



Windsor Metal Technologies Inc.  
JNM Group of Companies

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House of Commons Standing Committee  
Standing Committee on International Trade  
RE: Unites States Surtax Order (Steel and Aluminum)

To whom it may concern,

We have made a submission of our comments to the committee to allow the members to measure the impact of financial stability on the manufacturing sector that imports and uses steel products in the manufacturing process. Please review and consider the impact in light of Canada's retaliatory surtax. Quick action is required to alleviate financial hardship felt by the manufacturing sector and all of it's supply chain. The retaliation tariffs Canada has imposed based off the US section 232 tariffs have the most negative effect on our business at Windsor Metal Technologies/ JNM Group.

Windsor Metal Technologies/JNM Group started as a family owned business and has grown to a corporation that designs and engineers tool and die builds as well as performs the stamping of metal parts for the automotive industry, supporting a diverse clientele using a JIT environment. 98% of our product is exported to US customers. Corporate office is in Windsor Ontario and employs over 130 skilled and unskilled workers.

The current retaliation tariffs have put us at risk for our customers to pull contracts and resource their tooling to US manufacturers, if the tooling is not resourced the imposed tariffs sanction additional costs that cause our gross margin to reduce to a level that would not support our business and we would be forced to close. The government of Canada, under specific circumstances has outlined an application for exemption. Our business meets the conditions of exemption due to our customer directed sourcing model contracts and steel availability domestically, however, our application for remission and deferral on the retaliation tariffs is still pending. As we wait for the outcome of our applications, our business cash flow has been consumed with the additional 25% steel cost preventing any investment in vital areas such as employee development, structural growth, supplier development, research and development, technological advancement, etc.

Of the noted conditions within the request for remission are contractual requirements existing prior to May 31<sup>st</sup>, 2018. According to our business sourcing model, like all automotive manufacturing, the customer determines the sourcing of the material. As we acquire new business it is possible for our clientele to be mindful of domestic sourcing where applicable, however, our existing business is already bound to contractual obligations beyond our control. As a result, 81% of our business already bound to contractual obligation has been negotiated and sourced to US steel suppliers and is now subject to 25% cost increase for the life of the programs.

The second identified requirement to request exemption is a shortage of supply within the domestic market. It is important for the committee to understand that 81% of our business is already contractually tied to the above condition. Of the balance remaining (19%) 8% is already sourced domestically, 3% is available domestically but would be at an increased cost of 50% that

we cannot support financially and the final 8% of this business requires steel that is not available in the domestic market. Evidence is available for all of the above claims at the committee's request.

The third identified requirement to request remission is a severe adverse impact on the Canadian economy. The addition of 25% surtax will increase the cost of production on 92% of the 23 million pieces we produce each year out of our Canadian facility. This increase in cost will be passed onto the consumer. In addition, the most critical situation unfolding from the surtaxes are the discussions between our US clientele to move all manufacturing back to US facilities, crippling the Canadian manufacturing sector and causing wide spread job loss for skilled and unskilled workers.

The impact of 25% surtax on steel imports is substantial. Based on a review of the previous year's imports, we are looking at \$3 million in surtax fees. This will without a doubt create financial hardship for our business, our clientele, our employees and our economy that relies on the employment revenue of the manufacturing supply chain.

Any addition of imposed tariffs on automobile parts would further devastate our business. As we wait for the determination of our applications to rectify the tariffs impacting our material costs, the threat of the US' additional section 232 tariffs on automobile parts has halted any long-term planning, investment or hiring of any kind. Our business now faces a possible 25% increase on the price of raw material as well as an additional 25% to export the finished goods to our customers in the US. This is an additional cost that Windsor Metal Technologies/JNM Group cannot support.

In the event that retaliation tariff effects are not mitigated with approved exemption and section 232 tariffs are expended to include automobile parts the impact will affect our business, all of our employees, the manufacturing supply chain and our customers. Below is an inclusive list of the impact to our business and its interested parties:

- US clients will pull contracts from Canadian manufacturers to avoid increased pricing due to surtaxes
- Gross margins will be reduced to a level that cannot support administrative costs to run the business
- We will be forced to cease operations
- Over 135 skilled and unskilled workers will lose employment
- We will pull sourcing contracts from all of our Canadian suppliers (Including the following fields: steel, safety supplies, equipment, oil and lubricant, packaging, office supplies, staffing agencies, customs brokerage, tool and die build, paint/e-coating, etc)
- Removal of contracts from our Canadian vendors will cause employment loss through the supply chain
- Customers that chose to leave tooling contracts with Windsor Metal Technologies will be forced to resource all of their tooling, including tools that were designed specifically for our press sizes, putting their operations and supply at risk
- The OEM supply chain will be at risk with instability in the industry
- The cost of automobiles will increase effecting the consumer
- Our regional economy will be in jeopardy

Prior to the risk of surtaxes and tariffs threatening the stability of the manufacturing and automotive industries, Windsor Metal Technologies/JNM Group was focusing its management's time and resources in the direction of growth to the cooperation. With the uncertainty of exemption and addition to section 232 tariffs, all investments and plans for growth are put on hold until a permanent resolution stabilizes the manufacturing future in Canada.

In closing it is imperative that the Government of Canada works diligently to protect its industry and economy. Windsor Metal technologies/JNM Group and other manufacturers and supply chain businesses depend on the timely and positive decisions on exemption applications for retaliation tariffs as well as measures put in place to protect industry from additional surtax threats. These matters must be prioritized to ensure the continues prosperity of the Canadian economy and all businesses that support the manufacturing sector.

Sincerely,



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