Dated: June 29, 2000.

Troy H. Cribb,

Acting Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

[C–475–812]

Grain-Oriented Electrical Steel From Italy; Preliminary Results of Countervailing Duty Administrative Review and Extension of Time Limit for Final Results of Countervailing Duty Administrative Review

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of preliminary results of countervailing duty administrative review.

SUMMARY: The Department of Commerce (the Department) is conducting an administrative review of the countervailing duty order on grain-oriented electrical steel from Italy for the period January 1, 1998 through December 31, 1998. For information on the net subsidy for the reviewed company, as well as for all non-reviewed companies, see the *Preliminary Results of Review* section of this notice. If the final results remain the same as these preliminary results of administrative review, we will instruct the U.S. Customs Service to assess countervailing duties as detailed in the *Preliminary Results of Review* section of this notice. Interested parties are invited to comment on these preliminary results. (*See Public Comment* section of this notice.)

EFFECTIVE DATE: July 7, 2000.

FOR FURTHER INFORMATION CONTACT: Stephanie Moore or Darla Brown, Office of AD/CVD Enforcement VI, Group II, Import Administration, U.S. Department of Commerce, Room 4012, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482–2786.

SUPPLEMENTARY INFORMATION:

Background

On June 7, 1994, the Department published in the **Federal Register** (59 FR 29414) the countervailing duty order on grain-oriented electrical steel from Italy. On June 9, 1999, the Department published a notice of ‘‘Opportunity to Request Administrative Review of Grain-Oriented Electrical Steel from Italy’’ (64 FR 30962). We received a timely request to conduct a review from Acciai Speciali Terni S.p.A. (AST). We initiated the review covering the period January 1, 1998 through December 31, 1998 on July 29, 1999 (64 FR 41075).

In accordance with 19 CFR 351.213(b), this review covers only those producers or exporters of the subject merchandise for which a review was specifically requested. Accordingly, this review covers AST. This review also covers 21 programs.

On January 20, 2000, the Department extended the period for completion of the preliminary results pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act). *See Grain-Oriented Electrical Steel from Italy: Extension of Preliminary Results of Countervailing Duty Administrative Review,* 65 FR 3206 (January 20, 2000).

Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions of the Act of 1930, as amended by the Uruguay Round Agreements Act (URAA) effective January 1, 1995. In addition, unless otherwise indicated, all citations to the Department's regulations reference 19 CFR part 351 (1999).

Scope of the Review

Imports covered by this review are shipments of grain-oriented electrical steel from Italy, which is a flat-rolled alloy steel product containing by weight at least 0.6 percent of silicon, not more than 0.08 percent of carbon, not more than 1.0 percent of aluminum, and no other element in an amount that would give the steel the characteristics of another alloy steel, of a thickness of no more than 0.56 millimeters, in coils of any width, or in straight lengths which are of a width measuring at least 10 times the thickness. The products covered by this review are provided for under the following item numbers of the Harmonized Tariff Schedule of the United States (HTSUS): 7225.10.0030, 7226.10.1030, 7226.10.5015, and 7226.10.5065. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive.

Corporate History of AST

Prior to 1987, Terni Societa' per l'Industria e l'Elettricita' S.p.A. (Terni), an operating company within the Finsider S.p.A. (Finsider) group, produced electrical steel. Finsider was a holding company that controlled all state-owned steel companies in Italy. Finsider, in turn, was wholly-owned by a government holding company, Instituto per la Ricostruzione Industriale (IRI). During 1987, Finsider was restructured into four main operating companies: Terni Acciai Speciali S.p.A. (TAS) (flat-rolled stainless steel, electrical steel); Italsider S.p.A. (carbon steel flat-rolled products); Nuova Deltasider S.p.A. (long products) and Dalmine S.p.A. (pipe and tube). During the restructuring, Terni's steel facilities, including electrical steel were transferred to the newly formed TAS.

In 1988, the Government of Italy (GOI) submitted a new restructuring plan for the steel industry to the European Commission (EC) for approval. Under this plan, which was approved in December 1988, Finsider and its main operating companies (TAS, Italsider S.p.A., and Nuova Deltasider S.p.A.) entered into liquidation and a new company, ILVA S.p.A. (ILVA) was created with some of the assets and liabilities of the liquidating companies. The plan also envisioned the closure of certain plants and the sale of others to private investors, which was carried out by ILVA between 1990 and 1992. With respect to TAS, some of its liabilities, as well as its manufacturing and other assets were transferred to ILVA on January 1, 1989, except for the production of forgings, round bars, and pressure vessels, which remained with TAS in liquidation until April 1, 1990. On April 1, 1990, these production units and certain additional liabilities were also transferred to ILVA. After that date, TAS no longer possessed any operating assets; only certain non-operating assets remained in TAS.

From 1989 to 1993, ILVA S.p.A. consisted of several operating divisions: Carbon Steel Flat Products; Pipe Division; Long Products Division; and the Specialty Steel Division located in Terni, which produced electrical steel. In addition to these operating divisions, the ILVA S.p.A. was the majority owner of a large number of separately incorporated subsidiaries. Some of these subsidiaries produced various types of steel products. Others constituted service centers, trading companies, and an electric power company, among others. ILVA S.p.A. together with its subsidiaries constituted the ILVA Group, which was wholly-owned by IRI. All subsidies received prior to 1994 were received by ILVA or its predecessors.

In September 1993, IRI endorsed a plan for the reorganization and privatization of the ILVA Group through the splitting of ILVA's core business into two new companies, and the rest of the ILVA Group was to be known as ILVA Residua (a.k.a., ILVA in

Liquidation). In accordance with the plan, on December 31, 1993, the Terni division of ILVA was separately incorporated by a demerger of ILVA into Acciai Speciali Terni S.r.l. (AST S.r.l.) (specialty steel), and ILVA Laminati Piani S.R.l. (ILP) (carbon steel flat products). The remainder of ILVA's assets and existing liabilities, as well as much of the redundant workforce, were transferred to ILVA Residua.

On December 31, 1993, AST S.r.l. was established as a separate corporation, with all shares initially owned by IRI. At approximately the same time, a public offering for the sale of AST S.r.l. was made. In preparation for the sale of AST, IRI converted AST S.r.l. from a limited liability company (S.r.l.) to a stock company (S.p.A.) on February 11, 1994. On July 14, 1994, a purchase agreement was signed by IRI and KAI Italia S.r.l. (KAI), a privately-held holding company jointly owned by German steelmaker Krupp AG Hoesch-Krupp and a consortium of private Italian companies called FAR Acciai S.r.l., subject to approval by the EC. The EC's approval was granted on December 21, 1994 , with shares formally changing hands effective December 23, 1994. As of that date, the GOI no longer maintained any ownership interest in AST or its new owners.

In December 1994, AST was sold to KAI. Between 1995 and 1998, there were several restructurings/changes in ownership of AST and its parent companies. As a result, at the end of the POR, AST was owned 90 percent by Krupp Thyssen Stainless GmbH (part of the Krupp AG Hoesch-Krupp group) and 10 percent by Fintad Securities S.A., a private Italian company.

Change in Ownership

The Department is aware that on June 20, 2000, the Court of Appeals for the Federal Circuit (CAFC) denied the Department's petition for rehearing and suggestion for rehearing *en banc* in *Delverde, SRL* v. *United States,* 202 F.3d 1360 (Fed. Cir. 2000) (*Delverde*). Although this decision addressed a purely private change in ownership, it appears that it may impact the Department's privatization methodology. However, because the CAFC's decision denying a rehearing was only issued one week before these preliminary results, the Department has not had a sufficient opportunity to determine how *Delverde* may affect this proceeding. Accordingly, for purposes of these preliminary results, we will continue to determine that a portion of subsidies bestowed on a government-owned company prior to privatization continues to benefit the production of the privatized company, as set forth below.

The Department invites interested parties to comment in their case briefs on the implications of this proceeding, if any, of the *Delverde* decision.

In the General Issues Appendix (GIA), appended to the *Final Affirmative Countervailing Duty Determination: Certain Steel Products from Austria,* 58 FR 37217, 37225 (July 9, 1993) (*Certain Steel from Austria*), we set forth the methodology applied to the treatment of subsidies received prior to the sale of a government-owned company to a private entity (*i.e.,* privatization), or the spin-off (*i.e.,* sale) of a productive unit from a government-owned company to a private entity.

Under this methodology, we estimate the portion of the purchase price attributable to prior subsidies. We do this by first dividing the sold company's subsidies by the company's net worth for each year during the period beginning with the earliest point at which non-recurring subsidies would be attributable to the period of review (POR) and ending one year prior to the sale of the company. We then take the simple average of these ratios. This average serves as a reasonable estimate of the percent that subsidies constitute of the overall value of the company. Next, we multiply this ratio by the purchase price to derive the portion of the purchase price attributable to the payment of prior subsidies. Finally, we reduce the benefit streams of the prior subsidies by the ratio of the repayment amount to the net present value of all remaining benefits at the time the company is sold. *See id.* at 37263.

With respect to the spin-off of a productive unit, consistent with the Department's methodology set out above, we analyze the sale of a productive unit to determine what portion of the sales price of the productive unit can be attributable to the repayment of prior subsidies. To perform this calculation, we first determine the amount of the seller's subsidies that the spun-off productive unit could potentially take with it. To calculate this amount, we divide the value of the assets of the spun-off unit by the value of the assets of the company selling the unit. We then apply this ratio to the net present value of the seller's remaining subsidies. The result of this calculation yields the amount of remaining subsidies attributable to the spun-off productive unit. We next estimate the portion of the purchase price going towards repayment of prior subsidies in accordance with the methodology set out above, and deduct it from the maximum amount of subsidies that could be attributable to the spun-off productive unit. *Id.* at 37269.

Extension of Final Results

Section 751(a)(3)(A) of the Act requires the Department to make a final determination within 120 days after the date on which the preliminary results are published. However, if it is not practicable to complete the review within this time period, section 751(a)(3)(A) of the Act allows the Department to extend the time period for the final results to 180 days. Due to the complex nature of the issues in this case, we have determined that it is not practicable to complete the final results for this review within the original time limit. Therefore, the Department is extending the time limit for the final results to 180 days from the date of publication of the preliminary results.

Subsidies Valuation Information

Allocation Period

AST was investigated in two recent countervailing duty investigations. *See Final Affirmative Countervailing Duty Determination: Stainless Steel Sheet and Strip in Coils from Italy,* 64 FR 30624, 30627 (June 8, 1999) (*Stainless Sheet and Strip*); *Final Affirmative Countervailing Duty Determination: Stainless Steel Plate in Coils from Italy,* 64 FR 15508, 15511, 15520 (March 31, 1999) (*Stainless Plate in Coils*). In those investigations, the Department allocated subsidies received by AST using a 12-year average useful life (AUL). The same subsidies being investigated in this current review of AST were also investigated in *Stainless Sheet and Strip* and *Stainless Plate in Coils.* Therefore, we preliminarily determine that it is reasonable to maintain the same 12-year allocation period for the identical subsidies received by AST.

Equityworthiness

In prior investigations and reviews, we found ILVA/AST's predecessor companies unequityworthy from 1984 through 1988, and from 1991 through 1992. *See, e.g., Final Affirmative Countervailing Duty Determination: Grain-Oriented Electrical Steel from Italy,* 59 FR 18357, 18358 (April 18, 1994) (*Electrical Steel*); *Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Italy,* 58 FR 37327, 37328 (July 9, 1993) (*Certain Steel*), *Stainless Plate in Coils,* 64 FR at 15511, and *Final Affirmative Countervailing Duty Determination: Certain Stainless Steel Wire Rod from Italy,* 63 FR 40474, 40477 (July 29, 1998) (*Wire Rod*). No new information or evidence of changed circumstances have been submitted in this review that would lead us to reconsider these findings.

Section 351.507(a)(3) of the Department's regulations provides that a determination that a firm is unequityworthy constitutes a determination that the equity infusion was inconsistent with usual investment practices of private investors. In such cases, the Department will then apply the methodology described in section 351.507(a)(6) of the regulations, and treat the equity infusion as a grant. Use of the grant methodology for equity infusions into an unequityworthy company is based on the premise that an unequityworthiness finding by the Department is tantamount to saying that the company could not have attracted investment capital from a reasonable investor in the infusion year based on the available information.

Creditworthiness

When the Department examines whether a company is creditworthy, it is essentially attempting to determine if the company in question could obtain commercial financing at commonly available interest rates. *See, e.g., Final Affirmative Countervailing Duty Determinations: Certain Steel Products from France,* 58 FR 37304 (July 9, 1993), and *Final Affirmative Countervailing Duty Determination: Steel Wire Rod from Venezuela,* 62 FR 55014, 55018 (October 21, 1997). The Department will consider a firm to be uncreditworthy if it is determined that, based on information available at the time of the government-provided loan, the firm could not have obtained a long-term loan from conventional sources. *See* 19 CFR 351.505(a)(4)(i).

TAS and ILVA were found to be uncreditworthy from 1986 through 1993. *See Electrical Steel,* 59 FR at 18358; *Stainless Plate in Coils,* 64 FR at 15511; *Wire Rod,* 63 FR at 40477. No new information has been presented in this review that would lead us to reconsider these findings. Therefore, consistent with our past practice, we continue to find TAS and ILVA uncreditworthy from 1986 through 1993. *See, e.g., Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Brazil,* 58 FR 37295, 37297 (July 9, 1993). We did not analyze AST's creditworthiness in the years 1994 through 1998, because the company did not negotiate new loans with the GOI or the EC during these years, nor did it receive any new subsidies that were allocated over time.

Benchmarks for Long-Term Loans and Discount Rates

Consistent with the Department's finding in *Wire Rod,* 63 FR at 40476–77, *Stainless Plate in Coils,* 64 FR at 15510, and *Final Affirmative Countervailing Duty Determination: Certain Cut-to-Length Carbon-Quality Steel Plate from Italy,* 64 FR 73244, 73247–48 (December 29, 1999) *(CTL Plate),* we have based our discount rates on the Italian Bankers' Association (ABI) rates. The ABI rate is the average of the short-term interest rates on overdraft facilities commercial banks charge to the segment of high quality borrowers. In calculating the interest rate applicable to a borrower, commercial banks typically add a spread ranging from 0.55 percent to 4.0 percent onto the ABI rate, which is determined by the company's financial health.

In *CTL Plate,* we found that the published ABI rates do not include amounts for fees, commissions, and other borrowing expenses. However, information on the borrowing expenses on overdraft loans for 1998, which was placed on that record, was used as an approximation of expenses on long-term commercial loans. That information shows that expenses on overdraft loans range from 6.0 to 11.0 percent of interest charged. Such expenses, along with the applied spread, raise the effective interest rate that a company would pay. *CTL Plate,* 64 FR at 73248. Because it is the Department's practice to use effective interest rates, where possible, we are including an amount for these expenses in the calculation of our effective benchmark rates. *See* 19 CFR 351.505(a)(1). Therefore, we have added the average of the spread (*i.e.,* 2.28 percent) and borrowing expenses (*i.e.*, 8.5 percent of the interest charged) to the yearly ABI rates to calculate the effective discount rates.

For the years in which AST or its predecessor companies were uncreditworthy (*see* ''*Creditworthiness*'' section above), we calculated discount rates in accordance with the formula for constructing a long-term benchmark interest rate for uncreditworthy companies as stated in section 351.505(a)(3)(iii) of the Department's regulations. This formula requires values for the probability of default by uncreditworthy and creditworthy companies. For the probability of default by an uncreditworthy company, we relied on the weighted-average cumulative default rates reported for the Caa to C-rated category of companies as published in Moody's Investors Service, ''Historical Default Rates of Corporate Bond Issuers, 1920—1997'' (February 1998).[1] For the probability of default by a creditworthy company, we used the weighted-average cumulative default rates reported for the Aaa to Baa-rated categories of companies in the study. For non-recurring subsidies, we based the average cumulative default rates for both uncreditworthy and creditworthy companies on a 12-year term, since all of AST's allocable subsidies were based on this allocation period.

In addition, AST had one long-term, fixed-rate loan under ECSC Article 54 outstanding during the POR, denominated in U.S. dollars. Therefore, we have selected a U.S. dollar-based interest rate as our benchmark. *See* 19 CFR 351.505(a)(2)(i). Consistent with *Wire Rod,* 63 FR at 40486, and *CTL Plate,* 64 FR at 73248, we have used as our benchmark the average yield to maturity on selected long-term corporate bonds as reported by the U.S. Federal Reserve, since the loan was denominated in U.S. dollars. We used these rates since we were unable to find a long-term borrowing rate for loans denominated in U.S. dollars in Italy. Because ILVA was uncreditworthy in the year the loan was contracted, we calculated the uncreditworthy benchmark rate pursuant to section 351.505(a)(3)(iii) of the Department's regulations.

I. Programs Preliminarily Determined To Be Countervailable Government of Italy Programs

A. *Equity Infusions to TAS and ILVA.*—The GOI, through IRI, provided new equity capital to TAS or ILVA between 1987 and 1992 (although there were no allegations of equity infusions in 1989 and 1990). These equity infusions were found countervailable in *Electrical Steel* and *Stainless Plate in Coils.* No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding. For equity infusions originally provided to TAS, the predecessor company to ILVA that produced electrical steel, we treated these equity infusions as though they had flowed directly through ILVA to AST when the specialty steel (including subject merchandise) assets were transferred from ILVA to AST. *See Electrical Steel,* 59 FR at 18360; *Stainless Plate in Coils,* 64 FR at 15511–12.

[1] We note that since publication of the regulations, Moody's Investors Service no longer reports default rates for Caa to C-rated category of companies. Therefore for the calculation of uncreditworthy interest rates, we will continue to rely on the default rates as reported in Moody Investor Service's publication dated February 1998.

We have treated these equity infusions as non-recurring grants given in the year the infusion was received because each required a separate authorization. We allocated the equity infusions over a 12-year AUL. Because TAS and ILVA were uncreditworthy in the years the equity infusions were received, we constructed uncreditworthy discount rates to allocate the benefits over time. *See ''Subsidies Valuation Information''* section, above.

We applied the repayment portion of our change in ownership methodology to all of the equity infusions described above to determine the subsidy allocable to AST after its privatization. We divided this amount by AST's total consolidated sales during the POR. On this basis, we preliminarily determine the net countervailable subsidy to be 0.97 percent *ad valorem* for AST.

B. *Debt Forgiveness: 1988–90 Restructuring Plan.*—As discussed above in the *''Corporate History''* section of this notice, the GOI liquidated Finsider and its main operating companies, including TAS, in 1988 and assembled the group's most productive assets into a new operating company, ILVA. Although most of TAS's productive assets were transferred to ILVA, not all of its liabilities were transferred; rather, many liabilities remained with TAS which had to be repaid, assumed or forgiven. In 1990, additional assets and liabilities of TAS, Italsider and Finsider were transferred to ILVA. *See Electrical Steel,* 59 FR at 18359; *Stainless Plate in Coils,* 64 FR at 15508–09; *CTL Plate,* 64 FR at 73249.

In 1989, IRI forgave 99,886 million lire owed to Finsider by TAS. *See Electrical Steel,* 59 FR at 18359. Even with this debt forgiveness, a substantial amount of liabilities remained with TAS. In addition, losses associated with the transfer of assets to ILVA were left behind in TAS. These losses occurred because the value of the transferred assets had to be written down. As TAS gave up assets whose book value was higher than their appraised value, it was forced to absorb the losses. These losses were generated during two transfers as reflected in: (1) An extraordinary loss in TAS's 1988 Annual Report and (2) a reserve account created in 1989 for anticipated losses with respect to the 1990 transfer.

In *Electrical Steel, Stainless Plate in Coils,* and *CTL Plate,* we determined that the debt and loss coverage provided to ILVA in 1989 and 1990, constituted countervailable subsidies within the meaning of section 771(5)(B)(i) of the Act. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding.

To determine the benefit from these subsidies, we have treated IRI's forgiveness of TAS's 1989 debt owed to Finsider and the loss resulting from the 1989 write-down as grants received in 1989. The second asset write-down and the debt outstanding after the 1990 transfer were treated as grants received in 1990. We treated these as non-recurring grants because the company did not receive them on an on-going basis. Because ILVA was uncreditworthy in 1989 and 1990, the years in which the assistance was provided, we used constructed uncreditworthy discount rates to allocate the benefits over time. We allocated the debt coverage provided in 1989 and 1990, over a 12-year AUL. *See* the *''Subsidies Valuation Information''* section, above.

We applied the repayment portion of our change in ownership methodology to the debt forgiveness and loss coverage to determine the amount of the subsidy allocable to AST after its privatization. We divided this amount by AST's total consolidated sales during the POR. On this basis, we preliminarily determine the net countervailable subsidy to be 2.66 percent *ad valorem* for AST.

C. *Debt Forgiveness: 1993–1994 Restructuring Plan.*—As mentioned in the *''Corporate History''* section above, in September 1993, IRI endorsed a plan for the reorganization and privatization of the ILVA Group, which was submitted to the EC for its approval. The reorganization provided for splitting ILVA's core business into two new companies, AST and ILP, and placing the remaining assets, as well as liabilities and redundant workers in ILVA Residua. Under the restructuring plan, ILVA Residua would sell the productive units, use the proceeds to reduce ILVA's debt prior to liquidation, and IRI (i.e., the Italian government) would absorb any remaining debt.

As of December 31, 1993, the majority of ILVA's viable manufacturing activities had been separately incorporated (or ''demerged'') into either AST or ILP, thus, ILVA Residua became essentially a shell company with liabilities far exceeding assets. In contrast, AST and ILP, now ready for privatization, had operating assets and relatively modest debt loads. The EC approved the GOI's restructuring and privatization plan for ILVA in its Commission Decision 94/259/ECSC, dated April 12, 1994. This EC decision states that IRI would take over ILVA Residua's residual indebtedness, cover expenditures of 1,197 billion lira, and continue to be involved in ILVA Residua's activities until its liquidation. It further states that if the privatization and reorganization program was strictly implemented, the ILVA group, namely AST and ILP would have a reasonable chance of being viable by the end of 1994. *See Stainless Plate in Coils,* 64 FR at 15512; *CTL Plate,* 64 FR at 73251.

In *Stainless Plate in Coils* and *Stainless Sheet and Strip,* we determined that AST received a countervailable subsidy in 1993, when the majority of ILVA's debt was placed in ILVA Residua, rather than being proportionately allocated to AST and ILP. *See Stainless Plate in Coils,* 64 FR at 15512; *Stainless Sheet and Strip,* 64 FR at 30628. In addition to the debt that was placed in ILVA Residua, we determined that the asset write-downs which ILVA took in 1993, as part of the restructuring/privatization plan, were countervailable subsidies under section 771(5)(B)(i) of the Act. The write-down of the assets in 1993 increased the losses to be covered in liquidation. It is the Department's position that when losses, which are later covered by a government, can be tied to specific assets, those assets bear the liability for the losses that resulted from the write-downs. No new information or evidence of changed circumstances has been submitted in this review that would warrant reconsideration of these findings. *See also, CTL Plate,* 64 FR at 73251.

The amount of debt and losses resulting from the asset write-downs that should have been attributable to AST, but were instead placed with ILVA Residua, was equivalent to debt forgiveness for AST at the time of the ILVA demerger. In accordance with our practice, debt forgiveness is treated as a grant which constitutes a financial contribution under section 771(5)(D)(i) of the Act, and provides a benefit in the amount of the debt forgiveness.

In *CTL Plate,* we determined that the liquidation process of ILVA did not occur under the normal application of a provision of Italian law and, therefore, the debt forgiveness is *de facto* specific under section 771(5A)(D)(iii)(II) of the Act. *See CTL Plate,* 64 FR at 73252. As stated above, the liquidation of ILVA was done in the context of a massive restructuring/privatization plan of the Italian steel industry undertaken by the GOI and approved and monitored by the EC. Because ILVA's liquidation was part of an extensive state-aid package to privatize the Italian state-owned steel industry, and the debt forgiveness was received by only privatized ILVA operations, we determined that the assistance provided under the 1993–

1994 Restructuring Plan was *de facto* specific. *See CTL Plate,* 64 FR at 73252.

Consistent with the methodology that we employed in *Stainless Plate in Coils,* 64 FR at 15513, *Stainless Sheet and Strip,* 64 FR at 30628, and *CTL Plate,* 64 FR at 73252, the amount of liabilities that we attributed to AST is based on the gross liabilities left behind in ILVA Residua, as reported in the EC's 10th Monitoring Report.[2] In calculating the amount of unattributable liabilities remaining after the demerger of AST, we started with the most recent ''total comparable indebtedness'' amount from the 10th Monitoring Report, which represents the indebtedness, net of debts transferred in the privatization of ILVA Residua's operations and residual asset sales, of a theoretically reconstituted, pre-liquidation ILVA. In order to calculate the total amount of unattributed liabilities which amounted to countervailable debt forgiveness, we made adjustments (additions/subtractions) to this figure for the following: the residual assets that had not actually been liquidated as of the 10th and final Monitoring Report; assets that comprised SOFINPAR, a real estate company (because these assets were sold prior to the demergers of AST and ILP); the liabilities transferred to AST and ILP; income received from the privatization of ILVA Residua's operations; the amount of the asset write-downs specifically attributable to AST, ILP, and ILVA Residua companies; and the amount of debts transferred to Cogne Acciai Speciali (CAS), an ILVA subsidiary that was left behind in ILVA Residua and later spun-off, as well as the amount of ILVA's debt attributed to CAS and countervailed in *Wire Rod,* 63 FR at 40478.

The amount of liabilities remaining represents the pool of liabilities that were not individually attributable to specific ILVA assets. We apportioned this debt to AST, ILP, and operations sold from ILVA Residua based on their relative asset values. We used the total consolidated asset values reported in AST's and ILP's financial statements for the year ending December 31, 1993. For ILVA Residua, we used the sum of the purchase price plus debts transferred as a surrogate for the viable asset value of the operations sold from ILVA Residua. Because we subtracted a specific amount of ILVA's gross liabilities attributed to CAS in *Wire Rod,* we did not include its assets in the amount of ILVA Residua's privatized assets. Also, we did not include in ILVA Residua's viable assets the assets of the one ILVA Residua company sold to IRI, because this sale does not represent sales to a non-governmental entity.

We have treated the debt forgiveness to AST as a non-recurring subsidy because it was a one-time, extraordinary event. The discount rate we used in our grant formula was a constructed uncreditworthy benchmark rate based on our determination that ILVA was uncreditworthy in 1993. *See ''Benchmarks for Long-Term Loans and Discount Rates''* and *''Creditworthiness''* sections, above. We followed the methodology described in the *''Change in Ownership''* section above to determine the amount appropriately allocated to AST after its privatization. We divided this amount by AST's total consolidated sales during the POR. On this basis, we preliminarily determine the net countervailable subsidy to be 7.74 percent *ad valorem* for AST.

D. *Interest Contributions on IRI Loans/Bond Issues Under Law 675/77.*—Law 675/77 was designed to provide GOI assistance in the restructuring and reconversion of Italian industries. There are six types of assistance available under this law: (1) Grants to offset interest payable on bank loans; (2) mortgage loans provided by the Ministry of Industry (MOI) at subsidized interest rates; (3) grants to reduce interest payments on loans financed by IRI bond issues; (4) capital grants for the South; (5) value-added taxed (VAT) reductions on capital good purchases for companies in the South; and (6) personnel retraining grants.

Under Law 675/77, IRI issued bonds to finance restructuring measures of companies within the IRI group. The proceeds from the sale of the bonds were lent to IRI companies. During the POR, AST had long-term variable interest rate loans outstanding that were financed by IRI bond issues for which the effective interest rate was reduced by interest contributions made by the GOI.

The Department previously found this program to be countervailable in *Electrical Steel,* 59 FR at 18361 and *Stainless Plate in Coils,* 64 FR at 15513. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding.

To measure the benefit from these loans, we compared the amount of interest that should have been paid at the benchmark interest rate to the amounts paid by AST, less the interest rebates claimed during the POR. We divided the resulting difference by AST's total consolidated sales during the POR. On this basis, we preliminarily determine the net countervailable subsidy from this program to be 0.09 percent *ad valorem.*

E. *Pre-Privatization Retirement Benefits Under Law 451/94.*—Law 451/94 authorized early retirement packages for steel workers for the years 1994 through 1996. The law entitled men of at least 50 years of age and women of 47 years of age with at least 15 years of pension contributions to retire early. Benefits applied for during the 1994–1996 period continue until the employee reaches his/her natural retirement age, up to a maximum of ten years.

In *Wire Rod,* 64 FR at 40480, *Stainless Plate in Coils,* 64 FR at 15514, and *CTL Plate,* 64 FR at 73253, we found this program to be specific, and thus countervailable. In *CTL Plate* and *Stainless Plate in Coils,* the Department stated that at the time the agreement was being reached with the unions and the labor ministry on the terms of the lay offs, ILVA and its workers were aware that government contributions would ultimately be made to workers benefits. In such situations, *i.e.,* where the company and its workers are aware at the time of their negotiations that the government will be making contributions to the workers' benefits, the Department's practice is to treat half of the amount paid by the government as benefitting the company. *See Countervailing Duties; Final Rule,* 63 FR 65348, 65380 (November 25, 1998). No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding.

Consistent with the Department's practice with regard to allocation of worker-related subsidies, we have treated benefits to AST under Law 451/94 as recurring grants expensed in the year of receipt. *See Stainless Plate in Coils,* 64 FR at 15515; *Wire Rod,* 64 FR at 40480. To calculate the benefit received by AST during the POR, we multiplied the number of AST employees by employee type (blue collar, white collar, and senior executive) who retired early by the average salary by employee type. Since the GOI was making payments to these workers equaling 80 percent of their salary, we attributed one-half of that amount to AST. Therefore, we multiplied the total wages of the early retirees by 40 percent. We then divided this total amount by AST's total consolidated sales during the POR. On

[2] In *CTL Plate,* 64 FR at 73252, we stated that we would prefer to base our calculation on information at the time the relevant portion of ILVA's assets were demerged. However, the information contained in ILVA's financial statement was found to be unreliable by the company's auditors. Therefore, as facts otherwise available, we used the information contained in the EC's 10th Monitoring Report which provides the most reliable data for determining the benefit conferred by this program.

this basis, we preliminarily determine a net countervailable subsidy of 0.69 percent *ad valorem.*

As mentioned in the "*Corporate History*" section of this notice, in September 1993, IRI endorsed a plan for the reorganization and privatization of the ILVA Group. In December 1993, IRI initiated the splitting of ILVA's main productive assets into two new companies, ILP and AST. On December 31, 1993, ILP and AST became separately incorporated firms. The remainder of ILVA's productive assets and existing liabilities, along with much of the redundant workforce, was placed in ILVA Residua. The GOI issued two decrees under Law 451 to place the early retirees from ILVA into ILVA Residua. In *CTL Plate,* the Department found that by the GOI placing much of the redundant workforce in ILVA Residua, ILP and AST were able to begin their respective operations with a relatively "clean slate" in advance of their privatizations. ILP and AST were relieved of having to assume their respective portions of those redundant workers that were placed in ILVA Residua and received early retirement benefits under Law 451/94. *See CTL Plate*, 64 FR at 73254. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding. Therefore, we preliminarily determine that AST has received a countervailable benefit since the company was relieved of a financial obligation that would otherwise have been due.

To calculate the benefit received by AST during the POR, for retired employees that were placed with ILVA Residua under the first decree dated December 7, 1994, we first multiplied the number of employees according to worker type (*i.e.,* blue collar) times the average salary for each employee type, using the same average salaries for AST employees. Since the GOI was making payments to these workers equaling 80 percent of their salary, we attributed one-half of that amount to AST. Therefore, we multiplied the total wages of the early retirees by 40 percent. We then divided this total amount by AST's total consolidated sales during the POR.

The GOI allocated additional slots to workers in ILVA Residua under a second decree dated December 30, 1996. However, the number of workers attributable to AST or the worker types were not submitted in the questionnaire responses. Therefore, we first needed to determine the appropriate number of early retirees placed in ILVA Residua that should have been apportioned to AST. To determine this number, we took the asset value of AST in relation to the asset value of ILVA at the time of the spin-off of AST. Next, we multiplied this percentage by the total number of ILVA Residua early retirees, pursuant to the second decree. It was then necessary to estimate the number of employees according to worker types. To do this, we calculated the ratio of employees according to worker types under the first decree. We then multiplied the number of employees according to worker type (*i.e.,* blue collar) times the average salary for each employee type, and multiplied the result by 40 percent. We then divided this total amount by AST's total consolidated sales during the POR. On this basis, we preliminarily determine a net countervailable subsidy attributable to AST for the retirees placed with ILVA Residua under both decrees to be 0.13 percent *ad valorem.* Therefore, we preliminarily determine the combined rate for retired employees placed directly with AST and those placed with ILVA Residua to be 0.82 percent *ad valorem.*

F. *Exchange Rate Guarantees under Law 796/76.*—Law 796/76 established the exchange risk guarantee on foreign currency loans program to minimize the risk of exchange rate fluctuations on loans contracted in foreign currency. All firms that contract foreign currency loans from the European Coal and Steel Community (ECSC) or the Council of Europe Resettlement Fund (CERF) could apply to the Ministry of the Treasury (MOT) to obtain an exchange rate guarantee. The MOT, through the Ufficio Italiano di Cambi (UIC), calculates loan payments based on the lire-foreign currency exchange rate in effect at the time the loan is contracted (*i.e.,* the base rate). The program establishes a floor and ceiling for exchange rate fluctuations, limiting the maximum fluctuation a borrower would face to two percent above or below the base rate. If the lire depreciates more than two percent against the foreign currency, a borrower is still able to purchase foreign currency at the established (guaranteed) ceiling rate. The MOT absorbs the loss in the amount of the difference between the guaranteed rate and the actual rate. If the lire appreciates against the foreign currency, the MOT realizes a gain in the amount of the difference between the floor rate and the actual rate.

This program was terminated effective July 10, 1992, by Decree Law 333/92. However, the pre-existing exchange rate guarantees continue on any loans outstanding after that date. AST had outstanding ECSC loans during the POR that benefitted from these guarantees. The Department found this program to be countervailable in *Stainless Plate in Coils,* 64 FR at 15513, and *CTL Plate,* 64 FR at 73254. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding.

Once a loan is approved for exchange rate guarantees, access to foreign exchange at the established rate is automatic and occurs at regular intervals throughout the life of the loan. Therefore, we are treating the benefits under this program as recurring grants. AST and its predecessor companies from which these loans were transferred, paid a foreign exchange commission fee to the UIC for each payment made. We determine that this fee qualifies as an "* * * application fee, deposit, or similar payment paid in order to qualify for, or to receive, the benefit of the countervailable subsidy." *See* section 771(6)(A) of the Act. Thus, for the purposes of calculating the countervailable benefit, we have added the foreign exchange commission to the total amount AST paid under this program during the POR. *See Wire Rod,* 63 FR at 40479; *Stainless Plate in Coils,* 64 FR at 15513; *CTL Plate,* 64 FR at 73255.

Under this program, we have calculated the total countervailable benefit as the difference between the total loan payment due in foreign currency, converted at the current exchange rate, less the sum of the total loan payment due in foreign currency converted at the guaranteed rate and the exchange rate commission. We divided this amount by AST's total consolidated sales during the POR. On this basis, we preliminarily determine the net countervailable subsidy to be 0.12 percent *ad valorem.*

European Commission Programs

A. *ECSC Loans Under Article 54.*—Article 54 of the 1951 ECSC Treaty established a program to provide industrial investment loans directly to the member iron and steel industries to finance modernization and purchase new equipment. Eligible companies apply directly to the EC (which administers the ECSC) for up to 50 percent of the cost of an industrial investment project. The Article 54 loans are generally financed on a "back-to-back" basis. In other words, upon granting loan approval, the ECSC borrows funds (through loans or bond issues) at commercial rates in financial markets which it then immediately lends to steel companies at a slightly higher interest rate. The mark-up is to cover the costs of administering the Article 54 program.

The Department has found Article 54 loans to be specific countervailable subsidies in several proceedings, including *Electrical Steel,* 59 FR at 18362, *CTL Plate,* 64 FR at 73256, and *Stainless Plate in Coils,* 64 FR at 15515, because loans under this program are provided only to iron and steel companies. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding.

AST had one long-term, fixed-rate U.S. dollar denominated loan outstanding during the POR. Consistent with *Wire Rod,* 63 FR at 40486 and *CTL Plate,* 64 FR at 73256, we have used as our benchmark the average yield to maturity on selected long-term corporate bonds as reported by the U.S. Federal Reserve, since this loan was denominated in U.S. dollars. We used this rate because we were unable to find a long-term borrowing rate for loans denominated in U.S. dollars in Italy. The interest rate charged on AST's Article 54 loan, which was contracted in 1978 was reduced in 1987. Therefore, for the purpose of calculating the benefit, we have treated this loan as if it was contracted on the date of the rate adjustment. Because ILVA was uncreditworthy in the year this loan was contracted, 1987, we calculated the uncreditworthy benchmark rate as pursuant to section 351.505(a)(3)(iii) of the Department's regulations. *See* ''*Benchmark for Long-Term Loans and Discount Rates*'' section, above.

To calculate the benefit under this program, pursuant to section 351.505(c)(2) of the regulations, we employed the Department's long-term fixed-rate loan methodology. We compared the amount of interest that should have been paid at the benchmark interest rate for uncreditworthy companies to the amount paid by AST during the POR. We then divided the benefit by AST's total consolidated sales during the POR. On this basis, we preliminarily determine the net countervailable subsidy to be 0.01 percent *ad valorem.*

B. *European Social Fund (ESF).*—The ESF, one of the Structural Funds operated by the EC, was established to improve workers' opportunities through training and to raise their standards of living throughout the community by increasing their employability. Like other EC structural funds, there are six different Objectives (sub-programs) identified under ESF: Objective 1 covers projects located in underdeveloped regions; Objective 2 addresses areas in industrial decline; Objective 3 relates to the employment of persons under 25; Objective 4 funds training for employees in companies undergoing restructuring; Objective 5 pertains to agricultural areas; and Objective 6 pertains to regions with very low population (*i.e.,* the far north).

During the POR, AST received ESF assistance under Objective 4. To qualify for Objective 4 funding, AST had to propose programs designed to re-train its workers to increase their productivity. The Department considers training programs to provide a countervailable benefit to a company when the company is relieved of an obligation it would have otherwise incurred. In *Stainless Plate in Coils* and *Stainless Sheet and Strip,* the Department found this program to be countervailable. *See Stainless Plate in Coils,* 64 FR at 15516; *Stainless Sheet and Strip,* 64 FR at 30630. No new information or evidence of changed circumstances has been submitted in this review to warrant reconsideration of this finding.

The Department normally considers the benefits from worker training programs to be recurring. However, as determined in *Stainless Plate in Coils,* these grants relate to specific, individual projects which require separate government approval, therefore, the benefits under this program are treated as non-recurring grants. *See Stainless Plate in Coils,* 64 FR at 15517; *Wire Rod,* 63 FR at 40488; *see also Final Affirmative Countervailing Duty Determination: Certain Pasta (''Pasta'') From Italy,* 61 FR 30288, 30295 (June 14, 1996) (*Pasta*). However, because the benefit received under this program is less than 0.5 percent of AST's sales during the relevant year, we have expensed these grants in the year of receipt. We divided the benefit by AST's total consolidated sales during the POR. On this basis, we preliminarily determine the net countervailable subsidy to be 0.03 percent *ad valorem.*

III. Programs Preliminarily Determined To Be Not Used

1. Rotation Fund
2. Grants Under Law 10/81—Energy Conservation
3. Brite-EuRam Project Grants
4. Loan from IRI to KAI for the Purchase of AST
5. Lending from the Ministry of Industry under Law 675/77
6. Mortgage Loans from the Ministry of Industry Under Law 675/77
7. Personnel Retraining Grants under Law 675/77
8. Capital Grants under Law 675/77
9. Reductions of the VAT under Law 675/77
10. Worker Training under Law 181/89 (Early Retirement Provision)
11. Reindustrialization under Law 181/89
12. Law 488/92 Investment Grants
13. Subsidized Export Financing Under Law 227/77
14. Finsider Loans
15. Interest Subsidies under Law 617/81
16. Financing under Law 464/7
17. Interest Contributions under the Sabatini Law (Law 1329/65)
18. Social Security Exemptions
19. ILOR and IRPEG Exemptions
20. Law 345/92: Benefits for Early Retirement

Preliminary Results of Review

In accordance with section 777A(e)(1) of the Act, we calculated an individual *ad valorem* subsidy rate for the producer/exporter subject to this administrative review. For the period January 1, 1998 through December 31, 1998, we preliminarily determine the net subsidy for AST to be 12.44 percent *ad valorem.*

If the final results of this review remain the same as these preliminary results, the Department intends to instruct the U.S. Customs Service (Customs) to assess countervailing duties as indicated above. The Department also intends to instruct Customs to collect cash deposits of estimated countervailing duties of 12.44 percent of the f.o.b. invoice price on all shipments of the subject merchandise from reviewed companies, entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results of this review.

Because the URAA replaced the general rule in favor of a country-wide rate with a general rule in favor of individual rates for investigated and reviewed companies, the procedures for establishing countervailing duty rates, including those for non-reviewed companies, are now essentially the same as those in antidumping cases, except as provided for in section 777A(e)(2)(B) of the Act. The requested review will normally cover only those companies specifically named. *See* 19 CFR 351.213(b). Pursuant to 19 CFR 351.212(c), for all companies for which a review was not requested, duties must be assessed at the cash deposit rate, and cash deposits must continue to be collected, at the rate previously ordered. As such, the countervailing duty cash deposit rate applicable to a company can no longer change, except pursuant to a request for a review of that company. *See Federal-Mogul Corporation and the Torrington Company* v. *United States,* 822 F.Supp. 782 (CIT 1993) and *Floral Trade Council* v. *United States,* 822 F.Supp. 766 (CIT

1993) (interpreting 19 CFR 353.22(e) (now 19 CFR 351.212(c)), the antidumping regulation on automatic assessment, which is identical to 19 CFR section 355.22(g). Therefore, the cash deposit rates for all companies, except those covered by this review, will be unchanged by the results of this review.

We will instruct Customs to continue to collect cash deposits for non-reviewed companies at the most recent company-specific or country-wide rate applicable to the company. Accordingly, the cash deposit rates that will be applied to non-reviewed companies covered by this order will be the rate for that company established in the most recently completed segment of this administrative proceeding under the Act, as amended by the URAA. If such a review has not been conducted, the rate established in the most recently completed administrative proceeding conducted pursuant to the statutory provisions that were in effect prior to the URAA amendments is applicable. *See Electrical Steel,* 59 FR at 18357. These rates shall apply to all non-reviewed companies until a review is requested. In addition, for the period January 1, 1998 through December 31, 1998, the assessment rates applicable to all non-reviewed companies covered by this order are the cash deposit rates in effect at the time of entry.

Public Comment

Pursuant to 19 CFR 351.224(b), the Department will disclose to parties to the proceeding any calculations performed in connection with these preliminary results within five days after the date of publication of this notice. Pursuant to 19 CFR 351.309, interested parties may submit written comments in response to these preliminary results. Case briefs must be submitted within 30 days after the date of publication of this notice, and rebuttal briefs, limited to arguments raised in case briefs, must be submitted no later than five days after the time limit for filing case briefs. Parties who submit argument in this proceeding are requested to submit with the argument: (1) A statement of the issues, and (2) a brief summary of the argument. Further, we would appreciate it if parties submitting written comments would provide the Department with an additional copy of the public version of any such comments on diskette. Case and rebuttal briefs must be served on interested parties in accordance with 19 CFR 351.303(f). Also, pursuant to 19 CFR 351.310, within 30 days of the date of publication of this notice, interested parties may request a public hearing on arguments to be raised in the case and rebuttal briefs. Unless the Secretary specifies otherwise, the hearing, if requested, will be held two days after the date for submission of rebuttal briefs. The Department will publish the final results of this administrative review, including the results of its analysis of issues raised in any case or rebuttal brief or at a hearing.

This notice serves as a preliminary reminder to importers of their responsibility to file a certificate regarding the reimbursement of countervailing duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of countervailing duties occurred and the subsequent assessment of double countervailing duties.

This administrative review is issued and published in accordance with section 751(a)(1) and 777(i)(1) of the Act (19 U.S.C. 1675(a)(1) and 19 U.S.C. 1677f(i)(1)).

Dated: June 29, 2000.

Troy H. Cribb,

Acting Assistant Secretary for Import Administration.

[FR Doc. 00–17248 Filed 7–6–00; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

Notice of Scope Rulings

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of Scope Rulings and Anticircumvention Inquiries.

EFFECTIVE DATE: July 7, 2000.

SUMMARY: The Department of Commerce (the Department) hereby publishes a list of scope rulings completed between October 1, 1998 and March 31, 2000. In conjunction with this list, the Department is also publishing a list of requests for scope determinations pending as of March 31, 2000. We intend to publish future lists within 30 days of the end of each quarter.

FOR FURTHER INFORMATION CONTACT: Jonathan Lyons or Robert James, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW, Washington, DC 20230; telephone (202) 482–0374 or (202) 482–0649.

Background

The Department's regulations provide that, on a quarterly basis, the Secretary will publish in the **Federal Register** a list of scope rulings completed within the last three months. See 19 CFR 351.225(o).

This notice covers all scope rulings and anticircumvention determinations completed by Import Administration between October 1, 1998 and March 31, 2000, inclusive. It also lists any scope or anticircumvention inquiries pending as of March 31, 2000. The Department intends to publish in July 2000 a list of all completed and pending scope and anticircumvention inquiries for the period April 1, 2000 and June 30, 2000; subsequent lists will follow in the month after the close of each calendar quarter.

Scope Rulings Completed Between October 1, 1998 and March 31, 2000

Belgium

A–423–805, C–423–806 Cut-To-Length Carbon Steel Plate; Duferco Steel Inc.; certain hot-rolled floor plate is within the scope; November 22, 1999.

Canada

C–122–805 New Steel Rail Except Light Rail; L.B. Foster Company; certain steel rail containing radial streaking is within the scope; July 22, 1999.

A–122–823 Certain Cut-to-Length Carbon Steel Plate; Clayson Steel, Inc.; certain dockleveler platforms are within the scope; December 13, 1999.

Chile

A–357–804 Certain Preserved Mushrooms; Coalition for Fair Preserved Mushroom Trade; retorted preserved mushrooms produced in third countries from provisionally preserved mushrooms produced in Chile are within the scope; July 13, 1999.

Germany

A–428–801 Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof; Holland Hitch, Inc.; ''Turntable bearings'' (slewing rings, gearless slewing rings, or slewing bearings) are outside the scope; February 26, 1999.

A–428–816, C–428–817 Cut-to-Length Carbon Steel Plate; Novosteel, SA; profile slabs produced by Reiner Brach, GmbH, and Co., and sold by Novosteel SA are within the scope; May 18, 1999.

A–428–820 Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe; Chicago P.P.L., Inc.; tubing with circular cross-section and outside diameter that varies from 0.05mm to 25 mm is outside the scope; June 25, 1999.