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July 30, 2018

House of Commons Standing Committee

Standing Committee on International Trade

RE: United States Surtax Order (Steel & Aluminum)

To the astute Members of the Standing Committee:

We respectfully submit our comments to the committee to all the members to gauge the impact to the financial stability of manufacturing operations in industries that import and use steel and aluminum product in their production processes. The Canadian Government must act immediately to mitigate the financial hardship and uncertainty cast on the manufacturing sector and to avert an industrial crisis. We invite the committee to review our submission and consider the true impact facing Canadian business in the wage of Canada's retaliatory surtax.

The NARMCO Group of Companies is a 100% privately held Canadian Tier 1 Corporation, founded in 1945 and headquartered in Windsor Ontario. The NARMCO Group is a producer of automotive metal stampings and welded assemblies for OEM automakers around the world including General Motors, Fiat Chrysler, Nissan, Volkswagen, Mercedes, and Toyota. The NARMCO Group consists of 4 metal stampings facilities and 3 tool & die facilities in Southwestern Ontario (Windsor, Chatham, Guelph). The NARMCO Group also has facilities located in USA and Mexico. The NARMCO Group employs over 800 employees in Canada, has in excess of 600,000 sq. ft. of active manufacturing space, and generates \$350,000,000.00 in annual sales. In Canada the NARMCO Group purchases close to \$100,000,000.00 in steel / aluminum on an annual basis.



As a Tier 1 metal stamping operation, 100% of all the products that the NARMCO Group manufactures are derived from coils of Steel or Aluminum. The impact of the 25% and 10% surtax to our steel and aluminum imports is substantial considering that the raw material represents in excess of 75% of the value of stamped products manufactured by NARMCO. The automotive supply market is extremely competitive, with an average profit margin between 10-12%. Clearly, the surtax will evaporate all chances of profitability. The surtax net result is the long term viability of NARMCO to remain solvent and to continue to supply product to our Customers and provide a stable workforce to our employees and their families.

The surtax has had an immediate impact to our cash flow and will soon result in employees been laid off. Based on projected monthly forecasts of imported steel and aluminum it is estimated that the penalty and impact to the NARMCO Group to be over \$1,347,000.00 per month. These imports are for steel and aluminum NOT available for purchase by NARMCO in Canada.

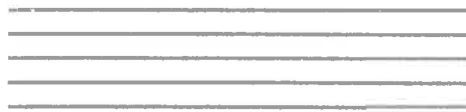
The punitive penalty will, without doubt, create financial hardship for NARMCO, its Customers (specifically GM Canada, FCA Canada, Toyota Canada), our employees and their families and the Windsor / Southwestern Ontario economy. It is critical for the Committee to understand that many of the steel importations are for steel not available in Canada and thus would not harm Canadian steel producers. Moreover, in the automotive supply market, the OEM establishes the grade of steel used, and is the primarily contractor of the source of steel. In the vast majority of cases, NARMCO has no control over where the steel is purchased (USA or Canada) and its cost. In addition, steel is sourced for the life of the vehicle's production which could be 4-7 years. Similarly, steel is procured from the steel mill with firm orders in excess of 4 months prior to the needed delivery. This is important and critical for the Committee to understand as in most cases NARMCO does not have the legal authority to change



Steel vendors, the period of the contract and the origin of the steel. If a steel vendor could be changed, it can not be done expeditiously as it takes 4 months to procure proper delivery. None of the above factors were considered prior to the retaliatory surtax order being implemented.

The NARMCO Group is prepared to provide evidence demonstrating it's in ability to source the product, or substitutes, from Canadian or no US suppliers from Canadian Steel producers. As well as evidence supporting, the above automotive supply chain standards and procedures. This data can be provided to the Committee upon request. As previously mentioned, the automotive market place is extremely competitive. A precarious situation is unfolding as suppliers of metal stampings cannot manage the increased costs of the surtax and Customers do not want to source new work to Canadian suppliers due to the uncertainty of the surtax. As such, suppliers and Customers are considering moving current and future production out of Canada to the USA or Mexico. If this becomes reality, the lost work will NOT return to Canada and replacement work will NOT be available to replenish the lost capacity. This would be catastrophic for the automotive supply marketplace in Canada.

In conclusion, it is imperative that the Government of Canada act quickly to implement measures to protect who is severally being impacted by the retaliatory surtax of steel and aluminum. Long standing financially secure industry leaders like NARMCO are being severely impacted and the families at risk are in 100,000's. The committee must consider the impact to the 635,000 jobs that support the steel and automotive industry across Canada. Requests for remission must be prioritized to ensure that timely and positive decisions are considered and acted upon swiftly. The prosperity of the Canadian manufacturing economy is at brink and support is need immediately.



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The NARMCO Group requests your support and action in aiding it to combat the financial penalties implemented as a result of the retaliatory surtax on US steel and aluminum. We are available to provide evidence or present in person if requested.

Thank-you in advance for your consideration.

Yours truly,

Donald Rodzik Jr.
Director / Corporate Manager
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