as petitioner suggests, on a historical cost basis.

DOC Position

We agree in part with both petitioner and respondent. At verification, we noted that respondent's reported UFIR-based material and fabrication costs varied substantially for the same product produced in different months. We were able to establish that this cost variance was due to a combination of factors which are unrelated to physical differences: (1) the nature of MSA's cost accounting system; (2) the process used to produce the input bar consumed in the production of subject merchandise (whether it was produced using ingot or a continuous caster); and (3) whether the material was purchased (imported) or produced in-house by the respondent.

Contrary to petitioner's contention that replacement costs must be used when indexing costs between different months, for difmer purposes, we consider it appropriate to have cost data submitted in UFIR, as maintained by the company in its ordinary course of business. (*See* Department Policy Bulletin No. 94.5 dated March 25, 1994.) The UFIR is not a methodological creation of the respondent; UFIR-denominated costs must be kept in the ordinary course of business for reporting purposes to the ''Junta Comercial'' (the Brazilian equivalent of the Securities and Exchange Commission). Also, we find that petitioner's cite to *Silicon Metal from Brazil* as case precedence for the Department rejecting submitted UFIR costs is misplaced. In *Silicon Metal from Brazil*, unlike the instant case, there was no UFIR type indexation scheme in effect. Rather, the ''monetary correction'' methodology (*i.e.*, year-end restatement of assets/liabilities) used by respondent was deemed inappropriate.

Furthermore, we disagree with petitioner's contentions that MSA's submitted variable fabrication costs are unreliable and that the differences in fabrication costs cannot be explained by alleged differences in input steel costs. As stated above, we verified that MSA's submitted cost data was extracted directly from its normal cost accounting system which records the actual costs incurred to manufacture each batch of pipe produced. We thus have no reason to believe that MSA's submitted cost data is unreliable in general. Second, we observed at verification that steel bar produced from ingot versus a continuous caster will affect both material and fabrication costs.

However, notwithstanding the fact that respondent's variable costs were reported in accordance with its normal cost accounting system, we agree with petitioner that we must use variable costs for difmer adjustment purposes which are not distortive in margin analysis. For difmer purposes, it is the Department's practice to consider only those cost differences associated with physical differences in the products under comparison. The flaw we found in MSA's reporting methodology was one of not neutralizing the cost differences resulting from different production processes or supply sources for input bar, which is an inherent result of its normal cost accounting system. Therefore, for purposes of the final determination, we have modified respondent's variable costs of manufacture for those products for which we had information on the record to enable us to compute a difmer adjustment exclusive of the cost differences unrelated to physical differences. For the material costs of these products, we computed a POI weighted-average bar cost for all subject merchandise using the same material grade bar. We then determined the product-specific material costs by multiplying product-specific POI average yield rates by the POI weighted average bar cost. For fabrication costs, we had available a breakout of the quantity of continuous casted versus ingot bar used in production for specific products for each month of the POI. From this data, we identified for similar product matches, which months used comparably sourced bar.

However, for certain products we did not have the information concerning the POI monthly quantity of input bar produced via the continuous-casted versus ingot methods. Additionally, we were unable to determine the percentage of such products produced from imported tube versus MSA-produced tube. We note that the vast majority of the U.S. products that are affected by this lack of information on the record are cold-drawn pipes. *See* Comment 9 below. Therefore, for a small percentage of U.S. sales quantity, we were unable to eliminate the fabrication cost differences resulting from the different production processes and/or sources of input bar. For those sales of U.S. products where we did not have reliable fabrication costs, we used a margin based on BIA. As BIA, we used a calculated margin that is sufficiently adverse to fulfill the statutory purpose of the BIA rule (section 776(c) of the Act) and which is indicative of, and bears a rational relationship to, the respondent's sales. *See National Steel* v. *United States*, 870 F.Supp. 1130 (CIT 1994).

Comment 3

Petitioner argues that MSA and MCSA incorrectly reported invoice date as the date of sale for all home market sales. It maintains that the correct date of sale is Mannesmann's internal order date because it is at this time that final agreement on the essential terms of sale, including price and the manner in which it will be adjusted for inflation, is made. Petitioner asserts that the only changes in the essential terms of sale between Mannesmann's internal order and invoice dates are a currency conversion and an inflation adjustment, both of which are performed automatically by computer without negotiation with the customer; and that this was the only variance between order and invoice date noticed by the Department at verification. According to petitioner, the automatic restatement of the price by computer to account for inflation is not a substantive change in the material terms of sale. Petitioner cites *Final Determination of Sales at Less Than Fair Value: Brass Sheet and Strip from France* (52 FR 812, January 9, 1987) (*Brass Sheet and Strip*) to support its position that it is the Department's established practice to use as the date of sale, the date on which basic terms become determinable, without regard to automatic mechanisms that might alter or establish specific terms.

For the final determination, petitioner urges the Department to use the sales listings submitted on December 9, 1994, despite substantial alterations made to them (*i.e.*, in the subsequent sales listings submitted on February 28, 1995). According to petitioner, these listings provide internal order dates and invoice numbers that can easily be matched to the invoice numbers reported in Mannesmann's February 28, 1995, response. For any sales in the February 28, sales listing which cannot be matched to an alleged ''proper'' date of sale using the December 9, listing, petitioner maintains that the Department should apply partial BIA by using the average time lag between order and invoice date for other sales to place the sale in the appropriate month. This method of partial BIA would entail deflating prices for such months because the prices and adjustments in the February 28, response are stated in cruzeiros valued for months later than the actual date of sale claimed by petitioner, so that they are restated in terms of the value of the cruzeiro during the month of sale. Alternatively, if the currency conversion is too burdensome, the Department should apply, as partial BIA to such sales, either the highest