

CANADA BORDER SERVICES AGENCY

**The Dumping of Rebar Originating in or Exported From
The Republic of Belarus, Chinese Taipei, the Hong Kong Special
Administrative Region of the People's Republic of China, Japan, the
Portuguese Republic and the Kingdom of Spain**

DECLARATION OF MARCELO CANOSA

1. I, the undersigned MARCELO CANOSA, of the City of Tampa, in the State of Florida, do solemnly declare as follows:

I. INTRODUCTION

2. I am Commercial Director – Rebar and Wire Rod Products at Gerdau Ameristeel Corporation (doing business as “Gerdau Long Steel North America,” hereinafter “Gerdau”). In this capacity, I have full responsibility for sales of rebar in both Canada and the United States. My sales team is comprised of North American-dedicated rebar sales managers, as well as several regional rebar sales representatives, all of whom report directly to me. As such, I have personal knowledge of the matters herein declared. Until recently, [

] in the Canadian International Trade Tribunal’s (“Tribunal”) Inquiry No. NQ-2014-001 regarding Rebar from China, South Korea, and Turkey (“Rebar I”). Some of our team’s

commercial information [
].

3. I make this solemn declaration in support of Gerdau's allegations of lost sales and lost revenue at specific rebar sales accounts, which I describe in further detail below.

4. As Commercial Director – Rebar and Wire Rod Products, I have ultimate oversight and responsibility for sales and customer account relationships, including for establishing customer pricing for sales in Canada. I also directly manage our rebar sales team in Canada, which has dealt directly with each of the customer accounts I speak to below.

5. I have also reviewed Gerdau's sales records relating to these customer accounts and have received written and oral reports regarding these accounts from our company's rebar sales manager and regional rebar sales staff.

6. Based on my knowledge of our company's dealings with the customer accounts listed below, on my review of our company's sales records, and on the reports that I have received from my sales team, it is my belief that our rebar sales volumes and revenues have been significantly and adversely impacted as a result of imports of dumped rebar from Belarus, Chinese Taipei ("Taiwan"), the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), Japan, the Portuguese Republic ("Portugal"), and the Kingdom of Spain ("Spain") (hereinafter referred to collectively as the "subject countries").

7. Gerdau sells to both rebar fabricators and to rebar distributors throughout Canada, although Ontario and Quebec have traditionally been our largest markets. Therefore, the accounts I discuss below involve sales to both fabricators and distributors located throughout Canada.

8. Specifically, the profitability of our company has been adversely impacted by unfairly priced imports from the subject countries, especially by the revenues we have lost where we managed to make sales but did so on lower pricing quoted in competition with unfairly priced imports from the subject countries. Given the nature of rebar as a commodity product, a mere offer of unfairly-priced rebar from the subject countries can depress and suppress prevailing prices throughout Canada because our customers will expect us to match that unfair price. Many of our largest customers, such as [

], are fabricators competing against each other on construction project opportunities. They seek the lowest possible delivered price for the primary input for their activity -- steel rebar -- and, in this way, will leverage unfair offshore import pricing and expect us to match it. If we do not match or beat the unfair import pricing, we will lose the sale.

II. OVERALL PERFORMANCE OF GERDAU

9. Over the period 2011-2014, the Canadian rebar market saw a significant increase in the volume of Chinese, Korean, and Turkish rebar imports at dumped and subsidized pricing, which had a significant adverse impact on our sales and profitability. The Canada Border Services Agency (“Agency”) initiated the investigation into these imports in Rebar I on June 13, 2014, and imposed provisional duties on September 11, 2014, which were finalized on December 10, 2014. The Tribunal found that the domestic rebar industry was threatened with material injury by these unfairly traded imports on January 9, 2015 and final duties were imposed as a result on January 10 going forward.

10. The Rebar I investigation allowed our average pricing to recover somewhat between the September 11, 2014 imposition of preliminary duties and the end of first quarter of 2015 when final duties had recently come into force. It was at this same time that we first learned, for

example, that [

]. See Attachment A. These

volumes would have made an enormous difference in our profitability in the first quarter of

2015, [

]; even half of the volume imported [

].

11. The recovery in our average pricing made possible by the Rebar I measures did not last long. Specifically, imports from the new subject countries became the new source of unfairly priced rebar available to Canadian fabricators and distributors and we were once again forced to match this offshore pricing. Our average rebar pricing has once again fallen: [

]. The fall in pricing has prevented us from returning to any semblance of normal profitability at a time when [

].

And yet, over the same period, our quarterly volume of rebar sales from domestic production

[

]. In other words, our company did not sit idle and instead made every effort to improve the profitability of our Canadian operations in the face of this unfair competition, including [

], as Mr. Paiva explains in more detail in his declaration.

12. Our tracking of Statistics Canada (“StatsCan”) import data over the period 2013 to August 2014 shows effectively no imports of subject goods. This volume increased to over 33,000 tonnes in the fourth quarter of 2014 alone, and has continued to increase ever since, reaching over 200,000 tonnes in 2015. Faced with this dramatic increase in unfair import volumes from the new subject country sources, we were able to [

] and made possible in turn only due to our own efforts to [].

13. But for the [], our profitability in 2015 would have suffered much worse, [

]. In fact, the continued volumes of subject imports are now putting our entire efforts to [

]. Critically, we now find ourselves at a time in 2016 when scrap costs have reversed and are now increasing at an incredible rate [

] and yet our average selling price has continued to drop by another [] over the same time period. Meanwhile, the volume of unfairly priced imports from the subject countries shows no sign of abating:



III. IMPACT ON GERDAU: ACCOUNT-SPECIFIC SALES IMPACTS

14. When subject country imports arrive in Canada, normally by the boatload (i.e. over 20,000 tonnes), they have a direct impact on us. Not only do these volumes represent lost sales opportunities for us, they also set a new price in the market that we need to meet or lose further sales opportunities. Either because they are the ones who have purchased all or part of the boatload or they learn of it very quickly from other importers and traders and through import statistics, the result is our customers demand that we lower our pricing further to bridge any price gap. In short, our market performance is now being driven by these low-priced imports and the significant downward price pressure they are causing is not sustainable. While we had hoped the Tribunal's order in Rebar I would provide us with the opportunity to compete in the market at fair and sustainable prices, as I describe with more specific examples below, the entry of imports from these new subject countries have made this impossible.

A. Lost Sales and Lost Revenue in 2015

15. Examples in 2015 of instances where we lost sales or where we were forced to reduce our pricing to secure volumes are set out in detail in **Attachment A**, []].

16. A number of our customer accounts are reported to have been buying imports from subject countries in 2015 (e.g. [

]), and we witnessed first-hand the corresponding dramatic rise in import volumes from those countries in our monthly StatsCanada data monitoring at this time. Across most of our accounts, we have had to reduce pricing due to the unfair pricing of these imports. Worse still, these losses of volumes and losses of revenue came at a time when we had just come out from under a very real threat from unfairly traded rebar imports from China, Korea, and Turkey.

17. We did our best to compete against the new sources of unfairly traded imports from the new subject countries throughout 2015, on the strength of [

] over that period. Notwithstanding our efforts, we saw our average selling price to these accounts [

] over the course of 2015. This was a time when we should have returned to normal levels of profitability on what should have been fair market prices for rebar resulting from the Rebar I Finding. The only cause for the [] our selling prices in 2015 is the unfairly priced imports from the new subject countries. Examples of the effects of unfairly priced subject country imports on our selling prices are set out in **Attachment A**. Additionally, the following top accounts representing approximately [] tonnes or [] percent of our total

domestic sales show the price-depressing impact that unfair imports have had on our selling prices in 2015, as a result of pressure to lower our prices to match the import price levels:

- []: our weight-average selling price came down over the course of 2015 from \$[]/tonne in January 2015 to \$[]/tonne by December 2015, a decrease of [] percent representing \$[] in lost revenue;
- []: our weight-average selling price came down over the course of 2015 from \$[]/tonne in January 2015 to \$[]/tonne by December 2015, a decrease of [] percent representing \$[] in lost revenue;
- []: our weight-average selling price came down over the course of 2015 from \$[]/tonne in January 2015 to \$[]/tonne by December 2015, a decrease of [] percent representing \$[] in lost revenue;
- []: our weight-average selling price came down over the course of 2015 from \$[]/tonne in January 2015 to \$[]/tonne by December 2015, a decrease of [] percent representing \$[] in lost revenue; and
- []: our weight-average selling price came down over the course of 2015 from \$[]/tonne in January 2015 to \$[]/tonne by December 2015, a decrease of [] percent representing \$[] in lost revenue.

18. While we did our utmost to meet the challenge of the unfairly traded imports from the new subject countries over the course of 2015, on the strength of [

], the situation has quickly become unsustainable in 2016 given that we are not securing sales at sustainable pricing and our scrap costs have increased [].

B. Lost Sales and Lost Revenue in 2016

19. In 2016, I can state without any hesitation that competition from unfairly priced imports from the subject countries has only intensified as compared to 2015. We were already aware from [] as early as in October of 2015 that Spanish rebar was going to be available for December 2015 arrival at delivered (to customer) pricing of \$[]/tonne from []. See **Attachment A**.

20. So it came as no surprise for us to learn later in March 2016 that Spanish and Portuguese rebar was going to be available at the Port of Oshawa for July delivery at \$[]/tonne (i.e. [] percent lower). See **Attachment B**. Import prices therefore continued to fall, which we saw in our StatsCanada data verifications, notwithstanding that the trend in global scrap pricing (e.g. AMM) was on the increase by no less than 60 percent from January 2016 to April 2016. See **Attachment C**.

21. Another example is [], located in [], an account that we [] to supply all of its rebar needs. In late March 2016, we were advised directly by this customer that they were now buying Spanish rebar at \$[]/tonne delivered, rather than buying from us, which compared to our \$[]/tonne delivered price. At this point in time, we had lost the first known volumes to this account in 2016 of []

tonnes. As a result, we decided to lower our price to this account to \$[]/tonne in order to recapture some of the business. See **Attachment D**. And, of course, we have since confirmed these Spanish volumes in StatsCanada data for April 2016, showing as 36,060 tonnes.

22. A clear example of our inability to raise our prices in line with our rising costs, particularly [

], is our recent attempt to lock in [

], among our top fabricator accounts representing

[] in 2015. See **Attachment E**.

23. Specifically, on [] and [] 2016, we entered into price negotiations with

[] for [] for delivery in July. In the context of those negotiations,

[] advised us that they had already purchased [] tonnes of rebar from Belarus in

[] for delivery [] in [] at the incredible price of

\$/tonne. [] explained that they were currently in talks with [] and []

([

]), to [] Belarus

rebar for []/tonne. In speaking with [], the company intimated that our

small April 2016 price increase of \$25/tonne, which we announced in an attempt to keep up by

some minimal measure with significantly increased scrap costs was [

]. [] also advised that rebar from Spain and Portugal was also available for \$555-

560/tonne, but that a price of \$[]/tonne would [

] rather than from these subject countries.

24. In response to this request, we advised [] that we could not accept pricing at

\$/tonne and that our current pricing of \$[]/tonne applied. We were advised by

[], therefore, that we had lost this sale for [] and that they were proceeding with [] of rebar from Belarus for July. In doing so, [] also advised that [] from Belarus were due to land in Sorel and Oshawa in May and April, meaning that as much as [] tonnes were due to arrive in Canada from Belarus by July alone, displacing significant sales volumes due to unfair pricing on rebar that we would otherwise produce for [].

25. Coming so quickly out of the Rebar I investigation, these new losses to unfairly priced subject country imports are already unsustainable and have already adversely impacted our pricing at a time when scrap costs are surging. Indeed, the volume of subject country imports that have already entered Canada and that are due to come is on track to meet or beat 2015 import volumes. See **Attachment F**.

26. Indeed, our deliberate attempts to sell rebar into British Columbia have been largely unsuccessful to date due to the unfair import pricing of subject country rebar arriving on the West Coast. Notwithstanding our various sales calls throughout 2015, we have secured [] sales volumes there.

27. As mentioned, we did our best to compete against the new sources of unfairly traded imports from the new subject countries throughout 2015. Notwithstanding these efforts, the situation has quickly become unsustainable in 2016, again, given that we are not securing sales at sustainable pricing and our scrap costs have increased []. Specifically,

[], and, like in 2015, during this same time our pricing to a number of our top customers decreased in the face of unfair import competition from the subject countries:

- []: our weight-average selling price is down from \$[]/tonne in January 2016 to \$[]/tonne by May 2016, a decrease of [] percent representing \$[] in lost revenue;
- []: our weight-average selling price is down from \$[]/tonne in January 2016 to \$[]/tonne by May 2016, a decrease of [] percent representing \$[] in lost revenue.
- []: our weight-average selling price is down from \$[]/tonne in January 2016 to \$[]/tonne by May 2016, a decrease of [] percent representing \$[] in lost revenue.

28. And yet we have attempted to increase our prices in 2016 incrementally, beginning on March 18 by \$25/tonne effective April 1, and then on April 15 by another \$25/tonne effective May 1, and then on April 29 by \$55/tonne effective May 15, and finally on May 9 by \$45/tonne effective June 1. These increases have been an attempt to keep up with our scrap cost increase of no less than [] from December 2015 to May 2016. Notwithstanding these price increase announcements, our [] in the same time period due to unfairly traded import prices offers. See **Attachment G**. In the few instances, where we have been able to increase our pricing, our ability to do so has been severely compromised by the low priced subject country imports and the small increases achieved are nowhere near sufficient to cover our increased costs. For example:

- []: our weight-average selling price has only risen from [] in January 2016 to [] in May 2016; and

- []: our-weight average selling price has only risen from [] in January 2016 to [] in May 2016.

29. In sum, our pricing was depressed throughout 2015 due to unfairly priced subject country imports underselling us at every turn. Our pricing continued to fall precipitously in 2016 due to the continuing surge of low-priced imports at a time when scrap prices corrected and increased sharply starting in January 2016. This situation is entirely unsustainable and is materially detrimental to Gerdau's production and sales efforts since September of 2014, including our efforts to repatriate U.S. imports.

30. In terms of the second quarter of 2016, our current forecast shows that import prices will continue to decrease while our scrap costs will either stabilize at historically high levels or continue to increase. While we hope to achieve [], even if we do, profitable and sustainable pricing will not result without discipline on unfair import prices. In terms of sales volumes, we forecast these to be [] due to construction projects underway and our efforts to match current import price offers.

However, [] will come at a significant cost and result in [] and poor financial performance overall.

31. I make this solemn declaration, conscientiously believing it to be true to the best of my knowledge, in support of the Complaint of Gerdau and for no improper purpose.

DECLARED BEFORE ME at the City of)
Tampa, in the State of Florida,)
This 17th day of June, 2016)
)
)
)

A Commissioner for Taking Oaths, etc.

[Confidential version of statement has been signed]

Marcelo Canosa

Attachments A-G have been designated confidential in their entirety and contain business proprietary information, the disclosure of which could reasonably be expected to harm Gerdau