

AUL or the country-wide AUL for the industry in question, and that the difference between the company-specific or country-wide AUL and the IRS tables is significant. See 19 CFR 351.524(d)(2)(i). For this difference to be considered significant, it must be one year or greater. See 19 CFR 351.524(d)(2)(ii).

Neither the petitioners, CWB, GOC, GOA, or GOS have contested using the AUL reported for the wheat products industry in the IRS tables. Therefore, we preliminarily determine that any non-recurring benefits should be allocated over 10 years.

Attribution of Subsidies

19 CFR 351.525(b)(6)(ii) states that the Department will attribute subsidies received by corporations with “cross-ownership” that produce the subject merchandise to the combined sales of those companies. Based on our review of the responses, we preliminarily find no “cross-ownership” between the CWB and any other parties, and we have attributed countervailable subsidies received by the CWB to the CWB’s sales.

Benchmark Interest Rates

Pursuant to 19 CFR 351.505(a) and 19 CFR 351.524(d)(3)(i), the Department will use as a long-term loan benchmark and as a discount rate the actual cost of comparable long-term borrowing by the company, when available. 19 CFR 351.505(a)(2) defines a comparable commercial loan as one that, when compared to the government-provided loan in question, has similarities in the structure of the loan (e.g., fixed interest rate v. variable interest rate), the maturity of the loan (e.g., short-term v. long-term), and the currency in which the loan is denominated. In instances where no applicable company-specific comparable commercial loans are available, 19 CFR 351.505(a)(3)(ii) permits the Department to use a national average interest rate for comparable commercial loans.

In 1999, the Red Coat Road and Rail Ltd. short line railway was approved for and received a long-term loan from the GOS under the Short Line Financial Assistance Program, described in the “Analysis of Programs” section, below. The petitioners have alleged that any railways receiving benefits under this program were entrusted and/or directed to provide a financial contribution to the CWB through this program. There is no information on the record as to whether the Red Coat Road and Rail Ltd. had comparable long-term borrowings of its own during 1999. Accordingly, we compared the effective interest rate on the loan received by the

Red Coat and Rail Ltd. to the 1999 national average annual long-term interest rate, represented by the weighted average yield on long-term bonds.

A. CWB Borrowing

The CWB had a large quantity of outstanding short-term borrowing during the POI, all of which was guaranteed by the GOC. The CWB borrowed using four different instrument types: (1) Commercial paper issued in the United States in U.S. dollars (“USCP program”); (2) notes issued in Canada in Canadian dollars (“WBN program”); (3) commercial paper issued in the euromarkets (i.e., international markets) in U.S. dollars and certain other foreign currencies (however, all foreign currency borrowings were swapped to U.S. dollar debts) (“ECP program”); and (4) Euro Medium Term Notes issued in U.S. dollars and Japanese Yen (however, all the Japanese Yen borrowings were swapped to U.S. dollar debts and all the borrowings swapped to variable rates) (“EMTN program”). 19 CFR 351.505(a)(2) states that the Department normally will select a benchmark interest rate reflecting the structure, maturity and currency in which a firm’s loans are denominated. However, for purposes of these preliminary determinations, for the non-U.S. or Canadian dollar borrowings under the ECP and EMTN programs, we have used the U.S. dollar, variable rate terms applicable under the swap agreements (rather than on the underlying loans) in determining whether a benefit exists. We intend to examine these borrowings further, including any additional possible benchmarks, to determine whether there is another, more appropriate methodology for the final determinations.

19 CFR 351.506(a) states that “[i]n the case of a loan guarantee, a benefit exists to the extent that the total amount a firm pays for the loan with the government-provided guarantee is less than the total amount the firm would pay for a comparable commercial loan that the firm could actually obtain on the market absent the government-provided guarantee,” and that the Department “will select a comparable commercial loan in accordance with section 351.505(a) {of the Department’s regulations}.” 19 CFR 351.505(a)(3)(i) states that in selecting a benchmark loan, the Department “normally will rely on the actual experience of the firm in question in obtaining comparable commercial loans,” but 19 CFR 351.505(a)(3)(ii) explains that “if the firm did not take out any comparable

commercial loans * * * {the Department} may use a national average interest rate for comparable commercial loans.” Because all of the CWB’s borrowings are guaranteed by the GOC, no company-specific benchmark exists for “a comparable commercial loan that the firm could actually obtain on the market absent the government-provided guarantee.” Accordingly, we reviewed the information on the record to determine the appropriate national average interest rates, both for U.S. dollar and Canadian dollar borrowings.

B. Comparable Short-Term Borrowing

The GOC and CWB argue that the U.S. and Canadian dollar prime rates are inappropriate benchmarks for the CWB’s commercial paper¹ borrowings because the prime rate “is not relevant to the CWB or any similar-size corporation operating in the same business segments and international markets as the CWB.” As an alternative to the prime rates, the GOC provided interest rate information on the Canadian Bankers’ Acceptance rates (CBA rates) for 1 and 3 month borrowings (for Canadian dollars), and the U.S. dollar LIBOR rate for 1, 3, and 6 month borrowings, as these rates typically serve as a reference rate for top-rated commercial paper borrowing. Furthermore, in response to the Department’s inquiry about why the LIBOR/CBA rates would be appropriate benchmarks for CWB borrowings in the absence of the guarantee, the CWB stated that its borrowing terms “are not materially different from the borrowing terms * * * that apply to highly rated, non-guaranteed issuers in the United States and Canada.”

We do not believe that this response addresses the crucial question of what interest rate the CWB would pay on its borrowings in the absence of the GOC’s guarantee. Based on our research, the interest rate the CWB would pay would depend on whether the CWB had access to the commercial paper market, which, in turn, would depend on the CWB’s credit rating in the absence of the GOC guarantee. For example, according to Fabozzi and Modigliani, in *Capital Markets: Institutions and Instruments*, “commercial paper is an alternative * * * for large corporations with strong credit ratings,” (emphasis added). Similarly, according to the U.S. Federal Reserve, “the overwhelming majority of

¹ “Commercial paper” is a short-term unsecured promissory note representing the obligation of the issuing corporation that is issued in the open market and sold at a discount from its face value. This discount represents the effective interest rate on the notes. Commercial paper is typically purchased by money market mutual funds.