the Department should eliminate variations in the adjustments due to the interest rates employed, and should recognize that a firm is likely to borrow in the market where it can obtain the lowest interest rate. Because these costs are imputed and speculative, a uniform interest rate should be applied. Federal-Mogul cites LMI-La Metalli Industriale, S.p.A v. United States, 912 F.2d 455 (Fed. Cir. 1990) (LMI), in which the Federal Circuit noted that in LMI-La Metalli "the ITA presumed that LMI would borrow in Italy to finance its United States receivables, no matter how unfavorable the rate and whatever the available alternatives. Such a presumption does not withstand scrutiny.

In response to Federal-Mogul, Nachi argues that transfer price is a reliable price that is reported to and accepted by the United States Customs Service in valuing imports. Nachi claims that the Customs Service would require a different price, or cost, for its valuation purposes if transfer prices were subject to "unchecked manipulation." RHP notes that the Customs Service can investigate transfer prices to determine whether such prices are too low. Furthermore, in response to Federal-Mogul's argument that the Department should use uniform interest rates, Koyo notes that the Department used actual, reported interest rates in calculating ICCs, and argues that it is absurd to suggest that the Department should reject such evidence of actual borrowing expenses (and the associated interest rates) and use instead a fictional rate (the "most favorable rate available to a respondent in either market").

Department's Position: ICCs measure the imputed cost incurred by a firm for storing AFBs in inventory. As the Department stated in the third review, the transfer price reflects the cost of the merchandise as it is entered into inventory and therefore is an accurate basis upon which to calculate the cost to the subsidiary of holding inventory prior to the sale to an unrelated U.S. customer. See AFBs III (at 39744); see also Portable Electric Typewriters From Japan: Final Results of Antidumping Duty Administrative Review, 53 FR 40926, (October 19, 1988). Furthermore, Federal-Mogul has not shown that any prices used in the calculation of ICCs are unreliable and inconsistent, nor that any transfer prices used are distortive.

We cannot calculate actual ICCs because these costs are not found in the books of respondents. Thus, we must impute the financing cost of holding inventory. The cost to a company of holding inventory is best measured by the time it must finance such inventory

and its actual short-term borrowing rate. Accordingly, in calculating such an expense, we use the appropriate interest rate actually realized by the entity financing the inventory (i.e., the HM interest rate for the HM entity and the U.S. interest rate for the U.S. affiliate). This means that the same interest rate is used to calculate HM ICCs and U.S. ICCs to the extent that the same company is financing the investment in inventory. When a U.S. affiliate finances the investment in inventory, its actual short-term borrowing rate is used because that reflects the cost to the company. LMI is not relevant to the calculation of ICCs in these cases, because only actual short-term borrowing rates have been used. In LMI, the respondent had no short-term borrowings and the CAFC found it improper to choose a higher rate over a lower rate. However, when there exist actual borrowings by a company, it would be unreasonable to conclude that a company would borrow at a rate other than its actual rate. Moreover, the actual rate at which a company obtains shortterm funds depends on many factors, of which available rates is only one. The conditions of available loans may compel a company to choose a loan at a higher rate than another at a lower rate. Therefore, we impute financing costs based on each company's actual borrowings where possible. If a company did not have actual short-term borrowings, financing costs are imputed using the lowest rate the company demonstrates was available to it during the POR

Comment 18: NSK claims that because the Department lowered NSK's short-term borrowing rate at verification to take into account short-term commercial paper borrowings, the Department must also reflect this change in the U.S. ICCs.

Torrington agrees with NSK's proposed modification but states that the Department must apply the revised home market rate only to the correct portion of the inventory period.

Department's Position: We agree with Torrington. We have amended the HM ICCs and the HM portion of U.S. ICCs to reflect the short-term interest rate determined at verification.

Comment 19: Torrington argues that if the Department decides to allow an adjustment to NSK's FMVs for ICCs, then a recalculation is necessary, because NSK provided in its section C response an example of one shipment in which the actual time in inventory varied from the reported average time in inventory.

NSK argues that the Department discovered nothing at verification to

undermine NSK's claim regarding the average time spent in the HM inventory.

Department's Position: We disagree with Torrington. During verification we found NSK's ICC averages to be reasonable and adequate.

Comment 20: Torrington contends that INA improperly calculated per-unit ICCs incurred in Germany. Torrington alleges that INA allocated ICCs incurred in Germany over a sales amount that included the resale prices of INA's U.S. subsidiary, and then understated the per-unit expense by multiplying the resulting adjustment factor by the reported per-unit Customs value rather than the resale price. For the final results, Torrington requests that the Department revise the calculation of INA's per-unit German ICCs by multiplying the reported adjustment factor by the price to the first unrelated party in the United States.

INA rejects Torrington's argument, arguing that the sales values it used in calculating its allocation factors did not include resales by INA-USA. Rather, the U.S. sales included were INA's sales to its U.S. subsidiary at transfer prices. Therefore, INA concludes that it properly multiplied the adjustment factor for ICCs by the transfer price to calculate per-unit ICCs.

Department's Position: We agree with INA. During verification, we examined the total HM sales values that INA used to allocate various charges and expenses. We were able to desegregate the total HM sales values into their constituent elements and trace these elements to the audited financial statements of the various INA entities subject to this review. During this process, we found a separate account that INA uses to record sales to its U.S. subsidiary. We saw no evidence to suggest that INA recorded anything other than its transfer prices to its U.S. subsidiary in this account. Accordingly, we determine that the total sales value that INA used to allocate its ICCs included only INA's transfer prices to its U.S. subsidiary. As a result, we have accepted INA's use of transfer prices to calculate per-unit ICCs for these final results.

## 4D. Post-Sale Warehousing

Comment 21: Torrington contends that the Department should treat Nachi's claimed post-sale warehousing expenses as indirect selling expenses. Torrington argues that these warehousing expenses are not direct because they were incurred prior to date of shipment, which Nachi has identified as being the same as date of sale. Torrington states that warehousing expenses are allowed