

C\$3.00 per tonne. However, the GOC provided information to support its claim that the lease rates used in the Sparks Study to calculate estimated ownership costs were substantially higher than the range of lease rates quoted by Canadian hopper car leasing companies during the POI. Thus, we have preliminarily reduced the \$2.50 per tonne estimate of ownership costs by the percentage difference between the average lease rate used in the Sparks Study and the average of the lease rates quoted by Canadian hopper car leasing companies during the POI.

Finally, we divided the benefit received by the CWB in the POI by CWB's total sales during the POI. On this basis, we preliminarily determine the countervailable subsidy from the federal and provincial governments' provision of railway hopper cars to be 0.35 percent *ad valorem* for the CWB.

The GOC, GOA and GOS have argued that the benefit from the governments' provision of railcars, if any, is tied to east/west shipments of grain because for other shipments, including shipments to the United States, the railway companies must pay commercially determined alternate use fees. We have not adopted this position in our preliminary determinations because we have focused our analysis on whether the railway companies receive adequate remuneration when they provide hopper car service. No information has been provided to show that the rates charged by the railway companies for service to particular destinations varies because they pay (or don't pay) an alternate use fee for the government-provided hopper cars.

B. GOC Guarantee of CWB Borrowing

Until 1998, the CWB was an agent Crown Corporation of Canada, and CWB borrowings were guaranteed by virtue of this agency relationship. At the end of 1998, the CWB lost its agency status, and the Canadian Wheat Board Act was amended to its current form, which requires the CWB to submit an annual borrowing plan to the Minister of Finance, and seek approval of terms and conditions of the proposed borrowing plans. Section 19(5) of the Canadian Wheat Board Act provides that borrowings under an approved borrowing plan are guaranteed by the GOC. All CWB borrowings must be consistent with the time, terms and conditions authorized pursuant to the borrowing plan and, accordingly, all CWB borrowings are guaranteed by the GOC.

During the POI, the CWB engaged in short-term borrowing by accessing the money markets in Canada, the United

States, and the global money market. The CWB also had outstanding borrowings using Euro Medium Term Notes ("EMTNs"). The CWB has issued a variety of EMTNs in different currencies, having maturities ranging from 5 to 15 years. However, the CWB has swapped all of these EMTNs to U.S. dollars and floating rates of interest.

The CWB borrows to finance its initial payments to farmers, operating expenses, and credit sales to sovereign and private buyers (*see, also, GOC Guarantee of CWB Lending* section, below). The CWB opened the POI with approximately C\$7.6 billion in outstanding borrowings.

We preliminarily determine that the GOC's guarantee of the CWB's borrowing is a countervailable subsidy. By providing this guarantee, the GOC has provided a financial contribution in the form of a potential direct transfer of funds, within the meaning of section 771(5)(D)(i) of the Act. This guarantee is limited to the CWB and, therefore, specific within the meaning of section 771(5A)(D)(iii)(I) of the Act. We calculated the benefit to the CWB by comparing the amounts that the CWB paid on its borrowings with what it would have paid absent the government guarantee. *See, "Subsidies Valuation Information, Benchmark Interest Rates"* section, above, for further discussion of the benchmark rates used in this calculation. To calculate the countervailable subsidy, we divided the total benefit received by the CWB on all its borrowings by the CWB's total sales in the POI. On this basis, we preliminarily determine the countervailable subsidy from the GOC's guarantee of CWB borrowing to be 3.59 percent *ad valorem*.

II. Programs Preliminarily Determined To Be Not Countervailable

A. GOC Guarantee of CWB Lending

The CWB has two types of credit grain sales programs which are guaranteed by GOC, the Credit Grain Sales Program ("CGSP") and the Agri-Food Credit Facility ("ACF"). The CGSP was established in 1952, and allows the CWB to sell grain on credit to customers who can provide a sovereign guarantee of repayment. Repayment terms under the CGSP cannot exceed 36 months. As of the beginning of the POI, the CWB had approximately C\$7.1 billion in outstanding credit under the CGSP. Approximately 84 percent of this total consisted of debt that had been rescheduled or subject to rescheduling pursuant to Paris Club agreements,³ and

an additional 12 percent represents overdue debt from the Government of Iraq. The ACF was established in 1995 to support sales of grain on credit to private sector customers. CWB lendings under the ACF are short-term, with repayment periods of one year or less. At the start of the POI, the CWB had approximately C\$85 million in outstanding credit under the ACF. All of the debts under this program are current.

The CWB states that neither of these programs has been used to support sales to the United States, and that the United States is not on the GOC-approved list of countries to which export credits can be extended under the CGSP. In addition, the CWB states that all of its credit customers, with the exception of Iraq, are paying the CWB according to the terms of their most recent lending agreement (original or restructured), and that the net cash flows to the CWB on restructured debt are the same both before and after the rescheduling. However, the CWB and GOC have stated that the GOC made portions of the rescheduled payments for Poland, Ethiopia, Zambia, Egypt and Haiti.

The petitioners allege that this program provides a benefit to the CWB because the CWB is able to earn interest income (*i.e.*, the difference between the rate at which it lends to its customers and the rate at which it borrows in order to disburse this revenue to producers) on debts that are uncollectible. However, as stated above, all the debts, with the exception of Iraq, are, in fact, performing in accordance with their debt agreements. While a benefit arises as a result of the fact that the CWB is borrowing at a rate less than it would otherwise be able to borrow but for its borrowing guarantee, we have already countervailed this benefit on all of the CWB's borrowings. (*See "GOC Guarantee of CWB Borrowing"* section, above.)

However, although we have preliminarily found that the benefit alleged by petitioners under this program is already countervailable under the GOC guarantee of CWB borrowing program, we note that the GOC payments to the CWB may give rise to an additional or alternative benefit in the amount of these payments. We preliminarily determine that such payments would be export subsidies. 19 CFR 351.514(a) states that the Department will consider a subsidy to be an export subsidy if "eligibility for, approval of, or the amount of, a

³ The Paris Club is a forum where the GOC and other sovereign creditors have periodically agreed

to extend repayment terms beyond original maturity dates and/or reduce the principal owed by a debtor country.