

CANADA BORDER SERVICES AGENCY

**The Dumping of Corrosion-Resistant Steel Sheet Originating in or Exported
from the People's Republic of China, Chinese Taipei, the Republic of India,
and the Republic of Korea**

**Public
Witness Statement of
Andrew Connor**

June 5, 2018

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*This document contains confidential information, the disclosure of which would
cause commercial harm to ArcelorMittal Dofasco G.P.*

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I. Introduction

1. My name is Andrew Connor. I am the Vice President, Commercial at ArcelorMittal Dofasco G.P. (“AMD”). I have a bachelor’s degree in engineering and a master’s degree in business administration. I have been with AMD for over 33 years. From 2011 to 2014, I led ArcelorMittal America’s strategy team, which included developing a capital strategy for ArcelorMittal’s North and South American mills.
2. Reference in this Statement to “COR” is a reference to the product definition in the Complaint associated with this Statement, namely, certain corrosion-resistant steel sheet and coil.

II. Overview of AMD’s Business

3. AMD is part of the ArcelorMittal group of companies and is one of North America’s most progressive and efficient steelmakers. AMD is a market leader in an industry that continues to be a cornerstone of the Canadian manufacturing economy. By working closely with our customers and using the latest technologies, we produce technologically advanced, innovative, value-added steel that meets their exact needs.
4. As Canada’s largest manufacturer of flat-rolled steel, AMD’s products include hot-rolled, cold-rolled and corrosion-resistant steel as well as tinplate. AMD supplies these products to the automotive, construction, packaging, manufacturing, pipe and tube, and steel distribution markets.
5. AMD’s operational hub is its 750-acre steelmaking complex and head office in Hamilton, Ontario. These state-of-the-art facilities are some of the most efficient, flexible and technologically advanced in North America. They include two coke plants, three operating

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- blast furnaces, a basic oxygen steelmaking furnace, an electric arc furnace, two slab casters, a hot-strip rolling mill, pickling lines, cold-rolling mills, annealing and tempering facilities, galvanizing lines, Canada's only electrolytic tinning lines, as well as two tube mills.
6. AMD plays a key role in North America's advanced manufacturing supply chain working with the top automotive, energy, packaging and construction brands to develop lighter, stronger and more sustainable products – from cans to cars. Founded in 1912, AMD is one of Canada's Top 100 Employers and Hamilton's largest private sector company with more than 5,000 employees shipping 4.2 million metric tonnes ("MT") of high quality flat carbon and alloy steel annually, with approximately []% sold into the Canadian market.
 7. Around the world, the ArcelorMittal Group employs 240,000 employees in 60 countries and looks to flagship sites like ArcelorMittal Dofasco to develop new technology and products that are fundamentally transforming the steel industry.
 8. AMD's iconic motto "Our Product is Steel. Our Strength is People®" is a true expression of our belief that people are the company's competitive advantage. Underpinning this are our values of Quality, Sustainability and Leadership and our commitment to Sustainable Development – brought to life by generations of employees who have come to work for more than 100 years creating world class products, processes and services.
 9. AMD is a Canadian company, and our primary focus is on the Canadian market. AMD's mandate is to leverage its platform in Canada to maximize shareholder value. To this end, the companies in the ArcelorMittal family pursue a coordinated approach to the sale and marketing of COR and other products. Within this framework, AMD's mandate is to service the Canadian market. ArcelorMittal affiliates in other countries follow the same strategy and strive to maximize profitability in their respective home markets. Exports by ArcelorMittal affiliates to markets in which other ArcelorMittal affiliates operate are coordinated to avoid negative impacts.

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10. COR is a key component of AMD's strategy to provide a balanced portfolio of diversified flat-rolled product offerings to meet the needs of diversified Canadian market segments. Due to the capital-intensive nature of the steel industry, COR allows us to maximize capacity utilization in order to reduce per unit fixed costs.
11. Adverse market conditions caused by unfairly traded imports therefore have a great impact on merchant market sales of COR.

III. The Competitive Landscape

A. COR is a Commodity Product

12. COR is generally produced to an ASTM or other recognized specifications. Therefore, products made to a particular specification by any manufacturer, whether domestic or foreign, are interchangeable, in virtually any given application, with those made to the same specification by another manufacturer. While total Canadian consumption is determined by the needs of purchasers, each transaction is very price sensitive.
13. The commodity nature of COR means that even a small quantity of low-priced imports, if sustained by sufficient production capacity in the country of export, is sufficient to disrupt market conditions and to bring general prices down in Canada.

B. The Canadian COR Market

14. The Canadian market for COR is described in my colleague Mr. Butler's Statement of Evidence. The market is national in scope. AMD sells COR to two principal groups of customers: steel service centers and end-users. "End-users" include various manufacturers. The automotive industry also uses corrosion-resistant steel, however, corrosion-resistant steel for automotive end-uses is excluded from the scope of the Complainant's product definition.

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15. The Canadian market COR is mature. Consequently, the loss of market share to the Subject Countries has had, and will continue to have, a detrimental impact on AMD and the Canadian industry.
16. As with other steel products, the US Midwest, Ontario and Quebec COR markets are integrated in terms of supply and price, subject to extraordinary circumstances. The CRU Midwest spot price is a benchmark for “base” rolled steel (i.e. no extras) that is considered to be representative of the US Midwest market price. All things being equal, the Canadian price for COR generally tracks COR pricing in the US market, and in Ontario and Quebec, that price is the US Midwest price. Factors that may cause the Canadian price for COR to sit slightly above or below the US CRU price include exchange rate fluctuations, seasonal demand, and minor variations in local markets. However, as discussed below, there is a growing price differential between Canadian and US COR pricing because of unfairly traded goods entering the Canadian market.

IV. Impact of Subject Goods on Domestic Market

A. Price Depression and Diversion

17. The global steel market experienced significant disruptions in 2015 and 2016, including the presence of very low-priced COR imports in many markets, including Canada. Since 2016, several other countries have determined that Subject Country COR exports were injuriously dumped into their respective countries, prompting new trade remedies, or initiated investigations into such exports.
18. In 2016, the United States imposed anti-dumping duties against COR, from China, Korea, India and Chinese Taipei (among others).¹ The US Department of Commerce determined

¹ Public Attachment 23: *Certain Corrosion-Resistant Steel Products From India, Italy, the People’s Republic of China, the Republic of Korea and Taiwan: Amended Final Affirmative Antidumping Determination for India and Taiwan, and Antidumping Duty Orders*, 81 FR 48390 (July 25, 2016).

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that Chinese COR was dumped at a rate of 209.97%.² In the case of Chinese Taipei, the US Department of Commerce determined that COR was dumped at a rate of 10.34%.³ The DOC found that COR from India was dumped at a rate of up to 4.43%.⁴ The DOC found that COR from Korea was being dumped at a rate of up to 47.8%.⁵

19. On February 8, 2018, the EU imposed definitive anti-dumping measures against corrosion resistant steel from China. It determined that the all others dumping margin was 62.9% and imposed a duty of 27.9%.⁶
20. Other countries that have initiated trade remedy investigations or imposed trade remedies against galvanized and corrosion-resistant steel sheet products are listed in the Complaint.
21. Canada was not immune to dumped COR exports. The Complaint shows that year-on-year China maintained a significant share of Canada's COR imports and domestic market and that the total volume of Chinese COR exports to Canada continued to rise between 2014 and 2017. This was done by undercutting domestic prices, which resulted in both price depression and lost sales.

² Public Attachment 23: *Certain Corrosion-Resistant Steel Products From India, Italy, the People's Republic of China, the Republic of Korea and Taiwan: Amended Final Affirmative Antidumping Determination for India and Taiwan, and Antidumping Duty Orders*, 81 FR 48390 (July 25, 2016).

³ Public Attachment 23: *Certain Corrosion-Resistant Steel Products From India, Italy, the People's Republic of China, the Republic of Korea and Taiwan: Amended Final Affirmative Antidumping Determination for India and Taiwan, and Antidumping Duty Orders*, 81 FR 48390 (July 25, 2016).

⁴ Public Attachment 23: *Certain Corrosion-Resistant Steel Products From India, Italy, the People's Republic of China, the Republic of Korea and Taiwan: Amended Final Affirmative Antidumping Determination for India and Taiwan, and Antidumping Duty Orders*, 81 FR 48390 (July 25, 2016).

⁵ Public Attachment 23: *Certain Corrosion-Resistant Steel Products From India, Italy, the People's Republic of China, the Republic of Korea and Taiwan: Amended Final Affirmative Antidumping Determination for India and Taiwan, and Antidumping Duty Orders*, 81 FR 48390 (July 25, 2016).

⁶ Public Attachment 106: Commission Implementing Regulation (Eu) 2018/86 of 7 February 2018 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain corrosion resistant steels originating in the People's Republic of China.

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22. Following the imposition of COR trade remedies against Chinese, Korean, Indian and Chinese Taipei, the US COR market returned to fair market pricing. As a result, the price difference between AMD's average COR selling price and the US Midwest price diverged significantly. The average price spread between AMD and the US Midwest price was []% in 2014 and []% in 2015; however, this rose to []% in 2016 and []% in 2017.⁷ I attribute this price divergence to dumped Subject Goods in the Canadian market, compared to the relatively stable and fair market price in the US.
23. AMD was able to [] on sales in 2016 and 2017 because short-term circumstances in the market cushioned the pricing effects of dumped Subject Goods, including []. With limited export markets, Chinese, Indian, Korean and Chinese Taipei producers will focus on markets open to their exports. Canada is an attractive destination for these exports given its relatively higher price for COR. It is inevitable that imports of Subject Goods to Canada will continue to grow, and this will put continued downward pressure on the Canadian COR price.
24. The imposition of measures by the United States as a result of the Section 232 investigation and the initiation of safeguard inquiry into steel products in the European Union in March of 2018 have had a profound impact on global steel markets. These measures will have significant impacts on trade flows and I am concerned that they will compound and accelerate the diversion of COR into the Canadian market.
25. AMD's strategy []. Consequently, []. In order to maintain sales volumes, AMD []

⁷ See Table 12: US Midwest vs. AMD (C\$MT) to the Complaint.

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B. Profitability

26. The rise in Subject Good imports has directly contributed to AMD's slide in profitability and will continue to do so as long as Subject Countries export COR to Canada at injuriously low prices. AMD's net profit on COR in 2014 through 2017 was []%, []%, []%, and []% respectively. However, it is important to put AMD's 2017 profitability in context. AMD's net income on COR dropped from []% in Q2 2017 to []% in Q4 2017. Over the same period, AMD's sales volumes dropped from [] MT to []. Conversely, imports from the four Subject Countries rose from 39,656 MT in Q1 2017 to 67,025 MT in Q2 2017, 79,691 MT in Q3 2017, 92,057 MT in Q4 2017 and then dropped 58,353 MT in Q1 2018 as the seaway to Ontario closed for the season. In Q1 2018, AMD's net income did improve over [], but was lower than []. Further, AMD's volume of sales [], while Subject Country imports increased by 47% despite the seasonal closure of the seaway.
27. Given AMD's current order book and the market outlook, if a trade remedy is not put in place, I believe that AMD's profitability will be significantly impacted as it is forced to compete with growing volumes of low priced imports.

V. The Need for Continued Investment

28. The steel industry is capital intensive, and the production of COR requires significant sums of money in the form of repair and maintenance, sustaining capital and strategic capital. Repair and maintenance expenditures include activities that must be performed on a regular basis to keep the facilities in good working order. Sustaining capital expenditures are comprised of investments that replace capital equipment as it approaches the end of its useful life. Strategic capital expenditures are comprised of investments designed to improve the efficiency and/or range of goods produced at a facility.

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29. When a mill fails to make a profit, investment dollars are cut. This negatively impacts strategic capital, sustaining capital and repair and maintenance spending. Without these investments, a mill becomes less competitive, less productive and is increasingly susceptible to injury from dumped imports.
30. As a result of this ownership structure and, AMD's mandate within the ArcelorMittal family to serve the Canadian market, AMD effectively competes with other ArcelorMittal subsidiaries for capital investment based on our financial performance. In order to attract the continued investment necessary to maintain and improve its operations, AMD must be able to demonstrate an ability to operate profitably in the Canadian market. New investment enhances our ability to compete, and therefore our overall financial performance. Our financial performance, in turn, provides us with the ability to sustain and attract new investment.
31. Presently, AMD has notional support from its parent company (ArcelorMittal) to invest [

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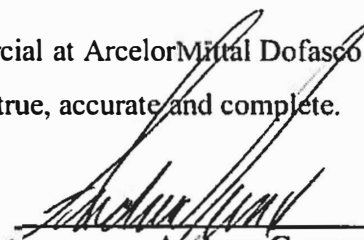
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32. The major threat to our ability to continue with necessary investment is the presence of unfairly traded imports in the Canadian market. The Subject Goods have acquired significant share of the Canadian market in a very short period of time. While AMD has been able to maintain profitability in the short term, the level of price undercutting by the Subject Countries is significant and our margins will be affected. At the same time, ArcelorMittal's subsidiaries in other jurisdictions, such as the US, will not face unfair competition from unfairly priced imports from the Subject Countries and therefore would be far more attractive from an investment standpoint. Consequently, AMD's planned investments would be placed in jeopardy. This would negatively impact not only our merchant market sales of COR, but our business across the entire company.

VI. Likely Impact on AMD if a Trade Remedy is Not Imposed

33. The Canadian COR industry is vulnerable. It has experienced a significant increase in low-priced COR imports over the last 24 months, resulting in price depression and lost sales. Because of trade remedies in the US and other countries, the diversion of low-priced COR to Canada will result in increasing volumes of low-priced COR entering the Canadian market.
34. I, Andrew Connor, Vice-President, Commercial at ArcelorMittal Dofasco GP, certify that the information in the Witness Statement is true, accurate and complete.



Andrew Connor