

## **6.2 Key Issues**

Petitioners claimed that Nilus Leclere Inc. (Leclere) became partners with the Government of Quebec, with the sole objective of taking over the U.S. laminated hardwood flooring market, and that all programs provided to Leclere should be considered specific because they were provided under a plan that gave Leclere special treatment. However, evidence of "special treatment" was never provided by the petitioners and so Commerce never considered this argument.

There was also a question of upstream subsidies. Commerce compared the prices paid by Leclere to its "allegedly subsidized" suppliers with the prices paid to unsubsidized suppliers on a product-by-product and aggregate basis. Commerce found that the price of allegedly subsidized lumber was generally equal to or higher than the price of unsubsidized lumber. Leclere therefore did not receive a competitive benefit, precluding a finding of an upstream subsidy.

## **6.3 Programs Determined to be Countervailable**

### **6.3.1 Joint Federal-Provincial Programs**

#### **6.3.1.1 Canada-Quebec Subsidiary Agreement on Industrial Development (SID)**

Under this agreement, the federal and Quebec governments established a program to improve the competitiveness of the Quebec economy by providing financial assistance to companies for major industrial projects.

The long-term interest-free loan received by Leclere was found to constitute a countervailable subsidy. It was a direct transfer of funds providing a benefit in the amount of the difference between the benchmark interest rate and the zero interest rate paid by Leclere. Funds paid out under this program were limited to companies in a particular region of Canada (i.e. Quebec), and hence were regionally specific. The net rate found was 0.29%.

### **6.3.2 Federal Programs**

#### **6.3.2.1 Industrial and Regional Development Program (IRDP)**

IRDP was created to promote economic development in Canada, especially in regions where opportunities for productive employment were exceptionally inadequate. The program was terminated on June 30, 1988. Under IRDP, each of Canada's 260 census districts was classified into one of four tiers on the basis of the economic development of the region.

The grants received by Leclere, which was located in a Tier III district, were determined to constitute a countervailable subsidy as they were a direct transfer of funds from the Government of Canada and conferred a benefit in the amount of the portion of the grant that was in excess of the most favourable, non-specific