52651, October 10, 1995), the following events have occurred:

On October 17, 1995, respondent, Kuraray Co., Ltd. requested that the final determination be postponed until March 21, 1996. The Department has determined that such requests contain an implied request to extend the provisional measures period, during which liquidation is suspended, to six months (see, *Extension of Provisional Measures* memorandum dated February 7, 1996).

On November 20, 1995, the petitioner, Air Products and Chemicals, Inc., clarified its position that polyvinyl alcohol fiber was not intended to be within the scope of this investigation.

On February 2, 1996, respondent, Kuraray Co., expressly requested extension of the four month provisional measures period.

No hearing was requested or held, and no party filed a case brief.

Scope of Investigation

The merchandise under investigation is polyvinyl alcohol. Polyvinyl alcohol is a dry, white to cream-colored, water-soluble synthetic polymer. This product consists of polyvinyl alcohols hydrolyzed in excess of 85 percent, whether or not mixed or diluted with defoamer or boric acid. Excluded from this investigation are polyvinyl alcohols covalently bonded with acetoacetylate, carboxylic acid, or sulfonic acid uniformly present on all polymer chains in a concentration equal to or greater than two mole percent, or polyvinyl alcohols covalently bonded with silane uniformly present on all polymer chains in a concentration equal to or greater than one-tenth of one mole percent. Polyvinyl alcohol in fiber form is not included in the scope of this investigation.

The merchandise under investigation is currently classifiable under subheading 3905.30.00 of the *Harmonized Tariff Schedule of the United States* (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of investigation (POI) is April 1, 1994, through March 31, 1995.

Facts Available

For reasons discussed in the preliminary determination, the Department has, pursuant to section 776 of the Act, used the facts available. As discussed in the preliminary determination, the Department used as the facts available the margin in the petition. For a discussion of the reasons for application of the facts available, and the selection of the petition margin as the facts available, see *Notice of Preliminary Determination of Sales at Less Than Fair Value: Polyvinyl Alcohol from Japan*, 60 FR 52649, 52650 (October 10, 1995). The Department has not received any comments since the preliminary determination on its application of facts available.

Fair Value Comparisons

As noted above, as in our preliminary determination, this final determination has been made using the margin in the petition as the facts available.

All-Others Rate

Under section 735(c)(5) of the Act, the ''all-others rate'' will normally be a weighted average of the weighted-average dumping margins established for all exporters and producers, but excluding any zero or *de minimis* margins, or any margins based entirely on the facts available. However, this provision also states that if all weighted-average margins are zero, *de minimis*, or based on the facts available, the Department may use other reasonable methods to calculate the all-others rate, including a weighted-average of such margins. In this case, as discussed above, the margin assigned to all companies is 77.49 percent, based on the facts available. Therefore, also based on the facts available, the Department determines the all-others rate to be 77.49 percent.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of polyvinyl alcohol from Japan, that are entered, or withdrawn from warehouse for consumption, on or after October 10, 1995, the date of publication of our preliminary determination in the Federal Register. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated amount by which the normal value exceeds the export price as shown below. These suspension of liquidation instructions will remain in effect until April 7, 1996, in accordance with section 733(d) of the Act.

The dumping margins are as follows:

Exporter/Manufacturer	Margin percentage
Kuraray	77.49
Nippon Goshei	77.49
Unitika	77.49
Shin-Etsu	77.49
All others	77.49

The all others rate applies to all entries of subject merchandise except for entries from exporters that are identified above.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. As our final determination is affirmative, the ITC will within 45 days determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 735(d) of the Act and 19 CFR 353.20(a)(4).

Dated: March 21, 1996.

Susan G. Esserman,

Assistant Secretary for Import Administration.

[FR Doc. 96–7635 Filed 3–28–96; 8:45 am]

BILLING CODE 3510–DS–P

[A–583–824]

Notice of Final Determination of Sales at Less Than Fair Value: Polyvinyl Alcohol From Taiwan

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: March 29, 1996.

FOR FURTHER INFORMATION CONTACT: Barbara Wojcik-Betancourt or David J. Goldberger, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, D.C. 20230; telephone: (202) 482–0629 or (202) 482–4136, respectively.

THE APPLICABLE STATUTE: Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the

Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA).

FINAL DETERMINATION: As explained in the memoranda from the Assistant Secretary for Import Administration dated November 22, 1995, and January 11, 1996, the Department of Commerce (the Department) has exercised its discretion to toll all deadlines for the duration of the partial shutdowns of the Federal Government from November 15 through November 21, 1995, and December 16, 1995, through January 6, 1996. Thus, the deadline for the final determination in this investigation has been extended by 28 days, *i.e.*, one day for each day (or partial day) the Department was closed. As such, the deadline for this final determination is no later than March 21, 1996.

We determine that polyvinyl alcohol (PVA) from Taiwan is being sold in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the ''Suspension of Liquidation'' section of this notice.

Case History

Since the preliminary determination of sales at less than fair value in this investigation on October 2, 1995, (60 FR 52651, October 10, 1995), the following events have occurred:

On October 10, 1995, Chang Chun Petrochemical Co., Ltd. (Chang Chun), the sole Taiwan producer of the subject merchandise, and the respondent in this investigation, timely requested a postponement of the final determination until not later than 135 days after publication of the preliminary determination in the Federal Register. The notice postponing the final determination was published on October 25, 1995 (60 FR 54667). The Department has determined that such requests contain an implied request to extend the provisional measures period, during which liquidation is suspended, to six months (*see Extension of Provisional Measures* memorandum dated February 7, 1996.).

We conducted verification of Chang Chun's sales and cost questionnaire responses in Taiwan during October.

On November 20, 1995, the petitioner, Air Products and Chemicals, Inc., stated that polyvinyl alcohol fiber was not intended to be within the scope of this investigation.

Monsanto Company (Monsanto), a party to the proceeding in this investigation, submitted comments on the cost of production verification report on December 18, 1995. National Starch and Chemical Company, Perry Chemical Corp., and Rhône-Poulenc, importers of the subject merchandise, submitted comments on the sales verification report on January 11, 1996.

Chang Chun and the petitioner, Air Products and Chemicals, Inc., submitted case briefs on January 16, 1996, and rebuttal briefs on January 24, 1996. Monsanto also submitted a rebuttal brief on January 24, 1996. At the request of both the petitioner and Chang Chun, a public hearing was held on February 26, 1996.

Scope of Investigation

The merchandise under investigation is polyvinyl alcohol. Polyvinyl alcohol is a dry, white to cream-colored, water-soluble synthetic polymer. This product consists of polyvinyl alcohols hydrolyzed in excess of 85 percent, whether or not mixed or diluted with defoamer or boric acid. Excluded from this investigation are polyvinyl alcohols covalently bonded with acetoacetylate, carboxylic acid, or sulfonic acid uniformly present on all polymer chains in a concentration equal to or greater than two mole percent, and polyvinyl alcohols covalently bonded with silane uniformly present on all polymer chains in a concentration equal to or greater than one-tenth of one mole percent. Polyvinyl alcohol in fiber form is not included in the scope of this investigation.

The merchandise under investigation is currently classifiable under subheading 3905.30.00 of the *Harmonized Tariff Schedule of the United States* (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of investigation (POI) is April 1, 1994, through March 31, 1995.

Product Comparisons

For purposes of determining appropriate product comparisons to U.S. sales, we compared identical merchandise, or where there were no sales of identical merchandise in the home market to compare to U.S. sales, we made comparisons based on the characteristics listed in the Department's antidumping questionnaire, as had been applied in the preliminary determination, and in accordance with section 771(16) of the Act.

In its case brief, petitioner claimed that the Department should determine that ''targeted dumping'' exists under section 777A(d)(1)(B) because of a pattern of export prices, which petitioner alleged differed significantly across time. Pursuant to section 777A(d)(1)(B), the Department may compare weighted-average normal values (NV) to transaction-specific export prices, if there is a pattern of *export prices* (EP) for comparable merchandise that differ significantly among purchases, regions, or periods of time (*see* section 777A(d)(1)(B)(i)) (emphasis added) when these differences cannot be taken into account by using an average to average or transaction to transaction comparison (*see* section 777A(d)(1)(B)(ii)). Petitioner requested that the Department compare monthly average NV to monthly EP averages to alleviate the significant price distortions occurring in the *home market* at the end of the POI. Petitioner, however, failed to provide any evidence or argument as to why the alleged pattern of *export prices* constitute targeted dumping. Consequently, we have rejected petitioner's allegation of targeted dumping. However, the Department has found significant differences over time in home market pricing. Those differences have been taken into account in price averaging. For discussion of the price averaging issue, *see* Comment 3 in the *Interested Party Comments* section of this notice below.

Level of Trade

As set forth in section 773(a)(1)(B)(i) of the Act and in the Statement of Administrative Action (SAA) accompanying the URAA, to the extent practicable, the Department will calculate normal values based on sales at the same level of trade as U.S. sales.

Pursuant to 773(a)(7)(A)(i), level of trade involves the performance of different selling activities by the producer/exporter. On September 22, 1995, we sent Chang Chun supplemental questions requesting that Chang Chun establish any claimed levels of trade based on selling functions performed and services offered by Chang Chun to each customer or customer class, and to document and explain any claims for a level of trade adjustment. Chang Chun provided no additional information regarding its selling functions and continued to claim that, pursuant to section 773(a)(7) (A) and (B), levels of trade are based on customer classification.

We examined the record evidence on the selling functions performed by Chang Chun on sales in each market and found that Chang Chun provides nearly all of the same or very similar selling functions to all customers including: packing and freight services, warranty claims, advertising, technical services, and inventory maintenance. As a result,

we rejected the level of trade claim because, pursuant to section 773(a)(7)(A)(i), differences in level of trade must involve the performance of different selling activities by the seller (*i.e.* the respondent producer/exporter) (*see* Comment 4). Therefore, we determine that the selling functions performed among home market sales are sufficiently similar for us to consider the home market to be one level of trade.

For the U.S. market, Chang Chun reported payment of commissions on certain U.S. sales. It reported, and we verified, that the commissions paid did not reflect payments for any services provided by the commissionaire. Apart from tolled sales, which are not used in our final determination (*see* Comment 7), we also found that the selling functions performed by the respondent in the U.S. are sufficiently similar for all sales for us to consider the U.S. market to be one level of trade.

Fair Value Comparisons

In accordance with section 772(a) of the Act, to determine whether Chang Chun's sales of PVA to the United States were made at less than fair value, we used EP because the subject merchandise was sold to the first unaffiliated purchaser in the United States prior to importation and because constructed export price (CEP) under section 772(b) is not otherwise warranted based on the facts of this investigation.

Export Price

We calculated EP based on the same methodology used in the preliminary determination. Furthermore, as in the preliminary determination, we did not include tolled sales.

Normal Value

In accordance with section 773(a)(1)(B) of the Act, we have based NV on sales in Taiwan, or, where appropriate, on constructed value (CV). We compared all home market sales to the cost of production (COP), as described below. Where home market prices were above COP, we calculated NV based on the same methodology used in the preliminary determination, with the following exceptions: (1) we recalculated reported quantity discounts and special discounts on certain sales (*see* Comment 5); and (2) we made an additional circumstance of sale adjustment for bank charges made on certain U.S.sales, based on information obtained at verification.

Cost of Production Analysis

As discussed in the preliminary determination notice, the Department conducted an investigation to determine whether Chang Chun made home market sales during the POI at prices below COP within the meaning of section 773(b) of the Act. Before making any fair value comparisons, we conducted the COP analysis described below.

A. Calculation of COP

We calculated the COP based on the sum of Chang Chun's cost of materials and fabrication for the foreign like product, plus amounts for home market general, and administrative expenses (G&A) and packing costs in accordance with section 773(b)(3) of the Act. We relied on the reported COP amounts with the following exceptions: (1) we allocated joint production costs to PVA and acetic acid (AA) based upon relative sales values (*see* comment 8); (2) we adjusted the reported cost of manufacturing (COM) to account for the difference in the COM per Chang Chun's internal records examined at the verification; (3) we adjusted the COM to include PVA's share of the difference between Chang Chun's depreciation expense for tax purposes (the amount that Chang Chun reported in its response to section D of our questionnaire), and its depreciation expense for financial statement purposes; and (4) we recalculated general and administrative expenses based on the revised COM.

B. Test of Home Market Prices

We compared the adjusted weighted-average COP figures to home market sales of the foreign like product on a product-specific basis, in order to determine whether these sales had been made at below-cost prices within an extended period of time in substantial quantities, and at prices that did not permit recovery of all costs within a reasonable period of time. The home market prices compared were exclusive of any applicable movement charges, discounts, rebates, packing, and direct and indirect selling expenses.

C. Results of COP Test

Pursuant to section 773(b)(2)(c), where less than 20 percent of sales during the POI of a given product are at prices less than the COP, we do not disregard any below-cost sales of that product because the below-cost sales are not made in substantial quantities within an extended period of time. Where 20 percent or more of sales of a given product are at prices less than the COP, we disregard only the below-cost sales because such sales are found to be made within an extended period of time, in accordance with section 773(b)(2)(B) of the Act, and at prices which would not permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act. Where all sales of a specific product are at prices below the COP, we disregard all sales of that product, and calculate NV based on CV, in accordance with section 773(a)(4) of the Act.

We found that, for certain PVA products, more than 20 percent of Chang Chun's home market sales were sold at below COP prices within the POI. Further, no evidence was presented indicating that these sales provided for the recovery of costs within a reasonable period of time. We therefore determined that these below cost sales were made in substantial quantities within an extended period of time and we excluded these sales and considered the remaining above-cost sales in determining NV, if such sales existed, in accordance with section 773(b). For those U.S. sales of PVA products for which there were no above-cost sales, we compared export prices to CV.

D. Calculation of CV

In accordance with section 773(e)(1) of the Act, we calculated CV based on the sum of Chang Chun's cost of materials, fabrication, selling, general and administrative expenses (SG&A) and U.S. packing costs as reported in the U.S. sales database. In accordance with sections 773(e)(2)(A), we based SG&A 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 the foreign country. Where appropriate, we calculated CV based on the methodology described above in the calculation of COP and added an amount for profit. For selling expenses, we used the weighted-average home market selling expenses.

Comparison Methodology

In accordance with section 777A(d)(1)(A)(i) of the Act, we calculated weighted-average EPs for comparison to weighted average NVs or, as discussed above, to CV, where appropriate. The weighted averages were calculated and compared by the time period of the sale, product characteristics, and the class of the customer involved.

Chang Chun classified one of its U.S. customers as both an end-user and a distributor. Based on information in the questionnaire response, we considered

this customer as an end-user for purposes of price averaging because Chang Chun reported that it sold the majority of its PVA sales to this customer for the customer's internal consumption.

The bases for establishing averaging groups according to time period and class of customer are discussed in detail below under Comments 3 and 4, respectively.

Currency Conversion

We made currency conversions into U.S. dollars based on the official exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. Section 773A(a) of the Act directs the Department to use a daily exchange rate in order to convert foreign currencies into U.S. dollars. Further, section 773A(b) directs the Department to allow a 60-day adjustment period when a currency has undergone a sustained movement. A sustained movement has occurred when the weekly average of actual daily rates exceeds the weekly average of benchmark rates by more than five percent for eight consecutive weeks. The benchmark is defined as the moving average of rates for the past 40 business days. (For an explanation of this method, *see Policy Bulletin 96–1: Currency Conversions,* 61 FR 9434, March 8, 1996). Such an adjustment period is required only when a foreign currency is appreciating against the U.S. dollar. The use of an adjustment period was not warranted in this case because the Taiwan dollar did not undergo a sustained movement, nor were there currency fluctuations during the POI.

Verification

As provided in section 788(i) of the Act, we verified information provided by Chang Chun using standard verification procedures, including the examination of relevant sales and financial records, and selection of original source documentation containing relevant information.

Interested Party Comments

Comment: Date of Sale for Home Market Long-Term Purchase Orders.

Petitioner argues that the date of sale for home market sales made according to long-term purchase orders should not be the purchase order date, but rather the purchase order log date as used for other home market sales. Petitioner claims that the verification demonstrated that the long-term purchase orders did not constitute a binding agreement on quantity. Thus, petitioner contends, these purchase orders failed to satisfy the requirement that both price and quantity be agreed upon by the buyer and the seller for purposes of establishing date of sale. Petitioner alleges that: (1) significant amounts of purchase order quantities were unfulfilled as of the time of the Department's verification; (2) the purchase orders resemble ''blanket purchase orders'', which set sales terms and conditions over a time period for a maximum quantity of merchandise, but involve no commitment to purchase a fixed quantity and still require further communication to specify the quantity to be delivered; and (3) the purchase orders did not set quantities because Chang Chun did not meet the specified delivery period.

Chang Chun argues that the long-term purchase orders set the key terms of sale—price and quantity—and, therefore, the date of sale for these transactions should be the purchase order date. Chang Chun states that delivery terms are material only if the parties treat them as such—which the parties did not in this case. Further, Chang Chun maintains that even if purchase order quantities were not fully shipped in accordance with the delivery schedule, it does not mean that the terms of the purchase order were not met. Chang Chun cites *Final Determination of Sales at Less Than Fair Value: Stainless Steel Bar from India* (59 FR 66915, December 28, 1994), where the purchase order date was used as the date of sale even though part of the purchase order quantity was canceled; and *Final Determination of Sales at Less Than Fair Value: Crankshafts from Germany* (52 FR 28170, July 28, 1987) (*Crankshafts*), where price and quantity changes after the POI did not affect the sale date for those sales shipped under the original terms.

Monsanto and U.S. importers Rhône-Poulenc, Perry Chemical, and National Starch also contend that the delivery date is not an essential term of sale, and that delays in meeting delivery date do not affect the establishment of price and quantity as of the purchase order date.

DOC Position: We agree with respondent Chang Chun that the sales made under what Chang Chun describes as ''long term purchase orders'' were made pursuant to valid contracts, and thus we are treating the date of the purchase order as the date of sale.

Neither the statute nor the Department's regulations detail how the Department is to determine the date of sale of a transaction. Therefore, under principles of administrative law, the agency is obliged to fill in the statutory gaps, either by regulation or through developing a practice. In determining the date of sale, the Department has a well-established and long-standing practice that a sale is completed within the meaning of the Act when the essential terms, *i.e.,* usually price and quantity, are definite and firm (*see ,e.g., Final Results of Antidumping Administrative Review: Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany,* (56 FR 31692, July 11, 1991) (Department's established practice to use date when price and quantity terms are set as the date of sale); *see* also *Mitsubishi Elec. Corp.* v. *United States,* 700 F. Supp. 538, 561 (CIT 1988), aff'd. 898 F.2d 1577 (Fed. Cir. 1990)). The essential terms of price and quantity are firm when they are no longer within the control of the parties to alter (*see, e.g., Final Determination of Sales at Less Than Fair Value: Brass Sheet and Strip From France,* (52 FR 812, January 9, 1987) (price term pegged to publicly quoted metal prices considered definite and fixed); *Voss International* v. *United States,* 628 F.2d 1328 (CCPA 1980) (price set in dollars was definite despite provision for adjustment for currency fluctuations because the parties had nothing more to negotiate regarding price); *Final Results of Antidumping Administrative Review: Titanium Sponge From Japan,* (54 FR 13403, April 3, 1989) (absolute quantity was fixed and definite because contract required customer to purchase all that customer required)). Additionally, the Department often looks to the course of conduct between the parties in evaluating whether a written document represents a binding agreement (*see, e.g., Final Determination of Sales at Less Than Fair Value: Grey Portland Cement and Clinker from Mexico,* 55 FR 29244, July 18, 1990) (parties had begun performance pursuant to a letter agreement that Department found established a definite price and quantity); *Crankshafts,* at 28175 (the parties clearly acted in a manner consistent with a meeting of the minds that there was a binding agreement because production, acceptance of delivery and payment were in accord with the price and quantity of the written purchase order)).

Evidence on the record demonstrates that each of the contracts Chang Chun entered into during mid-February 1995 were binding agreements for purposes of establishing date of sale. Each of these written agreements, referred to by respondent as long-term purchase orders, set definite price and quantity terms and were signed by the seller Chang Chun and by each purchaser.

Moreover, for each agreement, the parties' later course of conduct evidenced that there was a meeting of the minds as to the essential terms, the price and quantity, because neither price nor quantity were altered in the course of performance.

Petitioner argues that Chang Chun had not fully delivered all of the quantity to any of the purchasers within the stated delivery period, and points to this fact as evidence that none of the long-term contracts had set firm quantities, hence, none were binding agreements. However, each long-term contract merely set out a delivery schedule wherein deliveries were to be made in installments which Chang Chun was to deliver when inventory was sufficient and its capacity to transport was available. Such language demonstrates that delivery was not intended by either party to be an essential term in the agreement. Unlike a circumstance where the parties intentionally make time of the essence, these long-term contracts did not provide that delivery within a date certain was material (*see, e.g., Final Determination of Sales at Less Than Fair Value: Oil Country Tubular Goods From Argentina,* 60 FR 33539, June 28, 1995)(*OCTG from Argentina*) (where the Department found that a change in delivery terms did not alter the date of sale because the parties themselves did not treat the delivery terms as material to the long-term contract)). The fact that at the end of the delivery time period Chang Chun sent out written extensions of delivery to each purchaser, and that each purchaser accepted deliveries of PVA pursuant to the delivery extension, is consistent with the conclusion that delivery terms were not essential to the contract. The Department has often found that changes in non-essential terms do not alter the date of sale. *See Final Determination of Sales at Less Than Fair Value: Aramid Fiber Formed of Poly-Phenylene Terephthalamide From the Netherlands,* (59 FR 23684, May 6, 1994); *see* also *General Electric Co.* v. *United States,* Slip. Op. 93–55 (CIT 1993)).

Moreover, record evidence demonstrates that Chang Chun had substantially performed on each long-term contract within the time set out in the delivery schedule and that every purchaser had accepted late delivery of remaining quantities at the price set out in the contracts. This course of conduct indicates that the parties acted in a manner consistent with their respective obligations under these agreements, even though all quantities were not delivered in strict accordance with the delivery schedule.

Lastly, we do not view the fact that respondent continued to record shipments made pursuant to the long-term contracts as it had recorded shipments made pursuant to spot sales as evidence that the long-term contracts were not binding agreements. The record-keeping was not inconsistent with the long-term contracts. For these reasons, we find that the purchase orders at issue are binding contracts. Therefore, we have used the date of the purchase orders as the date of sale.

Comment 2: Long-term Purchase Orders in the Ordinary Course of Trade.

Petitioner argues that, if the Department accepts the home market long-term purchase orders as POI sales, shipments made pursuant to these orders should be considered outside the ordinary course of trade. According to petitioner, these sales represent a significant deviation from Chang Chun's prior sales practice in terms of the manner in which sales are negotiated, and in the large volume covered. In addition, petitioner notes that these long-term orders are the first and only ones in the home market during the POI.

Chang Chun, supported by Monsanto, contends that the sales are in the ordinary course of trade because: (1) the purchase orders covered all standard grades of PVA and involved a large percentage of POI sales; (2) additional purchase orders were issued subsequent to the original ones; (3) the products were sold through Chang Chun's major channel of distribution; and (4) the sales were not unrepresentative or aberrational in nature. Furthermore, Chang Chun states that, although these purchase orders were part of a new sales and marketing strategy in response to growing competition, they are not uncommon in this industry.

DOC Position: We disagree with petitioner. It is the Department's established practice to include home market sales of such or similar merchandise unless it can be established that such sales were not made in the ordinary course of trade (*see Final Determination of Sales at Less Than Fair Value: Stainless Steel Angles from Japan,* 60 FR 16608, March 31, 1995). Section 773(a)(1)(B)(i) of the Act provides that NV shall be based on the price at which the foreign like product is sold in the exporting country in the ordinary course of trade for home market consumption. Section 771(15) of the Act states that ''* * * 'ordinary course of trade' means the conditions and practices which, for a reasonable time prior to the exportation of the subject merchandise, have been normal in the trade under consideration with respect to the merchandise of the same class or kind * * *''.

In determining whether sales are made outside the ordinary course of trade, the Department typically examines several factors taken together with no one factor dispositive. Further, the SAA at 842–843 states that sales are outside the ordinary course of trade when the ''* * * sales or transactions have characteristics that are not ordinary as compared to sales or transactions generally made in the same market.'' This statement also provides guidance to the Department in considering unusual product specifications, aberrational prices, unusual terms of sale, or other factors that may make sales extraordinary for the market in question. None of these sales involved unusual product specifications, rather, the contracts covered all standard grades of PVA. The purchasers were established PVA customers that Chang Chun had dealt with in the past. Although the prices under these contracts differed from spot-sale prices offered previously, we do not consider such prices to be unusual given the nature of a long-term contract.

Although the long-term purchase orders may have been new to Chang Chun, there is no evidence that such long-term contracts are unusual or extraordinary for the Taiwan PVA market. Further, we found that, following the institution of the purchase order system, Chang Chun consistently conducted business according to this system.

While the volume of these long-term contract sales was much greater than what Chang Chun had been selling previously on a spot sale basis, there is no evidence on the record that indicates that high volume sales were not part of the normal course of trade in the Taiwan market for a reasonble time prior to the exportation of the subject merchandise. In the past, the Department has said that the number of sales or the volume sold are not, in and of themselves, dispositive (*see Final Results of Antidumping Administrative Review: Certain Welded Carbon Steel Standard Pipes and Tubes From India,* 56 FR 64753, December 12, 1991). Therefore, we have determined that these sales were made in the ordinary course of trade and included these sales in our normal value calculation.

Comment 3: Price Averaging and Time Periods.

Petitioner argues that calculating a single POI weighted- average price for each product results in distortive comparisons between EP and NV due to the high volume of home market sales

at the end of the POI pursuant to the long-term purchase orders. Petitioner submitted a number of statistical analyses to demonstrate the relationship between time and U.S. prices. Based on these analyses, petitioner contends that the price changes over the POI are significant and warrant the use of monthly, rather than POI, weighted-averages for price comparisions. In support of its position, petitioner argues that there is no statutory preference for using POI price averages, and that the monthly average methodology will satisfy the requirement of the URAA regarding contemporaneous sales comparisons.

Chang Chun, supported by Monsanto, responds that POI averages should be used in this case. Both parties contend that the Department was correct in the preliminary determination by establishing POI averages as the normal methodology for investigations. Based on its own statistical analyses, Monsanto asserts that the petitioner's analyses are faulty and that the relationship between time and price is relatively weak. Monsanto also contends that the petitioner's application of a statistical analysis methodology used in adminstrative reviews is inappropriate for this investigation, because petitioner limited the analysis to certain sales and based its results on criteria applicable to administrative reviews, but not investigations. Based on all of these factors, Monsanto contends that there is no basis to conclude that the price changes over the POI are significant, and thus no reason for the Department to abandon POI averages in favor of monthly averages.

DOC Position: Section 777A(d)(1)(A) gives the Department the explicit authority to use certain methods for comparing prices in determining whether sales at less than fair value exist. The Department may employ an average-to-average comparison of U.S. sales to the relevant home market or third country sales or rely on individual sales transactions for comparisons in both markets (*see* section 777A(d)(1)(A)(i) & (ii)). In applying an averaging approach, the SAA states that, in determining sales comparability for purposes of inclusion in a particular average, time is a factor which may affect the comparability of sales (SAA at 842–843).

As stated in our *Notice of Proposed Rulemaking and Requests for Public Comment,* 61 FR 7308, 7349 (February 27, 1996) (*Proposed Regulations*), the Department proposes that normally we will calculate an average to average comparison by weight-averaging sales during the entire POI. However, the Deparment may resort to shorter time periods where the normal values, export prices, or constructed export prices for sales included in an averaging group differ significantly over the course of the POI.

We agree with petitioner that time significantly influences price comparability in this case. An analysis of the record evidence indicates that price trends in the United States and Taiwan were essentially moving in tandem, *i.e.*, steadily rising over the POI, as were cost trends (*see Price Analysis Memorandum* dated March 20, 1996). This data tends to support the fact that prices of PVA and costs for its main input, vinyl acetate monomer (VAM), were influenced to a significant extent by world market prices. Notwithstanding this fact, and in the face of an upwardly moving cost trend during the POI, in the last six weeks of the POI Chang Chun departed from its normal spot sale selling practice and entered into several long-term contracts at prices which diverged significantly from the price trends in the first ten and a half months, and for considerably different quantities than what respondent had been selling previously through spot sales over a comparable time period.

The record evidence shows a distinct dividing line between price trends in the home market prior to February 15, 1995, when the first of the long-term contracts was entered into. While the price trend in the United States did not significantly differ in the last month and a half from the price trend evident throughout the first ten and a half months of the POI, the price trend in Taiwan in the last month and a half of the POI changed significantly from that of the first ten and a half months. Therefore, we find that price trends for NV differed significantly over time. This approach is consistent with the Department's past practice in such cases as *Final Determination of Sales at Less Than Fair Value: Nitrocellulose From Brazil,* 55 FR 23120 (June 6, 1990) (influence of time on home market sales in hyperinflationary economy), and *Final Determination of Sales at Less Than Fair Value: Fresh Kiwi Fruit From New Zealand,* 57 FR 13695 (April 17, 1992) (influence of time on home market sales of perishable agricultural products).

Moreover, the change in the home market price trends was accompanied by a change in selling practice from selling PVA on a spot sale basis to entering into long-term contracts for quantities to be delivered over a substantially longer time period. Thus, the change in selling practice enhanced the effect of time on price comparability. Because time affects price comparability, we have used two averaging periods: period 1, encompassing sales from April 1, 1994 to February 14, 1995, and period 2, covering sales from February 15, 1995 to March 31, 1995. These averages calculated by the Department effectively take into account the effect of time on price comparability.

The monthly averaging proposed by petitioner is unnecessary. Because price trends in both markets closely tracked each other except in the last 6 weeks of the POI, as described above, the evidence indicates that price comparability is unaffected by time in the first ten and half months of the POI. We reviewed the data submitted by petitioner and found insufficient information concerning the assumptions petitiioner relied upon to perform its statistical tests. As a result, we have concluded that the monthly averages proposed by petitioner are unwarranted (*see Price Analysis Memorandum*).

Comment 4: Level of Trade.

Chang Chun and Monsanto argue that comparisons should be made at the same level of trade, which they define as the position of the customer within the channels of distribution. Both parties contend that, pursuant to section 773(a)(7)(A), the ''functions of the seller'' analysis is only relevant when examining whether a level of trade adjustment should be applied. Accordingly, these parties contend that comparisons should be made at the same level of trade, defining ''distributors'', ''end-users'', and ''retailers'' as distinct levels of trade. These parties further assert that a ''retailer'' level of trade exists as a separate level of trade in the home market. In support of this argument, Monsanto adds that a pattern of consistent price differences supports consideration of customer groups as a separate level of trade and, in this regard, sales to retailers qualify as a distinct level of trade.

Petitioner claims that a ''retail'' level of trade does not exist for this industry and therefore sales to such customers should not be considered to be at a separate level of trade.

DOC Position: Levels of trade are defined by the functions of the seller, not the class of customer. Level of trade is defined as the ''. . . difference between the actual functions performed by the sellers at the different levels of trade in the two markets'' (section 773(a)(7)(A)(i) of the Act; *see* also *Preliminary Determination of Sales at Less Than Fair Value: Certain Pasta from Italy* (61 FR 7472, February 28,

1996) and *Preliminary Results of Antidumping Administrative Review: Stainless Steel Wire Rod from France* (61 FR 8915, March 6, 1996). As discussed above, we found no differences in selling functions between the customer categories defined by Chang Chun, nor did Chang Chun claim any differences in selling functions between these categories.

Accordingly, we find no basis for considering any of these categories to be separate levels of trade.

Although we have rejected the contention that the class of the customer forms the basis for level of trade, in composing an averaging group, customer classification is a factor the Department may take into account (*see SAA*). The record establishes that there are distinct customer classifications in both markets, and that Chang Chun offered significantly different prices, depending on the customer category (including different prices to home market retailers). Therefore, we have made comparisons of average prices within the same customer class wherever possible. Where such comparisons were not possible, we made comparisons without regard to customer class.

Comment 5: Discounts and Rebates on Home Market Sales.

Petitioner contends that, because the Department was unable to verify reported per-unit amounts of ''quantity discounts'' and ''special discounts'' on home market sales, all such discount claims should be rejected. Further, petitioner notes that some of these ''discounts'', which we considered as rebates in the preliminary determination, were granted after the filing of the petition and therefore should be rejected in accordance with Department practice (*see Final Determination of Sales at Less Than Fair Value: Color Negative Photographic Paper and Chemical Components Thereof from Japan,* 59 FR 16177, April 6, 1994).

Chang Chun responds that, although the classification of a discount as a ''quantity'' or ''special'' discount may have been incorrect, the Department was able to verify that the customer received discounts equal to the amount claimed on each transaction. Chang Chun adds that its discount policy was consistent between the period prior to the filing of the petition, and the period subsequent to it. Thus, Chang Chun contends that there is no relationship between its discount programs and the filing of the petition and, therefore, Chang Chun's discount claims should be accepted as claimed.

DOC Position: We were unable to verify the specific discount amounts claimed for individual home market transactions. Therefore, we cannot accept the transaction-specific amounts claimed for these transactions. We were able to verify, however, that certain customers received credits after sales that equalled the total amounts of ''quantity'' or ''special'' discounts claimed for sales to that customer. Further, we verified that Chang Chun's normal practice was to grant its customers periodic discounts in the form of credits, or rebates, based on the volume of PVA purchases (*see* Chang Chun Sales Verification Report at pages 10 and 11).

While Chang Chun may have granted some of these discounts after the filing of the petition, in most cases, the discounts were granted for sales made prior to the petition filing on the same basis, and in the same manner as such payments had been made, and credits had been granted prior to the filing of the petition. We found no evidence to conclude that post-petition discounts were granted for programs established after the filing of the petition. Thus, we find no basis to reject these discount claims solely because the customer received them after the petition was filed.

Because Chang Chun's revenues from PVA sales were reduced by these discounts amounts, we have revised the ''quantity'' and ''special'' discount amounts in the calculation of normal value by allocating the total of these discounts equally among eligible sales to each eligible customer on the basis of the respective total discount amounts and sales value to that customer.

Comment 6: Quantity Discount Claim.

Chang Chun argues that, because it granted quantity discounts on at least 20% of its sales, NV should be calculated based on sales with quantity discounts, as provided for under 19 CFR 353.55(b)(1) of the Department's pre-URAA regulations. Accordingly, Chang Chun states that EP should be adjusted to reflect the quantity discount granted to comparable sales in the home market.

Petitioner contends that the quantity discounts claimed on home market sales should be rejected because the Department was unable to verify that quantity discounts were actually granted on a unified basis to substantially all of Chang Chun's home market customers. Petitioner also argues that the Department was unable to verify that such discounts actually applied to 20% of home market sales.

DOC Position: We agree with petitioner. To be eligible for a quantity-based discount, a respondent must demonstrate that the discounts reflect savings specifically attributable to the production of the different quantities, or that the respondent granted quantity discounts of at least the same magnitude on 20% or more of sales of such or similar merchandise (*see* 19 CFR 353.55(b)). If either of these tests is met, the Department applies a discount adjustment equal to the minimum discount given.

As discussed in Comment 5, Chang Chun could not demonstrate that the specific amounts claimed as ''quantity discounts'' on specific transactions had any connection to the quantity sold, but rather, as described above, these discounts were in the nature of volume rebates. Moreover, the Department also requires a respondent to establish that it gave discounts on a uniform basis, which were made available to substantially all home market customers (*see, e.g., Final Determination of Sales at Less Than Fair Value: Brass Sheet and Strip from the Netherlands,* 53 FR 23431, June 22, 1988). This requirement was expressed in the Department's antidumping questionnaire at pages B–15 and B–16. However, Chang Chun made no attempt to demonstrate this; indeed, Chang Chun specifically stated that only customers classified as ''distributors'' were eligible for the ''home market quantity discount program'' (*see, e.g.,* letter from Ablondi, Foster, Sobin & Davidow to Ronald Brown of September 19, 1995, at page 3). Accordingly, we have disallowed this claimed adjustment.

Comment 7: Treatment of U.S. Tolled Sales.

Chang Chun argues that the Department should follow its ''long established past practice'' and estimate a separate dumping margin for its tolled sales (*i.e.,* vinyl acetate monomer owned by a U.S. customer but further processed into PVA by Chang Chun) by comparing Chang Chun's price for tolling to Chang Chun's tolling cost.

Petitioner states that the Department should not analyze these tolled transactions because the U.S. customer withdrew its request that a separate margin be calculated for these sales, and the Department has already determined not to analyze these sales (*See* Memorandum to Barbara Stafford dated August 8, 1995).

DOC Position: We agree with petitioner. As stated in the memorandum cited by the petitioner, as a result of the customer's withdrawal of its request for a separate rate in the investigation, and that the customer's participation is not otherwise essential to this investigation, we have not included tolled transactions in our

investigation. We note that our past practice of analyzing tolling transactions has changed. The party contracting for the tolling, rather than the processor, will be considered the producer/exporter of the merchandise (*see Proposed Regulations*, section 353.401(h) at 7381, as well as discussion at 7330).

Comment 8: Allocation of Acetic Acid Costs for COP Analysis.

Petitioner does not object to Chang Chun's treatment of PVA and acetic acid as coproducts of a joint production process. Petitioner does, however, object to the respondent's allocation of the joint production costs on the basis of the two product's relative production volumes. Petitioner asserts that because PVA has a significantly higher per-unit value than acetic acid, production costs should be allocated to the coproducts based upon their relative sales values. Petitioner adds, however, that if the Department determines not to apply a value-based allocation methodology in computing the costs of PVA and acetic acid, then it should treat acetic acid as a byproduct by allocating all costs to PVA and offsetting such costs by revenues earned from acetic acid sales.

Chang Chun defends its treatment of acetic acid as a coproduct as well as its volume-based cost allocation methodology and urges the Department to rely on these methodologies in order to compute PVA costs for the final determination. According to Chang Chun, acetic acid is a coproduct of PVA because it meets each of the Department's criteria for identifying and accounting for jointly-produced merchandise as either byproducts or coproducts. Chang Chun also maintains that the production volume allocation methodology it used to compute PVA costs for COP and CV is the same method used by the company to compute both PVA and acetic acid costs in its normal books and records. Chang Chun adds that its volume-based cost allocation method is acceptable under Taiwan's generally accepted accounting principles (GAAP), and it was in place at the company for several months prior to the filing of the petition.

Monsanto supports Chang Chun's accounting treatment of PVA and acetic acid as coproducts, and agrees with the respondent that its volume-based allocation methodology is appropriate in this case.

DOC Position: We agree with both petitioner and Chang Chun that acetic acid should be treated as a coproduct of PVA production. As discussed in our preliminary determination, we analyzed four of the five specific factors that the Department relies on in determining whether a product should be treated as a coproduct (*see* Memorandum from Art Stein to Chris Marsh, September 29, 1995). Based on our analysis and our verification findings, we have now examined all of these factors and have concluded that acetic acid is a coproduct in the production process of polyvinyl alcohol (*see*, also, *Elemental Sulphur from Canada; Final Results of Antidumping Finding Administrative Review*, 61 FR 8239, March 4, 1996). Having made that determination, however, we disagree with Chang Chun's contention that its volume-based cost allocation methodology is appropriate in this instance.

Like other joint production processes, PVA production is characterized by certain joint costs which cannot readily be identified or traced to the individual products resulting from the joint processing performed in the manufacture of PVA. In PVA production, chemical inputs are mixed together in a process that results in two distinct products: PVA and acetic acid. These products are produced simultaneously up to a point, the split-off point, after which they become physically separated from one another. This situation presents a unique cost allocation issue because prior to the physical split-off point, the production costs, like the joint products themselves, are commingled. We note that this situation differs from cost allocations found in a batch production process which yields two or more grades of a single product (*e.g.*, steel bar). In such situations, the individual units of production can be identified, apart from one another, throughout the production process, thus presenting a readily identifiable basis upon which to allocate costs. In contrast, where a single process commingles inputs up to a split-off point, allocating joint costs to the distinct products becomes more difficult.

While there are several acceptable methods of allocating joint costs among simultaneously produced coproducts, in general, each of these acceptable methods is based on either some measure of relative value or on the physical units produced (*e.g.*, number of units, weight, etc.) (*See Cost Accounting: A Managerial Emphasis*, Charles T. Horngren, 5th edition, Prentice-Hall Inc., pp. 531–539). The choice of allocation method can have a profound impact on the outcome of relative costs, depending on the significance of the joint costs involved and the nature of the products resulting from the process.

This case presents an additional complication because of the involvement of Dairen, an affiliated supplier, which produces VAM and sells it to Chang Chun. VAM is the major raw material input in PVA production. Chang Chun, in turn, uses the VAM (from Dairen) to produce PVA and acetic acid. Chang Chun then sells much of its acetic acid production back to Dairen which, in turn, uses it as a major input in its production of VAM. Because of the nature of this cycle and the affiliation between Chang Chun and Dairen, it is important that the method used to allocate joint costs not distort the cost of PVA and acetic acid.

Section 773(f)(1)(A) of the Act provides that the Department will calculate costs based on the records of the producer of the merchandise, if such records are kept in accordance with the GAAP of the exporting country and reasonably reflect the costs associated with the production and sale of the merchandise (*see* also *Final Determination of Sales at Less Than Fair Value: Canned Pineapple Fruit From Thailand, (Canned Pineapple*), 60 FR 29559, June 5, 1995, where we stated that the Department's practice is to adhere to an individual firm's recording of costs in accordance with GAAP of its home country if the Department is satisfied that such principles reasonably reflect the costs of producing the subject merchandise). The Department's practice has been sustained by the Court of International Trade (CIT) (*see*, e.g., *Laclede Steel Co.* v. *United States, Slip Op*. 94–160 at 21–25 (CIT October 12, 1994), where the CIT upheld the Department's decision to reject respondent's reported depreciation expenses in favor of verified information obtained directly from the company's financial statements that was consistent with Korean GAAP). In addition, pursuant to section 773(f)(1)(A), the Department may only consider evidence from an exporter or producer regarding the proper allocation of costs if such allocations have been used historically by the exporter or producer (emphasis added).

Under its current accounting system, Chang Chun allocates joint production costs based on the relative production volumes of PVA and acetic acid. According to the company's financial statements, the current allocation methodology is accepted under Taiwan's GAAP. Although the company's financial statements indicate that this allocation methodology is in accordance with its home country GAAP, we note that Taiwan's GAAP does not endorse this methodology as the only acceptable cost allocation methodology. In fact, during verification, company officials stated

that they did not know how costs had been allocated under the earlier method (see Cost Verification Report at page 2), however, they stated that the company's previous allocation methodology was also in accordance with Taiwan's GAAP.

Chang Chun's current cost allocation methodology was adopted in 1994. Prior to 1994, the company relied upon a different methodology to allocate costs between PVA and acetic acid. As noted above, company officials could not explain the basis for the earlier methodology. Accordingly, based on our verification findings, we cannot conclude that a volume-based allocation has been used historically by Chang Chun.

Moreover, we find that in this case, the allocation of costs equally to each kilogram produced results in an unreasonable division of joint production costs between PVA and acetic acid. Basing the allocation of costs solely on production volume ignores the vastly different revenue-producing powers of the joint products at issue in this case. Specifically, while the relative volumes of Chang Chun's PVA and acetic acid output are almost equal, the price commanded by PVA is much greater than that of acetic acid. Thus, the company's volume-based cost allocation results in large profits accruing to PVA, while significant losses result from the sale of acetic acid. The Department, therefore, has determined that it is appropriate to reject Chang Chun's volume-based allocation methodology because it does not reasonably reflect the costs associated with the production and sale of PVA, as required by statute (*see* also *Canned Pineapple*, where the Department rejected respondent's argument for a weight-based joint cost allocation for pineapple and used a value-based cost allocation, citing as one of its reasons the relationship of the revenue-producing powers of the joint products that resulted from the pineapple production process).

As noted above, the need for an appropriate allocation method for joint costs is made all the more important in this case because of the unique nature of the transactions between Chang Chun and its affiliated supplier, Dairen. Because costs are over-allocated to acetic acid as a result of Chang Chun's volume-based methodology, such costs may not be fully recovered when the acetic acid is sold to Dairen. In turn, the cost of VAM produced from acetic acid may be understated when it is resold to Chang Chun for PVA production.

Given the fact that we cannot rely upon Chang Chun's own allocation methodology, the vastly different revenue-producing powers of the two joint products, and the fact that the affiliation between Chang Chun and Dairen has the potential to result in understatement of certain PVA costs, we believe a value-based allocation methodology produces a more reasonable and accurate reflection of costs in this case.

Therefore, we are allocating joint production costs between PVA and acetic acid using the relative value of each product calculated on the basis of a two-year period prior to the POI (*see Canned Pineapple*). We believe that by using sales of both products over an extended period prior to this investigation, prices can reasonably be relied upon to form the basis for allocating joint production costs, particularly in this case where acetic acid and PVA are commodity products, and their selling prices are influenced by world market forces of supply and demand.

Comment 9: Chang Chun's VAM Cost.

Petitioner claims that Chang Chun incorrectly valued VAM that it purchased from Dairen, an affiliated supplier of VAM, at the transfer price for those months in which the transfer price was less than Dairen's COP. Accordingly, petitioner contends that the Department should adjust Chang Chun's VAM cost for the specific purchases of VAM that were made at less than Dairen's monthly COP.

DOC Position: We disagree with petitioner. We verified that, for each month of the POI, the transfer price paid by Chang Chun for its VAM purchases from Dairen exceeded Dairen's COP. We therefore relied on the transfer price between the two affiliated companies as the basis for valuing VAM in our calculation of Chang Chun's COP.

Comment 10: Unreconciled Differences Between Chang Chun's Records and Questionnaire Response.

Petitioner notes that during verification, the Department found unreconciled differences in PVA costs between Chang Chun's internal books and the costs as submitted to the Department in its questionnaire response. Most of these discrepancies related to the cost of material inputs for PVA production. Petitioner maintains that the Department should increase Chang Chun's reported PVA costs to reflect the additional costs that result from these discrepancies.

DOC Position: We agree with petitioner. At verification, Chang Chun informed the Department that it had detected a clerical error in its submission which underreported its material costs. For the final determination, we increased material costs to account for this error. Our correction of this error resolves the discrepancies noted by petitioner.

Comment 11: Depreciation.

Petitioner claims that the Department should adjust depreciation expense incurred for PVA production to reflect the amount reported in Chang Chun's financial statements, rather than the amount reported for tax purposes (which Chang Chun reported in its questionnaire response). Petitioner contends that the Department's normal methodology is to rely on costs recorded for financial statement purposes unless there is reason to believe that such costs are distortive.

Chang Chun claims that petitioner's suggested depreciation adjustment relates to the boiler department's cogeneration equipment, which produces power and steam used by not only the PVA/acetic acid cost center, but also by non-subject product cost centers. Therefore, Chang Chun asserts that any depreciation adjustment should be limited to PVA/acetic acid's percentage share of the costs of the boiler department.

DOC Position: We agree with petitioner that Chang Chun underreported its submitted depreciation expense. The Department normally requires that a respondent report depreciation expense calculated based on the methods it normally uses for financial statement purposes, unless such methods distort production costs. We also agree with Chang Chun that PVA/acetic acid production should only be allocated with its share of the costs associated with the co-generation equipment. Based on our review of Chang Chun's fixed asset and depreciation records during verification, we found no reason to believe that Chang Chun's method of computing depreciation expense for financial statement purposes distorts the company's PVA production costs. We therefore adjusted the company's submitted tax basis depreciation expense to reflect depreciation computed for PVA/acetic acid production assets based on Chang Chun's normal financial statement depreciation method.

Comment 12: Over-packing.

Petitioner asserts that because Chang Chun systematically over-packs PVA above the nominal weight and the customer pays for only the nominal weight, PVA's COP should be adjusted in order to equate the cost of the product as packed with the price of the product as sold.

Chang Chun claims that because sales are recorded on the basis of nominal

quantities rather than the over-packed quantities, in order to be consistent, Chang Chun records production based on nominal quantities. Thus, Chang Chun asserts that there is no need for the Department to adjust the company's costs to reflect the over-packed quantities.

DOC Position: We verified that both production and sales were reported based on nominal weight, therefore, no further adjustment is necessary.

Comment 13: Dairen's VAM Costing Issues.

Petitioner notes that Dairen shut down its plant in January 1994 and asserts that the costs of the shutdown should be included as part of Dairen's 1994 VAM production costs. Petitioner also claims that Dairen's VAM COP should be increased to account for the cost of purchased liquid nitrogen. Furthermore, petitioner contends that the Department should reject Dairen's allocation of engineering and indirect labor costs to non-subject merchandise because it represents a deviation from Dairen's 1994 audited financial statements and is merely an internal management estimate founded upon no verifiable, objective criteria.

Chang Chun maintains that, since Dairen's plant maintenance shutdown occurred prior to the POI, no adjustment to include any portion of these costs is necessary. Chang Chun also claims that Dairen's purchased nitrogen was sold at a profit and that the cost of the nitrogen should not be charged to VAM production because the sales revenue was not deducted from the production costs. Furthermore, Chang Chun asserts that, because both its engineering and indirect labor costs benefit VAM and PVA emulsions production, its allocation of these costs to both products is appropriate.

DOC Position: We agree with petitioner that a portion of Dairen's plant shutdown costs should be added to Dairen's reported cost of producing VAM because we consider the shutdown costs a form of major maintenance which benefits production over the entire POI. Accordingly, a *pro rata* share of the shutdown costs incurred in the one month of 1994 that is part of the POI should be allocated to the cost of producing VAM during the POI.

Because the cost of VAM used in the production of PVA is based upon the transfer price, no adjustment is required. Dairen's transfer price to Chang Chun exceeds its COP for VAM (including the cost of purchased liquid nitrogen). Therefore there would be no impact on Chang Chun's COP for PVA.

Lastly, we disagree with petitioner that Dairen's allocation of engineering and indirect labor costs to non-subject merchandise should be rejected. During verification, we found that these engineering and indirect labor costs do benefit certain non-subject products. Accordingly, we consider it reasonable to allocate these costs to non-subject merchandise.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of PVA from Taiwan, as defined in the ''Scope of Investigation'' section of this notice, that are entered, or withdrawn from warehouse for consumption, on or after October 10, 1995, the date of publication of our preliminary determination in the Federal Register. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated amount by which the normal value exceeds the export price, as shown below. This suspension of liquidation will remain in effect until April 7, 1996 (i.e., six months after the effective date of these instructions), in accordance with section 733(d) of the Act.

The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Chang Chun Petrochemical Co., Ltd	19.21
All others	19.21

The all others rate applies to all entries of subject merchandise except for entries of merchandise produced by Chang Chun.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. As our final determination is affirmative, the ITC will determine whether these imports are causing material injury, or threat of material injury, to the industry within 45 days. If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted will be refunded or cancelled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 735(d) of the Act.

Dated: March 21, 1996.

Susan G. Esserman,

Assistant Secretary for Import Administration.

[FR Doc. 96–7636 Filed 3–28–96; 8:45 am]

BILLING CODE 3510–DS–P

[A–533–809]

Certain Forged Stainless Steel Flanges From India; Preliminary Results of Antidumping Duty Administrative Review

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of Preliminary Results of Antidumping Duty Administrative Review.

SUMMARY: In response to a request from one respondent, the Department of Commerce (the Department) has conducted an administrative review of the antidumping duty order on certain forged stainless steel flanges (flanges) from India. The review covers one manufacturer/exporter of the subject merchandise to the United States for the period February 9, 1994 through January 31, 1995.

We have preliminarily determined that U.S. sales have been made below the normal value (NV). If these preliminary results are adopted in our final results of administrative review, we will instruct U.S. Customs to assess antidumping duties equal to the difference between the United States price (USP) and the NV. Interested parties are invited to comment on these preliminary results. Parties who submit arguments in this proceeding are requested to submit with the argument (1) a statement of the issue, and (2) a brief summary of the argument.

EFFECTIVE DATE: March 29, 1996.

FOR FURTHER INFORMATION CONTACT: John Kugelman, Office of Antidumping Compliance, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230, telephone: (202) 482–5253.

SUPPLEMENTARY INFORMATION:

Background

On February 9, 1994, the Department published in the Federal Register (59