

product mix, petitioners' suggestion that potentially differing terms of sale could have resulted in production costs exceeding transfer prices is absurd on its face.

In regard to scrap sales, Thyssen quotes the cost verification report at 16 which concluded that the "Rhine region scrap division, the only division providing scrap to Thyssen Stahl AG ("TSAG"), was profitable on a DM per ton basis." Thyssen states the Department acted reasonably in using the transfer prices submitted in determining COP and CV in the absence of any evidence that the cost data supplied was unreliable or any evidence of record more probative than that which Thyssen and its related suppliers submitted.

Further, Thyssen contends that the cost information submitted by petitioners cannot be considered because it consists of factual information available to petitioners prior to publication of the preliminary determination and therefore was not timely filed. See *NSK Ltd. v. United States*, 798 F. Supp. 721, 725 (CIT 1992).

Department's Position: The Department disagrees with petitioners. Thyssen submitted evidence that the prices paid to related suppliers for the most significant inputs identified by the Department were at arm's length and were not at prices below the related suppliers' cost of production. The Department tested the submitted prices from a major related iron ore supplier and a major related scrap supplier. The Department found that the iron ore prices from unrelated and related suppliers were the same. The Department found that scrap prices from unrelated and related suppliers were comparable. The Department also tested that the prices were above the cost of production. The Department computed a cost per ton of iron ore from the constant currency income statements of the major related iron ore supplier for the years ending December 31, 1993 and December 31, 1994. We compared this amount to the average sales price, noting that the transfer price was higher than the average cost. It was appropriate in this case to use the average cost calculation because the major iron ore supplier's sole business is the sale of iron ore; therefore, financial results are not affected by other lines of business. Petitioners' argument that the profit on domestic sales may far exceed the profit on export sales is speculative and not supported by evidence on the record. Export sales constituted the majority of the related suppliers' sales. Export sales commanded significantly higher prices

than domestic sales; this higher price should reflect any additional processing or transportation costs envisioned by petitioners.

In addition, at verification we reviewed the profit analysis of the major scrap supplier's Rhine region division, which supplies Thyssen with its ferrous scrap, and concluded that the division was profitable and therefore its sales of scrap were at prices above the cost of production.

Comment 6: Petitioners assert that the Department should use BIA for the CV of material inputs. Petitioners argue that for purposes of calculating CV, it is not sufficient that the transfer prices of major inputs reflect market value. Rather, section 773(e)(2) of the Act requires the Department to disregard the transfer price of a major input and use the actual cost of producing the input if the transfer price is below the related supplier's COP for that input. See *Antifriction Bearings From France*, supra, 60 FR at 10924. Petitioners argue that Thyssen's failure to provide credible evidence that the transfer price for iron ore was above the cost of production despite numerous requests from the Department for this information constitutes reasonable grounds to believe or suspect that the transfer prices paid by Thyssen were less than the cost of production. With respect to "non-major" inputs, petitioners argue that Thyssen failed to demonstrate that its transfer prices were at arm's length as, except for scrap, which the Department examined at verification, Thyssen provided only self-selected invoices which cannot be considered representative of prices.

Department's Position: The Department disagrees with petitioners. As discussed above in response to comment 5, the Department's testing at verification revealed that Thyssen's related party did not offer preferential pricing to related suppliers for major inputs. Moreover, we verified that major inputs were purchased at prices that were not below their cost of production. We are satisfied with Thyssen's submissions regarding this issue, as verified. With respect to materials purchased from related suppliers which consisted of a small part of the cost of manufacturing—so-called "non-major" inputs—the Department elected not to verify these amounts. We determined that these inputs had a minimal effect on the total cost of manufacturing. Given this fact, the constraints of time, and the nature of verification (see response to comment 4), we did not consider it necessary to verify these amounts individually.

Comment 7: Thyssen argues that, for purposes of its COP and CV calculations, the Department incorrectly reduced Thyssen's reported interest income by interest/dividends earned on security investments of working capital. Thyssen disputes the Department's rationale that "the Department does not generally allow dividends as an offset to financing expense because dividends are not considered to be short-term in nature." According to Thyssen, only short-term income from current assets was included in the interest income offset. Thyssen argues that, since this income was attributable to Thyssen's "short term investments of its working capital," it should not have been excluded from the interest income offset. See, e.g., *Antifriction Bearings From France*, 60 FR at 10926; and *Television Receivers, Monochrome and Color from Japan; Final Results of Administrative Review*, 56 FR 23281, 23282–83 (May 21, 1991). Thyssen argues that a cost verification exhibit confirms that its claim was limited to income from current assets and did not include interest from long term securities and interest other than from current assets.

Petitioners agree with the Department's preliminary determination that Thyssen has not demonstrated that the source of the claimed income is short-term in nature.

Department's Position: Thyssen has not demonstrated that it is entitled to an offset to interest expenses for income derived from dividends. The Department's long-established practice is to deny an offset for income of this nature. See *Final Determination of Sales at Less Than Fair Value: Circular Welded Non-Alloy Steel Pipe From the Republic of Korea*, 57 FR 42942, 42953 (September 17, 1992); *Final Determination of Sales at Not Less Than Fair Value: Saccharin From Korea*, 59 FR 58826, 58828 (November 15, 1994). The CIT recently affirmed the Department's general standard in *NTN Bearing Corp. v. United States*, Slip Op. 95–165 (CIT Oct. 2, 1995). Relying on its earlier decision in *Timken Co. v. United States*, 852 F. Supp. 1040, 1048 (CIT 1994), the court clarified that to qualify for an offset, interest income must be related to the "ordinary operations of a company." *NTN Bearing* at 32. While this standard does not require that interest income be tied directly to the production of the subject merchandise, a respondent must show "a nexus between the reported interest income" and its "manufacturing operation." *Id.* at 33; see *Timken* at 1048. Unlike interest income earned from the short-term investment of working capital,