BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

Certain Oil Country Tubular Goods from India, Korea, Philippines, Saudi Arabia Taiwan, Thailand, Turkey, Ukraine and Vietnam	Inv. Nos. 701-TA-499-500 and 731-TA-1215-1223

Testimony of Chuck Scianna

1. Good afternoon, my name is Chuck Scianna. I am the President of Sim-Tex, L.P., a Master Distributor of OCTG produced from a number of sources including Korea, Germany, and the United States. We sell to distributors that sell directly to end users. As a supplier of both imported and domestic OCTG, I can speak directly to the preference of some end users for domestic OCTG. I have been in the OCTG business for 31 years and I know this industry well.

2. I remain amazed that imports from Japan, Canada, all Tenaris sources, all TMK IPSCO sources, and all Vallorec sources are excluded as if they do not compete in this market or have an impact. Imports from all of those sources compete actively in this market just like imports from Korea and others. The difference is that they are tied to US producers who are actively competing with each other – and they have an impact on pricing.

They also sell proprietary connections that our import sources do not have access to and cannot compete with.

3. The last three years has seen over 700,000 tons of additional domestic capacity with more on the way. And yet, to hear the US industry tell the story, they should have been able to raise or maintain prices even as raw material costs fell and US producers pursued "fill the mill" policies. It is understandable that US producers emphasize filling their new capacity, but many of the producers have had problems operating that new capacity. But that capacity has put downward pressure on prices despite growing demand. That is what happens when significant new capacity enters the market. The market adjusts. That said, our customers have told us for months that they have been on allocation especially for tubing, and 4 1/2" through 7". Also the backlog for premium and semi- premium connections seems to be out a good way.

4. The domestic producers and imports controlled by those producers have a number of significant advantages in this market compared to subject imports.

5. First, the domestic industry produces and sells large quantities of high grade, alloy OCTG. Many of the subject imports are not alloy grade, and while a portion of the subject imports are upgraded to alloy grade, that

amount should not be overstated. And backlogs for heat treating occur regularly. A substantial volume of subject imports are of lower grade material with regular connections that service smaller operators that do not participate in program sales. We service these smaller operators- by and large, the domestic producers don't.

6. Second, US producers emphasize the sale of alloy grade OCTG using premium proprietary connections. Premium connections may account for as much as 25% of the market today. U.S. producers have virtually no competition in this market segment from subject imports. Import competition in this market segment comes only from imports controlled by US producers such as V&M, Tenaris, TMK IPSCO, etc. The use of premium connections has increased dramatically since 2011. Premium connections are used primarily in high stress applications. They are quite expensive, and US producers compete fiercely with each other for this market.

7. Third, the 50 most active oil and gas operators account for over half the OCTG consumption in the United States, and they typically prefer to align with domestic OCTG producers. This preference appears to be based, in large part, on minimizing any supply chain disruptions related to the delivery of OCTG products in a timely fashion as well as the flexibility if and when a casing design change takes place. The operators typically

require OCTG suppliers (the mills and distributors) to guarantee price and quantity over a fixed period of 3-6 months, or longer. These are commonly referred to as "program sales."

8. Program sales are a significant portion of the market, but it is important to understand how program sales work: First, Program sales are at "seller's risk" – there is no guarantee that the buyers will purchase what was requested. That said, sellers need to stock sufficient inventory to guarantee supply because if sellers default on the supply, they won't receive another order. Finally, Program sales are the low price in the market. They represent a "volume discount" to the mills, but volume discounts fit perfectly with the "fill the mill" strategy. We should also note that some domestic mills provide post-sale rebates to the end users based on the volumes purchased.

9. Sim-Tex, along with a few other wholesalers and distributors, participates to an extent in program sales. But this segment is dominated by the domestic mills because of their proximity to the customers, the supply chain, and the product selection they can offer compared to subject imports. Again, most import sources do not participate in program sales, and to the extent that they do, they are largely marginal supplemental suppliers to those programs. Imports fill in gaps of the domestic supply; they do not replace

domestic supply. Logistics and long lead times for imports give the domestic mills an advantage in program business.

10. OCTG prices have been declining over the past year, but that appears to be a result of a combination of factors having little to do with overall imports. Within the review period, additional domestic capacity has been added by Northwest Pipe, Boomerang Tube, Welded Tube, Vallourec, Tejas Tubular, Energex and others. New capacity has created some pressure on the "domestic only" sectors of the marketplace as these new entrants compete for market share. Again, as domestic mills, those mills command a premium over imports from non-domestically controlled sources. This has always been a characteristic of the domestic market. If there has been damage to the US OCTG market then why is Tenaris building a new seamless mill in Bay City with a capacity of 600,000 tons? Why is Tejas building a new seamless mill in Nebraska with announced capacity of 120,000 tons? Add to that new seamless capacity being built by Benteler, PTC and TPCO totaling over 1 million tons.

11. Consumption of OCTG in 2014 was projected to be 6.8 million tons. It is going to be 7.2 million tons-- the total previously projected for 2017. These producers have not been injured by subject imports.