

*Affected Public:* Business or other for-profit organizations; not-for-profit institutions.

*Frequency:* Annually and on occasion.

*Respondent's Obligation:* Mandatory.

*OMB Desk Officer:*

OIRA\_Submission@omb.eop.gov.

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Dated: October 12, 2011.

**Gwellnar Banks,**

Management Analyst, Office of the Chief Information Officer.

[FR Doc. 2011-26851 Filed 10-17-11; 8:45 am]

BILLING CODE 3510-22-P

**DEPARTMENT OF COMMERCE**

**International Trade Administration**

[C-570-978]

**High Pressure Steel Cylinders From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination**

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

**SUMMARY:** The Department of Commerce preliminarily determines that countervailable subsidies are being provided to producers and exporters of high pressure steel cylinders from the People's Republic of China. For information on the estimated subsidy rates, see the "Suspension of Liquidation" section of this notice.

**DATES:** *Effective Date:* October 18, 2011.

**FOR FURTHER INFORMATION CONTACT:** Christopher Siepmann or David Layton, AD/CVD Operations, Office 1, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-7958 and (202) 482-0371, respectively.

**SUPPLEMENTARY INFORMATION:**

**Case History**

The following events have occurred since the publication of the Department of Commerce's ("Department") notice of initiation in the **Federal Register**. See *High Pressure Steel Cylinders From the People's Republic of China; Initiation of Countervailing Duty Investigation*, 76 FR 33239 (June 8, 2011) ("*Initiation Notice*"), and the accompanying Initiation Checklist.

On July 5, 2011, the U.S. International Trade Commission ("ITC") published its affirmative preliminary determination that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly subsidized imports of high pressure steel cylinders ("steel cylinders") from the People's Republic of China ("PRC"). See *High Pressure Steel Cylinders From China*, 76 FR 38697 (July 1, 2011).

On July 13, 2011, we selected Beijing Tianhai Industry Co., Ltd. ("BTIC") as the mandatory respondent in this proceeding. See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, "Selection of Respondents for the Countervailing Duty Investigation of High Pressure Steel Cylinders from the People's Republic of China" (July 13, 2011) ("Respondent Selection Memo"). The public version of this memorandum and all other memoranda referenced in this notice are on file electronically via Import Administration's Antidumping and Countervailing Duty Centralized Electronic Service System ("IA ACCESS"). Access to IA ACCESS is available in the Department's Central Records Unit in Room 7046 of the main Department building.

On July 19, 2011, the Department published a postponement of the deadline for the preliminary determination in this investigation until October 11, 2011. See *High Pressure Steel Cylinders From the People's Republic of China: Postponement of Preliminary Determination in the Countervailing Duty Investigation*, 76 FR 42682 (July 19, 2011).

On July 20, 2011, we issued a questionnaire to BTIC and the Government of the People's Republic of China ("GOC"). We received responses from BTIC and the GOC on September 2, and September 7, 2011, respectively. Supplemental questionnaires were sent to BTIC on September 15, and 23, 2011, and we received responses September 26, and September 28, and October 3, 2011. We sent supplemental questionnaires to the GOC on September 20, and September 23, 2011, and received a response to the former on

September 27, 2011. We currently expect to receive a response to our September 23, 2011 questionnaire from the GOC on or before October 14, 2011.

We received pre-preliminary comments from BTIC and Norris Cylinder Co. ("Petitioner") on October 4, and October 6, 2011, respectively. We did not have time to analyze these comments for this preliminary determination.

The Department also received a questionnaire response from Zhejiang Jindun Pressure Container Co., Ltd. ("Jindun") on September 2, 2011. Jindun was not selected for individual examination in this investigation and its voluntary response has not been analyzed. See Respondent Selection Memo.

**Period of Investigation**

The period for which we are measuring subsidies, *i.e.*, the period of investigation ("POI"), is January 1, 2010, through December 31, 2010.

**Scope Comments**

In accordance with the preamble to the Department's regulations, we set aside a period of time in our *Initiation Notice* for parties to raise issues regarding product coverage, and encouraged all parties to submit comments within 20 calendar days of publication of that notice. See *Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997), and *Initiation Notice*, 76 FR at 33239. We did not receive any comments.

**Scope of the Investigation**

The merchandise covered by the scope of the investigation is seamless steel cylinders designed for storage or transport of compressed or liquefied gas ("high pressure steel cylinders"). High pressure steel cylinders are fabricated of chrome alloy steel including, but not limited to, chromium-molybdenum steel or chromium magnesium steel, and have permanently impressed into the steel, either before or after importation, the symbol of a U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration ("DOT")-approved high pressure steel cylinder manufacturer, as well as an approved DOT type marking of DOT 3A, 3AX, 3AA, 3AAX, 3B, 3E, 3HT, 3T, or DOT-E (followed by a specific exemption number) in accordance with the requirements of sections 178.36 through 178.68 of Title 49 of the Code of Federal Regulations, or any subsequent amendments thereof. High pressure steel cylinders covered by these investigations have a water

capacity up to 450 liters, and a gas capacity ranging from 8 to 702 cubic feet, regardless of corresponding service pressure levels and regardless of physical dimensions, finish or coatings.

Excluded from the scope of the investigation are high pressure steel cylinders manufactured to UN-ISO-9809-1 and 2 specifications and permanently impressed with ISO or UN symbols. Also excluded from the investigation are acetylene cylinders, with or without internal porous mass, and permanently impressed with 8A or 8AL in accordance with DOT regulations.

Merchandise covered by the investigation is classified in the Harmonized Tariff Schedule of the United States ("HTSUS") under subheading 7311.00.00.30. Subject merchandise may also enter under HTSUS subheadings 7311.00.00.60 or 7311.00.00.90. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under the investigation is dispositive.

#### Alignment of Final Determination

On June 8, 2011, the Department initiated the antidumping duty ("AD") and countervailing duty ("CVD") investigations of steel cylinders from the PRC. See *High Pressure Steel Cylinders from the People's Republic of China: Initiation of Antidumping Duty Investigation*, 76 FR 33213 (June 8, 2011) and *Initiation Notice* (for the CVD investigation). The scope of the merchandise being covered is the same for both the AD and CVD investigations. On September 27, 2011, Petitioner submitted a letter, in accordance with section 705(a)(1) of the Act, requesting alignment of the final CVD determination with the final determination in the companion AD investigation. Therefore, in accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4), the final CVD determination will be issued on the same date as the final AD determination, which is currently scheduled to be issued on or about February 21, 2012.

#### Application of the Countervailing Duty Law to Imports From the PRC

On October 25, 2007, the Department published *Coated Free Sheet Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) ("*CFS from the PRC*"), and the accompanying Issues and Decision Memorandum ("*CFS Decision Memo*"). In *CFS from the PRC*, the Department found that

given the substantial differences between the Soviet-style economies and China's economy in recent years, the Department's previous decision not to apply the CVD law to these Soviet-style economies does not act as a bar to proceeding with a CVD investigation involving products from China.

See CFS Decision Memo, at Comment 6. The Department has affirmed its decision to apply the CVD law to the PRC in subsequent final determinations. See, e.g., *Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances*, 73 FR 31966 (June 5, 2008), and accompanying Issues and Decision Memorandum ("*CWP Decision Memo*"), at Comment 1.

Additionally, for the reasons stated in the CWP Decision Memo, we are using the date of December 11, 2001, the date on which the PRC became a member of the World Trade Organization, as the date from which the Department will identify and measure subsidies in the PRC. See CWP Decision Memo, at Comment 2.

#### Subsidies Valuation Information

##### Allocation Period

The average useful life ("AUL") period in this proceeding, as described in 19 CFR 351.524(d)(2), is 12 years according to the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System. See U.S. Internal Revenue Service Publication 946 (2008), *How to Depreciate Property*, at Table B-2: Table of Class Lives and Recovery Periods. No party in this proceeding has disputed this allocation period.

##### Attribution of Subsidies

The Department's regulations at 19 CFR 351.525(b)(6)(i) state that the Department will normally attribute a subsidy to the products produced by the corporation that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) directs that the Department will attribute subsidies received by certain other companies to the combined sales of those companies if (1) cross-ownership exists between the companies, and (2) the cross-owned companies produce the subject merchandise, are a holding or parent company of the subject company, produce an input that is primarily dedicated to the production of the downstream product, or transfer a subsidy to a cross-owned company.

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct

the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This regulation states that this standard will normally be met where there is a majority voting interest between two corporations or through common ownership of two (or more) corporations. The Court of International Trade ("CIT") has upheld the Department's authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits. See *Fabrique de Fer de Charleroi, SA v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

As of this preliminary determination, BTIC has responded to the Department's original and supplemental questionnaires on behalf of itself; Tianjin Tianhai High Pressure Container Co., Ltd. ("*Tianjin Tianhai*"); Langfang Tianhai High Pressure Container Co., Ltd. ("*Langfang Tianhai*") and Beijing Jingcheng Machinery Electric Holding Co., Ltd. ("*Jingcheng Holding*"). We preliminarily determine that BTIC, Tianjin Tianhai, Langfang Tianhai and Jingcheng Holding are cross-owned within the meaning of 19 CFR 351.525(b)(6)(vi). Because the nature of the relationships between these companies is proprietary, we have discussed the basis for our cross-ownership determination separately. See Memorandum from Christopher Siepmann to Susan Kuhbach, "Preliminary Results Calculation Memorandum for Beijing Tianhai Industry Co., Ltd (October 11, 2011) ("*Prelim Calc Memo*").

BTIC, Tianjin Tianhai, and Langfang Tianhai are producers of subject merchandise. Accordingly, we are attributing subsidies received by BTIC, Tianjin Tianhai, and Langfang Tianhai to the combined sales of the three companies, excluding sales to other cross-owned companies. Jingcheng Holding is a holding company within the meaning of 19 CFR 351.525(b)(6)(iii). Under 19 CFR 351.525(b)(6)(iii), the Department will attribute subsidies received by a holding company to the consolidated sales of the holding company and its subsidiaries; however, Jingcheng Holding reported that it did not receive benefits under any investigated program during the POI and the allocation period, except for the investigated programs for which more information is needed. See "Programs For Which More Information is Required" below.

In our first supplemental questionnaire to BTIC, we asked questions about certain affiliates that

may have met the cross-ownership standard under 19 CFR 351.525(b)(6)(vi). Based on BTIC's responses, we preliminarily determine that none of these affiliates met both the cross-ownership standard of 19 CFR 351.525(b)(6)(vi) and one or more of the attribution standards under 19 CFR 351.525(b)(6)(ii)-(v). Thus, we have not included any subsidies to these companies in the subsidy calculations.

Also in our first supplemental questionnaire to BTIC, we asked questions regarding a shareholder that used to hold a controlling interest in BTIC and may have met the attribution standard under 19 CFR 351.525(b)(6)(iii). BTIC reported that this company did not receive non-recurring subsidies during the period that it was cross-owned with BTIC.

### Analysis of Programs

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

#### I. Programs Preliminarily Determined To Be Countervailable

##### A. "Two Free, Three Half" Program for Foreign-Invested Enterprises ("FIEs")

Under Article 8 of the FIE Tax Law, an FIE that is "productive" and scheduled to operate for more than ten years may be exempted from income tax in the first two years of profitability and pay income taxes at half the standard rate for the next three years. According to the GOC, the "Two Free, Three Half" program was terminated effective January 1, 2008, by the Enterprise Income Tax Law but companies already enjoying the preference were permitted to continue paying taxes at reduced rates. Tianjin Tianhai paid taxes at a reduced rate under this program during the POI.

The Department has previously found the "Two Free, Three Half" program to confer countervailable subsidies. See CFS Decision Memo at 11-12; see also *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 75 FR 57444 (September 21, 2010), and accompanying Issues and Decision Memorandum at 25.

Consistent with the earlier cases, we preliminarily determine that the "Two Free, Three Half" income tax exemption/reduction confers a countervailable subsidy. The exemption/reduction is a financial contribution in the form of revenue

forgone by the GOC and it provides a benefit to the recipient in the amount of the tax savings. See section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). We also determine that the exemption/reduction afforded by the program is limited as a matter of law to certain enterprises, *i.e.*, productive FIEs, and, hence, is specific under section 771(5A)(D)(i) of the Act.

To calculate the benefit, we treated the income savings enjoyed by Tianjin Tianhai as a recurring benefit, consistent with 19 CFR 351.524(c)(1). To compute the amount of the tax savings, we compared Tianjin Tianhai's tax rate to the rate it would have paid in the absence of the program. We divided Tianjin Tianhai's tax savings for the return filed during the POI by the combined sales (exclusive of inter-company sales) of BTIC, Tianjin Tianhai and Langfang Tianhai during the POI, in accordance with 19 CFR 351.525(b)(6)(ii).

On this basis, we preliminarily determine that BTIC received a countervailable subsidy of 0.01 percent *ad valorem* under this program.

##### B. Enterprise Income Tax Rate Reduction in the Tianjin Port Free Trade Zone

Under Article 4 of the "Official Reply of the State Council Concerning the Establishment of the Tianjin Port Free Trade Zone," FIEs located in the Tianjin Port Free Trade Zone were permitted to pay a reduced income tax at a rate of 15 percent. According to the GOC, this program terminated on January 1, 2008, but companies that enjoyed the reduced tax rate are gradually transitioning to the national tax rate of 25 percent. Consequently, Tianjin Tianhai paid taxes at a reduced rate of 20 percent under this program during the POI.

We preliminarily determine that the Enterprise Income Tax Rate Reduction in the Tianjin Port Free Trade Zone program confers a countervailable subsidy. The reduction is a financial contribution in the form of revenue forgone by the GOC and it provides a benefit to the recipient in the amount of the tax savings. See section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). We also determine that the exemption/reduction afforded by the program is regionally specific under section 771(5A)(D)(iv) of the Act, because it is limited to companies that are located in the Tianjin Port Free Trade Zone.

To calculate the benefit, we treated the income tax savings enjoyed by Tianjin Tianhai as a recurring benefit, consistent with 19 CFR 351.524(c)(1). To compute the amount of the tax savings, we compared Tianjin Tianhai's

tax rate to the rate it would have paid in the absence of the program. We divided Tianjin Tianhai's tax savings for the return filed during the POI by the combined sales of BTIC, Tianjin Tianhai and Langfang Tianhai (exclusive of inter-company sales) during the POI, in accordance with 19 CFR 351.525(b)(6)(ii).

On this basis, we preliminarily determine that BTIC received a countervailable subsidy of 0.01 percent *ad valorem* under this program.

##### C. Import Tariff and VAT Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries

Enacted in 1997, the Circular of the State Council on Adjusting Tax Policies on Imported Equipment (GUOFA No. 37) (Circular No. 37) exempts both FIEs and certain domestic enterprises from the VAT and tariffs on imported equipment used in their production so long as the equipment does not fall into prescribed lists of non-eligible items. The National Development and Reform Commission or its provincial branch provides a certificate to enterprises that receive the exemption. The objective of the program is to encourage foreign investment and to introduce foreign advanced technology equipment and industry technology upgrades. BTIC and Langfang Tianhai received VAT and tariff exemptions under this program as FIEs. The Department has previously found VAT and tariff exemptions under this program to confer countervailable subsidies. See CFS Decision Memo at 13-14; see also *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 75 FR 57444 (September 21, 2010), and accompanying Issues and Decision Memorandum at 23-25.

Consistent with the earlier cases, we preliminarily determine that VAT and tariff exemptions on imported equipment confer a countervailable subsidy. The exemptions are a financial contribution in the form of revenue forgone by the GOC and they provide a benefit to the recipient in the amount of the VAT and tariff savings. See section 771(5)(D)(ii) of the Act and 19 CFR 351.510(a)(1). As described above, FIEs and certain domestic enterprises are eligible to receive VAT and tariff exemptions under this program. We also determine that the VAT and tariff exemptions afforded by the program are specific under section 771(5A)(D)(iii)(I) of the Act because the program is limited to certain enterprises, *i.e.*, FIEs

and domestic enterprises involved in “encouraged” projects. See CFS Decision Memo at Comment 16.

Normally, we treat exemptions from indirect taxes and import charges, such as the VAT and tariff exemptions, as recurring benefits, consistent with 19 CFR 351.524(c)(1) and allocate the benefits to the year in which they were received. However, when an indirect tax or import charge exemption is provided for, or tied to, the capital structure or capital assets of a firm, the Department may treat it as a non-recurring benefit and allocate the benefit to the firm over the AUL. See 19 CFR 351.524(c)(2)(iii) and 19 CFR 351.524(d)(2). In the instant investigation, BTIC and Langfang Tianhai have provided a list of VAT and tariff exemptions that they received for capital equipment imported after December 11, 2001. Based on BTIC’s information, we preliminarily determine that the VAT and tariff exemptions were for capital equipment.

To calculate the countervailable subsidy, we used our standard methodology for non-recurring grants. See 19 CFR 351.524(b). We preliminarily determine that, for each year in which BTIC and Langfang Tianhai received benefits under this program, the amount received did not exceed 0.5 percent of relevant sales for that year. Pursuant to 19 CFR 351.524(b)(2), we have expensed the entire amount received for both firms to the years in which they received the exemptions.

On this basis, we preliminarily determine that BTIC received a countervailable benefit of 0.02 percent ad valorem for this program.

#### *D. Provision of Hot-Rolled Steel for Less Than Adequate Remuneration (“LTAR”)*

BTIC reported purchasing hot-rolled steel, although not for use in the production of subject merchandise, and identified the producers of the hot-rolled steel it purchased during the POI. The GOC reported that these hot-rolled steel producers are majority owned and controlled by the GOC. In tires from the PRC, the Department determined that majority government ownership of an input producer is sufficient to qualify it as an “authority.” See *Certain New Pneumatic Off-the-Road Tires From the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Final Negative Determination of Critical Circumstances*, 73 FR 40480 (July 15, 2008), and accompanying Issues and Decision Memorandum at 10. Thus, we preliminarily determine these suppliers are “authorities” within the meaning of section 771(5)(B) of the Act.

We preliminarily determine that the GOC is conferring a countervailable subsidy through its provision of hot-rolled steel for LTAR. We determine that authorities are providing a good and, hence, a financial contribution under section 771(5)(D)(iii) of the Act and that a benefit is being conferred because the hot-rolled steel is being provided for LTAR, as explained below. Further, the GOC has reported that hot-rolled steel is used by a “wide variety of steel consuming industries.” Because hot-rolled steel is only provided to steel consuming industries, we preliminarily determine that the subsidy is being provided to a limited number of industries and is, therefore, specific. See section 771(5A)(D)(iii)(I) of the Act. This finding is consistent with prior Department determinations. See, e.g., CWP Decision Memo at 9.

The Department’s regulations at 19 CFR 351.511(a)(2) set out the bases for identifying an appropriate market-based benchmark for measuring the adequacy of the remuneration of a government provided good or service. The potential benchmarks listed in this regulation, in order of preference are: (1) Market prices from actual transactions within the country under investigation for the government-provided good (e.g., actual sales, actual imports, or competitively run government auctions) (“tier one” benchmarks); (2) world market prices that would be available to purchasers in the country under investigation (“tier two” benchmarks); or (3) prices consistent with market principles based on an assessment by the Department of the government-set price (“tier three” benchmarks). As we explained in softwood lumber from Canada, the preferred benchmark in the hierarchy is an observed market price from actual transactions within the country under investigation because such prices generally would be expected to reflect most closely the prevailing market conditions of the purchaser under investigation. See *Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products From Canada*, 67 FR 15545 (April 2, 2002), and accompanying Issues and Decision Memorandum at “Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit.”

Beginning with tier one, we must determine whether the prices from actual sales transactions involving Chinese buyers and sellers are significantly distorted. As explained in the CVD Preamble: “Where it is reasonable to conclude that actual

transaction prices are significantly distorted as a result of the government’s involvement in the market, we will resort to the next alternative {tier two} in the hierarchy.” See *Countervailing Duties; Final Rule*, 63 FR 65348, 65377 (November 25, 1998) (“CVD Preamble”). The CVD Preamble further recognizes that distortion can occur when the government provider constitutes a majority, or in certain circumstances, a substantial portion of the market.

Based on the GOC’s response, companies that the GOC classified as state-owned accounted for 70 percent of hot-rolled steel production in the PRC during the POI and, therefore, government-owned providers constitute a majority of the market. We also note that imports as a share of domestic consumption are insignificant. We preliminarily determine that domestic prices in the PRC for hot-rolled steel are distorted such that they cannot be used as a tier one benchmark. For the same reasons, we determine that import prices into the PRC cannot serve as a benchmark.

Turning to tier two benchmarks, i.e., world market prices available to purchasers in the PRC, both Petitioner and BTIC have submitted prices that they suggest are appropriate bases for constructing a benchmark. Based on our review of the proposed benchmarks, we are preliminarily relying on prices from both MEPS International (“MEPS”) and the Steel Business Briefing (“SBB”) for hot-rolled strip, hot-rolled coil, and hot-rolled plate/sheet. Pursuant to 19 CFR 351.511(a)(2)(ii) we are averaging the selected prices. Since ocean freight to the PRC is to be added into the benchmark price (see below), we did not rely on any SBB or MEPS prices price that included ocean freight, thereby ensuring that ocean freight would not be counted twice.

Under 19 CFR 351.511(a)(2)(iv), when measuring the adequacy of remuneration under tier one or tier two, the Department will adjust the benchmark price to reflect the price that a firm actually paid or would pay if it imported the product, including delivery charges and import duties. Regarding delivery charges, we have included ocean freight and the freight charges that would be incurred to deliver hot-rolled steel to BTIC’s plants. We have also added import duties, as reported by the GOC, and the value-added tax (“VAT”) applicable to imports of hot-rolled steel into the PRC. See Prelim Calc Memo for a full explanation of how we derived the benchmark. We have compared these prices to BTIC’s actual purchase prices, including taxes and delivery charges.

Based on this comparison, we preliminarily determine that hot-rolled steel was provided for LTAR and that a subsidy exists in the amount of the difference between the benchmark and what BTIC paid. *See* 19 CFR 351.511(a).

On this basis, we preliminarily determine that BTIC received a countervailable subsidy of 0.13 percent *ad valorem* under this program.

#### *E. Provision of Seamless Tube Steel for LTAR*

BTIC reported purchasing seamless tube steel for the production of subject merchandise and identified several producers of this input. The GOC provided ownership information indicating that certain of these seamless tube steel producers are state-owned enterprises (“SOEs”). Thus, we preliminarily determine these producers are “authorities” within the meaning of section 771(5)(B) of the Act. Regarding one seamless tube steel producer, we are seeking further information. *See* “Case History” above regarding the outstanding supplemental questionnaire to the GOC. Thus, for this preliminary determination, we are not including BTIC’s purchases of seamless tube steel produced by this company in our calculation.

We preliminarily determine that the GOC is conferring a countervailable subsidy through its provision of seamless tube steel for LTAR. We determine that authorities are providing a good and, hence, a financial contribution under section 771(5)(D)(iii) of the Act and that a benefit is being conferred because the seamless tube steel is being provided for LTAR, as explained below. Further, the GOC has reported that seamless tube steel is used by a “wide variety of steel consuming industries,” and the GOC specifically identified the following uses: plumbing and heating systems, air conditioning units, sprinklers, and in the construction and repair of refineries and chemical plants. Because seamless tube steel is only provided to steel consuming industries, we preliminarily determine that the subsidy is being provided to a limited number of industries and is, therefore, specific. *See* section 771(5A)(D)(iii)(I) of the Act.

We have selected our benchmark for measuring the adequacy of the remuneration in accordance with 19 CFR 351.511(a)(2). With regard to tier one, market prices from actual transactions within the country under investigation, the GOC has reported that companies that it has designated as state-owned accounted for 38 percent of seamless tube steel production in the PRC during the POI. We determine that

this level of government ownership is substantial. Combining this with the fact that imports as a share of domestic consumption are insignificant, we preliminarily determine that domestic prices in the PRC for seamless tube steel are distorted such that they cannot be used as a tier one benchmark. For the same reasons, we determine that import prices into the PRC cannot serve as a benchmark.

Turning to tier two benchmarks, *i.e.*, world market prices available to purchasers in the PRC, both Petitioner and BTIC have submitted prices that they suggest are appropriate bases for constructing a benchmark. Based on our review of the proposed benchmarks, we are preliminarily relying on FOB and export prices from Steel Orbis for seamless tube steel. Pursuant to 19 CFR 351.511(a)(2)(ii), we are averaging the selected prices. Since ocean freight to the PRC is to be added into the benchmark price (see below), we did not rely on any prices that included ocean freight, thereby ensuring that ocean freight would not be counted twice.

As explained above, the Department adjusts the benchmark price to include delivery charges and import duties. Regarding delivery charges, we have included ocean freight and the freight charges that would be incurred to deliver seamless tube steel to BTIC’s plants. We have also added import duties, as reported by the GOC, and the VAT applicable to imports of seamless tube steel into the PRC. *See* Prelim Calc Memo for a full explanation of how we derived the benchmark. We have compared these prices to BTIC’s actual purchase prices, including taxes and delivery charges.

Based on this comparison, we preliminarily determine that seamless tube steel was provided for LTAR and that a subsidy exists in the amount of the difference between the benchmark and what BTIC paid. *See* 19 CFR 351.511(a).

On this basis, we preliminarily determine that BTIC received a countervailable subsidy of 22.14 percent *ad valorem* under this program.

#### *F. Provision of Standard Commodity Steel Billets and Blooms, and High-Quality Chromium Molybdenum Alloy Steel Billets and Blooms for LTAR*

BTIC reported purchasing standard commodity steel billets and blooms (“commodity billets”) and high-quality chromium molybdenum alloy steel billets and blooms (“CrMo billets”) (collectively, “billets”) for the production of subject merchandise and identified several producers of these inputs. The GOC provided ownership

information for these input producers indicating that all are directly or indirectly majority owned by the GOC. As explained above, the Department has determined that majority government ownership of an input producer is sufficient to qualify it as an “authority.”

We preliminarily determine that the GOC is conferring a countervailable subsidy through its provision of billets for LTAR. We determine that authorities are providing a good and, hence, a financial contribution under section 771(5)(D)(iii) of the Act and that a benefit is being conferred because the billets are being provided for LTAR, as explained below. Further, the GOC has reported that billets are used by a “wide variety of steel consuming industries.” Because billets are provided only to steel consuming industries, we preliminarily determine that the subsidy is being provided to a limited number of industries and is, therefore, specific. *See* section 771(5A)(D)(iii)(I) of the Act.

We have selected our benchmark for measuring the adequacy of the remuneration in accordance with 19 CFR 351.511(a)(2). With regard to tier one, market prices from actual transactions within the country under investigation, the GOC has reported that companies it designates as government-owned accounted for 60 percent of crude steel production in the PRC during the POI. (Because the PRC’s State Statistical Bureau does not track production of commodity billets or high-quality chromium molybdenum alloy steel billets the GOC has responded with information on crude steel production.) Therefore, government-owned providers constitute a majority of the market. *See* CVD Preamble, 63 FR at 65377. We also note that imports as a share of domestic consumption are insignificant. We preliminarily determine that domestic prices in the PRC for billets are distorted such that they cannot be used as a tier one benchmark. For the same reasons, we determine that import prices into the PRC cannot serve as a benchmark.

Turning to tier two benchmarks, *i.e.*, world market prices available to purchasers in the PRC, the Department has been unable to locate benchmark prices for CrMo billets, and no world market prices for CrMo billets were placed on the record of this investigation. Therefore, we have relied on a single benchmark for both types of billets. Both Petitioner and BTIC have submitted billet prices. Based on our review of the proposed benchmarks, we are preliminarily relying on FOB and export prices from the SBB and the London Metal Exchange for billets. Pursuant to 19 CFR 351.511(a)(2)(ii), we

are averaging the submitted prices. Since ocean freight to the PRC is to be added into the benchmark price (see below), we did not rely on any prices that included ocean freight, thereby ensuring that ocean freight would not be counted twice.

As explained above, the Department adjusts the benchmark price to include delivery charges and import duties. Regarding delivery charges, we have included ocean freight and the freight charges that would be incurred to deliver billets to BTIC's plants. We have also added import duties, as reported by the GOC, and the VAT applicable to imports of billets into the PRC. See Prelim Calc Memo for a full explanation of how we derived the benchmark. We have compared these prices to BTIC's actual purchase prices, including taxes and delivery charges.

Based on this comparison, we preliminarily determine that commodity billets were provided for LTAR and that a subsidy exists in the amount of the difference between the benchmark and what the respondents paid. See 19 CFR 351.511(a). We preliminarily determine that BTIC received a countervailable subsidy of 0.03 percent *ad valorem* with respect to the provision of this input. Regarding CrMo billets, we preliminarily determine that BTIC did not receive a benefit from its purchases during the POI. However, we intend to continue seeking a benchmark specific to CrMo billets and will consider whether altering our methodology for the final determination is appropriate.

## II. Programs Preliminarily Determined To Be Not Countervailable

### A. Provision of Land-Use Rights in the Tianjin Port Free Trade Zone for LTAR

BTIC submitted information regarding Tianjin Tianhai's purchase of land-use rights showing that Tianjin Tianhai is located in the Tianjin Port Free Trade Zone ("TPFTZ") and that the company purchased its land-use rights from the land bureau for that Zone. Additionally, the GOC submitted the *Regulation of the Tianjin Harbour Free Trade Zone for Land Administration*. This regulation does not show any preference in providing land-use rights for particular areas within the TPFTZ.

The Department has found that when land is in an industrial park located within the seller's (e.g., county's or municipality's) jurisdiction, the provision of land-use rights is regionally specific under section 771(5A)(D)(iv) of the Act. See, e.g., *Oil Country Tubular Goods From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Negative*

*Critical Circumstances Determination*, 74 FR 64045 (December 7, 2009), and accompanying Issues and Decision Memorandum at 20. However, with respect to the land-use rights within the TPFTZ, the jurisdiction of the granting authority does not extend beyond the TPFTZ. As such, the provision of land-use rights under this program is not limited to an enterprise or industry located within a designated geographical region. Therefore, we preliminarily determine that the provision of land-use rights to Tianjin Tianhai within the TPFTZ is not specific under section 771(5A)(D)(iv) of the Act and, thus, this program does not confer a countervailable subsidy.

## III. Programs Preliminarily Determined To Be Not Used by Respondents or To Not Provide Benefits During the POI

### A. Provision of Welded Tube Steel for LTAR

BTIC reported purchasing welded tube steel, although not for use in the production of subject merchandise. BTIC submitted the amount it purchased in the POI and the price paid, but not the date(s) or terms of the purchase. The GOC did not provide any requested information regarding welded tube steel.

Even under adverse inferences regarding financial contribution, specificity, unsuitability of tier one benchmarks, and the dates and terms of the purchases, we preliminarily determine that this program did not result in a measurable benefit during the POI. Therefore, consistent with CFS Decision Memo at 15, we are not including this subsidy in our calculation.

### B. Subsidies Provided in the Tianjin Binhai New Area ("TBNA") and the Tianjin Economic and Technological Development Area

The GOC and BTIC reported that Tianjin Tianhai received benefits under three programs by virtue of its location in the TBNA. The first is addressed under "Enterprise Income Tax Rate Reduction in the Tianjin Port Free Trade Zone" above. The payment to Tianjin Tianhai under the second program, the Energy Saving and Emission Reduction Fund, was less than 0.5 percent of BTIC's sales in the year or receipt, 2009. Therefore, because any potential subsidy would have been expensed prior to the POI in accordance with 19 CFR 351.524(b)(2), we have not analyzed this program further and have not included it our calculations.

Similarly, payments to Tianjin Tianhai under the third program, the

Enterprise Development Fund, were less than 0.5 percent of BTIC's sales in the years of receipt, 2008 and 2009. Therefore, because any potential subsidy would have been expensed prior to the POI in accordance with 19 CFR 351.524(b)(2), we have not analyzed this program further and have not included it our calculations.

### C. Beijing Industrial Development Fund

BTIC reported receiving grants under this program in 2008 and 2009. Payments to BTIC under this program were less than 0.5 percent of BTIC's sales in the years of receipt, 2008 and 2009. Therefore, because any potential subsidy would have been expensed prior to the POI in accordance with 19 CFR 351.524(b)(2), we have not analyzed this program further and have not included it our calculations.

### D. Provision of Land and/or Land Use Rights to SOEs at LTAR

### E. Loan and Interest Forgiveness for SOEs

### F. The State Key Technology Renovation Project Fund

### G. Circular on Issuance of Foreign Trade Development Support Fund

### H. Rebates for Export and Credit Insurance Fees

### I. GOC and Sub-Central Grants, Loans, and Other Incentives for Development of Famous Brands and China Top World Brands

### J. Preferential Lending to Steel Product Producers Under the Ninth Five-Year Plan

### K. Treasury Bond Loans

### L. Preferential Lending to Steel Cylinders Producers and Exporters Classified as "Honorable Enterprises"

### M. Income Tax Reductions for Export-Oriented FIEs

### N. Preferential Tax Programs for FIEs that are Engaged in Research and Development

### O. Income Tax Reduction for FIEs that Reinvest Profits in Export-Oriented Enterprises

### P. Local Income Tax Exemption and Reduction Programs for "Productive" FIEs

### Q. Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment

### R. VAT Refunds for FIEs Purchasing Domestically Produced Equipment

### S. VAT Exemptions for Central Region

## IV. Programs for Which More Information Is Required

Supplemental questionnaires are outstanding with respect to two programs included in the *Initiation*

*Notice:* “Preferential Loans for SOEs” and “Provision of Electricity for LTAR.” Additionally, we intend to seek further information with respect to certain pension grants to Jingcheng Holding identified in recent questionnaire responses. Based on the information we receive, we plan to address these programs in a post-preliminary analysis.

#### *Verification*

In accordance with section 782(i)(1) of the Act, we will verify the information submitted by the respondents prior to making our final determination.

#### *Suspension of Liquidation*

In accordance with section 703(d)(1)(A)(i) of the Act, we calculated

an individual rate for each producer/exporter of the subject merchandise individually investigated. Because only one company was investigated, that company’s rate also serves as the All Others rate.

We preliminarily determine the total estimated net countervailable subsidy rates to be:

Exporter/manufacturer	Net subsidy rate
Beijing Tianhai Industry Co., Ltd.; Tianjin Tianhai High Pressure Corp., Ltd.; Langfang Tianhai High Pressure Container Co., Ltd	22.34
All Others .....	22.34

In accordance with sections 703(d)(1)(B) and (2) of the Act, we are directing U.S. Customs and Border Protection to suspend liquidation of all entries of steel cylinders from the PRC that are entered, or withdrawn from warehouse, for consumption on or after the date of the publication of this notice in the **Federal Register**, and to require a cash deposit or bond for such entries of merchandise in the amounts indicated above.

#### ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

In accordance with section 705(b)(2) of the Act, if our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

#### *Disclosure and Public Comment*

In accordance with 19 CFR 351.224(b), we will disclose to the parties the calculations for this preliminary determination within five days of its announcement. Due to the anticipated timing of verification and issuance of verification reports, case briefs for this investigation must be submitted no later than one week after the issuance of the last verification report. See 19 CFR 351.309(c)(i) (for a further discussion of case briefs). Rebuttal briefs must be filed within five days after the deadline for submission of case briefs, pursuant to 19 CFR

351.309(d)(1). A list of authorities relied upon, a table of contents, and an executive summary of issues should accompany any briefs submitted to the Department. Executive summaries should be limited to five pages total, including footnotes. See 19 CFR 351.309(c)(2) and (d)(2).

Section 774 of the Act provides that the Department will hold a public hearing to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs, provided that such a hearing is requested by an interested party. If a request for a hearing is made in this investigation, the hearing will be held two days after the deadline for submission of the rebuttal briefs, pursuant to 19 CFR 351.310(d), at the U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must electronically submit a written request to the Deputy Assistant Secretary for Import Administration using IA ACCESS, within 30 days of the publication of this notice, pursuant to 19 CFR 351.310(c). Requests should contain: (1) The party’s name, address, and telephone; (2) the number of participants; and (3) a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs. See *id.*

This determination is published pursuant to sections 703(f) and 777(i) of the Act.

Dated: October 11, 2011.

**Ronald K. Lorentzen,**

*Deputy Assistant Secretary for Import Administration.*

[FR Doc. 2011–26925 Filed 10–17–11; 8:45 am]

**BILLING CODE 3510-DS-P**

## DEPARTMENT OF COMMERCE

### International Trade Administration

[A–552–802]

#### **Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam: Amended Final Results and Final Partial Rescission of Antidumping Duty Administrative Review**

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

**SUMMARY:** On September 12, 2011, the Department of Commerce (“Department”) published in the **Federal Register** the final results of the fifth administrative review of the antidumping duty order on certain frozen warmwater shrimp (“shrimp”) from the Socialist Republic of Vietnam (“Vietnam”).<sup>1</sup> The period of review (“POR”) is February 1, 2009, through January 31, 2010. We are amending the *Final Results* to correct certain ministerial errors.

**DATES:** October 18, 2011.

**FOR FURTHER INFORMATION CONTACT:** Susan Pulongbarit or Paul Walker, AD/CVD Operations, Office 9, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–4013 or (202) 482–0413, respectively.

#### **SUPPLEMENTARY INFORMATION:**

##### **Background**

The Department’s regulations at 19 CFR 351.224(c)(2) state that a party to an antidumping duty proceeding must file comments concerning ministerial errors within five days after the earlier of the

<sup>1</sup> See *Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review*, 76 FR 56158 (September 12, 2011) (“*Final Results*”).