

for its U.S. and home market sales showing how often changes in price and quantity occurred between order date and invoice date. *See* Mexinox's April 1, 2003 supplemental questionnaire response at Attachment A-21 and Mexinox's April 23, 2003 supplemental questionnaire response at Attachment A-28. Based on our analysis of the information submitted by Mexinox, we have preliminarily determined the date of invoice is the appropriate date of sale because record evidence indicates that in a number of instances the price and quantity changed between the date of the order acceptance and the date of invoice. Therefore, we find Mexinox's claim that price and quantity terms are subject to negotiation until the date of invoice is substantiated.

### Product Comparisons

In accordance with section 771(16) of the Tariff Act, we considered all products produced by Mexinox S.A. covered by the description in the "Scope of the Review" section, above, and sold in the home market during the POR, to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. 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) cold/hot 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.

### Level of Trade

In accordance with section 773(a)(1)(B)(i) of the Tariff Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade (LOT) as the CEP transaction. The NV LOT is that of the starting price of the comparison sales in the home market or, when NV is based on CV, that of the sales from which we derive selling, general, and administrative (SG&A) expenses and profit. For CEP, it is the level of the constructed sale from the exporter to the importer.

To determine whether NV sales are at a different LOT than CEP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. 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 Tariff 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 Tariff Act (*i.e.*, the CEP offset provision).

In the Department's September 5, 2002 questionnaire, we asked Mexinox to identify the specific differences and similarities in selling functions and support services between all phases of marketing in the home market and the United States. Mexinox identified two channels of distribution in the home market: (1) direct shipments (*i.e.*, products produced to order) and (2) sales through inventory. *See, e.g.*, Mexinox's October 10, 2002 questionnaire response at A-21 to A-22. Within both channels of distribution, Mexinox S.A. made sales to both retailers and end users. For both channels of distribution, Mexinox S.A. performed similar selling functions such as pre-sale technical assistance, inventory maintenance, freight and delivery arrangements, and after-sales warranty services. *See, e.g.*, *Id.* at Attachment A-4-C. Because channels of distribution do not qualify as separate LOTs when the selling functions performed are sufficiently similar, we determined one LOT exists for Mexinox's home market sales. *See, e.g.*, *Certain Stainless Steel Butt-Weld Pipe Fittings From Taiwan: Final Results and Final Rescission in Part of Antidumping Duty Administrative Review*, 67 FR 78417 (December 24, 2002).

For the U.S. market, Mexinox reported one LOT, the CEP LOT. Sales made through this LOT consisted of merchandise produced to order that was sold directly to unaffiliated U.S. customers ("direct shipments"), sales made from the stock of finished goods held at the Mexican factory in San Luis Potosi to unaffiliated U.S. customers ("SLP stock sales"), and sales made through Mexinox USA's inventory. *See, e.g.*, Mexinox's October 10, 2002 questionnaire response at A-22. When we compared CEP sales (after deductions made pursuant to section 772(d) of the Tariff Act) to home market sales, we determined there were fewer customer sales contacts, technical services, inventory maintenance, and warranty services performed for CEP

sales. *See, e.g., Id.* at A-31 and Attachments A-4-B and A-4-C. In addition, the differences in selling functions performed for home market and CEP transactions indicate home market sales involved a more advanced stage of distribution than CEP sales. *See, e.g., Id.* at A-25 to A-27. In the home market, Mexinox S.A. provides marketing further down the chain of distribution by providing certain downstream selling functions that are normally performed by service centers in the U.S. market (*e.g.*, technical advice, credit and collection, *etc.*). *See Id.*

Based on our analysis of the selling functions performed for the CEP LOT and the home market LOT, we determined that the CEP and the starting price of home market sales represent different stages in the marketing process, and are thus at different LOTs. Therefore, when we compared CEP sales to home market sales, we examined whether a level-of-trade adjustment may be appropriate. In this case, Mexinox sold at one LOT in the home market; thus, there is no basis upon which to determine whether there is a pattern of consistent price differences between levels of trade. Further, we do not have the information which would allow us to examine pricing patterns of Mexinox's sales of other similar products, and there are no other respondents or other record evidence on which such an analysis could be based.

Because the data available do not provide an appropriate basis for making a LOT adjustment and the level of trade of home market sales is at a more advanced stage than the level of trade of the CEP sales, a CEP offset is appropriate in accordance with section 773(a)(7)(B) of the Tariff Act, as claimed by Mexinox. We based the amount of the CEP offset on the amount of home market indirect selling expenses, and limited the deduction for home market indirect selling expenses to the amount of indirect selling expenses deducted from CEP in accordance with section 772(d)(1)(D) of the Tariff Act. We applied the CEP offset to NV, whether based on home market prices or CV.

In addition to the three U.S. channels of distribution discussed above (direct sales, SLP stock sales, and sales through Mexinox USA), Mexinox reported U.S. sales through one other channel of distribution: CEP sales through its affiliated reseller Ken-Mac. For purposes of this preliminary determination, we treated this channel of distribution as equivalent to the level of trade of other CEP sales.