

difference in the electricity consumption reported by producers and the levels submitted by petitioners. However, based on information supplied by the U.S. Bureau of Mines, we have determined that the electricity usage reported by respondents is not outside the range that would be expected for a producer using Factor A (see the October 16, 1995 memorandum to Barbara R. Stafford, Deputy Assistant Secretary, Import Administration). Therefore, the Department has used the verified amounts of electricity consumption.

Comment 11: Respondents argue that indirect material costs were double counted by the Department when it valued minor process chemicals and also included the "stores and spares consumed" category from the RBI Bulletin as a component of factory overhead. Respondents argue that either the "stores and spares consumed" component should be eliminated from the surrogate factory overhead or the Department should avoid directly valuing process chemicals. Respondents also argue that inputs that are considered as "consumables" in the accounting systems of the producers should be treated as indirect materials.

Respondents also disagree with petitioners' interpretation of the term "stores and spares consumed" listed in the RBI Bulletin, arguing that the Department can reasonably assume that the "stores and spares consumed" category includes an element for indirect materials. They point out that the reference to *Plant Design* cited by petitioners distinguishes between "raw materials," which are direct materials, and "catalysts and solvents, which are not direct materials." The chemicals in question, according to respondents, are "catalysts and solvents." Respondents also note that the Department's recognition of variable overhead in market economy cases contradicts petitioners' assertion that all variable inputs must be direct materials. Finally, since the chemicals in question are not physically incorporated into the finished goods or are used in very small quantities (*i.e.*, the antithesis of the cost accounting definition of direct materials), these chemicals should be considered indirect materials which are included in factory overhead.

Petitioners argue that the "stores and spares consumed" line item in the RBI Bulletin should be considered "operating supplies," as the term is used in *Plant Design*; *i.e.*, "miscellaneous supplies * * * needed to keep the process functioning." Petitioners note that *Plant Design* states that "[r]aw materials are all items that

must be supplied in the manufacturing process for each unit of product produced." According to petitioners, to the extent that process chemicals are variable inputs, they must be considered "raw materials" for which surrogate values must be attributed. Therefore, petitioners state that because these items are not included in the surrogate factory overhead in the "stores and spares consumed" line item, the Department should value these chemicals separately from overhead.

DOC Position: Both petitioners and respondents have attempted to explain what the RBI "stores and spares consumed" category contains, but neither side has persuaded us. Based upon our own analysis, we have concluded that only those chemicals used after the metal has been produced or those chemicals used for cleaning purposes unrelated to the actual production process should be included in factory overhead (see October 16, 1995 Memorandum to Barbara R. Stafford, Deputy Assistant Secretary, Import Administration). With respect to the other chemicals in question, while respondents' accounting systems may treat them as an element of factory overhead, these materials are more appropriately considered direct materials because they are required for a particular segment of the production process. Based on this analysis, we have treated certain of the so-called "process chemicals" as indirect materials which are covered by the surrogate value for factory overhead and the remainder have been valued as direct materials.

Comment 12: Petitioners argue that the Department omitted certain expense categories (*i.e.*, "selling commission," "rates and taxes," "other provisions," and "financing interest") which should have been included in the surrogate SG&A value. Additionally, if the Department continues to exclude "financing interest" from the SG&A value, it should use "gross operating profit" instead of "operating profit." Finally, according to petitioners, regardless of how PRC producers categorize certain items, costs cannot be assigned to factory overhead or SG&A categories unless the above-referenced RBI Bulletin table attributes the cost to factory overhead or SG&A.

Respondents argue that the Department should not include "rates and taxes" in SG&A because the surrogate input values are exclusive of internal taxes or duties. Also, according to respondents, because the Department does not normally adjust for credit expenses in NME cases, it should not include a value for credit expenses ("financing costs"). Moreover, since the

cost of producing manganese metal is determined at the producer level, "selling commissions" should not be included as the producer does not sell the merchandise, only the exporter does. Generally with respect to SG&A, respondents claim that because the Indian surrogate information is for a broad group of industries and India has no manganese metal industry, the Department should include in its surrogate SG&A only those expenses incurred by the PRC producers. As an alternative to determining what should be included in the surrogate SG&A value, respondents suggest that the Department use the statutory minimum of 10 percent. With respect to profit, respondents argue that the Department's normal practice is to use operating profits.

DOC Position: We agree with petitioners that we incorrectly omitted certain SG&A expense categories listed in the RBI table. We have included these amounts in our final determination.

We disagree with respondents that financing costs should be removed from the SG&A. The Department does not adjust for differences in selling expenses because we do not know enough about the selling expenses included in the surrogate SG&A to make the adjustment. However, the lack of an adjustment does not mean that these costs should be excluded from FMV. We also disagree with respondents regarding selling commissions. Section 773(c)(1) clearly requires the Department to include an amount for general expenses in the FMV. Therefore, regardless of whether the FMV is being constructed at the producer or exporter level, it is appropriate to add an amount for selling expenses.

Further, we disagree with respondents' argument that we should use only those elements of the surrogate SG&A that correspond to expenses incurred by the PRC producers. It is the Department's consistent practice to use a surrogate amount for the entirety of SG&A as calculated using the RBI Bulletin, as opposed to basing the surrogate SG&A percentage on actual expenses incurred by respondents.

Finally, following our normal practice, we considered operating rather than gross profit. Because this amount was less than 8 percent of COM and SG&A, we used the statutory minimum.

Comment 13: Respondents claim that the Department verified that certain charges deducted in the preliminary determination were not incurred by respondents. Therefore, these amounts should not be deducted for the final determination. Moreover, respondents reject petitioners' claim that it is