experience. In the case of ESP transactions, there is often no direct link between shipments and resales. See the *Department's Position* to *Comment 2*, above.

Comment 6: Torrington argues that since Koyo allocated air freight expenses over all bearings shipped from Japan rather than reporting them on a per-unit and transaction-specific basis, the Department should apply a partial BIA rate, i.e., the highest movement expenses reported by Japanese respondents.

In rebuttal, Koyo argues that the Department has accepted its allocation of air freight expense in prior reviews. Koyo maintains that the Department accepted these expenses because there was no evidence on the record to suggest that Koyo's allocation methodology was not representative of its actual experience.

Department's Position: We disagree with Torrington. As stated in the Department's Position to Comment 2, above, there is often no direct link between shipments and resales in the case of ESP transactions. The expenses in question were verified by the Department and were found to have been reasonably allocated.

Comment 7: Torrington argues that the Department should disallow Nachi's home market "other direct expenses," which the Department has treated as indirect expenses for the preliminary results. Torrington claims that Nachi's reported expense, the cost of operating the fleet of vans owned by Nachi's national sales subsidiary, Nachi Bearing Company (NBC), is a part of general overhead that Nachi has not shown relates entirely to customer deliveries. Furthermore, Torrington states that Nachi has not identified which NBC sales were shipped via the van fleet, or even demonstrated that any bearings at all were shipped via the van fleet. Finally, Torrington argues that Nachi has failed to segregate the expenses incurred on shipments of subject merchandise and those incurred on nonsubject merchandise.

Federal-Mogul argues that Nachi has double-counted home market inland freight expenses because "other direct expenses" (which include the cost of customer deliveries made with NBC's van fleet) and ordinary inland freight charges are both reported for several transactions. Therefore, Federal-Mogul asserts that Nachi's home market freight claims should be denied.

Nachi states that the Department verified that its "other direct selling expenses" consist of the cost incurred by NBC in renting vans and purchasing gasoline for deliveries of bearings to

certain customers. Therefore, Nachi asserts that the cost in question is clearly a selling expense. Furthermore, Nachi contends that by dividing NBC's total expenses by total NBC sales, only that portion of NBC's expenses attributable to deliveries of subject merchandise was allocated to sales of subject merchandise. With regard to Federal-Mogul's argument, Nachi argues that it has not double-counted NBC's van expenses because they were not reported elsewhere in Nachi's response and because they were pulled out of Nachi's indirect selling expense calculation along with other freight

Department's Position: Although we disagree with Torrington and Federal-Mogul's reasoning, we agree that Nachi's "other direct selling expenses" should be disallowed. NBC's van fleet expenses, which Nachi has categorized as "other direct selling expenses," are more accurately described as home market freight expenses. Even though they are in-house freight costs rather than movement services purchased from an independent contractor, they are nonetheless movement expenses. Thus, Nachi has categorized its home market freight expenses as either "other direct selling expenses" or domestic inland freight expenses. Both categories of transportation expenses were incurred on NBC sales.

Because NBC is unable to identify which particular sales were transported by van and which were transported by contractors, Nachi has allocated each category of expenses over total NBC sales and applied the resulting factors to each reported NBC sale. Normally, this would be no different from the net effect that would have resulted if Nachi had pooled all NBC movement charges under the same category of expenses. However, Nachi allocated its van fleet expenses over NBC sales by sales value rather than by bearing weights. In the case of movement charges that cannot be traced on a transaction-specific basis, the proper way to allocate the expenses between shipments of subject and of non-subject merchandise is by the weight of the merchandise, unless a respondent can show that the expenses were incurred on a different basis. Because Nachi allocated home market inland freight charges based on bearing weights, we have accepted Nachi's reported home market inland freight charges. However, Nachi's allocation of NBC's van fleet expenses based on sales value distorts the actual amount of expense incurred on each transaction. Therefore, we have not adjusted FMV for Nachi's reported "other direct selling expenses" for the final results.

Comment 8: Federal-Mogul claims that the Department erroneously deducted packing from SNR's home market sales. Federal-Mogul asserts that SNR's General Conditions of Sale stated that terms of sale were ex-factory, packing excluded, except by special agreement. Federal-Mogul further states that the Department should not deduct packing costs, material or labor, from SNR's home market prices. Federal-Mogul argues that SNR did not describe any special agreements which would demonstrate that packing was included.

SNR responds that the General Conditions of Sale referenced by Federal-Mogul were only basic terms and conditions, and that SNR has allocated its packing costs only across sales where packing was included, as in previous reviews. Thus the Department's calculation, which deducted home market packing, was correct and the Department should not make any changes for the final results.

Department's Position: We disagree with Federal-Mogul that packing was erroneously deducted from SNR's sales. Although SNR's General Conditions of Sale state that prices were ex-works and that packing was not included, this is not inconsistent with SNR's reported terms of sale. SNR reported two categories of home market terms of sale in both the narrative response and the computer database. For the first category, SNR stated that its customers pay for packing. For the second category, SNR stated that it incurs the packing costs. See SNR's Section C Response (September 21, 1993). Because there is no evidence on the record to indicate that SNR's reported terms of sale are not reflective of the actual terms of its sales, we are continuing to deduct HM packing for the final results.

Comment 9: Torrington argues that the Department should resort to BIA because RHP failed to report all relevant packing expenses in its questionnaire response. Torrington notes that the amounts RHP reported in its supplemental questionnaire response were estimates and appear to be standard costs. Torrington contends that standard costs are not acceptable for dumping calculations. Torrington concludes that the Department should apply BIA to RHP's U.S. packing expenses

RHP responds that contrary to Torrington's allegations, the packing costs reported in its supplemental response were actual costs, and thus, no adjustments to RHP's packing expenses are warranted.

Department's Position: While we agree with Torrington that there were gaps in RHP's original questionnaire