

{commercial paper} issuers are extremely creditworthy.” See *The Commercial Paper Market: Who’s Minding the Shop* at [www.stls.frb.org/publications/re/1998/b/re1998b3.html](http://www.stls.frb.org/publications/re/1998/b/re1998b3.html).

Based on the CWB’s own statement, its credit rating would be less favorable in the absence of the GOC’s guarantee. This is reflected in the CWB’s 2000–2001 Annual Report, at 31, which states that “[a] borrowings of the {CWB} are unconditionally and irrevocably guaranteed by the Minister of Finance, resulting in the top credit ratings from Moody’s \* \* \*, Standard and Poor’s \* \* \*, and Dominion Bond \* \* \*” (emphasis added).

Indeed, it may be the case that the CWB’s ability to borrow in the commercial paper market is due entirely to the GOC’s guarantee. Sources show that companies with lower credit ratings can still have access to the commercial paper market, so long as their borrowings are supported or guaranteed by parties with higher credit ratings. Fabozzi and Modigliani, at 473–4, describe how companies with lower credit ratings have been able to issue commercial paper “by means of credit support from a firm with a high credit rating,” issuing so-called “credit supported commercial paper” or “letter of credit paper.” Clearly, the GOC’s backing is an important feature of the GOC’s borrowing. In reviewing the sample placement documents submitted by the CWB, all place great emphasis on the fact that underlying debt instruments are guaranteed by the GOC, in essence making these issues credit supported commercial paper-supported by the full faith and credit of the GOC. See Exhibit 3 of the February 13, 2003 CWB supplemental response. Furthermore, a search on the Moody’s internet site reveals that this credit rating agency considers the CWB to be a “sovereign” borrower.

While this evidence leads us to question whether the CWB would have access to the commercial paper market in the absence of the GOC’s guarantee, we do not believe it is sufficient to support a preliminary determination that the CWB could not access that market. Instead, the evidence currently on the record supports the conclusion that the GOC’s guarantee ensures that the CWB has the top credit rating. Thus, the issue is what rate the CWB would pay without the top credit rating it currently enjoys by virtue of the GOC’s guarantee.

Based on our research, companies with the highest credit rating (*i.e.*, P–1 (Moody’s), A–1/A–1+ (S&P)) are able to borrow in the commercial paper market at LIBOR/CBA. Because the evidence

indicates that the CWB’s high credit rating is due to the GOC guarantee, we preliminarily determine that in the absence of the guarantee, the CWB would have a credit rating less favorable than P–1/A–1 and, therefore, the LIBOR/CBA rates are not the appropriate benchmark.

Fabozzi and Modigliani, at 474–5, indicate that there are two tiers of investment grade commercial paper. To be able to use the first tier, the borrower must have a credit rating of P–1/A–1, as described above. The second tier is available to issuers with P–2/A–2 credit ratings. Commercial paper is sold in this market at a greater discount (*i.e.*, it has a higher effective interest rate). Thus, the second tier commercial paper market might be a source of funds for the CWB in the absence of the GOC’s guarantee.

A second alternative would be for the CWB to borrow from banks at the prime rate. According to Fabozzi and Modigliani, at 471–2, borrowing from a bank is an alternative to the commercial paper markets, albeit a higher cost alternative, and one that would be used by firms with lower credit ratings. Also, according to the U.S. Federal Reserve, the prime rate is “one of several base rates used by banks to price short-term business loans.” See <http://www.federalreserve.gov/releases/h15/update/>.

In reviewing the record, we find no information that clearly indicates, based on a presumed credit rating of P–2/A–2 or below, whether the CWB would be able to borrow in the second-tier commercial paper market or whether it would be required to raise funds through banks. Accordingly, lacking such information for these preliminary determinations, we have calculated an average of the rates applicable to second-tier commercial paper and the prime rates in order to derive a benchmark rate. For purposes of the final determinations, we encourage parties to submit further information that would allow us to more accurately estimate the credit rating of the CWB in the absence of the GOC guarantee, and the benchmark rates that would be applicable to the CWB with such a credit rating.

19 CFR 351.505(a)(2)(iv) states that the Department “normally will use an annual average of the interest rates on comparable commercial loans.” However, if the Department “finds that interest rates fluctuated significantly during the period of investigation or review, the {Department} will use the most appropriate interest rate based on the circumstances presented.” A review of the interest rates on the underlying

loans and the benchmarks selected indicate that there was a substantial and sustained decrease in interest rates over the POI. For example, the prime rate went from 5.95 percent in August 2001, to a low of 3.75 percent in February and March, and then to 4.4 percent in July 2002. A similar pattern exists on the CWB’s actual loans. Accordingly, we have used monthly average benchmark interest rates in our benefit calculations.

## Analysis of Programs

Unless otherwise specified, these programs encompass both hard red spring wheat and durum wheat. Accordingly, the countervailable subsidy rate applies equally to both products.

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

### I. Programs Preliminarily Determined To Be Countervailable

#### A. Provision of Government-Owned and Leased Railcars

The GOC, GOA, and GOS purchased railway hopper cars (“hopper cars”) and provided them to the Canadian Pacific Railway (“CP”) and the Canadian National Railway (“CN”) (collectively referred to as the “railway companies”) for the transportation of grain, including subject merchandise. During the POI, the GOC, GOA, and GOS provided a total of 14,414 hopper cars to the railway companies for transporting grain. The provision of these railcars to the railway companies is governed by operating and alternate use agreements between the federal and provincial governments and the railway companies. The GOC provided 12,510 hopper cars and the GOA and GOS provided 951 and 953 hopper cars, respectively.

Under the operating agreement, the railway companies are permitted to use and operate the hopper cars as part of the railway companies’ common railcar fleet, subject to certain specified alternate use restrictions. The railway companies, in turn, have to repair, maintain, and service the hopper cars and to transport Western Division grain included in Schedule II of the Canada Transportation Act (“Schedule II”). Hard red spring wheat and durum wheat are included in Schedule II. According to the Canada Transportation Act, Western Division means the part of Canada lying west of the meridian passing through the eastern boundary of the City of Thunder Bay, including the whole of the Province of Manitoba.