merchandise in the amounts indicated below. This suspension will remain in effect until further notice.

Company Ad Valorem Rate

CIL—16.04 percent
All Others—16.04 percent

ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

Public Comment

In accordance with 19 CFR 355.38, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. The hearing will be held on September 22, 1997, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Individuals who wish to request a hearing must submit a written request within 30 days of the publication of this notice in the **Federal Register** to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1874, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Requests for a public hearing should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, eight copies of the business proprietary version and three copies of the nonproprietary version of the case briefs must be submitted to the Assistant Secretary no later than September 8, 1997. Eight copies of the business proprietary version and three copies of the nonproprietary version of the rebuttal briefs must be submitted to the Assistant Secretary no later than September 15, 1997. An interested party may make an affirmative presentation only on arguments included in that party's case or rebuttal briefs. Parties who submit an argument in this proceeding are requested to submit with the argument (1) a statement of the issue and (2) a brief summary of the argument. Written arguments should be submitted in accordance with 19 CFR 351.309 and will be considered if received within the time limits specified above.

If this investigation proceeds normally, we will make our final determination by October 14, 1997.

This determination is published pursuant to sections 703(f) and 777(i) of the Act.

Dated: July 28, 1997.

Jeffrey P. Bialos,

Acting Assistant Secretary for Import Administration.

[FR Doc. 97–20489 Filed 8–1–97; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[C–122–827]

Preliminary Affirmative Countervailing Duty Determination: Steel Wire Rod From Canada

AGENCY: Import Administration, International Trade Administration, Department of Commerce

EFFECTIVE DATE: August 4, 1997.

FOR FURTHER INFORMATION CONTACT: Robert Bolling or Rick Johnson, Office of AD/CVD Enforcement, Office IX, Import Administration, International Trade Administration, U.S. Department of Commerce, Room 1874, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–1386, or 482–0165.

Preliminary Determination

The Department preliminarily determines that countervailable subsidies have been provided to Sidbec-Dosco (Ispat) Inc. (*see* ''Corporate History'') a producer and exporter of steel wire rod from Canada. We have also preliminarily determined that Ivaco, Inc. (Ivaco) and Stelco, Inc. (Stelco) received no countervailable subsidies. For information on the estimated countervailing duty rates, see the *Suspension of Liquidation* section of this notice.

Case History

Since the publication of the notice of initiation in the **Federal Register** (62 FR 13866, March 24, 1997) the following events have occurred:

On April 1, 1997, we issued a questionnaire to the Government of Canada (GOC), the Government of Quebec (GOQ), Sidbec-Dosco (Ispat) Inc. (Sidbec-Dosco (Ispat)), Stelco, Inc. (Stelco) and Ivaco, Inc. (Ivaco). On May 2, 1997, we postponed the preliminary determination in this investigation until July 28, 1997 (62 FR 25172, May 8, 1997). On May 27, we received responses from the GOC, GOQ, Sidbec-Dosco (Ispat), Stelco, and Ivaco. On June 13, 1997, we issued a supplemental questionnaire to respondents. Additionally, on June 13, 1997, we issued a questionnaire to the Government of Ontario (GOO). We received responses on July 2, 1997 from respondents GOC, GOO, Sidbec-Dosco (Ispat), Stelco, and Ivaco. On July 3, 1997, we received the GOQ's response to this questionnaire. On July 10, 1997, we issued a second supplemental questionnaire to the GOC, GOQ, GOO, and Sidbec-Dosco (Ispat). We received responses on July 17, 1997.

On June 6, 1997, petitioners alleged that Sidbec, Inc., the government-owned company which was the parent company to Sidbec-Dosco, Inc., during the period in which the alleged subsidies were granted, received subsidies from the GOC and the GOQ which benefitted the subject merchandise. Petitioners requested that the Department include these new subsidy allegations in its investigation of steel wire rod from Canada.

On July 1, 1997, we initiated an investigation on these additional subsidy allegations and issued questionnaires to Sidbec, Inc., the GOC and GOQ on July 2, 1997. We received responses to this questionnaire on July 16, 1997.

Scope of Investigation

The products covered by this investigation are certain hot-rolled carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch),inclusive, in solid cross-sectional diameter. Specifically excluded are steel products possessing the above noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; (e) free machining steel that contains by weight 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium; or (f) concrete reinforcing bars and rods.

The following products are also excluded from the scope of this investigation:

Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater than or equal to 0.68 percent; aluminum less than or equal to 0.005 percent; phosphorous plus sulfur less than or equal to 0.040 percent; maximum combined copper, nickel and chromium content of 0.13 percent; and nitrogen less than or equal to 0.006 percent. This product is commonly referred to as ''Tire Cord Wire Rod.''

Coiled products 7.9 to 18 mm in diameter, with a partial decarburization of 75 microns or less in depth and seams no more than 75 microns in depth; containing 0.48 to 0.73 percent carbon by weight. This product is commonly referred to as ''Valve Spring Quality Wire Rod.''

The products under investigation are currently classifiable under subheadings 7213.91.3000, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

The Applicable Statute

Unless otherwise indicated, all citations to the statute are references to the provisions of the Tariff Act of 1930, as amended by the Uruguay Round Agreements Act effective January 1, 1995, (the ''Act'').

Injury Test

Because Canada is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Act, the International Trade Commission (ITC) is required to determine whether imports of steel wire rod from Canada materially injure, or threaten material injury to, a U.S. industry. On April 30, 1997, the ITC published its preliminary determination finding that there is a reasonable indication that an industry in the United States is being materially injured or threatened with material injury by reason of imports from Canada of the subject merchandise (62 FR 23485).

Petitioners

The petition in this investigation was filed by Connecticut Steel Corp., Co-Steel Raritan, GS Industries, Inc., Keystone Steel & Wire Co., North Star Steel Texas, Inc., and Northwestern Steel and Wire (the petitioners), six U.S. producers of wire rod.

Corporate History

Sidbec, Inc. was established by the GOQ in 1964. In 1968, Sidbec, Inc. acquired Dominion Steel and Coal Corporation Limited, a steel producer, and later changed the name to Sidbec-Dosco, Inc. The GOQ owned 100 percent of Sidbec, Inc.'s stock, and Sidbec, Inc. owned 100 percent of Sidbec-Dosco Inc.'s stock, until privatization in 1994.

In 1976, Sidbec Inc., British Steel Corporation, and Quebec Cartier Mining Company entered into a joint venture to mine and produce iron ore concentrates and iron oxide pellets. The company they formed was Sidbec-Normines Inc. (Normines), of which Sidbec, Inc. owned 50.1%. These mining activities were shut down in 1984.

Sidbec-Dosco (Ispat) operates steel making facilities in Contrecoeur, Montreal and Longueuil, Quebec. Until 1987, all of the facilities at Longueuil and a good portion of the facilities in Contrecouer were owned by Sidbec, Inc. and leased to Sidbec-Dosco, Inc. In 1987, Sidbec, Inc. reorganized in order to consolidate all steel-related assets under its wholly-owned subsidiary Sidbec-Dosco, Inc. On August 17, 1994, Sidbec-Dosco, Inc. was sold to Beheer-en Beleggingsmaatschappij Brohenco B.V. (Brohenco), which is wholly-owned by Ispat-Mexicana, S.A. de C.V. (Ispat Mexicana), thus becoming Sidbec-Dosco (Ispat). Currently, Sidbec, Inc. continues to be 100% owned by the GOQ.

Because Sidbec, Inc.'s financial statements were consolidated including both its mining and steel manufacturing activities, and because the alleged subsidies under investigation were granted through Sidbec, Inc., we are treating Sidbec, Inc., Sidbec-Dosco, Inc. and Sidbec-Normines as one entity for the purposes of determining benefits to the subject merchandise from alleged subsidies. For purposes of this investigation, we are collectively referring to Sidbec, Inc., Sidbec-Dosco, Inc., and Sidbec-Normines as ''Sidbec''.

Subsidies Valuation Information

Period of Investigation: The period for which we are measuring subsidies (the ''POI'') is the calendar year 1996.

Allocation Period: In the past, the Department has relied upon information from the U.S. Internal Revenue Service on the industry-specific average useful life of assets, in determining the allocation period for nonrecurring subsidies. *See General Issues Appendix* appended to *Final Countervailing Duty Determination; Certain Steel Products from Austria* (58 FR 37217, 37226; July 9, 1993). However, in *British Steel plc.* v. *United States,* 879 F. Supp. 1254 (CIT 1995) (*British Steel*), the U.S. Court of International Trade (the Court) ruled against the allocation methodology. In accordance with the Court's remand order, the Department calculated a company-specific allocation period for nonrecurring subsidies based on the average useful life (AUL) of non-renewable physical assets. This remand determination was affirmed by the Court on June 4, 1996. *See British Steel,* 929 F. Supp. 426, 439 (CIT 1996).

In this investigation, the Department has followed the Court's decision in *British Steel.* Therefore, for the purposes of this preliminary determination, the Department has calculated a company-specific AUL.

Based on information provided by Sidbec, Inc. and Sidbec-Dosco (Ispat) regarding Sidbec's depreciable assets, the Department has preliminarily determined the appropriate allocation period for Sidbec. We are unable to provide the specific AUL for Sidbec due to the proprietary nature of data from Sidbec-Dosco (Ispat). Therefore, for the calculation of Sidbec's AUL, *see, Memorandum to The File: Calculation of AUL Period,* dated July 22, 1997, which is in the public file (public version) in the Central Records Unit, Room B–099 of the Department of Commerce.

Because we have preliminarily determined that Ivaco and Stelco were not the recipients of non-recurring subsidies, we have not calculated an AUL for either company.

Equityworthiness: In analyzing whether a company is equityworthy, the Department considers whether or not that company could have attracted investment capital from a reasonable, private investor in the year of the government equity infusion based on information available at that time. In this regard, the Department has consistently stated that a key factor for a company in attracting investment capital is its ability to generate a reasonable return on investment within a reasonable period of time.

In making an equityworthiness determination, the Department examines the following factors, among others:

1. Current and past indicators of a firm's financial condition calculated from that firm's financial statements and accounts;

2. Future financial prospects of the firm including market studies, economic forecasts, and projects or loan appraisals;

3. Rates of return on equity in the three years prior to the government equity infusion;

4. Equity investment in the firm by private investors; and

5. Prospects in the world for the product under consideration.

For a more detailed discussion of the Department's equityworthiness methodology, see *General Issues Appendix,* (58 FR at 37239 and 37244).

Petitioners have alleged that Sidbec, Inc. and Sidbec-Dosco, Inc. were unequityworthy for the period 1982 through 1992. Therefore, petitioners allege that any equity infusions received during those years would not have been provided by a reasonable private investor and therefore conferred a countervailable benefit within the meaning of section 771(5)(E)(i) of the Act. In this case, we initiated an investigation of Sidbec-Dosco Inc.'s equityworthiness for the years 1982 through 1988. *See Memorandum from The Team to Joseph A. Spetrini dated March 18, 1997, Re: Initiation of Countervailing Duty Investigation: Steel Wire Rod from Canada (March Initiation Memo),* which is in the public file in the Central Records Unit, Room B–099 of the Department of Commerce. Additionally, on July 1, 1997, we initiated an investigation of Sidbec's equityworthiness for the period 1982 through 1992. *See Memorandum from The Team to Joseph A. Spetrini dated July 1, 1997, Re: Initiation of Countervailing Duty Investigation: Steel Wire Rod from Canada (July Initiation Memo),* which is in the public file (public version) in the Central Records Unit, Room B–099 of the Department of Commerce. Because we are treating Sidbec, Inc., Sidbec-Dosco Inc., and Sidbec-Normines as one entity for the purpose of determining benefits to the subject merchandise from alleged subsidies, we have limited our analysis of the equityworthiness of Sidbec to a review of Sidbec, Inc.'s financial data. *See Final Affirmative Countervailing Duty Determinations; Certain Steel Products from France* (58 FR 37304, July 9, 1993).

Throughout the period 1982 to 1985, Sidbec, Inc. reported substantial losses. Although Sidbec, Inc. reported a profit from 1986 through 1990, the profits were not of such a magnitude to offset the substantial losses suffered from 1982 through 1985. Additionally, Sidbec, Inc. again sustained substantial losses in 1991 and 1992. Return on equity was either negative or not meaningful (due to a negative equity balance) in every year from 1984 through 1988, and in 1991, and 1992. Additionally, for the years 1984 through 1988, 1991, and 1992 Sidbec, Inc. had a negative debt-to-equity ratio, which indicated the company's liabilities exceed the company's assets. Furthermore, Sidbec, Inc.'s debt-to-equity ratio in 1989 and 1990 was significantly high. Therefore, as a result of our analysis, we preliminarily determine Sidbec, Inc. to be unequityworthy from 1982 to 1992.

Equity Methodology: In measuring the benefit from a government equity infusion to an unequityworthy company, the Department compares the price paid by the government for the equity to a market benchmark, if such a benchmark exists, *i.e.,* the price of publicly traded shares of the company's stock or an infusion by a private investor at the time of the government's infusion (the latter may not always constitute a proper benchmark based on the specific circumstances in a particular case).

Where a market benchmark does not exist, the Department has determined in this investigation to continue to follow the methodology described in the *General Issues Appendix.* Following this methodology, equity infusions made into an unequityworthy firm are treated as grants. Using the grant methodology for equity infusions into an unequityworthy company is based on the premise that an unequityworthiness finding by the Department is tantamount to saying that the company could not have attracted investment capital from a reasonable investor in the infusion year based on the available information.

Creditworthiness: When the Department examines whether a company is creditworthy, it is essentially attempting to determine if the company in question could obtain commercial financing at commonly available interest rates. If a company receives comparable long-term financing from commercial sources, that company will normally be considered creditworthy. In the absence of comparable commercial borrowings, the Department examines the following factors, among others, to determine whether or not a firm is creditworthy:

1. Current and past indicators of a firm's financial health calculated from that firm's financial statements and accounts;

2. The firm's recent past and present ability to meet its costs and fixed financial obligations with its cash flow; and

3. Future financial prospects of the firm including market studies, economic forecasts, and projects or loan appraisals.

For a more detailed discussion of the Department's creditworhiness criteria, *See, e.g., Final Affirmative Countervailing Duty Determination: Certain Steel Products from France,* 58 FR 37304, (July 9, 1993) and *Final Affirmative Countervailing Duty Determination: Certain Steel Products from the United Kingdom,* 58 FR 37393 (July 9, 1993).

Petitioners have alleged that Sidbec, Inc. and Sidbec-Dosco, Inc. were uncreditworthy from 1977 through 1993. In this case, we initiated an investigation of Sidbec-Dosco, Inc.'s creditworthiness for the years 1982 and 1984 through 1988. *March Initiation Memo.* Additionally, on July 1, 1997, we initiated an investigation of Sidbec's creditworthiness for the period 1984 through 1993. *July Initiation Memo.* We have limited our analysis to Sidbec, Inc.''s creditworthiness and to the period 1980–1992, because petitioners did not allege that Sidbec, Inc. or Sidbec-Dosco received any subsidies beyond 1992. To determine the creditworthiness of Sidbec, Inc. during the period 1982 (the year of the first alleged subsidy in the AUL period) through 1992 (the year of the last alleged subsidy in the AUL period), we have evaluated certain liquidity and debt ratios, *i.e.,* quick, current, times interest earned, and debt-to-equity, on a consolidated basis. For the period 1982 through 1985, the company consistently incurred substantial losses. Despite the fact that Sidbec, Inc. reported a profit from 1986 through 1990, the company was still thinly capitalized and had a high debt-to-equity ratio. Additionally, the interest coverage ratio was negative for the years 1991 and 1992 and the liquidity ratios (*i.e.,* quick and current ratio) indicated that the company may have had difficulty in meeting its short-term obligations. Based on our analysis, we preliminarily determine that Sidbec, Inc. was uncreditworthy for the years 1982 through 1992.

Discount Rates: Respondents did not provide company-specific information relevant to the appropriate discount rates to be used in calculating the countervailable benefit for non-recurring grants and equity infusions in this investigation. For the preliminary determination, we were unable to find long-term corporate rates (*i.e.,* loans or bonds). Currently, we are still seeking information on long-term rates, and, if we find this information, we will consider it in our final determination. Accordingly, we have used the long-term government bond rate in Canada published in the *International Monetary Fund (IMF) International Financial Statistics Yearbook* as the discount rate, plus a risk premium (because we have preliminarily determined Sidbec to be

uncreditworthy), for each year in which there was a non-recurring countervailable subsidy.

Privatization Methodology: In the *General Issues Appendix,* we applied a new methodology with respect to the treatment of subsidies received prior to the sale of a company (privatization).

Under this methodology, we estimate the portion of the purchase price attributable to prior subsidies. We compute this by first dividing the privatized company's subsidies by the company's net worth for each year during a period beginning with the earliest point at which non-recurring subsidies would be attributable to the POI (*i.e.,* a period equal to the company-specific allocation period) and ending one year prior to the privatization. We then take the simple average of the ratio of allocable subsidies received by the company in each year over the company's net worth in that year. The simple average of the ratios of subsidies to net worth serves as a reasonable surrogate for the percent that subsidies constitute of the overall value (*i.e.,* net worth of the company). Next, we multiply the average ratio by the purchase price to derive the portion of the purchase price attributable to repayment of prior subsidies. Finally, we reduce the benefit streams of the prior subsidies by the ratio of the repayment amount to the net present value of all remaining benefits at the time of privatization.

In the current investigation, we are analyzing the privatization of Sidbec-Dosco in the year 1994.

Based upon our analysis of the petition and the responses to our questionnaires, we determine the following:

I. Programs Preliminarily Determined To Be Countervailable

A. 1988 Debt-to-Equity Conversion

Petitioners allege that Sidbec-Dosco, Inc. received a debt-to-equity conversion from either the GOC or the GOQ in 1988 based on Sidbec-Dosco, Inc.'s 1988 Annual Report. In its supplemental response, Sidbec-Dosco (Ispat) stated that a portion of Sidbec Inc.'s debt was converted into Sidbec, Inc. capital stock in 1988. Sidbec-Dosco (Ispat) stated that the debt consisted of four loans provided to Sidbec, Inc. by the GOQ during the period 1982–1985, plus accrued interest. Sidbec-Dosco (Ispat) explained that every two years the GOQ had extended the maturity date for these loans for another two years. According to the GOQ, it converted four of Sidbec, Inc.'s debt instruments into equity in Sidbec Inc. in 1988 in order to improve Sidbec-Dosco Inc.'s economic profile, for the purpose of making it more attractive for privatization, partnership, or investment. In the GOQ Act which authorized this debt conversion, Sidbec, Inc. was authorized to acquire an equivalent amount in shares of Sidbec-Dosco, Inc.

We have concluded that, consistent with our equity methodology, benefits to Sidbec, Inc. occurred at the point when the debt instruments (*i.e.,* loans) were converted to capital stock. As discussed above, we have preliminarily determined that Sidbec, Inc. was unequityworthy from 1982 through 1992. As a result, we consider the conversion of debt to capital stock in 1988 to constitute an equity infusion inconsistent with the usual investment practice of private investors.

When receipt of benefits under a program is not contingent upon exportation, the Department must determine whether the program is specific to an enterprise or industry, or group of enterprises or industries. Under the specificity analysis, the Department examines both whether a government program is limited by law to a specific enterprise or industry, or group thereof (*i.e., de jure* specificity), and whether the government program is in fact limited to a specific enterprise or industry, or group thereof (*i.e., de facto* specificity), See Section 771(5A)(D) of the Act. We preliminarily determine the 1988 debt-to-equity conversion to be specific, because it was provided to a specific enterprise or industry, Sidbec, Inc.

For these reasons, we preliminarily determine that the 1988 debt-to-equity conversion constitutes a countervailable subsidy within the meaning of section 771(5) of the Act.

Consistent with the equity methodology, we followed our standard declining balance grant methodology for allocating the benefits from the equity infusion stemming from the debt-to-equity conversion. We then reduced the benefit stream by applying the privatization calculation described in the Privatization section of the *General Issue Appendix,* 58 FR at 37262–3. We divided the benefit by Sidbec-Dosco (Ispat) total sales. On this basis, we calculated an estimated net subsidy for this program of 3.31 percent *ad valorem* for Sidbec-Dosco (Ispat).

B. 1984–1992 Equity Infusions

According to information provided in Sidbec-Dosco (Ispat)'s response, the GOQ provided an infusion of capital to Sidbec Inc. in each year from 1984 to 1992. Additionally, the GOQ stated that it assumed the responsibility for certain financial charges of Sidbec-Normines, which had been shut down in 1984, and paid those charges through contributions to Sidbec, Inc. as they came due. Since we have preliminarily determined that Sidbec Inc. was unequityworthy from 1982 through 1992, we consider that these equity infusions were inconsistent with the usual investment practice of private investors and constituted specific financial contributions in which a benefit was conferred.

Furthermore, the Department has stated in the past that ''subsidies do not diminish or disappear upon the closure of certain facilities but rather are spread throughout, and benefit, the remainder of the company's operations.'' *General Issues Appendix,* 58 FR at 37269. Therefore, given that these equity infusions relate to Sidbec Inc.'s closed mining operations, we preliminarily determine that these equity infusions benefit the subject merchandise.

We analyzed whether the receipt of these equity infusions were specific ''in law or fact'' within the meaning of section 771(5A) of the Act. We preliminarily determine these equity infusions to be specific, because they were provided to a specific enterprise or industry, Sidbec, Inc.

For these reasons, we preliminarily determine that the equity infusions received by Sidbec from 1984 to 1992 constitutes countervailable subsidies within the meaning of section 771(5) of the Act.

Consistent with the equity methodology, we followed our standard declining balance grant methodology for allocating the benefits from these equity infusions. We then reduced the benefit stream by applying the privatization calculation described in the Privatization section of the *General Issues Appendix,* 58 FR at 37262–3. We divided the total benefit by Sidbec-Dosco (Ispat) total sales. On this basis, we calculated an estimated net subsidy for this program of 5.25 percent *ad valorem* for Sidbec-Dosco (Ispat).

C. 1983–1992 Grants

Based on information provided in Sidbec-Dosco (Ispat)'s responses, Sidbec Inc. received a grant in each year from 1983 to 1992 from the GOQ to compensate for the interest expenses incurred by Sidbec, Inc. to finance the discontinued operations of its mining activities. The receipt of these grants occurred as follows: (1) Sidbec, Inc. paid its share of the interest and principal, as it came due, on loans that were taken out to finance Sidbec-Normines; (2) Sidbec, Inc. then issued statements to the GOQ for these

amounts relating to the discontinued mining operations; and (3) the GOQ, after obtaining the necessary budgetary authority, issued checks to Sidbec, Inc. to cover these expenses. According to the GOQ, to process a request for these funds, approval was needed from four agencies (*i.e.*, the Quebec Ministry of Industry and Commerce, the Treasury Board, the National Assembly and the Executive Counsel). Once the approval process was completed, the GOQ issued a decree providing funding to Sidbec, Inc. (or its subsidiaries). *See* July 3, 1997 GOQ response, Exhibit H.

As these grants related to Sidbec Inc.'s closed mining operations, we preliminarily determine that they benefitted Sidbec Inc.'s remaining operations, which include the subject merchandise. *See General Issues Appendix*, 58 FR at 37269.

We analyzed whether the receipt of these grants was specific ''in law or fact,'' within the meaning of section 771(5A) of the Act. These grants were not received as part of any wider government program. Instead, they were provided by the GOQ for the sole purpose of paying debt incurred by Sidbec-Normines, Sidbec, Inc.'s unsuccessful mining operation. Therefore, we preliminarily determine these grants to be specific under section 771(5A)(D) of the Act.

For these reasons, we preliminarily determine that the grants Sidbec, Inc. received constitute countervailable subsidies within the meaning of section 771(5) of the Act.

The GOQ has claimed these benefits were recurring in nature, in that they were granted automatically based on Quebec's having previously assumed responsibility for the finance charges pertaining to the discontinued mining operations. However, for each year's grant to cover the finance charges, the GOQ had to seek budgetary authority prior to issuing Sidbec's grant. Therefore, government approval was necessary prior to receipt of each individual subsidy. Moreover, the benefits from the program were clearly exceptional, and once the financial charges were paid off, the program did not continue into the future. The Department has stated that ''the element of ''government approval'' relates to the issue of whether the program provides benefits automatically, essentially as an entitlement, or whether it requires a formal application and/or specific government approval prior to the provision of each yearly benefit. The approval of benefits under the latter type of program cannot be assumed and is not automatic.'' *General Issues Appendix*, 58 FR at 37226. Therefore, we preliminarily determine these grants to be non-recurring benefits and have allocated them over Sidbec's AUL.

To calculate the countervailable subsidy, we followed our standard declining balance grant methodology, as discussed above. We reduced the benefit stream by applying the privatization calculation described in the Privatization section of the *General Issues Appendix*, 58 FR at 37262–3. We divided the benefit attributable to the POI by Sidbec-Dosco (Ispat) sales during the same period. On this basis, we determine the countervailable subsidy for this program to be 0.99 percent *ad valorem* for Sidbec-Dosco (Ispat).

II. Programs Preliminarily Determined To Be Not Countervailable

A. Canadian Steel Trade Employment Congress Skill Training Program

The GOC, through the Human Resources Development Canada (HRDC) and provincial regional governments provide financial support to private-sector-led human resource projects through the Sectoral Partnerships Initiative (SPI). SPI has been active in over eighty Canadian industrial sectors, including steel through the Canada Steel Trade and Employment Congress (CSTEC). CSTEC's activities are divided into two types of assistance: 1) worker adjustment assistance, for unemployed steel workers; and 2) skills training assistance, for currently employed workers.

With regard to the worker adjustment assistance, funds flowing from HRDC do not go to the companies, but rather to unemployed workers in the form of assistance for retraining costs or income support.

With regard to training, the GOC maintains that CSTEC provides funds only for what it describes as ''additional training.'' Additional training is training that is over-and-above ''established training'; essentially, it is training the company would provide even without CSTEC funding. The amount of ''additional training'' required determines the amount of CSTEC funding from the government. The GOC matches 50 percent of the amount of ''additional training'' in the annual training plans and budgets up to the maximum allowable contribution. However, other information in the GOC's questionnaire response suggests that the GOC funding supports both ''established training'' and ''additional training''; the cost of the ''additional training'' is merely an element in the formula which determines the GOC's funding level. In addition, regardless of whether the company would have provided the training at issue without CSTEC funding, it remains clear that this program provides for the training of currently employed steel workers and therefore benefits the steel industry.

According to the GOC and CSTEC documents on the record, CSTEC rules prohibit the use of CSTEC funds for assistance that the companies are required to provide by law or under a collective bargaining agreement, or would have provided in the absence of CSTEC funding. Based on the record information, we preliminarily determine that funds received by Sidbec-Dosco (Ispat), Stelco and Ivaco from CSTEC for worker adjustment and training purposes did not provide countervailable benefits during the POI, as record evidence shows these companies were not relieved of any obligations.

B. 1987 Grant to Sidbec-Dosco, Inc.

Petitioners alleged that in 1987, Sidbec-Dosco, Inc. received a grant from the GOQ. In its questionnaire response, Sidbec-Dosco (Ispat) stated that the GOQ did not provide a contribution in 1987. Additionally, the GOQ stated in its questionnaire response that it did not provide a grant July 24, 1997 to Sidbec-Dosco, Inc. in 1987.

Sidbec-Dosco (Ispat) described the circumstances concerning the 1987 debt-to-equity conversion in its business proprietary response of July 2, 1997. Based on the information provided therein, (*see*, the Department's *Memorandum to The File: Programs that the Department of Commerce has Determined to be Non-Countervailable*, dated July 28, 1997 which is in the public file (public version) in the Central Records Unit, Room B–099 of the Department of Commerce), we preliminarily determine that no countervailable benefits were conferred through this program.

C. 1987 Debt-to-Equity Conversion

Petitioners alleged that, in 1987, Sidbec-Dosco, Inc. received an equity infusion from either the GOC or GOQ. Specifically, petitioners stated that Sidbec, Inc. (which was wholly-owned by the GOQ) converted loans to Sidbec-Dosco, Inc. into Sidbec-Dosco, Inc. shares. Both the GOC and the GOQ stated in their respective responses that they did not provide a debt-to-equity conversion for Sidbec-Dosco, Inc. or Sidbec, Inc. in 1987.

Sidbec-Dosco (Ispat) described the circumstances concerning the 1987 debt-to-equity conversion in its business proprietary response of July 2, 1997. Based on the information provided therein, (*see*, the Department's

Memorandum to The File: Programs that the Department of Commerce has Determined to be Non-Countervailable, dated July 28, 1997 which is in the public file (public version) in the Central Records Unit, Room B–099 of the Department of Commerce), we preliminarily determine that no countervailable benefits were conferred through this program.

III. Programs Preliminarily Determined To Be Not Used

A. Industrial Development of Quebec

The Industrial Development of Quebec (IDQ) is a law administered by the Societe de Developpement Industriel du Quebec (SDI), a Quebec agency that funds a wide range of industrial development projects in many industrial sectors. Under Article 2(a) of the IDQ, SDI provided funding to help companies utilize modern technologies in order to ''increase efficiency and exploit the natural resources of Quebec.'' See GOQ July 3, 1997 response at page 12. Specifically, grants are in the form of interest rebates to finance the project. SDI would review a company's application to determine whether the project met the purpose of Article 2(a) and whether the company had the financial and technical ability to carry out the project. The GOQ reported that the IDQ was available to any manufacturing company in Quebec. The criteria for selection were: (1) the rate of growth in the product market that the proposed project would serve; (2) the productivity of the firm applying for the grant; and (3) the potential for the project to serve markets outside of Quebec. However, in 1982, GOQ rescinded Article 2(a) authorizing SDI to provide these grants.

Ivaco received funding in 1984 and 1985 which had been authorized under Article 2(a) prior to the program's rescission in 1982. With respect to the grants received by Ivaco under this program, we analyzed the total amount of funding Ivaco received in each year, and we have determined that the benefits Ivaco recovered under this program for each year constituted a de minimis portion (i.e., less than 0.5 percent) of total sales value, and therefore should be expensed in each year they were received. Accordingly, we preliminarily determine that this program has not conferred a countervailable subsidy to Ivaco during the POI.

B. Contributed Surplus

On July 1, 1997, we initiated an investigation on petitioners' allegation that C$ 51.7 million in contributed surplus constituted a countervailable subsidy. On July 16, 1997, we received Sidbec-Dosco (Ispat)'s response to our questionnaire. Sidbec-Dosco (Ispat) stated that this contributed surplus was related to a capital expenditure program for fixed assets, and all of the assistance was received prior to 1980. Additionally, the GOQ stated in its response that Sidbec, Inc. received these funds from the GOQ and the GOC prior to Sidbec, Inc.'s AUL period. The GOC stated in its response that its database does not contain any record of financial assistance provided to Sidbec, Inc. in 1982 or 1983.

Therefore, based on record information about this alleged subsidy, we preliminarily determine that these funds did not provide countervailable benefits during the POI.

C. Payments Against Accumulated Grants Receivable

On July 1, 1997, we initiated an investigation on petitioners' allegation that C$ 43.8 million in Payments against accumulated grants receivable constituted a countervailable subsidy. On July 16, 1997, we received Sidbec-Dosco (Ispat)'s response to our questionnaire. Sidbec-Dosco (Ispat) stated that these grants receivable are included in the amount of grants that went to the discontinued mining operations of Sidbec-Normines.

Therefore, based on record information about these grants receivable, we preliminarily determine that these funds did not provide countervailable benefits during the POI.

IV. Programs for Which Additional Information Is Required

A. 1982 Assistance to Sidbec-Dosco, Inc.

Petitioners alleged that in 1982, Sidbec-Dosco, Inc. received an infusion of emergency funds, either in the form of a grant or an equity infusion, from the GOQ. In its questionnaire and supplemental questionnaire responses, Sidbec-Dosco (Ispat) stated that neither Sidbec-Dosco, Inc. nor Sidbec, Inc. received funds in the form of equity infusions from either the GOC or the GOQ during 1982. Likewise, both the GOC and the GOQ stated in their respective responses that they did not provide any infusions in the form of equity to either Sidbec-Dosco, Inc. or Sidbec, Inc. in 1982. However, during our review of the questionnaire responses, the GOC, GOQ, Sidbec, Inc. and Sidbec-Dosco (Ispat) did not provide an affirmative statement stating the neither the GOC or GOQ provided grants to either Sidbec, Inc. or Sidbec-Dosco, Inc. in 1982. Therefore, we are still seeking information on this alleged program and the countervailability of this program will be addressed in our final determination.

Verification

In accordance with section 782(i) of the Act, we will verify the information submitted by respondents prior to making our final determination.

Suspension of Liquidation

In accordance with section 703(d)(1)(A)(i) of the Act, we have calculated individual rates for each of the companies under investigation. As noted above, Ivaco and Stelco reported that they both received funds under the CSTEC program. However, we have preliminarily determined that the CSTEC program is not countervailable. Additionally, we have determined that the IDQ program did not constitutes a countervailable subsidy, because the benefit would be *de minimis.*

To calculate the all others rate, we weight-averaged the individual company rates by each company's exports of the subject merchandise to the United States. However, because Stelco and Ivaco's rates are zero, we are using Sidbec-Dosco (Ispat)'s rate as the All Others rate.

In accordance with section 703(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of steel wire rod from Canada, except those of Ivaco and Stelco, which are entered, or withdrawn from warehouse, for consumption on or after the date of the publication of this notice in the **Federal Register**, and to require a cash deposit or bond for such entries of the merchandise in the amounts indicated below. Because the estimated net subsidy for Ivaco and Stelco is *de minimis* they are exempt from the suspension of liquidation. This suspension will remain in effect until further notice.

Manufacturers/exporters	Ad valorem rate (percent)
Sidbec-Dosco (Ispat)	9.55
Ivaco, Inc.	0
Stelco, Inc.	0
All Others	9.55

ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and nonproprietary information relating to this investigation. We will allow the ITC

access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

Public Comment

In accordance with 19 CFR 355.38, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. The hearing will be held on September 22, 1997, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Individuals who wish to request a hearing must submit a written request within 30 days of the publication of this notice in the **Federal Register** to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1874, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Requests for a public hearing should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, eight copies of the business proprietary version and three copies of the nonproprietary version of the case briefs must be submitted to the Assistant Secretary no later than September 8, 1997. Eight copies of the business proprietary version and three copies of the nonproprietary version of the rebuttal briefs must be submitted to the Assistant Secretary no later than September 15, 1997. An interested party may make an affirmative presentation only on arguments included in that party's case or rebuttal briefs. Written arguments should be submitted in accordance with 19 CFR 355.38 and will be considered if received within the time limits specified above. Parties who submit argument in this proceeding are requested to submit with the argument (1) a statement of the issue and (2) a brief summary of the argument. If this investigation proceeds normally, we will make our final determination by October 14, 1997.

This determination is published pursuant to sections 703(f) and 777(i) of the Act.

Date: July 28, 1997.

Jeffrey P. Bialos,

Acting Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

[C–307–814]

Preliminary Affirmative Countervailing Duty Determination: Steel Wire Rod From Venezuela

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: August 4, 1997.

FOR FURTHER INFORMATION CONTACT: Christopher Cassel, Robert Copyak, or Richard Herring, Office of CVD/AD Enforcement VI, Import Administration, U.S. Department of Commerce, Room 1874, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–2786.

Preliminary Determination

The Department preliminarily determines that countervailable subsidies are being provided to CVG-Siderurgica del Orinoco (SIDOR), a producer and exporter of steel wire rod from Venezuela. For information on the estimated countervailing duty rates, please see the *Suspension of Liquidation* section of this notice.

Case History

Since the publication of the notice of initiation in the **Federal Register** (62 FR 13866, March 24, 1997), the following events have occurred. On April 2, 1997, we issued our initial countervailing duty questionnaires concerning petitioners' allegations to the Government of Venezuela (GOV) and SIDOR. On May 2, 1997, we postponed the preliminary determination of this investigation until July 28, 1997 (62 FR 25172, May 8, 1997). We received responses to our initial questionnaires from the GOV and SIDOR on May 28, 1997. On June 18, 1997, we issued supplemental questionnaires to the parties. Responses to these supplemental questionnaires were submitted on July 3, 1997, from SIDOR and on July 9, 1997, from the GOV. Additional information was also requested from SIDOR and the GOV on July 15, 1997. On July 21, 1997, SIDOR and the GOV submitted their response to our July 15, 1997, request for additional information. On July 25, 1997, we issued another supplemental questionnaire to SIDOR and the GOV.

On June 17, 1997, we initiated an examination of whether electricity was provided to SIDOR for less than adequate remuneration during the period of investigation. *See* Memorandum from The Team to Jeffrey P. Bialos, dated June 17, 1997, Re: Countervailing Duty Investigation of Steel Wire Rod from Venezuela: Initiation of New Subsidy Allegation, which is in the public file of the Central Records Unit, Room B–099 of the Department of Commerce. Because of the late date of this initiation, we are still seeking additional information on whether this program conferred a countervailable subsidy on the production/exportation of the subject merchandise. Therefore, the countervailability of this program will be addressed in our final determination. In addition, during our review of the questionnaire responses, we discovered that SIDOR may be receiving countervailable subsidies under the GOV's Exporter Policy program (REFE). However, additional information is still being sought on this program. Accordingly, the countervailability of the REFE will be addressed in our final determination.

Scope of Investigation

The products covered by this investigation are certain hot-rolled carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch), inclusive, in solid cross-sectional diameter. Specifically excluded are steel products possessing the above noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; (e) free machining steel that contains by weight 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium; or f) concrete reinforcing bars and rods.

The following products are also excluded from the scope of this investigation:

Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater