

the grain is transferred to the alternative delivery points." While this review did not consider the income the railways earned from transporting grain over the grain-dependent branch lines, the GOC claims that the railways would experience very little loss of revenue, if any, from the closure of a branch line because the farmer will truck the grain to the next closest elevator and the railway would still receive payment for the transportation of the grain to the final destination, only on a slightly different route.

The GOC also explains that the reason for grain-dependent branch lines' closures is the rationalization of grain elevators and the move to multi-car block loading, which is dependent on high volume, larger elevators. This has led to a closure of older, smaller capacity wooden elevators on branch lines as large capacity non-wooden elevators have been built on main lines to take advantage of multi-car discounts.

The petitioners argue that the payment is causing the railways to keep open grain-dependent branch lines that were slated for closure and cite to an article reporting that CN imposed a moratorium on grain-dependent branch lines' closures. However, the Department notes that CN closed two grain-dependent branch lines in Saskatchewan after the GDBL payments were initiated and before the moratorium was announced. This suggests that the GDBL payments were not the reason for CN issuing the moratorium. As further proof that the GDBL payments did not deter the railways from closing grain-dependent branch lines, the GOC has reported that 78.1 miles of grain-dependent branch lines were closed in crop year 1999/00; 33.8 miles were closed and 75.4 miles were transferred in crop year 2000/01; and 97 miles were closed in crop year 2001/02 (the POI). These statistics demonstrate that the railways continued to close grain-dependent branch lines after the GDBL payments went into effect. Further, the Quorum Corporation, the third party entity appointed by the GOC to monitor the Grain Handling and Transportation System, issued a report which states that "of the 384.3 route-miles of infrastructure abandoned in the 2000–01 crop year, 289.9 (or 75.4 percent) were grain dependent branch lines." These closures were in the crop year just after the GDBL payments came into effect.

As the evidence supports the finding that the GDBL payments did not deter the railways from abandoning grain-dependent branch lines, we preliminarily find that the GOC is not directing and/or entrusting CP and CN

to continue to provide rail service on grain-dependent branch lines that would normally be abandoned.

D. Short Line Financial Assistance Program

Under the Short Line Financial Assistance Program, short line operators are eligible to receive a percentage of the capital required to purchase rail lines slated for abandonment within Saskatchewan. Funding for the program was provided by the GOC, through the Canadian Agri-Infrastructure Program (CAIP), and the GOS. The program was in effect from July 2, 1996, to December 31, 2001, during which time only one application was presented and approved, all within 1999. For the one project, a 15-year loan from the GOS was disbursed on May 1, 1999 and a one-time non-repayable cash grant from the GOC was disbursed on July 20, 1999. (See "Program Preliminarily Determined to be Not Used During the POI," below, for a discussion of the grant.)

a. GOS Loan

We preliminarily determine that the 15-year loan from the GOS as part of the Short Line Financial Assistance Program is not a countervailable subsidy.

Consistent with section 771(5)(E)(ii) of the Act there is no benefit conferred by this loan, because the benchmark interest rate, the 1999 national average annual long-term interest rate represented by the weighted average yield on long-term industrial bonds, is lower than the interest rate charged on the underlying loan.

Both the CWB and the GOC further argue that since no subject merchandise was shipped to the United States on this short line, any benefit would be tied to non-U.S. sales. Because we found no benefit conferred by the GOS loan, the Department did not reach this question.

III. Program Preliminarily Determined To Be Not Used During the POI

Based on the information provided in the responses, we preliminarily determine that no benefits were applied for or received under the following program during the POI:

Short Line Financial Assistance Program

For a general description of this program, please see the description under "Programs Preliminarily Determined to be Not Countervailable."

a. GOC Grant

For non-recurring subsidies, we apply the "0.5 percent expense test,"

described in section 351.524(b)(2) of the Department's regulations, in which we compare the amount of subsidies approved under a given program in a particular year to sales (total or export, as appropriate) in that year. If the amount of subsidies is less than 0.5 percent of sales, the benefits are expensed in their entirety in the year of receipt rather than allocated over the AUL period. In the case of this GOC grant made under the Short Line Financial Assistance Program, the resulting percentage was significantly below 0.5 percent. Accordingly, any countervailable benefit from this grant would be completely expensed in 1999 and would not provide a benefit to the CWB during the POI.

IV. Program for Which We Need More Information

Guarantee of the Initial Payment

The Canadian Wheat Board Act requires that the GOC cover any shortfall if the CWB's initial payment to producers (plus operating costs) exceeds the total pool receipts during the pool period. The petitioners maintain that this guarantee effectively provides an insurance policy against losses, for which the CWB does not pay. The petitioners state that payments under this guarantee have been made seven times during the history of the CWB, the last time for the 1990–91 marketing year. The petitioners argue that a commercial firm would need to buy insurance (in the form of a put option) to guarantee against losses in a similar fashion, and there would be an identifiable cost in all years for such insurance, not just those in which the CWB receipts fell short of the initial payments. The petitioners estimated the value of such put options using the Black-Scholes options valuation formula.

As described above, the Department initiated on this program on February 11, sent out its questionnaires on February 13, and received responses on February 25, 2003. The Department has not had the opportunity to analyze thoroughly the information received or issue any necessary supplemental questionnaires. Accordingly, we are not making preliminary determinations with regard to this program at this time. After we collect, review and analyze the necessary information, we will prepare an analysis memorandum addressing the countervailability of this program, and provide all parties an opportunity to comment on our analysis.