Institutes of Health advises in its memorandum dated November 5, 1997, that the accessory is pertinent to the intended uses and that it knows of no comparable domestic accessory.

We know of no domestic accessory which can be readily adapted to the existing instrument.

Frank W. Creel,

Director, Statutory Import Programs Staff.

[FR Doc. 98–272 Filed 1–6–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

Applications for Duty-Free Entry of Scientific Instruments

Pursuant to Section 6(c) of the Educational, Scientific and Cultural Materials Importation Act of 1966 (Pub. L. 89–651; 80 Stat. 897; 15 CFR part 301), we invite comments on the question of whether instruments of equivalent scientific value, for the purposes for which the instruments shown below are intended to be used, are being manufactured in the United States.

Comments must comply with 15 CFR 301.5(a)(3) and (4) of the regulations and be filed within 20 days with the Statutory Import Programs Staff, U.S. Department of Commerce, Washington, D.C. 20230. Applications may be examined between 8:30 A.M. and 5:00 P.M. in Room 4211, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C.

Docket Number: 97–096. *Applicant:* Princeton University, Purchasing, P.O. 33, Armory Building, 110 Washington Road, Princeton, NJ 08544–0033. *Instrument:* Crystal Growth Furnace, Model FZ–T–10000–HVP–II–P. *Manufacturer:* Crystal Systems Inc., Japan. Intended Use: The instrument will be used to study the detailed properties of transition metal oxides which undergo metal insulator and magnetic transitions at both the charge transfer and Mott-Hubbard regimes. Spin ladder compounds, another important topic of current research in Materials Physics, will also be investigated through the use of single crystals grown in the floating zone apparatus. *Application accepted by Commissioner of Customs:* November 13, 1997.

Docket Number: 97–097. *Applicant:* North Carolina State University, Campus Box 7212, Raleigh, NC 27695. *Instrument:* Sample Cartridges for Photoelectron Emission Microscope. *Manufacturer:* Elmitec, Germany. *Intended Use:* The instrument is part of an existing photoelectron emission microscope system that will be used to mount and process samples. Specifically, it will allow mounting the sample to the sample manipulator, to a sample, transfer rod, and a sample manipulator in an MBE processing system. *Application accepted by Commissioner of Customs:* December 5, 1997.

Docket Number: 97–098. *Applicant:* University of Vermont, Department of Medicine, Given Building, Burlington, VT 05405. *Instrument:* Special Laboratory Glass. *Manufacturer:* Louwers Hapert Glasstechnics BV, The Netherlands. *Intended Use:* The instrument will be used to assemble tubes which are used in the reduction of water to hydrogen by the zinc reduction method. In this case, the hydrogen released by this method will be analyzed by mass spectrometry to determine the amount of deuterium in each sample. *Application accepted by Commissioner of Customs:* December 4, 1997.

Frank W. Creel,

Director, Statutory Import Programs Staff.

[FR Doc. 98–274 Filed 1–6–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–475–821]

Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination: Certain Stainless Steel Wire Rod From Italy

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

EFFECTIVE DATE: January 7, 1998.

FOR FURTHER INFORMATION CONTACT: Kelly Parkhill, Kathleen Lockard, or Eric Greynolds, Office of CVD/AD Enforcement VI, Import Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–2786.

Preliminary Determination

The Department of Commerce (the Department) preliminarily determines that countervailable subsidies are being provided to producers and exporters of certain stainless steel wire rod from Italy: Cogne Accai Speciali S.r.l. (CAS), Acciaierie Valbruna S.r.l. (Valbruna) and Acciaierie di Bolzano S.p.A. (Bolzano). For information on the estimated countervailing duty rates, please see the ''Suspension of Liquidation'' section of this notice.

Petitioners

The petition in this investigation was filed by AL Tech Specialty Steel Corp.; Carpenter Technology Corp.; Republic Engineered Steels; Talley Metals Technology, Inc.; and, United Steelworkers of America, AFL–CIO/CLC (the petitioners).

Case History

Since the publication of the notice of initiation in the **Federal Register**, the following events have occurred. *See Notice of Initiation of Countervailing Duty Investigation: Certain Stainless Steel Wire Rod (''SSWR'') from Italy*, 62 FR 45229 (August 26, 1997) (*Initiation Notice*). On September 9, 1997, we issued countervailing duty questionnaires to the Government of Italy (GOI), the European Commission (EC), and the producers/exporters of the subject merchandise. On October 1, 1997, we postponed the preliminary determination of this investigation until December 29, 1997 (62 FR 52085, October 6, 1997).

On October 2, 1997, we met with representatives of the GOI and the EC, pursuant to Article 13 of the Agreement on Subsidies and Countervailing Measures (SCM) . We received responses to our initial questionnaires from the GOI, the EC, Valbruna/ Bolzano, and CAS between October 27 and November 4, 1997. Between November 10 and December 3, we issued several supplemental questionnaires to the parties. We received responses to these supplemental questionnaires between November 24 and December 11, 1997. CAS also submitted additional information on its calculation of the average useful life of assets on December 16, 1997.

Scope of Investigation

For purposes of this investigation, certain stainless steel wire rod (SSWR or subject merchandise) comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/

or descaling, and are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.

The most common size for such products is 5.5 millimeters or 0.217 inches in diameter, which represents the smallest size that normally is produced on a rolling mill and is the size that most wire drawing machines are set up to draw. The range of SSWR sizes normally sold in the United States is between 0.20 inches and 1.312 inches in diameter. Two stainless steel grades SF20T and K-M35FL are excluded from the scope of the investigation. The percentages of chemical makeup for the excluded grades are as follows:

SF20T

Carbon—0.05 max
Manganese—2.00 max
Phosphorous—0.05 max
Sulfur—0.15 max
Silicon—1.00 max
Chromium—19.00/21.00
Molybdenum—1.50/2.50
Lead added (0.10/0.30)
Tellurium added (0.03 min)

K–M35FL

Carbon—0.015 max
Silicon—0.70/1.00
Manganese—0.40 max
Phosphorous—0.04 max
Sulfur—0.03 max
Nickel—0.30 max
Chromium—12.50/14.00
Lead—0.10/0.30
Aluminum—0.20/0.35

The products under investigation are currently classifiable under subheadings 7221.00.0005, 7221.00.0015, 7221.00.0030, 7221.00.0045, and 7221.00.0075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

The Applicable Statute and Regulations

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). In addition, unless otherwise indicated, all citations to the Department's regulations are to the current regulations as codified at 19 CFR 351 and published in the **Federal Register** on May 19, 1997 (62 FR 27295).

Injury Test

Because Italy 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 the subject merchandise from Italy materially injure, or threaten material injury to, a U.S. industry. On September 24, 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 Italy of the subject merchandise (62 FR 49994).

Alignment with Final Antidumping Duty Determination

On September 10, 1997, the petitioners submitted a letter requesting alignment of the final determination in this investigation with the final determination in the companion antidumping duty investigations. In accordance with section 705(a)(1) of the Act, we are aligning the final determination in this investigation with the final antidumping duty determinations in the antidumping investigations of certain stainless steel wire rod. *See Initiation of Antidumping Investigations: Stainless Steel Wire Rod From Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan*, 62 FR 45224 (August 26, 1997).

Period of Investigation

The period for which we are measuring subsidies (the POI) is calendar year 1996.

Facts Available

Section 776(a)(1) of the Act requires the Department to use facts available if ''necessary information is not available on the record.'' In three instances, information necessary to our analysis of CAS was unavailable on the record; therefore, we have resorted to facts available as discussed in the ''Change in Ownership'' and ''Allocation Period'' sections below.

Company Histories

The GOI identified three producers of subject merchandise that exported the subject merchandise to the United States during the POI: CAS, Valbruna, and Bolzano.

CAS

In the past fifteen years, CAS has undergone several changes in organization, name, and ownership. From 1982 to 1984, the facilities in Aosta, where the subject merchandise is produced, were part of Nuova Sias S.p.A., which was, in turn, wholly-owned by the GOI. From 1984 to 1987, the Aosta facilities operated under Deltasider S.p.A., a wholly-owned subsidiary of steel producer Finsider S.p.A. Finsider S.p.A. was, in turn, wholly-owned by the Istituto per la Ricostruzione Industriale (IRI) of the GOI. In 1987, the Aosta operations were transferred to Delta Cogne S.p.A., a newly-created, wholly-owned subsidiary of Deltasider S.p.A. In 1988, IRI began the liquidation of Finsider and its subsidiaries.

In 1988, IRI created ILVA S.p.A. as the successor to Finsider; ILVA was also wholly-owned by IRI and the GOI. In 1989, the Aosta operations were transferred to ILVA. In December 1989, Cogne S.r.l. was created as a wholly-owned subsidiary of ILVA S.p.A., which held the Aosta operations. Cogne S.r.l. was later named Cogne Acciai Speciali S.p.A. (Cogne S.p.A.). From 1990 to 1992, Gruppo Falck S.p.A. (Falck), a private company with holdings in steel and real estate, held 22.4 percent of Cogne S.p.A.''s stock (with the remainder and controlling interest held by ILVA). Falck acquired the shares of Cogne S.p.A. by exchanging shares of its own subsidiary, Bolzano. By the end of 1992, Falck's interest in Cogne S.p.A. was dissolved, and Cogne S.p.A. again was wholly-owned by ILVA. Based on the information we have about the swap, we understand that neither the initial swap nor the dissolution involved any cash transactions.

In 1991, Robles S.r.l. acquired the land and buildings, *e.g.* the non-productive assets, of the Aosta facilities from Cogne S.p.A. Robles S.r.l. was acquired by Compagnie Monegasque de Banque S.A. at the end of 1991. In 1992, Cogne S.p.A. acquired the shares of Robles S.r.l., which became Cogne S.p.A.''s wholly-owned subsidiary. The name of Robles S.r.l. was changed to Cogne Acciai Speciali, S.r.l. (CAS), later that year.

In 1993, ILVA prepared to liquidate or privatize all of its subsidiaries, divisions, and productive units, including Cogne S.p.A. In preparation for the privatization, Cogne S.p.A. transferred nearly all of the assets of the Cogne companies to CAS and assumed nearly all of the liabilities. Concurrently, Cogne S.p.A.''s wholly-owned subsidiary, CAS, was offered for sale in a bidding process. The sale was advertised and open to any outside party. Three parties submitted complete bids for CAS. GE. VAL. S.r.l.''s bid was accepted by Cogne S.p.A. The CAS shares were transferred based on an initial cash payment in 1993, and an additional payment in 1995. The transfer of shares also required additional cash payments if CAS turned profits through 1998. Cogne S.p.A. was

later folded into ILVA, which was liquidated, in part, and merged, in part, into IRITECNA, another IRI company. In 1995, as the result of a merger, GE. VAL. S.r.l. became MEG S.A. (MEG). CAS has been wholly-owned by MEG since that time.

Bolzano and Valbruna

From 1985 until 1990, Bolzano, a producer of the subject merchandise, was a wholly-owned subsidiary of Acciaierie e Ferriere Lombarde Falck, the main industrial company of Falck. In 1990, ILVA acquired 44.8 percent of the stock in Bolzano. ILVA acquired the shares of Bolzano by exchanging shares of its own subsidiary, Cogne S.p.A. ILVA also acquired shares in other Gruppo Falck steel companies. In 1993, ILVA's interest in Bolzano was dissolved, and Falck again held virtually all of the stock in Bolzano. Falck decided to sell Bolzano based on its company-wide strategic decision to withdraw from the steel industry. Falck contacted Valbruna, as a potential buyer, in late 1994. Subsequently, the parties entered into negotiations for the transfer of Bolzano. Falck and Valbruna are both private parties. Each had a valuation of Bolzano done by an independent international auditing firm. The valuation studies disagreed, so a third study was commissioned by the two parties to determine the net equity and cash flow of Bolzano for purposes of finalizing the purchase price. Since August 31, 1995, Bolzano has been 99.99 percent-owned by Valbruna, and since January 1, 1996, the two companies's financial statements have been consolidated.

Affiliated Parties

In the present investigation, there are affiliated parties (within the meaning of section 771(33) of the Act) whose relationship may be sufficient to warrant treatment as a single company. In the countervailing duty questionnaire, consistent with our past practice, the Department defined companies as related where one company owns 20 percent or more of the other company, or where companies prepare consolidated financial statements. *See Final Affirmative Countervailing Duty Determination: Certain Pasta (''Pasta'') From Italy,* 61 FR 30287 (June 14, 1996) (*Pasta*). As Valbruna owns and controls Bolzano, the companies prepare consolidated financial statements, and both produce the subject merchandise, we preliminarily determine that it is appropriate to treat the two SSWR producers as a single company. We calculated a single countervailing duty rate for these companies by dividing their combined subsidy benefits by their consolidated total sales, or consolidated export sales, as appropriate.

Change in Ownership

In the 1993 investigations of Certain Steel Products, we developed a methodology with respect to the treatment of non-recurring subsidies received prior to the sale of a company. *See, Final Countervailing Duty Determination; Certain Steel Products from Austria, et. al.,* 58 FR 37217 (July 9, 1993) (*Certain Steel from Austria*). This methodology was set forth in the *General Issues Appendix (GIA*), appended to *Certain Steel from Austria.* The methodology was subsequently upheld by the Federal Circuit. *See Saarstahl AG* v. *United States,* 78 F.3d 1539 (Fed. Cir. 1996); *British Steel plc* v. *United States,* 127 F.3d 1471 (Fed. Cir. 1997). Under the *GIA* methodology, we estimate the portion of the company's purchase price which is attributable to prior subsidies. To make this estimate, we divide the face value of the company's subsidies by the company's net worth for each of the years corresponding to the company's allocation period. We then take the simple average of these ratios, which serves as a reasonable surrogate for the percentage that subsidies constitute of the overall value, *i.e.,* net worth, of the company. Next, we multiply this average ratio by the purchase price of the company to derive the portion of the purchase price that we estimate to be a repayment of prior subsidies. Then, the benefit streams of the prior subsidies are reduced by the ratio of the repayment amount to the net present value of all remaining benefits at the time of the change in ownership.

In the URAA, Congress clarified how the Department should approach changes in ownership. Section 771(5)(F) of the Act states that:

> A change in ownership of all or part of a foreign enterprise or the productive assets of a foreign enterprise does not by itself require a determination by the administrating authority that a past countervailable subsidy received by the enterprise no longer continues to be countervailable, even if the change in ownership is accomplished through an arm's length transaction.

The Statement of Administrative Action accompanying the URAA, reprinted in H.R. Doc. No. 103–316 (1994) (SAA) explains why Section 771(5)(F) was added to the statute. The SAA at page 928 states:

> Section 771(5)(F) is being added to clarify that the sale of a firm at arm's length does not automatically, and in all cases, extinguish any prior subsidies conferred. Absent this clarification, some might argue that all that would be required to eliminate any countervailing duty liability would be to sell subsidized productive assets to an unrelated party. Consequently, it is imperative that the implementing bill correct such an extreme interpretation.

Consistent with the URAA and the SAA, the Department continues to examine whether non-recurring subsidies benefit a company's production after a change in ownership, even one accomplished at arm's length. Accordingly, we continue to follow the methodology developed in the *GIA* based on our determination that this methodology does not conflict with the change in ownership provision of the URAA. As stated by the Department, ''[t]he URAA is not inconsistent with and does not overturn the Department's General Issues Appendix Methodology * * * .'' *Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from the United Kingdom; Final Results of Countervailing Duty Administrative Review,* 61 FR 58377, 58379 (November 14, 1996) (*UK Lead Bar 94*). We further clarified in *UK Lead Bar 94* that, ''[t]he language of Sec. 771(5)(F) of the Act purposely leaves discretion to the Department with regard to the impact of a change in ownership on the countervailability of past subsidies.'' *Id.* at 58379. The Department has been applying the methodology set forth in the *GIA. See, e.g., Final Affirmative Countervailing Duty Determination: Steel Wire Rod From Trinidad and Tobago,* 62 FR 55003 (October 22, 1997) (*Trinidad and Tobago*) and *Final Affirmative Countervailing Duty Determination: Steel Wire Rod from Canada,* 62 FR 54972 (October 22, 1997) (*Steel Wire Rod from Canada*). None of the facts in this case indicate that the application of the *GIA* methodology is inappropriate; therefore, we are applying the *GIA* methodology to analyze the changes in ownership of respondent companies, CAS and Bolzano.

CAS

To calculate the amount of the previously bestowed subsidies that passed through to CAS, we followed the *GIA* methodology described above. We were unable to calculate the subsidies-to-net worth ratios used in the privatization calculation for 1985 and 1986 because the net worth information was not available on the record. Therefore, in accordance with section 776 of the Act, as facts available, we used an average of the years available (1987 through 1992) in the privatization calculation. As described in the ''Company Histories'' section above, ILVA ceased operations following the

privatization and/or liquidation of all of its subsidiaries, operating units, and divisions. For untied non-recurring subsidies provided to ILVA (and prior to 1989, ILVA's predecessor, Finsider), Cogne's former parent company, we calculated the amount of these untied subsidies attributable to Cogne by applying a ratio of Cogne's assets to its parent company's assets in the year of receipt of the subsidy. For the untied subsidies provided to Finsider in 1985 and 1986, we were unable to use an asset ratio in the year of receipt because we did not have all of the information necessary. Therefore, in accordance with section 776 of the Act, as facts available, we used a ratio of Delta Cogne's assets to Finsider's assets in 1987, the closest year to the year of receipt of the untied subsidies for which we have the information. We plan to obtain information on assets for the relevant years for our final determination. When calculating the subsidies to net worth ratios used in the privatization methodology described above, we included Cogne's share of the untied subsidies in the calculation.

As discussed in the ''Company Histories'' section above, from 1990–1993, ILVA held a minority interest in Bolzano and Falck held a minority interest in Cogne. However, as examined previously by the Department, the exchange of shares involved no cash transactions. *See Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Italy,* 58 FR 37327 (July 9, 1993) (*Certain Steel from Italy*). In addition, neither Falck nor ILVA acquired a controlling interest in the other's subsidiary. The companies were not consolidated, and the interest of ILVA and Falck in each other's subsidiary was relinquished without financial obligation (*see Certain Steel from Italy*). Based on the record information about the structure of the share exchange, we understand the swap involved no financial transfers other than the actual shares during acquisition or dissolution. Therefore, we do not consider it to constitute a legitimate sale which could give rise to the repayment or redistribution of subsidies. *See, e.g., GIA,* 58 FR at 37266. For the purpose of this preliminary determination, we have not attributed any portion of (1) ILVA's untied subsidies to Bolzano or (2) Falck's untied subsidies to CAS.

Bolzano

To calculate the amount of the previously bestowed subsidies that passed through to Bolzano from Falck, we followed the *GIA* methodology which the Department has previously determined is applicable to private-to-private changes in ownership to examine the reallocation of subsidies. *See, e.g., Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from the United Kingdom; Final Results of Countervailing Duty Administrative Review,* 62 FR 53306 (October 14, 1997) (*UK Lead Bar 95*). When Falck sold Bolzano to Valbruna in 1995, it was in the process of transferring or closing all of its steel operations. For untied non-recurring subsidies provided to Falck in the years prior to Bolzano's sale to Valbruna, we calculated the amount of these untied subsidies attributable to Bolzano by applying a ratio of Bolzano's assets to Falck's assets in the year of receipt of the subsidy. When calculating the subsidy to net worth ratios used in the methodology described above, we included Bolzano's share of the untied subsidies in the calculation. Also as described above, we have not attributed any portion of ILVA's untied subsidies to Bolzano during the period ILVA held a minority interest in Bolzano.

Subsidies Valuation Information

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 non-recurring subsidies. *See GIA,* 58 FR at 37227. However, in *British Steel plc* v. *United States,* 879 F. Supp. 1254 (CIT 1995) (*British Steel I*), the U.S. Court of International Trade (the Court) ruled against this allocation methodology. In accordance with the Court's remand order, the Department calculated a company-specific allocation period for non-recurring 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 plc* v. *United States,* 929 F. Supp. 426, 439 (CIT 1996) (*British Steel II*). Thus, we intend to determine the allocation period for non-recurring subsidies using company-specific AUL data where reasonable and practicable. *See, e.g., Certain Cut-to-Length Carbon Steel Plate from Sweden; Final Results of Countervailing Duty Administrative Review,* 62 FR 16551 (April 7, 1997).

In this investigation, the Department has followed the Court's decision in *British Steel,* and examined information submitted by the respondent companies as to their average useful life of assets.

Valbruna/Bolzano: As discussed in the ''Affiliated Parties'' section of this notice, we have preliminarily determined that the relationship between Valbruna and Bolzano warrants treatment as a single company. Therefore, we calculated a single weighted-average AUL for Valbruna and Bolzano. Based on the information submitted by the firms on the average useful life of their non-renewable physical assets, we preliminarily determine that the AUL for Valbruna/Bolzano is 12 years.

CAS: When we evaluated the information initially submitted by CAS regarding its non-renewable physical assets, we found that the AUL calculation included figures which could not be explained by the company's submitted financial information. It appeared that the AUL calculated by CAS was distorted by the asset valuation methodology employed by the company in 1989 and 1993. In addition, it appeared that CAS's calculated depreciation for 1994 through 1996 reflected the remaining useful life of assets instead of the actual useful life of assets, which could have resulted in further distortions. We provided CAS with a detailed list of questions to ascertain and clarify the source of the discrepancies. On December 16, 1997, CAS submitted additional information on its AUL. Based on our examination of this information and the other information on the record, we concluded that the company's asset valuation methodology in 1989 and use of accelerated depreciation from 1994 through 1996 results in a calculation that does not reflect a reasonable estimate of the average useful life of non-renewable physical assets. Accordingly, based on the information available, we conclude that CAS's reported AUL cannot be used for purposes of allocating non-recurring subsidies over time.

We then examined the GOI's tax depreciation schedule for the steel sector in Italy to determine whether it reflected average useful life of the Italian steel companies and, therefore, could be used as a basis for CAS's allocation period. According to the GOI, the depreciation schedule was based on information acquired from an industry survey conducted in 1988. The depreciation schedule had a 17.5 percent depreciation rate for heavy machinery and automated equipment in the steel industry, which would result in an AUL of approximately 6 years. We asked the GOI to provide the survey and calculations used to determine these rates, but the GOI was unable to provide the survey in time for this preliminary determination. Therefore, we could not examine the information contained in the survey to determine whether the depreciation schedule could serve as a reasonable surrogate for CAS's

allocation period. We plan to examine this study further to determine if it reflects the average useful life of assets for the steel industry in Italy, and may be used as a surrogate for CAS's AUL for the final determination. However, for purposes of this preliminary determination, we do not consider it appropriate to use the tax depreciation schedule of approximately six years as the allocation period, when the AUL for another producer of the subject merchandise is 12 years. Because there are only a few producers of the subject merchandise in Italy, we find that the AUL calculated by Valbruna/Bolzano is more appropriately representative of the SSWR industry. Therefore, as facts available under section 776 of the Act, we preliminarily determine that using Valbruna/Bolzano's allocation period of 12 years is appropriate as the allocation period of non-recurring subsidies. *See* Memorandum to the File Regarding CAS's AUL Calculation, dated December 29, 1997, on file in the Central Records Unit of the Department of Commerce, Room B–099 (CRU).

Equityworthiness

In analyzing whether a company is equityworthy, the Department considers whether 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 marketplace for the product under consideration.

For a more detailed discussion of the Department's equityworthiness criteria, see the *GIA,* 58 FR at 37244.

The Department initiated an investigation of ILVA's equityworthiness for the periods 1982 through 1988, and 1991 through 1993.[1] ILVA has previously been found to be unequityworthy from 1985 through 1988 and from 1991 through 1992 (*see Initiation Notice Certain Steel from Italy* and *Final Affirmative Countervailing Duty Determination: Grain-Oriented Electrical Steel from Italy,* 59 FR 18357 (April 18, 1994) (*Electrical Steel*)). No new information has been provided in this investigation that would cause us to reconsider these determinations.

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).

In this investigation, a market benchmark does not exist. Therefore, the Department is following the methodology described in the *GIA,* 58 FR at 37239. *See also Trinidad and Tobago,* 62 FR at 55004. Following this methodology, equity infusions made on terms inconsistent with the usual practice of a private investor 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

As stated in our *Notice of Initiation* (62 FR 45529), we initiated an investigation of ILVA's creditworthiness from 1982 through 1994, CAS's creditworthiness from 1994 through 1996, Falck's creditworthiness from 1992 through 1994, and Bolzano's creditworthiness from 1995 through 1996, to the extent that government equity infusions, long-term loans, or loan guarantees were provided in those years.[2]

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.
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 creditworthiness criteria, see, *e.g., Final Affirmative Countervailing Duty Determinations: Certain Steel Products from France,* 58 FR 37304 (July 9, 1993) (*Certain Steel from France*); and *Final Affirmative Countervailing Duty Determinations: Certain Steel Products from the United Kingdom,* 58 FR 37393 (July 9, 1993).

CAS

ILVA, CAS's former parent company was determined to be uncreditworthy from 1985 through 1992 in *Electrical Steel.* No new information has been presented in this investigation that would lead us to reconsider this finding. Therefore, we continue to find ILVA uncreditworthy from 1985 through 1992. In order to determine whether ILVA was uncreditworthy in 1993, in accordance with the Department's past practice, we examined financial data for the prior three years. *See, e.g., Certain Steel from France,* 58 FR at 37306. In the years relevant to this finding, ILVA consistently had negative operating profits, poor cash flow, and difficulty in meeting its short-term liabilities as indicated by its financial ratios. *See*

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[1] As discussed in the ''Allocation Period'' section of this notice, the Department has determined the appropriate allocation period for non-recurring subsidies received by CAS to be 12 years. Therefore, we are not examining ILVA's equityworthiness prior to 1985.

In *Electrical Steel,* we treated equity infusions given to ILVA in 1991 and 1992 as interest free loans because they were provisional until approved by the EC (the approval was granted in 1993). In this investigation, we determined that the benefit streams from these equity infusions begin in the years they were received, thus, we examined ILVA's equityworthiness in 1991 and 1992; we have not examined ILVA's equityworthiness in 1993.

[2] As discussed in the ''Allocation Period'' section of this notice, the Department has determined the appropriate allocation period for non-recurring subsidies received by CAS and Valbruna/Bolzano to be 12 years. Therefore, we have not examined the creditworthiness of any company prior to 1985. In addition, because CAS was privatized on December 31, 1993, we have not examined ILVA's creditworthiness in 1994.

''Creditworthiness Memorandum,'' dated December 29, 1997, on file in the CRU (Creditworthiness Memo).

CAS did not receive equity infusions, grants, long-term loans, or loan guarantees in 1994 and 1995. Therefore, we are not examining CAS's creditworthiness in those years. To determine CAS's creditworthiness in 1996, in accordance with the Department's practice, we analyzed financial data for the prior three years provided by CAS. As a result of the debt forgiveness associated with the company's privatization in 1993, the company's poor financial condition improved significantly over the next two years. Although CAS incurred large losses in 1993, the company was profitable in 1994 and 1995 and its financial ratios in those years were at acceptable levels. Therefore, we preliminarily determine CAS to be creditworthy in 1996. *See* Creditworthiness Memo.

Bolzano

Falck, Bolzano's former parent company, did not receive equity infusions, long-term loans or loan guarantees from 1992 through 1994. Bolzano did not receive equity infusions, loans or loan guarantees in 1995 or 1996. Therefore, we are not examining either Falck's or Bolzano's creditworthiness in this investigation. *See* Creditworthiness Memo.

Discount Rates

We used as the discount rate the average long-term loan rate available in Italy, based upon a survey of 114 Italian banks reported by the Banca D'Italia, the central bank of Italy, since the GOI does not maintain information on the national average long-term fixed interest rate or the highest long-term fixed interest rate commonly available to firms. *See Electrical Steel.* For any year in which a company was uncreditworthy, we calculated the discount rates for uncreditworthy firms following the methodology described in the *GIA.* Specifically, we added to the long-term loan rate available in Italy a risk premium of 12 percent of the Italian Bankers Association (ABI) prime rate.

I. Programs Preliminarily Determined To Be Countervailable

Programs of the Government of Italy

A. Benefits Associated with Finsider-to-ILVA Restructuring

As discussed in the ''Company Histories'' section above, in 1988, Finsider was liquidated, and its assets (and those of its subsidiaries such as Delta Cogne) were transferred to the new steel holding/operating company, ILVA S.p.A. This liquidation and asset transfer was examined in *Certain Steel from Italy* and *Electrical Steel,* and found to provide countervailable benefits to the production of the merchandise subject to those investigations. Because of the complexity of the reorganization examined in *Electrical Steel,* the Department focused on the benefits specifically provided to the ILVA specialty steels division, formerly known as Terni Accai Speciali (TAS), the producer of subject merchandise in that investigation. In *Electrical Steel,* the Department found that the reorganization transferred TAS's productive assets to ILVA while a significant portion of the liabilities and losses were left in TAS and were later assumed by IRI. Because both ILVA and Finsider were wholly-owned by IRI, which was owned by the GOI, the Department found that the transfer of assets, but not liabilities, between the companies provided a countervailable benefit to the specialty steels division of ILVA, and the subject merchandise, in *Electrical Steel.*

In this investigation, we have a similar situation, which is further complicated by the subsequent liquidation of ILVA. In order to determine the countervailable benefit from the 1988/1989 restructuring, the Department would normally focus on the liabilities left in the shell company. However, there were significant changes in the liabilities and assets for Delta Cogne (the Finsider subsidiary that was liquidated) and Cogne S.r.l. (the ILVA subsidiary that was created in 1989 and received the assets of Delta Cogne) between the two years. We have been unable to obtain a clear picture of the circumstances of this restructuring, in part because of the subsequent changes in ownership of CAS, detailed in the ''Company Histories'' section above. From the evidence on the record, it is unclear whether Delta Cogne's liabilities were assumed, or whether they were reduced through the sale of assets. Therefore, in this preliminary determination, we have not focused on the distribution of liabilities between Delta Cogne and Cogne S.r.l. Rather, we have focused on the changes in shareholders's equity in Delta Cogne in 1988 and Cogne S.r.l. in 1989.

Under Articles 2446 and 2447 of the Italian Civil Code, companies are required to cover their losses through net worth—share capital plus retained earnings. The shareholder is required to subscribe to additional shares or place the company in liquidation if the corporate capital falls below the minimum level. As the sole shareholder of Delta Cogne, Finsider (wholly-owned by IRI) held this obligation for Delta Cogne. After the restructuring, ILVA (wholly-owned by IRI) held this obligation for Cogne S.r.l. Thus, we focused on the specific losses attributable to Delta Cogne, as shown by the changes in shareholders's equity and losses recorded on the balance sheet of Delta Cogne in 1988 and the balance sheet of Cogne S.r.l. in 1989, the period after the transfer. Due to the complexity of the restructuring, we have concluded that focusing on the changes between the balance sheets of the two Cogne companies would more accurately capture the assistance provided to the production of the subject merchandise, instead of focusing on the total debt forgiveness provided by IRI in connection with the creation of ILVA (see, *e.g., Electrical Steel*).

In 1988, Delta Cogne's share capital was 200 billion lire, with over 79 billion lire of losses for that year and over 90 billion lire in losses brought forward. In 1989, Cogne S.r.l.'s share capital was slightly above 150 billion lire with no losses for the year and none brought forward. The difference in the value of share capital between the two Cogne companies does not account for the losses the company had accrued at that time. The net result is that over 120 billion lire in losses remained with Finsider and were covered by IRI. The financial contribution to Cogne is the amount of Delta Cogne's losses that were covered by IRI when Cogne S.r.l. was created.

Because Cogne S.r.l. was assigned the assets of Delta Cogne but not the losses for which the company was also responsible, its financial position improved with the restructuring. Based on our analysis of the distribution of assets and losses from Delta Cogne to Cogne S.r.l., we preliminarily determine that Cogne S.r.l. received a financial contribution within the meaning of section 771(5) of the Act, in the amount of the losses it was not required to assume which were later covered by the GOI through IRI. *See, e.g., Certain Steel from Austria.* As restructuring benefits were provided only to the state-owned steel sector in Italy, we find the program to be specific within the meaning of section 771(5A)(D) of the Act.

To calculate the benefit, we treated the undistributed losses to Cogne S.r.l. as a grant given in 1989. We further determine that the distribution of losses is non-recurring, because the restructuring of the Italian public steel sector required authorization from IRI, the GOI, and the EC. We allocated this grant over 12 years as discussed in the

''Allocation'' section above, and applied the Department's standard methodology for non-recurring grants. Because the company was uncreditworthy in the year of receipt, we applied a discount rate that included a risk premium. We then applied the methodology described in the ''Change in Ownership'' section of this notice. We divided the benefit attributable to the POI by CAS's total sales during the POI. On this basis, we preliminarily determine the countervailable subsidy to be 4.68 percent *ad valorem* for CAS.

B. Equity Infusions to ILVA and Finsider

The GOI, through IRI, provided equity infusions to Finsider, ILVA's predecessor, in 1985 and 1986. IRI also provided equity infusions to ILVA in 1991 and 1992.

We preliminarily determine that under section 771(5)(E)(i) of the Act, the equity infusions into Finsider in 1985 and 1986 and into ILVA in 1991 and 1992 confer a benefit in the amount of each infusion because the GOI investments were not consistent with the usual investment practice of private investors (*see* discussion of ''Equityworthiness'' above). These equity infusions are specific within the meaning of section 771(5A)(D) of the Act because they were limited to Finsider and ILVA. Accordingly, we find that the equity infusions to Finsider and ILVA are countervailable subsidies within the meaning of section 771(5) of the Act.

As explained in the ''Subsidies Valuation Information'' section, we have treated equity infusions into unequityworthy companies as grants given in the year the infusion was received. We have further determined these infusions to be non-recurring subsidies because each required a separate authorization from ILVA's or Finsider's shareholder (IRI). Consistent with the Department's past practice, these equity infusions are considered to be untied subsidies and, as such, benefit all of the company's domestic production (*see, e.g., Steel Wire Rod from Canada,* and *UK Lead Bar 95*). Since CAS has been privatized, we followed the methodology outlined in the ''Change in Ownership'' section above to determine the amount of each equity infusion attributable to CAS after the privatization. Because the company was uncreditworthy in the year of receipt, we applied a discount rate that included a risk premium. We then divided the benefit allocated to the POI by CAS's total sales during the POI. On this basis, we preliminarily determine the net subsidy to be 3.58 percent *ad valorem* for CAS.

C. Pre-Privatization Assistance and Debt Forgiveness

As discussed in the ''Company Histories'' section above, in 1992, Cogne S.p.A. acquired the shares of Robles S.r.l., later changing the company's name to Cogne Acciai Speciali S.r.l. (CAS). According to the GOI, the primary purpose in the creation of CAS was for the eventual privatization of the Aosta facility. Initially, CAS held some of the productive assets and the land on its books, while Cogne S.p.A. held the remaining assets. In 1993, the land held by CAS was transferred to Cogne S.p.A. However, from a financial perspective, the two companies were one; assets flowed between the two without restriction.

During 1993, Cogne S.p.A. (and its owner, ILVA) decided to sell its shares of CAS through a bidding process. According to CAS's questionnaire response, at the same time, Cogne S.p.A. also entered into a liquidation process, similar to a bankruptcy proceeding under the Italian Civil Code. Concurrently, Cogne S.p.A. and ILVA entered into negotiations with the Autonomous Region of Valle d'Aosta for the purchase of the land and buildings of the Aosta facility (see ''Valle d'Aosta Assistance'' below). Through this bidding process which was finalized as of December 31, 1993, a private company bought the shares of CAS from Cogne S.p.A. and the new owner took control of the company in April 1994. During this entire period, production of merchandise continued. The land and buildings were sold to the Autonomous Region of Valle d'Aosta, which then leased them back to the now-privatized CAS. According to the GOI questionnaire response, Cogne S.p.A. remained as a shell company, and was later folded into ILVA; ILVA was eventually liquidated in part and merged in part into IRITECNA, another IRI subsidiary company.

An examination of the financial statements of Cogne S.p.A. and CAS as of December 31, 1993, shows how the assets and liabilities were divided between the two companies in preparation for privatization. CAS had losses of 33 billion lire, liabilities of 161 billion lire, and 7 billion lire in share capital. Cogne S.p.A. had losses of 257 billion lire, 411 billion worth of unaccounted liabilities, and 10 billion lire worth of share capital. CAS received nearly all of the assets of Cogne S.p.A. Cogne S.p.A. retained nearly all of the liabilities. These liabilities had to be paid, assumed, or forgiven. The 1993 financial statement of Cogne S.p.A. also indicates that the distribution of assets and liabilities between the companies, and the consequences thereof, was recognized by Cogne S.p.A.'s owner, ILVA: at the point of CAS's privatization, ILVA issued a guarantee for Cogne S.p.A.'s liabilities for 380 billion lire. Thus, we conclude that the distribution of the assets and liabilities between CAS and Cogne S.p.A. at the time of privatization was made with the knowledge and approval of ILVA, Cogne's owner, and ILVA's owner, IRI. At the point of privatization, CAS was relieved of its obligations on a significant portion of the liabilities the Cogne companies had accrued. CAS has stated that ILVA was forced to cover these liabilities because it was Cogne S.p.A.'s sole shareholder and, therefore, like any sole shareholder (government-owned or private) responsible for the liabilities under Italian Law. However, according to the GOI, the liabilities assumed by ILVA, were later covered by IRI. The Department has consistently treated IRI as a government agency, and IRI's assumption of liabilities as countervailable. *See, e.g., Electrical Steel.*

Based on the information submitted, we conclude that this ultimate assumption of Cogne S.p.A.'s liabilities by IRI was part of the 3.5 trillion lire of ILVA's debts that were covered by a GOI aid package which was authorized by the EC. The complexity of the transactions involved in the internal restructuring and ultimate privatization of CAS is comparable to that of the benefits associated with Finsider-to-ILVA restructuring program described above. Thus, instead of focusing on the total amount of ILVA's debt forgiven or assumed by the GOI, and finding the amount attributable to CAS, we chose to focus our analysis on the benefits provided to CAS through the assumption of Cogne S.p.A.'s liabilities. *See, e.g., Electrical Steel*, 59 FR at 18366.

In previous cases, the Department has treated forgiven liabilities as a countervailable subsidy because the forgiven debt confers a benefit on the production of the new entity (*see, e.g., Electrical Steel*, 59 FR at 18359; *Trinidad and Tobago*, 62 FR at 5506). Therefore, we preliminarily find that, in connection with the privatization of CAS, the GOI (through IRI) provided a financial contribution, which provides a benefit in the amount of 411 billion lire to cover the liabilities that were not transferred to the newly privatized entity. The pre-privatization assistance is specific under section 771(5A)(D) of the Act because it was provided to one

company, CAS, through ILVA and the IRI. Accordingly, we find that the pre-privatization assistance in the form of debt forgiveness is a countervailable subsidy within the meaning of section 771(5) of the Act.

We treat the undistributed liabilities as a grant to CAS, received at the time of privatization. Because this grant was part of the pre-privatization activities, and thus was a one-time occurrence, we find that this assistance is non-recurring. To calculate the benefit, we applied the Department's standard non-recurring grant methodology, set forth in the ''Allocation'' section of the *GIA*. Because the company was uncreditworthy in 1993, we applied a discount rate that included a risk premium. We also applied the methodology described in the ''Change in Ownership'' section above. We then divided the benefit allocated to the POI by CAS's total sales. On this basis, we preliminarily determine the countervailable subsidy to be 21.28 percent *ad valorem* for CAS.

Petitioners also alleged that CAS was provided with a restructuring fund at the time of privatization that provided countervailable assistance to the company. According to CAS and the GOI, when CAS was privatized it was given a restructuring fund of 105 billion lire to cover the approximately 33 billion lire in losses that were transferred with the company, and for other costs associated with the transfer. The restructuring fund was created from an additional transfer of assets to CAS from Cogne S.p.A. just prior to privatization. We found no indication of capital infusions by ILVA, IRI, or the GOI before this restructuring fund was established. We preliminarily determine that any benefit from this restructuring fund has been captured by countervailing the net liabilities left in Cogne S.p.A., because the net liabilities left in Cogne, S.p.A. would have been reduced if the restructuring fund had not been transferred to CAS. Therefore, we preliminarily determine that the restructuring fund is already accounted for in the assumption of liabilities discussed above.

D. Capacity Reduction Payments Under Law 193/1984

Among the benefits provided by Law 193/1984 were payments to companies in the private steel sector which achieved capacity reductions consistent with an agreement by the European Coal and Steel Community (ECSC). This program was examined and found countervailable in *Certain Steel from Italy* (58 FR at 37332–3), based on the availability of benefits only to the private steel sector. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding.

Valbruna received payments for capacity reduction in 1985 and 1986. Falck received payments in 1985. These payments were determined to be non-recurring grants. *Id.* To calculate the benefit attributable to Valbruna/Bolzano during the POI from the grants to Falck, we first determined the amount of Falck's grants attributable to Bolzano at the time the grants were given, using the ratio of Bolzano's assets to Falck's assets. We then allocated this amount over Valbruna/Bolzano's AUL to determine the benefit in each year. We then determined the amount of the benefit which remained with Bolzano after Bolzano was acquired by Valbruna in 1995, consistent with the methodology described in the ''Change in Ownership'' section above.

To calculate the benefit attributed to Valbruna/Bolzano from the grants Valbruna received, we allocated the grants over Valbruna/Bolzano's AUL to determine the benefit in each year. We then summed the benefit amounts attributable to the POI from Falck's and Valbruna's grants and divided the total benefit by Valbruna/Bolzano's total sales. On this basis, we preliminarily determine the countervailable subsidy to be 0.12 percent *ad valorem* for Valbruna/Bolzano.

E. Law 796/76 Exchange Rate Guarantees

Law 796/76 established a program to minimize the risk of exchange rate fluctuations on foreign currency loans. All firms that had contracted foreign currency loans from the ECSC or the Council of Europe Resettlement Fund (CER) could apply to the Ministry of the Treasury (MOT) to obtain the guarantee. Under the program, loan payments are calculated based on the lira-foreign currency exchange rate in effect at the time the loan was approved. The program establishes a floor and ceiling for exchange rate fluctuations, limiting the maximum fluctuation a borrower would face to two percent. If the lire depreciated against the foreign currency, the MOT paid the difference between the ceiling rate and the actual rate. If the lire appreciated against the foreign currency, the MOT collected the difference between the floor rate and the actual rate.

The Department previously found the steel industry to be a dominant user of the exchange rate guarantees provided under Law 796/76, and on this basis, determined that the program was specific, and therefore, countervailable. *See Final Affirmative Countervailing Duty Determination: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe (''Seamless Pipe'') from Italy*, 60 FR 31992, 31996 (June 19, 1995). No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding. This program provides a financial contribution to the extent that the lire depreciates against the foreign currency beyond the two percent band and provides a benefit in the amount of the difference between the two percent ceiling rate and the actual exchange rate.

We note that the program was terminated effective July 10, 1991, by Decree Law 333/91. However, payments continue on loans that were outstanding after that date. Bolzano was the only producer who used this program, and it received payments in 1996 on loans outstanding during the POI.

Once a loan is approved for exchange rate guarantees, payments are automatic and made on a yearly basis throughout the life of the loan. Therefore, we treat the payments as recurring grants. To calculate the countervailable subsidy, we used our standard grant methodology for recurring grants and expensed the benefits in the year of receipt. We divided the total payments received in 1996 on the two loans by the value of Valbruna/Bolzano's total sales in 1996. On this basis, we preliminarily determine the countervailable subsidy to be 0.08 percent *ad valorem* for Valbruna/Bolzano.

F. Law 227/77 Export Loans and Remission of Taxes

Under Law 227/77, the Mediocredito Centrale S.p.A. (Mediocredito), a GOI-owned development bank, provides interest subsidies on export credit financing. Under the program, the Mediocredito makes an interest contribution to offset the cost of a supplier's or buyer's credit financed by an Italian or foreign commercial bank. The holder of the loan contract pays a fixed, low-interest rate on export credits taken out through the program with a commercial bank. The Mediocredito guarantees a specified variable market rate, and pays the lender any shortfall between the guaranteed market rate and the fixed rate provided to the borrower. If the market rate falls below the rate provided to the borrower, the Mediocredito receives the difference. Interest payments are assessed on an annual basis, with contributions made by the Mediocredito every six months. In order to obtain the interest subsidy,

an application which includes the export supply contract and the commercial loan agreement must be submitted to the Mediocredito. Upon approval, Mediocredito notifies the borrower of the new terms and conditions.

The export credit financing under Law 227/77 provides a financial contribution within the meaning of section 771(5)(D) of the Act and confers a benefit in the amount of Mediocredito's interest contribution. The Department's practice is to treat export loan programs, through which the government provides a benefit to the foreign importer, the same as programs that provide benefits directly to the exporter. *See e.g., Final Affirmative Countervailing Duty Determination: Steel Wheels from Brazil,* 54 FR 15523 (April 18, 1989) and *Porcelain-on-Steel Cookingware from Mexico: Final Results of Countervailing Administrative Review,* 56 FR 26064 (June 6, 1991). The contribution is made in connection with the exportation of the merchandise and provides a direct benefit to the production and distribution of products. We also find that Law 227/77 export financing is specific under 771(5A)(B) because it is provided solely to finance exports. Therefore, we preliminarily determine that Law 227/77 export financing constitutes a countervailable subsidy within the meaning of section 771(5) of the Act.

The GOI reported that under Law 227/77, ''[i]nterest subsidies are provided within the guidelines of the international agreement OECD Consensus'' and as such would qualify for an Item (k) exemption (GOI October 28, 1997, Questionnaire Response, on file in the CRU). Annex I to the WTO Agreement on Subsidies and Countervailing Measures contains the Illustrative List of prohibited export subsidies. Item (k) of Annex 1 states that certain export financing programs are not considered to be prohibited export subsidies if certain conditions are met, namely, ''* * * if a Member is a party to an international undertaking on official export credits * * * or if in practice, a Member applies the interest rate provisions of the relevant undertaking * * *.''

We are aware of the exemption under Item (k); however, we are unable to determine whether the interest rate available under Law 227/77 conforms with the OECD guidelines. We are countervailing the assistance provided by this program in accordance with our benefit-to-recipient standard (see SAA at 928) and will continue to examine this issue for the final determination.

CAS and Bolzano did not use this program. Valbruna used this program for a supply contract with its affiliated U.S. subsidiary, Valmix Corporation, which entered into a loan contract for purposes of importing merchandise manufactured by Valbruna. The term of the loan was 18 months and during the course of this financing arrangement, the Mediocredito made interest contributions to Valmix's commercial lender.

In order to obtain Law 227/77 export financing, a company must have already obtained a commercial loan. Thus, a company does not know at the time it takes out the commercial loan whether it will receive the reduced interest rate available under Law 227/77. Therefore, we consider these interest contributions to be grants. Because Law 227/77 provides on-going interest contributions over the life of the loan, we find that it provides recurring grants. *See GIA.* We divided the total amount paid by the Mediocredito on the Valmix loan during the POI by Valbruna/Bolzano's total exports to the United States. On this basis, we preliminarily determine the countervailable subsidy to be 0.15 percent *ad valorem* for Valbruna/Bolzano.

Programs of the Regional Governments

A. Valle d'Aosta Regional Assistance Associated with the Sale of CAS

As discussed in the ''Company Histories'' section above, in 1993, the GOI privatized CAS. While the company operations were sold in a bidding process to the company's present owners, the land and buildings were sold to the Autonomous Region of Valle d'Aosta. The Regional Council of Valle d'Aosta, under Regional Law 4 of January 26, 1993, authorized negotiations with the ILVA Group for the acquisition of the property and buildings, including the hydroelectric plants which were the property of ILVA Centrali Elettrische S.p.A. (ICE). This ''urgent'' law also outlined a plan for the Region to reclaim and recover the environmental condition of the industrial area of Cogne. As also stated in the law, a fundamental goal was ''to enhance the industrial activities of 'Cogne S.p.A.' in order to ensure adequate employment levels.''

Protocol agreements for the triangular transaction were signed by the Region, ILVA, and GE. VAL. S.r.l., the purchaser of CAS's shares (now MEG), on November 19, 1993. The Region, through its wholly-owned financing corporation, Finaosta S.p.A., agreed to (1) purchase the land, including the ICE hydroelectric plants for 150 billion lire, in five annual installments, (2) to construct a waste plant, (3) to cover the costs of environmental reclamation on the land, up to 32 billion lire in accordance with a third-party estimate, and (4) to supply electricity directly to CAS from the ICE plants. These commitments were conditional upon ILVA entering into a contract with a private party for the transfer of CAS by December 31, 1993, and transferring CAS with a restructuring fund. The purchaser of CAS's shares agreed to (1) to vacate and abandon areas of the property not used in production activity and (2) to guarantee that at least 800 employees would be employed by CAS after privatization.

Because of the complex nature of these transactions, which included different elements that were alleged to provide subsidies to CAS, we have analyzed each section separately as detailed below.

1. Purchase of the Cogne Industrial Site. Under section 771(5) of the Act, in order for a subsidy to be countervailable it must, *inter alia,* confer a benefit. In the case of goods or services, a benefit is normally conferred if the goods or services are provided for less than adequate remuneration, or, in the case of the government acquiring goods, for more than adequate remuneration. The adequacy of remuneration is normally determined in relation to prevailing market conditions for the good or service provided in the country of exportation. Section 771(5)(E) of the Act states, ''[p]revailing market conditions include price, quality, availability, marketability, transportation, and other conditions of purchase or sale.'' Problems can arise in applying this standard when the government is the sole purchaser of the good or service in the country or within the area where the respondent is located. In these situations, there may be no alternative market prices available in the country (*e.g.,* private prices, competitively-bid prices, or other types of market reference prices). Hence, it becomes necessary to examine other options for determining whether the good has been purchased for more than adequate remuneration. This consideration of other options in no way indicates a departure from our preference for relying on market conditions in the relevant country, specifically market prices, when determining whether a good or service is being purchased at a price which reflects adequate remuneration. *See, e.g., Final Affirmative Countervailing Duty Determination: Steel Wire Rod from Germany,* 62 FR 54990 (October 22, 1997) (*German Wire Rod*) at 54994.

In order to determine whether Valle d'Aosta acquired the Cogne industrial area for more than adequate remuneration, we would normally have compared this acquisition to a similar market transaction, *e.g.,* a comparable sale of commercial real estate. The Autonomous Region of Valle d'Aosta provided information on the market for industrial land within its borders. The Region indicated that because of the location and terrain of its land, there is very little viable industrial property. The Region reported that it has purchased other industrial areas, but that the largest was only 12 hectares, in comparison to the 100 hectares of the Cogne industrial site. Therefore, we understand that there are no private purchases of industrial sites comparable in size to the Cogne industrial property that are representative of the prevailing market conditions by which to assess the adequacy of remuneration for the purchase of the Cogne industrial site. We also found no information about any other market transactions that could serve as an appropriate benchmark in determining the adequacy of remuneration.

We next turned to the actual purchase price for the site to examine whether this price was determined in reference to market principles. The acquisition price that the Region paid for the Cogne industrial site was determined by a third-party study, undertaken by a private firm. We examined a copy of this study provided by the Region. At the Region's request, the Descriptive Report provided by American Appraisal Italia S.r.l., presented estimated purchase prices for the Cogne industrial site based on valuation of the land and buildings contained in the area. The appraisal included a detailed inventory of the many buildings and structures on the property, which could continue to be used, and the costs involved to destroy the others. The study was conducted in reference to market-based principles and included a thorough examination of the value of the property, including estimates based on different scenarios for the future use of the property. We understand that this appraisal was used by the parties in their negotiations. Based on our examination, we conclude that the prices contained in the Appraisal are a reasonable benchmark for determining whether the price paid by the Region was determined in reference to market conditions. Because the price paid for the Cogne industrial area was not more than the estimates, we preliminarily determine that the Autonomous Region of Valle d'Aosta did not acquire the site for more than adequate remuneration. Therefore, we preliminarily determine that the purchase of the Cogne industrial site does not constitute a subsidy within the meaning of section 771(5) of the Act.

2. Lease of Cogne Industrial Site. Under section 771(5) of the Act, in order for a subsidy to be countervailable it must, *inter alia,* confer a benefit. In the case of goods or services, a benefit is normally conferred if the goods or services are provided for less than adequate remuneration. The adequacy of remuneration is normally determined in relation to prevailing market conditions for the good or service provided in the country of exportation. Section 771(5)(E) of the Act states, ''[p]revailing market conditions include price, quality, availability, marketability, transportation, and other conditions of purchase or sale.'' Problems can arise in applying this standard when the government is the sole supplier of the good or service in the country or within the area where the respondent is located. In these situations, there may be no alternative market prices available in the country (*e.g.,* private prices, competitively-bid prices, or other types of market reference prices). Hence, it becomes necessary to examine other options for determining whether the good has been provided for less than adequate remuneration. The Department has recognized several options with respect to the leasing of land, ''to examine whether the government has covered its costs, whether it has earned a reasonable rate of return in setting its rates and whether it applied market principles in determining its prices.'' *See e.g., German Wire Rod* at 54994. This consideration of other options in no way indicates a departure from our preference for relying on market conditions in the relevant country, specifically market prices, when determining whether a good or service is being provided at a price which reflects adequate remuneration.

The Region agreed in the 1993 protocol agreement to lease part of the acquired industrial site to CAS. That agreement also explains that the Region decided to undertake the transaction, because ''* * * of the seriousness of the general economic situation and that of the steel industry at the present time, [the Region] has decided to intervene with actions specifically aimed at fostering the continuation of this activity, with the precise objective of protecting jobs * * * .'' The landlord-tenant relationship between CAS and the Region was developed based on the understandings and stipulations enumerated in the protocol agreements and Regional Law No. 17 of 1994.

Until an official lease was signed between CAS and Struttura Valle d'Aosta S.r.l. (Structure), a company wholly-owned by the Region, CAS's use of the Cogne site was governed by a lease which had been signed by CAS and Cogne S.p.A. The protocol agreements required that this lease be established for a transition period. The Region accepted the terms of lease established between the two affiliated Cogne companies until another could be negotiated. An official lease between Structure and CAS was not signed until April 1996. The terms of the CAS-Structure contract granted CAS a 30-year lease. The lease required CAS to vacate certain areas and buildings between the beginning of 1995 and the end of 1996. Under both the CAS-Cogne S.p.A. lease and the CAS-Structure lease, the annual rent of 770 million lire was due in quarterly deferred payments. The lease also stipulated that CAS held responsibility for extraordinary maintenance.

We would normally evaluate the adequacy of remuneration of lease rates in reference to an alternative market price, *e.g.*, lease rates of comparable commercial real estate. However, as discussed above, there is little industrial property in Valle d'Aosta. We also understand that there is no comparable commercially leased property in the region. Unlike the situations examined by the Department in other cases, there are no other leases that could possibly serve as a benchmark for determining the adequacy of remuneration. *See, e.g., German Wire Rod* and *Trinidad and Tobago.*

We therefore examined the Structure-CAS lease to see if its terms appear to reflect normal market conditions. Most of the lease provisions establish CAS's obligations to return part of the property it formerly occupied, the time limits for the removal of its equipment, the incentives for meeting the deadlines, and the penalties for failing to meet these deadlines. We note that the lease includes a clause under which CAS is entitled to a payment for vacating the agreed-upon areas within the specified time limits. However, CAS reported that it has not received such a payment to date. The lease also contains provisions relating to the disposal of industrial waste because Valle d'Aosta has not constructed the waste disposal facility discussed in the protocol agreement. Other clauses regarding indemnity, taxes, etc., seem comparable to those likely to be in a lease between two private parties, and appear to reflect

conditions that would be set for a normal commercial lease.

However, as noted in the preamble of the lease, the Structure-CAS lease was intended to further implement the protocol agreements. The preamble of the protocol agreements states, ''* * * the Region, which is aware that the steel production activity carried on, at the present time, by Cogne constitutes a very significant reality in the economic and industrial structure of Valle d'Aosta, and is also aware of the seriousness of the general economic situation and that of the steel industry at the present time, has decided to *intervene with actions specifically aimed at fostering the continuation of this activity, with the precise objective of protecting jobs* * * *'' (emphasis added). The parties specifically agreed that under the protocol agreement CAS would maintain at least 800 employees at the facility. These goals would not normally be included in an agreement negotiated between private parties; a lessee would not normally be obligated to commit to a certain employment level. Also, in response to our questions about the return on its investment, the Region of Valle d'Aosta clarified its goals related to the transaction, stating ''* * * it is not possible for use [sic] to provide within this context a detailed financial analysis of the time required to recoup the costs and the annual estimated rate of return on the investment made by the Region at the time the purchase was made * * * as such an analysis would not take into account the social, environmental and urban renewal considerations, which it should be stressed were decisive for the decision to approve the Regional Law that authorized the purchase.'' A private actor considering the purchase leaseback of real estate would normally undertake a detailed financial analysis before leasing a large piece of property. Thus, we preliminarily conclude that the negotiations between CAS and the Autonomous Region of Valle d'Aosta were not conducted in reference to normal market considerations.

We then turned to the terms establishing the lease rates in order to determine whether the Region charged a lease rate that reflects an adequate return on its investment. Because we have no market leases with which to compare this lease, we determined that it was appropriate to construct a reference price for the lease of the land, using standard real estate analysis principles. *See, e.g.,* Edward John Golden, *The Art and Science of Real Estate Investment Analysis* (1980). The type of transaction presented here is normally called a purchase leaseback: the Region purchased the land and now leases it back to the former owner/occupant. In evaluating a purchase leaseback, one way to conceptualize the transaction is to think of it as an asset that is being borrowed. In a lease, an asset is borrowed for a set period of time and the price of the transaction is normally established based on the value of the use of the asset over time. There are several ways to value commercial property over time, the most conservative of which accounts for the depreciation of the buildings. Only the value associated with the buildings is amortized; land values are held constant and the benchmark price reflects only the interest paid with respect to the land.

In the instant case, the market value of the land and buildings covered by the lease was established by the third party appraisal discussed above. We used the purchase price for the land and buildings currently used by CAS (not including the vacated property). We would have adjusted for the depreciation of the buildings over time by amortizing their value. However, because we did not have a breakdown of the value of the land and buildings, we could not make this adjustment. We will examine this issue further for our final determination. In addition, we noted that according to the GOI, Italian law obligates landlords to cover the costs of extraordinary maintenance. Under the Structure-CAS lease, CAS was assigned the obligation to perform extraordinary maintenance and the parties negotiated a rate which would take those maintenance costs into consideration. Although CAS reported costs for extraordinary maintenance during the years of the lease, we were unable to examine fully these costs to ensure that the values reported by CAS as extraordinary maintenance did not include work more appropriately termed normal maintenance. In addition, we did not have the information to calculate an adjustment to our benchmark for the cost of extraordinary maintenance. Therefore, we did not make an adjustment for maintenance for the preliminary determination. We will also examine this issue for our final determination.

To determine if the lease was established consistent with market principles, we examined the return to the Region of Valle d'Aosta on their investment in the industrial site. Thus, we multiplied the value of the asset, *i.e.,* the price paid by the Region for the land and buildings, by an interest rate that represents the return an investor would expect to earn on an alternative investment. For this preliminary determination, we used the average interest rate on treasury bonds as reported by the Banca D'Italia. However, the Department normally does not use government interest rates in benchmark calculations. *See, e.g., Final Affirmative Countervailing Duty Determination Oil Country Tubular Goods from Israel*, 52 FR 1649 (January 15, 1987). Therefore, we will seek a rate for the final determination that may be more indicative of market behavior. We used this analysis to establish a benchmark for determining whether the annual lease rate charged by the Region reflected adequate remuneration. We compared this amount to the amount actually paid by CAS during the POI. Based on this comparison, we found that the Region is not receiving an adequate rate of return on its investment. This finding corroborates our conclusion that the lease terms were not established based on normal market conditions. Therefore, we preliminarily determine that the lease was provided for less than adequate remuneration.

Through this lease, the Autonomous Region of Valle d'Aosta made a financial contribution to CAS within the meaning of section 771(5)(D)(iii) of the Act, equal to the difference between what would have been paid annually in a lease established in accordance with market conditions and what was actually paid. The lease is specific within the meaning of section 771(5A)(D) of the Act, because the lease rate is limited to CAS. Therefore, we preliminarily determine that the CAS industrial lease is a countervailable subsidy within the meaning of section 771(5) of the Act.

To calculate the benefit, we found the difference between the amount that would have been paid during the POI if the lease rate had been determined with reference to market conditions and the amount actually paid. We divided the amount by CAS's total sales in 1996. On this basis, we preliminarily determine the countervailable subsidy to be 0.53 percent ad valorem for CAS.

3. Provision of Electricity. As described above, the Autonomous Region of Valle d'Aosta also acquired the shares of ICE, the operator of the hydroelectric plants, which is now known as Compagnia Valdostana delle Acque S.p.A. (Valdostana), when it purchased the Cogne industrial site. The Region planned to supply electricity directly to CAS, and had applied to establish a consortium, with CAS as a shareholder, to sell directly to customers instead of to ENEL, the National Electricity Board. Petitioners alleged that this provision of electricity may constitute a countervailable subsidy under section 771(5) of the Act.

However, according to Valle d'Aosta and the GOI, the application to establish the consortium has not been approved and Valdostana has not been permitted to supply electricity to CAS. Instead, Valdostana continues to sell its production to the National Electricity Board, ENEL. CAS purchases electricity from ENEL in accordance with the standard provisions applied to other commercial electricity users in Italy. Therefore, as Valdostana has not created a special consortium to provide electricity to CAS, and CAS appears to obtain its electricity through ENEL like other firms in Italy, we preliminarily find that this program does not exist.

4. Waste Plant. As described above, Valle d'Aosta agreed to construct a waste plant, for CAS and other users, as one of the terms of the protocol agreements. Petitioners alleged that the construction of the waste plant, which would have been used by CAS, constituted a countervailable subsidy. However, Valle d'Aosta reported that the waste plant is still in the planning stages and construction has not begun. Also, there is no indication from information on the record that funds have yet been expended on this facility. However, we will continue to examine this issue for the final determination. Based on the above, we preliminarily determine that this program does not exist.

5. Loans Provided to CAS to Transfer Its Property. In the protocol agreements of November 1993, the Autonomous Region of Valle d'Aosta agreed to provide financing through Finaosta S.p.A. for the costs involved with the transfer of CAS property off the portion of the site not subject to the lease. After the environmental reclamation of the land, Valle d'Aosta planned to develop facilities for small and medium-sized enterprises on this portion of the site. Accordingly, the Regional Council authorized this financing in Law 37 of August 30, 1995. The law authorized financing up to 25 billion lire, ''to cover the expenses for the transfer of installations, warehouses, utilities and offices from the area.'' *See* Questionnaire Response from the GOI, dated October 28, 1997, on file in the CRU. While the financing was discussed in the protocol agreements, we found no indication in the appraisal, or elsewhere, that these loans were factored into the purchase price for the land. Therefore, we are analyzing the transfer loans as a separate subsidy event to determine whether they are countervailable.

Finaosta provided this financing in three separate loan agreements over 1996 and 1997 with the interest rate set at 50 percent of the Rendistato interest rate (as published in *SOLE 24 Ore*) for each loan. Under the terms of each loan contract, a deferred six-month payback schedule was established. Each tranche received an eighteen-month, interest-free grace period.

In accordance with ECSC procedures, the GOI notified this loan to the EC for evaluation of whether it constituted ''State assistance'' to CAS. In its decision of June 15, 1995, the EC determined that the loan was not aid, but instead an indemnity to CAS. The EC found that the total savings from the reduced interest rate, estimated at 4.6 billion lire, was less than the cost of the transfers, 4.9 billion lire, according to an independent estimate. The EC also stated that the Autonomous Region of Valle d'Aosta had unilaterally terminated part of CAS's lease (for the property to be vacated), and the loan represented compensation for the costs associated with the partial termination of the contract by the landlord.

Notwithstanding the EC's determination, we conclude from the facts presented in this proceeding that the transfer loan is not an indemnity. Pursuant to the protocol agreements, all parties agreed that CAS would vacate part of the property before any lease was signed. The transfer of property from part of the land was one of the conditions of the leaseback. From the information on the record, there is no indication that the lease, or any of the other agreed-upon stipulations, was unilaterally terminated. In addition, according to the protocol agreements, the Autonomous Region of Valle d'Aosta agreed to provide ''financing'' for the costs. CAS reported that it submitted invoices and estimates to Finaosta in order to receive each individual loan. CAS also reported that an independent appraiser estimated the cost of the relocation at 4.945 billion lire (*see* submission from CAS, dated December 17, 1997, on file in the CRU).

Thus, we compared the interest rate provided under these loans to the average interest rates on medium and long-term loans as established by the GOI's survey and found that the rate provided was lower. Therefore, through these transfer loans, the Region of Valle d'Aosta made a financial contribution that provided a benefit to the recipient in the difference between what CAS pays on these loans and what CAS would pay on a comparable commercial loan. The transfer loans are *de jure* specific within the meaning of section 771(5)(D) of the Act, because their provision is limited, by law, to CAS. Therefore, we preliminarily determine that the transfer loans are a countervailable subsidy within the meaning of section 771(5) of the Act.

In the POI, CAS received a benefit from one of the relocation loans. To calculate the benefit, we employed the Department's standard long-term loan methodology. *See, e.g., GIA.* We divided the benefit by the 1996 sales of CAS. On this basis, we preliminarily determine the countervailable subsidy to be 0.37 percent *ad valorem* for CAS.

B. Valle d'Aosta Regional Law 64/92

Law 64/92 of the autonomous region of Valle d'Aosta provides funding to cover up to 30 percent of the cost of installing environmentally-friendly industrial plants in the province. Administered by the Industry, Craft, and Energy Department (ICED), the program was initiated in 1993. Any firm in Valle d'Aosta may apply to the ICED to have part of its costs covered for a specific environmentally friendly project. According to the application procedures established by the ICED, a firm must submit a separate application for each individual project. A technical consultant committee appointed by the ICED evaluates each application to determine whether the proposed project would reduce environmental pollution in the province. Each project must receive the approval of the technical consultant committee in order to receive funding from the Regional Authority. Once a project is approved, the Regional Authority will provide a grant of up to 30 percent of the cost of the project. These grants provide a financial contribution within the meaning of section 771(5)(D)(i) of the Act.

We analyzed whether the program is specific in law (*de jure* specificity), or in fact (*de facto* specificity), within the meaning of section 771(5A)(D) (i) and (iii) of the Act. We examined the eligibility criteria contained in the law, and find that the law is not *de jure* specific because the enacting legislation does not explicitly limit eligibility to an enterprise or industry or group thereof. We then examined data on the provision of assistance under this program to determine whether Law 64/92 meets the criteria for *de facto* specificity under section 771(5A)(D)(iii) of the Act. Since the inception of the program, the authorities have approved the applications of nine firms in several different industries. While this alone would be sufficient for a finding of *de facto* specificity because there are only a few companies in a few industries that have received assistance under this program, we also examined data on the value of grants given to these firms. CAS and a firm in the food and beverage industry received close to two-thirds of

the total assistance awarded, with each firm receiving approximately one-third of the total assistance. The remaining third of the assistance was distributed to the other seven firms. As such, CAS received a disproportionate share of the total assistance under this program. On this basis, we find Law 64/92 to be *de facto* specific within the meaning of section 771(5A)(D)(iii) of the Act. Therefore, we preliminarily determine that Law 64/92 provides a countervailable subsidy within the meaning of section 771(5) of the Act.

CAS received funding for three projects under this law: two were approved in 1995 and one was approved in 1996. As CAS submitted a separate application to the regional authority for each project, we are treating the grants received under this program as non-recurring (*see GIA*). However, the total of the two grants approved in 1995 did not exceed 0.5 percent of sales in 1995. As such, these grants would be attributable solely to 1995 and would not be allocated over time (*see GIA*). In addition, the grant approved in 1996 is also less than 0.5 percent of sales in 1996. As such, we are allocating the entire value of this grant to the POI.

To calculate the countervailable subsidy, we divided the total amount of the 1996 grant by the value of CAS's total sales. On this basis, we preliminarily determine the countervailable subsidy to be 0.02 percent *ad valorem* for CAS.

C. Valle d'Aosta Regional Law 12/87

Law 12/87 of the Autonomous Region of Valle d'Aosta funds the promotion of commercial activities of local firms in other regions of Italy, and abroad. The Law became effective in 1987, and is administered by the ICED. Under the provisions of the Law, funding can only be provided to companies for participation in shows, fairs, and exhibitions in Italy and abroad, and for participation in delegations for commercial promotion abroad. Companies apply for funding up to 30 percent of costs for promotional activities in Italy (up to 10 million lire) and 40 percent of the costs for promotional activities abroad (up to 15 million lire). CAS submitted three applications for funding under this program. The region approved and funded two of the proposals, both in 1996: a grant of 15 million lire for participation in the Singapore Wire & Cable Fair and a grant of 12.7 million lire for participation in the Dusseldorf Wire Fair. While neither show was held in the United States, both included numerous U.S. participants.

Law 12/87 provides a financial contribution within the meaning of section 771(5) of the Act, and provides a benefit to the recipient in the amount of the grant. The Department has recognized that general export promotion programs, programs which provide only general informational services, do not constitute countervailable subsidies. (*See, e.g., Fresh Cut Flowers from Mexico,* 49 FR 15007 (1984)). However, where such activities promoted a specific product, or provided financial assistance to a firm, we have found the programs to constitute export subsidies. (*See, e.g., Fresh Atlantic Groundfish from Canada,* 51 FR 10041 (1986); and *Fresh Cut Flowers from Israel,* 52 FR 3316 (1987)). Because financial assistance under this law was provided to CAS for the promotion of its exports, we preliminarily find the assistance to CAS constitutes an export subsidy within the meaning of section 771(5A)(B) of the Act.

We find that the grants received under this program are non-recurring because they are exceptional rather than ongoing events (*see GIA.*) Each project funded by a grant requires a separate application and approval by the regional authority. However, the grants did not exceed 0.5 percent of CAS's total exports in the year they were received. Therefore, in accordance with our practice, we allocated the entire amount of the grant to the year of receipt. We divided the total amount of the two grants by the value of CAS's total exports during the POI. On this basis, we preliminarily determine the countervailable subsidy to be 0.01 percent *ad valorem* for CAS.

D. Province of Bolzano Assistance: Purchase and Leaseback of Bolzano Industrial Site

As discussed in the "Company Histories" section above, in 1995, Falck sold Bolzano to Valbruna. Concurrent with the change in ownership, Falck and Bolzano entered into negotiations to sell the Bolzano industrial site land to the Province of Bolzano. Two pieces of property (land and buildings) were subject to these negotiations, the "Stabilimento Sede," which was owned by Bolzano, and the "Stabilimento Erre," owned by Immobiliare Toce, a subsidiary of Gruppo Falck with real estate holdings. The purchase price for the Stabilimento Sede and Stabilimento Erre, approximately 63 billion lire, was established by the cadastral office of the Province. The Province paid for the property in full, with funds authorized under the Provincial Council Resolution 850 of February 20, 1995. Valbruna entered into concurrent negotiations with the Province for a long-term lease of the Bolzano industrial site.

1. Purchase of Bolzano Industrial Site. Under section 771(5) of the Act, in order for a subsidy to be countervailable it must, *inter alia,* confer a benefit. In the case of goods or services, a benefit is normally conferred if the goods or services are provided for less than adequate remuneration, or, in the case of the government acquiring goods, for more than adequate remuneration. In assessing the adequacy of remuneration of this transaction, we have applied the standards discussed in the "Purchase of the Cogne Industrial Site" above.

In order to determine whether the Province of Bolzano acquired the Bolzano industrial site for more than adequate remuneration, we would normally have compared this acquisition to a similar market transaction in the Province. Although the Province of Bolzano provided some information on the provincial territory and market for industrial property, like the Autonomous Region of Valle d'Aosta, there is very little industrial property in the Province. The Province reported that only 530 hectares are occupied by industrial firms. The Province also reported that no other property transactions occurred around the time that it purchased the Bolzano industrial site. Thus, we understand that there are no private purchases of industrial sites comparable in size to the Bolzano property that are representative of the prevailing market conditions by which to assess the adequacy of remuneration for the purchase of the Bolzano industrial area. As such, there is no information on the record about other market transactions that could serve as an appropriate benchmark in determining whether the Province purchased the property for more than adequate remuneration.

Valbruna indicated that it had agreed to purchase the Bolzano site at the price determined by the province, if the province and Falck were unable to reach an agreement for the purchase of the property. While Valbruna was a party to the series of transactions, as a private party, its interests would not have been served by agreeing to pay an inflated price for the property. Therefore, Valbruna can be considered an uninterested third party for purposes of evaluating whether the price of the property was established in reference to market conditions. Since Valbruna agreed to pay the price determined by the cadastral office if the province did not purchase the site, we preliminarily determine that the price the Province of Bolzano paid was established in accordance with normal market

conditions. On this basis, we conclude that the Province of Bolzano did not purchase the Bolzano industrial site for more than adequate remuneration. Therefore, we preliminarily determine that the purchase of the Bolzano industrial site does not constitute a subsidy within the meaning of section 771(5) of the Act.

2. Lease of Bolzano Industrial Site. As discussed above, under section 771(5) of the Act, in order for a subsidy to be countervailable it must, *inter alia,* confer a benefit. In the case of goods or services, a benefit is normally conferred if the goods or services are provided for less than adequate remuneration, or, in the case of the government acquiring goods, for more than adequate remuneration. In assessing the adequacy of remuneration of this lease agreement, we applied the standards discussed in the ''Lease of the Cogne Industrial Site'' above.

Concurrent with the sale of Bolzano and the sale of the property, Valbruna/Bolzano began negotiations with the Province of Bolzano to lease the Bolzano industrial site (including the Stabilimento Sede and the Stabilimento Erre) from the Province. Valbruna/Bolzano and the Province of Bolzano signed a thirty-year lease on July 31, 1995, for the Bolzano industrial site.

With respect to the lease of land and buildings, adequacy of remuneration would normally be evaluated in reference to an alternative market price, *e.g.*, lease rates of comparable commercial real estate. However, as described above, there is little comparable commercial property in the Province. We also understand that there is no comparable commercially-leased property in the Province which could be used to establish a benchmark to evaluate the adequacy of remuneration in Valbruna/Bolzano's lease. The Province did provide some information on two leases it has with other private parties, however, the amount of property covered by these leases is much smaller than that covered by the Valbruna/Bolzano lease, and therefore, inappropriate for comparison purposes. Thus, there are no other leases that could possibly serve as a benchmark for determining the adequacy of remuneration.

We therefore examined the lease for the Bolzano industrial site to determine whether its terms reflected normal market conditions. In general, the terms of the lease appear to reflect conditions that would be set for a normal commercial lease. However, as discussed in the public version of the November 4, 1997, response of the GOI (public version on file in the CRU), the lease requires Valbruna/Bolzano to maintain a minimum employment level of 650 employees at Bolzano. We note that this minimum employment level requirement can be waived under certain circumstances, such as technological improvement. Notwithstanding the waiver provision, however, the record evidence indicates that the Province of Bolzano intended to preserve jobs at the Bolzano facility through this lease. Although the Province claimed that it includes similar requirements in the leases it has offered other parties, we do not find this clause to be indicative of normal market considerations because such employment obligations would not normally be included in agreements negotiated between private parties. Thus, we preliminarily conclude that the negotiations between Valbruna/Bolzano and the Province of Bolzano were not conducted in reference to normal market considerations.

We then turned to the terms establishing the lease rates in order to determine whether the Province of Bolzano charged a lease rate that reflects adequate remuneration. Because we have no market leases with which to compare this lease, we determined that it was appropriate to construct a reference price for the property using standard real estate analysis principles, as described in the ''Valle d'Aosta'' section above. We again followed the most conservative methodology in valuing the asset over time. In the instant case, the value of the property was found to be equivalent to a market-determined price. We would have made an adjustment to account for the depreciation of the buildings over time by amortizing their value. However, as we did not have a breakdown of the value of the land and buildings, we could not make this adjustment. We plan to add amortization of buildings to the calculated lease rate for the final determination.

According to the GOI, Italian law obligates landlords to cover the cost of extraordinary maintenance. Under the lease, Valbruna/Bolzano was assigned the obligation to perform extraordinary maintenance and the parties negotiated a rate which would take those maintenance costs into consideration. However, we did not have the information to calculate an adjustment to our benchmark for the cost of extraordinary maintenance. Therefore, we did not make such an adjustment for the preliminary determination. We will examine this issue for our final determination.

As described above, we used this analysis as a benchmark for determining whether the region obtained an adequate return on its investment, because we had no comparable market-determined leases to use in determining the adequacy of remuneration. Thus, we multiplied the value of the asset, *i.e.*, the price paid by the Region for the land and buildings, by an interest rate that represents the return an investor would expect to earn on an alternative investment. As described above, for this preliminary determination, we used the average interest rate on treasury bonds as reported by the Banca D'Italia. We used this analysis to establish a benchmark for determining whether the annual lease rate charged by the region reflected adequate remuneration. We compared this amount to the amount actually paid by Valbruna/Bolzano during the POI. Based on this comparison, we found that the Region is not receiving an adequate rate of return on its investment. This finding corroborates our conclusion that the lease terms were not establish based on normal market conditions. Therefore, we preliminarily find that the lease was provided for less than adequate remuneration. Through this lease, the Province of Bolzano made a financial contribution to Valbruna/Bolzano within the meaning of section 771(5)(D) of the Act, equal to the difference between what would have been paid annually in a lease established in accordance with market conditions, and what was actually paid. The lease is specific within the meaning of section 771(5A)(D) of the Act, because the lease rate is limited to Valbruna/Bolzano. Therefore, we preliminarily determine that the Bolzano industrial lease is a countervailable subsidy within the meaning of section 771(5) of the Act.

To calculate the benefit, we found the difference between the amount that would have been paid during the POI if the lease had been determined with reference to market conditions and the amount that actually was paid. We divided this amount by Valbruna/Bolzano's total sales in 1996. On this basis, we preliminarily determined the countervailable subsidy to be 0.47 percent *ad valorem* for Valbruna/Bolzano.

3. Lease Exemption. Under the Province of Bolzano-Valbruna/Bolzano lease, Valbruna/Bolzano agreed to assume certain environmental reclamation costs instead of paying rent for the first two years of the lease. The GOI stated in its public version of the November 4, 1997, response that these costs were, in fact, more than the uncollected rent to date. However, in order to determine whether the nonpayment of rent for the first two

years constituted a countervailable subsidy to Valbruna/Bolzano, we examined whether or not the Province of Bolzano would have been responsible for these environmental reclamation costs.

Under Italian law, the landlord would normally bear the responsibility for pre-existing environmental costs under a normal lease agreement. Valbruna/Bolzano reported some of the projects undertaken and their associated costs connected with this environmental reclamation. Most of the projects undertaken by Valbruna/Bolzano in exchange for the non-payment of rent related only to the plant and equipment owned by the company. The Province would not have had an obligation to undertake costs associated with plant and equipment it did not own. We preliminarily find that the relief from rent payment for the first two years of the Valbruna/Bolzano industrial lease provides a financial contribution within the meaning of section 771(5)(D)(ii) of the Act, in the form of revenue forgone, which provides a benefit in the amount of rent that would normally have been collected.

We preliminarily determine that the lease exemption was specific under section 771(5A)(D) of the Act because it was provided to a single enterprise, Valbruna/Bolzano. Therefore, we preliminarily determine that the exemption from payment of rent under the lease of the Bolzano industrial site provides a countervailable subsidy under section 771(5) of the Act.

To calculate the countervailable subsidy, we treated the exemption as a grant. Because the exemption from payment of the lease is limited to a specific period of time, which could not be extended without extraordinary government action, we find that it is non-recurring (*see GIA*). The lease stipulates payments every six months. Therefore, we treat each nonpayment as a non-recurring grant. There was one nonpayment in 1995, two in 1996, and one after the POI. Because the total amount in each year was less than 0.5 percent of Valbruna/Bolzano's total sales in the year of receipt, we allocate the grants to the year of receipt. Thus, we have allocated the full amount of the grants received during 1996 to the POI, in accordance with the Department's practice. We divided the grants received in 1996 by Valbruna/Bolzano's total sales. On this basis, we preliminarily determine the countervailable subsidy to be 0.38 percent ad valorem for Valbruna/Bolzano.

Programs of the European Commission

A. ECSC Article 54 Loans

Article 54 of the 1951 ECSC Treaty established a program to provide industrial investment loans directly to the iron and steel industries to finance modernization and the purchase of new equipment. Eligible companies apply directly to the EC for up to 50 percent of the cost of an industrial investment project. The Article 54 loan program is financed by loans taken out by the EC, which are then refinanced at slightly higher interest rates than those at which the EC obtained them.

The Department has found Article 54 loans to be specific in several proceedings, including *Electrical Steel, Certain Steel from Italy*, and *UK Lead Bar 94*, because loans under this program are provided only to the iron and steel industries. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding. This program provides a financial contribution within the meaning of section 771(5)(D)(i) of the Act to the extent that it provides loans with an interest rate less than what the recipient would pay on a comparable commercial loan and provides a benefit to the recipient in the difference between the amount paid on the loan and the amount which would be paid on a comparable commercial loan.

Valbruna did not use this program. Bolzano and CAS received Article 54 loans. Bolzano had two loans outstanding during the POI, one denominated in U.S. Dollars, the other in Dutch Guilders. CAS received one Article 54 loan with a variable interest rate on which no interest or principal were due during the POI. Consistent with the Department's loan methodology, the benefit would be received after the POI, and thus, the program is not used.

With respect to the loans to Bolzano, we would have used as a benchmark interest rate a long-term borrowing rate for loans denominated in the appropriate foreign currency in Italy. However, we were unable to find such rates. Therefore, we used the average yield to maturity on selected long-term corporate bonds as reported by the U.S. Federal Reserve for the loan denominated in U.S. dollars, and the long-term bond rate in the Netherlands as reported by the International Monetary Fund for the loan denominated in guilders.[3] We then compared the cost of the benchmark financing for each loan to the financing Bolzano received under the program and found that both loans provided a financial contribution. To calculate the benefit in the POI, we employed the Department's standard long-term loan methodology. We calculated the grant equivalent and allocated it over the life of each loan. We also applied the methodology discussed in the ''Change in Ownership'' section above. We divided the benefit allocated to the POI by the 1996 sales of Valbruna/Bolzano. On this basis, we preliminarily determine the countervailable subsidy to be 0.02 percent *ad valorem* for Valbruna/Bolzano.

II. Programs Preliminarily Determined To Be Not Countervailable

A. Law 46: Deliberazione Grants under the Technological Innovation Fund

Under the Deliberazione Law 46/82, Technological Innovation Fund (FIT), the GOI provides grants to companies for projects that contain a high degree of technological innovation. The program is administered through the Ministry of Industry. Eligibility criteria were established by the Interdepartmental Committee for Economic Planning (CIPI) in a resolution dated March 30, 1983, and a special technical committee evaluates all applications.

Each application must include a detailed description of the proposed technical project, which is evaluated by the technical committee on both its scientific and industrial merits and economic and environmental impact. If a proposal is deemed successful, the company will be termed ''innovative'' or ''highly innovative'' and then will become eligible for funding at 35 percent or 50 percent, respectively. The Ministry of Industry, acting on the opinions of the CIPI, then issues a decree declaring a specific company and project eligible for benefits. Through Law 46, the GOI makes a financial contribution that provides a benefit in the form of grants or low-interest loans. Valbruna, Bolzano, Delta Cogne (a CAS predecessor company), and Falck received assistance under this program during the allocation periods.

We analyzed whether the program is specific in law (*de jure* specificity), or in fact (*de facto* specificity), within the meaning of section 771(5A)(D) (i) and (iii) of the Act. First, we examined the eligibility criteria contained in the law. The CIPI resolutions identified the

[3] We note that Bolzano entered into the loan contract for the loan denominated in U.S. dollars in 1979. However, the interest rate for that loan was renegotiated in 1992. Therefore, we have treated it as a new loan from that point and used a 1992 benchmark.

following broad categories as priority sectors for eligibility and participation in the program: automobile and automotive components, electronics, steel, aerospace, chemicals, motorcycle, agri-food, and environmental. Small and medium-sized enterprises from any sector are also eligible to participate in the program. We find that the FIT portion of Law 46/82 is not *de jure* specific because the enacting legislation, by including all small and medium enterprises, does not explicitly limit eligibility to a specific enterprise or industry or group thereof.

We then examined data on the distribution of assistance under this program to determine whether the Deliberazione program meets the criteria for *de facto* specificity under section 771(5A)(D)(iii) of the Act. We found Law 46 Deliberazione benefits were distributed to a large number of firms in a wide variety of industries. The GOI also provided information on the sector-specific provision of benefits under the program. The electronics and chemicals industries received the largest percent of assistance provided to any of the sectors. In addition, ''other industries'' not specifically named received a large percentage of assistance. We found that the steel sector received 1.5 percent of total benefits awarded, and did not receive more than 3 percent of annual benefits awarded in any single year covered by the allocation periods. The steel industry received far less than a number of the other industries. Therefore, we preliminarily determine that the Law 46/82 Deliberazione program is not specific under section 771(5A)(D) of the Act.

We sought information from the GOI to determine whether export performance was a factor in determining eligibility for Deliberazione benefits. The GOI responded that export performance was not an eligibility criterion, but did indicate that a high percentage of exports, in terms of turnover, is one of the criteria examined under the economic impact analysis. Based on the information on the record, we do not find that the Law 46/82 Deliberazione Fund for Technological Innovation program meets the definition of an export subsidy within the meaning of section 771(5A)(B) of the Act. However, we will continue to examine whether provision of Law 46 Deliberazione assistance may be contingent upon export performance for the final determination.

B. Law 451/94 Early Retirement Benefits

Under Article 8 of Law 451/94, the GOI authorized an early retirement program to be implemented between 1994 and 1996. Under this program, a maximum of 15,500 (later amended to 17,100) workers could be retired early. Under Law 451/94, employees in the public and private iron and steel sector become eligible for retirement at age 50 for men and 47 for women. In order to qualify, the worker must have had 15 years of contributions to the early retirement program (under the provisions of Decree Law 503/92) or at least 30 years of regular contributions. The program was implemented to meet Italy's commitments for capacity reductions under the ECSC plan for rationalization of the iron and steel sector.

The provisions of Law 451/94 are similar to the early retirement provisions the Department has examined in prior cases (*e.g.,* Law 181/89, 193/84 and 223/91 in *Certain Steel from Italy* and *Electrical Steel).* The GOI, through the program, makes a contribution to the retirement program to allow each participating worker to retire with a full pension. These programs were designed to ease the collateral impact of the steel crises, allowing workers to retire instead of facing large numbers of layoffs.

The Department's practice with respect to early retirement and other prepension programs is articulated in the *GIA,* 58 FR at 37255: ''. . . in order for worker assistance programs to be countervailable, the company must be relieved of an obligation it would otherwise have incurred.'' In *Certain Steel from Italy,* we found that because of social unrest, companies could not layoff workers at will, thus early retirement programs provided a countervailable benefit because they allowed companies to reduce their payrolls. However, in *Electrical Steel,* the Department reversed this finding, determining that, when a company lays off workers, the company actually faces *higher* costs when a worker uses an early retirement provision instead of a standard severance package.

In this investigation, we examined whether Law 451/94 and similar provisions relieved any company of obligations to its workers. Bolzano is the only company that had workers retire under Law 451/94 during or before the POI. According to that company and the GOI, companies are able to lay off or fire workers at will. The obligations to those workers are dictated by Italian Labor Law. Pursuant to Article 2120 of the Italian Civil Code, workers are provided a minimum notice period and severance pay of approximately one month's salary. In order to participate in the early retirement program, workers, through the company, must apply to the GOI for consideration. Companies must continue to pay salaries until the applications are settled, through the end of the month following the approval of the application. Therefore, companies face the same, if not greater, financial commitments to their workers under Law 451/94 as they do under Article 2120 of the Italian Civil Code which governs obligations to workers in all industries. Accordingly, we preliminarily determine that Law 451/94 did not relieve companies of any obligation that they normally would incur, and, as such, we preliminarily find that Law 451/94 is not countervailable.

C. Law 308/82

In response to our request for information on ''other subsidies'' in the questionnaire, the GOI reported that Valbruna received grants for energy conservation under Law 308/82. However, this program was found to be non-countervailable in *Certain Steel from Italy* because it provided benefits to a wide variety of industries, with no sector receiving a disproportionate amount. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this determination.

III. Programs For Which We Need More Information

A. Province of Bolzano Law 25/81

The Province of Bolzano established programs under Law 25/81 to aid the commercial development of the province. In general, under this law, the province provides grants to companies whose technical fixed assets are below 8.5 billion lire, and targets advanced technology, energy consumption, and ecology projects. However, there are separate and distinct eligibility requirements set forth and benefits provided under Article 14 of Law 25/81. Under Article 14, companies in the manufacturing and mining sectors with at least 20 employees may qualify for restructuring grants. Unlike funding provided under other provisions of the law, there are no limitations on capital investment for companies which qualify for benefits under Article 14 (and Article 22 for conversion benefits). Therefore, we find it appropriate to examine Article 14 of law 25/81 as a separate program. *See, e.g., Live Swine from Canada; Final Results of Countervailing Duty Administrative Review,* 62 FR 18087, 18091 (April 14, 1997). Under Article 14 of Law 25/81, the Province of Bolzano provides

financial contributions in the form of grants and low-interest loans.

Bolzano received restructuring grants pursuant to Article 14 in the years 1983, 1985, 1987, and 1988. It also received loans under Article 14, all of which were repaid prior to the POI. It did not receive assistance under any other Article of this law.

We note that on July 17, 1996, the EC found in its decision numbered 96/617/ECSC that the aid granted to Bolzano was illegal because it was not notified to the EC, and was ''incompatible with the common market pursuant to Article 4(c) of the ECSC treaty.'' *See* October 27, 1997, response of the EC, public version on file in the CRU. As a result, the EC ordered that all grants and loans made to Bolzano after January 1, 1986, be repaid. According to the EC's policy, Bolzano was not required to repay benefits conferred prior to January 1, 1986.

As discussed in the ''Company Histories'' section above, Falck sold Bolzano to Valbruna in 1995. According to the terms of the sale, Falck retained the liability for repayment of these benefits should the EC decide against Bolzano. Thus, the level of benefits attributable to production of subject merchandise does not change subsequent to the sale of Bolzano.

We analyzed whether Article 14 of Law 25/81 is specific in law (*de jure* specificity), or in fact (*de facto* specificity), within the meaning of section 771(5A)(D) (i) and (iii) of the Act. We examined the eligibility criteria contained in Article 14, and found that the Article is not *de jure* specific because the enacting legislation does not explicitly limit eligibility to an enterprise or industry or group thereof. While the Province of Bolzano provided general information on the amount of benefits awarded per year under the entire law, we do not have information on the distribution of benefits under Article 14 of Law 25/81. Since we must examine distribution under Article 14 to determine if the program is specific, it is necessary to gather additional information from the Province of Bolzano. Therefore, for the purposes of this preliminary determination, we do not have enough information to evaluate whether Article 14 of Law 25/81 is specific under the Act. However, we will continue to examine whether Article 14 of Law 25/81 assistance may be *de facto* specific for the final determination.

B. European Social Fund

The European Social Fund (ESF) is one of the Structural Funds operated by the EC. The ESF was established in 1957 to improve workers' opportunities and raise their standards of living. It is based on Articles 123–128, 130(a)–130(e) of the EEC Treaty. The ESF principally provides vocational training and employment aids. There are five objectives identified under the ESF for funding: Objective 1 covers projects located in underdeveloped regions, Objective 2 covers areas in industrial decline, Objective 3 relates to employment of persons under 25, Objective 4 relates to restructuring companies, and Objective 5 relates to agricultural areas. The ESF provides funding for projects to train workers and promote employment. While funding is ultimately approved and provided by the EC, each Member State, in this case the GOI, is responsible for selecting plans to submit to the Commission. Each project must conform with the priorities and timetables approved by the Commission. All EC funding for Italian projects is paid to the Italian Ministry of the Treasury in ECUs. The Ministry then distributes funding to the approved participants, including national matching funds. Funds are distributed in three sections: one part upon approval of the project; one part after the program has been monitored; and the third after the conclusion of the program. Most projects last three to five years.

While the ESF funds general employment programs around the EU, under certain circumstances, companies may receive funding directly to implement training programs, or to recruit new employees. When provided to a company, the ESF provides a financial contribution to recipients which provides a benefit to the recipient in the form of a grant. Cogne, Valbruna, and Bolzano received ESF grants.

The Department has examined the ESF grant program in previous investigations and found it to be regionally specific within the meaning of section 771(5A) of the Act, because benefits have been provided under Objectives 1, 2, or 5(b) (*see, e.g., Pasta*). However the companies in this investigation received grants under Objectives 3 and 4. The EC indicated that Objectives 3 and 4 are broad initiatives that allow participation from companies in all areas. In *Pasta,* however, the Department found that only companies located in Objective 1, 2, or 5(b) regions received funds directly under this program. Since Cogne, Valbruna, and Bolzano are located in Objective 2 regions, the program may still be regionally-specific. Even though the companies implemented projects that received approval under Objective 3 and/or 4, the ESF may have provided funds directly to these companies because of their locations in Objective 2 regions. However, based on the information on the record, we are unable to determine whether the companies received funds due to their location. In addition, we were unable to obtain information on the distribution of assistance under Objectives 3 and 4. Therefore, we do not have enough information to make a determination on whether the assistance provided to Cogne, Valbruna and Bolzano is specific. We will continue to examine whether this assistance is specific for the final determination.

IV. Programs Preliminarily Determined To Be Not Used

We preliminarily determine that the companies under investigation did not apply for or receive benefits under the following programs during the POI:

A. Grants for Interest Payments Under Law 193/1984

Article 3 of Law 193/1984, which came into effect on May 31, 1984, provided grants for interest payments on medium-term loans outstanding between January 1, 1983, and September 7, 1984 (three months after the law came into effect). These grants reduced the rate of interest on medium-term financing to 11 percent, with no reduction to exceed 10 percentage points. This program was available only to steel companies with medium-term debts outstanding during the period indicated. Bolzano received a grant for interest payments on two loans incurred during this period; Valbruna received interest payment grants in 1985 and 1986 for payments corresponding to debts on bond issuances which were outstanding during the eligibility period. Cogne did not receive any grants for interest payments under this program.

Because Bolzano was aware that it would receive grants on interest payments for loans provided after May 31, 1984, we treat Bolzano's grants as reduced-interest loans. However, because the loans for which Bolzano received interest payment grants were repaid in full prior to the POI, there is no benefit attributable to the POI. Thus, Bolzano effectively did not use this program during the POI.

At the time Valbruna made its bond issuances, the company did not know that the GOI would provide grants for interest payments under law 193/1984. Therefore, we are treating the assistance on interest payments on the two bond issuances as grants. Because Valbruna did not receive the grants on an ongoing basis, the Department considers this

program to be non-recurring and therefore employed its standard non-recurring grant methodology (*see GIA*).

However the grants on interest payments Valbruna received in the years 1985 and 1986 were less than 0.5 percent of Valbruna's total sales in each of those years. Therefore, in accordance with the Department's practice, these non-recurring grant amounts are allocated to the year of receipt. Thus, Valbruna received no benefit under this program during the POI.

B. Law 46 and 706 Grants for Capacity Reduction

Article 20 of Law 46/1982 provided capital account grants for private steel companies that reduced their production capacity of raw, semi-finished, or rolled steel by closing down plants which were technologically obsolete or had marginal economic viability. The grants provided up to 100,000 lire for every ton of raw steel capacity which was reduced and up to 150,000 lire for every ton of semi-finished or rolled capacity which was reduced. In *Certain Steel from Italy* (58 FR 37333), the Department found that capacity reduction grants under Law 46 were specific because they were available only to companies in the private steel sector. Falck received grants in 1983 and 1984, which are outside the 12 year allocation period we are using in this investigation. Cogne, as a government-owned steel company, was presumably ineligible for grants under this program. However, the record evidence compiled in this investigation to date does not definitively state that only the private steel sector could receive assistance, and information on the record indicates that the GOI provided grants to one steel company in the Valle D'Aosta, where Cogne is located. Although, for purposes of this preliminary determination, we have concluded that benefits under this program were not used, we will request clarification on which company in Valle d'Aosta received grants under this program.

Section 4 of Decree Law 706/1985 was designed to complete the steel sector restructuring program and was a follow-on to the Law 46 capacity reduction program. It provided capital investment grants to steel producers which reduced production capacity by scrapping the rolling mills and the furnaces producing long products. None of the companies under investigation received grants under this program.

C. ECSC Article 56(2)(b) Retraining Grants

In 1994, Bolzano received a grant under the ECSC Article 56(2)(b). This grant was referenced on a line item of its financial statements, which led us, in part, to initiate on the "subsidies for operating expenses and easy-term funds" program (*see Initiation Notice* and "Programs Determined Not to Exist" section below). This program has been examined in several investigations by the Department and found to provide recurring benefits (*see e.g., German Wire Rod*). No information or evidence of changed circumstances has been submitted during this proceedings to warrant reconsideration of the recurring nature of the program. Therefore, since the grants were received in 1994, there are no benefits attributable to the POI and the program was not used.

D. Resider (II) Program

The Resider program was established by the EC to fund projects for the reclamation of steel areas. The Resider II program funds projects for the period 1993 through 1999. The Autonomous Region of Valle d'Aosta received funding under this program in 1996 to clean up the environmental damage on the Cogne industrial land that CAS no longer occupies. According to CAS, the GOI, and the EC, there is no connection between the benefits provided under this program and CAS. The assistance was provided after the land was purchased by the Autonomous Region of Valle d'Aosta. Further, as discussed in the "Valle d'Aosta Assistance" section above, the appraised value of the Cogne industrial site was reduced based on the costs of the reclamation. However, given the close proximity of the CAS facility to the area under reclamation, we will continue to examine whether CAS benefits from the reclamation project.

E. Law 675

1. IRI Bonds. We note that Delta Cogne, a predecessor of CAS, was assigned 54 billion lire worth of IRI debenture bonds on which the GOI made interest contributions between 1986 and 1993. In 1994, presumably because of the privatization of CAS, the bonds were assigned to another party. According to CAS, the bonds remained with Cogne S.p.A. Therefore, we believe that any debt obligation for which CAS may have been relieved would be captured in the "Pre-Privatization Assistance" program described above. During verification, we plan to examine the payment of interest contributions by the GOI and the assignment of the bonds. However, we preliminarily find that no benefits were provided to the subject merchandise under this program during the POI, and as such, this program was not used.

2. Mortgage Loans

3. Personnel Retraining Aid

4. Interest Grants on Bank Loans

F. Debt Forgiveness: 1981 Restructuring Plan

G. Law 481/94

H. Decree Law 120/89

I. Law 394/81 Export Marketing Grants and Loans

J. Law 488/92 and Legislative Decree 96/93

K. Law 341/95 and Circolare 50175/95

L. Valle d'Aosta Regional Law 16/88

M. Valle d'Aosta Regional Law 3/92

N. Bolzano Regional Law 44/92

O. Interest Rebates on ECSC Article 54 Loans

P. ECSC Article 56 Loans

Q. European Regional Development Fund

V. Programs Preliminarily Determined Not To Exist

Based on information provided by the GOI, we preliminarily determined that the following programs do not exist:

A. R&D Grants to Valbruna

We initiated on this program based on information contained in the petition regarding a program that provided research and development grants, which was discussed in an EC publication. According to the GOI, this program is the same as the Law 46 Deliberazione technological innovation program discussed in the "Programs Preliminarily Determined To Be Not Countervailable" section above. Accordingly, we preliminarily determine that this program does not exist.

B. Subsidies for Operating Expenses and "Easy Term" Funds

We initiated on this program based upon information contained in the petition and references in the annual reports of Valbruna and Bolzano, indicating receipt of "subsidies for operating expenses" and "easy term funds." However, the companies reported that the line items in the annual reports refer to other programs examined in this investigation: European Social Fund, Law 308/82, and ECSC Article 56(2)(b) Retraining Aid.

C. 1993 European Commission Funds

We initiated on this program based on information in the petition indicating that the EC may have funded bailouts for state-owned and private-owned steel producers in Italy. However, based on information submitted on the record of this proceeding, the EC was examining the GOI's program. Therefore, it appears this program is identical to the Pre-Privatization Assistance program discussed above in the ''Programs Preliminarily Determined To Be Countervailable'' section of this notice.

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 discussed in the ''Affiliated Parties'' section of this notice, we calculated a single rate for Valbruna/Bolzano. To calculate the ''all others'' rate, we weight-averaged the company rates by each company's exports of the subject merchandise to the United States.

In accordance with section 703(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of certain stainless steel wire rod from Italy, 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. This suspension will remain in effect until further notice. We also note that pursuant to section 705(a)(1) of the Act, this investigation is now aligned with the antidumping investigations of certain stainless steel wire rod.

Ad Valorem Rate

Producer/Exporter	Net subsidy rate %
CAS	30.47
Valbruna/Bolzano	1.22
All Others	19.48

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, 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 351.310, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. The hearing is tentatively scheduled to be held on March 9, 1998, at the U.S. Department of Commerce, 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 B–099, 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; and, (3) to the extent practicable, an identification of the arguments to be raised at the hearing. In addition, six copies of the business proprietary version and six copies of the nonproprietary version of the case briefs must be submitted to the Assistant Secretary no later than 50 days from the date of publication of the preliminary determination. As part of the case brief, parties are encouraged to provide a summary of the arguments not to exceed five pages and a table of statutes, regulations, and cases cited. Six copies of the business proprietary version and six copies of the nonproprietary version of the rebuttal briefs must be submitted to the Assistant Secretary no later than 55 days from the date of publication of the preliminary determination. 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 351.309 and will be considered if received within the time limits specified above.

This determination is published pursuant to section 703(f) of the Act.

Dated: December 29, 1997.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98–271 Filed 1–6–98; 8:45 am]

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DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[I.D. 122297C]

Corals and Reef Associated Plants and Invertebrates of Puerto Rico and the U.S. Virgin Islands

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice of intent to prepare a draft supplemental environmental impact statement (DSEIS); request for comments.

SUMMARY: NMFS announces the intent of the Caribbean Fishery Management Council (Council) to prepare a DSEIS on Amendment 1 to the Fishery Management Plan for Corals and Reef Associated Plants and Invertebrates of Puerto Rico and the U.S. Virgin Islands (FMP). Amendment 1 would establish a Marine Conservation District (MCD), approximately 20 square nautical miles in area, in Federal waters south of St. John, U.S. Virgin Islands (USVI). The purpose of this notice is to solicit public comments on the scope of the issues to be addressed in the DSEIS.

DATES: Written comments on the scope of the DSEIS must be received on or before February 6, 1998.

ADDRESSES: Comments on the scope of the DSEIS and requests for additional information on Amendment 1 should be sent to Miguel A. Rolon, Executive Director, Caribbean Fishery Management Council, 268 Munoz Rivera Avenue, Suite 1108, San Juan, Puerto Rico 00918–2577.

FOR FURTHER INFORMATION CONTACT: Graciela Garcia-Moliner, 787–766–5926, or Georgia Cranmore, 813–570–5305.

SUPPLEMENTARY INFORMATION: In 1993, the Council's Marine Reserve Zoning Committee recommended the establishment of the first MCD in the U.S. Caribbean, in Federal waters south of St. John, USVI, seaward of the Virgin Islands National Park. A MCD is an area designed to protect coral reef resources, reef fish stocks, and their habitats. Fishing would be prohibited within the MCD, and the Council is considering a ban on the anchoring of fishing vessels