charges, specific to shipments of roses and reported as a movement charge. Respondent has not reported U.S. duty in its importer's indirect selling expenses. In the preliminary determination, we used the highest reported duty as BIA for any ESP sale with no duty reported (as all FOB Miami sales must have applicable duty charges). We noted in our verification report that respondent failed to report duty for several transactions. Therefore, as BIA, we are using the average positive duty and airfreight charges for purposes of the final determination.

Brokerage. In its first submissions, respondent reported U.S. brokerage as a fixed-fee per airway bill on ESP sales. Respondent then stated shortly before the preliminary determination that it had double-counted these costs by also including brokerage charges in its reported indirect selling expenses. At the preliminary determination, we stated that it was proper to report brokerage as a movement charge, and that, since we could not easily remove brokerage from indirect selling expenses, we subtracted both the charges reported in the database as movement expenses, and the total reported indirect selling expenses.

At verification, respondent demonstrated to the Department that the brokerage costs incurred by the importer's staff acting as respondent's in-house broker, include not only the importer's brokerage fees, but also the personnel and other costs of the respondent's U.S. subsidiary. Therefore, company officials maintained that the total costs associated with brokerage should be reported as a subset of indirect selling expenses.

We determined that the manner in which total brokerage charges are incurred and recorded in the respondent's accounting system, and the difficulty of re-allocation to rose sales, are circumstances under which their inclusion in the related importer's indirect selling expenses was warranted.

# U.S. Inland Freight Expenses

During verification, respondent identified the freight charges for local transportation included in the importer's overhead expenses. Consequently, we removed them from indirect selling expenses and treated them as a movement expense. We also deducted from the reported indirect selling the freight expense amount.

# Comment 56

Petitioner argues that expenses related to hurricane damage, amortization, legal fees and depreciation should not be excluded from respondent's G&A expenses. Petitioner believes that these expenses are costs of selling in the U.S. market. Petitioner further maintains, that because these expenses were classified as G&A in the ordinary accounting records of the importer, there is no basis to treat these charges as extraordinary items. Petitioner further maintains that certain depreciation expenses which were not reported as indirect selling expenses, should be included since they relate to the sale and distribution of subject merchandise.

Respondent maintains that these expenses were properly excluded from the reported indirect selling expenses because these expenses are unrelated to selling expenses.

#### **DOC Position**

During verification, we established that the related importer did not report to the Department certain overhead expenses. According to respondent, these expenses were not reported since they are unrelated to rose sales and were properly classified as G&A expenses.

We agree with petitioner that the G&A expenses excluded from the reported indirect selling expenses should be included in the indirect selling expenses because importer's function, as a related subsidiary, is the sale and distribution of the subject merchandise. Since the expenses respondent excluded from indirect selling were not reported to the Department and since there is not sufficient information on the record to show how these expenses can be allocated to the importer's rose sales related to respondent, the Department used BIA to account for these unreported expenses. The Department added the ratio of the unreported overhead expense amount to the importer's total sales value to the indirect selling expense ratio used in the calculation of respondent's indirect selling expenses.

## Comment 57

The petitioner maintains that expenses related to the computer system department should be allocated among farms based on the sales value or volume. The petitioner further argues that allocating these expenses over the number of farms would disguise the higher costs involved in making more entries for farms with higher sales volume. The petitioner, therefore, suggests that the computer system department expenses be prorated based on either the sales value or the number of boxes shipped to the respondent's U.S. subsidiary.

According to the respondent, sales value and volume are irrelevant to this

allocation because it takes approximately the same amount of time to prepare a growers report, regardless of the number of transactions.

## **DOC Position**

At verification we examined the records of the respondent's U.S. subsidiary and found no evidence that the method used to allocate entry processing expenses was not reflective of the company's record-keeping system.

We disagree with the petitioner that the expenses related to the computer system department should be allocated based on the sales value or volume of each farm. Moreover, fixed costs for salaries, computer supplies, and maintenance are incurred regardless of the volume or value of transactions entered into the computer system. Therefore, the Department found the allocation of these expenses based on the number of farms to be appropriate.

#### Comment 58

At verification, company officials of the respondent's U.S. subsidiary explained that its grower department incurred expenses for soliciting new suppliers of roses. We established that the U.S. subsidiary did not allocate any of these expenses to the rose sales of its related company. The respondent argues, however, that, as these expenses relate to soliciting new suppliers of roses, and the U.S. subsidiary's supply from the respondent is already guaranteed by their relationship, the U.S. subsidiary's grower department expenses were properly not allocated to the respondent.

The petitioner argues that, in the absence of any evidence showing that such expenses were not applicable to the respondent, the full amount of grower department expenses should be allocated to the respondent based on a sales prorated basis.

#### **DOC Position**

At verification we found no evidence that respondent's U.S. subsidiary's grower department expenses were applicable to the respondent. Therefore, the Department did not allocate any expenses of the U.S. subsidiary's grower department to the respondent's rose sales in the U.S. market.

# Comment 59

Respondent contends that it appropriately capitalized certain severance payments for its submission and amortized those payments over a two-year period. Respondent states that the purpose of the payment was to encourage employees to switch to a new