

unit packing cost based on MSA's simulated cost data provided at verification which tied to the cost data provided in Exhibit 18 of the December 9, 1994, response, as this is the most accurate and reliable data on which to calculate MSA's packing costs. MSA provides a monthly average packing cost calculation for each of the four products sold in each market in Exhibit 2 of its May 19, 1995, case brief. Therefore, the Department should match the resulting average monthly packing data to the sales listing based on the month of shipment for home market sales, as all home market shipments occurred between January and June 1994. For U.S. sales, many shipments of which occurred after the POI, respondent proposes using an average POI packing expense (also provided in Exhibit 2). For sales of products which do not match to one of the four product codes, the average packing expense of all four product codes should be applied.

DOC Position

We agree with petitioner that the reported packing expenses were unverified. At verification, respondent explained that MSA's cost accounting system cannot separately identify packing costs incurred for export and domestic sales. Therefore, in order to derive the monthly per unit packing amounts reported in the U.S. and home market sales listings, MSA conducted packing simulation exercises for four products—three hot-finished and one cold-drawn. That is, they estimated the time it took to pack the products based on actual experience and derived the associated materials and labor costs from their accounting records. However, we could not tie the monthly packing costs resulting from this exercise to the reported monthly per unit packing amounts in respondent's home market and U.S. sales listings. Respondent could not explain the reason for the discrepancy. Therefore, we determine that these costs were not verified. Because the reported costs cannot be used for purposes of our analysis, we used BIA. As BIA for these costs, we subtracted from FMV, the lowest domestic packing amount reported on the record, and added to FMV, the highest export packing amount reported on the record.

Comment 7

Respondent maintains that the Department verified that no galvanized, threaded or coupled products were sold to the United States during the POI. Therefore, MCSA's sales of such products will not be matched to U.S. products and are thereby irrelevant in

the Department's margin analysis. With respect to the unreported bevelling costs, respondent states that MSA's cost for producing bevelled pipe was used as a surrogate value for MCSA's sales of bevelled product. Mannesmann states that it is logical that its cost of bevelling would be lower than the bevelling costs charged by a third party. The use of the third party bevelling cost would have resulted in higher home market variable costs which, in turn, would have resulted in a lower difmer to be added to FMV. According to Mannesmann, the use of MSA's bevelling costs as a surrogate for third party expenses incurred by MCSA was therefore conservative and reasonable.

Petitioner contends that Mannesmann often reports significantly different costs in the same month for products that are identical except for end finish, and that these variations do not make sense, particularly because the differences between black plain-end pipe and bevelled-end pipe are insignificant especially in terms of material costs. According to petitioner, there is no consistency in the margins by which reported materials costs differ for otherwise identical products with different end finishes. Neither is there any evidence on the record to suggest a reason for attributing such widely varying costs to virtually identical products simply by reason of end finish. Petitioner notes that, in some instances, Mannesmann has reported identical costs for different end finishes. Petitioner maintains that these facts cast doubt on Mannesmann's entire cost accounting system.

In addition, Mannesmann's principal contention concerning MCSA's third party bevelling costs (*i.e.*, that they are higher than MSA's) constitutes non-record information upon which the Secretary may not rely. MCSA's bevelling costs have never been separately reported on the record and, therefore, could not have been verified. Thus, any bevelling cost attributed to products sold by MCSA must be based on BIA.

DOC Position

We agree with petitioner and respondent in part. We verified that while MCSA failed to report third party galvanization, coupling and threading costs for certain products, no such products were sold to the United States during the POI and, therefore, were not used in product comparisons. Thus, the omission of these costs did not affect any difmer adjustments that were made for similar product comparisons. However, even if such products were used in product comparisons, MCSA's

omission of these costs for difmer adjustment purposes would have the effect of underestimating home market costs and thereby overstating the upward difmer adjustment made to FMV. Therefore, we did not make any adjustment for the omitted costs at issue.

With respect to bevelling costs, we note that there were U.S. sales of bevelled pipe during the POI. We also note that for MCSA's sales of bevelled products that were used in product comparisons, MSA's costs of bevelling were included in the reported variable costs of manufacture. This is consistent with the verified product coding methodology used by MCSA. That is, for those products that were further processed by third parties prior to sale, MCSA reported only its own internal product code, and for those products that did not undergo further processing, MCSA reported both MSA's product code and its own product code (see May 11, 1995, Verification Report at 8). For the transactions consisting of the bevelled products sold by MCSA which were used in product comparisons, respondent reported both product codes, indicating that the bevelling was performed at MSA's mill. However, we modified these costs for difmer adjustment purposes for the reasons stated in DOC Position to Comment 2 above.

Comment 8

Petitioner alleges that a deduction to U.S. price should be made for the "bank fees" incurred by MSA for entering into exchange contracts in order to receive payment from MPS on its shipments to the United States. According to petitioner, such fees are a necessary and direct selling expense relating to U.S. sales. Since similar fees are not incurred for home market sales, the fees must be deducted from USP in order to obtain a proper comparison. Petitioner maintains that Mannesmann's claims that the fees do not affect the U.S. price and that Mannesmann invests a portion of these funds (which respondent has not quantified) is irrelevant to the Department's analysis.

Respondent maintains that this proposal is incorrect for the following reasons: (1) The exchange contract transaction does not impact the U.S. customer, but is solely a mechanism whereby MSA can be paid in local currency for foreign currency sales as required by Brazilian law; and (2) throughout the POI, MSA chose to receive payment in Brazilian currency under the exchange contracts in advance (when the order was booked from the mill), a portion of which it