



Ottawa, Monday, April 7, 1997

Reference No.: RE-96-002

IN THE MATTER OF a reference, under paragraph 34(1)(b) of the *Special Import Measures Act*, made by Wirth Limited, an importer, to the Canadian International Trade Tribunal;

AND IN THE MATTER OF an advice rendered by the Canadian International Trade Tribunal, under section 37 of the *Special Import Measures Act*;

RESPECTING the dumping in Canada of certain hot-rolled carbon steel plate originating in or exported from Mexico, the People's Republic of China, the Republic of Poland, the Republic of South Africa and the Russian Federation.

**ADVICE**

The Canadian International Trade Tribunal hereby concludes that the evidence before the Deputy Minister of National Revenue discloses a reasonable indication that the dumping of certain hot-rolled carbon steel plate originating in or exported from Mexico, the People's Republic of China, the Republic of Poland, the Republic of South Africa and the Russian Federation has caused material injury or is threatening to cause material injury to the domestic industry.

Raynald Guay  
Raynald Guay  
Presiding Member

Patricia M. Close  
Patricia M. Close  
Member

Charles A. Gracey  
Charles A. Gracey  
Member

Michel P. Granger  
Michel P. Granger  
Secretary

Date of Advice: April 7, 1997

Tribunal Members: Raynald Guay, Presiding Member  
Patricia M. Close, Member  
Charles A. Gracey, Member

Research Director: Peter Welsh  
Research Manager: W. Douglas Kemp

Counsel for the Tribunal: John L. Syme  
Shelley Rowe

Ottawa, Monday, April 7, 1997

Reference No.: RE-96-002

ADVICE rendered under section 37 of the *Special Import Measures Act* respecting:

**CERTAIN HOT-ROLLED CARBON STEEL PLATE ORIGINATING IN OR  
EXPORTED FROM MEXICO, THE PEOPLE'S REPUBLIC OF CHINA,  
THE REPUBLIC OF POLAND, THE REPUBLIC OF SOUTH AFRICA  
AND THE RUSSIAN FEDERATION**

TRIBUNAL: RAYNALD GUAY, Presiding Member  
PATRICIA M. CLOSE, Member  
CHARLES A. GRACEY, Member

**STATEMENT OF REASONS**

On February 13, 1997, on the basis of a properly documented complaint filed by Stelco Inc. (Stelco), the Deputy Minister of National Revenue (the Deputy Minister) initiated an investigation into the alleged injurious dumping in Canada of certain hot-rolled carbon steel plate originating in or exported from Mexico, the People's Republic of China, the Republic of Poland, the Republic of South Africa and the Russian Federation (the subject goods). The Deputy Minister was of the opinion that the evidence disclosed a reasonable indication that the alleged dumping "has caused or is threatening to cause injury to the production of like goods in Canada."<sup>1</sup>

The Deputy Minister noted that the Canadian International Trade Tribunal (the Tribunal) has twice conducted inquiries on the question of the injurious dumping in Canada of hot-rolled carbon steel plate since 1993. On May 6, 1993, the Tribunal found that the dumping of certain hot-rolled carbon steel plate from Belgium, Brazil, the Czech Republic, Denmark, the Federal Republic of Germany, Romania, the United Kingdom and the former Yugoslav Republic of Macedonia had caused, was causing and was likely to cause material injury to the production in Canada of like goods. On May 17, 1994, the Tribunal found that the dumping of certain hot-rolled carbon steel plate from Italy, the Republic of Korea, Spain and the Ukraine had caused, was causing and was likely to cause material injury to the production in Canada of like goods.

On March 7, 1997, counsel for Wirth Limited, an importer of the subject goods, referred to the Tribunal, under paragraph 34(1)(b) of the *Special Import Measures Act*<sup>2</sup> (SIMA), the question of whether the evidence before the Deputy Minister disclosed a reasonable indication that the dumping of the subject goods had caused injury or retardation or was threatening to cause injury.

Paragraph 37(b) of SIMA provides that the Tribunal shall render its advice on the question without holding hearings, on the basis of the information that was before the Deputy Minister when he reached his decision or conclusion on that question, forthwith after the date on which the reference is made to it and, in any event, not later than 30 days after that date.

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1. Department of National Revenue, *Statement of Reasons*, February 13, 1997, at 9.  
2. R.S.C. 1985, c. S-15, as amended by S.C. 1994, c. 47, s. 164.

The Deputy Minister defined the subject goods as follows:

Hot-rolled carbon steel plate and high strength low alloy plate not further manufactured than hot-rolled, heat-treated or not, in cut lengths, in widths from 24 inches (+/- 610 mm) to 152 inches (+/- 3,860 mm) inclusive, and thicknesses from 0.187 inches (+/- 4.75 mm) to 4.0 inches (+/- 101.6 mm) inclusive, originating in or exported from Mexico, the People's Republic of China, the Republic of Poland, the Republic of South Africa and the Russian Federation,

but excluding

- plate for use in the manufacture of pipe and tube (also known as skelp);
- plate in coil form;
- plate having a rolled, raised figure at regular intervals on the surface (also known as floor plate);
- plate produced to ASTM specifications A515 and A516M/A516 Grade 70, in thicknesses greater than 3.125 inches (+/- 79.3 mm).

Hot-rolled carbon steel plate is made by hot-rolling semi-finished slabs or ingots into rectangular shapes or coils. The process by which hot-rolled carbon steel plate is produced is essentially the same for all producers. The slab or ingot is first heated and descaled. It is then rolled and leveled. The resulting product is cut to size prior to being inspected and tested.

Hot-rolled carbon steel plate made to the above specifications may be either non-heat-treated or heat-treated. Both types of plate are available in structural quality and pressure vessel quality (PVQ). Structural quality plate can be used in a number of applications, the most common being in the production of rail cars, oil and gas storage tanks, heavy construction machinery, agricultural equipment, bridges, industrial buildings, highrise office towers, automobiles and truck parts, and in shipbuilding and ship repairs. PVQ plate is typically used in pressure vessels where the ability to hold their contents at significant pressures is necessary.

During the 12-month period ending November 30, 1996, the Department of National Revenue (Revenue Canada) estimated the weighted average margin of dumping of goods found to be dumped, from all of the named countries, to be 16.2 percent. On a per country basis, the weighted average margins of dumping found by Revenue Canada ranged from a low of 12.9 percent for the Republic of South Africa to a high of 28.0 percent for the Republic of Poland. Revenue Canada found that over 90 percent of the subject goods had been dumped.

The information before the Deputy Minister, with respect to injury, when he made the decision to initiate the investigation included a confidential complaint filed by Stelco and an analysis of the complaint prepared by officers of Revenue Canada. Stelco's complaint contained data on domestic shipments; the timing and pricing of imports from the named countries and the rest of the world; the domestic market; pricing; financial performance; trends in capacity; and the utilization of that capacity. Revenue Canada's analysis of the complaint also included information on volumes of production and product ranges that were supplied by Algoma Steel Inc. and IPSCO Inc., the two other Canadian producers of hot-rolled carbon steel plate, both of which supported Stelco's complaint. Revenue Canada issued a statement of reasons which incorporated the statistical summaries of imports that were compiled by the Deputy Minister.

In its complaint to Revenue Canada, Stelco indicated that the volume of imports of the subject goods grew from virtually zero in 1991 to 1993 to nearly half the volume of total imports in 1994 to 1996. Stelco, which represents over one third of the total Canadian production of hot-rolled carbon steel plate, contended

that it was injured by these imports because hot-rolled carbon steel plate is a commodity item and the overriding consideration that a buyer takes into account when purchasing such plate is the price at which it is offered. In support of this notion, Stelco provided a number of specific examples where it lost sales, was forced to reduce its prices or had to provide deeper discounts in order to compete with the subject goods.

Stelco also provided evidence which, it submitted, indicated a close correlation between the price erosion, extra discounting and lost sales, and the commencement and continuation of imports of the subject goods. Although the information before the Deputy Minister indicated that the domestic market for hot-rolled carbon steel plate contracted somewhat in 1996 and that all of the contraction was shared relatively equally between imports from the named countries and imports from the rest of the world, Stelco submitted that the information showed that the price erosion and outright lost sales suffered by Stelco had a significant impact on its financial performance in the last quarter of 1995 and the first three quarters of 1996.

As evidence of a threat of injury from the dumped subject goods, Stelco provided information which, it argued, showed that each of the named countries has a significant capacity to produce the subject goods. Given the margins of dumping estimated by Revenue Canada, together with the large volumes and the commodity nature of the subject goods, it was Stelco's position that the named countries would always be willing to supply those importers that continually seek out the lowest price in the market. To compete with such imports, Stelco contended that its price levels would need to descend to a level where it would not be able to cover its cost of sales.

As a further indication of the impact of the dumping in the domestic marketplace, Stelco provided information indicating that, overall, it experienced a general reduction in its utilization of capacity to produce hot-rolled carbon steel plate during the first three quarters of 1995, as compared with the first three quarters of 1996. Stelco contends that, had the subject goods not taken such a substantial share of the market, Stelco would have had some of that share and its production volumes and capacity utilization would have increased accordingly.

Section 34 of SIMA requires the Tribunal to provide advice on whether the evidence before the Deputy Minister discloses a reasonable indication that the dumping or subsidizing of the goods under investigation has caused injury or retardation or is threatening to cause injury. The Tribunal is of the view that there is such an indication in this case.

With respect to injury, the Tribunal notes that, although the domestic industry gained market share in spite of the dumping, such gains were not made without a cost. In fact, the majority of sales made during the late part of 1996 were at prices some 6 percent lower than those in 1995. In addition, the Tribunal notes Stelco's evidence regarding lost sales.

In terms of causation, the Tribunal is of the view that the close correlation between the entry of the dumped subject goods into the Canadian market and Stelco's dropping prices and declining performance provides a reasonable indication that the dumping of the subject goods has caused injury or is threatening to cause injury. However, it is only through an inquiry that the Tribunal will be able to explore fully whether the domestic industry has suffered, or could suffer, injury and whether there is a causal link between that injury and the dumping. In making this assessment, the Tribunal will also examine the effects of other factors on industry performance.

On the basis of the information before it, the Tribunal concludes, pursuant to section 37 of SIMA, that the evidence discloses a reasonable indication that the dumping of certain hot-rolled carbon steel plate originating in or exported from Mexico, the People's Republic of China, the Republic of Poland, the Republic of South Africa and the Russian Federation has caused material injury or is threatening to cause material injury to the domestic industry.

The Tribunal notes that the bulk of the evidence to date in this matter deals with dumped imports of A36/44W non-heat-treated structural quality plate. In order to assist the Tribunal in making its assessment of the impact of the dumped subject goods in the market, the Tribunal requests that Revenue Canada provide separate dumping margins and volumes for the following types of plate: non-heat-treated structural quality plate, heat-treated structural quality plate, non-heat-treated PVQ plate and heat-treated PVQ plate.

The Tribunal notes that the volume of the subject goods imported from the Republic of Poland in the last two years appears to be less than the 3 percent level which is specified in SIMA for a "negligible" volume of dumped imports. Although it is for the Deputy Minister, at this stage of the process, to satisfy himself as to whether the actual or potential volumes of imports are "negligible," if this matter proceeds to an inquiry under section 42 of SIMA, the Tribunal may also need to consider the question of negligibility in deciding which imports, if any, to cumulate in assessing the effects of dumping.

Raynald Guay

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