has direct selling responsibility. Furthermore, INA asserts that its U.S. subsidiary incurs similar advertising expenses in selling to unrelated customers for whom it has direct selling responsibility. Because both INA and its U.S. subsidiary incur advertising expenses in making sales to their unrelated customers, INA argues that the HM advertising expenses at issue are not related to U.S. sales made by its subsidiary. Accordingly, INA concludes that the Department should not deduct these expenses from ESP for these final results.

Department's Position: We agree with INA. During our verification at INA's U.S. subsidiary, we confirmed that the subsidiary incurred advertising expenses for U.S. sales. Conversely, we found no evidence during our verification of advertising expenses at INA's headquarters in Germany that INA incurred any expenses for advertising directed toward customers in the United States. Therefore, we have not deducted these expenses from INA's USP for these final results.

## 4B. Technical Services and Warranty Expenses

Comment 9: Torrington argues that Koyo should reallocate U.S. technical service expenses over only nonaftermarket sales because service expenses are normally not incurred in the after-market. Torrington claims that Koyo allocated service expenses over total American Koyo Corporation sales, which would include both OEM and aftermarket sales. Furthermore, Torrington contends that, because Koyo failed to segregate service expenses into direct and indirect components, the Department should continue its preliminary treatment of considering all such expenses as direct expenses.

In rebuttal, Koyo argues that it allocated its service expenses over all of its sales, including sales to both aftermarket and OEM customers, because the services it provides to its aftermarket customers are essentially the same as those it provides to its OEM customers.

Department's Position: As set forth in AFBs II (at 28408) and AFBs III (at 39743), we have accepted Koyo's allocation methodology because Koyo provided the same technical services to all customers that requested them, including aftermarket customers. Also, based on our review of Koyo's response, we are satisfied that Koyo properly separated its direct and indirect expenses.

Comment 10: Torrington argues that the Department should not accept Koyo's reported HM direct warranties, guarantees, and servicing expenses because Koyo calculated its expense factor by dividing total warranty claims expenses by total bearing sales instead of quantifying expenses on the basis of class or kind of merchandise or by customer.

Koyo responds that the Department has verified and accepted its warranty expense methodology in previous reviews of both AFBs and TRBs and that the Department should continue to treat Koyo's direct warranty expenses as it did in the preliminary results and in all prior AFB reviews.

Department's Position: Although Koyo calculated a warranty expense factor based on the ratio of total warranty claims to total bearing sales, there is no evidence on the record that the calculated warranty expense factor would vary by class or kind of bearing or by customer. Therefore, as in AFBs III (at 39743), where Koyo used the same allocation methodology, we find that Koyo reasonably allocated direct warranty expenses, and we have accepted them for the final results.

Comment 11: RHP argues that the Department should not have treated RHP's U.S. technical service expenses as direct expenses, because they were reported as indirect expenses in both the U.S. and home markets. RHP states that the Department treats technical service expenses as direct selling expenses only when such expenses are directly related to sales under review.

RHP claims that it does not maintain records that tie the expenses of its technical service engineers located in the United Kingdom directly to particular products, customers or markets. Therefore, RHP allocated the expenses over its total sales volume. RHP argues that while the Department requested a breakdown of fixed and variable costs, RHP could not have provided such information, and that the Federal Circuit has disallowed the Department's use of BIA when the respondent could not have provided the information requested under any circumstances.

Torrington argues that some of RHP's reported technical service expenses, such as expenses for vehicle leasing and travel, are clearly direct and should have been reported as such. Torrington claims that the Department requires respondents to separate technical services into direct and indirect portions. Torrington claims that when respondents fail to separate these expenses, the Department treats the entire expense as direct in the case of U.S. sales and indirect in the case of HM sales. Similar to Torrington, Federal-Mogul agrees that the Department's

treatment of RHP's technical service expenses is correct and should not be changed for the final results.

Department's Position: We agree with Torrington and Federal-Mogul. Our questionnaire specifically requests respondents to separate fixed and variable portions of technical service expenses because we treat fixed servicing costs as indirect expenses and variable servicing costs as direct expenses. Based on RHP's questionnaire response, we determine that RHP reasonably could have separated direct and indirect technical service expenses. As RHP stated in its questionnaire, "[t]he costs in question include such items as salaries, travel expenses, vehicle leasing, etc." See RHP's Section B Response at 56 (September 21, 1993). Generally, we consider salaries fixed expenses because they are costs that would have been incurred whether or not sales were made. By contrast we generally consider travel expenses to be directly related to sales, because technicians are visiting customers to help them with specific problems. See Roller Chain, Other Than Bicycle, From Japan; Final Results of Administrative Review and Partial Termination, 57 FR 6810 (February 28, 1992) (*Roller Chain*). Because RHP described both direct

and indirect technical servicing costs in its questionnaire response, RHP should have reported each type of expense separately. The statute and the Department have a preference for respondents to provide actual expense information as opposed to allocated expense information. Because RHP did not distinguish between the direct and indirect portions of its technical service expenses in either market, we made an adverse inference and considered the entire U.S. technical service expense as direct and the entire HM technical service expense as indirect. Allocated expenses in the U.S. market are treated as direct expenses because direct expenses will be deducted from all USP transactions and will, therefore, reduce USP and potentially increase dumping margins. If these expenses were treated as indirect expenses, they would only be deducted from USP in ESP situations and would, therefore, reduce USP and potentially increase dumping margins only in ESP situations. Treatment of these expenses as indirect expenses would remove any incentive a respondent has to provide the Department with actual expense information. See The Torrington Company v. United States, 832 F. Supp. 365, 376 (CIT 1993); and Timken v. United States, 673 F. Supp. 495, 512-13 (CIT 1987). The fact that RHP chooses to keep its financial records in such a