NSK reported that "the expenses accumulated \* \* \* included bar code labels, shrinkwrap and other materials generally consumed in NSK's warehouses for both OEM and distributor orders." NSK's Supplemental Section B Response, at 6. NSK states all sales receive some sort of repackaging. However, NSK states that if the Department finds that NSK's repackaging expenses were not properly allocated to all sales, NSK would not object to the Department yielding to Torrington's request that such expenses be allocated only to aftermarket sales.

Department's Position: The repackaging expenses reported by NSK include materials consumed in the repackaging of both OEM and aftermarket sales. Therefore, we consider NSK's allocation of such expenses as reasonable and accurate and have accepted them as reported.

Comment 14: NSK claims that the Department incorrectly classified its repacking material and labor costs as costs of U.S. manufacturing, a methodology which conflicts with the Department's previous rulings wherein movement and packing expenses have been classified separately from the cost of manufacture in determining the value added to a product in the United States. See, e.g., Final Determination of Sales at Less Than Fair Value: Certain Stainless Steel Wire Rods From France, 58 FR 68865 (December 29, 1993).

Torrington argues that in the third review, NSK made the same claim, which the Department rejected because of lack of supporting evidence on the record. Torrington suggests that the Department should reject the claim now for the same reason.

Department's Position: Cost of manufacturing includes materials, labor, and overhead associated with producing the product in question. Repacking material and labor costs associated with packing or movement are not considered part of manufacturing costs. Therefore, we have not classified NSK's repacking expenses as a cost of manufacturing for the final results.

## 11. Related Parties

Comment 1: Torrington states that at verification of NMB/Pelmec Thailand the Department determined that there was not a sufficient basis to test whether HM related-party sales were made at arm's length. Therefore, Torrington argues, because the Department must rely on a small portion of reported HM sales, *i.e.*, sales to unrelated parties, as the basis of FMV, the Department should use third-country sales for determining NMB/Pelmec Thailand's FMV.

NMB/Pelmec Thailand does not dispute Torrington's allegations that there was not a sufficient basis to test whether HM related-party sales were at arm's length. However, NMB/Pelmec Thailand rebuts Torrington's argument that the Department should have used third-country sales as the basis for FMV. NMB/Pelmec explains that HM viability was accurately calculated on a weight basis for complete bearings and bearing parts as instructed by the Department's questionnaire.

Department's Position: We agree with Torrington that NMB/Pelmec Thailand's related-party sales in the HM should not be used in the calculation of FMV. However, we do not agree with Torrington that NMB/Pelmec Thailand did not have a viable home market and that we should therefore use third-country sales as the basis for FMV.

NMB/Pelmec Thailand properly reported that its HM was viable using sales to both related and unrelated parties as requested in our questionnaire. See the Department's questionnaire at 104. Although certain HM sales may ultimately be determined to be unusable for comparison purposes, such as when sales made to related parties are not made at arm's-length prices, the arm's-length test is separate from the HM viability test. That we cannot use NMB/Pelmec Thailand's related-party sales does not change the fact that the HM was viable. We establish viability once at the beginning of our analysis, before the arm's-length test for related-party sales, based on the response to Section A of the questionnaire. If we establish that the HM is viable, we instruct respondent to furnish HM sales.

It would be administratively infeasible to reestablish the appropriate market for purposes of calculating FMV each time we determine a group of HM sales to be unsuitable for comparison. If we were to retest for viability after determining that certain related-party sales were unsuitable, we would cause undue delays in the completion of the review. This problem would be exacerbated when we consider other reasons that HM sales may be unsuitable for comparison, such as when there are models sold below cost or when the adjustment for differences in merchandise (difmer) exceeds the 20percent cap. The determinations of whether models are sold below cost or whether they exceed the 20-percent difmer cap are made at a more advanced stage of our analysis than the HM viability test. Thus, we have no basis to disregard NMB/Pelmec's HM sales, and, accordingly, for these final results we

used NMB/Pelmec's HM as the basis for the calculation of FMV.

Comment 2: RHP contends that the Department should not have collapsed RHP and NSK Europe during the POR and that the use of BIA with respect to the U.S. sales of NSK Europe products was not appropriate. RHP argues that the Department has been unwilling to collapse companies in the past except where the relationship is considered so significant that price manipulation may exist. RHP notes that the Department will not generally collapse entities which have separate manufacturing facilities and sales operations. RHP contends that since it became affiliated with NSK Europe in 1990, RHP has maintained the arm's-length relationship that they had before they became affiliated. RHP notes that during the POR, RHP and NSK Europe were "separately managed and administered, maintained separate facilities and operations and did not share significant pricing information or marketing strategies." RHP maintains that both RHP and NSK Europe have remained independent despite common parentage, which is why RHP contends that this situation does not present "a strong possibility of price manipulation." RHP argues that it is a common practice within the bearing industry for manufacturers to purchase products from other manufacturers to expand their product line. RHP contends that its purchases of bearings from NSK Europe is not inconsistent with their separateness, because these dealings were at arm's length.

Torrington states that RHP essentially has restated the same arguments that the Department rejected in prior reviews and has not provided "new" information to refute the Department's previous findings. Torrington contends that RHP and NSK Europe should continue to be collapsed for the final results. Torrington further argues that the Department was justified in imposing BIA on RHP's sales of NSK Europe products in the United States, because both RHP and NSK Europe possess information crucial to the analysis of these transactions, and NSK Europe failed to provide section C and D information for this administrative review.

Department's Position: We agree with Torrington. As we have stated in both AFBs II and AFBs III, our usual practice is "to collapse related parties if the nature of their relationship allows the possibility of price and cost manipulation." See AFBs III at 39772. RHP has provided no new information in this review to suggest that the nature of its relationship with NSK Europe has