DEPARTMENT OF COMMERCE

International Trade Administration

[C–570–974]

Certain Steel Wheels 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 (the Department) preliminarily determines that countervailable subsidies are being provided to producers and exporters of certain steel wheels (steel wheels) from the People's Republic of China (the PRC). For information on the estimated subsidy rates, see the ''Suspension of Liquidation'' section of this notice.

DATES: *Effective Date:* September 6, 2011.

FOR FURTHER INFORMATION CONTACT: John Conniff (for the Centurion Companies) at 202–482–1009, Robert Copyak (for the Jingu Companies) at 202–482–2209, and Kristen Johnson (for the Xingmin Companies) at 202–482–4793, AD/CVD Operations, Office 3, Import Administration, U.S. Department of Commerce, Room 4014, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Case History

On March 30, 2011, the Department received a countervailing duty (CVD) petition concerning imports of steel wheels from the PRC filed in proper form by Accuride Corporation (Accuride) and Hayes Lemmerz International, Inc. (collectively, petitioners).[1] This investigation was initiated on April 19, 2011. *See Certain Steel Wheels From the People's Republic of China: Initiation of Countervailing Duty Investigation,* 76 FR 23302 (April 26, 2011) (*Initiation Notice*), and accompanying Initiation Checklist.

In the *Initiation Notice,* the Department stated that it intended to rely on data from U.S. Customs and Border Patrol (CBP) for purposes of selecting the mandatory respondents. *See Initiation Notice,* 76 FR at 23304. On April 20, 2011, the Department released the results of a query performed on the CBP's database for calendar year 2010. *See* Memorandum to the File from Robert Copyak, Senior Financial Analyst, AD/CVD Operations, Office 3, regarding ''Release of Query Results of Customs and Border Patrol Database'' (April 20, 2011). Due to the large number of producers and exporters of steel wheels in the PRC, we determined that it was not practicable to individually investigate each producer and/or exporter. We, therefore, selected the following three producers and/or exporters of steel wheels to be mandatory respondents: Jiangsu Yuantong Auto Parts Co., Ltd. (Yuantong), Zhejiang Jinfei Machinery Group Co. Ltd. (Zhejiang Jinfei), and Zhejiang Jingu Automobile Components (Zhejiang Jingu),[2] the largest publicly identifiable producers and/or exporters of the subject merchandise.[3] *See*

[1] The current deadline for the preliminary results of this review is December 31, 2011. As this date falls on Saturday, a non-business day, the preliminary results are due January 3, 2012. *See* Notice of Clarification: Application of ''Next Business Day'' Rule for Administrative Determination Deadlines Pursuant to the Tariff Act of 1930, as Amended, 70 FR 24533 (May 10, 2005).

[1] *See* Petition for the Imposition of Countervailing Duties (Petition). A public version of the Petition and all other public documents and public versions for this investigation are available on the public file in the Central Records Unit (CRU), Room 7046 of the main Department of Commerce building.

[2] We use the term Jingu Companies to refer collectively to Zhejiang Jingu and its cross-owned affiliates under examination in this investigation.

[3] The companies are listed in alphabetical order and not listed based on export value/volume.

Memorandum to Christian Marsh, Deputy Assistant Secretary for AD/CVD Operations, from Eric B. Greynolds, Program Manager, AD/CVD Operations, Office 3, and Robert Copyak, Senior Financial Analyst, AD/CVD Operations, Office 3, through Melissa G. Skinner, Director, AD/CVD Operations, Office 3, ''Respondent Selection'' (May 10, 2011). On May 13, 2011, we issued the initial CVD questionnaire to the Government of the People's Republic of China (the GOC) and selected mandatory respondents. We also issued a confirmation of shipment questionnaire on the same date to Yuantong and Zhejiang Jinfei.

On May 20, 2011, the Department received Yuantong's and Zhejiang Jinfei's response to the shipment questionnaire in which each company certified that it did not export subject merchandise to the United States during the period of investigation (POI). *See* Yuantong's and Zhejiang Jinfei's Shipment Questionnaire Response (May 20, 2011).

On May 25, 2011, the Department selected two other producers and/or exporters to be mandatory respondents in this investigation: Jining Centurion Wheel Manufacturing Co., Ltd. (Centurion) [4] and Shandong Xingmin Wheel Co., Ltd. (Xingmin).[5] *See* Memorandum to Christian Marsh, Deputy Assistant Secretary for AD/CVD Operations, from Eric B. Greynolds, Program Manager, AD/CVD Operations, Office 3, and Robert Copyak, Senior Financial Analyst, AD/CVD Operations, Office 3, through Melissa G. Skinner, Director, AD/CVD Operations, Office 3, ''Selection of Mandatory Respondents, Round Two'' (May 25, 2011). The Department provided copies of the initial questionnaire to the Centurion and Xingmin Companies on May 13, 2011, because they were on the public service list at the time the Department issued the initial questionnaire.[6] The Department re-issued the questionnaire to the Centurion and Xingmin companies on May 25, 2011.

On June 8, 2011, the Department postponed the deadline for the preliminary determination by 65 days to no later than August 29, 2011. *See Certain Steel Wheels From the People's Republic of China: Notice of Postponement of Preliminary Determination in the Countervailing Duty Investigation,* 76 FR 33242 (June 8, 2011).

On June 20, 2011, Xiamen Sunrise Wheel Group Co., Ltd. (Sunrise), a Chinese producer of subject merchandise, submitted to the Department a response to the initial CVD questionnaire and requested that the Department designate it as a voluntary respondent. Because we previously determined that we only had the resources to investigate three companies, and because the Department received complete questionnaire responses from the three selected mandatory respondents, as discussed below, we did not designate Sunrise as a voluntary respondent in this investigation.

The Department received the GOC's initial questionnaire response on July 5, 2011. The Department issued supplemental questionnaires to the GOC on July 25, 2011 (first), August 2, 2011 (second), and August 3, 2011 (third), and received the GOC's response to the first and second supplemental questionnaires on August 10, 2011. The GOC's response to the third supplemental questionnaire is due on September 9, 2011.

The Department received the Jingu Companies' initial questionnaire response on July 5, 2011. On July 14, 2011, the Department issued a supplemental questionnaire to the Jingu Companies. On July 18, 2011, the Department issued an addendum to the supplemental questionnaire in which it instructed the Jingu Companies to supply responses to the initial questionnaire with regard to two additional cross-owned companies. The Department issued an additional supplemental questionnaire on August 2, 2011. The Jingu Companies submitted their supplemental questionnaire responses on July 29, August 5, and August 10, 2011.

The Department received the initial questionnaire responses from the Centurion Companies on July 15, 2011. On July 21, 2011, the Department issued a supplemental questionnaire to the Centurion Companies in which it instructed the companies to supply a response to the initial questionnaire response with regard to an additional cross-owned company. The Centurion Companies submitted their response to the supplemental questionnaire on August 8, 2011.

On July 15, 2011, the Department received the Xingmin Companies' initial questionnaire response and issued to the Xingmin Companies a supplemental questionnaire on July 21, 2011. On July 25, 2011, the Department issued two addenda to the Xingmin Companies' July 21, 2011, supplemental questionnaire. We received the Xingmin Companies' supplemental questionnaire responses on August 10 and 12, 2011.

On August 29, 2011, we placed on the record of this investigation our analysis of entry documentation obtained from CBP for the products that Yuantong and Zhejiang Jinfei exported to the United States during the POI.[7] Based on our analysis of the entry packages, we find that the documentation supports the claims of non-shipment of subject merchandise to the United States during the POI by Yuantong and Zhejiang Jinfei.

Period of Investigation

The POI for which we are measuring subsidies is January 1, 2010 through December 31, 2010, which corresponds to the most recently completed fiscal year. *See* 19 CFR 351.204(b)(2).

Scope of the Investigation

The products covered by this investigation are steel wheels with a wheel diameter of 18 to 24.5 inches. Rims and discs for such wheels are included, whether imported as an assembly or separately. These products are used with both tubed and tubeless tires. Steel wheels, whether or not attached to tires or axles, are included. However, if the steel wheels are imported as an assembly attached to tires or axles, the tire or axle is not covered by the scope. The scope includes steel wheels, discs, and rims of carbon and/or alloy composition and clad wheels, discs, and rims when carbon or alloy steel represents more than fifty percent of the product by weight. The scope includes wheels, rims, and discs, whether coated or uncoated, regardless of the type of coating.

Imports of the subject merchandise are provided for under the following categories of the Harmonized Tariff Schedule of the United States (HTSUS): 8708.70.05.00, 8708.70.25.00, 8708.70.45.30, and 8708.70.60.30. These HTSUS numbers are provided for convenience and customs purposes only; the written description of the scope is dispositive.

Scope Comments

In accordance with the *Preamble* to the Department's regulations (*see Antidumping Duties; Countervailing Duties,* 62 FR 27296, 27323 (May 19,

[4] We use the term Centurion Companies to refer collectively to Centurion and its cross-owned affiliates under examination in this investigation.

[5] We use the term Xingmin Companies to refer collectively to Xingmin and its cross-owned affiliates under examination in this investigation.

[6] *See* section 782(a) of the Tariff Act of 1930, as amended (the Act). *See also* Centurion's April 29, 2011 submission, and Xingmin's May 4, 2011, submission.

[7] *See* Memorandum to the File from John Conniff, Trade Analyst, AD/CVD Operations, Office 3, regarding ''Examination of Entry Documentation,'' (August 29, 2011).

1997)), in the *Initiation Notice,* we set aside a period of time for parties to raise issues regarding product coverage, and encouraged all parties to submit comments within 20 calendar days of publication of the *Initiation Notice.* On May 9, 2011, we received scope comments from Blackstone/OTR LLC and OTR Wheel Engineering, Inc. (collectively, OTR), a U.S. importer of the subject merchandise. On June 7, 2011, the Department released a memorandum to the file regarding additional HTSUS categories and language to include in the scope of the AD and CVD investigations as suggested by a National Import Specialist at CBP. *See* Memorandum to the File from Raquel Silva, International Trade Compliance Analyst, AD/CVD Operations, Office 8, through Erin Begnal, Program Manager, AD/CVD Operations, Office 8, regarding ''Suggested Additional Harmonized Tariff Schedule Categories'' (June 7, 2011) (HTSUS Memorandum).

On June 14, 2011, we received comments on the HTSUS Memorandum from petitioners who agree with the suggestion of the CBP import specialist to include the additional HTSUS numbers within the scope language.[8] Petitioners state that by including the additional HTSUS numbers for vehicles and machinery, they, however, do not intend to limit the coverage of the scope to steel wheels for just vehicles or machinery, but rather intend to include all steel wheels with a wheel diameter of 18 to 24.5 inches regardless of use.[9] Petitioners add, if the coverage of the scope was qualified based on use that could present customs classification problems as well as enable steel wheels of the sizes covered by the scope to evade coverage by being entered as wheels for machinery and then used as wheels for vehicles.[10] Therefore, they assert that adding use language to the scope, as suggested by the CBP import specialist, is inappropriate.[11]

On June 14 and 21, 2011, we received comments and rebuttal comments from the GOC on the HTSUS Memorandum. The GOC agrees with CBP's proposal to clarify the scope language to state that it is only intended to include steel wheels for vehicles.[12] The GOC, however, states that it would be inappropriate for the Department to include the HTSUS numbers covering steel wheels for manufacturing machines because those HTSUS numbers cover products beyond the subject merchandise.[13]

The Department is evaluating the comments submitted by the parties and will issue its decision regarding the scope of the AD and CVD investigations in the preliminary determination of the companion AD investigation, which is due for signature on October 26, 2011.[14] Scope decisions made in the AD investigation will be incorporated into the scope of the CVD investigation.

Injury Test

Because the PRC is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Act, the International Trade Commission (the ITC) is required to determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury to, a U.S. industry. On May 20, 2011, the ITC published its preliminary determination finding that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from China of certain steel wheels. *See Certain Steel Wheels From China,* Investigation Nos. 701–TA–478 and 731–TA–1182 (Preliminary), 76 FR 29265 (May 20, 2011).

Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination

On April 19, 2011, the Department initiated the AD and CVD investigations of steel wheels from the PRC. *See Certain Steel Wheels From the People's Republic of China: Initiation of Antidumping Duty Investigation,* 76 FR 23294 (April 26, 2011) and also *Initiation Notice* (for the PRC CVD investigation). The AD and CVD investigations have the same scope with regard to the merchandise covered.

On August 22, 2011, petitioners 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 of steel wheels from the PRC. Therefore, in accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4), we are aligning the final CVD determination with the final determination in the companion AD investigation of steel wheels from the PRC. 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 January 9, 2012.

Application of the CVD 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 accompanying Issues and Decision Memorandum (CFS from the PRC Decision Memorandum). 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 from the PRC Decision Memorandum 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) (*CWP from the PRC*), and accompanying Issues and Decision Memorandum (CWP from the PRC Decision Memorandum) at Comment 1.

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

Use of Facts Otherwise Available and Adverse Inferences

Sections 776(a)(1) and (2) of the Act provide that the Department shall apply ''facts otherwise available'' if, inter alia, necessary information is not on the record or an interested party or any other person: (A) Withholds information that has been requested; (B) fails to provide information within the deadlines established, or in the form

[8] *See* Petitioners' submission regarding ''Request to Add Harmonized Tariff Schedule Categories to Scope Definition'' (June 16, 2011). Also, when petitioners timely filed their comments to the Department on June 14, 2011, they inadvertently excluded the CVD case number. Therefore, petitioners filed a copy of their scope comments on the CVD record on June 16, 2011.

[9] *Id.*

[10] *Id.*

[11] *Id.*

[12] *See* GOC's submission regarding ''CBP Proposal for Additional Harmonized Tariff Schedule Categories'' (June 14, 2011).

[13] *Id.*

[14] *See Certain Steel Wheels From the People's Republic of China: Postponement of Preliminary Determination of Antidumping Duty Investigation,* 76 FR 50995 (August 17, 2011).

and manner requested by the Department, subject to subsections (c)(1) and (e) of section 782 of the Act; (C) significantly impedes a proceeding; or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

Section 776(b) of the Act further provides that the Department may use an adverse inference in applying the facts otherwise available when a party has failed to cooperate by not acting to the best of its ability to comply with a request for information.

GOC- Hot-Rolled Steel

In our initial questionnaire, we asked the GOC to provide information concerning the firms that produced the hot-rolled steel (HRS) that respondents purchased during the POI. *See* the Department's May 13, 2011, questionnaire at 17. We explained in our questionnaire that the Department normally treats producers that are majority owned by the government or a government entity as ''authorities.'' Thus, for any producer of HRS that was majority government-owned, the GOC needed to provide the requested information only if it wished to argue that those producers were not authorities.

For any producer that the GOC claimed was directly, 100-percent owned by individual persons during the POI, we requested, among other items, translated copies of source documents that demonstrate the producer's ownership during the POI, such as capital verification reports, articles of association, share transfer agreements, or financial statements and identification of the owners, members of the board of directors, or managers of the suppliers who were also government or Chinese Communist Party (CCP) officials during the POI. *See* the Department's May 13, 2011, questionnaire at Appendix 5.

For HRS producers with direct corporate ownership or less-than-majority state ownership during the POI, we requested that the GOC provide ownership information, including among other items, the total level (percentage) of state ownership of the companies' shares; the names of all government entities that own shares, either directly or indirectly, in the company; information on whether any of the owners are considered ''state-owned enterprises'' by the government; and the amount of shares held by each government owner. We also asked a series of questions regarding whether the owners of the input producers were members of the CCP and the extent to which CCP officials influenced the manner in which they conducted their firms' operations. *Id.*

In its questionnaire response, the GOC provided various source documents (*e.g.,* business licenses, capital verification reports, and articles of associations) for the firms that supplied HRS to the respondents during the POI. However, in most cases the GOC did not provide the information requested in the Department's initial questionnaire regarding the firms that produced the HRS that respondents purchased during the POI. Moreover, in all cases the GOC did not respond to the Department's questions concerning the CCP. *See* the GOC's July 15, 2011, questionnaire response at 17–29 and Exhibits 9–15.

In our supplemental questionnaire, we requested that the GOC provide the information requested in the initial questionnaire as it applied to HRS producers that respondents claimed were privately-held entities. *See* the Department's July 25, 2011, supplemental questionnaire at 10. The GOC failed to provide the requested information in its supplemental questionnaire response. For example, in spite of the GOC's claims in the supplemental questionnaire, the GOC continued not to provide ownership information for several of the respondents' HRS producers that the respondents identified as being private entities. Further, for purportedly privately-owned HRS producers owned by individuals, the GOC, in all instances, did not provide information regarding whether the owners of the input producers were officials of the CCP and the extent to which CCP officials influenced the manner in which they conducted their firms' operations. *See* the GOC's August 10, 2011, questionnaire response.

We, therefore, preliminarily determine that the GOC has withheld necessary information that was requested of it and, thus, that the Department must rely on ''facts available'' in making our preliminary determination. *See* sections 776(a)(1) and (a)(2)(A) of the Act. Moreover, we preliminarily determine that the GOC has failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, an adverse inference is warranted in the application of facts available. *See* section 776(b) of the Act. Therefore, in those instances in which the GOC failed to provide the requested ownership information, we are applying an adverse inference that the firms were government authorities that provided a financial contribution as described under section 771(5)(D)(iv) of the Act. In addition, for those instances in which the GOC provided the requested ownership documents (*e.g.,* capital verification reports, business registration forms, and articles of association) but failed to provide information on whether individual owners of the input producers were officials of the CCP and the extent to which CCP officials influenced the manner in which they conducted their firms' operations, we are assuming, adversely, that the firms were government authorities that provided a financial contribution. Our approach in this regard is consistent with the Department's practice. *See, e.g., Certain Coated Paper Suitable For High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination,* 75 FR 10774, 10778 (March 9, 2010) (*Coated Paper from the PRC Preliminary Determination*); unchanged in *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses From the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 75 FR 59212 (September 27, 2010) (*Coated Paper from the PRC Final Determination*) and accompanying Issues and Decision Memorandum (Coated Paper from the PRC Decision Memorandum).

GOC—Electricity

The Department is also investigating the provision of electricity for LTAR to the respondents by the GOC. The GOC, however, did not provide a complete response to the Department's May 13, 2011, initial questionnaire regarding this program. In the questionnaire, the Department requested that the GOC provide the provincial price proposals for 2006 and 2008, for each province in which a mandatory respondent or any reported cross-owned company is located and to explain how electricity cost increases are reflected in retail price increases.[15] In its July 5, 2011, questionnaire response, the GOC responded that it was unable to provide provincial price proposals for 2006 and 2008, because they are working documents for the National Development and Reform Commission's (NDRC) review.[16] The GOC's response also explained theoretically how the national price increases should be formulated but did not explain the

[15] *See* Department's Initial Questionnaire Issued to the GOC (May 13, 2011) at Appendix 6.

[16] *See* GOC's Initial Questionnaire Response (July 5, 2011) at 62.

actual process that led to the price increases.[17]

As such, on August 2, 2011, the Department issued a supplemental questionnaire to the GOC reiterating its request for this information as well as information on the price adjustment in 2009, and the 2009 provincial price proposal for Zhejiang, Shandong, and Sichuan, the provinces in which the respondents are located.[18] The GOC, however, in its supplemental questionnaire response, did not provide the requested provincial price proposals asserting that the ''documents are not necessary to an understanding of the electricity pricing in China.'' [19] The GOC also did not provide sufficient answers to the Department's supplemental questions. For example, we asked the GOC to explain how the NDRC developed the national price increase. In response, the GOC simply provided a copy of the ''Interim Rules on Sales Price of Electricity,'' but failed to provide an explanation on how the NDRC developed the national price increase.[20] Similarly, we asked the GOC to explain the methodology used to calculate each of the cost element increases; however, in response, the GOC simply stated ''the methodology used to calculate each of these cost element increases are mainly common practices of costing.'' [21] We also asked the GOC to explain how all significant cost elements are accounted for within each province's price proposal. The GOC, however, stated that ''significant cost elements will normally be accounted for within the province's price proposal in a manner consistent with the relevant rules on costing and pricing of electricity'' [22] with no further explanation.

After reviewing the GOC's responses to the Department's electricity questions, we preliminarily determine that the GOC's answers were inadequate and did not provide the necessary information required by the Department to analyze the provision of electricity in the PRC. As such, the Department must rely on the facts otherwise available in making our preliminary determination. *See* sections 776(a)(1), 776(a)(2)(A) and (B) of the Act. Moreover, we preliminarily determine that the GOC has failed to cooperate by not acting to the best of its ability to comply with our request for information as it did not adequately explain why it was unable to provide the requested information. Therefore, an adverse inference is warranted in the application of facts available. *See* section 776(b) of the Act. Drawing an adverse inference, we preliminarily find that the GOC's provision of electricity constitutes a financial contribution within the meaning of section 771(5)(D) of the Act and is specific within the meaning of section 771(5A) of the Act.

We also preliminarily rely on an adverse inference by selecting the highest electricity rates that were in effect during the POI as our benchmarks for determining the existence and amount of any benefit under this program. *See* sections 776(b)(4) of the Act. The GOC reported that the provincial rate schedules of November 2009 were applicable during the POI.[23] As such, we have used the November 2009 provincial electricity tariff schedules as a benchmark rate source for the period January 2010 through December 2010. Specifically, we have placed on the record of this investigation the November 2009 provincial electricity rate schedules, which were submitted to the Department by the GOC in the CVD investigation on *Drill Pipe from the PRC,* and which reflect the highest rates that the respondents would have paid in the PRC during the POI. *See Drill Pipe From the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 76 FR 1971 (January 11, 2011) (*Drill Pipe from the PRC*), and accompanying Issues and Decision Memorandum (Drill Pipe from the PRC Decision Memorandum) at ''Provision of Electricity for LTAR.'' *See* Memorandum to File from Kristen Johnson, Trade Analyst, AD/CVD Operations, Office 3, regarding ''Provincial Electricity Tariff Schedules,'' (August 29, 2011).

For details on the calculation of the subsidy rate for the respondents, *see* below at ''Provision of Electricity for LTAR.''

Subsidies Valuation Information

Allocation Period

Under 19 CFR 351.524(b), non-recurring subsidies are allocated over a period corresponding to the average useful life (AUL) of the renewable physical assets used to produce the subject merchandise. Pursuant to 19 CFR 351.524(d)(2), there is a rebuttable presumption that the AUL will be taken from the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System (IRS Tables), as updated by the Department of Treasury. For the subject merchandise, the IRS Tables prescribe an AUL of 12 years. No interested party has claimed that the AUL of 12 years is unreasonable.

Further, for non-recurring subsidies, we have applied the ''0.5 percent expense test'' described in 19 CFR 351.524(b)(2). Under this test, we compare the amount of subsidies approved under a given program in a particular year to sales (total sales or total export sales, as appropriate) for the same year. If the amount of subsidies is less than 0.5 percent of the relevant sales, then the benefits are allocated to the year of receipt rather than allocated over the AUL 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) provides that the Department will attribute subsidies received by certain other companies to the combined sales of those companies when: (1) Two or more corporations with cross-ownership produce the subject merchandise; (2) a firm that received a subsidy is a holding or parent company of the subject company; (3) a firm that produces an input that is primarily dedicated to the production of the downstream product; or (4) a corporation producing non-subject merchandise received a subsidy and transferred the subsidy to a corporation with cross-ownership with the subject 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* v. *United States,* 166 F. Supp. 2d 593, 600–604 (CIT 2001) (*Fabrique*).

The Jingu Companies

Zhejiang Jingu, established in 1986, is a producer of subject merchandise.

[17] *Id.* at 61–66.

[18] *See* Department's Second Supplemental Questionnaire Issued to the GOC (August 2, 2011).

[19] *See* GOC's Second Supplemental Questionnaire Response (August 10, 2011) at 1, 5.

[20] *Id.* at 2.

[21] *Id.* at 5.

[22] *Id.*

[23] *Id.* at 6.

Currently, Zhejiang Jingu is a publicly traded, domestically-owned enterprise which is listed on the Shenzhen Stock Exchange. Chengdu Jingu Wheel Co., Ltd. (Chengdu) is a domestically and one-hundred percent owned subsidiary of Zhejiang Jingu. Chengdu produces subject merchandise for sale in the domestic market. During the POI, Zhejiang Jingu exported subject merchandise through Shanghai Yata Industrial Co., Ltd. (Shanghai Yata), a wholly-owned, PRC-based trading company that has no production operations. Zhejiang Jingu also shipped a relatively small quantity of subject merchandise through Zhejiang Wheel World Industrial Co., Ltd. (Zhejiang Wheel World) during the POI. Zhejiang Wheel World is a foreign-invested joint venture operation in which Zhejiang Jingu owned a 75 percent shareholding interest during the POI. The Jingu Companies state that Zhejiang Wheel World did not produce in-scope steel wheels during the POI.

In accordance with 19 CFR 351.525(b)(6)(vi), we preliminarily determine that Zhejiang Jingu, Chengdu, Shanghai Yata, and Zhejiang Wheel World are cross-owned companies. Concerning Zhejiang Wheel World, we acknowledge that the Jingu Companies have stated that the firm did not produce in-scope steel wheels during the POI. However, the Court has found that the Department may examine subsidies received by cross-owned companies, including companies that did not produce subject merchandise during the POI, provided that the companies have the ability to produce subject merchandise. *See Fabrique,* 166 F. Supp. 2d at 602–603 (holding that actual production is not required and sustaining the attribution of subsidies where there is majority voting ownership of an entity and the entity possesses the ability to produce subject merchandise).

In their questionnaire response, the Jingu Companies stated that Zhejiang Wheel World is unable to manufacture steel wheels that fall within the dimensional specifications of the scope of the investigation due to ''specification and capacity differences of certain key equipment.'' *See* the Jingu Companies' August 5, 2011, questionnaire response at 5–6. However, though requested, the Jingu Companies did not provide a description of the inputs and machinery used by Zhejiang Wheel World. Instead, the Jingu Companies stated that the production process of Zhejiang Wheel World is the ''same as Zhejiang Jingu's.'' *Id.* at 3. Furthermore, the product lists of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World, indicate an overlap with regard to steel wheels whose dimensions fall within the scope of the investigation. *Id.* at Exhibits 2–4. Therefore, notwithstanding claims made by the Jingu Companies in the narrative of its questionnaire response that Zhejiang Wheel World cannot make subject merchandise, actual source documents concerning Zhejiang Wheel World's products lines and production process lead us to preliminarily determine otherwise. Therefore, we preliminary determine that subject merchandise could be produced by Zhejiang Wheel World, and consistent with *Fabrique* and 19 CFR 351.525(b)(6)(ii), we have attributed subsidies received by Zhejiang Wheel World to the consolidated sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World (net of intra-company sales).

Concerning Shanghai Yata, which exported subject merchandise during the POI, we note that 19 CFR 351.525(c) states that benefits from subsidies provided to a trading company which exports subject merchandise shall be cumulated with benefits from subsidies provided to the firm which is producing subject merchandise that is sold through the trading company, regardless of whether the trading company and the producing firm are affiliated. Therefore, we have attributed subsidies received by Shanghai Yata to the consolidated sales of Zhejiang Jingu, Chengdu, Zhejiang Wheel World, and Shanghai Yata (net of intra-company sales).

In addition, in accordance with 19 CFR 351.525(b)(6)(ii) we have attributed subsidies received by Zhejiang Jingu and Chengdu, which are cross-owned producers of subject merchandise, to the consolidated sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World (net of intra-company sales).

The Centurion Companies

Centurion was established on June 27, 2005. It produces a variety of steel wheels, including subject merchandise. During the POI, Centurion was owned by a Hong Kong-registered company and a private individual. Jining CII Wheel Manufacture Co., Ltd. (Jining CII) was formed on January 25, 2005, as a PRC-based foreign joint venture. In 2008, Jining CII's shares changed hands and, as a result, it became a wholly-foreign owned enterprise. Jining CII also produces a variety of steel wheels, including subject merchandise. Proprietary information contained in the Centurion Companies' initial questionnaire response indicates that Centurion and Jining CII are majority owned by the same individual, Person A.[24] Therefore, in accordance with 19 CFR 351.525(b)(6)(vi), we preliminarily determine that Centurion and Jining CII are cross-owned.

Further, a sibling of Person A, hereinafter referred to as Person B, owns a minority share of Centurion. *See* the Centurion Companies' July 15, 2011, questionnaire response at Exhibit 1. The Centurion Companies also reported that another entity, Company A, provided steel cutting services related to disk production for Centurion. *Id.* at Exhibits 1 and 2.[25] The Centurion Companies report that disk production is part of the production process for steel wheels. *Id.* at 5. Company A is housed within Centurion's production facility, provided its cutting services exclusively to Centurion, and was Centurion's primary provider of such services during the POI. *Id.; see also* the Centurion Companies' August 8, 2011, questionnaire response at 1. Information in the Centurion Companies' questionnaire response indicates that Company A is wholly-owned by Person C, who is the spouse of Person B, Centurion's minority owner.

Section 351.525(b)(6)(vi) of the Department's regulations states that 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. While this standard will normally be met where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations, the *Preamble* states that ''the underlying rationale for attributing subsidies between two separate corporations is that the interests of those two corporations have merged to such a degree that one corporation can use or direct the individual assets (or subsidy benefits) of the other corporation in essentially the same ways it can use its own assets (or subsidy benefits).'' *Countervailing Duty Regulations,* 63 FR 65347, 65401 (November 25, 1998) (*Preamble*). Hence, there may be situations where, due to a combination of other factors, the standard is met even where there is no majority voting ownership interest between, or common ownership of, the corporations. In this case, the record demonstrates that (a) The owners of Centurion and Company

[24] The names of the individuals that own Centurion and Jining CII are business proprietary. We refer to the principal owner of Centurion and Jining CII as Person A.

[25] The name of the company is proprietary. Therefore, we have referred to it as Company A in this notice.

A are closely related by primary family relations (husband/wife, siblings), and (b) Company A's operation is (1) Housed entirely within the facilities of Centurion, (2) devoted exclusively toward Centurion's production of subject merchandise, and (3) is the primary source for an essential step in Centurion's production of subject merchandise. Taking into consideration all of these factors combined, we find that the relationship between Centurion and Company A meets the cross-ownership standard under 19 CFR 351.525(b)(6)(vi) in that Centurion is in a position to use or direct the individual assets of Company A in essentially the same ways that it can use its own assets. Accordingly, we preliminarily determine that Company A is cross-owned with Centurion, and Jining CII under 19 CFR 351.525(b)(6)(vi). Further, we find that the co-production of subject merchandise between Centurion and Company A meets the attribution standard under 19 CFR 351.525(b)(6)(ii). This is consistent with the Department's finding in a similar situation in *OCTG from the PRC. See Certain Oil Country Tubular Goods From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination, Preliminary Negative Critical Circumstances Determination,* 74 FR 47210, 47215 (September 15, 2009) (*OCTG from the PRC Preliminary Determination*) (attributing subsidies received by Yuangtong to TCPO because Yuangtong had direct involvement in the production of the subject merchandise during the POI); unchanged in *Certain 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) (*OCTG from the PRC*), and accompanying Issues and Decision Memorandum (OCTG from the PRC Decision Memorandum).

Thus, based on the above, and in accordance with 19 CFR 351.525(b)(6)(ii), we have attributed subsidies received by Centurion, Jining CII, and Company A to the three companies' consolidated sales (net of intra-company sales).

The Xingmin Companies [26]

Xingmin, a domestically owned company established in December 1999, is a producer of subject merchandise and other steel wheels sold in both the PRC and overseas markets. Xingmin sells subject merchandise to the United States through its affiliated U.S. resellers. Xingmin's subsidiary, Sino-tex (Longkou) Wheel Manufacturers Inc. (Sino-tex), a foreign invested enterprise (FIE) established in January 2005, also produces subject merchandise, which is sold in the PRC market. Xingmin and Sino-tex are located in the Longkou Economic Development District in Shandong Province.

Tangshan Xingmin Wheel Co., Ltd. (Tangshan) is a wholly-owned subsidiary of Xingmin that was established in October 2010. Tangshan, located in Hebei Province, did not produce any products during the POI because it was still under construction at that time.

Xingmin, Sino-tex, and Tangshan are managed and controlled by the same individuals.[27] We, thus, preliminarily determine that these firms can use each other's assets in essentially the same way they can use their own assets. Accordingly, pursuant to 19 CFR 351.525(b)(6)(vi), we preliminarily determine that Xingmin, Sino-tex, and Tangshan are cross-owned companies.[28] Therefore, in accordance with 19 CFR 351.525(b)(6)(ii), we have attributed subsidies received by Xingmin and Sino-tex by the consolidated sales of Xingmin and Sino-tex (net of intra-company sales).

Benchmarks and Discount Rates

The Department is investigating loans received by the Jingu Companies, Centurion Companies, and Xingmin Companies from Chinese policy banks, state-owned commercial banks (SOCBs), and other commercial banks which are alleged to have been granted on a preferential, non-commercial basis. The Department is also investigating various grants received by the Jingu Companies. As such, the derivation of the Department's benchmark and discount rates is discussed below.

Benchmark for Short-Term RMB Denominated Loans: Section 771(5)(E)(ii) of the Act explains that the benefit for loans is the ''difference between the amount the recipient of the loan pays on the loan and the amount the recipient would pay on a comparable commercial loan that the recipient could actually obtain on the market.'' Normally, the Department uses comparable commercial loans reported by the company for benchmarking purposes. *See* 19 CFR 351.505(a)(3)(i). If the firm did not have any comparable commercial loans during the period, the Department's regulations provide that we ''may use a national interest rate for comparable commercial loans.'' *See* 19 CFR 351.505(a)(3)(ii).

As noted above, section 771(5)(E)(ii) of the Act indicates that the benchmark should be a market-based rate. However, for the reasons explained in *CFS from the PRC,* loans provided by Chinese banks reflect significant government intervention in the banking sector and do not reflect rates that would be found in a functioning market. *See* CFS from the PRC Decision Memorandum at Comment 10. Because of this, any loans received by respondents from private Chinese or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). Similarly, because Chinese banks reflect significant government intervention in the banking sector, we cannot use a national interest rate for commercial loans as envisaged by 19 CFR 351.505(a)(3)(ii). Therefore, because of the special difficulties inherent in using a Chinese benchmark for loans, the Department is selecting an external market-based benchmark interest rate. The use of an external benchmark is consistent with the Department's practice. For example, in *Softwood Lumber from Canada,* the Department used U.S. timber prices to measure the benefit for government-provided timber in Canada. *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) (*Lumber from Canada*), and accompanying Issues and Decision Memorandum (Lumber from Canada Decision Memorandum) at ''Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit.''

We are calculating the external benchmark using the regression-based methodology first developed in *CFS from the PRC* and more recently updated in *LWTP from the PRC. See* CFS from the PRC Decision Memorandum at Comment 10; *see also Lightweight Thermal Paper From the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 73 FR 57323 (October 2, 2008) (*LWTP from the PRC*), and accompanying Issues and Decision Memorandum (LWTP from the PRC Decision Memorandum) at ''Benchmarks and Discount Rates.'' This benchmark interest rate is based on the inflation-adjusted interest rates of countries with per capita gross national

[26] For source of information concerning the corporate structure of the Xingmin Companies, *see* Xingmin's Initial Questionnaire Response (July 15, 2011) at 1–4 and Exhibit 1.

[27] *See* Xingmin's Initial Questionnaire Response at 2.

[28] In this preliminary determination, we find that Tangshan received no subsidies and had no sales during the POI.

incomes (GNIs) similar to the PRC. The benchmark interest rate takes into account a key factor involved in interest rate formation (*i.e.,* the quality of a country's institutions), which is not directly tied to the state-imposed distortions in the banking sector discussed above.

This methodology relies on data published by the World Bank and International Monetary Fund (*see* further discussion below). For the year 2010, the World Bank, however, has not yet published all the necessary data relied on by the Department to compute a short-term benchmark interest rate for the PRC. Specifically, the World Governance Indicators are not yet available. Therefore, for purposes of this preliminary determination, where the use of a short-term benchmark rate for 2010 is required, we have applied the 2009 short-term benchmark rate for the PRC, as calculated by the Department (*see* discussion below). The Department notes that the current 2009 loan benchmark may be updated, pending the release of all the necessary 2010 data, by the final determination.

The 2009 short-term benchmark was computed following the methodology developed in *CFS from the PRC.* We first determined which countries were similar to the PRC in terms of GNI, based on the World Bank's classification of countries as low income, lower-middle income, upper-middle income, and high income. For 2009, the PRC was in the lower-middle income category, a group that included 55 countries. *See* World Bank Country Classification, *http://econ.worldbank.org/.* As explained in *CFS from the PRC,* this pool of countries captures the broad inverse relationship between income and interest rates. *See* CFS from the PRC Decision Memorandum at ''Benchmarks'' and Comment 10.

Many of these countries reported lending and inflation rates to the International Monetary Fund and are included in that agency's international financial statistics (IFS). With the exceptions noted below, we used the interest and inflation rates reported in the IFS for the countries identified as ''low middle income'' by the World Bank. First, we did not include those economies that the Department considered to be non-market economies for AD purposes for any part of the years in question, for example: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Turkmenistan. Second, the pool necessarily excludes any country that did not report both lending and inflation rates to IFS. Third, we removed any country that reported a rate that was not a lending rate or that based its lending rate on foreign-currency denominated instruments. For example, Jordan reported a deposit rate, not a lending rate, and the rates reported by Ecuador and Timor L'Este are dollar-denominated rates; therefore, the rates for these three countries have been excluded. Finally, for the calculation of the inflation-adjusted short-term benchmark rate, we also excluded any countries with aberrational or negative real interest rates for the year in question.

For the resulting inflation-adjusted benchmark lending rate, *see* Memorandum to the File from Kristen Johnson, Trade Analyst, AD/CVD Operations, Office 3, regarding ''2009 Short-Term Interest Rate Benchmark'' (August 29, 2011). Because these are inflation-adjusted benchmarks, it is necessary to adjust the respondents' interest payments for inflation. This was done using the PRC inflation rate as reported in the IFS.

Benchmark for Long-Term RMB Denominated Loans: The lending rates reported in the IFS represent short- and medium-term lending, and there are no sufficient publicly available long-term interest rate data upon which to base a robust long-term benchmark. To address this problem, the Department has developed an adjustment to the short- and medium-term rates to convert them to long-term rates using Bloomberg U.S. corporate BB-rated bond rates. *See Light-Walled Rectangular Pipe and Tube From the People's Republic of China: Final Affirmative Countervailing Duty Investigation Determination,* 73 FR 35642 (June 24, 2008) (*LWRP from the PRC*), and accompanying Issues and Decision Memorandum (LWRP from the PRC Decision Memorandum) at ''Discount Rates.'' In *Citric Acid from the PRC,* this methodology was revised by switching from a long-term mark-up based on the ratio of the rates of BB-rated bonds to applying a spread which is calculated as the difference between the two-year BB bond rate and the n-year BB bond rate, where n equals or approximates the number of years of the term of the loan in question. *See Citric Acid and Certain Citrate Salts From the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 74 FR 16836 (April 13, 2009) (*Citric Acid from the PRC*), and accompanying Issues and Decision Memorandum (Citric Acid from the PRC Decision Memorandum) at Comment 14.

Discount Rates: Consistent with 19 CFR 351.524(d)(3)(i)(A), we have used, as our discount rate, the long-term interest rate calculated according to the methodology described above for the year in which the government provided the subsidy.

Analysis of Programs

I. Programs Preliminarily Determined To Be Countervailable

A. Policy Loans to the Steel Wheels Industry

The Department examined whether steel wheels producers received preferential lending through SOCBs or policy banks. According to the allegation, preferential lending to the auto and steel wheels industry is supported by the GOC through the issuance of national and provincial five-year plans, industrial plans for the automotive and nonferrous metal sector, catalogues of encouraged industries, and other government laws and regulations. Based on our review of the responses and documents provided by the GOC, we preliminarily determine that loans received by the steel wheels industry from SOCBs and policy banks were made pursuant to government directives.

Record evidence demonstrates that the GOC, through its directives, has highlighted and advocated the development of the automotive and steel wheels industry. At the national level, the GOC has placed an emphasis on the development of high-end, value-added automotive products through foreign investment as well as through technological research, development, and innovation. In laying out this strategy, the GOC has identified specific products selected for development. For example, the GOC implemented the Decision of the State Council on Promulgating the Interim Provisions on Promoting Industrial Structure Adjustment for Implementation (No. 40 (2005)) (Decision 40) in order to achieve the objectives of the 11th Five-Year Plan. Decision 40 references the Directory Catalogue on Readjustment of Industrial Structure (Industrial Catalogue), which outlines the projects which the GOC deems ''encouraged,'' ''restricted,'' and ''eliminated,'' and describes how these projects will be considered under government policies. For the ''encouraged'' projects, Decision 40 outlines several support options available from the government, including financing. *See* Decision 40 at Articles 13 and 17, which was placed on the record of this investigation in the Department's August 29, 2011, Memorandum to the File, from Kristen Johnson, Trade Analyst, AD/CVD Operations, Office 3, regarding ''Decision of the State Council on Promulgating the Interim Provisions on Promoting Industrial Structure

Adjustment for Implementation (No. 40 (2005)) (Decision 40).'' The GOC's Industrial Catalogue includes as ''encouraged investment industries'' within the auto industry the ''design and development of auto, motorcycle, and their engines and key parts,'' ''manufacturing of such key auto parts and components as automatic transmission box, transmission box for heavy-duty cars and advanced and appropriate auto and engine with independent property rights,'' and ''precision forging, multiple workplace moulding and forging of key auto parts.'' *See* Exhibit III–9 of the Petition at ''(XIII) Auto.''

Other industrial plans also discuss the development and encouragement of the PRC's automotive and auto parts industries. For example, the GOC's ''Catalogue of Industry, Product and Technology Key Supported by the State at Present'' (Key Industry Catalogue) lists, as investment projects, the ''development of key automotive parts,'' ''precision forging, ferrous casting and nonferrous casting and rough blanks of important auto components,'' and ''development systems for complete vehicles, complete motorcycle and engines, components and parts.'' *See* Exhibit III–8 of the Petition at ''XXI. Vehicle.''

The ''Formal Policy on the Development of the Automobile Industry'' (Formal Automobile Policy) similarly states that the GOC aims to make the PRC's automobile industry a ''pillar industry.'' *See* Memorandum to the File from Eric B. Greynolds, Program Manager, AD/CVD Operations, Office 3, regarding ''Placement of Formal Policy on the Development of the Automobile Industry on Record'' (July 26, 2011). The Formal Automobile Policy also states under Chapter III—Structure of the Industry, that auto parts manufacturers meeting certain production and technology development requirements shall enjoy the following benefits enumerated under Article 12:

1. Zero rate of orientation regulation tax for its investment in fixed assets;

2. Priority for it to issue and list its shares and debentures;

3. Active support in bank loans;

4. Priority for its use of overseas funds in the foreign funds use plan;

5. Policy-based loans will be arranged for projects of economic cars, auto parts and components, die sets and casting and forging mills; and

6. The financial company within an enterprise group may expand its business scale after approval of relevant State departments.

Id. Further, under Chapter V—Investment and Financial Policy for the Formal Automobile Policy—it states:

Article 22: The State guides the enterprises or enterprise groups possessing technological and management advantages to coop with localities which have a good investment environment and an ample supply of fund to develop key products of automotive industry in accordance with the overall State plan.

Article 24: The State will formulate the corresponding policy to encourage inter-regional or inter-department flow of investment and protect legal rights and interests of investors.

Article 26: Under approval of the State Council, automobile enterprises may apply for pilot capitalization of the State debts.

Id. In addition, under Chapter XII—Industrial Policies, Program and Project Management Formal Automobile Policy states:

Article 56: The State guides development of the automotive industry through the automotive industry policy and program. All the localities and departments should support development of the automotive industry in accordance with the automotive industry policy and program promulgated by the State Council.

Id. The GOC claims that it ceased its Formal Automobile Policy in 2004. *See* the GOC's July 5, 2011, questionnaire response at Exhibit 54. However, even accepting the GOC's claim, we preliminarily determine that the successor industrial policy for the PRC's automotive industry, the Policy on the Development of the Automotive Industry of 2004 (Automotive Industry Policy), indicates the GOC's goal of targeting the PRC's automotive and auto parts industries for development. For example, Chapter I—Aim of Policy the Automotive Industrial Policy states:

Article 1: The principle of combining the fundamental role of market allocation of resources with the macro-control of the government shall be adhered to so as to create a market environment of fair competition and unification, and improve the administrative system of rule by law on automotive industry. *The functional departments of the governments shall,* in accordance with the mandatory requirements of the administrative laws and regulations and the technical specification, implement administration on the enterprises undertaking the production of automobiles, farming transportation vehicles (low speed cargo trucks and tri-cars, the same hereinafter), motorcycles and components and parts, and the products thereof, *and regulate market acts of various economic bodies in the field of automotive industry.*

See the GOC's July 5, 2011, questionnaire response at Exhibit 54, emphasis added. Under Chapter VIII—Components and Parts and Relevant Industries of the policy states:

Article 31: A special development plan for the components and parts shall be made to give guidance and support to the products of automobile components and parts through classification, and to guide the public funds to invest into the field of production of automobile components and parts, and impel the enterprises of components and parts that have comparative advantages to form the ability of specialization, large batch of production and modularization goods supply. *For those enterprises undertaking the production of components and parts, which can support several independent enterprises that undertake the production of the whole vehicles and which enter into the international system of procurement of automobile components and parts, the state shall support them in priority in such aspects as the introduction of technology, technological transformation, financing and merger and reorganization, etc.* The enterprises undertaking the production of the whole automobiles shall stock components and parts from the society by ways of electronic commerce, or net procurement step by step.

Id., emphasis added. The Automotive Industrial Policy also states under Chapter X—Investment administration that only ''approved'' projects shall receive financing from state-owned banks:

Article 51: Where the investment projects subject to approval fail to obtain the notice of approval, the departments of land administration shall not handle land requisition, the state-owned banks shall not issue loans, the customs shall not handle tax exemption, the securities regulatory commission shall not approve the issuance of stocks and listing, and the administrative departments for industry and commerce shall not handle formalities for the registration of newly established enterprises. The relevant departments of the state shall not accept the admission application of the production enterprises and their products.

Id.

In addition, the Restructuring and Revitalization Plan of Auto Industry (Restructuring and Revitalization Plan) also indicates that the GOC has targeted the PRC's automotive and auto parts industries for development support. *See* Memorandum to the File from Eric B. Greynolds, Program Manager, AD/CVD Operations, Office 3, regarding ''Placement of Restructuring and Revitalization Plan of Auto Industry on Record of Investigation'' (August 29, 2011) (Restructuring and Revitalization Plan Memorandum). The Restructuring and Revitalization Plan states that the ''auto industry is an important pillar industry of the national economy.'' *See* Restructuring and Revitalization Plan Memorandum at 2. Under ''Main Tasks of Industrial Restructuring and Revitalization,'' the plan states that ''{b}ackbone auto parts enterprises will

be supported to enlarge scale and raise market share in domestic and foreign markets through merger and reorganization.'' *Id.* at 4. Under ''Implement the Strategy of Proprietary Brands'' the plan states:

> Pertinent policies will be formulated in such aspects as technical development, government procurement and financing channels to steer auto makers to regard the development of proprietary brands as their strategic emphasis, and support them to develop proprietary brands by means of independent development, joint development, domestic and overseas M&A and so on.

Id. at 5. Under ''Implement Auto Product Export Strategy'' the plan states:

> We will accelerate the construction of national auto and auto parts export bases and establish auto export information, product certification, generic technology development, test and detection, training and other public service platforms.

Id. at 5–6. Under ''Intensify Investment in Technical Progress and Upgrading'' the plan states:

> In next three years, RMB10 billion of fund will be allocated from the increased central investment. This fund will be used as a special fund for technical progress and upgrading and mainly support auto makers to upgrade products and raise the level of the key technologies for energy conservation, environmental protection and safety; develop the key assembly products, * * * establish auto and auto parts generic technology R&D and testing platforms; and develop AEVs and the parts dedicated to them.

Id. at 7. Lastly, under ''Implement the Plan,'' the provinces are instructed to formulate ''concrete'' steps in order to carry out the goals established in the Restructuring and Revitalization Plan. *Id.* at 8. This section contains an annex listing the projects covered by the Restructuring and Revitalization Plan. The annex includes a listing for ''High-strength steel wheels'' classified under ''Other key parts.'' *Id.* at 16.

As noted in *Citric Acid from the PRC,* in general, the Department looks to whether government plans or other policy directives lay out objectives or goals for developing the industry and call for lending to support those objectives or goals. *See* Citric Acid from the PRC Decision Memorandum at Comment 5. Where such plans or policy directives exist, then it is the Department's practice to determine that a policy lending program exists that is specific to the named industry (or producers that fall under that industry). *See* CFS from the PRC Decision Memorandum at Comment 8, and LWTP from the PRC Decision Memorandum at ''Government Policy Lending Program.'' Once that finding is made, the Department relies upon the analysis undertaken in *CFS from the PRC* to further conclude that national and local government control over the SOCBs result in the loans being a financial contribution by the GOC. *See* CFS from the PRC Decision Memorandum at Comment 8. Therefore, on the basis of the record information described above, we preliminarily determine that the GOC has a policy in place to encourage the development of the automobile industry, including the production of auto parts, through policy lending.

The GOC, Centurion Companies, Jingu Companies, and Xingmin Companies provided source documents concerning the largest loans they had outstanding during the POI. Information in these business proprietary documents further supports our determination that the GOC has a policy in place to encourage the development of the production of steel wheels through policy lending. *See* Memorandum to the File from Eric B. Greynolds, Program Manager, AD/CVD Operations, Office 3, regarding ''Excerpts of Internal Loan Documents of the Respondent Companies'' (August 29, 2011) (Internal Loan Document Memorandum).

The Centurion Companies, Jingu Companies, and Xingmin Companies reported that they had outstanding loans from PRC-based banks during the POI. Consistent with our determinations in prior proceedings, we preliminarily determine that these PRC-based banks to be SOCBs. *See* OCTG from the PRC Decision Memorandum at Comment 20 (*explaining* that the Department considers banks that are owned or controlled by the government to be public authorities under the CVD law); and *Notice of Final Affirmative Countervailing Duty Determination: Certain Cold-Rolled Carbon Steel Flat Products from the Republic of Korea,* 67 FR 62102 (October 3, 2002) and accompanying Issues and Decision Memorandum at Comment 1 (finding that minority interest in an entity may be enough to find that it acts as a government authority).

We preliminarily determine that the loans to steel wheel producers from SOCBs in the PRC constitute a direct financial contribution from the government, pursuant to section 771(5)(D)(i) of the Act, and they provide a benefit equal to the difference between what the recipients paid on their loans and the amount they would have paid on comparable commercial loans (*see* section 771(5)(E)(ii) of the Act). We further preliminarily determine that the loans are *de jure* specific within the meaning of section 771(5A)(D)(i) of the Act because of the GOC's policy, as illustrated in the government plans and directives, to encourage and support the growth and development of the automotive and auto parts industry, including producers of steel wheels.

To determine whether a benefit is conferred under section 771(5)(E)(ii) of the Act, we compared the amount of interest the respondents paid on their outstanding loans to the amount they would have paid on comparable commercial loans.[29] *See* 19 CFR 351.505(a). In conducting this comparison, we used the interest rates described in the ''Benchmarks and Discount Rates'' section above.

We have attributed benefits under this program to respondents' total sales, net of intra-company sales. Thus, for the Centurion Companies, we divided the benefit by the total sales of Centurion, Jining CII, and Company A. For the Xingmin Companies, we divided the benefits by the total sales of Xingmin and Sino-tex. For the Jingu Companies, we divided the benefits by the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World.

On this basis, we preliminarily determine countervailable subsidy rates of 0.17 percent *ad valorem* for the Centurion Companies, 0.94 percent *ad valorem* for the Jingu Companies, and 0.07 percent *ad valorem* for the Xingmin Companies.

B. Two Free, Three Half Tax Exemptions for Productive FIEs

The Foreign Invested Enterprise and Foreign Enterprise Income Tax Law (FIE Tax Law), enacted in 1991, established the tax guidelines and regulations for FIEs in the PRC. The intent of this law is to attract foreign businesses to the PRC. According to Article 8 of the FIE Tax Law, FIEs which are ''productive'' and scheduled to operate not less than 10 years are exempt from income tax in their first two profitable years and pay half of their applicable tax rate for the following three years. FIEs are deemed ''productive'' if they qualify under Article 72 of the Detailed Implementation Rules of the Income Tax Law of the People's Republic of China of Foreign Investment Enterprises and Foreign Enterprises. The Department has previously found this program countervailable. *See, e.g.,* CFS from the PRC Decision Memorandum at 10–11. Sino-tex, Zhejiang Wheel World, and Jining Centurion are ''productive'' FIEs and received benefits under this program during the POI.

[29] Consistent with 351.505(a), in making this comparison, the Department relied on effective interest rates, *i.e.,* taking into account any other costs besides the nominal interest, such as relevant fees.

We preliminarily determine that the exemption or reduction in the income tax paid by ''productive'' FIEs under this program 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 recipients in the amount of the tax savings. *See* sections 771(5)(D)(ii) and 771(5)(E) of the Act and 19 CFR 351.509(a)(1). We further preliminarily determine that the exemption/reduction afforded by this 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. *See* CFS from the PRC Decision Memorandum at Comment 14.

For the 2009 tax year (for which tax returns were filed during the POI), Sino-tex, Zhejiang Wheel World, and Jining CII were eligible for a 50 percent reduction in their income tax liability. Specifically, the firms paid a preferential income tax rate of 12.5 percent instead of 25 percent. Thus, the benefit is equal to the tax savings. *See* 19 CFR 351.509(a)(1). To calculate the benefit, we treated the income tax savings enjoyed by the firms as a recurring benefit, consistent with 19 CFR 351.524(c)(1).

To calculate the net subsidy rate for the Xingmin Companies, we divided the tax savings received by Sino-tex by the consolidated sales of Xingmin and Sino-tex (exclusive of intra-company sales). For the Jingu Companies, we divided the tax savings received by Zhejiang Wheel World by the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World (net of intra-company sales). For the Centurion Companies, we divided the tax savings received by Centurion by the total sales of Centurion, Jining CII, and Company A (net of intra-company sales).

On this basis, we preliminarily determine total net subsidy rates of 0.06 percent *ad valorem* for the Xingmin Companies, 0.08 percent *ad valorem* for the Jingu Companies, and 0.52 percent *ad valorem* for the Centurion Companies.

C. Exemption From Local Taxes for FIEs

Sino-tex, Xingmin's subsidiary, reported that for tax year 2009, the company received local tax exemptions, pursuant to the ''Circular Concerning Temporary Exemption from Urban Maintenance and Construction Tax and Additional Education Fees for Foreign Investment Enterprises,'' dated February 25, 1994.[30] Specifically, Sino-tex, which is an FIE, was exempt from paying the ''Urban Maintenance and Construction Tax,'' ''Education Surcharge,'' and ''Local Education Surcharge,'' hereafter, ''local taxes.''[31]

Consistent with our findings in *Drill Pipe from the PRC* and *Kitchen Racks from the PRC,* we preliminarily determine that the exemption from the local taxes confers a countervailable subsidy. *See* Drill Pipe from the PRC Decision Memorandum at ''Exemption from City Construction Tax and Education Tax for FIEs,'' and *Certain Kitchen Shelving and Racks from the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 74 FR 37012 (July 27, 2009) (*Kitchen Racks from the PRC*), and accompanying Issues and Decision Memorandum (Kitchen Racks from the PRC Decision Memorandum) at ''Exemption from City Construction Tax and Education Tax for FIEs in Guangdong Province.'' The exemption is a financial contribution in the form of revenue forgone by the government and provides a benefit to the recipient in the amount of the savings. *See* sections 771(5)(D)(ii) and 771(5)(E) of the Act and 19 CFR 351.509(a)(1). We also preliminarily determine that the exemption from local taxes is limited as a matter of law to certain enterprises, *i.e.,* FIEs, and, hence, specific under section 771(5A)(D)(i) of the Act. To calculate the benefit, we treated Sino-tex's tax exemption as a recurring benefit, consistent with 19 CFR 351.524(c)(1).

To compute the amount of local tax savings, we compared the local tax rates that Sino-tex would have paid in the absence of the program[32] with the rates that Sino-tex paid[33] because it is an FIE.

To calculate the total benefit under the program, we summed the exemption from each local tax and then divided that tax savings amount, received during the POI, by the total consolidated sales of Xingmin and Sino-tex (exclusive of intra-company sales), as discussed in the ''Attribution of Subsidies'' section above. On this basis, we preliminarily determine the countervailable subsidy rate to be 0.01 percent *ad valorem* for the Xingmin Companies.

D. Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment

The Jingu Companies reported that Zhejiang Jingu and Zhejiang Wheel World received an income tax deduction during the POI under the Income Tax Credits on Purchases of Domestically Produced Equipment by Domestically Owned Companies program. According to the GOC, this program was established on July 1, 1999, pursuant to ''Provisional Measures on Enterprise Income Tax Credit for Investment in Domestically Produced Equipment for Technology Renovation Projects.'' *See* the GOC's July 5, 2011, questionnaire response at 25. The GOC states that under the program a domestically invested company may claim tax credits on the purchase of domestic equipment if the project is compatible with the industrial policies of the GOC. Specifically, a tax credit up to 40 percent of the purchase price of the domestic equipment may apply to the incremental increase in tax liability from the previous year.

We determine that the income tax deductions provided under the program constitute a financial contribution, in the form of revenue forgone, and a benefit, in an amount equal to the tax savings, under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. We further find that this program is specific under section 771(5A)(C) of the Act because the receipt of the tax savings is contingent upon the use of domestic over imported goods. We note that the Department found this program countervailable in *Line Pipe from the PRC. See Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 73 FR 70961 (November 24, 2008) (*Line Pipe from the PRC*), and accompanying Issues and Decision Memorandum (Line Pipe from the PRC Decision Memorandum) at ''Income Tax Credits on Purchases of Domestically-Produced Equipment by Domestically Owned Companies.''

The GOC states that pursuant to the ''Circular on Relevant Issues with Respect to Ceasing Implementing of Income Tax Credit to Purchase of Domestically Produced Equipment by Enterprises,'' the program was terminated effective January 1, 2008. *See* the GOC's July 5, 2011, questionnaire response at Exhibit 57. Thus, the GOC implies that the Department should not include any subsidy rates calculated for the Jingu Companies under this program in the companies' cash deposit rate, as

[30] *See* the Xingmin Companies' August 10, 2011, supplemental questionnaire response at 24.

[31] *Id.* at 23.

[32] The regular tax rates are as follows: seven percent for Urban Maintenance and Construction Tax, three percent for Education Surcharge, and two percent for Local Education Surcharge. *Id.* at Exhibit 14.

[33] The preferential tax rate that Sino-tex paid for each of the local taxes was zero percent. *Id.*

described under 19 CFR 351.526(a). However, the GOC and the Jingu Companies nonetheless have reported that Zhejiang Jingu and Zhejiang Wheel World received benefits under this program during the POI. *See* the Jingu Companies' July 7, 2011, questionnaire response at 16; *see also* the Jingu Companies' August 5, 2011, questionnaire response at 14. Under 19 CFR 351.526(d)(1), the Department will not grant a program-wide change, as described under 19 CFR 351.526(a), in instances in which residual benefits continue to be bestowed under the terminated program. Because the GOC continues to bestow benefits under the program, we preliminarily determine that the conditions necessary for finding a program-wide change are not met.

We find that the benefit is equal to the tax savings received under the program, as reported on the company's tax return filed during the POI. See 19 CFR 351.509(a)(1) and (b)(1). Further, we have treated the tax savings as recurring subsidies consistent with 19 CFR 351.509(c)(1).

To calculate the net subsidy rate, we divided the benefits received by Zhejiang Jingu and Zhejiang Wheel World by the total sales of the Zhejiang Jingu, Chengdu, and Zhejiang Wheel World. On this basis, we calculated a net countervailable subsidy rate of 0.62 percent *ad valorem* for the Jingu Companies.

E. Import Tariff 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 37) exempts both FIEs and certain domestic enterprises from the import tariffs on imported equipment used in their production so long as the equipment does not fall into prescribed lists of non-eligible items. *See* the GOC's July 5, 2011, questionnaire response at 44. The NDRC and the General Administration of Customs are the government agencies responsible for administering this program. Qualified enterprises receive a certificate either from the NDRC or one of its provincial branches. To receive the exemptions, a qualified enterprise only has to present the certificate to the customs officials upon importation of the equipment. The objective of the program is to encourage foreign investment and to introduce foreign advanced technology equipment and industry technology upgrades. The Department has previously found this program to be countervailable. *See, e.g.,* Citric Acid from the PRC Decision Memorandum at ''VAT Rebate on Purchases by FIEs of Domestically Produced Equipment,'' and *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) (*Seamless Pipe from the PRC*), and accompanying Issues and Decision Memorandum (Seamless Pipe from the PRC Decision Memorandum) at ''Tariff and VAT Exemptions for Imported Equipment.'' Xingmin and Zhejiang Jingu, domestically-owned companies, reported receiving import tariff exemptions under this program for imported equipment.

We preliminarily determine that the import 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 the exemptions provide a benefit to the recipients in the amount of the tariff savings. *See* sections 771(5)(D)(ii) and 771(5)(E) of the Act; *see also* 19 CFR 351.510(a)(1). We further preliminarily determine that the import tariff exemptions under this 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 with government-approved projects. *See* CFS from the PRC Decision Memorandum at Comment 16, and *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) (*OTR Tires from the PRC*), and accompanying Issues and Decision Memorandum (OTR Tires from the PRC Decision Memorandum) at ''VAT and Tariff Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment on Encouraged Industries.''

Normally, we treat exemptions from import charges as recurring benefits, consistent with 19 CFR 351.524(c)(1), and allocate these benefits only in the year that they were received. However, when an 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). Therefore, we are examining the import tariff exemptions that the respondents received under the program during the POI and prior years.

To calculate the amount of import duties exempted under the program, we multiplied the value of the imported equipment by the import duty rate that would have been levied absent the program. For each year, we then divided the total grant amount by the corresponding total sales for the year in question. For Xingmin and Zhejiang Jingu, the companies received import tariff exemptions against equipment imported only during the POI. For each company, we performed the 0.5 percent test on the sum of the import tariff exemptions received during the POI. *See* 19 CFR 351.524(b)(2). In the case of the Xingmin Companies, we used the total sales of Xingmin and Sino-tex (net of intra-company sales). In the case of the Jingu Companies, we used the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World (net of intra-company sales).

For the Xingmin Companies, the amount exempted was more than 0.5 percent of the POI total sales. Therefore, for these exemptions, we had to determine whether Xingmin's import tariff exemptions were tied to the capital structure or capital assets of the firm. Based on the description of the items imported in the POI, we preliminarily find that the exemptions were for capital equipment.[34] As such, for these exemptions, we have allocated the benefit over the 12-year AUL using a discount rate as described under the ''Benchmarks and Discount Rates'' section above.

For the Jingu Companies, the amounts exempted were less than 0.5 percent of their respective total sales. Therefore, we expensed the exemptions to the year in which they were received, *i.e.,* the POI, which is consistent with 19 CFR 351.524(a).

On this basis, we preliminarily determine the net countervailable subsidy rates to be 0.12 percent *ad valorem* for the Xingmin Companies and 0.29 percent *ad valorem* for the Jingu Companies.

F. Provision of Hot-Rolled Steel for Less Than Adequate Remuneration

The Department is investigating whether GOC authorities provided hot-rolled steel (HRS) to producers of steel wheels for less than adequate remuneration (LTAR). As instructed in the Department's questionnaires, the respondent companies identified the suppliers from whom they purchased HRS during the POI. In addition to the supplier names, they reported the date of payment, quantity, unit of measure,

[34] *See* Xingmin's initial questionnaire response at Exhibit 20.

and purchase price for the HRS purchased during the POI. None of the respondent companies reported purchases of HRS during the POI from trading companies.

In *OTR Tires from the PRC,* the Department determined that majority government ownership of an input producer is sufficient to qualify it as an ''authority.'' *See* OTR Tires from the PRC Decision Memorandum at ''Government Provision of Rubber for Less than Adequate Remuneration.'' Therefore, we preliminarily determine that the HRS producers which are majority-owned by the government are ''authorities'' under section 771(5) of the Act. As a result, we preliminarily determine that HRS supplied by companies deemed to be government authorities constitute a financial contribution in the form of a governmental provision of a good and that the respondents received a benefit to the extent that the price they paid for HRS produced by these suppliers was for LTAR. *See* sections 771(5)(D)(iv) and 771(5)(E)(iv) of the Act. Thus, we preliminarily determine that the GOC authorities' provision of HRS constitutes a financial contribution under section 771(5)(D)(iii) of the Act.

As explained above, we preliminarily determine that the GOC has failed to act to the best of its ability in terms of providing the Department with the information it requested concerning the ownership of the firms that produced the HRS purchased by respondents during the POI. Specifically, in many instances, the GOC failed to provide any of the requested ownership information. In other instances, the GOC provided basic ownership information (*e.g.,* capital verification reports, business registration licenses, and articles of association) but failed to respond to questions concerning the extent to which the owners of the HRS producers were CCP officials and the extent to which CCP officials rendered the HRS producers government authorities. Thus, in such instances, pursuant to section 776(b) of the Act, we are assuming that the HRS producers were government authorities that provided financial contributions to respondents under section 771(D)(iii) of the Act.

Under 19 CFR 351.511(a)(2), the Department sets forth the basis for identifying appropriate market-determined benchmarks for measuring the adequacy of remuneration for government-provided goods or services. These potential benchmarks are listed in hierarchical order by preference: (1) Market prices from actual transactions within the country under investigation (*e.g.,* actual sales, actual imports or competitively run government auctions) (tier one); (2) world market prices that would be available to purchasers in the country under investigation (tier two); or (3) an assessment of whether the government price is consistent with market principles (tier three). As provided in our regulations, the preferred benchmark in the hierarchy is an observed market price from actual transactions within the country under investigation.[35] This is because such prices generally would be expected to reflect most closely the prevailing market conditions of the purchaser under investigation.

Based on the hierarchy established above, we must first determine whether there are market prices from actual sales transactions involving Chinese buyers and sellers that can be used to determine whether the GOC authorities sold HRS to the respondents for LTAR. Notwithstanding the regulatory preference for the use of prices stemming from actual transactions in the country, where the Department finds that the government provides the majority, or a substantial portion of, the market for a good or service, prices for such goods and services in the country will be considered significantly distorted and will not be an appropriate basis of comparison for determining whether there is a benefit.[36]

In its initial questionnaire response, the GOC provided information, in the aggregate, on the amount of HRS produced by SOEs, collectives, and private producers in the PRC. *See* the GOC's July 15, 2011, questionnaire response at page II–4. Using these data, we derived the ratio of HRS produced by government entities (SOEs and collectives) during the POI (70.18 percent). Consequently, because of the government's overwhelming involvement in the HRS market, the use of private producer prices in the PRC would be akin to comparing the benchmark to itself (*i.e.,* such a benchmark would reflect the distortions of the government presence).[37] As we explained in *Lumber from Canada:*

> Where the market for a particular good or service is so dominated by the presence of the government, the remaining private prices in the country in question cannot be considered to be independent of the government price. It is impossible to test the government price using another price that is entirely, or almost entirely, dependent upon it. The analysis would become circular because the benchmark price would reflect the very market distortion which the comparison is designed to detect.[38]

For these reasons, prices stemming from private transactions within the PRC cannot give rise to a price that is sufficiently free from the effects of the GOC's actions and, therefore, cannot be considered to meet the statutory and regulatory requirement for the use of market-determined prices to measure the adequacy of remuneration.

Given that we have preliminarily determined that no tier one benchmark prices are available, we next evaluated information on the record to determine whether there is a tier two world market price available to producers of subject merchandise in the PRC. We note that petitioners provided data from *MEPS International Ltd. Prices,* which contains monthly ''world'' prices for hot-rolled coil. *See* Exhibit 1 of petitioners' August 2, 2011, submission titled ''Benchmark Date for World Steel Prices.'' Zhejiang Jingu provided data from the American Metal Market's *SteelBenchmarker,* which contains monthly ''world export market'' prices for hot-rolled coil. *See* Attachment 1 of Zhejiang Jingu's August 19, 2011, submission titled ''Hot-Rolled Steel Benchmark Prices.''[39]

We preliminarily determine that the *MEPS International Ltd. Prices* and *SteelBenchmarker* data may serve as a world market benchmark price for HRS that would be available to purchasers of HRS in the PRC. We note that the Department has relied on pricing data from *MEPS International Ltd. Prices* in recent CVD proceedings involving the PRC. *See* Kitchen Racks from the PRC Decision Memorandum at ''Provision of Wire Rod from Less Than Adequate Remuneration,'' *see also Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 74 FR 4936 (January 28, 2009) (*CWASPP from the PRC*), and accompanying Issues and Decision Memorandum at ''Provision of SSC for LTAR.'' We also note that the Department has relied on pricing data from *SteelBenchmarker* in recent CVD proceedings involving the PRC. *See Wire Decking From the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 75 FR 32902 (June 10, 2010), and accompanying Issues and Decision

[35] *See also* Lumber from Canada Decision Memorandum at ''Market-Based Benchmark.''

[36] *See Preamble,* 63 FR at 65377.

[37] *See* Lumber from Canada Decision Memorandum at ''There are no market-based internal Canadian benchmarks'' section.

[38] *See* Lumber from Canada Decision Memorandum at 38–39.

[39] On August 25, 2011, Zhejiang Jingu provided to the Department a copy of the underlying source data from the American Metal Market's *SteelBenchmarker* to support the hot-rolled coil prices reported in the August 19, 2011 submission.

Memorandum at ''Provision of HRS Steel for LTAR,'' *see also* CWP from the PRC Decision Memorandum at ''Hot-rolled Steel for Less Than Adequate Remuneration.''

The prices for HRS in the *MEPS International Ltd. Prices* and *SteelBenchmarker* listings are expressed in U.S. dollars (USD) per metric ton (MT). 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. Therefore, to determine the benchmarks, we calculated an average of the *MEPS International Ltd. Prices* and *SteelBenchmarker* HRS prices (inclusive of ocean freight, import duties, and inland freight from the port in China to the steel wheels factory) for each month of the POI. We first converted the benchmark prices from U.S. dollars to renminbi (RMB) using USD to RMB exchange rates, as reported by the Federal Reserve Statistical Release. Because the *MEPS International Ltd. Prices* and *SteelBenchmarker* data do not include ocean freight, we added ocean freight to the each of the monthly HRS prices. *See* Memorandum to File from Kristen Johnson, Trade Analyst, AD/CVD Operations, Office 3, regarding ''Ocean Freight Data'' (August 29, 2011). We also adjusted the data from *MEPS International Ltd. Prices* and *SteelBenchmarker* to include the value added tax (VAT) and import duties that would have been levied on imports of HRS during the POI. The GOC provided the applicable tax rates in its questionnaire response. *See* the GOC's July 15, 2011, questionnaire response at 9.

Concerning inland freight, we calculated company-specific inland freight rates using cost data supplied by the Centurion, Jingu, and Xingmin Companies. For further information concerning inland freight, see the respondents' respective Calculation Memoranda. Regarding the HRS prices that the respondents paid to government authorities, we included domestic VAT and inland freight. In this manner, we find the Department has conducted the comparison on an apples-to-apples basis.

To calculate the benefit, we then compared the benchmark unit prices to the unit prices the respondents paid to domestic suppliers of HRS during the POI that the Department has preliminarily determined constitute government authorities. In instances in which the benchmark unit price was greater than the price paid to GOC authorities, we multiplied the difference by the quantity of HRS purchased from the GOC authorities to arrive at the benefit.

Finally, with respect to specificity, the GOC has provided information on end uses for HRS. *See* the GOC's July 15, 2011, questionnaire response at 10. The GOC stated that the end uses of HRS relate to the type of industry involved as a direct purchaser of the input. The GOC further stated that the consumption of HRS occurs across a broad range of industries. While numerous companies may comprise the listed industries, section 771(5A)(D)(iii)(I) of the Act clearly directs the Department to conduct its analysis on an industry or enterprise basis. Based on our review of the data and consistent with our past practice, we determine that the industries named by the GOC are limited in number and, hence, the subsidy is specific. *See* section 771(5A)(D)(iii)(I) of the Act. *See* LWRP from the PRC Decision Memorandum at Comment 7; *see also* Kitchen Racks from the PRC Decision Memorandum at ''Provision of Wire Rod for Less Than Adequate Remuneration.''

We find that the GOC's provision of HRS for LTAR to be a domestic subsidy as described under 19 CFR 351.525(b)(3). To calculate the net subsidy rate, we divided the total benefit by each of the respondents' total sales during the POI, net of intra-company sales. For the Xingmin Companies, we used the total sales of Xingmin and Sino-tex. For the Centurion Companies, we used the total sales of Centurion, Jining CII, and Company A. For the Jingu Companies, we used the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World.

On this basis, we calculated the following net subsidy rates: 35.26 percent *ad valorem* for the Xingmin Companies, 24.67 percent *ad valorem* for the Centurion Companies, and 43.02 percent *ad valorem* for the Jingu Companies.

G. Provision of Electricity for LTAR

For the reasons explained in the ''Use of Facts Otherwise Available and Adverse Inferences'' section above, we are basing our preliminary determination regarding the government's provision of electricity in part on adverse facts available (AFA).

In a CVD case, the Department requires information from both the government of the country whose merchandise is under investigation and the foreign producers and exporters. When the government fails to provide requested information concerning alleged subsidy programs, the Department, as AFA, typically finds that a financial contribution exists under the alleged program and that the program is specific. With regards to benefit, the Department will normally rely on the responsive producer's or exporter's records to determine the existence and amount of the benefit to the extent that those records are useable and verifiable. The respondents provided data on the electricity they consumed and the electricity rates paid during the POI.

Consistent with the Department's practice, we preliminarily find that the GOC's provision of electricity confers a financial contribution, under section 771(5)(D)(iii) of the Act, and is specific, under section 771(5A) of the Act. To determine the existence and amount of any benefit from this program, we used the information provided by the respondents regarding the amounts of electricity that they purchased and the rates they paid for that electricity during the POI.

For determining the existence and amount of any benefit under this program, we have relied on an adverse inference by selecting the highest electricity rates that were in effect during the POI as our benchmarks because of the GOC's failure to act to the best of its ability in providing requested information about its provision of electricity in this investigation. *See* section 776(b)(4) of the Act. The GOC reported that the provincial rate schedules of November 2009 were applicable during the POI.[40] As such, we have used the November 2009 provincial electricity tariff schedules as a benchmark rate source for the period January 2010 through December 2010. Specifically, we have placed on the record of this investigation, the November 2009 provincial electricity rate schedules, which were submitted to the Department by the GOC in the CVD investigation on *Drill Pipe from the PRC,* and which reflect the highest rates that the respondents would have paid in the PRC during the POI. *See* Memorandum to File from Kristen Johnson, Trade Analyst, AD/CVD Operations, Office 3, regarding ''Provincial Electricity Tariff Schedules'' (August 29, 2011). From those electricity rate schedules, we selected the highest peak, normal, and valley rates for the ''large industrial'' user category and for the ''general industry and commercial'' user category, in addition to the highest provincial rate for the base rate. *See* Memorandum to

[40] *See* GOC Second Supplemental Questionnaire Response at 6.

File from Kristen Johnson, Trade Analyst, AD/CVD Operations, Office 3, regarding ''Electricity Rate Benchmark Chart'' (August 29, 2011). The highest rates for all categories were sourced from the Zhejiang provincial rate schedule.

Consistent with our approach in *Drill Pipe from the PRC,* to measure whether the respondents received a benefit under this program, we first calculated the variable electricity cost they paid by multiplying the monthly kilowatt hours (KWH) consumed at each price category (*e.g.,* peak, normal, and valley) by the corresponding electricity rates charged at each price category by the respective province. Next, we calculated the benchmark variable electricity cost by multiplying the monthly KWH consumed at each price category (*e.g.,* peak, normal, and valley) by the highest electricity rate charged at each price category, as reflected in the electricity rate benchmark chart. To calculate the benefit for each month, we subtracted the variable electricity cost paid by each respondent during the POI from the monthly benchmark variable electricity cost.

To measure whether the respondents received a benefit with regard to their transmitter capacity charge (aka, base charge), we first multiplied the monthly transmitter capacity charged to the companies by the corresponding consumption quantity, where appropriate. Next, we calculated the benchmark transmitter capacity cost by multiplying companies' consumption quantities by the highest transmitter capacity rate reflected in the electricity rate benchmark chart. To calculate the benefit, we subtracted the transmitter costs paid by the companies during the POI from the benchmark transmitter costs. This approach is consistent with Drill Pipe from the PRC. *See* Drill Pipe from the PRC Decision Memorandum at ''Provision of Electricity for LTAR.''

We then calculated the total benefit received during the POI under this program by summing the benefits stemming from the respondents' variable electricity payments and transmitter capacity payments.

To calculate the net subsidy rate pertaining to electricity payments made by the respondents, we divided the benefit amount by the appropriate total sales amount for the POI, as discussed in the ''Attribution of Subsidies'' section above. On this basis, we preliminarily determine net countervailable subsidy rates of 0.19 percent *ad valorem* for the Jingu Companies, 0.88 percent *ad valorem* for Centurion Companies, and 0.10 percent *ad valorem* for the Xingmin Companies.

H. State Special Fund for Promoting Key Industries and Innovation Technologies [41]

The Jingu Companies reported that Zhejiang Jingu applied for and received a lump-sum grant from the National Development and Reform Commission (NDRC) and the Ministry of Industry and Information Technology (MIIT) during the POI. *See* the Jingu Companies' July 29, 2011, questionnaire response at 15. The Jingu Companies state that the grant is a one-time grant that is intended to assist Zhejiang Jingu's development of new facilities at one of its steel wheels production facilities. In their response, the Jingu Companies included the application form it submitted under the program. *See* the Jingu Companies' July 29, 2011, questionnaire response at Exhibit 12. No other respondent companies reported receiving any grants under this program.

We preliminarily determine that the grant received by Zhejiang Jingu constitutes a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. Regarding specificity, based on our review of the application form Zhejiang Jingu submitted to the NDRC and MIIT, we preliminarily determine that the program is export-contingent.[42] Section 771(5A)(B) of the Act states, ''an export subsidy is a subsidy that is in law or in fact, contingent upon export performance, alone or as 1 of 2 or more conditions.'' The Department's regulations explain that we will consider a subsidy to be contingent upon export performance ''if the provision of the subsidy is, in law or in fact, tied to actual or anticipated exportation or export earnings, alone or as one of two or more conditions.'' *See* 19 CFR 351.514(a).

We preliminarily determine that the information regarding estimated export revenues included in the application Zhejiang Jingu filed with Ministry of Commerce, Industry, and Energy (MOCIE) is one of the conditions considered when issuing grants under the program and, thus, meets the specificity criteria under section 771(5A)(B) of the Act and 19 CFR 351.514. Indeed, the Preamble further clarifies that if exportation or anticipated exportation is the sole condition or one of several conditions, the subsidy is an export subsidy ''unless the firm in question can clearly demonstrate that it had been approved to receive the benefits solely under non-export-related criteria.'' *See Preamble,* 63 FR at 65381. We preliminarily determine that the Jingu Companies have not met this burden. Our approach in this regard is consistent with the Department's practice. *See, e.g., Coated Free Sheet Paper from the Republic of Korea: Notice of Final Affirmative Countervailing Duty Determination,* 72 FR 60639 (October 25, 2007) (CFS from Korea), and accompanying Issues and Decision Memorandum (CFS from Korea Decision Memorandum) at Comment 24.

The grant that Zhejiang Jingu received during the POI was greater than 0.5 percent of the total export sales of the Jingu Companies during the POI. Therefore, we allocated the grant benefit over the 12-year AUL used in this investigation pursuant to the grant allocation methodology set forth under 19 CFR 351.524(d)(1).

To calculate the net subsidy rate, we divided the portion of the benefit allocated to the POI by the total exports sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI. On this basis, we calculated a net subsidy rate of 0.28 percent *ad valorem.*

I. Initial Public Offering (IPO) Grants From the Fuyang and Hangzhou City Governments

The Jingu Companies report that the Fuyang City and Hangzhou City Governments provided one-time bonus payments to Zhejiang Jingu in recognition of the company's successful listing on the Shenzhen Stock Exchange. *See* the Jingu Companies' July 29, 2011, questionnaire response at 20. The Jingu Companies report that the city governments approved and issued the grants to Zhejiang Jingu in the same year. The Jingu Companies state that grants received from the Cities of Fuyang and Hangzhou were contingent upon the separate approval of each city government. *See* the Jingu Companies' July 29, 2011, questionnaire response at Exhibit 6.

We preliminarily determine that the grants received by Zhejiang Jingu constitute a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively.

[41] GOC responses are still pending with regard to programs listed under items ''H'' through ''R.'' While we normally rely on government information when determining specificity, we find that the information contained in the questionnaire responses of the Jingu Companies is sufficient for purposes of the preliminary determination. We will take the GOC's questionnaire responses regarding these programs into consideration for the final determination.

[42] The application form submitted by Zhejiang Jingu is business proprietary. *See* the Jingu Companies' July 29, 2011, questionnaire response at Exhibit 12. For further discussion of specificity and our analysis of the proprietary details of the application submitted by Zhejiang Jingu, *see* Memorandum to file from Robert Copyak, Senior Financial Analyst, AD/CVD Operations, Office 3, regarding ''Preliminary Calculations for the Zhejiang Jingu Companies'' (August 29, 2011).

Regarding specificity, because the grants were limited to firms undertaking an IPO, we find the grants to be specific under section 771(5A)(D)(i) of the Act.

The Jingu Companies state that the IPO grants were subject to separate approval processes. Therefore, for purposes of our benefit and net subsidy rate calculations, we are treating each of the grants as separate programs. For grants that were less than 0.5 percent of the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the year of approval, we expensed the grants to the year of receipt. *See* 19 CFR 351.524(b)(2). For grants that were greater than 0.5 percent of the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the respective years of approval, we allocated the grant benefits over the 12-year AUL used in this investigation pursuant to the grant allocation methodology set forth under 19 CFR 351.524(d)(1).

On this basis, we calculated a net subsidy rate of 0.02 percent *ad valorem* for the Jingu Companies for the grant received from the Hangzhou City Government, and a net subsidy rate of 0.37 percent *ad valorem* for the Jingu Companies for the grants received from the Fuyang City Government.

J. Fuyang City Government Grant for Enterprises Paying Over RMB 10 Million in Taxes

The Jingu Companies reported that Zhejiang Jingu received a grant from the Fuyang City Government as a result of the company's tax payments exceeding RMB 10 million during the 2009 tax year. The Jingu Companies report that the Fuyang City Government approved and issued the grant to Zhejiang Jingu during the POI. *See* the Jingu Companies' July 29, 2011, questionnaire response at 26–27.

We preliminarily determine that the grant received by Zhejiang Jingu constitutes a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. Regarding specificity, because the grant was limited to firms whose tax payments exceeded RMB 10 million we preliminarily determine the grant to be specific under section 771(5A)(D)(i) of the Act.

The grant that Zhejiang Jingu received during the POI was less than 0.5 percent of the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI. Therefore, pursuant to 19 CFR 351.524(b)(2), we expensed the grant amount to the POI. On this basis, we calculated a total net subsidy rate of 0.04 percent *ad valorem* for the Jingu Companies.

K. Fuyang and Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers

The Jingu Companies report that Zhejiang Jingu received a series of grants from the Fuyang and Hangzhou City Governments during the POI solely because it operates provincial level technology and research and development centers. *See* the Jingu Companies' July 29, 2011, questionnaire response at 31. The Jingu Companies state that Zhejiang Jingu did not have to undertake any type of approval process in order to receive the funds. Though the grants were disbursed by city governments, we are treating these grants as a single, provincial program because the questionnaire response of the Jingu Companies indicates that the receipt of the grants was contingent upon Zhejiang Jingu operating technology and research and development centers in Zhejiang Province.

We preliminarily determine that the grants received by Zhejiang Jingu constitute a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. Regarding specificity, because the grants were limited to firms operating research and development centers within the province, we preliminarily determine the grants to be specific under section 771(5A)(D)(i) of the Act.

To calculate the benefit, we summed the grants that Zhejiang Jingu received from the Fuyang and Hangzhou City Governments. The grants that Zhejiang Jingu received during the POI were less than 0.5 percent of the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI. Because there was no approval process under this program, we are using the year of receipt, the POI, for purposes of the 0.5 percent test. Therefore, pursuant to 19 CFR 351.524(b)(2), we expensed the grant amounts to the POI. On this basis, we calculated a total net subsidy rate of 0.13 percent *ad valorem* for the Jingu Companies.

L. Hangzhou City Government Grants Under the Hangzhou Excellent New Products/Technology Award

The Jingu Companies reported that Zhejiang Jingu received two grants from the Hangzhou City Government in connection with a lightweight, high-strength steel wheel project as part of the Hangzhou Excellent New Products/Technology Award. *See* the Jingu Companies' July 29, 2011, questionnaire response at 33.

We preliminarily determine that the grants received by Zhejiang Jingu constitute a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. To receive grants under this program firms must submit an application form. The application form submitted by Zhejiang Jingu includes information regarding its export sales. *See* the Jingu Companies' July 29, 2011, questionnaire response at Exhibit 13. Section 771(5A)(B) of the Act states, ''an export subsidy is a subsidy that is in law or in fact, contingent upon export performance, alone or as 1 of 2 or more conditions.'' The Department's regulations explain that we will consider a subsidy to be contingent upon export performance ''if the provision of the subsidy is, in law or in fact, tied to actual or anticipated exportation or export earnings, alone or as one of two or more conditions.'' *See* 19 CFR 351.514(a).

We preliminarily determine that the information regarding the export sales in the application Zhejiang Jingu filed with the Hangzhou City Government is one of the conditions considered when issuing grants under the program and, thus, meets the specificity criteria under section 771(5A)(B) of the Act and 19 CFR 351.514(a).

To calculate the benefit, we summed the grants that Zhejiang Jingu received from the Hangzhou City Governments. The grants that Zhejiang Jingu received during the POI were less than 0.5 percent of the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the year of approval. Because there was no approval process under this program, we are using the year of receipt, the POI, for purposes of the 0.5 percent test. Therefore, pursuant to 19 CFR 351.524(b)(2), we expensed the grant amounts to the POI using as the denominator the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI. On this basis, we calculated a total net subsidy rate of 0.02 percent *ad valorem* for the Jingu Companies.

M. Fuyang City Government Grants Under the Export of Sub-Contract Services Program

The Jingu Companies reported that Zhejiang Jingu received a grant from the Fuyang City Government in return for providing the city government with the total value of export sub-contract services that Zhejiang Jingu exported in 2009. The Fuyang City Government approved and disbursed the grant during the POI. *See* the Jingu Companies' July 29, 2011, questionnaire response at 39.

We preliminarily determine that the grant received by Zhejiang Jingu constitutes a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. Because the grant was contingent upon export performance we further preliminarily determine that the grant was specific under section 771(5A)(B) of the Act.

The grant that Zhejiang Jingu received during the POI was less than 0.5 percent of the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI. Therefore, pursuant to 19 CFR 351.524(b)(2), we expensed the grant amounts to the POI using as the denominator the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI. On this basis, we calculated a total net subsidy rate of 0.02 percent *ad valorem* for the Jingu Companies.

N. Various Export Contingent Grants Provided by the Fuyang City Government

The Jingu Companies reported the Zhejiang Jingu received a series of grants from the Fuyang City Government during the POI. Specifically, Zhejiang Jingu received Exhibition Fee Reimbursement, Star Enterprise, Export Expansion Recognition, and Open Economic Development grants from the city government. Zhejiang Jingu also received Open Economic Development grants from the Fuyang City Government in a year prior to the POI. *See* the Jingu Companies' July 29, 2011, questionnaire response at 38.

We preliminarily determine that the grants received by Zhejiang Jingu constitute a financial contribution and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. Because the grants were contingent upon export performance we further preliminarily determine that the grants were specific under section 771(5A)(B) of the Act.

The Jingu Companies report that Zhejiang Jingu did not submit an application to receive these grants. Instead, the Fuyang City Government disbursed the grants based on export revenue data and information on export-related marketing activities, such as exhibitions, that it receives from Zhejiang Jingu. Information in the questionnaire response of the Jingu Companies indicates that these grants include the exhibition reimbursement grants that it reported receiving under the Export Assistance Grant Program. Specifically, the Jingu Companies reference the grant it reported under the Export Assistance Grant Program in the context of the various export-related grants offered Fuyang City Government. *See* the Jingu Companies' July 29, 2011, questionnaire response at 39. Based on this information, we preliminarily determine to treat all of these grants as a single program when calculating the benefit. Furthermore, because Zhejiang Jing did not submit an application to receive these grants, we are equating the date of approval with the date of receipt.

To calculate the benefit from the grants received during the POI, we summed the grants that Zhejiang Jingu received from the Hangzhou City Government. The grants that Zhejiang Jingu received during the POI were less than 0.5 percent of the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the year of approval. Therefore, pursuant to 19 CFR 351.524(b)(2), we expensed the grant amounts to the POI using as the denominator the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI.

The Open Economic Development grant that Zhejiang Jingu received from the Fuyang City Government prior to the POI was greater than 0.5 *percent* of the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the year of receipt. Therefore, we allocated the grant benefit over the 12-year AUL used in this investigation pursuant to the grant allocation methodology set forth under 19 CFR 351.524(d)(1).

On this basis, we calculated a total net subsidy rate of 0.42 percent *ad valorem* for the Jingu Companies.

O. Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees

The Jingu Companies reported that the Hangzhou and Fuyang City Governments and the Government of Zhejiang Province reimbursed Zhejiang Jingu and Zhejiang Wheel World during the POI for export credit insurance fees the companies paid in 2008 and 2009. The Jingu Companies report that Zhejiang Jingu and Zhejiang Wheel World did not submit an application to receive the funds. Instead, the companies reported the fees it paid for export credit insurance to local authorities. *See* the Jingu Companies' July 29, 2011, questionnaire response at 44–45. Because Zhejiang Jing and Zhejiang Wheel World did not submit an application to receive these grants, we are equating the date of approval with the date of receipt.

We preliminarily determine that the reimbursements are grants that constitute a financial contribution and confer a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. Because receipt of the grants were contingent upon export performance, we preliminarily determine that they are specific under section 771(5A)(B) of the Act.

To calculate the benefit, we summed all of the grants that Zhejiang Jingu and Zhejiang Wheel World received from the Hangzhou and Fuyang City Governments and Government of Zhejiang Province. The grants that Zhejiang Jingu and Zhejiang Wheel World received during the POI were less than 0.5 percent of the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI. Therefore, pursuant to 19 CFR 351.524(b)(2), we expensed the grant amounts to the POI using as the denominator the total export sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI.

On this basis, we calculated a total net subsidy rate of 0.08 percent *ad valorem* for the Jingu Companies.

P. Investment Grants From Fuyang City Government for Key Industries

The Jingu Companies report that the Fuyang City Government designated Zhejiang Jingu as a member of a ''key industry.'' *See* the Jingu Companies' August 10, 2011, supplemental questionnaire response at 7. The Jingu Companies report that Zhejiang Jingu, as a result of this designation, received a grant from the Fuyang City Government in connection with Zhejiang Jingu's investment in one of its steel wheel plants. *Id.*

We preliminarily determine that the grant constitutes a financial contribution and confers a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively. Furthermore, we preliminarily determine that Zhejiang Jingu's received the grant in connection with its designation as a member of a ''key industry.'' As a result, we preliminarily determine that access to the grant is limited as a matter of law (*e.g.,* limited to firms that are recognized as members of a ''key industry'') and therefore is specific under section 771(5A)(D)(i) of the Act.

The grant Zhejiang Jingu received was greater than 0.5 percent of the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World in 2009. Therefore, we allocated the grant benefit over the 12-year AUL used in this investigation pursuant to the grant allocation methodology set forth under 19 CFR 351.524(d)(1).

On this basis, we calculated a total net subsidy rate of 0.07 percent *ad valorem* for the Jingu Companies.

Q. Income Tax Reductions Under Article 28 of the Enterprise Income Tax Law

The Jingu Companies state that Zhejiang Jingu paid a reduced income tax rate on the tax return it filed during the POR, in accordance with Article 28 of the Law of the PRC on Enterprise Income Tax. Specifically, Zhejiang Jingu paid an income tax rate of 15 percent on the tax return it filed during the POR rather than the standard rate of 25 percent. *See* the Jingu Companies' July 29, 2011, questionnaire response at 10–12.

We preliminarily determine that this program constitutes a financial contribution in the form of revenue forgone by the GOC and provides a benefit in the amount of the tax savings. *See* sections 771(5)(D)(ii) and 771(5)(E) of the Act and 19 CFR 351.509(a)(1). We further preliminarily determine that the exemption/reduction afforded by this program is limited as a matter of law to certain enterprises, *i.e.,* firms designated as high and new technology enterprises, and, hence, is specific under section 771(5A)(D)(i) of the Act. *See* the GOC's July 5, 2011, questionnaire response at Exhibit 61.

We calculated the benefit as the difference between the taxes Zhejiang Jingu would have paid under the standard 25 percent tax rate and the taxes the company actually paid under the preferential 15 percent tax rate, as reflected on the tax return it filed during the POI. *See* 19 CFR 351.509(a)(1) and (b)(1). We treated the tax savings as a recurring benefit, consistent with 19 CFR 351.524(c)(1). To calculate the net subsidy rate, we divided the tax savings by the total sales of Zhejiang Jingu, Chengdu, and Zhejiang Wheel World during the POI.

On this basis, we calculated a net subsidy rate of 0.74 percent *ad valorem* for the Jingu Companies.

II. Programs Preliminarily Determined Not To Provide Countervailable Benefits During the POI

A. Export Incentive Payments Characterized as ''VAT Rebates''

The Department's regulations state that in the case of an exemption upon export of indirect taxes, a benefit exists only to the extent that the Department determines that the amount exempted ''exceeds the amount levied with respect to the production and distribution of like products when sold for domestic consumption.'' *See* 19 CFR 351.517(a); *see also* 19 CFR 351.102(b)(28) (for a definition of ''indirect tax''). To determine whether the GOC provided a benefit under this program, we compared the VAT exemption upon export to the VAT levied with respect to the production and distribution of like products when sold for domestic consumption. The GOC reported that the VAT levied on steel wheels sales in the domestic market is 17 percent and that the VAT exemption upon the export of steel wheels is 17 percent.[43] Thus, we have preliminarily determined that the VAT exempted upon the export of steel wheels did not confer a countervailable benefit because the amount of the VAT rebated on export is equal to the amount paid in the domestic market.

B. Revitalization of Key Industry and Technology Renovation of 2010 Special Fund

Xingmin reported that it received a non-recurring grant under this fund for its sedan wheel project in December 2010.[44] Xingmin stated that it was eligible for the grant because the sedan wheel project fell into the scope of the ''Central Investment Annual Work Focus of Revitalization of Key Industry and Technology Renovation of 2010'' program (*i.e.,* Work Focus 2010).[45] Xingmin explained that Work Focus 2010 covered nine different industries, including the automotive industry.[46] Xingmin stated that the Development and Reform Committee of Shandong Province approved its application in August 2010, and the Longkou Financial Bureau released the funds to the company in December 2010.[47]

Xingmin explained that the sedan wheel project pertains only to steel wheels sized from 10 inches to 16 inches in diameter and not to the steel wheels under investigation,[48] which are 18 inches to 24.5 inches in diameter. In support of its statement, Xingmin submitted a copy of the Shandong Province Engineering Consulting Institute's evaluation report of the sedan wheel project.[49] The documentation indicates that the merchandise which benefitted from the grant was sedan wheels sized from 10 inches to 16 inches in diameter.[50] Xingmin also submitted approval documentation from the Development and Reform Committee of Shandong Province and Longkou City Financial Bureau which indicates that the funds were approved and dispersed for the company's sedan wheel project.[51]

In the July 21, 2011, supplemental questionnaire issued to Xingmin, we asked the company to report the types of merchandise produced using the equipment purchased for the sedan wheel project and to state whether that equipment could be used to produce steel wheels sized from 18 inches to 24.5 inches in diameter. In its supplemental questionnaire response, Xingmin stated that the equipment imported for the sedan steel wheel project was being installed during the POI and, thus, was not used to produce any products.[52] Xingmin also stated that the equipment imported for the sedan steel wheel project does not have the ability to make subject merchandise, explaining that the equipment would require reconfiguration and revised mechanical connections with other machinery in order to manufacture subject wheels.[53]

Based on the questionnaire responses of the Xingmin Companies and consistent with 19 CFR 351.525(b)(5), we preliminarily determine that the grant received under this program was tied to non-subject merchandise and, thus, did not confer a benefit to the production or sales of subject merchandise of the Xingmin Companies during the POI.

C. Income Tax Reductions for Firms Located in the Shanghai Pudong New District

The Jingu Companies reported that Shanghai Yata paid a reduced income tax rate on the tax return it filed during the POI due to its location in the Shanghai Pudong New District.[54] We preliminarily determine that the benefit from this program results in net subsidy rate that is less than 0.005 percent *ad valorem.* Consistent with our past practice, we therefore have not included this program in our net countervailing duty rate calculations. *See, e.g.,* CFS from the PRC Decision Memorandum at ''Analysis of Programs, Programs Determined Not To Have Been Used or Not To Have Provided Benefits During the POI for GE.''

[43] *See* GOC's initial questionnaire response at 57–59.

[44] *See* Xingmin's July 15, 2011, questionnaire response at 35–36, 38.

[45] *Id.* at 36–37.

[46] *Id.*

[47] *Id.* at 36.

[48] *Id.* at 35–37.

[49] *Id.* at Exhibit 32.

[50] *Id.* at 35–37.

[51] *Id.* at Exhibit 32.

[52] *See* Xingmin's August 10, 2011, supplemental questionnaire response at 33.

[53] *Id.* at 34.

[54] *See* the Jingu Companies' August 5, 2011, questionnaire response at 41–45.

III. Programs Preliminarily Determined To Be Not Used [55]

We preliminarily determine that the respondents did not apply for or receive benefits during the POI under the programs listed below:

A. Treasury Bond Loans
B. Preferential Loans for State-Owned Enterprises (SOEs)
C. Income Tax Reductions for Export-Oriented FIEs
D. Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring
E. Provision of Land to SOEs for LTAR
F. Provision of Land Use Rights within Donghai Economic Development Zone [56]
G. State Key Technology Renovation Fund
H. GOC and Sub-Central Government Grants, Loans, and Other Incentives for Development of Famous Brands and China World Top Brands

Verification

In accordance with section 782(i)(1) of the Act, we intend to verify the information submitted by the Centurion, Jingu, and Xingmin Companies as well as the information submitted by the GOC prior to making our final determination.

Suspension of Liquidation

In accordance with section 703(d)(1)(A)(i) of the Act, we have calculated an individual rate for subject merchandise produced and exported by the companies under investigation. We preliminarily determine the total estimated net countervailable subsidy rates to be:

Producer/exporter	Net subsidy *ad valorem* rate %
Jining Centurion Wheel Manufacturing Co., Ltd. (Centurion) and Jining CII Wheel Manufacture Co., Ltd. (Jining CII) (collectively the Centurion Companies)	26.24
Shandong Xingmin Wheel Co., Ltd. (Xingmin) and Sino-tex (Longkou) Wheel Manufacturers Inc. (Sino-tex) (collectively, the Xingmin Companies)	35.62
Zhejiang Jingu Automobile Components (Zhejiang Jingu), Chengdu Jingu Wheel Co., Ltd. (Chengdu), Zhejiang Wheel World Industrial Co., Ltd. (Zhejiang Wheel World), and Shanghai Yata Industrial Co., Ltd. (Shanghai Yata) (collectively the Jingu Companies)	46.59
All Others	40.30

Sections 703(d) and 705(c)(5)(A) of the Act state that for companies not investigated, we will determine an all-others rate by weighting the individual company subsidy rate of each of the companies investigated by each company's exports of the subject merchandise to the United States. However, the all-others rate may not include zero and *de minimis* rates or any rates based solely on the facts available. In this investigation, all three individual rates can be used to calculate the all-others rate. Therefore, we have assigned the weighted-average of these three individual rates to all-other producers/exporters of steel wheels from the PRC.

In accordance with sections 703(d)(1)(B) and (2) of the Act, we are directing CBP to suspend liquidation of all entries of the subject merchandise 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 the 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), the Department will disclose to the parties the calculations for this preliminary determination within five days of its announcement. 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) (for a further discussion of case briefs). Rebuttal briefs, which must be limited to issues raised in the case briefs, must be filed within five days after the deadline for submission of case briefs. *See* 19 CFR 351.309(d). 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.

In accordance with 19 CFR 351.310(c), we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. Individuals who wish to request a hearing must submit a request within 30 days of the publication of this notice in the **Federal Register** to the Assistant Secretary for Import Administration, U.S. Department of Commerce. Parties will be notified of the schedule for the hearing and parties should confirm the time, date, and place of the hearing 48 hours before the scheduled time. Requests for a public hearing should contain: (1) Party's name, address, and telephone number; (2) the number of participants; and (3) to the extent practicable, an identification of the arguments to be raised at the hearing.

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

Dated: August 29, 2011.

Ronald K. Lorentzen,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 2011–22720 Filed 9–2–11; 8:45 am]

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[55] There were several programs used by respondents in which the benefits were fully expensed prior to the POI. For these programs, *see* the respondents' calculation memoranda.

[56] This program was alleged as ''Provision of Land Use Rights Within Designated Geographical Areas for Less Than Adequate Remuneration'' in the Petition (*see* page III–22).