1993 U.S. rebates. Accordingly, as BIA for these final results we used the highest 1992 U.S. corporate rebate rate to calculate corporate rebates for 1993 U.S. sales to customers that received rebates in 1992. We also made adjustments to FMV for estimated 1993 HM rebates as reported by respondents.

Comment 15: FAG-Germany argues that the Department improperly treated certain HM expenses which FAG had reported on a customer-specific basisnamely third-party payments, early payment discounts and negative billing adjustments—as indirect selling expenses. FAG-Germany maintains that it calculated and reported these expenses in the same manner that it did in previous reviews and the LTFV investigation and that its allocations are reasonable and accurate. The Department has a longstanding policy of allowing a respondent to report expenses using a reasonable allocation methodology when the respondent does not maintain records enabling it to conform with preferred Departmental methodologies and the methods employed are rational. The Department's treatment of billing adjustments is particularly unjust in that only negative billing adjustments were treated as indirect selling expenses while positive billing adjustments were left as direct adjustments to price.

Torrington maintains that the Department acted properly in treating these expenses as indirect selling expenses because FAG reported them on a customer-specific basis only.

Department's Position: We disagree with FAG-Germany. FAG-Germany does not dispute the fact that these expenses were allocated and reported on a customer-specific basis. The rationale for the treatment of customer-specific allocations as indirect adjustments was set forth in AFBs III (at 39759), and reiterated in the statement of our policy at the beginning of this section. This rationale applies to third-party payments as well as discounts and billing adjustments.

We note that FAG-Germany originally did not describe its methodology for reporting HM billing adjustments. See FAG section C response. When asked about the HM billing adjustment reporting methodology in the supplemental questionnaire, FAG-Germany inaccurately responded that "[b]illing adjustments were reported on a transaction-specific basis." See FAG section A-C supplemental response (at 49). The fact that the majority of HM billing adjustments were not reported on a transaction-specific basis but were instead reported using customer-specific allocations was not discovered until

verification. See *FAG KGS Germany* verification report (at 7). Since we cannot distinguish which billing adjustments were reported on a transaction-specific basis, we treated all negative billing adjustments as indirect expenses.

With respect to FAG-Germany's additional arguments concerning differences in the treatment of positive and negative billing adjustments, we disagree that both must be treated in the same manner. The treatment of positive billing adjustments as direct adjustments is appropriate, because treating these adjustments as indirect would provide an incentive to report positive billing adjustments on a customer-specific basis in order to minimize their effect on the margin calculations. That is, by treating positive billing adjustments, which would be upward adjustments to FMV, as indirect expenses, there may be no upward adjustment to FMV. Consequently, respondents would have no incentive to report these adjustments as requested (i.e., on a transaction-specific basis).

Comment 16: FAG argues that the Department erroneously excluded 1993 rebates granted in the HM from the margin calculation and that these rebates should be included in total indirect selling expenses.

Federal-Mogul and Torrington assert that the Department was correct in disregarding FAG-Germany's HM rebates because, as FAG-Germany has itself acknowledged, FAG-Germany did not report estimated corporate rebates for 1993 U.S. sales. Torrington and Federal-Mogul assert that the Department should in fact resort to second-tier BIA margins for 1993 transactions.

Department's Position: For these final results, we have made adjustments for FAG's 1993 HM rebates. See response to Comment 14.

Comment 17: Torrington maintains that the NPBS case-by-case (CBC) rebate is not directly tied to a sale and, as such, should be reclassified as an indirect expense.

NPBS rebuts that the results of the last review should stand as precedent, and that the Department should continue to classify these rebates as direct expenses.

Department's Position: We agree with Torrington. Although NPBS and its customers agree on an absolute amount for the CBC rebate before the sale (which is the numerator in their formula), neither knows the exact amount of sales that will be made that month (the denominator) until after the fact. As such, the rebate is an allocated amount and not directly tied to a particular sale. Although this

adjustment was erroneously treated as a direct deduction to FMV in the previous review, we have reclassified NPBS' CBC rebate as a HM indirect selling expense.

Comment 18: Torrington argues that INA calculated improperly several of its adjustments to HM price. According to Torrington, although INA calculated adjustment factors for certain expenses by dividing the total expense by a total sales value that was net of discounts and rebates, INA then multiplied this adjustment factor by a price that was not net of discounts and rebates to calculate per-unit expenses. Because the sales amounts used to calculate expense adjustment factors do reflect discounts and rebates, Torrington concludes that multiplying the adjustment factor by a price which does not reflect discounts and rebates overstates the per-unit adjustments to HM price. Accordingly, Torrington requests that the Department recalculate per-unit amounts for the expenses in question by multiplying the adjustment factors by a price net of all discounts and rebates.

INA responds that Torrington's argument is based on the incorrect assumption that the sales figures that INA records in its accounting system are net of all discounts, rebates, and price adjustments. According to INA, the sales amounts that it records in its accounting system are not net of cash discounts and rebates, which are recorded separately from sales in different accounts. INA states that it used the sales amounts from its accounting system to allocate the expenses at issue. Because these sales amounts are not net of cash discounts and rebates, INA concludes that its calculation of per-unit expenses using net invoice prices, which are not reduced by amounts for cash discounts and rebates, is appropriate.

Department's Position: We agree with INA. At verification, we confirmed that INA records in its accounting system sales values that are not reduced by cash discounts and rebates. Cash discounts and rebates are recorded separately in INA's accounting system. Therefore, we determine that the sales values that INA used in its allocations capture HM prices that are not reduced by discounts and rebates. Accordingly, we determine that INA properly calculated per-unit expenses by multiplying its reported allocation ratios by sales prices that are not reduced by cash discounts and rebates.

Comment 19: Torrington asserts that the Department should revise NTN-Germany's reported HM rebates. Torrington argues that the Department should recalculate NTN-Germany's rebates, based on the Department's