type in question, were sold and manufactured, and the revenue associated with them was booked, on a comparable time frame, normally a year or more after the ''sale'' was made. JST states the sales of the transformer type in question were not only sold, but were manufactured and delivered five years before the review period. JST argues that the profit realized on these sales has nothing to do with market conditions at any time during the period in which the LPTs under review were sold, manufactured or delivered.

Department's Position: We agree with JST. The profit the Department calculates for constructed value should be based on the profit the respondent experiences on comparable sales reasonably contemporaneous to the sales of subject merchandise under review. The transformers excluded from the profit calculation were sold significantly before the sales to the United States. Although the profit was realized during the period of review, the market conditions and expected return on those sales are not relevant to the market conditions during the time the LPT sales under review were made, because so much time had elapsed since the sale of the home market LPTs in question. Therefore, we are continuing to exclude the data on the transformers in question in our profit calculation.

Comment 4: Petitioner argues that JST understated the actual amount of its pre-bid expenses for purposes of calculating cost of manufacture. Petitioner points out that JST calculated its pre-bid expenses by taking its total annual pre-bid expenses and allocating those expenses on a per-unit basis across all its sales for that year. Petitioner questions whether the denominator is accurate, given that at verification the Department found that JST had misreported the number of LPTs sold during the period of review. Petitioner also questions whether the pre-bid expenses for each of the units are identical across markets and asserts that, because JST's sales in its home market are far more regular than its export sales, it is possible that JST could have no pre-bid expenses for its home market sales. Petitioner contends that the best method for allocating these pre-bid expenses is on the basis of design hours. Petitioner argues that, because the export units are custom-designed, they would require more design hours, and thus likely more costs, to develop a bid.

JST contends that it properly reported, and the Department properly calculated, pre-bid expense. JST contends that at verification the Department reviewed the quantity of transformers that it produced during each year involved in the review period (*i.e.*, 1992, 1993, and 1994), and that these data were provided in JST's ''final test'' log for each calendar year, which reconciled with JST's annual financial statements. JST further contends that even though there were problems with the sales volume and value data, there is no reason to question the validity of the final test data which were verified and used to allocate pre-bid expenses.

JST asserts that petitioner misunderstands the pre-bid expenses that it incurs. JST states that it incurs in the aggregate more pre-bid expenses on business that it loses than on business that it wins, and that each transformer that is sold must absorb an allocated portion of total pre-bid expenses, including those on failed bids. Regarding petitioner's assertion that pre-bid expenses should be allocated based on design costs incurred after the bid has been won, JST argues that petitioner ignores the ''bid-but-not-won'' problem, and assumes a correlation between design costs or transformer size and pre-bid expenses where none exists.

Department's Position: We disagree in part with both petitioner and JST. As petitioner noted, at verification we encountered considerable difficulties in verifying JST's sales volume and value. However, as stated in the verification report, JST allocated its pre-bid expenses based on the number of units tested during the year, a figure we did verify, finding no discrepancies. The sales volume and value data differ from the testing report data. The sales volume and value data cover only subject merchandise sold during the period of review, while the testing reports cover all transformers which were completed during the years during which the subject merchandise was produced.

We agree with petitioner that pre-bid expenses might not be identical across markets. However, there is insufficient data on the record to determine whether more pre-bid expenses are incurred on home market or export sales. We disagree with petitioner that allocating by design hours would most accurately capture pre-bid expense, because there is not a clear correlation between design hours and pre-bid expense. As we found at verification, pre-bid expenses include other expenses associated with bids (*see* Verification Report at p. 15), and, therefore, are not necessarily incurred relative to design hours. Furthermore, as JST pointed out, a substantial portion of its pre-bid expenses are incurred for failed bids, and must be allocated to other LPTS. Because there is no correlation between pre-bid expenses and sales, we have determined that the most reasonable way to allocate pre-bid expenses is on the cost of sales, since it avoids distortions which could be created by allocating pre-bid expenses on number of units or design hours.

Comment 5: JST argues that, in calculating the profit ratio on home market sales, the Department understated the cost of manufacture incurred by JST on its home market sales because it did not include pre-bid expenses associated with these sales. As a result, JST claims, the Department overstated the profit ratio on its home market sales, which in turn led to an overstatement of profit for constructed value. JST states that, in its normal accounting, it treats pre-bid expenses as an indirect selling expense. However, in submitting costs for the LPTs sold in the United States, JST treated pre-bid expenses as a cost of manufacture in accordance with Department practice. JST argues there must be a consistency between the way cost of manufacture is calculated for U.S. sales and for home market sales, and that pre-bid expenses should therefore be included in the home market cost of manufacture. JST argues that the Department should allocate pre-bid expenses on a per unit basis.

Petitioner states that JST has failed to submit sufficient information to make the adjustment to cost of manufacture for home market pre-bid expenses for purposes of the profit calculation. Petitioner argues that the suggested adjustment to pre-bid expenses implies that pre-bid expenses for home market and export sales are the same. Petitioner states that pre-bid expenses also include ''exchange rate guaranty premiums,'' which would be incurred only on export sales. Petitioner claims that, because JST did not provide export-related pre-bid expenses separately from home market-related pre-bid expenses, an accurate calculation of home market pre-bid expenses cannot be made.

Department's Position: JST's comment indicates a misunderstanding of the Department's calculation of profit. The Department calculates profit for constructed value by multiplying the cost of production (cost of manufacture plus selling, general, and administrative expenses (SG&A)) of the U.S. sale by a ratio of home market profit to the cost of production of home market sales. The home market SG&A includes indirect selling expenses, which is where JST normally includes pre-bid expenses. However, for the preliminary results we inadvertently did not include an amount for pre-bid expense in either cost of manufacture or SG&A expenses for purposes of our profit calculation. We do agree that, in order not to