



May 28, 2019

To: Our Valued Customers

Subject: Removal of Section 232 Tariffs – May 2019

Tariffs under Section 232 imposed by the US Government on aluminum and steel shipped from Canada and Mexico to the US have been lifted. These Section 232 tariffs were initiated by the US President on March 23, 2018 as a matter of National Security. The Canadian Government responded with equivalent/offsetting retaliatory tariffs on steel and aluminum shipped from the US to Canada; these tariffs have now also been lifted. These measures were implemented in support of the pending USMCA (Free Trade) agreement ratification which would allow steel and aluminum to flow freely between Canada, US and Mexico.

What does this mean to Canadians in downstream markets? Canadian and US mills are owned and operated by US or global corporations. These entities are expected to fully leverage their geographical locations and capacities toward greater profit. If you look at the current landscape from a Steel Maker's prospective, the US currency is favorable and tariffs on offshore imports are in play in both US and Canada. Contrary to popular belief, this is not good news for Canadian consumers! The speculation is that Canadian mills will ship a greater amount of their production capacity to the US to take advantage of the spread. As a result, Canadian markets may experience supply shortages and domestic mills will increase their prices. Furthermore, offshore imports will be limited due to current and future CBSA (Canadian Border Services Agency) imposed tariffs and quotas. Canadian mills have already begun to announce aggressive price increases as a result of the removal of these tariffs and we expect this will continue.

We suggest that you plan accordingly by allowing for price escalations in your long range quotations. We will keep you informed as information presents itself.

Please contact your Bailey representative with any questions regarding current project quotes or if we can be of service in any way.

We appreciate your business and thank you for your continued support.

Sincerely,



Derick Vinthers - Vice President, Sales

CC: Angelo Sarracini