way as to not tie its technical service expenses to specific sales does not relieve it of its responsibility to provide the Department with actual expenses information. See also *AFBs II* (at 28408) and *AFBs III* (at 39742).

Comment 12: Federal-Mogul argues that the Department incorrectly treated SNR's reported U.S. warranty costs as an indirect expense because SNR did not support its claim that warranty costs were fixed, and thus should be treated as an indirect expense. As respondents have an incentive to report U.S. expenses as indirect in nature, Federal-Mogul argues that they bear the burden of proving that U.S. expenses are indirect. Federal-Mogul concludes that because SNR has failed to show that its warranty expenses were indirect in nature, the Department should deduct the expenses directly from USP.

SNR responds that it reported its total U.S. warranty costs as indirect in nature because the cost "relates to in-house service, rather than outside contractors." SNR further stated that the expense was clearly indirect because it could not be tied to specific sales.

Department's Position: We agree with Federal-Mogul that SNR failed to demonstrate the indirect nature of all its U.S. warranty costs. The fact that SNR's warranty services were performed inhouse does not preclude direct expenses from being incurred. SNR did not separate its warranty costs into fixed and variable portions, as required by the questionnaire. Therefore, for these final results, we have reclassified SNR's U.S. warranty costs as a direct expense, and we have deducted them directly from USP. See also Department's Position to Comment 11, above.

Comment 13: Torrington contends that because SKF-France did not separate SARMA's U.S. technical service expenses into direct and indirect portions, the Department acted improperly by classifying the expenses as indirect. Torrington notes that it is the Department's policy to classify as direct any U.S. expenses that the respondent has not separated into direct and indirect portions. Torrington notes that in prior reviews SKF reported SARMA's technical service expenses in the same manner and the Department responded by substituting SARMA's reported technical service expenses with SKF-USA's direct technical service expenses as BIA. Torrington contends that the Department's response should remain consistent with prior reviews.

SKF-France notes that its U.S. sales response explained that SARMA provides the U.S. market with only general design and quality control advice for future bearing development. SKF-France contends that since such expenses do not constitute direct technical assistance, the Department properly treated the expenses as indirect.

Department's Position: We agree with Torrington that when respondents fail to report technical service expenses in direct and indirect portions, it is our practice to treat the expenses as direct in the United States. See Department's Position to Comment 11, above, and AFBs III (at 39742). However, for this particular company the issue is moot because the technical service expenses SARMA reported as indirect export selling expenses have been reclassified as research and development expenses. In its response SARMA classified all technical service expenses as indirect selling expenses and allocated these expenses across HM and export sales. However, verification of SKF-France's COP response revealed that SARMA's technical service expenses should have been classified as research and development expenses. For the preliminary results we included all technical service expenses reported by SARMA in the calculation of general and administrative expenses for the purposes of calculating COP and CV. However, we only removed from SARMA's reported selling expenses those technical service expenses SARMA classified as HM indirect selling expenses. We inadvertently failed to remove those technical service expenses incurred on behalf of U.S. sales that SARMA classified as indirect export selling expenses. Therefore, in order to avoid double counting expenses, we have removed technical service expenses from the indirect export selling expense adjustment because they are included in the calculation of COP for these final results.

Comment 14: SKF-Germany asserts that the Department made a programming error in its analysis. SKF contends that the Department treated U.S. technical service expenses as indirect selling expenses in the analysis memorandum, but treated them as direct selling expenses in the computer programming. Federal-Mogul and Torrington state that SKF's reported technical expenses are properly treated as direct selling expenses.

Department's Position: We agree with Torrington and Federal-Mogul. The computer program correctly deducted these expenses from USP as direct selling expenses. However, there was a discrepancy between the preliminary analysis memorandum and the computer program due to a clerical error: The analysis memorandum incorrectly indicated that the expenses in question were indirect.

Comment 15: Torrington contends that INA improperly reported its indirect warranty, guarantee, and servicing expenses in the home market. According to Torrington, the amount reported by INA includes both actual expenses paid and accrued expenses. Because accrued expenses will also be reflected among actual expenses paid, Torrington asserts that INA's claim is overstated. Accordingly, Torrington requests that for the final results, the Department limit INA's claimed indirect warranty, guarantee, and servicing expenses to amounts actually paid.

According to INA, the amounts that it reported for these expenses were the total amounts recorded in the relevant expense accounts. These amounts represent neither cash payments of warranty claims nor accruals of contingent liability. Because INA reported the amounts that it recorded as expenses during the review period, INA rejects Torrington's claim that it doublecounted its indirect warranty expenses.

Department's Position: We agree with INA. The record contains no evidence that INA failed to report accurately and completely the data recorded in its warranty expense accounts. We verified that INA reported its indirect warranty expenses and found no evidence of double-counting. Accordingly, we have treated INA's reported indirect warranty, guarantee, and servicing expenses as indirect selling expenses for the final results.

4C. Inventory Carrying Costs

Comment 16: Torrington argues that the Department should abandon the practice of calculating inventory carrying costs (ICCs) and instead impute credit costs on ESP transactions starting from the point of shipment. Torrington contends that prices should be compared on an "f.o.b. origin" basis and neither HM or PP sales require a deduction of pre-sale ICCs to arrive at f.o.b. origin prices. In ESP sales, socalled ICCs should be viewed as a financing cost assumed by the exporter on behalf of the related importer, which must be deducted, while no comparable expense exists in the HM.

Torrington contends that adjustment to FMV for ICCs misconstrues the statutory scheme and the nature of price comparisons in ESP calculations. According to Torrington, the Department has misinterpreted the purpose for deducting financing charges from ESP and makes an offsetting deduction from FMV that is not permitted by the statute. Also, the fact that the foreign manufacturer and U.S.