



July 27, 2018

International Trade Policy Division (U.S. 232 Retaliation Consultations),
Department of Finance, James Michael Flaherty Building, 14th Floor,
90 Elgin Street,
Ottawa, Ontario K1A 0G5,

Sent by email: CIIT@parl.gc.ca

Dear Sirs/Madames,

Re: Countermeasures in Response to Unjustified Tariffs on Canadian Steel and Aluminum Products

Rapid-Span is a steel fabricator with production facilities located in British Columbia and Alberta. We focus almost exclusively on the fabrication of steel and precast concrete components for highway bridges, resource bridges and other infrastructure and transportation projects. We currently employ over 125 people and serve markets across Canada, the United States and overseas. For over 30 years, we have helped build Canadian highways and contributed to the Canadian economy.

The Concern

All of the steel that we purchase currently comes from US mills. The countervailing tariffs that the Government of Canada has imposed on the steel products we purchase have severely impacted our business by increasing the cost of our raw materials: steel plate, beams and angles. The tariff has increased our costs to the point where our competitiveness both domestically and overseas is in jeopardy. If the price of our steel bridges becomes too expensive, our customers will elect to build with other materials or procure from other countries. In some cases, projects may be cancelled if they become too expensive. The tariffs could ultimately result in a major reduction in our workforce and potentially threaten the viability of our business. If our business declines, many of our Canadian suppliers (including their employees) will see similar hardship. From a national perspective, the tariff will eventually increase the cost of infrastructure projects across Canada.

Affected Steel

The steel we purchase is a specialty grade for bridges commonly known as *weathering steel*. It contains additional alloys which increase its corrosion resistance and allow it to be used outdoors without painting. Under the Canadian Border Services Agency (CBSA) classification system, it is classified as *other alloy steel*. The following are the classification codes that apply:

- 7225.40 – flat rolled products (plate) > 600 mm wide
- 72.26.91 – flat rolled products < 600 mm wide
- 7228.30 - bars and rods
- 7228.70 – angles, rolled shapes and sections

It is currently purchased as the following grades:

- CSA G40.21 Grade 350AT
- ASTM A588
- ASTM A709 Grade 345W

Impact on Rapid-Span

Based on our importation of over 10,000 tons per year from the US, the tariffs will cost us over \$3.6 million annually. We are a small company and cannot absorb those costs. We currently have fixed price contracts that were negotiated months ago, for work extending up to 10 months into the future. There is no way for us to recover the cost of tariffs from our customers. In addition, we have outstanding, irrevocable quotes for over \$1.5M in additional work which could be affected by the tariffs.

Sourcing from Other Producers

Unfortunately, purchasing raw materials from Canadian producers to avoid tariffs is not an option. As weathering steel is a specialty grade, there are only a limited number of mills across North America producing it. Bars, rods, angles, rolled shapes and sections (7228.30 and 7228.70) are not produced in Canada. One mill in Canada, Algoma, does produce some flat rolled products (7225.30 and 7226.91). However, they are unable to produce many of the sizes including lengths of plates that we require for bridges and they are unable to deliver in the timelines we require to satisfy our contractual obligations.

For the flat rolled products they can produce, their pricing is not competitive compared with US mills. The last quote we received from Algoma was 15% to 20% higher than what we are currently paying from US mills. When we factor in the additional costs of extra fabrication (due to smaller size plates) they are not competitive with US producers; even with a 25% tariff advantage. We have been warned that additional price increases from Algoma are forthcoming.

While the price difference compared with our US suppliers is certainly a consideration, the bigger problem is Canadian producers cannot deliver the products we need. Nor can they deliver within the time required to satisfy our contractual obligations. For the foreseeable future, we have no option but to continue purchasing our steel from US producers. Sourcing our steel overseas is not a viable option due to long lead-times, size limitations and costs for shipping. Also, quality standards for steel in many other countries do not satisfy the demands of our customers. In addition, we export a significant amount of fabricated steel bridge products back into the US. Many of our US customers require the steel we fabricate to be produced from US mills.

Recommendation

For the reasons explained above, we request that the following products be exempted Table 1 of the Department of Finance's "*Countermeasures in Response to Unjustified Tariffs on Canadian Steel and Aluminum Products*".

- 7225.40
- 72.26.91
- 7228.30
- 7228.70

An exemption is required to avoid an extreme financial hardship on our company as well as other Canadian bridge fabricators. In addition, a tariff to these products would ultimately increase the costs of infrastructure projects within Canada and reduce the competitiveness of bridge products we export. If an exemption is not possible, then at a minimum, a 6 to 9 month reprieve from tariffs is required to allow us time to complete fixed price contracts that were executed before the tariffs were announced.

There is urgency in coming up with a resolution as the tariffs are already having substantial negative impact on our business. We want to make sure we are viable, in the long-term, so we can continue employing Canadian workers. It is hoped this request will be given priority for consideration. If there are any questions or if additional information is needed, please feel free to contact us.

Yours Truly,

Rapid-Span Group

A handwritten signature in black ink, appearing to read "Gene Reimer", written over a horizontal line.

Gene Reimer
President