

December 12, 1995, analysis memorandum.

*Comment 25:* Petitioners assert that the interest rate used by the Department to calculate Thyssen's home market credit and inventory carrying cost adjustments should be based solely upon the company's short-term borrowings from unrelated parties. Petitioners note that the Department has recognized that expenses paid to related parties in the home market may sometimes be priced above the market rate for those expenditures, and, in such instances, the market rate of interest should be employed in the calculation of the adjustments to home market price. See *Color Picture Tubes from Japan; Final Results of Antidumping Duty Administrative Review*, 55 FR 37915, 37922-23 (Sept. 14, 1990) (*Color Picture Tubes from Japan*); *High Information Content Flat Panel Displays and Display Glass Therefor from Japan: Final determination; Recission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32393 (July 16, 1991) (*Flat Panel Displays*). Petitioners suggest that the market "expense" of Thyssen's borrowings should be determined by using interest rates of Thyssen's borrowings from unrelated parties.

According to Thyssen, the information on the record confirms that the interest rates charged for intra-company loans were consistent with other loans. Thyssen notes that it was the nature of the loan, rather than the relationship of the lender to Thyssen, which was the critical factor in determining Thyssen's interest rates during the POR.

Thyssen also argues that, in the fair value investigation, the Department rejected a similar claim by petitioners that the Department should ignore Thyssen's related company borrowings, where differences in rates were not significant. *Steel from Germany*, 58 FR at 37149. Thyssen adds that in *Final Determination of Sales at Less Than Fair Value: Fresh Kiwifruit from New Zealand*, 57 FR 13695, 13705 (April 17, 1992), the Department rejected a respondent's attempt to disregard a related-party loan, stating that "there was no evidence that the interest rate on the related-party loan did not reflect market interest rates."

*Department's Position:* We disagree with petitioners. As in the original investigation, *Steel from Germany* at 37149, we have determined that information on the record indicates that the intracompany loans in question were made at what could be considered market rates.

The situation here differs from that in both determinations relied upon by petitioners. In *Color Picture Tubes from Japan*, the Department determined at verification that the related party charged the respondent more for freight than the related party was charged by the trading company that actually delivered the merchandise. In *Flat Panel Displays from Japan*, the Department found that, rather than being a market price, the price charged by the related party was established for respondent's internal bookkeeping purposes only. By contrast, in the present case, neither the information in Exhibit XIV of the Home Market Sales Verification, which provides interest rates on loans of varying duration from related and unrelated parties, nor the Department's May 2, 1995, Home Market Sales Verification Report, support the contention that interest rates on concurrent loans of similar duration provided to Thyssen by related parties differed in any meaningful way from those offered by unrelated parties.

However, we note that in the preliminary results we did not account for the fact that Thyssen incorrectly reported home market credit expenses that were calculated based on a price that does not net out discounts that are not on the invoice. While Thyssen has stated that it pays these discounts every quarter, there is no information on the record indicating that Thyssen pays the customers such "discounts" for a particular sale before the customer pays for the merchandise. Thyssen confirmed on page 13 of its June 23, 1995, submission that it "does not incur any financing expenses from date of shipment to date of payment for these out of invoice discounts." Consequently, we have adjusted home market credit expenses for the final results and are calculating this expense net of discounts not on the invoice. See the Department's December 12, 1995, analysis memorandum.

*Comment 26:* Petitioners argue that the Department should exclude the R&D and general and administrative (G&A) costs from the miscellaneous indirect selling expense variable amounts claimed by Thyssen. Petitioners reiterate that expenses pertaining to R&D are generally not selling expenses, but, rather, production costs, and that such expenses should be classified as non-sales-related general and administrative expenses. Petitioners also argue that none of the various G&A expenses claimed by Thyssen qualify as indirect selling expenses, since they are not associated with selling activities. Finally, petitioners argue that should the Department decide to include

Thyssen's claimed R&D in the indirect selling expenses deducted from USP and FMV, it must correct the allocation of those R&D expenses to the home and U.S. markets.

Thyssen responds that the record clearly establishes that it correctly included these expenses in its home market indirect selling expenses. Thyssen argues that the R&D expenses categorized as indirect selling expenses include items related to selling, not production activities. See *Antifriction Bearings from France*, 60 FR at 10920. Thyssen argues that the same is true for the various G&A expenses included as indirect selling expenses. Finally, Thyssen argues that the Department confirmed at verification that the R&D expenses in question had been allocated to each market on the identical basis as were selling expenses, verified by the DOC.

*Department's Position:* We disagree with petitioners regarding G&A expenses. Our verification indicated that the expenses in question were indirect selling expenses. The type of costs which Thyssen listed include meals and transportation for Thyssen's customers. These are costs which we reasonably consider to be selling expenses.

However, petitioners are correct that the Department does not normally consider R&D expenses to be costs associated with selling the merchandise. See *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, et al.; Final Results of Antidumping Duty Administrative Reviews*, 57 FR 28360, 28415 (June 24, 1992). There are exceptions to this policy. See *Antifriction Bearings From France*, 60 FR at 10920. However, we have determined that Thyssen has not shown that the R&D costs in question constitute selling expenses. We have therefore adjusted Thyssen's miscellaneous home market indirect selling expense variable to reflect this finding. See the Department's December 12, 1995, analysis memorandum.

*Comment 27:* Petitioners argue that Thyssen's reported home market warranty expenses for the POR are aberrational and that the Department should instead use a weighted-average for these indirect selling expenses based on Thyssen's reported data for calendar years 1990 and 1991, and fiscal years 1991/92, 1992/93, and 1993/94. Petitioners cite *Television Receivers, Monochrome and Color, From Japan; Final Results of Antidumping Duty Administrative Review*, 56 FR 38417, 38421 (Aug. 13, 1991) (*Television Receivers from Japan*); and *Final*