Department's reallocation is rational because there is no correlation between the selling expenses in question and NTN's transfer prices. As a result, Torrington and Federal-Mogul support the Department's reallocation of NTN's and NTN-Germany's U.S. selling expenses on the basis of resale prices to the first unrelated customer in the United States.

Department's Position: We agree with Torrington and Federal-Mogul. First, we disagree with NTN's and NTN-Germany's arguments that we denied them the opportunity to comment on our rejection of their allocation method and violated judicial precedent in reallocating the expenses in question. As stated above, NTN and NTN-Germany had the opportunity to make affirmative arguments in support of their allocation methods in the case briefs that they submitted subsequent to our issuance of the preliminary results of these reviews. Further, as stated above, we have the authority to revise our calculation methods when we determine that existing methods yield inaccurate results.

When allocating expenses over sales value, we attempt to use the most accurate measure of that value. Although in certain instances we permit respondents to allocate certain types of expenses using transfer prices, we prefer to allocate expenses using resale prices to unrelated parties because such prices are not completely under respondents' control and, therefore, provide a more reliable measure of value that is not subject to potential manipulation by respondents. Thus, although we have no evidence that NTN systematically manipulated its transfer prices, our allocation of the specific expenses in question using resale prices provides a more reliable measure of per-unit expenses than does an allocation using transfer prices. Further, the allocation of the expenses in question using resale prices to unrelated customers is appropriate in this instance because the U.S. affiliate of NTN and NTN-Germany incurred these expenses in the United States making U.S. sales to unrelated customers. It is not appropriate to allocate these expenses on the basis of the U.S. affiliate's purchase costs; rather, the expenses should be allocated over its sales. Because we prefer to allocate expenses using resale prices, and because the expenses in question are attributable to U.S. sales to unrelated customers, we have allocated the expenses in question over resale prices for these final results.

*Comment 40:* Torrington asserts that the Department erred in failing to reallocate expenses that NTN and NTN-

Germany incurred on U.S. sales prior to importation on the basis of resale prices to the first unrelated U.S. customer. According to Torrington, because respondents control transfer pricing, allocation of expenses based on transfer prices affords respondents the opportunity to manipulate the Department's analysis by shifting expenses away from certain U.S. products. In this context, Torrington states that its own analysis of NTN's and NTN-Germany's transfer prices and production costs suggests that their transfer prices may not be reasonable. Therefore, Torrington requests that the Department reallocate the remainder of NTN's and NTN-Germany's U.S. selling expenses on the basis of resale prices for the final results.

In rebuttal, NTN and NTN-Germany assert that Torrington's analysis fails to demonstrate that their transfer prices are unreasonable. NTN further argues that the pre-sale expenses that it incurred in Japan are attributable to sales by NTN to its U.S. subsidiary. Therefore, NTN and NTN-Germany assert that the Department should accept its allocation of these expenses using transfer prices for these final results.

Department's Position: We agree with NTN and NTN-Germany. Although we prefer to allocate expenses using resale prices to unrelated parties, we may permit respondents to allocate expenses using transfer prices when it is reasonable to do so. In this instance, such an allocation is reasonable because the expenses at issue are movement charges that NTN and NTN-Germany incurred on sales, made at transfer prices, to a related party in the United States. Further, because Torrington's analysis does not focus on the transfer prices and costs of specific products, we find that the analysis fails to demonstrate that NTN's and NTN-Germany's transfer prices are unreasonable or that they systematically manipulated their transfer prices to shift expenses away from certain U.S. sales. Therefore, we have not reallocated the expenses in question for these final results.

*Comment 41:* Torrington challenges the method that NTN used to allocate to U.S. sales the export selling expenses that NTN incurred in Japan. According to Torrington, NTN's method of allocating these expenses according to salaries of export department personnel appears to understate the amount of export selling expenses attributable to U.S. sales. Specifically, the allocation ratio that NTN developed using salaries is significantly less than the ratio that would be derived by comparing U.S. export sales to total export sales. Because the record contains no evidence explaining or supporting the difference between the allocation ratios, Torrington suggests that the Department consider for the final results allocating the export selling expenses incurred in Japan to U.S. sales using a ratio based on sales.

NTN rejects Torrington's argument, stating that the Department verified the accuracy of NTN's reported export selling expenses, and that the Department has accepted NTN's allocation method in each of the previous AFB reviews. Therefore, NTN concludes that the Department should not reallocate its export selling expenses for these final results.

Department's Position: We agree with NTN. Torrington's analysis is suspect because it appears to be based on sales of only one class or kind of merchandise and on NTN's U.S. resale prices rather than the value of NTN's exports to the United States. Further, Torrington has provided no evidence that its proposed allocation method yields a more accurate measure of the amount of NTN's export selling expenses that are attributable to U.S. sales. Because NTN is able to identify specific employees who are responsible for export sales to NTN's U.S. subsidiary, NTN's allocation method yields a reasonable measure of the export selling expenses attributable to U.S. sales. Therefore, in the absence of evidence that the salary data that NTN used in its allocation are inaccurate, we have accepted NTN's allocation method for these final results.

Comment 42: Federal-Mogul questions NTN's classification of warehouse expenses" and "miscellaneous expenses" incurred in the United States as indirect selling expenses. Federal-Mogul argues that, although warehouse and miscellaneous expenses may be indirect selling expenses, NTN failed to provide any evidence to substantiate its claim that these expenses were not directly related to U.S. sales. Accordingly, Federal-Mogul requests that the Department treat these expenses as direct selling expenses for the final results of this review.

NTN responds that it provided detailed explanations of all its expenses in its questionnaire responses, and that the Department has accepted NTN's classification of miscellaneous and warehouse expenses as indirect selling expenses in each of the previous AFB reviews. Therefore, NTN concludes that the Department should continue to treat miscellaneous and warehouse expenses as indirect selling expenses for these final results.