Department abandon its reallocation and use instead, in its final analysis, the expenses as reported by NTN and NTN-Germany in their questionnaire responses.

In rebuttal, Torrington and Federal-Mogul respond that NTN and NTN-Germany failed to provide any evidence to justify their method of allocating expenses according to levels of trade. According to Torrington, NTN and NTN-Germany should have justified their method because it differs from the Department's customary practice and appears to shift expenses away from sales at certain levels of trade. This reallocation of U.S. expenses also conflicts with NTN's failure to allocate its HM expenses according to levels of trade. Federal-Mogul argues that the U.S. expenses that NTN allocated were indirect selling expenses that apply equally to all sales. Federal-Mogul further argues that the Department's verification report indicates that NTN's identification of certain HM indirect selling expenses with sales to certain levels of trade may be inaccurate. Accordingly, Torrington and Federal-Mogul support the Department's reallocation of NTN's and NTN-Germany's U.S. selling expenses, and NTN's HM selling expenses, without regard to level of trade.

Department's Position: We agree with Torrington and Federal-Mogul. The methods that NTN and NTN-Germany used to allocate the expenses in question bear no relationship to the manner in which they incur them. Such expenses are fixed period costs that do not vary according to sales value or the number of employees who allegedly sell each type of merchandise. Further, we find NTN's and NTN-Germany's allocations according to levels of trade to be misplaced because the types of expenses that they allocated are indirect selling expenses that typically relate to all sales. In this context, NTN and NTN-Germany failed to demonstrate that they incur any specific types of expenses that are unique to a particular level of trade. Further, as stated in the verification report, certain Japanese indirect selling expenses that NTN claimed apply to sales to a specific level of trade apply to other sales as well. Because we have no evidence that NTN and NTN-Germany incur different selling expenses for different levels of trade, we have not revised our reallocations of their selling expenses for these final results.

Comment 2: NTN argues that the Department should compare U.S. and HM sales at the same level of trade. According to NTN, comparing sales at different levels of trade distorts the calculation of dumping margins because

prices differ significantly for each level of trade. NTN further argues that if the Department decides to compare sales across levels of trade for the final results, then the Department should alleviate the distortions caused by such comparisons by making a level-of-trade adjustment based on differences in prices or, alternatively, differences in indirect selling expenses for each level of trade, as set forth by NTN in its questionnaire responses.

In rebuttal, Torrington and Federal-Mogul assert that the CIT has upheld in numerous instances the Department's selection of the most similar merchandise without regard to levels of trade. Torrington and Federal-Mogul further argue that NTN has no basis for its claim for a level-of-trade adjustment. Federal-Mogul contends that NTN has not demonstrated that it is entitled to a level-of-trade adjustment because it has failed to establish that price differentials are due to differences in levels of trade. Federal-Mogul further contends that NTN's methods of quantifying level-oftrade adjustments are inappropriate because NTN cannot determine the amount of price differentials or selling expenses attributable to differences in levels of trade. Torrington adds that the manner in which NTN reported its HM indirect selling expenses nullifies the effect of any level-of-trade adjustment. As a result, Torrington and Federal-Mogul conclude that the Department's comparison of sales across levels of trade and denial of NTN's request for a level-of-trade adjustment are reasonable.

Department's Position: We agree with Torrington and Federal-Mogul. As we stated in AFBs III (at 39767), we are required by 19 CFR 353.58 to compare merchandise at different levels of trade if sales at the same commercial level of trade do not permit an adequate comparison. Accordingly, when we were unable to compare NTN's U.S. sales to HM sales at the same level of trade, we attempted to find matches at the next most similar level of trade.

We also reject NTN's request for a level-of-trade adjustment. In order for the Department to make a level-of-trade adjustment, respondents must quantify any price differences that are attributable to differences in levels of trade. NTN has failed to demonstrate what portion, if any, of those price differences is attributable to differences in levels of trade. Further, we reject NTN's claim that we should use differences in indirect selling expenses to make a level-of-trade adjustment. NTN allocated a common pool of expenses to all sales, irrespective of levels of trade, using relative sales values. This demonstrates that such

expenses were not unique to, nor disproportionally attributable to, any level of trade. Because NTN failed to adequately quantify its claim for a level-of-trade adjustment, we have not made any such adjustment for these final results.

Comment 3: Torrington objects to NTN's claim that "aftermarket" customers constitute a distinct level of trade. First, Torrington argues that NTN's selling expenses do not vary across levels of trade. Torrington further argues that the results of the Department's comparison of weightedaverage prices at different levels of trade is insufficient to conclude that NTN makes sales to customers at three distinct levels of trade, and that NTN has failed to provide any evidence demonstrating a correlation between prices and selling expenses. Finally, Torrington argues that because of the limited number of U.S. aftermarket sales, the majority of NTN's HM aftermarket sales are not matched to U.S. sales. As a result, Torrington concludes that the Department should reject NTN's classification of certain sales as aftermarket sales, and should reclassify these sales as either OEM or distributor sales for the final results.

NTN responds that the Department examines the function of the class of customer in reaching conclusions regarding a respondent's identification of levels of trade. According to NTN, Torrington provided no evidence regarding customer function or other factors that would preclude the Department from accepting NTN's classification of certain customers as aftermarket customers. NTN further argues that the number of sales made to customers at a particular level of trade is irrelevant in identifying levels of trade because the Department's regulations mandate comparisons of sales made at the same level of trade.

Department's Position: We agree with NTN. As we stated in the final results of the previous administrative review of this case, we initially base our level-oftrade classifications on the function of the class of customer reported by respondents. See AFBs III (at 39767). These classifications may be rebutted by such other factors as differences in prices that discredit a respondent's classifications. NTN submitted information in its questionnaire responses for this review that explained the differences in the function of its OEM, distributor and aftermarket customers. Torrington offered no evidence that NTN's aftermarket customers did not perform functions distinct from those of NTN's other classes of customers, or that NTN's