

1998 Review of CTL Plate. We further found that the record reflected that the GOM, in accepting GAN's bid, considered one-half of GAN's committed investment to be equivalent to the payment of cash. Therefore, we used this amount as a proxy for the amount of revenue foregone by the GOM in its sale of AHMSA, within the meaning of section 771(5)(D)(ii) of the Act. *Id.* No new information or evidence of changed circumstances has been presented thus far in this review to warrant any reconsideration of these findings. Therefore, for purposes of these preliminary results, we continue to find that GAN's committed investment into AHMSA was specific and constituted a government financial contribution within the meaning of the Act. Furthermore, we continue to find that this program conferred a benefit under section 771(5)(E) of the Act.

Accordingly, we have treated this benefit as a non-recurring grant in the amount of the revenue foregone and allocated it over time using our standard grant formula.⁹ We then converted the benefit attributable to the POR into pesos using the average annual peso/U.S. dollar exchange rate for the POR. Finally, we divided the resulting peso-denominated benefit amount by AHMSA's total consolidated sales during the POR. On this basis, we determine the net countervailable subsidy to be 2.21 percent *ad valorem*.

E. 1988 and 1990 Debt Restructuring of AHMSA Debt and the Resulting Discounted Prepayment in 1996 of AHMSA's Restructured Debt Owed to the GOM

In 1987, the GOM negotiated agreements with foreign creditors to restructure the debt of AHMSA. The GOM again negotiated on behalf of AHMSA debt restructuring agreements in 1988 and 1990. Under these agreements, the GOM purchased AHMSA's debts, which were denominated in several foreign currencies, from AHMSA's foreign creditors in exchange for GOM debt. The GOM thereby became the creditor for loans included in these agreements.

In the underlying investigation, the GOM claimed that AHMSA's principal repayment obligations remained the same after the debt restructuring. However, in that investigation, we could not confirm during verification that AHMSA's principal obligations on its debt had not been forgiven in the 1988

and 1990 debt restructuring agreements. Thus, based upon the facts available to the Department at the time of the investigation, we assumed that the principal had been forgiven and that this had been reflected in the amount of the discount the GOM had received when purchasing the debt from AHMSA's foreign creditors.

Accordingly, we treated the forgiven principal as a non-recurring grant.

In the 1997 review of CTL Plate, AHMSA claimed that, in June 1996, it had repaid its restructured debt in the form of a discounted prepayment to the GOM, thereby extinguishing its financial obligations to the GOM. During verification of the questionnaire response submitted during that administrative review, we learned that, in order to determine the amount of the discounted prepayment that AHMSA was to make in June of 1996, the company and the GOM had created amortization tables for each of the foreign currency loans. Next, they had converted these payment streams into U.S. dollars and calculated the net present value for each payment stream. They had then summed the U.S. dollar denominated net present values to derive the amount of the discounted prepayment to be made in U.S. dollars.

In the 1997 review of CTL Plate, we determined that AHMSA's discounted prepayment of its 1988 and 1990 restructured debts constituted a countervailable benefit, in the form of debt forgiveness, because AHMSA's discounted prepayment had resulted in a reduction of the amount of principal owed by AHMSA on this debt. *See Preliminary Results of 1997 Review of CTL Plate*, 64 FR at 48799. On this basis, we determined in the 1997 review of CTL Plate that the difference between the principal outstanding on AHMSA's restructured debt and the amount of its discounted prepayment constituted debt forgiveness on the part of the GOM and, therefore, conferred a benefit and constituted a government financial contribution within the meaning of sections 771(5)(E) and 771(5)(D)(ii) of the Act, respectively. In addition, we determined that the benefit was conferred in 1996, the year in which the debt forgiveness took place. *See id.* Because the debt forgiveness was made to a single enterprise, we determined in the 1997 review of CTL Plate that it was specific within the meaning of section 771(5A)(D)(iii)(I) of the Act. We continued this approach in the 1998 review of CTL Plate. No new information or evidence of changed circumstances has been presented thus far in this review to warrant any reconsideration of these findings. Thus,

for purposes of these preliminary results, we continue to find that the debt forgiveness under this program is a countervailable, non-recurring grant.

Because the principal forgiven was denominated in U.S. dollars and, thus, was unaffected by Mexico's intermittent significant inflation, we used the Department's standard non-recurring grant methodology to allocate the benefit to the POR. See 19 CFR 351.509. We used as our discount rate the weighted-average of AHMSA's fixed-rate, U.S. dollar loans that were received during the year of receipt when the debt forgiveness took place. We then converted the U.S. dollar denominated benefit into pesos using the average annual peso/U.S. dollar exchange rate for the POR. Finally, we divided the benefit attributable to the POR by AHMSA's total consolidated sales during the same period. On this basis, we preliminarily determine the net subsidy for this program to be 0.52 percent *ad valorem* for AHMSA.

F. Immediate Deduction Program

Under Article 51 of Mexico's tax law, companies may opt to take an immediate deduction on fixed assets purchased during the tax year, as opposed to taking regular straight line depreciation. The rates of depreciation under the immediate deduction vary according to industry. The Immediate Deduction program was established in 1987 and was subject to ongoing reforms until it was repealed in 1998. The program was subsequently reinstated in 2002. *See* the "Immediate Deduction" section of the GOM Verification Report. Tax credits earned under the Immediate Deduction program can be carried-forward for a period of 10 years. *Id.* Pursuant to this carry forward provision, AHMSA was able to apply tax credits, earned prior to and during 1998, to tax year 2000 even though the program was not active during the POR.

The immediate deduction mechanism was available only for certain fixed assets that had not been previously used in Mexico. The immediate deduction was not available for pre-operation expenses or for deferred expenses and costs. The GOM's stated purpose for the immediate deduction program was to promote investment by allowing companies to take an accelerated or immediate deduction set to an industry-specific rate, rather than using the standard straight-line depreciation method. GOM officials confirmed during verification that the immediate deduction option only applied to property used permanently within Mexico but outside the metropolitan areas of Mexico City, Guadalajara, and

⁹ The benefit amount under this program was denominated in U.S. dollars. Therefore, it was not necessary to use the intermittent inflation methodology discussed above.