

**PUBLIC Exhibit 7-04**

**CANADA BORDER SERVICES AGENCY**

**COMPLAINT  
OF  
APERGY CANADA ULC – Alberta Oil Tool Division**

**Regarding the Dumping of  
Sucker Rods Originating in or Exported from  
the United Mexican States, the Federative Republic of Brazil,  
and the Argentine Republic**

---

**DECLARATION OF MR. ANDY VANDAL**

---

I, the undersigned Andy Vandal, of the City of Edmonton, in the Province of Alberta, do solemnly declare as follows:

**I. INTRODUCTION**

1. My name is Andy Vandal. I am the Director of Apergy Canada ULC – Alberta Oil Tool Division (“AOT”). I have overall responsibility for AOT’s operations and receive regular reports from Sales, Finance, and Operations.
2. I have a Certificate of Mechanical Engineering from Northern Alberta Institute of Technology. I began my career with AOT in Edmonton in 1997 (when it was owned by Dover Corporation (“Dover”)) and have held a variety of positions, including being AOT’s Operations Manager, Director of Operations, and Director of Manufacturing & Operations. I was promoted to my current position in July 2019.

## II. GENERAL MARKET CHARACTERISTICS

3. AOT produces and markets a wide range of production service equipment solutions for the oil and gas industry. AOT is owned by Apergy Corp., and is part of Apergy Corp.'s rod lift business.

4. AOT produces and sells its products under the Norris brand, including sucker rods and pony rods, which are subject goods in this complaint, as well as polished rods and couplings. Norris was founded in 1882, and the name is synonymous with the highest quality of production and performance in the oil industry for over 100 years. Because sucker rods are used in the extraction of oil and gas, demand for sucker rods is driven directly by the level of drilling and extraction activity in the oil and gas sector.

5. In addition to sucker rods (including pony rods and Drive Rods®), AOT produces and sells pup joints, polished rods, tubing and casing fittings, butterfly valves and controls. The high reputation for quality and reliability of AOT products and those of related Apergy (previously Dover) companies is well known in the industry, and our products traditionally have been the first source option throughout the Canadian industry.

6. Marketing of sucker rods may take the form of price sheets, printed information catalogues/brochures, website, and direct marketing by AOT sales personnel to distributors and end-users. Pricing is usually determined through an established price list with volume discounts, or at a negotiated net selling price.

7. Both domestically-produced and imported subject goods from Mexico, Brazil, and Argentina are sold to oilfield distribution companies that sell and/or service down-hole equipment. These distributors in turn sell the products to end users. AOT sells the full line of its products to distributors. Based on our direct experience in the Canadian marketplace and according to the

testimony given during the case against China, Tenaris, like AOT, also sells all of its imports through distributors.

8. To AOT's knowledge and according to the API 11B certification database which I understand will be filed as an exhibit to our complaint, Tenaris is the only producer and exporter of sucker rods in Mexico, Argentina or Brazil, and Tenaris does not import any, or any material quantities of, [ ] into the Canadian market.

9. There is a high degree of price and other transparency in the market. That said, in the case of competition with Tenaris specifically, while there is a high degree of price transparency, it is impossible for AOT to determine which specific country Tenaris' sucker rods are being produced in for any particular sale. We have no reason to believe that Tenaris prices its imports differently depending on which country that they are being exported from, and indeed it is our belief that Tenaris sources subject sucker rods interchangeably across the spectrum of subject goods as between Mexico, Argentina and Brazil depending on supply availability within the Tenaris global supply chain. Generally, we understand the level of Tenaris' sales from each exporting country by reviewing the publically-available Statistics Canada data, which show significant volumes of sucker rods being imported from each of Mexico, Argentina and Brazil.

10. In terms of price transparency, we in different ways come to know the [ ] price being offered by Tenaris to a distributor. For example, in July 2017, we [

]. In the documentation package provided to us by [

]: see **Confidential Attachment 1**. Other times our [

]. For example, [

]: see

**Confidential Attachment 2.** Additionally, and as I discuss further below, we have on occasion  
[

]: see paragraph 26, below, and **Confidential Attachment 3.**

11. While we do in some cases obtain market intelligence through the types of documentary sources mentioned above and discussed below, a great deal of the interaction that takes place in this industry, e.g. between AOT and its distributors, occurs during in-person meetings or over the telephone, and AOT has endeavoured to provide as much documentary evidence as possible with this complaint.

#### **A. IMPORTANCE OF PRICE IN PURCHASING DECISIONS**

12. AOT and its related operations have a long-standing reputation for product quality. We are very proud of our reputation. However, the oil & gas industry in Canada has been particularly cost sensitive since oil prices collapsed in late 2014. As a result, once certain quality and certification preconditions are met, the Canadian sucker rod market is very price sensitive, as the Tribunal recently found in the case against China.

13. Prior to the imposition of provisional duties in the China case, exporters of Chinese sucker rods relied on lower pricing to increase their market share. Indeed, until findings were issued in that previous trade case, dumped and subsidized Chinese imports had been increasingly displacing AOT goods on the basis of price, both at the larger oilfield distributor level and at smaller local supply stores that had begun to carry imported Chinese sucker rods.

14. With imports of Chinese sucker rods all but gone from the Canadian market starting in Q3 2018 due to the imposition of anti-dumping and countervailing duties, subject goods imported by Tenaris immediately became the new low-price leaders in the market. Through aggressive (and we believe) dumped pricing, Tenaris is capturing the large majority of the market share previously lost by AOT to dumped and subsidized Chinese goods, in a market that is flat or contracting.

15. Grade is the most significant determinant of pricing on a per foot basis. The next most important factor is the diameter of the sucker rod, because larger rods will require more steel, and steel is the largest cost component of a sucker rod.

### **III. LOST SALES AND LOST REVENUE ALLEGATIONS**

16. As I stated above, with imports of Chinese sucker rods all but gone from the Canadian market starting in Q3 2018 due to the imposition of anti-dumping and countervailing duties, subject goods imported by Tenaris are now the new low-price leaders in the market. Tenaris has flooded the market with aggressively priced imports from Mexico, Argentina and Brazil.

17. We have experienced two general categories of lost sales to Tenaris in the past year: first, when a distributor chooses to inventory and market Tenaris product instead of AOT product on the basis of price (thereby offering only Tenaris and not AOT sucker rods to the end-user); second, where both AOT and Tenaris are competing through one or more distributors for the same end-user's business, and the end-user chooses to buy from the distributor offering Tenaris product on the basis of price.

18. In addition to lost sales, we have also experienced a very significant price-cost squeeze directly as a result of Tenaris' pricing in the market. In particular, and as I set out in further detail below, we were [ ] price increase announced in December 2018, [ ]

]. The [ ], price increase is nowhere large enough for AOT to keep pace with its rising costs, especially its material input (SBQ) costs; yet, we have at the same time seen [ ] from distributors who are losing their ability compete against Tenaris product pricing in the Canadian market.

**A. DISTRIBUTOR ACCOUNTS**

19. In September 2018, imports of Chinese sucker rods declined significantly on the heels of the imposition of provisional anti-dumping and countervailing duties starting in mid-August 2018. Instead of purchasing AOT produced sucker rods, however, we immediately saw distributors switching from Chinese to low-priced Tenaris product. Distributors immediately filled the space left by the low-priced Chinese sucker rods with low-priced Tenaris sucker rods. Since the case against China, we have seen all of the distributors previously sourcing Chinese material switch to Tenaris products.

20. For example, in September 2018, we were asked by the distributor [ ] to quote a variety of carbon, alloy, special alloy, and special grades in [ ]” diameters, which we quoted on [ ]: see **Confidential Attachment 4**. Prior to the China case, to our knowledge [ ] previously sourced almost exclusively from China. During the week of [ ], our salesperson, [ ], learned by telephone from [ ], that we had lost this new business opportunity to Tenaris due to price. We conservatively estimate that [ ] purchases at least [ ] worth of sucker rods per year, based on our experience supplying [ ]

]. In particular, in the

past 12 months we have supplied [

]. AOT also supplied [

],

and the value of that project alone was over \$[ ].

21. Again in September 2018, shortly after Chinese sucker rods had become subject to provisional duties, we were asked by another distributor, [ ], to quote a variety of carbon, alloy, and special alloy, and special grades in [ ]” and [ ]% diameters. We quoted [ ]: see **Confidential Attachment 5**. [ ] self-described conservative estimate of its own needs for [

] (see **Confidential Attachment 6**), which, based on our quoted prices for [ ], would have amounted to \$[ ] in revenue to AOT. Prior to the China case, AOT understands that [ ] similarly sourced primarily from China. Subsequent to providing our quote, [ ] learned directly in conversation with [ ], that [ ] chose to source from Tenaris due to its price being significantly lower.

22. Similarly, in or around March 2019, in response to informal price solicitations by telephone from end user [ ] in relation to approximately [ ] new well completions requiring approximately [ ] rods per well plus maintenance, AOT’s [ ] spoke with the distributor [ ] to see if it would be willing to supply AOT products. [ ] advised that [ ] had no interest in supplying AOT due to AOT’s higher price. We also understand that [



[ ] quoted [ ] with AOT sucker rods for this particular opportunity. [ ] chose Tenaris product supplied by [ ], and the feedback relayed to us by [ ], relaying the feedback he received from [ ], was that [ ] price was better.

**B. SALES THROUGH DISTRIBUTORS TO END-USERS**

23. As I stated above, we sell sucker rods through distributors. AOT's largest distributors by volume are [ ]

[ ]. Collectively, these [ ] distributors have accounted for over [ ]% of our sales of sucker rods between 2016 and H1 2019.

24. Since 2017, we have seen sales to these top accounts decline [ ] from [ ] pieces in 2017, to [ ] pieces in 2018, to [ ] pieces in H1 2019. These sales have continued to decline notwithstanding the imposition of anti-dumping duties against Chinese sucker rods, as Chinese sucker rods have been replaced by a massive influx of dumped sucker rods imported by Tenaris.

25. Time and again, since the imposition of provisional anti-dumping duties against Chinese sucker rods in Q3 2018, we have learned that we are losing sales to Tenaris on the basis of price, and that Tenaris is undercutting us by margins that are usually in the [ ]. As more fully set out in the section further below, these aggressively-priced Tenaris imports have caused us to [ ], resulting in a severe price-cost squeeze that has driven our profitability to [ ]

[ ]. Quite simply, we have been forced to [ ]

[ ]. Tenaris' capture of market

share previously held by dumped and subsidized Chinese imports is also causing us to lose sales and production volumes.

26. For example, in Q3/Q4 2018, AOT's [ ], who advised that that [ ] was in the market in search of a new source of sucker rods after provisional duties came into force in the China case. [ ] was looking for supply for approximately [ ] new well completions, which we estimate at [ ] sucker rods per well based on past orders (i.e. approximately [ ] sucker rods), plus maintenance work, i.e. the replacement of compromised sections of a rod string over time. Previously, to AOT's knowledge [ ] sourced Chinese sucker rods through the distributor [ ]. AOT sucker rods were offered to [ ] through the distributor [ ]. [ ] later confirmed by telephone to AOT's [ ] that, based on pricing, [ ] chose Tenaris product, [ ]. [ ]

– see **Confidential Exhibit 3**. [ ] showed that Tenaris was undercutting AOT's price [ ] between [ ]% and [ ] between [ ]% – see **Confidential Exhibit 7**. AOT later had an opportunity to [ ].

27. In November 2018, AOT's distributors [ ] offered AOT sucker rods to [ ] for approximately [ ] new well completions requiring approximately [ ] sucker rods per well (i.e. approximately [ ] sucker rods), plus

maintenance, in the [ ], the total spend for which on sucker rods was expected to be approximately \$[ ]: see **Confidential Attachment 8**.<sup>1</sup> On [ ], AOT's [ ] learned in a telephone conversation with [ ], that [ ] was awarded the contract to supply [ ] program with Tenaris sucker rods because of its lower price. Separately, in December 2018, AOT [ ]

[ ]: see **Confidential Attachment 9**. However the overall program and maintenance is still being supplied by Tenaris' less expensive sucker rods through [ ].

28. In August 2018, [ ] went to market for [ ] well completion, for which AOT provided a [ ] rod string recommendation: **Confidential Attachment 10**. AOT's distributors [ ] bid AOT sucker rods for this project. During the week of [ ] confirmed by telephone to AOT Salesperson [ ] that [ ] went back to a pre-existing distributor, [ ], due to pricing. We believe that [ ] currently sources from Tenaris because [ ] saw Tenaris material in [ ], and that prior to the case against China, [ ] sourced Chinese sucker rods.

29. In May 2019, the distributor [ ] offered to supply [ ] with AOT sucker rods for a [ ] project requiring approximately [ ] rods per well (i.e.

---

<sup>1</sup> While there are several well configurations under consideration (which affects the number and type of sucker rods used), the requirements of the configurations range from between [ ]: see **Confidential Attachment 10**. The value of each of these rod strings to AOT [ ]

approximately [ ] sucker rods) (see **Confidential Attachment 11**), and lost that opportunity to distributor [ ] supplying Tenaris product. The feedback that AOT's [ ] received from [ ], who had spoken with [ ], was that [ ] for these [ ] wells; that the price was [ ]; that [ ]; and that they would go [ ]: see **Confidential Attachment 12**. AOT's [ ], subsequently learned from [ ] by phone during the week of [ ], that the distributor for the Tenaris product is [ ]. AOT lost this sale to Tenaris product, even after [ ].

30. In April 2019, AOT's distributor [ ] offered AOT sucker rods to [ ], for a project in [ ] involving approximately [ ] new completions requiring [ ] sucker rod strings (i.e. approximately [ ] sucker rods). AOT held this account previously before losing it to Chinese imports in 2018, and had details about the project from a previous RFQ issued by [ ]: see **Confidential Attachment 13**. We worked with [ ] to [ ], but nevertheless the feedback that AOT's [ ] received from [ ] on [ ], was that the end-user chose [ ] nevertheless: see **Confidential Attachment 14**. As discussed

above at paragraph 21, we learned directly from [ ] that it has chosen to source Tenaris product due to price after the case against China.

31. During the week of [ ], [ ] at our distributor [ ] advised AOT's [ ] and [ ] that AOT's end-user customer and existing AOT customer [ ] had started purchasing Tenaris sucker rods. Subsequently, [ ] learned from [ ] on [ ], that the Tenaris product was being sourced from [ ]; that the Tenaris product was going to be used for [ ]; and that Tenaris' price for [ ] was [ ] including [ ] markup, which [ ] said he learned from a [ ] (see hand-written notes at **Confidential Attachment 15**). AOT's price for [ ], which does not include [ ] markup, is [ ]. Typically, the [ ] account is worth approximately [ ] sucker rods per month, i.e. approximately [ ] sucker rods per year are in jeopardy.

32. During the week of [ ], [ ] issued an invitation to tender for a wide range [ ] of sucker rods and couplings: see **Confidential Attachment 16**. AOT provided quotes for all line items to [ ] (see e.g. our quote to [ ] at **Confidential Attachment 17**), who in turn quoted [ ]. During the week of [ ], we began to hear back from our distributors, and learned that one of our distributors, [ ]: see **Confidential Attachment 18**. We also learned that [ ] had won the balance of the contract supplying Tenaris sucker rods, and [ ]

the material being supplied by [ ] to [ ] was from Tenaris: see **Confidential Attachment 19**. AOT's [ ] also spoke with [ ] on [ ], and the feedback that [ ] was that the [ ] had a [ ]: see **Confidential Attachment 20**. While [ ] invitation to tender did not specify the volume that would be purchased, [ ] and AOT estimates that the [ ] account would amount to at least [ ] sucker rods per year, based on [ ].

### C. LOST REVENUE

### **i. Inability to Raise Prices**

33. The price undercutting we are experiencing from Tenaris has both prevented and delayed AOT from implementing price increases that are absolutely necessary to keep pace with increased costs, including raw input material costs, and in particular with SBQ pricing. Price increases are absolutely critical to catch up with rising SBQ costs, because SBQ costs have represented [ ]% of AOT's costs of goods manufactured between 2016 to H1 2019.

34. In particular, SBQ prices have increased [ ]% from Q2 2016 to Q2 2019, from \$[ ]/ton to \$[ ]/ton ([ ]) (see **Confidential Attachment 21**), which our price increases have lagged greatly behind. During this time, AOT has [ ] a four percent price increase starting in the second half of 2017. Even then, [ ]

]. AOT has desperately needed more price

increases to keep up with these cost increases; however, Chinese and other imports chasing the Chinese pricing were making this an impossibility until the second half of 2018.

35. Finally, [ ] with some reprieve from the case against China starting in [ ], AOT began to plan a path back to sustainable pricing from already suppressed prices starting with a [ ] price increase, and made the decision to implement this [

[ ]. The formal communication of the [ ] price increase was sent to distributors on December 17, 2018: see letters sent to AOT's top four distributors at **Confidential Attachment 22**.

36. In December 2018, AOT also met with its [ ]  
[ ]. (As I have explained earlier, [

[ ]). The reaction [ ] was nothing short of [ ] for us. For example, in discussions in mid-December 2018 between AOT's [ ], and [ ] adamantly rejected the idea of an increase because of the pricing he was competing against from Tenaris' distributors. [ ] stated within days of having received AOT's December 17, 2018, price increase notification that Tenaris was already at that point undercutting AOT's prices between [ ]%, and that AOT's planned increase would make [ ] simply uncompetitive in the market. AOT's [ ], also at that time discussed the need for a price increase based on AOT's rising input costs. While [ ] understood the need for the increase from AOT's perspective, he too remained

unconvinced that any increase would allow [ ] to remain competitive against Tenaris' aggressive pricing.

37. To [ ]

[ ], AOT organized multiple meetings with [ ]  
[ ]. In particular, on [ ], AOT's  
[ ], met with [ ]  
[ ]. This meeting was  
nothing short of [ ] for AOT. In this meeting, [ ]

[ ].

38. Naturally, [ ]

[ ], resulted in the engagement of [ ]  
personnel. Starting on [ ], and over the course of additional meetings on [ ]  
[ ], I and my colleagues including [ ],  
met with [ ], and other [ ]  
personnel to [ ]. What we received back  
was the consistent message that [ ] would be unable to pass on the price increase  
[ ] competing against Tenaris sucker rods, [ ]  
[ ]. No matter how much cost  
increase we were facing, the simple fact was that [ ]



]. In all of my years with AOT, we have never experienced [ ]].

39. At the same time, AOT was also receiving [ ], and similarly scheduled meetings with this distributor in [ ] to discuss the [ ], price increase announcement. [ ] is different from [ ], in that it [ ]

]. On [ ], AOT's [ ] had a teleconference with [ ] sales personnel including [ ], to discuss the price increase and to better educate [ ] on the value proposition of the AOT product. On [ ], AOT hosted a [ ], to get more senior sales staff buy-in for the AOT product, including [ ]

]. AOT then went to meet [ ] for a follow up meeting on [ ], and this was followed by teleconferences on [ ]. The latter teleconferences included the leaders from [ ]

]. The consistent feedback and reaction we received on these calls was that AOT was already losing sales due to Tenaris' aggressive pricing and that the planned price increase would result in more lost sales. Obviously, we took this feedback very seriously, since as I mentioned above, [ ]

].

40. Conversely, AOT's [ ]  
[ ]. However, on [ ]

]: see

**Confidential Attachment 23.**

41. In early April 2019, as a result of the [ ]  
[ ], AOT determined that it simply could not [ ]  
[ ]. On April 5, 2019, [ ]

[ ]. Accordingly, [ ]

].

On [ ], our [ ], sent an email to [ ]  
[ ]: see example at

**Confidential Attachment 24.**

42. In all of my experience with AOT, there has never been a circumstance where we were  
forced to [ ]

As of today, a negligible amount of volume has been purchased [ ]  
[ ], and it is unclear whether the [ ]

That said, [ ]

].

43. To be sure, AOT continuously monitors the market for SBQ, and AOT's rising SBQ costs have closely followed the market price for SBQ. Our SBQ contracts are negotiated [

].<sup>2</sup> Under these contracts, [

].

44. AOT has in fact [

], and the trends between the [ ]

over that period are also [ ]: see **Confidential Attachment 25**.

45. Moreover, in addition to our existing contracts and sources of supply for SBQ, AOT regularly monitors and actively seeks out new and alternative sources of supply for SBQ, [

]. We are always striving to improve our profitability, and AOT has in fact [

] sources of supply in recent years. The result in every case has been that [

---

<sup>2</sup> AOT's primary supplier of SBQ, accounting for over [ ]% of AOT's inputs between 2016 and H1 2019, is [ ]. The prices from all of AOT's suppliers under the annual contracts have [ ] between 2016 and H1 2019. Additionally, however, [ ]

], all of which result in real dollar savings to AOT at the end of the day, and represent an effective [ ].

].

46. In short, AOT has had no choice but to try to increase its prices to keep pace with its costs, including the market-based rise in SBQ costs, and has been simply unable to do so because of the aggressive pricing seen from Tenaris on its imports from Mexico, Argentina, and Brazil.

#### IV. IMPACTS ON AOT

47. The surge of aggressively-priced sucker rods being imported by Tenaris from Mexico, Argentina and Brazil is crippling our performance. Our inability to implement minimal and necessary price increases because of the aggressive pricing strategy being pursued by Tenaris has pushed our profitability below sustainable levels.

48. Both our gross and net margins [ ] between H1 2018 and H1 2019, and our H1 2018 performance was already significantly depressed by dumped and subsidized Chinese product. Specifically, between H1 2018 and H1 2019, our gross margins [ ]

]; and our net margins [ ]

[ ] over the same time – [ ]. In 2016, when Chinese volumes represented less than [ ]% of the market, AOT's gross and net margins stood at a healthier and more sustainable [ ]% and [ ]%, respectively. In 2014, when Chinese volumes had [ ]% market share, our gross and net margins were [ ]% and [ ]%, respectively, and our capacity utilization stood at [ ]%.

49. As can be seen in Confidential Exhibit 7-01 to our complaint, low-priced Tenaris imports have also negatively impacted both our sales and production volumes. In 2014, our domestic sales from domestic production was [ ] pieces, and our market share in Canada stood at over [ ] and now stands at an estimated [ ]% (and even this is exaggerated, as I explain

immediately below). Conversely, we estimate that Tenaris' market share has increased by nearly [ ] percentage points in just one year, from just [ ]% market share in H1 2018 to [ ]% in H1 2019.

50. And, while it may appear as if AOT has [ ], our sales volumes in H2 2018 and H1 2019 alone do not alone tell the real story. On the contrary, while AOT's volumes in H2 2018 and H1 2019 [ ], the fact of the matter is that a large percentage of our sales have been [ ] and were purchased [ ]. Our [ ]

[ ]. As of July 31, 2019, [ ] levels were [ ]% higher than the average level in the prior 30 month period, i.e. back to January 2017.

51. More specifically, between the end of H1 2018 and H1 2019:

a. The [ ]

];

b. The [ ]; and

c. The [

].

52. In total, [ ] have [ ] from June 30, 2018, to June 30, 2019, from [ ] pieces to [ ] pieces in total, i.e. a [ ] increase. [

] (see

**Confidential Attachment 26**, and [

] (see **Confidential Attachment 27**). By July 31, 2019, [

] and stood at [ ] pieces.

53. In short, our sales volumes in H2 2018 and H1 2019 are not a reflection that [ ], but rather a reflection of [

].

54. Our [ ] profitability has also negatively impacted our ability make investments in our Edmonton facility. AOT competes with its Rod Lift affiliates within Apergy for investment dollars. AOT's profitability is [

], meaning that other facilities get priority for the division's fixed investment budget. AOT has been [ ] on account of its current levels of profitability, and Apergy's ability to justify investment in AOT will only [

] if our current level of profitability persists.

55. The massive [ ] also significantly threatens our sales volumes and profitability for the remainder of 2019 and into 2020. Indeed, as I just mentioned above, [

]. While AOT [ ], our anticipated domestic sales volumes and firm orders for the remainder of 2019 are [ ], and we [

]. That said, even with some anticipated sales to [

]. We cannot maintain these [ ] for very much longer.

56. Quite simply, if we do not get relief from the aggressive Tenaris pricing of sucker rods from Mexico, Argentina and Brazil, Apergy's ability to [

]. No company [

]. Apergy is a sophisticated company and is constantly assessing the returns from its operations. Because Apergy's [

], the possibility of [ ] is an ever-present and growing possibility.

SWORN BEFORE ME at Edmonton,  
Alberta, on August 9, 2019

*The original confidential version  
is sworn and signed*

\_\_\_\_\_  
A Commissioner for Oaths etc. in the  
Province of Alberta

\_\_\_\_\_  
Andy Vandal