Pelmec ESP Verification Report, February 10, 1994.

Comment 3: Torrington asserts that NMB/Pelmec was unable to trace early payment discounts to particular sales invoices for its ESP sales, because these discounts were unknown at the time of sale (i.e., NMB/Pelmec did not know which customers were going to pay early and thus receive this discount) and were credited to the customer's accounts receivable balance only at the time payment was received. Since early payment discounts should be tied to each specific invoice, Torrington argues that they should not be allowed. Torrington also believes that NMB/ Pelmec may have allocated early payment discounts on out-of-scope merchandise. Therefore, the Department should apply a partial BIA rate to all U.S. sales for which an allocated discount was reported.

NMB/Pelmec claims that the record does not support Torrington's statement. The ESP verification report demonstrates that the Department officials examined the early payment discounts and determined that they were properly allocated to scope merchandise.

Department's Position: We agree with NMB/Pelmec. We verified early payment discounts and determined that NMB/Pelmec accurately reported and properly tied the discounts to particular invoices and to in-scope merchandise. See NMB/Pelmec ESP Verification Report, February 10, 1994. Therefore, we have adjusted ESP for early payment discounts

Comment 4: Torrington contends that RHP stated that it sometimes paid "incentive rebates"—rebates for sales lower than the prearranged targets on HM sales. Referencing the Department's Antidumping Manual, Torrington states that to qualify for an adjustment, rebates "must be contemplated at the time of sale." Torrington argues that RHP did not demonstrate that these rebates met this standard. Torrington suggests that the Department identify these rebates and disallow any adjustment. If the Department is unable to identify these rebates, Torrington suggests that the Department should reject "all homemarket incentive type rebates," because it was an error to report the "uncontemplated amounts" without distinguishing them from the "allowable amounts.

In its rebuttal brief RHP offers a clarification of its rebate program: "In the U.K. home market, RHP pays 'incentive rebates' to distributors that meet agreed sales targets. These 'incentive rebates' are calculated on an annual basis. On occasion, rebates are

paid out for sales lower than prearranged targets if it is considered essential to maintain the customer relationship."

RHP notes that for the POR, all but one distributor met its sales targets in the United Kingdom. RHP states that this distributor just missed its target, and that RHP decided to pay an "incentive rebate" anyway. RHP suggests that the "radical adjustments" proposed by Torrington are inappropriate given the fact that the amount RHP paid to this one distributor is a de minimis amount of the total "incentive rebate" paid.

Department's Position: We agree with

RHP. As required, RHP reported transaction-specific rebates. Torrington's allegation that the "incentive rebate" that RHP paid for one distributor who just missed its sales target was not "contemplated at the time of sale" is not accurate. Our general policy is to allow rebates only when the terms of sale are predetermined. This is to prevent respondents, after they realize that their sales will be subject to administrative review, from granting rebates in order to lower the dumping margins on particular sales. We are satisfied that RHP is not engaged in this practice. First, RHP establishes the terms of the rebates for each distributor that is eligible for this type of rebate before the sales are made. Second, all but one customer met their sales targets, while one customer very nearly met its sales target. Third, as RHP explains, competitive pressure drives the rebate program, which explains why RHP's rebated policy is that "[r]ebates are paid out for sales lower than the prearranged targets if it is considered essential to maintain the customer relationship.' See RHP's Supplemental Questionnaire Response to Sections A-C at 10 (December 17, 1993). RHP granted this customer a rebate as part of its normal business practice, because this customer had virtually met the pre-established sales target and because of the competitive pressure of the industry. Thus, we are allowing this adjustment for the final results.

Comment 5: Torrington contends that RHP claimed adjustments to price for certain post-sale price adjustments which the Department should not have allowed as direct adjustments for the preliminary results. Torrington considers these adjustments to be rebates and notes that all rebates in the HM must be contemplated at the time of sale. Torrington contends that RHP did not demonstrate that these post-sale price adjustments were "contemplated at the time of sale," and thus should not be allowed. Torrington further states

that post-sale price adjustments must be tied to in-scope merchandise as determined by the CIT. See *Torrington I*. Torrington argues that RHP did not demonstrate these rebates pertained to in-scope merchandise. Torrington concludes that the Department should disallow all downward billing adjustments because the record is not clear.

RHP responds that it reported all billing adjustments as requested by the Department. RHP reiterates its assertion that billing adjustments occur for a variety of reasons, and that billing adjustments are generally corrections of data input errors. RHP also states that they can "reflect retroactive price adjustments in response to market conditions." RHP claims that these price adjustments were compatible with its continuous negotiations with HM customers. RHP concludes that since all of the price adjustments were made in the normal course of trade, and incorporated in RHP's response on a transaction-specific basis, the Department should not question RHP's billing adjustments.

Department's Position: We agree with RHP and have allowed the claimed billing adjustments. First, RHP reported both positive and negative billing adjustments on a transaction-specific basis and on in-scope merchandise only. Second, most of these billing adjustments reflect corrections of data input errors, not post-sale discounts or rebates. Finally, the remaining billing adjustments reflect RHP's normal business practice of conducting ongoing price negotiations with its HM customers.

Comment 6: Torrington states that RHP claimed HM discounts in the OTHDISH field that were actually rebates, because these "discounts" were negotiated subsequent to shipment. Torrington notes that the Department did not make a deduction for these alleged "discounts" in the preliminary determination. Torrington further states that the Department was correct in denying this adjustment, because HM rebates must be "contemplated and quantifiable" at the time of sale, and RHP's alleged HM discounts were not.

RHP states that only zeros appear in OTHDISH field, and therefore, that no adjustment was warranted.

Department's Position: We agree with RHP that no adjustment is warranted because no values were reported in this field.

Comment 7: Torrington argues that since Koyo's HM billing adjustments are directly related to particular invoices and specific models, and Koyo failed to report these adjustments on an invoice-