Department. On February 1, 1995, the Department held a public hearing in this investigation.

Scope of the Investigation

The products covered by this investigation are certain carbon steel butt-weld pipe fittings having an inside diameter of less than fourteen inches (355 millimeters), imported in either finished or unfinished condition. Pipe fittings are formed or forged steel products used to join pipe sections in piping systems where conditions require permanent welded connections, as distinguished from fittings based on other methods of fastening (e.g., threaded, grooved, or bolted fittings). Butt-weld fittings come in a variety of shapes which include "elbows," "tees," "caps," and "reducers." The edges of finished pipe fittings are beveled, so that when a fitting is placed against the end of a pipe (the ends of which have also been beveled), a shallow channel is created to accommodate the "bead" of the weld which joins the fitting to the pipe. These pipe fittings are currently classifiable under subheading 7307.93.3000 of the Harmonized Tariff Schedule of the United States ("HTSUS"). Although the HTSUS subheading is provided for convenience and Customs purposes, our written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation ("POI") is September 1, 1993, through February 28, 1994.

Fair Value Comparisons

To determine whether Interfit's sales for export to the United States were made at less than fair value, we compared the United States price ("USP") to the foreign market value ("FMV"), as specified in the "United States Price" and "Foreign Market Value" sections of this notice.

Regarding level of trade, Interfit reported that it sells only to distributors in the United States and the home market.

We made revisions to Interfit's reported data, where appropriate, based on findings at verification.

United States Price

Because Interfit's U.S. sales of certain carbon steel butt-weld pipe fittings were made to an unrelated distributor in the United States prior to importation, and the exporter's sales price methodology was not indicated by other circumstances, we based USP on the purchase price ("PP") sales

methodology in accordance with section 772(b) of the Act.

We calculated Interfit's USP sales based on packed, c.i.f., duty paid, landed prices to unrelated customers in the United States. We made deductions, where appropriate, for foreign inland freight, foreign brokerage, marine insurance, ocean freight, U.S. brokerage, U.S. duties, and rebates. Reported U.S. duties were adjusted based on information collected at verification.

We made an adjustment to USP for value-added tax ("VAT") assessed on comparison sales in France in accordance with our practice, pursuant to the Court of International Trade ("CIT") decision in Federal-Mogul, et al. v. United States, 834 F. Supp. 1391. See, Preliminary Antidumping Duty Determination: Color Negative Photographic Paper and Chemical Components from Japan (59 FR 16177, 16179, April 6, 1994), for an explanation of this tax methodology.

Foreign Market Value

In order to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating FMV, we compared the volume of home market sales of subject merchandise to the volume of third country sales of subject merchandise, in accordance with section 773(a)(1)(B) of the Act. On this basis, we determined that the home market was viable.

In its May 13, 1994, response, Interfit reported that all home market sales were made to distributors, three of which were related to Interfit. Based on information verified in this investigation, we do not consider Interfit's indirect minority interest in Hardy-Tortauax ("H-T") and Trouvay & Cauvin ("T&C") to be a sufficient basis to determine that the parties are "related," as defined in section 771(13) of the Act and 19 CFR 353.45(b). See, the Department's concurrence memorandum from the preliminary determination (September 26, 1994, at page 3). However, with respect to the third related distributor, Starval, we determined that its relationship to Interfit (e.g., 100 percent common ownership) satisfies the definition of a related party.

Therefore, we compared Interfit's prices to Starval with Interfit's prices to unrelated parties using the arm's length test as set forth in Appendix II to Final Determination of Sales at Less than Fair Value: Certain Cold-rolled Carbon Steel Flat Products from Argentina, 58 FR 37062 (July 9, 1994), and determined that the sales made to Starval were not at arm's length. Accordingly, we requested and received Starval's sales to

unrelated customers in the home market. While verifying Starval's sales response, we found that several sales had been reported a number of times. This rendered Starval's home market database unusable for purposes of the final determination. Thus, we have disregarded a small portion of Interfit's home market sales and used sales made by Interfit directly to unrelated parties.

Cost of Production

Petitioner alleged that Interfit made home market sales during the POI at prices below the cost of production ("COP"). Based on petitioner's allegation, we concluded that we had reasonable grounds to believe or suspect that sales were made below COP. In the course of this investigation, we gathered and verified data on production costs.

For purposes of the preliminary determination, because Interfit's cost data was incomplete and submitted too late for consideration, as best information available ("BIA"), we made an adverse assumption that all home market sales were below the COP and based foreign market value on constructed value ("CV"). We then calculated the CV using Vallourec's transfer prices. We stated that we would verify whether those prices were at arm's length.

For the final determination, however, we have reviewed and analyzed respondents COP data. In accordance with our standard practice, we asked Interfit to provide cost data for inputs produced by related parties. Interfit failed to provide data on the cost of pipe, a major input, produced by its related supplier, Vallourec. Therefore, we have valued the input on the basis of BIA and used the resulting COP to test home market sale prices. As BIA we adjusted the transfer prices for the input upward by the average difference between petitioner's acquisition cost of pipe, as reported in the petition, and the transfer price Interfit pays to its supplier.

In order to determine whether home market prices were below the COP within the meaning of section 773(b) of the Act, we performed a productspecific cost test, in which we examined whether each product sold in the home market during the POI was priced below the COP of that product. We calculated COP based on the sum of Interfit's cost of materials, fabrication, general expenses, and packing, in accordance with 19 CFR 353.51(c). For each product, we compared this sum to the home market unit price, net of movement expenses, rebates and selling expenses. We made changes, where appropriate, to submitted COP data, as