

covers all silicomanganese, regardless of its tariff classification. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope remains dispositive.

Verification

From August 4 through August 8, 2003, and from August 18, 2003, through August 22, 2003, in accordance with section 782(i) of the Act, the Department verified the sales and cost information provided by SIBRA/CPFL using standard verification procedures, including on-site inspection of the manufacturer's facilities, the examination of relevant sales and financial records, and selection of original documentation containing relevant information. Our verification results are outlined in the public and proprietary versions of the verification reports ("Sales Verification Report: Administrative Review of the Antidumping Duty Order on Silicomanganese from Brazil (December 1, 2001, through November 30, 2002)" dated October 14, 2003, ("Sales Verification Report") and "Verification Report on the Cost of Production and Constructed Value Data Submitted by SIBRA Electrosiderurgica Brasileira S.A. ("SIBRA"), Companhia Paulista de Ferro-Ligas ("CPFL") and Urucum Mineracao S.A. ("Urucum")(collectively "SIBRA/CPFL")" dated October 2, 2003, ("Cost Verification Report") on file in the Central Records Unit ("CRU"), Room B-099 of the main Department of Commerce building.

Collapsing

The Department's regulations under 19 CFR 351.401(f) outline the criteria for collapsing (*i.e.* treating as a single entity) affiliated producers for purposes of calculating a dumping margin. The regulations state that we will treat two or more affiliated producers as a single entity where (1) those producers have production facilities for similar or identical products that would not require substantial retooling of either facility in order to restructure manufacturing priorities, and (2) we conclude that there is a significant potential for the manipulation of price or production. In identifying a significant potential for the manipulation of price or production, the Department may consider the following factors: (i) the level of common ownership; (ii) the extent to which managerial employees or board members of one firm sit on the board of directors of an affiliated firm; and, (iii) whether operations are intertwined, such as through the sharing of sales

information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers. See 19 CFR 351.401(f)(2).

Urucum is a wholly-owned subsidiary of Companhia Vale de Rio Doce ("CVRD"); therefore, SIBRA/CPFL and Urucum are affiliated under section 771(33)(F) of the Act, which provides that persons directly or indirectly under common control of any person are affiliates. As for the first criterion of 19 CFR 351.401(f), the information currently on the record indicates that Urucum is also a producer of silicomanganese and that SIBRA/CPFL and Urucum use similar production facilities to produce silicomanganese. There is no evidence on the record to indicate that substantial retooling would be required for SIBRA, CPFL, or Urucum to restructure their manufacturing priorities.

As to whether there is significant potential for manipulation, we find that their operations are intertwined, in that a centralized office provides administrative and sales services in connection with sales of silicomanganese produced by SIBRA, CPFL, and Urucum, and all financial data for these three companies are maintained in a single accounting system. In addition, they share directors (the president of Urucum serves as a director at both SIBRA and CPFL), which is a clear indication that significant potential for manipulating price and production exists in this case. Therefore, we find that they are affiliated for the purposes of this administrative review and that Urucum should be collapsed with SIBRA/CPFL and considered one entity pursuant to section 771(33) of the Act and 19 CFR 351.401(f).

Affiliation of Parties

Pursuant to section 771(33)(F) of the Act, the Department has preliminarily determined that certain customers to whom SIBRA/CPFL sold silicomanganese during the period of review ("POR") and whom SIBRA/CPFL identified as unaffiliated parties are, in fact, affiliated with SIBRA/CPFL. Specifically, the Department has determined that SIBRA/CPFL and some of its home market customers are under the common control of "CVRD", SIBRA's parent company. According to section 771(33)(F) of the Act, two or more persons under common control with any other person shall be considered affiliated. Thus, we have preliminarily found these companies to be affiliated with SIBRA/CPFL. For a complete discussion of this issue, see

the October 17, 2003, memorandum entitled "Analysis of the Affiliation of SIBRA/CPFL with its Customers" which is on file in CRU.

Comparisons to Normal Value

Based on a request by the respondent in which it claimed to have made one U.S. sale during the POR, we allowed SIBRA/CPFL to limit its home-market sales response to the six-month period from August 2002 through January 2003. In its May 7, 2003, questionnaire response, however, SIBRA/CPFL clarified that it had actually made two sales to unaffiliated U.S. customers that had a date of sale in the POR and that it had reported sales information for only the sale with an entry date during the POR. In accordance with 19 CFR 351.213(e)(1)(i), we requested complete sales information with respect to both sales made to the United States during the POR.

To determine whether sales of silicomanganese from Brazil were made in the United States at less than normal value ("NV"), we compared the export price ("EP") to the NV. Because Brazil's economy experienced significant inflation during the POR, as is Department practice, we limited our comparisons to home-market sales made during the same month in which the U.S. sale occurred. See "Cost of Production Analysis" section below. This methodology minimizes the extent to which calculated dumping margins are overstated or understated due solely to price inflation that occurred in the intervening time period between the U.S. and the home-market sales.

When making comparisons in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the "Scope of the Review" section of this notice, above, that were in the ordinary course of trade (*i.e.*, sales within the same month which passed the cost test) for purposes of determining appropriate product comparisons to U.S. sales. As there were no appropriate home market sales of comparable merchandise, we compared the merchandise sold to the United States to constructed value ("CV").

Merchandise

In its questionnaire responses and at the sales verification, SIBRA/CPFL stated that it sold three grades of silicomanganese in the home market during the home-market sales reporting period: 12/16, 15/20, and 16/20. According to SIBRA/CPFL's description of these grades of silicomanganese, 12/16 has a silicon content between 12% and 16% (by weight), 15/20 has a