that the Department's verification team observed that the efficiency variance had a direct effect on the specific product costs that are processed through Koyo's cost centers and that application of this favorable variance resulted in lower factory overhead expenses allocated to the subject merchandise. Torrington argues that the Department should make the appropriate adjustments to COP and CV in the final results.

Koyo argues that the Department erred in inflating Koyo's COP because of the existence of efficiency variances in Koyo's basic labor cost. Koyo contends that the Department's decision to adjust its reported costs is the result of a misunderstanding of the manner in which Koyo's basic cost is calculated and the role of the efficiency variance in those calculations. Koyo explains that its basic cost system employs a two-step process to determine as accurately as possible the actual labor hours used to produce a given product in a given period. First, Koyo's production engineers determine the amount of time, *i.e.*, the "basic hours" theoretically required to perform each process at each cost center on the basis of time and motion studies. Second, at the end of a given period, Koyo's cost accountants compare the number of hours theoretically necessary to operate a particular cost center, based on that period's "basic hours," to the number of hours actually required to operate that cost center during that period. The ratio of actual to basic hours is the so-called "efficiency variance," which is used to calculate the labor cost element of the model-specific basic costs for the next period. Koyo explains that dividing the previous period's basic hours by the efficiency variance simply derives the number of actual hours incurred in the previous period, which is then used to calculate the labor cost for the next period. Koyo maintains that its method of updating its models' basic cost has been repeatedly verified by the Department without any suggestion that its method of capturing and updating the costs at its cost centers fails to identify accurately the actual costs incurred at those cost centers. Accordingly, there is no justification for modifying this calculation in the review.

Koyo further argues that the Department's position that the efficiency variances adjust a modelspecific standard by an overall rate which may or may not accurately state the individual model's standard cost is wrong. The efficiency variances are not an "overall rate"—to the contrary, they are specific rates for groups of cost centers that are used to calculate the basic cost of individual models produced at those cost centers.

Koyo further contends that because the manufacturing variance is used to adjust for the difference between the basic costs of the models produced at a given plant and the actual costs incurred there, if the Department decides to reject one element in the calculation of the basic costs (in this case, the adjustment to reflect the difference between standard and actual labor hours), then that element must be included instead in the calculation of the manufacturing variance. In summary, Koyo argues that the fact that a variance calculated on a plant-wide basis was used to adjust expenses for individual models does not support rejection of the manufacturing variance and that the Department should eliminate its revision of Koyo's reported costs of production.

Department's Position: We agree with Koyo. As this efficiency adjustment attempts to determine more accurately the amount of labor costs associated with individual cost centers based on actual experience, we find that Koyo's adjustment was reasonable. Accordingly, the Department accepted Koyo's submitted data with respect to the labor efficiency adjustment.

*Comment 19:* Federal-Mogul claims that F&S failed to respond adequately to requests for HM cost data. When the Department requested COP data following Federal-Mogul's allegation of below-cost sales, F&S did not provide adequate COP data for all sales. Federal-Mogul states that, as partial BIA, the Department treats sales with missing COP data as sales below cost. However, Federal-Mogul contends that F&S' failure to provide adequate COP data at the Department's request warrants application of total BIA.

F&S argues that, with regard to HM cost data, it provided COP and CV information for all models sold in the U.S. market. F&S claims that it has been responsive to all requests by the Department for information.

*Department's Position:* We disagree with Federal-Mogul. F&S has provided sufficient and complete COP data. There were identical HM model matches for all U.S. sales. Because F&S provided COP data for all HM models used for comparison purposes, and we had no need for COP data for other models sold in the HM which were not used for comparison, we accepted F&S' response.

*Comment 20:* Torrington contends that the Department found at verification that expenses for training personnel in the use of certain testing machinery should have been included in technical service expenses, but that Koyo included this expense in SG&A expenses. Torrington argues that the Department should reclassify this expense as a technical service expense.

Department's Position: We disagree with Torrington. Since the training of personnel cannot be tied directly to sales, it was appropriately included as part of SG&A.

*Comment 21:* Torrington argues that the questionnaire requires respondents to report a weighted-average manufacturing cost when the subject merchandise is produced at more than one facility. Torrington contends that since Koyo deviated from the questionnaire instructions, the Department should apply the highest prior margin to all sales of those part numbers manufactured by more than one supplier.

Koyo claims that it reported the weighted-average COM for all of the models in its responses. Koyo also states that all of the information requested by the Department has been provided and that there is no basis upon which to apply BIA.

*Department's Position:* We agree with Koyo that it reported its weightedaverage COM for all of the models in its supplemental response.

*Comment 22:* Torrington argues that the Department should reject FAG-Germany's cost data because FAG only provided costs for completed bearings and not for the individual material elements as required by the questionnaire. Torrington further argues that FAG/Barden did not provide cost data for all models sold in the HM. Torrington argues that while CV data were provided for Barden-made models sold in the United States, COP data for Barden's HM sales were not provided. Torrington argues that since the Department initiated a COP investigation regarding FAG, it should have included its affiliate Barden.

FAG argues that its cost responses were accurate and acceptable as reported because its model-specific COPs and CVs were correctly reported in accordance with Departmental precedent. Also, FAG argues that no below-cost allegation has been made against Barden, and the Department did not request COP data from Barden.

Department's Position: We agree with respondents. We have accepted FAG's cost data in the format provided for this review, because we were reasonably able to use the data for our analytical purposes in this review. Also, petitioner has provided no other basis for the Department to reject FAG's cost responses.