

With respect to the short-term borrowing rate to be used in calculating the home market imputed credit, respondent argues that its dollar borrowing rate should be used because the home market sales were negotiated, contracted for, and denominated in dollars. Respondent further maintains that it would not make economic sense to borrow at a peso borrowing rate to finance dollar denominated accounts receivable. Therefore, respondent requests that the Department continue to use respondent's dollar borrowing rate in its calculation of home market credit expenses.

DOC Position

During respondent's verification, we established that respondent invoiced its home market customers in U.S. dollars and received the equivalent value in pesos at the date of payment. We were able to trace the payments to the company's records and establish that the payments made to the company in pesos reflected the prevailing exchange rates at the time of payment.

It is the Department's practice to accept charges in the currency in which the charges are made. In this instance, home market prices were charged in dollars. Therefore, the Department found it appropriate that respondent's home market sales were reported in dollar value since the dollar value was the currency in which the sales transactions were made. Furthermore, since home market sales were transacted in dollars and the payments made, although in pesos, were based on constant dollar value, there is no distortion. Using respondent's dollar borrowing rate in the calculation of the home market imputed credit, is, therefore, appropriate.

Comment 53

Respondent argues that the air freight account examined by the Department during verification reflects expenses entirely related to air freight for products shipped to a customer in a foreign country. Respondent maintains that the Department collected documentation at verification which supports this. Respondent further maintains that the suggestion made in the Department's verification report that half of the amount reported in the air freight account be added to the reported foreign inland freight is based on a misunderstanding of the facts, and it would be incorrect to include any portion of this account in the Department's calculation of foreign inland freight expenses.

The petitioner argues that there is no evidence on the record to show that the

air freight expenses, reported in one of the company's transportation accounts, are related entirely to air freight expenses for that foreign country. According to the petitioner, the supporting documentation collected during verification only supports the conclusion that air freight expenses for one month (*i.e.*, the month of August) were for shipments made to the foreign country. According to the petitioner, the exhibit collected by the Department does not establish that all entries under this account code were destined for that foreign country and does not identify the portion of these expenses related to inland freight. The petitioner argues that because respondent failed to report the inland freight expenses included in the account, the Department should include the full amount of the charges in the calculation of inland freight expenses.

DOC Position

At verification we examined one of the company's accounts related to transportation titled "Transportes Aereos" (Air Transportation). A company official stated that the entries made to that account were for inland and air freight expenses related to products shipped to a customer in a foreign country. To verify this statement we examined all supporting documentation for one month.

The documentation consisted solely of air freight charges, which is indicative that the entries made under this account were related to air freight, not inland freight. As there is no evidence on the record showing that the air freight account in question is related to inland freight, we have not included any amount from this account in our calculation of respondent's foreign inland freight expenses.

Comment 54

The petitioner requests that all the expenses related to Federal Express discovered during verification be allocated to rose sales in the U.S. market. The petitioner argues that there is no evidence that the Federal Express charges incurred by the respondent's related company in the United States were not shipment expenses on sales to U.S. customers, nor is there any basis to assume that such expenses should be allocated to sales outside the United States or to merchandise other than roses. According to the petitioner these expenses should be treated as direct selling expenses related merely to rose sales.

According to the respondent, these expenses should be appropriately added to the "other expenses" field, or to

indirect selling expenses incurred in the United States.

DOC Position

At verification, company officials discovered unreported expenses related to Federal Express. However, because, in general, we cannot accept new information at verification and, due to time constraints we were unable to verify the exact amounts of these expenses to each destination and for each merchandise class, we were only able to verify the total expense. Thus, the Department, as BIA, included the total of these expenses in the calculation of movement charges related to U.S. rose sales.

Comment 55

Respondent maintains that at the preliminary determination, the Department double counted certain expenses related to U.S. duty, U.S. brokerage and handling, and movement charges. According to respondent, the Department applied BIA for the above-referenced expenses for certain ESP sales, even though these expenses were already included in respondent's indirect selling expenses. Respondent, therefore, requests that the Department eliminate the BIA values and count the actual expenses as part of indirect selling expenses, as reported. Furthermore, respondent argues that delivery and brokerage expenses are functions performed by respondent's related U.S. importer, and that such expenses are included in the importer's accounting records as indirect selling expenses. Therefore, respondent argues that it serves no purpose to attempt to break these costs out and report them separately.

Petitioner, on the other hand, argues that the movement expenses included in the reported indirect selling expenses are not properly classified as indirect selling expenses and are not entitled to be offset under 19 CFR § 353.56. According to petitioner, respondent should bear the burden of identifying its U.S. indirect selling expenses. Otherwise, respondent has an incentive to report all U.S. selling expenses as indirect in order to obtain a greater offset. Therefore, respondent requests that the Department treat the entire amount of indirect selling expenses as direct selling expenses.

DOC Position

Duty. We are unsure why respondent refers to double-counting of duty charges. Respondent has always reported U.S. duty as unique movement charge in its database. We verified duty charges in the same context as airfreight