similar to that employed by the Department. Finally, the petitioner argues that respondent's own sales invoices and internal records refer to products made to non-standard dimensions as pipes.

DOC Position

We agree with the petitioner. *See* Scope clarification discussion in the body of this notice above.

Comment 9

The petitioner maintains that pipe and tube subject to this investigation constitutes a single class or kind of merchandise. The respondent did not comment on the class or kind issue in its case or rebuttal briefs.

DOC Position

We agree with the petitioner. *See* Class or Kind discussion in the body of this notice above.

Comment 10

The petitioner asserts that the respondent's home market sales data contains a multitude of errors that render it unsuitable for calculating an accurate FMV. Combined with substantial unreported U.S. sales and misreported costs, the petitioner considers it appropriate for the Department to base the final determination on BIA (petitioner cites *Final Determination of Sales at Less Than Fair Value: Circular Welded Non-Alloy Steel Pipe from Brazil*, 57 FR 42940 (September 17, 1992)).

The respondent claims that the discrepancies mentioned by the petitioner are immaterial and the use of BIA is unwarranted.

DOC Position

We agree with the respondent that the use of total BIA is unwarranted. Based on the facts on the record, we believe the errors discovered at verification are minor in nature, and resulted from oversight or mathematical rounding. In addition, the lack of clarity in the scope, as published in the notice of initiation and the preliminary determination, may have resulted in respondent misinterpretation. The possibility that some of the unreported sales discovered at verification were not reported because the respondent misinterpreted the scope cannot be overlooked in our decision to accept or reject the home market sales response.

However, we made certain adjustments to the home market sales listing based on our findings at verification. Specifically, we deleted sales of small quantities of subject merchandise which were unlikely to be shipped and sales which the respondent believed would be exported to a country other than the United States. *See* the June 12, 1995 concurrence memorandum to Barbara Stafford from the Team for a complete discussion of this issue.

Cost Issues

Comment 11

The petitioner maintains that Dalmine understated its depreciation expense by excluding improperly the costs associated with 1993 fixed asset write-downs. Such costs, according to the petitioner, should be amortized over a number of years, including the POI. The petitioner argues that the Department should adjust the COP/CV figures by including a portion of the 1993 fixed asset adjustment.

The respondent claims that the 1993 adjustment referred to by the petitioner is not related to fixed assets, but is the adjustment to Dalmine's investment in its subsidiaries. The amount of the adjustment represents the operating losses of those subsidiaries. The respondent argues that, even if the adjustment had involved the company's fixed assets or inventory, it still should not be included in COP/CV as none of the subject merchandise sold during the POI was produced in 1993.

DOC Position

We agree with the respondent. The write-downs referred to by the petitioner are identified in Dalmine's 1993 annual report as write-downs due to the operating results of subsidiaries, associated companies and to an adjustment of the shareholder's equity of two subsidiaries. Accordingly, these write-downs are not related to the respondent's production activities or the subject merchandise and, therefore, we did not adjust the reported COP/CV figures.

Comment 12

The petitioner claims that Dalmine understated its depreciation expense by excluding improperly depreciation of its idle equipment. Although Italian generally accepted accounting principles (GAAP) may permit this practice, the petitioner argues that the Department should not allow the respondent to exclude depreciation of idle assets since this treatment creates distortions. The petitioner further states that the Department's long-standing practice is to include depreciation on idle assets in calculating COP and CV because such assets represent a cost to the company. To support this statement, the petitioner cites *Antifriction Bearings and Parts Thereof from France, Germany, Italy, Japan, Romania, Singapore, Sweden, Thailand and the United Kingdom*, 58 FR 39729, 37756 (1993) (*Antifriction Bearings*). The petitioner asserts that the Department should write off the remaining book value of the idle assets and allocate the expense to the POI, because the petitioner is unable to determine their remaining useful lives.

The respondent argues that it properly excluded depreciation expense relating to its assets because the facility is permanently closed and such accounting treatment is in accordance with Italian GAAP (*Iron Construction Castings From India*, 51 FR 9486, 1988). If the Department were to impute depreciation expense for the assets in the closed facility, the respondent argues we should allocate the imputed depreciation over 16 years, the average life of the fixed assets, rather than expensing the remaining book value of the idle assets during the POI.

DOC Position

The fixed assets in question relate to one of the respondent's facilities which is no longer in operation. The land and building housing these fixed assets have been sold and the company is currently attempting to sell the equipment. Italian GAAP requires the recognition of a loss on discontinued operations in the income statement, but the appropriate period of recognition is not defined. The respondent, in its normal books and records, has yet to recognize a gain or loss from the remaining assets of the discontinued operation.

The assets in question relate clearly to discontinued operations from a prior period and are no longer productive assets; they are merely awaiting sale. Accordingly, we do not consider the respondent's normal accounting treatment of these assets to be unreasonable. The *Antifriction Bearings* case cited by the petitioner is not controlling because it involved operations which were *temporarily* idle, while Dalmine's facility is *permanently* closed.

Additionally, had we considered the respondent's accounting treatment to be unreasonable and treated the discontinued operations in accordance with U.S. GAAP, we would consider the loss to be related to the year in which the decision was made to discontinue the operations, which was prior to the POI. Upon disposal of these assets, the gain or loss on the sale will be included on the respondent's income statement and we will include the gain or loss in COP/CV, if an order is issued and an administrative review conducted.