as direct adjustments only when the expenses are incurred after the sale.

Nachi contends that this issue has been considered by the Department in the past three reviews and decided in Nachi's favor. Nachi argues that the circumstances under which it incurs warehousing expenses have not changed and that the expenses are incurred after the sale took place. Nachi contends that the warehousing expenses were direct because they were incurred only on sales to specific customers and would not have been incurred if the sales had not taken place.

Department's Position: We agree with Nachi that the Department has already evaluated this issue in the past three reviews and determined the expenses to be direct expenses. See *AFBs I* (at 31692); *AFBs II* (at 28415); and *AFBs III* (at 39745). Nachi's section C response and the verification report clearly show that the expenses in question were incurred directly on sales to specific customers. See *Nachi Section C Response,* at 35–36 (September 28, 1993) and *Nachi-Fujikoshi Home Market Sales Verification Report*, at 9–10 (February 28, 1994). In particular, the verification report states that ''[o]nce quantity is confirmed, the warehouse delivers the desired quantity immediately to the customer and collects a fee from Nachi for its services.'' See *Verification Report,* at 9. Although the verification report shows that merchandise is shipped and stored in the warehouse before ordered quantities are confirmed, merchandise is sent to the warehouse only after customers have entered into a formal agreement to purchase bearings from Nachi, after they have provided Nachi with estimates of the quantities they will order, and after sales prices are confirmed. The warehouse also delivers the bearings on Nachi's behalf, and thus, the incurred expenses include post-sale movement charges. Because Nachi is charged for the warehouse's services only if, and after, a bearing is sold, Nachi incurs no expenses unless a sale takes place. Therefore, we conclude that the expenses in question varied directly with sales volume to specific customers and would not have been incurred if sales had not taken place. As a result, we have continued to treat the expenses as a direct adjustment to FMV.

4E. Commissions

Comment 22: Torrington asserts that at verification the Department learned that one of NMB/Pelmec's salesmen stopped receiving commissions after August 22, 1992. Therefore, Torrington claims the Department should not accept the reported commission rates and should apply partial BIA.

According to NMB/Pelmec, the Department officials ''verified the accounts payable and the sales commissions paid for this salesman and tied this amount to the G/L (General Ledger).'' NMB/Pelmec concludes that because the Department verified all financial data related to commissions, there is no basis to apply partial BIA.

Department's Position: We agree with NMB/Pelmec. We verified commissions in the United States, including the fact that no commissions were paid to this salesman after August 22, 1992. Since there were no discrepancies in the information we verified, we have no basis for using a BIA rate for NMB/Pelmec's U.S. commissions. See *ESP Verification Report for NMB/Pelmec*, February 10, 1994.

Comment 23: Torrington states that the Department should disallow Koyo's HM adjustment for commissions paid to purchasing agents acting on behalf of Koyo's customers because such payments do not affect the HM price obtained by Koyo. Torrington argues that, although Koyo claims that it enters into contracts with these agents, no contracts were submitted on the record. Torrington also argues that Koyo failed to demonstrate how these commissions differ from rebates paid to unrelated customers. Further, Torrington asserts that, since Koyo has not tied such payments to specific sales of merchandise, the payments should at least be reclassified as indirect selling expenses.

In rebuttal, Koyo states that the purchasing agents of Koyo's customers are not the customers themselves, nor do they act in any capacity other than as the representatives of Koyo's customers. Also, the contracts into which Koyo enters with these agents specify the payment of commissions.

Department's Position: We disagree with Torrington. Consistent with the three previous administrative reviews, we have accepted Koyo's commissions, including commissions paid by Koyo to purchasing agents that act on behalf of its customers, as direct selling expenses. *See AFBs I* (at 31719); *AFBs II* (at 28407); and *AFBs III* (at 39746). As we stated in the third administrative review, since Koyo pays commissions to purchasing agents that act on behalf of its customers, Koyo's HM sales qualify for the commission adjustment submitted. Koyo's commissions are distinct from rebates because they are paid to intermediaries for providing services. We consider rebates to be discounts which are granted to the purchaser after the delivery of merchandise to the customer.

Comment 24: Torrington states that with respect to RHP the Department failed to deduct related-party commissions on the U.S. side in the preliminary results. Torrington claims that the Department has generally treated such commissions as direct expenses, citing *AFBs III*, and concludes that the Department should classify all of RHP's U.S. commissions as direct expenses.

RHP claims that the Department failed to deduct related-party commissions in both the U.S. and home markets, but did not provide an explanation for this treatment. RHP states that the Department adjusts for related-party commissions when they are determined to be directly related to the sales in question and at arm's length. RHP states that its sales data showed that commissions were directly related to the sales on which they were paid. RHP further contends that it submitted additional information, including information on unrelated-party commissions in the United States, to support its claim that related-party commissions in the United States were negotiated at arm's length. RHP argues that the Department should conclude that the commissions it paid to related parties were negotiated at arm's length in both the U.S. and home markets.

RHP contends that, because the situations in both markets are similar, the Department can only justify making an adjustment for related-party commissions in one market if it makes an adjustment for such commissions in the other market. Accordingly, if the Department decides to treat related-party commissions as direct selling expenses in the U.S. market, related-party commissions in the HM should be treated the same way.

Torrington counters that the Department should not deduct commissions paid to NSK Europe by RHP in the HM because the commission payments were made between related parties, and the Department determined that RHP did not demonstrate the arm's-length nature of these transactions. Torrington states that because RHP did not provide a factual basis for the Department to reverse its decision, the Department is justified in disregarding the commissions RHP paid to NSK Europe.

Department's Position: In the home market RHP paid commissions to employees of NSK Europe, an affiliated company which the Department considers part of the same entity as RHP for purposes of these administrative reviews. In the U.S. market RHP paid