FMV pursuant to its inherent authority to apply reasonable interpretations in areas where the antidumping law is silent. Instead we will adjust for those expenses under the COS provision of 19 CFR 353.56 and the ESP offset provision of 19 CFR 353.56(b) (1) and (2), as appropriate, in the manner described below.

When USP is based on PP, we will only adjust for home market movement charges through the COS provision of 19 CFR 353.56. Under this adjustment, we capture only direct selling expenses, which include post-sale movement expenses and, in some circumstances, pre-sale movement expenses. Specifically, we will treat pre-sale movement expenses as direct expenses if those expenses are directly related to the home market sales of the merchandise under consideration. Moreover, in order to determine whether pre-sale movement expenses are direct, the Department will examine each respondent's pre-sale warehousing expenses, because the pre-sale movement charges incurred in positioning the merchandise at the warehouse are, for analytical purposes, inextricably linked to pre-sale warehousing expenses. If the pre-sale warehousing constitutes an indirect expense, the expense involved in moving the merchandise to the warehouse must also be indirect; conversely, a direct pre-sale warehousing expense necessarily implies a direct pre-sale movement expense. We note that although pre-sale warehousing expenses in most cases have been found to be indirect expenses, these expenses may be deducted from FMV as a COS adjustment if the respondent is able to demonstrate that the expenses are directly related to the sales under consideration.

When USP is based on ESP, the Department uses the COS in the same manner as in PP situations. Additionally, under the ESP offset provision set forth in 19 CFR 353.56(b) (1) and (2), we will adjust for any presale movement charges found to be indirect selling expenses.

We have followed the above methodology for these final results. However, in the case of NPBS, pre- and post-sale inland freight expenses were not distinguished. Rather, NPBS reported both expenses as post-sale inland freight. Therefore, for the final results, we have treated all of NPBS' inland freight expenses as pre-sale movement charges.

Comment 2: Torrington asserts that NMB/Pelmec Thailand and NMB/Pelmec Singapore failed to report air

and ocean freight expenses on a product- and invoice-specific basis for ESP transactions. In addition, Torrington contends that NMB/Pelmec failed to separate air freight expenses from ocean freight expenses. Therefore, Torrington argues that the Department should resort to BIA by applying the highest U.S. movement expenses reported by respondents.

NMB/Pelmec states that it is not possible to link specific air and ocean shipments to individual U.S. transactions because all merchandise goes into U.S. inventory before it is sold.

Department's Position: We agree with NMB/Pelmec Thailand and Singapore. In the case of ESP transactions made by NMB/Pelmec, there is often no direct link between shipments and resales. Therefore, because we verified NMB/Pelmec's air and ocean freight expenses and found them to have been reasonably allocated, we have accepted NMB/Pelmec's freight expense calculations.

Comment 3: Torrington states that the Department's verification report confirms that NMB/Pelmec Thailand reported movement expenses incurred on bearings shipped to Singapore and re-entered in Thailand (termed "Route B" sales in the response). Torrington argues that freight expenses incurred in transporting bearings to Singapore and then back to Thailand should not be allowed as an adjustment to FMV because such transportation expenses are by definition "pre-sale" freight costs. Torrington also contends that the "Route B" sales should be excluded from the home market database.

NMB/Pelmec Thailand responds that only part of the freight expenses incurred on "Route B" sales are pre-sale expenses because freight charges incurred for shipping merchandise back to Thailand are incurred after sales are made. Furthermore, NMB/Pelmec Thailand argues that the *Ad Hoc Committee* decision does not preclude the deduction of pre-sale freight expenses. See *Comment 1* above.

Department's Position: We agree with NMB/Pelmec Thailand. As we found in AFBs II (at 39770), "Route B" sales (i.e., bearings shipped to Singapore and then back to Thailand) are home market sales made in the normal course of trade. As verified by the Department in this review, "Route B" sales incur both presale freight expenses (to ship the merchandise to Singapore) and post-sale freight expenses (to return the merchandise to Thailand). Therefore, we have deducted NMB/Pelmec's postsale movement expenses from FMV for the final results. For our treatment of pre-sale freight expenses, please see the

Department's Position to Comment 1, above.

Comment 4: Torrington states that RHP reported a single amount for domestic inland insurance, marine insurance, and U.S. inland insurance. Torrington notes that RHP allocated aggregate amounts across RHP's sales on the basis of value and contends that RHP allocated marine insurance and U.S. inland insurance to home market sales. Torrington argues that this allocation decreases home market prices while increasing USP. Torrington recalls that its October 1, 1993 comments noted this deficiency and that RHP failed to correct its error. Torrington asserts that this failure alone justifies the use of BIA. Torrington suggests two possible applications of BIA: the Department could use the amounts reported by another U.K. respondent, or the entire amount could be allocated to U.S. sales. Torrington justifies the second alternative by stating that it would be fair to allocate nothing to home market sales as the home market expenses were overstated because marine insurance was included.

RHP responds that it purchases a single freight insurance policy that covers its shipments world-wide, regardless of destination, and that this insurance covers all production and acquisitions until the time of delivery. RHP notes that while Torrington argues that RHP should not have allocated the fixed insurance expense based on its sales turnover, the Department has verified and accepted RHP's practice in the past three administrative reviews. RHP concludes that there is no reason to modify well-established practice.

Department's Position: We have accepted RHP's reported freight insurance expenses—which cover domestic inland insurance, marine insurance, and U.S. inland insurance—for the final results. Because RHP purchased a single policy that covers all shipments world-wide, RHP allocated the expense over all of its sales activities, based on sales value. We find RHP's allocation methodology to be reasonable.

Comment 5: Torrington argues that the Department incorrectly made adjustments for Koyo's ocean freight and U.S. inland freight from port to warehouse because Koyo reported these expenses on a customer-specific basis rather than tying them to specific transactions.

Department's Position: We accepted Koyo's allocation of these expenses as reasonable. We verified these expenses and found no evidence that Koyo's allocation methodology is unrepresentative of its actual