transaction, after deductions for economic activities occurring in the United States, pursuant to section 772(d) of the Act, to determine if the home market levels of trade constituted more advanced stages of distribution than the CEP level of trade. *See* TKAST's October 4, 2002 Section A response at page A–25 and TKAST's January 17, 2003 Supplemental Section A response at Exhibit 42. TKAST reported that it provided virtually no selling functions for the CEP level of trade and that, therefore, the home market level of trade is more advanced than the CEP level of trade. To determine whether a CEP offset was