

accordance with section 772(c)(2)(A) of the Tariff Act; these included, where appropriate, foreign inland freight, foreign brokerage and handling, international freight, U.S. customs duties, U.S. inland freight, and U.S. warehousing expenses.

For those transactions categorized as CEP sales, we calculated price in conformity with section 772(b) of the Tariff Act. We based CEP on the packed, delivered or delivered, duty paid prices to unaffiliated purchasers in the United States. Where applicable, we made adjustments to gross unit price for billing errors, freight revenue, certain minor processing expenses, and early payment discounts. We also made deductions for movement expenses in accordance with section 772(c)(2)(A) of the Tariff Act; these included, where appropriate, foreign inland freight, foreign brokerage and handling, international freight, U.S. customs duties, U.S. inland freight, and U.S. warehousing expenses. In accordance with section 772(d)(1) of the Tariff Act, we deducted those selling expenses associated with economic activities occurring in the United States, including direct selling expenses (imputed credit, warranty expenses, and travel expenses incurred by Corus Staal's U.S. sales team), inventory carrying costs, and indirect selling expenses. For CEP sales, we also made an adjustment for profit in accordance with section 772(d)(3) of the Tariff Act. Finally, with respect to subject merchandise to which value was added in the United States by Rafferty Brown prior to sale to unaffiliated customers, we deducted the cost of further manufacture in accordance with section 772(d)(2) of the Tariff Act.

Section 201 Duties

The Department notes that merchandise subject to this review is subject to duties imposed under section 201 of the Trade Act of 1974, as amended (section 201 duties). Because the Department has not previously addressed the appropriateness of deducting section 201 duties from EP and CEP, on September 9, 2003, the Department published a request for public comments on this issue (68 FR 53104). Comments were received by October 9, 2003, and rebuttal comments were received by November 7, 2003. Since the Department has not made a determination on this issue at this time, for purposes of these preliminary results, no adjustment has been made to EP and CEP.

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 constructed value (CV), that of the sales from which we derive selling, general, and administrative (SG&A) expenses and profit. For EP, the LOT is also the level of the starting price sale, which is usually from the exporter to the importer. 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 implementing these principles in the instant review, we obtained information from Corus Staal about the marketing stages involved in its reported U.S. and home market sales, including a description of the selling activities performed by Corus Staal and the level to which each selling activity was performed for each channel of distribution. In identifying LOTs for U.S. CEP sales we considered the selling functions reflected in the starting price after any adjustments under section 772(d) of the Tariff Act.

In the home market, Corus Staal reported two channels of distribution (sales by Corus Staal and sales through its affiliated service centers Namascor and Laura) and three customer categories (end users, steel service centers, and trading companies). *See, e.g.*, Corus Staal's January 30, 2003, QR at A-14. For both channels of distribution in the home market, Corus Staal performed similar selling functions, including strategic and economic planning, advertising, freight

and delivery arrangements, technical/warranty services, and sales logistics support. The remaining selling activities performed did not differ significantly by channel of distribution, with the exception of market research and research and development activities, which were performed only by Corus Staal. *See* Corus Staal's January 30, 2003, QR at Exhibit A-8 and pages A-20 through A-34. Because channels of distribution do not qualify as separate levels of trade when the selling functions performed for each channel are sufficiently similar, we have determined that one LOT exists for Corus Staal's home market sales. In addition, we note that while Corus Staal initially claimed there were differences in LOT between home market direct sales and sales through home market affiliated service centers and, therefore, it was entitled to a LOT adjustment for U.S. sales compared to sales made by home market affiliated service centers, it later withdrew its claim. *See* Corus Staal's January 30, 2003, QR at A-17 and its May 19, 2003 SQR at 16.

In the U.S. market, Corus Staal reported two channels of distribution for its sales of subject merchandise during the POR: EP sales made directly to unaffiliated U.S. customers and CEP sales made through its affiliated service centers, RBC and RBN. For sales classified as EP, Corus Staal reported two customer categories, end users and steel service centers. *See, e.g.*, Corus Staal's January 30, 2003, QR at A-15 and A-16. However, as explained in the "Export Price and Constructed Export Price" section of this notice, we have preliminarily determined that certain of Corus Staal's reported EP transactions (*i.e.*, sales from May 3, 2001, to June 30, 2001) are classified properly as CEP sales.

With regard to CEP sales made through RBC and RBN, Corus Staal claimed that a CEP offset is appropriate because RBC's and RBN's sales are made at a point in the distribution process that is less advanced than Corus Staal's home market sales. *See* Corus Staal's January 30, 2003, QR at A-17. As noted above, we determine the U.S. LOT on the basis of the CEP starting price minus the expenses and profit deducted pursuant to section 772(d) of the Tariff Act. In analyzing respondent's request for a CEP offset, we reviewed information provided in section A of Corus Staal's response regarding selling activities performed and services offered in the U.S. and foreign markets. We found there to be few differences in the selling functions performed by Corus Staal on its sales to affiliated service centers in the United States and those