industry, unless the sum of grants and equity infusions provided under a program in a particular year is less than 0.50 percent of a firm's total sales in that year. If the sum of grants and equity infusions is less than 0.50 percent, the benefit is expensed in the year of receipt. See § 355.49(a) of the *Proposed Regulations* and the *General Issues Appendix* to the *Final Countervailing Duty Determination: Certain Steel Products from Austria* ("GIA"), 58 FR 37225, 37217 (July 9, 1993).

For those grants and equity infusions which must be allocated over time, the Proposed Regulations require the Department to use as a discount rate a company-specific cost of long-term, fixed-rate debt or, absent such a rate, the average cost of long-term, fixed-rate debt in the country in question (see § 355.49(b)(2) of Countervailing Duties: Notice of Proposed Rulemaking and Request for Public Comments, 54 FR 23366 (May 31, 1989) ("Proposed Regulations"). Because a companyspecific rate was not available, we have used the bond rate designated as being for "Industry and other Austrian Issuers" by the Austrian National Bank Annual Report. In Certain Steel, the Department determined that these bond rates provide an accurate measure of what it would cost a large company to raise capital in a given year. The discount rate provided by respondents was determined in Certain Steel to be dominated by GOA bonds. Because governments often do not borrow at the same rate as private companies, we prefer to use a rate which is reflective of commercial, rather than government, borrowing (see, Certain Steel, at 37223). Therefore, for purposes of this preliminary determination, we have used the discount rates applied in Certain Steel.

I. Analysis of Direct Subsidies

Calculation Methodology

For purposes of this preliminary determination, the period for which we are measuring subsidies (the POI) is calendar year 1993. In determining the benefits received under the various programs described below, we used the following calculation methodology. We first calculated the benefit attributable to the POI for each countervailable program, using the methodologies described in each program section below. For each program, we then divided the benefit attributable to Kindberg in the POI by Kindberg's total sales revenue, as none of the programs was limited to either certain subsidiaries or certain products of Kindberg. Next, we added the benefits

for all programs to arrive at Kindberg's total subsidy rate. Because Kindberg is the only respondent company in this investigation, this rate is also the country-wide rate.

Consistent with our practice in preliminary determinations, when a response to an allegation denies the existence of a program, receipt of benefits under a program, or eligibility of a company or industry under a program, and the Department has no persuasive evidence showing that the response is incorrect, we accept the response for purposes of the preliminary determination. All such responses, however, are subject to verification. If the response cannot be supported at verification, and the program is otherwise countervailable, the program will be considered a subsidy in the final determination.

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

A. Programs Preliminarily Determined To Be Countervailable

We preliminarily determine that subsidies are being provided to manufacturers, producers, or exporters in Austria of OCTG products under the following programs:

1. Equity Infusions to Voest-Alpine AG (VAAG): 1983, 1984 and 1986. The GOA provided equity infusions through ÖIAG to VAAG in 1983, 1984 and 1986, while VAAG owned the facilities which became Kindberg, the producer of the subject merchandise. The 1983 and 1984 infusions were given by ÖIAG pursuant to Law 589/1983. The 1986 equity infusion was given as an advance payment for funds to be provided under Law 298/1987 (the ÖIAG Financing Act). Law 589/1983 and Law 298/1987 provide authority for disbursement of funds solely to companies of ÖIAG, of which VAAG is one.

In *Certain Steel*, the Department determined these equity infusions to be *de jure* specific. Respondents did not provide any information disputing these findings in this proceeding. Moreover, since we have determined that VAAG was unequityworthy in these years, we preliminarily determine that these infusions were provided to VAAG on terms inconsistent with commercial considerations.

We have also preliminarily determined that the subsidies provided to VAAG prior to the 1987 restructuring continue to benefit Kindberg's production of OCTG, in accordance with the restructuring methodology discussed in the *GIA*, at 37265–8. We

have applied the following methodology:

We divided Kindberg's asset value on January 1, 1987, by VAAG's total asset value on December 31, 1986 (*i.e.*, prerestructuring). This ratio best reflects the proportion of VAAG's total 1986 assets that became Kindberg in 1987.

We applied this ratio to VAAG's subsidy amount to calculate the portion of these infusions allocable to Kindberg. To calculate the benefit for the POI, we treated each of the equity amounts as a grant and allocated the benefits over a 15 year period (our treatment of equity as grants and our choice of allocation period is discussed in the *GIA*, at 37239 and 37225, respectively). We then divided the benefit by total sales of Kindberg during the POI. On this basis, we determine the net subsidies for these equity infusions to be 1.37 percent *ad valorem*.

2. Grants Provided to VAAG: 1981–86. The GOA provided grants to VAAG through ÖIAG pursuant to Law 602/1981, Law 589/1983, and Law 298/1987. In Certain Steel, the Department found grants disbursed under Law 602/1981, Law 589/1983 and Law 298/1987 to be provided specifically to the steel industry and, hence, countervailable (58 FR 37221). Respondents have not challenged the countervailability of these grants in this proceeding.

In accordance with the *Allocation of Non-recurring Benefits* section, above, we have expensed the grant received in 1981 in that year. To calculate the benefit from the other grants, we used the methodology described in *Equity Infusions to VAAG: 1983–84, 1986* section, above. On this basis, we determine the net subsidies for this program to be 3.68 percent *ad valorem*.

3. Assumption of Losses at Restructuring by VAAG on Behalf of Kindberg. In Certain Steel, we determined that, in connection with the 1987 restructuring, VAAG retained all the losses carried forward on its balance sheet and that no losses were assigned to its newly created subsidiaries. VAAG later received funds from the GOA under Law 298/1987 to offset these losses. We found that VAAG's subsidiaries benefitted because a portion of the losses should have been allocated to them. In the present investigation, petitioners allege that this assumption of losses provided a countervailable subsidy to Kindberg, a subsidiary of VAAG.

Respondents argue that, had the losses been allocated, Kindberg could have used them to offset income taxes from future profits. Under those circumstances, the allocation of the losses would provide a countervailable