

TESTIMONY OF GANESH PANNEER, NOVELIS CORPORATION
U.S. International Trade Commission, Inv. No. 332-557
Aluminum: Competitive Conditions Affecting the U.S. Industry
September 29, 2016

Mr. Chairman and members of the Commission, my name is Ganesh Panneer, and I am Vice President and General Manager, Automotive for Novelis Corporation. As part of the Novelis team, I previously worked in both our Atlanta headquarters and in our European operations as VP and GM of our Light Gauge and Specialties operations. As a result, I am familiar with all aspects of our North American activities, as well as U.S. market conditions, for our high-quality, technically advanced rolled aluminum products which are used to produce beverage cans, automobiles, and other specialty products—including commercial trucks, HVAC systems, and food packaging. I am pleased to have the opportunity to testify today about the competitive challenges facing Novelis as a domestic producer of downstream aluminum products.

Novelis is a global company, and we support free and fair international trade. But that trade must not be distorted by government subsidies or other unfair practices. It is essential that there is a level playing field in the United States market where companies compete fairly – and without unaddressed pricing disruptions caused by foreign government subsidies or other unfair practices – so that manufacturers are able to make market-based returns on their U.S.-based assets. Unfortunately, we already have seen unfairly priced imports significantly damage entire segments of the U.S. aluminum manufacturing base. Today’s remaining U.S. market segments for aluminum producers of downstream flat-rolled alloy products will be adversely affected if the US government does not take steps to limit the disruptive effects of unfairly subsidized imports.

Novelis Corporation is part of Novelis Inc., the world’s premier producer of rolled aluminum products, and the global leader in aluminum recycling. Headquartered in Atlanta,

Novelis Inc. is a \$10 billion company with 25 operating facilities in 11 countries. We manufacture 14% of the world's supply of aluminum rolled sheet, making us the world's largest producer and industry leader for rolled sheet products. We are the only company producing technologically sophisticated rolled aluminum products on four major continents – North America, Asia, Europe, and South America. We also are the largest producer of aluminum flat rolled products for the beverage can and automotive industries. Our North American operations include the largest automotive closed-loop recycling system in the world, and the Company as a whole recycles 60 billion used beverage cans annually. Through this commitment to sustainability, Novelis Inc. is the global leader in aluminum recycling.

Novelis is deeply committed to its North American operations, employing almost 3,500 people in its 8 production facilities in North America, and shipped 1,032,000 metric tons of product to customers last year. In addition to our manufacturing plants, Novelis operates a facility in Novi, Michigan, close to Detroit, where we provide sales and engineering technical support for automotive manufacturers. Recently, we also built a world-class Global Research & Technology Center in Georgia with state-of-the-art lab equipment that helps Novelis work with its beverage can and automotive customers to create and test advanced aluminum products.

All of these facilities – and the thousands of jobs that they support – depend upon a fair domestic market for the rolled aluminum products that we make.

Much of the recent press coverage regarding the U.S. aluminum industry has focused on the smelters used to make primary aluminum. Novelis is not in the primary aluminum production business, but we are the biggest buyer of primary and scrap aluminum in the world, which we process into our high-end rolled products.

As the Commission investigates the competitive conditions facing the aluminum industry, it is absolutely vital to pay close attention to developments in the market for rolled and other downstream products. According to the Aluminum Association, downstream producers like Novelis employ more than 10 times as many Americans as makers of primary aluminum. Further, we are making significant, long-term investments in the research and technology necessary to create the rolled aluminum products of the future that will be demanded by our customers. If the U.S. wants to maintain a domestic aluminum industry capable of competing in high-end applications, it must ensure that the U.S. market for rolled aluminum – and other downstream products – is not distorted by unfair trade.

Let me give you an example. During the last 5 years, Novelis has expanded its ability to serve the North American automotive market by installing 3 automotive finishing lines at its facility in Oswego, New York. These state-of-the-art finishing lines play a critical role in the efforts of U.S.-based automakers to meet fuel efficiency standards set by the federal government by producing stronger, lighter products that help substantially reduce the weight of trucks and automobiles for increased performance and efficiency.

The benefits of these new lines – to Novelis, its customers, the U.S. economy, and the environment – are significant. They also created 460 new jobs at our Oswego, New York facility and represent the absolute cutting edge of technology in our industry – and we believe that they allow us to compete successfully on a level playing field with any company on earth.

But they also represent an investment of over \$400 million, and Novelis leadership will be watching very carefully to see what sort of return we achieve on that investment. Remember that we are part of a global company, with operations and investment opportunities all over the world. Every new investment is carefully analyzed and compared to other global investment

options to ensure that we are making the best possible use of our resources. We cannot afford to invest in markets that are distorted by unfair trade.

In fact, unfair trade already has forced us to exit certain product lines in the United States. In 2008, we left the converter foil business – and shuttered a facility in Louisville, KY because a global oversupply made it impossible for us to obtain the appropriate rate of return. Only a few years ago, we also sold our household foil business, and recent reports confirm that U.S. consumer foil producers continue to face major competition from low-priced imports. In April 2014, due to loss of market share with respect to our remaining foil products, we also were forced to idle equipment and lay off workers at our facility in Terre Haute, Indiana.

Even after such restructuring in response to what we believe were market disruptions caused by unfair trading activities, we continue to see evidence that Novelis is being adversely affected by unfairly-traded downstream imports in our remaining business lines. Our salespeople regularly report hearing about offers of imported specialty products – high-end rolled aluminum used in industrial applications – at extremely low prices. In many instances, we believe the imports are being offered at prices lower than the cost of production. We also are hearing more and more of similar below-cost offers with respect to imports of sheet used to make beverage cans.

Now let me be as clear as possible on this point: we do not believe that these offers, at those prices, represent true market competition. Novelis is an extremely efficient producer with cutting-edge production machinery, and we have historically been the most cost-competitive producer in this downstream market space. If imports are being brought into this market and sold below cost, then those imports are being unfairly traded. They may be receiving government subsidies, or they may be dumped within the meaning of U.S. trade laws, or they

may be subsidized and dumped. Regardless, one thing is for sure: the imports are not being sold under true market competition.

Finally, I would like to make one more point about recycling of aluminum scrap. Aluminum is the most recyclable of all metal materials. It is both environmentally friendly and economically beneficial to recycle aluminum—converting recycled aluminum into sheet ingot, for example, saves more than 90 percent of the energy required to produce primary metal. China currently buys large volumes of aluminum scrap from the U.S. for export back to China in order to expand its own production. This growing trend not only is facilitating the growth in imports of unfairly priced downstream aluminum products, but it also complicates the efforts of U.S. producers to obtain the scrap they need. Importantly, Chinese regulators also make it practically impossible for U.S. companies to purchase scrap aluminum from the Chinese market for export to the United States. This is not a level playing field.

Unfair trading practices are a problem not only for Novelis, but for the entire U.S. economy. This country is very fortunate to have one of the best and most technologically advanced downstream aluminum industries in the world. U.S. policymakers should not allow that industry to be harmed by unfair, market-distorting practices from abroad.

Accordingly, we are pleased that the Commission has undertaken this investigation, and we are happy to cooperate with your efforts. We urge that you to undertake a thorough investigation of conditions in the market for downstream rolled aluminum products, and that you give U.S. policymakers the information they need to respond to distortions in this critical industry.

Thank you for this opportunity to testify and I welcome any questions you may have.