

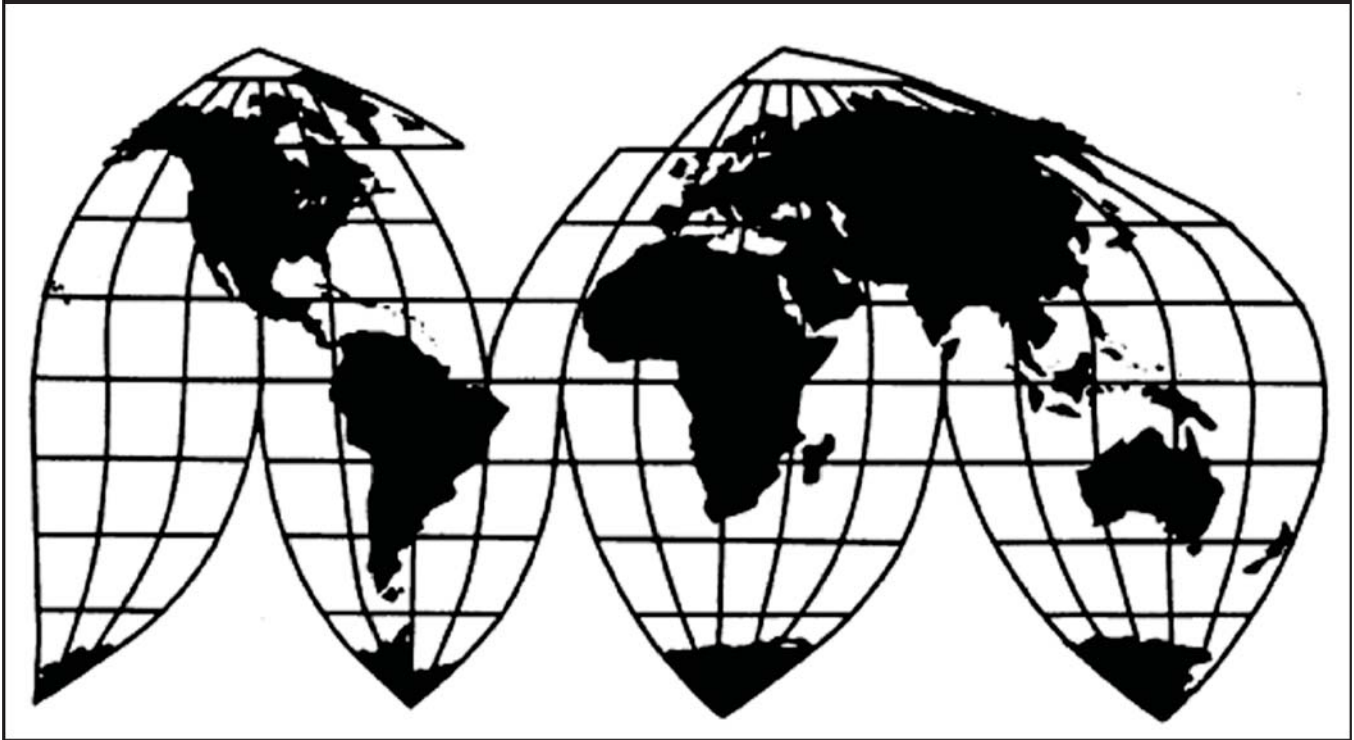
# **Certain Welded Line Pipe from Korea and Turkey**

Investigation Nos. 701-TA-524-525 and 731-TA-1260-1261 (Preliminary)

**Publication 4505**

**December 2014**

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted. Such deletions are indicated by asterisks.



## UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-524-525 and 731-TA-1260-1261 (Preliminary)

### CERTAIN WELDED LINE PIPE FROM KOREA AND TURKEY

#### DETERMINATIONS

On the basis of the record<sup>1</sup> developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)) (“the Act”), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Korea and Turkey of certain welded line pipe, provided for in subheadings 7305.11, 7305.12, 7305.19, and 7306.19 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (“LTFV”), and that are allegedly subsidized by the governments of Korea and Turkey.

#### COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission’s rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission’s rules, upon notice from the Department of Commerce (“Commerce”) of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

#### BACKGROUND

On October 16, 2014, a petition was filed with the Commission and Commerce by American Cast Iron Pipe Company, Birmingham, Alabama; Energex, a division of JMC Steel Group, Chicago, Illinois; Maverick Tube Corporation, Houston, Texas; Northwest Pipe Company, Vancouver, Washington; Stupp Corporation, Baton Rouge, Louisiana; Tex-Tube Company, Houston, Texas; TMK IPSCO, Houston, Texas; and Welspun Tubular LLC USA, Little Rock, Arkansas, alleging that an industry in the United States is materially injured or threatened with

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<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR § 207.2(f)).

material injury by reason of subsidized imports of certain welded line pipe from Korea and Turkey and LTFV imports of certain welded line pipe from Korea and Turkey. Accordingly, effective October 16, 2014, the Commission instituted countervailing duty investigation Nos. 701-TA-524-525 and antidumping duty investigation Nos. 731-TA-1260-1261 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of October 23, 2013 (79 FR 63438). The conference was held in Washington, DC, on November 6, 2014, and all persons who requested the opportunity were permitted to appear in person or by counsel.

## Views of the Commission

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain welded line pipe from Korea and Turkey that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the governments of Korea and Turkey.

### I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.<sup>1</sup> In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”<sup>2</sup>

### II. Background

The petitions in these investigations were filed on October 16, 2014 by the American Cast Iron Pipe Company (“ACIPCO”), EnergeX, a division of JMC Steel Group (“EnergeX”), Maverick Tube Corporation (“Maverick”), Northwest Pipe Company (“Northwest Pipe”), Stupp Corporation (“Stupp”), a division of Stupp Bros., Inc., Tex-Tube Company (“Tex-Tube”), TMK IPSCO, and Welspun Tubular LLC USA (“Welspun”), U.S. producers of certain welded line pipe. Petitioners and United States Steel Corporation (“U.S. Steel”), another U.S. producer of certain welded line pipe, appeared at the staff conference and submitted postconference briefs.<sup>3</sup> Another domestic producer of certain welded line pipe, California Steel Industries (“CSI”), also appeared at the staff conference.

The following respondents appeared at the staff conference and submitted postconference briefs: (i) Husteel Co., Ltd., Hyundai HYSCO, SeAH Steel Corporation, and Nexteel Co., Ltd., producers of subject merchandise in Korea (collectively “Korean

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<sup>1</sup> 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); see also *American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States*, 20 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

<sup>2</sup> *American Lamb Co.*, 785 F.2d at 1001; see also *Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

<sup>3</sup> Maverick, the other petitioning firms (“Other Petitioners”), and U.S. Steel each filed separate briefs.

Respondents”); (ii) Çayirova Boru Sanayi ve Ticaret A.S. and its affiliated exporter, Yücel Boru İthalat-Ihracatve Pazarlama A.S. (collectively, “Yücel”); and Tosçelik Profil ve Sac Endüstrisi A.S. and its affiliated exporter, Tosyali Dis Ticaret A.S. (“TDT”) (collectively, “Tosçelik”);<sup>4</sup> and (iii) the Turkish Steel Exporters Association, and its members: Borusan İstikbal Tic. AŞ., Borusan Mannesmann Boru San.ve Tic. A.S., Guven Celik Boru San. ve Tic.Lt D.Sti., Hatboru Çelik Boru San. ve Ticaret Ltd. Şti., Mazlum Mangtay Boru Sondajcilik İnş. Tar. Ür. San. ve Tic. A.Ş., Metaleks Çelik Ürünleri San. ve Tic. Ltd. Şti., Tosyali Dis Ticaret A.S., and Yucel Boru Ihr. İth.ve Paz. A.S. (collectively “TSEA”).

U.S. industry data are based on the questionnaire responses of 12 producers, believed to account for the vast majority of U.S. production of certain welded line pipe.<sup>5</sup> U.S. import data are based on official import statistics.<sup>6</sup> The Commission received useable responses to its questionnaires from seven foreign producers/exporters of subject merchandise: four producers/exporters in Korea, accounting for approximately \*\*\* percent of U.S. imports of subject merchandise from Korea in 2013;<sup>7</sup> and three producers/exporters in Turkey, accounting for approximately \*\*\* percent of U.S. imports of subject merchandise from Turkey in 2013.<sup>8</sup>

### III. Domestic Like Product

#### A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>9</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>10</sup> In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”<sup>11</sup>

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or

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<sup>4</sup> The Yücel and Tosçelik parties produce and export subject merchandise from Turkey.

<sup>5</sup> Confidential Report, Memorandum INV-MM-121 (Nov. 21, 2014)(“CR”) at III-1; *Certain Welded Line Pipe from Korea and Turkey*, Inv. Nos. 701-TA-524-525 and 731-TA-1260-1261 (Preliminary),USITC Pub. 4505 (Dec. 2014) (“PR”) at III-1.

<sup>6</sup> CR/PR at IV-1 n.2.

<sup>7</sup> CR at VII-3, PR at VII-3.

<sup>8</sup> CR at VII-9, PR at VII-4.

<sup>9</sup> 19 U.S.C. § 1677(4)(A).

<sup>10</sup> 19 U.S.C. § 1677(4)(A).

<sup>11</sup> 19 U.S.C. § 1677(10).

“most similar in characteristics and uses” on a case-by-case basis.<sup>12</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.<sup>13</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>14</sup> Although the Commission must accept Commerce’s determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,<sup>15</sup> the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>16</sup>

## B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

The merchandise covered by these investigations is circular welded carbon and alloy steel (other than stainless steel) pipe of a kind used for oil or gas pipelines (welded line pipe), not more than 24 inches in nominal outside diameter, regardless of wall thickness, length, surface finish, end finish, or stenciling. Welded line pipe is normally produced to the American Petroleum Institute (API) specification 5L, but can be produced

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<sup>12</sup> See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>13</sup> See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

<sup>14</sup> See, e.g., *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

<sup>15</sup> See, e.g., *USEC, Inc. v. United States*, 34 Fed. App’x 725, 730 (Fed. Cir. 2002) (“The ITC may not modify the class or kind of imported merchandise examined by Commerce.”); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int’l Trade 1988), *aff’d*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

<sup>16</sup> *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 (“Commerce’s {scope} finding does not control the Commission’s {like product} determination.”); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission’s determination defining six like products in investigations where Commerce found five classes or kinds).

to comparable foreign specifications, to proprietary grades, or can be non-graded material. All pipe meeting the physical description set forth above, including multiple-stenciled pipe with an API or comparable foreign specification line pipe stencil, is covered by the scope of these investigations.

The welded line pipe that is subject to these investigations is currently classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) under subheadings 7305.11.1030, 7305.11.5000, 7305.12.1030, 7305.12.5000, 7305.19.1030, 7305.19.5000, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150. The subject merchandise may also enter in HTSUS 7305.11.1060 and 7305.12.1060. While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.<sup>17</sup>

The line pipe subject to these investigations is a welded circular pipe product, not more than 24 inches (609.6 millimeters) in outside diameter (“OD”), regardless of wall thickness, length, surface finish, or end finish.<sup>18</sup> Line pipe is generally produced in the United States in lengths of 40 feet or greater,<sup>19</sup> and with either a bare finish or a black (lacquered) finish to protect the pipe from rust. End finishes typically include square cut or beveled for welding in the field.<sup>20</sup> Subject line pipe is normally produced in conformance with the API 5L specifications of the American Petroleum Institute (“API”), which provides standards for pipe suitable for use in conveying gas, water, and oil in both the oil and gas industries.<sup>21</sup>

Certain welded line pipe is used in oil and gas pipelines for the gathering, transmission, and distribution of oil and gas. Gathering is an upstream application in which welded line pipe is used to move the natural gas out of the fields and into the processing plants, or gather oil for further processing in oil refineries. Transmission of oil and gas is considered a midstream application in which welded line pipe is used to move oil and gas to any type of collection or

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<sup>17</sup> *Welded Line Pipe From the Republic of Korea and the Republic of Turkey: Initiation of Countervailing Duty Investigations*, 79 Fed. Reg. 67419 (Nov. 13, 2014).

<sup>18</sup> Although the scope of the investigation does not take into account wall thickness, API 5L specifications have thickness requirements. CR at I-14 n.13, PR at I-12 n.13.

<sup>19</sup> Nominal 40-45 foot lengths are referred to by the industry as “double random lengths” or “DRL.” CR at I-14 n.14, PR at I-12 n.14.

<sup>20</sup> *Annual Book of ASTM Standards*, Section One, Iron and Steel Products, Volume 01.01, 2009, p.6, and Mohinder L. Nayyar, “Piping Handbook,” Sixth Edition, 1992, p. A.49.

<sup>21</sup> The API 5L specification covers both seamless and welded steel line pipe. Although seamless pipe is covered by the API 5L specification, it is outside the scope of these investigations. API, Specification for Line Pipe, *API Specification 5L*, 44th Edition, October 1, 2007.

distribution point, often over long distances. Distributing oil and gas is a downstream application in which welded line pipe is used to move the oil and gas to the end customer.<sup>22</sup>

### C. Arguments and Analysis

Petitioners argue that the Commission should find a single domestic like product, coextensive with the scope of Commerce's investigations.<sup>23</sup> Korean Respondents argue that there are two domestic like products: (1) line pipe equal to or less than 16 inches OD, and (2) line pipe made by the electric resistance welding ("ERW") method that is greater than 16 inches OD.<sup>24</sup>

Based on the record, we define a single domestic like product consisting of certain welded line pipe. For ease of reference in this discussion of the domestic like product, we refer to line pipe equal to or less than 16 inches in OD as "smaller" line pipe and line pipe more than 16 inches and equal to or less than 24 inches in OD as "larger" line pipe.

*Physical Characteristics and Uses.* All welded line pipe up to 24 inches OD has nearly identical physical characteristics. It is all made to the 5L physical specifications of the API,<sup>25</sup> although some line pipe may be made to more exacting specifications.<sup>26</sup> It consists of a continuum of diameters. All U.S. producers and most importers addressing the question agreed that the smaller and larger line pipe have similar physical characteristics.<sup>27</sup> Line pipe generally is used in three functions: gathering, transmission, and distribution.<sup>28</sup>

There are some distinctions in the uses of the smaller and the larger line pipe. There is evidence on the record that the smaller line pipe generally is used for gathering and distribution, whereas the larger pipe is used for transmission. For example, one domestic producer, \*\*\*, reported that the smaller line pipe tends to be used for gathering lines, whereas the larger line pipe tends to be used for pipeline projects.<sup>29</sup> A number of importers agreed.<sup>30</sup> On the other hand, there was testimony at the staff conference that, because of changes in drilling technology the diameter of line pipe used for gathering purposes has increased. As the number of oil or gas wells per pad has grown (to the point, for example, where one pad might have 32 wells attached to it), so has the need to move greater volumes of oil and gas at the

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<sup>22</sup> CR at I-14-15, PR at I-12.

<sup>23</sup> Maverick Postconference Brief at 5-9; Other Petitioners' Postconference Brief at 3-4, and 7-10.

<sup>24</sup> Korean Respondents' Postconference Brief at 7-9. No U.S. producer made line pipe greater than 24 inches in OD by the ERW method. CR/PR at Table III-3.

<sup>25</sup> CR at I-15, PR at I-12.

<sup>26</sup> Conference Transcript at 55 (Barnes) and 56 (Clark).

<sup>27</sup> CR/PR at Table I-4.

<sup>28</sup> CR at I-14-15, PR at I-11.

<sup>29</sup> CR/PR at Table I-4.

<sup>30</sup> CR/PR at Table I-4 (responses of \*\*\*).

gathering stage, resulting in the use of line pipe with a larger OD.<sup>31</sup> One domestic producer reported that line pipe up to 24 inches OD is used in gathering lines.<sup>32</sup>

*Manufacturing Facilities, Production Processes and Employees.* The manufacturing facilities, production processes, and employees used to make both the smaller and larger line pipe are sometimes the same.<sup>33</sup> The range of products that individual domestic producers manufacture varies from one producer to another. Of 12 responding domestic producers, four produced both the smaller and larger diameter products, eight produced only the smaller diameter product, and none produced only the larger diameter product.<sup>34</sup> At the conference, the representative of one producer explained that it was unlikely that the full range of OD sizes would be made at the same facility because it would be inefficient to do so.<sup>35</sup> On the other hand, the representative of another producer, CSI, reported that its new mill will make line pipe from 8 inches to 24 inches OD.<sup>36</sup> Larger equipment may be required to make the larger line pipe.<sup>37</sup> Almost all line pipe up to 24 inches OD is made using the ERW method,<sup>38</sup> whereas line pipe larger than 24 inches OD is usually made using a submerged arc welding (“SAW”) process.<sup>39</sup>

*Channels of Distribution.* Both the smaller and larger line pipe are sold through the same channels of distribution, namely to distributors and end users, although a larger proportion of the larger line pipe is sold to distributors.<sup>40</sup>

*Interchangeability.* Although most domestic producers reported that the smaller and larger line pipe is interchangeable, most qualified this response by explaining that the size is determined by specific end-use requirements.<sup>41</sup> Most importers reported that the products are not interchangeable, and they made similar points about the end-use requirements.<sup>42</sup>

*Producer and Customer Perceptions.* Most domestic producers reported that the smaller and larger line pipe are perceived to be similar.<sup>43</sup> Twelve of the 24 importers responding to the Commission’s questionnaire reported that the products are not perceived to be similar.<sup>44</sup> To the extent that these importers provided reasons, they explained that the perceptions differ because the end uses are different.

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<sup>31</sup> Conference Transcript at 65 and 66 (Noland and Barnes).

<sup>32</sup> CR/PR at Table I-4 (response of \*\*\*).

<sup>33</sup> CR/PR at Table I-5, Conference Transcript at 67 (Clark).

<sup>34</sup> CR at I-27, PR at I-19.

<sup>35</sup> Conference Transcript at 69 (Barnes).

<sup>36</sup> Conference Transcript at 68-69 (Dubreuil).

<sup>37</sup> CR/PR at Table I-5 (responses of Boomerang and Tex-Tube).

<sup>38</sup> CR at I-18, PR at I-14.

<sup>39</sup> Conference Transcript at 61 (Fisher).

<sup>40</sup> CR at I-32, PR at I-20. In 2013, \*\*\* percent of U.S. producers’ commercial shipments of the smaller line pipe were made to distributors, and \*\*\* percent of commercial shipments of the larger line pipe were sold through this channel.

<sup>41</sup> CR/PR at Table I-6.

<sup>42</sup> CR/PR at Table I-6.

<sup>43</sup> CR/PR at Table I-7.

<sup>44</sup> CR/PR at Table I-7.



*Price.* The unit values of the smaller and larger line pipe were similar in 2011 and 2012, but they diverged in 2013, when the unit value of the smaller line pipe dropped considerably, while that of the larger line pipe rose slightly.<sup>45</sup>

*Conclusion.* All certain welded line pipe shares the same basic physical characteristics. The uses are somewhat different, in that the smaller line pipe is typically used in gathering and distribution functions, whereas the larger line pipe is used for transmission of oil and gas, although there is evidence in the record that this distinction is no longer as clear-cut, as larger sizes of line pipe are used for gathering functions, as a result of changes in drilling technology. The manufacturing facilities, production processes, and employees used to make both the smaller and larger line pipe appear to be basically the same, to the extent that they are made by the ERW process. Channels of distribution also are the same, with a majority of both the smaller and larger line pipe being sold to distributors, although a greater proportion of the larger line pipe is sold to distributors. The smaller and larger line pipe appear not to be interchangeable, because the size of pipe used depends on the end-use requirements. The information on producer and customer perceptions is mixed. Finally, the smaller and larger line pipe had similar unit values for much of the January 2011 – June 2014 period of investigation (“POI”). While the evidence in these preliminary phase investigations concerning the like product factors overall is mixed, we find that, on balance, the record indicates that the similarities in line pipe with an OD equal to or less than 16 inches on the one hand, and line pipe with an OD more than 16 inches and equal to or less than 24 inches, on the other, outweigh the differences. We consequently define a single domestic like product that is coextensive with the scope of these investigations.<sup>46</sup>

#### **IV. Domestic Industry**

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>47</sup> In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise

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<sup>45</sup> CR/PR at Table I-10.

<sup>46</sup> We intend, in any final phase investigations, to examine further the degree of interchangeability between line pipe of various ODs and the question of whether larger pipe is now used in applications where smaller pipe was previously appropriate.

<sup>47</sup> 19 U.S.C. § 1677(4)(A).

or which are themselves importers.<sup>48</sup> Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.<sup>49</sup>

\*\*\* is \*\*\*, that imported certain welded line pipe from Korea and Turkey.<sup>50</sup> \*\*\* accounted for \*\*\* percent of total subject imports from Turkey in 2013.<sup>51</sup> The volume of subject merchandise imported by \*\*\* was much smaller than the volume produced by \*\*\* during all parts of the POI.<sup>52</sup> \*\*\* supports the petition.<sup>53</sup> Because \*\*\* principal interest appears to be in domestic production and there is no indication that it benefitted from subject imports through its \*\*\*, we find that appropriate circumstances do not exist to exclude \*\*\* from the domestic industry. Accordingly, we define the domestic industry to include all U.S. producers of certain welded line pipe.

## V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.<sup>54</sup> Negligibility is not an issue in these investigations. In the October 2013-September 2014 period, subject imports from Korea accounted for 57.2 percent of total imports of certain welded line pipe and subject imports from Turkey accounted for 5.6 percent.<sup>55</sup>

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<sup>48</sup> See *Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

<sup>49</sup> The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
- (3) the position of the related producer vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, *e.g.*, *Torrington Co. v. United States*, 790 F. Supp. at 1168.

<sup>50</sup> CR/PR at Table III-1 n.8.

<sup>51</sup> CR/PR at Table IV-1. During 2013, \*\*\*. *Id.*

<sup>52</sup> Compare \*\*\* U.S. Importers' Questionnaire Response Questions II-5 and II-7 with \*\*\* U.S. Producers' Questionnaire Response at Question II-3a.

<sup>53</sup> CR/PR at Table III-1.

<sup>54</sup> 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); see also 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)).

<sup>55</sup> CR/PR at Table IV-3.

## VI. Cumulation

For purposes of evaluating the volume and effects for a determination of reasonable indication of material injury by reason of subject imports, section 771(7)(G)(i) of the Tariff Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with the domestic like product in the U.S. market. In assessing whether subject imports compete with each other and with the domestic like product, the Commission generally has considered four factors:

- (1) the degree of fungibility between subject imports from different countries and between subject imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
- (4) whether the subject imports are simultaneously present in the market.<sup>56</sup>

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.

Petitioners argue that the Commission should cumulatively assess imports from Korea and Turkey.<sup>57</sup> Yücel/Tosçelik argues that the Commission should not cumulate subject imports from Turkey with subject imports from Korea.<sup>58</sup>

The threshold requirement for cumulation is satisfied because Petitioners filed the antidumping duty and countervailing duty petitions with respect to Korea and Turkey on the same day, October 16, 2014. In addition, none of the statutory exceptions to cumulation applies. As discussed below, we find a reasonable overlap of competition between subject imports from Korea and Turkey and between subject imports from these countries and the domestic like product.

*Fungibility.* Certain welded line pipe, regardless of source, is generally produced in accordance with standards set by the API.<sup>59</sup> All responding domestic producers and a majority of importers reported that subject imports from the subject countries are “always” or “frequently” used interchangeably with each other and with the domestic like product. Almost

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<sup>56</sup> See *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-80 (Final), USITC Pub. 1845 (May 1986), *aff'd*, *Fundicao Tupy, S.A. v. United States*, 678 F. Supp. 898 (Ct. Int'l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

<sup>57</sup> Maverick Postconference Brief at 10-12, Other Petitioners' Postconference Brief at 10-14.

<sup>58</sup> Yücel/Tosçelik Postconference Brief at 2-10.

<sup>59</sup> CR/PR at II-1.

all of the remaining importers indicated that subject imports from the subject countries are “sometimes” used interchangeably with each other and with the domestic like product. Only one importer reported that subject imports from Korea are “never” used interchangeably with the domestic like product.<sup>60</sup>

When asked whether differences other than price are ever significant in their sales in choosing between certain welded line pipe from different sources, all domestic producers responded “sometimes” or “never.”<sup>61</sup> Importers were more divided on this question, but a majority of importers also answered “sometimes” or “never.”<sup>62</sup>

Several factors, however, may limit the fungibility between and among subject imports from each source and the domestic like product. First, end users of line pipe sometimes specify certain unique requirements over and above API specifications.<sup>63</sup> However, the limited information on the record suggests that such “API-plus” specifications are not an impediment for subject producers. A representative of the domestic industry testified that “most every mill can comply with these above-API specifications, both domestically and importers.”<sup>64</sup> Neither the Korean nor the Turkish respondents claimed that they are not able to produce line pipe to API-plus specifications. In short, it does not appear that these end user specifications limit the fungibility of the domestic like product and subject imports to any significant degree.

Fungibility may be somewhat limited by the use of Approved Manufacturers Lists (“AMLs”) by some end users. There is conflicting evidence on the record as to the prevalence of AMLs. On the one hand, a representative from a distributor of line pipe testified at the staff conference that she believes that most end users now have an AML.<sup>65</sup> On the other hand, Maverick’s U.S. Sales Director submitted a sworn statement stating that (1) many end users do not use AMLs and will buy any line pipe as long as it meets API specifications; (2) that even those that use AMLs do not restrict all of their line pipe purchases to mills on their AML; and (3) most distributors do not have their own AMLs.<sup>66</sup>

There is also conflicting evidence on the record as to whether Turkish line pipe producers are on any AMLs. Most U.S. producers are on these AMLs, as well as most Korean producers.<sup>67</sup> The Turkish respondent, Tosçelik, however, contends that it is not.<sup>68</sup> Although Petitioners did not specifically address Tosçelik’s contention that it is not on the AMLs of U.S. end users, Maverick’s U.S. Sales Director stated that “{o}ften Korean and/or Turkish producers

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<sup>60</sup> CR/PR at Table II-4.

<sup>61</sup> CR/PR at Table II-5.

<sup>62</sup> CR/PR at Table II-5.

<sup>63</sup> Conference Transcript at 55 (Barnes) and 56 (Clark).

<sup>64</sup> Conference Transcript at 56-57 (Fisher).

<sup>65</sup> Conference Transcript at 133 (Snow).

<sup>66</sup> Maverick Postconference Brief at Exh. 11.

<sup>67</sup> CR at V-4, PR at V-3-4.

<sup>68</sup> CR at V-4, PR at V-4. Yücel/Tosçelik state that Tosçelik accounted for over \*\*\* percent of subject imports from Turkey during the POI. Yücel/Tosçelik Postconference Brief at 5. When asked who in the United States is consuming Tosçelik’s product, its counsel said that Tosçelik “doesn’t know that information.” Conference Transcript at 134 (Simon).

are on the same AML” and that “[l]ine pipe producers from the subject countries are frequently listed on these AMLs.”<sup>69</sup>

Overall, the record does not suggest that fungibility of subject imports from Turkey with subject imports from Korea and with the domestic like product is significantly limited by the use of AMLs. \*\*\* subject imports from Korea and \*\*\* subject imports from Turkey were sold to distributors, as was the majority of U.S. producers’ shipments.<sup>70</sup> Most distributors appear not to use AMLs (although they may take the fact that a customer uses an AML into account when quoting to that customer).<sup>71</sup> Even with respect to sales to end users, it is not clear that all end users use AMLs, or, if they do, that they make all of their purchases from AMLs. Finally, based on the statement by Maverick’s Sales Director, some Turkish producers – although apparently not Tosçelik, the largest exporter of subject merchandise to the United States during the POI – may be on AMLs.

Fungibility may be limited to some extent by the fact that the Turkish producers did not supply line pipe in the over 16 inches to 24 inches OD range.<sup>72</sup> We do not, however, view this as a significant limitation on fungibility, given that most of the shipments by both the domestic industry and of subject imports from Korea were in the smaller size range up to 16 inches OD.<sup>73</sup> We are unpersuaded by the argument of Yücel/Tosçelik that subject imports from Turkey, which are mainly in the size range of 12 inches and smaller, barely compete with domestic producers.<sup>74</sup> Yücel/Tosçelik reviews the production of only five of the 12 domestic producers of certain welded line pipe. (These producers accounted for \*\*\* percent of total domestic production in 2013.)<sup>75</sup> Thus, there is no indication of whether the other seven domestic producers compete in the 12 inches and under size range. Moreover, even with respect to the five producers listed by Yücel/Tosçelik, the assertion that these producers do not compete with subject imports from Turkey is not persuasive. For example, with respect to the domestic producer CSI, Yücel/Tosçelik asserts that Turkish product does not compete because “none of the Turkish pipe was imported into the West Coast.” West Coast producer CSI, however, reported selling in \*\*\*.<sup>76</sup> Moreover, the other four domestic producers listed by Yücel/Tosçelik make at least some line pipe in the under 12 inches OD range. We also note that the quarterly pricing data collected for Products 1 and 2 (line pipe with ODs of 6.625 inches and 8.625 inches) shows sales of these smaller-diameter products by domestic producers, in substantial quantities, in every quarter.<sup>77</sup>

On balance, we believe information on the record concerning product characteristics indicates a substantial degree of competition between and among subject imports from each source and the domestic like product, notwithstanding the factors that may limit fungibility.

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<sup>69</sup> Maverick Postconference Brief at Exh. 11.

<sup>70</sup> CR/PR at II-1.

<sup>71</sup> Conference Transcript at 133 (Snow).

<sup>72</sup> See CR/PR at Table IV-4.

<sup>73</sup> See CR/PR at Table IV-4.

<sup>74</sup> Yücel/Tosçelik Postconference Brief at 5-6.

<sup>75</sup> See CR/PR at Table III-1.

<sup>76</sup> CSI U.S. Producer Questionnaire Response at Question V-10.

<sup>77</sup> CR/PR at Tables V-3 and V-4.

*Channels of Distribution.* \*\*\* subject imports from Korea and \*\*\* subject imports from Turkey were sold to distributors, as was the majority of U.S. producers' shipments.<sup>78</sup>

*Geographic Overlap.* The majority of subject imports from both Korea and Turkey were concentrated in the Central Southwest.<sup>79</sup> The Pacific Coast and Southeast received the second greatest coverage by subject imports, although generally not subject imports from Turkey.<sup>80</sup> All responding U.S. producers reported making sales to the Central Southwest, 11 of 12 reported making sales in the Southeast, and nine of 12 reported making sales to the Pacific Coast region.<sup>81</sup> Consequently, the record does not support Yücel/Tosçelik's assertions regarding lack of geographic overlap.<sup>82</sup>

*Simultaneous Presence in Market.* Subject imports from Korea were present in all 45 months during January 2011-September 2014, and subject imports from Turkey were present in 37 months of this period.<sup>83</sup>

*Conclusion.* Because the relevant antidumping duty petitions and countervailing duty petitions were filed on the same day, and the record indicates that there is a reasonable overlap of competition between and among subject imports and the domestic like product, we cumulate subject imports from Korea and Turkey for purposes of our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

## **VII. Reasonable Indication of Material Injury by Reason of Subject Imports**

### **A. Legal Standard**

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.<sup>84</sup> In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>85</sup> The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."<sup>86</sup> In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant

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<sup>78</sup> CR/PR at II-1.

<sup>79</sup> CR/PR at II-2 and Table II-2.

<sup>80</sup> CR/PR at Table II-2.

<sup>81</sup> CR/PR at Table II-2.

<sup>82</sup> Yücel/Tosçelik Postconference Brief at 3-4.

<sup>83</sup> CR at IV-9-10, PR at IV-8 and CR/PR at Table IV-5.

<sup>84</sup> 19 U.S.C. §§ 1671b(a), 1673b(a).

<sup>85</sup> 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

<sup>86</sup> 19 U.S.C. § 1677(7)(A).

economic factors that bear on the state of the industry in the United States.<sup>87</sup> No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>88</sup>

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is “materially injured by reason of” unfairly traded imports,<sup>89</sup> it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.<sup>90</sup> In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.<sup>91</sup>

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.<sup>92</sup> In performing its examination, however, the Commission need not isolate

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<sup>87</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>88</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>89</sup> 19 U.S.C. §§ 1671b(a), 1673b(a).

<sup>90</sup> *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g* 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

<sup>91</sup> The Federal Circuit, in addressing the causation standard of the statute, has observed that “{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred “by reason of” the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” See also *Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

<sup>92</sup> SAA, H.R. Rep. 103-316, Vol. I at 851-52 (1994) (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of (Continued...)

the injury caused by other factors from injury caused by unfairly traded imports.<sup>93</sup> Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.<sup>94</sup> It is clear that the existence of injury caused by other factors does not compel a negative determination.<sup>95</sup>

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject imports.”<sup>96 97</sup> Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”<sup>98</sup>

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(...Continued)

nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); *accord Mittal Steel*, 542 F.3d at 877.

<sup>93</sup> SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345. (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), *citing Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

<sup>94</sup> S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

<sup>95</sup> *See Nippon*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

<sup>96</sup> *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

<sup>97</sup> Vice Chairman Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when considering present material injury, to undertake a particular (Continued...)



The Federal Circuit's decisions in *Gerald Metals*, *Bratsk*, and *Mittal Steel* all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.<sup>99</sup> The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

*Mittal Steel* clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.<sup>100</sup> Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.<sup>101</sup>

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(...Continued)

kind of analysis of non-subject imports, albeit without reliance upon presumptions or rigid formulas.

*Mittal Steel* explains as follows:

What *Bratsk* held is that "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, *Bratsk* requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

<sup>98</sup> *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also *Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.>").

<sup>99</sup> *Mittal Steel*, 542 F.3d at 875-79.

<sup>100</sup> *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

<sup>101</sup> To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject (Continued...)

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.<sup>102</sup> Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.<sup>103</sup>

## **B. Conditions of Competition and the Business Cycle**

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

### **1. Demand Conditions**

End users generally use certain welded line pipe for gathering oil and gas from the point of production, transmission of oil and gas to collection or distribution points, and for distributing oil and gas to end users.<sup>104</sup> Demand for line pipe is therefore derived from oil and gas production.<sup>105</sup> Oil and gas exploration and production is, in turn, directly affected by oil and gas prices.<sup>106</sup>

Rig count is a leading indicator of oil and gas sector activity.<sup>107</sup> Although overall oil and gas rig count fluctuated in a relatively narrow band over the POI, there was a shift to oil drilling and away from gas drilling. The rig count for oil production in the United States increased from 777 rigs in the first week of January 2011 to 1,558 rigs in the last week of June 2014. The rig count for gas production declined from 914 rigs to 314 rigs over the same period.<sup>108</sup>

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(...Continued)

merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

<sup>102</sup> We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

<sup>103</sup> *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, citing *U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

<sup>104</sup> CR at I-14, PR at I-12.

<sup>105</sup> CR at II-11, PR at II-8.

<sup>106</sup> CR at II-11-12, PR at II-8.

<sup>107</sup> Rig count may not, however, correlate precisely with demand for line pipe. As noted above, because of changes in drilling technology, the number of oil or gas wells per pad has grown.

<sup>108</sup> CR at II-12, PR at II-9, and CR/PR at Figure II-2. We note that the TSEA has argued that demand for certain welded line pipe is more closely impacted by gas drilling activity than oil drilling activity. It contends that this is because larger diameter line pipe is more frequently used for oil drilling activity and that there are means of transporting oil other than by pipe. For this reason, the TSEA argues that the decline in gas drilling over the POI had a particularly severe impact on the demand for certain welded line pipe. TSEA Postconference Brief at 2-5.

Apparent U.S. consumption of certain welded line pipe increased from 2.5 million short tons in 2011 to 3.3 million short tons in 2012 but then declined to 2.5 million short tons in 2013.<sup>109</sup>

## 2. Supply Conditions

The three sources of certain welded line pipe supply in the U.S. market are domestic production, imports of subject merchandise, and imports from nonsubject countries. The 12 domestic producers that responded to the Commission's U.S. producers' questionnaire are believed to account for the vast majority of certain welded line pipe produced in the United States.<sup>110</sup> There was one new domestic producer of certain welded line pipe during the POI (Welspun), and a number of domestic producers expanded their line pipe production capacity. Companies that announced plans to add capacity included ACIPCO, CSI, EnergeX, Northwest Pipe, and Prolamsa. There was also a closure of a production facility; U.S. Steel closed its McKeesport, PA plant in 2014.<sup>111</sup> The domestic industry consistently held the largest share of apparent U.S. consumption.

In 2011 and 2013, cumulated subject imports were the next largest source of supply other than the domestic industry. The market share of cumulated subject imports rose from 22.7 percent in 2011 to 24.9 percent in 2012 and to 31.2 percent in 2013.<sup>112</sup>

Imports from nonsubject countries were present in the U.S. market throughout the POI.<sup>113</sup> They originated from a variety of countries, including Canada, Germany, Greece, Japan, Mexico, and the United Kingdom.<sup>114</sup> The market share of nonsubject imports rose from 22.3 percent in 2011 to 27.5 percent in 2012 and fell to 20.3 percent in 2013.<sup>115</sup> \*\*\*.<sup>116</sup>

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<sup>109</sup> CR/PR at Table IV-6. Apparent U.S. consumption for January-June ("interim") 2014 was 1.2 million short tons, lower than the 1.4 million short tons in interim 2013. We note that Maverick suggests that apparent U.S. consumption might not be the best measure of demand in these investigations. Specifically, it contends that the relatively large swings in apparent U.S. consumption, compared to the modest changes in drilling activity, reflect the significant increase in subject imports over the POI, and the exit of nonsubject imports in 2013. Maverick Postconference Brief at 16. We invite the parties, in their comments on the questionnaires to be issued in any final phase investigations, to indicate whether apparent consumption is an appropriate measure of demand, and, if not, how demand should be measured.

<sup>110</sup> CR/PR at III-1.

<sup>111</sup> CR at III-3, PR at III-2, CR/PR at Table III-2.

<sup>112</sup> CR/PR at Table IV-7. The market share of cumulated subject imports was 32.9 percent in interim 2013 and 31.8 percent in interim 2014. *Id.*

<sup>113</sup> CR/PR at Table IV-2.

<sup>114</sup> CR/PR at Table IV-2.

<sup>115</sup> CR/PR at Table IV-7. The market share of nonsubject imports was 21.1 percent in interim 2013 and 18.1 percent in interim 2014. *Id.*

<sup>116</sup> CR at III-3, PR at III-2.

### 3. Substitutability and Other Conditions

Certain welded line pipe is normally produced to the API's 5L specifications, which provide standards for pipe suitable for use in conveying gas, water, and oil in both the oil and gas industries.<sup>117</sup> Based on the evidence in these preliminary investigations, we find a moderate-to-high degree of substitutability between U.S.-produced certain welded line pipe and subject imports.<sup>118</sup> All responding domestic producers and a majority of importers reported that subject imports and the domestic like product are "always" or "frequently" interchangeable, as discussed above.

Korean Respondents and TSEA maintain that a number of factors limit the substitutability of subject imports with the domestic like product. They contend that domestic producers have shorter lead times and offer greater flexibility in delivery than importers, and that some end users insist on domestic line pipe due to "Buy American" requirements or for liability reasons. They further assert that some end users also are increasingly requiring "API plus" requirements which stipulate tighter tolerances for the pipe over and above the API specifications. Respondents maintain that many end users have AMLs, and some subject producers are not on these lists due to the difficulties in certifying and auditing production in overseas mills. TSEA states that Korean line pipe producers are generally more accepted on AMLs than Turkish line pipe producers.<sup>119</sup> Petitioners, on the other hand, argue that these factors do not present any real obstacle to sales in the U.S. market by the subject imports.<sup>120</sup>

Hot-rolled steel is the primary raw material used in the production of certain welded line pipe and raw material costs accounted for an average 78.7 percent of total the cost of goods sold ("COGS") during the POI. The domestic industry's average raw material costs declined by 7.2 percent from 2011 to 2013 and were lower in interim 2014 than in interim 2013.<sup>121</sup>

#### C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."<sup>122</sup>

Cumulated subject imports held a substantial presence in the U.S. market throughout the POI. Cumulated subject imports increased from 573,000 short tons in 2011 to 816,000

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<sup>117</sup> CR at I-15, PR at I-12.

<sup>118</sup> CR at II-16, PR at II-12.

<sup>119</sup> TSEA Postconference Brief at 7.

<sup>120</sup> Maverick Postconference Brief at 18-19 and Exh. 1, pp. 10-12. We will examine in any final phase investigations the extent to which these factors are important to purchasing decisions and affect the substitutability between the domestic like product and the subject imports.

<sup>121</sup> Average raw material costs, per short ton, were \$860 in 2011, \$857 in 2012, \$798 in 2013, \$807 in interim 2013, and \$794 in interim 2014. CR/PR at Table VI-1.

<sup>122</sup> 19 U.S.C. § 1677(7)(C)(i).

short tons in 2012, and declined to 789,000 short tons in 2013.<sup>123</sup> As explained above, apparent U.S. consumption rose sharply (by 30.1 percent) from 2011 to 2012, but then declined in 2013 (by 23.0 percent) roughly to where it was in 2011.<sup>124</sup>

The volume of cumulated subject imports rose faster (by 42.2 percent) than apparent U.S. consumption from 2011 to 2012, and declined more slowly (by 3.3 percent) between 2012 and 2013.<sup>125</sup> Consequently, the market share (by quantity) of cumulated subject imports increased from 22.7 percent in 2011 to 24.9 percent in 2012 and 31.2 percent in 2012.<sup>126</sup> This gain in market share came at the expense of both the domestic industry and nonsubject imports. The domestic industry's market share decreased from 55.0 percent in 2011 to 47.7 percent in 2012 and rose to 48.5 percent in 2013.<sup>127</sup> Nonsubject imports' market share increased from 22.3 percent in 2011 to 27.5 percent in 2012 and decreased to 20.3 percent in 2014.<sup>128</sup>

Cumulated subject imports were also at substantial levels relative to domestic production, which increased from 2011 to 2013. The ratio of cumulated subject imports to domestic production increased from 39.6 percent in 2011 to 50.5 percent in 2012 and increased to 60.4 percent in 2013.<sup>129</sup>

For purposes of these preliminary determinations, we find that the cumulated volume of subject imports, and the increase in that volume, is significant both in absolute terms and relative to consumption and production in the United States.

#### **D. Price Effects of the Subject Imports**

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

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<sup>123</sup> CR/PR at Table IV-6. Cumulated subject imports were 457,000 short tons in interim 2013 and 379,000 short tons in interim 2014.

<sup>124</sup> CR/PR at Table C-1. Apparent U.S. consumption in interim 2014 was 14.4 percent lower than in interim 2013. *Id.*

<sup>125</sup> CR/PR at Table C-1. The volume of cumulated subject imports in interim 2014 was 17.1 percent lower than in interim 2013, a decline that was greater than the decline in apparent U.S. consumption (14.4 percent). *Id.*

<sup>126</sup> CR/PR at Table IV-7. Cumulated subject imports held 32.9 percent of U.S. market share in interim 2013 and 31.8 percent of market share in interim 2014. *Id.*

<sup>127</sup> CR/PR at Table IV-8. The domestic industry's market share was 46.1 percent in interim 2013 and 50.1 percent in interim 2014. *Id.*

<sup>128</sup> CR/PR at Tables IV-8 and C-1. The market share of nonsubject imports was 21.1 percent in interim 2013 and 18.1 percent in interim 2014. *Id.*

<sup>129</sup> CR/PR at Table IV-2. The ratio was 65.3 percent in interim 2013 and 55.2 percent in interim 2014. *Id.*

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>130</sup>

The record in these preliminary phase investigations indicates that there is a moderate-to-high degree of substitutability between subject imports and domestically produced certain welded line pipe, and that price is an important factor in purchasing decisions.<sup>131</sup>

The Commission collected quarterly pricing data on four certain welded line pipe products.<sup>132</sup> Eleven U.S. producers and ten importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products and all quarters.<sup>133</sup>

The pricing data show that the subject imports undersold the domestic like product in all 55 quarterly comparisons.<sup>134</sup> The margins of underselling ranged from 12.0 percent to 35.3 percent, and the average margin of underselling was 23.6 percent.<sup>135</sup> Given the high frequency and substantial margins of underselling and the fact that price is an important consideration in purchasing decisions, we find the underselling to be significant. This underselling allowed subject imports to increase their market share at the expense of the domestic industry during the 2011-13.<sup>136</sup>

Prices generally decreased from 2011 through the first half of 2014. Price declines for domestically produced products 1, 2, and 3 ranged from \*\*\* to \*\*\* percent from the first quarter of 2011 to the second quarter of 2014, while prices for product 4 increased \*\*\* percent. Prices for subject imports from Korea fell for each of the four products, with decreases ranging from \*\*\* to \*\*\* percent. Due to limited data points and coverage, price trend data for subject imports from Turkey could not be calculated.<sup>137</sup>

We recognize that declines in the domestic industry's raw material costs over the POI may have played some role in the decline in the domestic industry's prices. However, the

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<sup>130</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>131</sup> CR/PR at Tables II-4 and II-5.

<sup>132</sup> The pricing products were: Product 1 -- API 5L Grade B/X42 welded pipe, 6-inch nominal size (6.625 inch O.D.), plain end, with a wall thickness of 0.280 inch; Product 2 -- API 5L Grade B/X42 welded pipe, 8-inch nominal size (8.625 inch O.D.), plain end, with wall thickness of 0.322 inch; Product 3 -- API 5L Grade B/X42 welded pipe, 12-inch nominal size (12.75 inch O.D.), plain end, with a wall thickness of 0.375 inch; and Product 4 -- API 5L Grade B/X60 welded pipe, 24-inch nominal size (24 inch O.D.), plain end, with a wall thickness of 0.375 inch. CR at V-5, PR at V-4.

<sup>133</sup> CR at V-5, PR at V-4. Reported pricing products represented \*\*\* percent of U.S. shipments of U.S.-produced products, \*\*\* percent of shipments of imported product from Korea, and \*\*\* percent of shipments of imported product from Turkey. *Id.*

<sup>134</sup> CR/PR at Table V-7.

<sup>135</sup> CR/PR at Table V-7.

<sup>136</sup> As noted above, from 2011 to 2013, the market share of subject imports rose from 22.7 percent to 31.2 percent, while the domestic industry's market share fell from 55.0 percent to 48.5 percent. CR/PR at Table C-1.

<sup>137</sup> CR at V-14, PR at V-9.

magnitude of the price declines was greater than the fall in raw material costs.<sup>138</sup> We also recognize that declining demand in the U.S. market in 2013 may have contributed to declining prices that year. Apparent U.S. consumption of certain welded line pipe increased from 2.5 million short tons in 2011 to 3.3 million short tons in 2012 but then declined to 2.5 million short tons in 2013.<sup>139</sup> Nevertheless, in light of the significant volume of low priced subject imports with an increasing presence in the U.S. market, the record in this phase of the investigations supports a preliminary finding that subject imports had significant price depressing effects.<sup>140</sup>

Information on the lost sales and lost revenue experienced by the domestic industry provides further support for our findings concerning significant underselling and price depression. Petitioners made 35 lost sales allegations totaling \$\*\*\* and involving \*\*\* short tons and a lost revenue allegation involving \$\*\*\* and \*\*\* short tons. In total, purchasers agreed with allegations totaling \*\*\* short tons of lost sales, accounting for \$\*\*\*, as well as with the lost revenue allegation.<sup>141</sup> Additionally, four of ten responding purchasers reported switching purchases from U.S. production to subject imports for price reasons.<sup>142</sup>

Accordingly, based on the record in the preliminary phase of these investigations, we find the price underselling by the subject imports to be significant and that the price of subject imports depressed prices to a significant degree. We thus find for the purposes of these preliminary determinations evidence that subject imports had significant effects on prices of the domestic like product.

#### **E. Impact of the Subject Imports<sup>143</sup>**

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, “shall evaluate all relevant economic factors which have a bearing on the state of the industry.” These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered

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<sup>138</sup> As previously stated, prices for three of the four pricing products decreased by over \*\*\* percent between the first quarter of 2011 and the second quarter of 2014. The average unit value (“AUV”) of U.S. producers’ U.S. shipments declined by 13.5 percent from 2011 to 2013. CR/PR at Table C-1. By contrast, the domestic industry’s average unit raw material costs declined by 7.2 percent over this period. CR/PR at Table VI-1. We recognize that AUV data must be analyzed with caution because changes in AUVs may reflect differences in product mix rather than differences in price.

<sup>139</sup> CR/PR at Table IV-6. Apparent U.S. consumption for interim 2014 was 1.2 million short tons, lower than the 1.4 million short tons in interim 2013.

<sup>140</sup> In any final phase investigations we will examine further the role that falling raw material costs and weakening demand played in the decline in prices for certain welded line pipe.

<sup>141</sup> CR at V-16, PR at V-10-11, CR/PR at Table V-8.

<sup>142</sup> CR at V-20, PR at V-11-12.

<sup>143</sup> In its notice initiating the antidumping duty investigations Commerce reported estimated dumping margins ranging from 48.49 to 202.31 percent for imports from Korea, and 9.85 percent for imports from Turkey. *Welded Line Pipe From the Republic of Korea and the Republic of Turkey: Initiation of Less-Than-Fair-Value Investigations*, 79 FR 68213 (Nov. 14, 2014).

“within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”

Indicators of the domestic industry’s output and employment generally followed trends in apparent consumption, with most increasing from 2011 to 2012 and declining from 2012 to 2013. Operating performance, however, declined throughout the period, with a particularly sharp decline from 2012 to 2013.

The domestic industry’s production increased from 1.4 million short tons in 2011 to 1.6 million short tons in 2012 and declined to 1.3 million short tons in 2013.<sup>144</sup> The domestic industry’s production capacity was 2.2 million short tons in 2011, 2.3 million short tons in 2012, and 2.3 million short tons in 2013.<sup>145</sup> Capacity utilization improved from 66.1 percent in 2011 to 70.5 percent in 2012 but then declined to 55.8 percent in 2013.<sup>146</sup> The domestic industry’s U.S. shipments increased from 1.4 million short tons in 2011 to 1.6 million short tons in 2012 but then declined to 1.2 million short tons in 2013.<sup>147</sup> Ending inventory quantities were 92,457 short tons in 2011, 102,614 short tons in 2012, and 108,518 short tons in 2013.<sup>148</sup>

The number of production workers in the domestic industry was 1,815 in 2011, 2,167 in 2012, and 1,864 in 2013.<sup>149</sup> Hours worked totaled 3.9 million in 2011, 4.5 million in 2012, and 3.7 million in 2013.<sup>150</sup> Wages paid were \$93.1 million in 2011, \$115.4 million in 2012, and \$98.5 million in 2013.<sup>151</sup> Productivity, by contrast, declined throughout the POI.<sup>152</sup>

The domestic industry’s total net sales increased from \$1.8 billion in 2011 to \$2.1 billion in 2012 and declined to \$1.5 billion in 2013.<sup>153</sup> Operating income increased from \$258.8 million in 2011 to \$276.6 million 2012, but then declined to \$18.6 million in 2013.<sup>154</sup> On a per unit basis,

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<sup>144</sup> CR/PR at Table III-4. Production of 687,000 short tons in interim 2014 was lower than 699,000 short tons in interim 2013. *Id.*

<sup>145</sup> CR/PR at Table III-4. Capacity was 1.2 million short tons in both interim 2013 and interim 2014. *Id.*

<sup>146</sup> CR/PR at Table III-4. Capacity utilization was 57.9 percent in interim 2013 and 57.7 percent in interim 2014. *Id.*

<sup>147</sup> CR/PR at Table III-5. The industry’s U.S. shipments were 639,964 short tons in interim 2013 and 595,675 short tons in interim 2014. *Id.*

<sup>148</sup> CR/PR at Table III-6. Ending inventories were 143,575 short tons in interim 2013 and 161,243 short tons in interim 2014. *Id.*

<sup>149</sup> CR/PR at Table III-7. There were 1,960 production workers in interim 2013 and 2,012 production workers in interim 2014. *Id.*

<sup>150</sup> CR/PR at Table III-7. Hours worked were 1.9 million in interim 2013 and 2.0 million in interim 2014. *Id.*

<sup>151</sup> CR/PR at Table III-7. Wages paid were \$49.6 million in interim 2013 and \$51.8 in interim 2014.

<sup>152</sup> Productivity (in short tons per 1,000 hours) was 371.8 in 2011, 359.6 in 2012, 348.8 in 2013, 362.9 in interim 2013, and 342.0 in interim 2014. CR/PR at Table III-7.

<sup>153</sup> CR/PR at Table VI-1. The domestic industry’s total net sales were \$773 million in interim 2013 and \$673 million in interim 2014. *Id.*

<sup>154</sup> CR/PR at Table VI-1. Operating income was \$37.4 million in interim 2013, and in interim 2014 the domestic industry experienced a loss of \$1.0 million. *Id.* We recognize that operating income was impacted by \*\*\*. CR at VI-8 n.8, PR at VI-3 n.8. In any final-phase investigations, we will review the (Continued...)



raw materials costs declined from 2011 to 2012, and again from 2012 to 2013. By contrast, the ratio of both raw materials costs and COGS to net sales was higher in 2013 than in either prior year of the POI.<sup>155</sup> As the ratio of COGS to net sales increased, operating ratios fell. Operating income margins declined from 14.0 percent in 2011, to 13.1 percent in 2012, and then to 1.3 percent in 2013.<sup>156</sup>

The domestic industry made significant capital expenditures during the POI-- \$\*\*\* in 2011, \$\*\*\* in 2012, and \$\*\*\* in 2013.<sup>157</sup> The parties were divided as to the significance of these expenditures. Petitioners contend that these investments in new plant and equipment reflect, to a large extent, decisions made before, or early in, the POI, and do not reflect confidence in the domestic industry's future.<sup>158</sup> Respondents argue that these investments are a sign of confidence in the U.S. line pipe market.<sup>159</sup> We invite further comment on this issue in any final phase of these investigations.

As discussed above, we have found the volume of cumulated subject imports and the increase in the market share of those imports to have been significant over the POI, that these imports undersold the domestic like product to a significant degree, and that there is evidence of price depression by the subject imports. Many of the domestic industry's performance indicators declined from 2012 to 2013, often to levels lower than in 2011. Consequently, we find, for purposes of the preliminary phase of these investigations, that there is a reasonable indication that the large and increasing volume of subject imports, at prices that consistently undersold the domestic like product and depressed domestic prices, had a significant impact on the domestic industry by reducing its shipments, revenues, and financial performance from levels that would have been reached otherwise.

In conducting our impact analysis, we have also considered the role of nonsubject imports so as not to attribute injury from them to subject imports. The volume and market share of nonsubject imports increased from 2011 to 2012, but then declined in 2013 to levels

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(...Continued)

impact of a new entrant and a facility closure on the domestic industry's operating income. We will also examine further the role of subject imports in the facility closure.

Respondents argued that the industry's operating data were skewed because some producers reported unusually high raw material costs. Korean Respondents' Postconference Brief at 23-29. The domestic producers have stated that they accurately reported raw material costs. CR at VI-6 nn. 1, 2, PR at VI-3 nn. 1, 2. In any final phase investigations, the data of certain domestic producers will be more closely examined.

<sup>155</sup> The ratio of COGS to net sales increased from 81.7 percent in 2011 to 82.5 percent in 2012 and then to 92.8 percent in 2013. It was 89.3 percent in interim 2013 and 94.6 percent in interim 2014. CR/PR, Table VI-1.

<sup>156</sup> CR/PR at Table VI-1. The operating margin was 4.8 percent in interim 2013 and negative 0.2 percent in interim 2014. *Id.*

<sup>157</sup> CR/PR at Table VI-4. Capital expenditures were \$\*\*\* in interim 2013 and \$\*\*\* in interim 2014. The domestic industry's research and development expenses were \$\*\*\* in 2011, \$\*\*\* in 2012, \$\*\*\* in 2013, \$\*\*\* in interim 2013, and \$\*\*\* in interim 2014. *Id.*

<sup>158</sup> Maverick Postconference Brief at 29.

<sup>159</sup> TSEA Postconference Brief at 6.

below those of 2011. The market share of nonsubject imports, measured by quantity, was 22.3 percent in 2011, 27.5 percent in 2012, and 20.3 percent in 2013.<sup>160</sup> By contrast, the market share of subject imports increased from 2011 to 2013. The AUVs of imports from nonsubject sources were greater than the AUVs of imports from subject sources throughout 2011-June 2014, by amounts ranging from \$110 per short ton to \$286 per short ton.<sup>161</sup> In light of these considerations, the adverse effects of the subject imports are distinct from any attributable to the nonsubject imports.<sup>162</sup>

We have also considered the role of declining demand in 2013. As noted above, apparent U.S. consumption of certain welded line pipe increased from 2.5 million short tons in 2011 to 3.3 million short tons in 2012 but then declined to 2.5 million short tons in 2013.<sup>163</sup> The decline in demand from 2012 to 2013, however, cannot account for the adverse impact attributable to the domestic industry's loss of market share to the subject imports from 2011 to 2013. Although the level of demand in 2013 was roughly unchanged from that in 2011, the domestic industry's market share declined from 55.0 percent in 2011 to 48.5 percent in 2013.<sup>164</sup> Moreover, the pervasive underselling by subject imports also cannot be explained by declining demand in 2013.

## VIII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of certain welded line pipe from Korea and Turkey that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the governments of Korea and Turkey.

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<sup>160</sup> CR/PR at Tables IV-2 and IV-8. The volume of nonsubject imports was 562,605 short tons in 2011, 901,143 short tons in 2012, and 512,453 short tons in 2013. Both the volume and market share of nonsubject imports were lower in interim 2014, at 215,364 short tons and 18.1 percent, than in interim 2013, when they were 292,733 short tons and 21.1 percent. *Id.*

<sup>161</sup> CR/PR at Table IV-2. We recognize that average unit values are of limited value because they may reflect differences in product mix rather than differences in price.

<sup>162</sup> Based on the evidence in these preliminary investigations, Vice Chairman Pinkert finds that certain welded line pipe is a commodity product for purposes of a *Bratsk/Mittal Steel* analysis, and that price-competitive nonsubject imports were a significant factor in the U.S. market. He finds, however, that there would have been a price benefit for the domestic industry to the extent that nonsubject imports would have replaced the subject imports during the period of investigation. Nonsubject import prices were higher than subject import prices in six of the nine available price comparisons. *Compare* CR/PR at Tables V-3, V-5 to CR/PR at Tables D-1, D-2. Moreover, nonsubject import AUVs were higher than the AUVs of imports from subject sources throughout the period of investigation. CR/PR at Table IV-2.

<sup>163</sup> CR/PR at Table IV-6. Apparent U.S. consumption for interim 2014 was 1.2 million short tons, lower than the 1.4 million short tons in interim 2013.

<sup>164</sup> CR/PR at IV-8.

## PART I: INTRODUCTION

### BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by American Cast Iron Pipe Company (“ACIPCO”), Birmingham, Alabama; Energex, a division of JMC Steel Group, Chicago, Illinois; Maverick Tube Corporation (“Maverick”), Houston, Texas; Northwest Pipe Company (“Northwest Pipe”), Vancouver, Washington; Stupp Corporation (“Stupp”), Baton Rouge, Louisiana; Tex-Tube Company (“Tex-Tube”), Houston, Texas; TMK IPSCO, Houston, Texas; and Welspun Tubular LLC USA (“Welspun”), Little Rock, Arkansas, on October 16, 2014, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (“LTFV”) imports of welded API line pipe (“certain welded line pipe”) <sup>1</sup> from Korea and Turkey. The following tabulation provides information relating to the background of these investigations. <sup>2 3</sup>

<b>Effective date</b>	<b>Action</b>
October 16, 2014	Petitions filed with Commerce and the Commission; institution of Commission investigations (79 FR 63438, October 23, 2014)
November 6, 2014	Commission’s conference
November 13, 2014	Commerce’s notice of initiation of countervailing duty investigations (79 FR 67419, November 13, 2014)
November 14, 2014	Commerce’s notice of initiation of antidumping investigations (79 FR 68213, November 14, 2014)
November 26, 2014	Commission’s vote
December 1, 2014	Commission’s determination
December 8, 2014	Commission’s views

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<sup>1</sup> See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject to these investigations.

<sup>2</sup> Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission’s website ([www.usitc.gov](http://www.usitc.gov)).

<sup>3</sup> A list of witnesses appearing at the conference is presented in appendix B of this report.

## STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

### Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the “Act”) (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

*shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

*In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*

. . .

*In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*

. . .

*In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the*

*domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

### **Organization of report**

*Part I* of this report presents information on the subject merchandise, alleged dumping margins and subsidies, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

### **MARKET SUMMARY**

Certain welded line pipe includes welded line pipe used in pipelines for the gathering, transmission, and distribution of oil and gas. The leading U.S. producers of certain welded line pipe are Stupp, ACIPCO, and California Steel Industries ("CSI"). The leading producers of certain welded line pipe in subject countries include Hyundai HYSCO and SeAH in Korea and Toscelik Profil ve Sac Endustrisi A.S ("Toscelik") and Borusan Mannesmann Boru Sanayi Ve Ticaret ("Borusan Mannesmann") in Turkey. Leading countries producing welded tubes outside the United States include China, Russia, Korea, Japan, and Turkey.<sup>4</sup> The leading U.S. importers of certain welded line pipe from Korea are \*\*\*, while the leading importer of certain welded line pipe from Turkey is \*\*\*. Leading importers of product from nonsubject countries (primarily Japan and Mexico) include \*\*\*.

Apparent U.S. consumption of certain welded line pipe totaled approximately 2.5 million short tons (\$2.6 billion) in 2013. Twelve firms accounting for the vast majority of U.S. production of certain welded line pipe responded to the Commission's request for data. U.S. producers' U.S. shipments of certain welded line pipe totaled 1.2 million short tons (\$1.4 billion) in 2013, and accounted for 48.5 percent of apparent U.S. consumption by quantity and 53.5 percent by value. U.S. imports from subject sources totaled nearly 789,000 short tons (approximately \$654 million) in 2013 and accounted for 31.2 percent of apparent U.S. consumption by quantity and 25.2 percent by value. U.S. imports from nonsubject sources totaled approximately 512,000 short tons (approximately \$551 million) in 2013 and accounted for 20.3 percent of apparent U.S. consumption by quantity and 21.3 percent by value.

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<sup>4</sup> World Steel Association, *Steel Statistical Yearbook*, 2014; the product category, welded tubes, includes all types of welded pipe and tubes and is broader than Commerce's scope.

## SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C. Appendix C presents summary data for welded line pipe not more than 24 inches in outside diameter (table C-1), welded line pipe not more than 16 inches in outside diameter (table C-2), and welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches (table C-3). U.S. industry data are based on questionnaire responses of 12 firms that accounted for a vast majority of U.S. production of certain welded line pipe during 2013. U.S. imports are based on official import statistics for the following seven statistical reporting numbers from the Harmonized Tariff Schedule of the United States (“HTSUS”): 7305.11.1030, 7305.12.1030, 7305.19.1030, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150.<sup>5</sup>

## PREVIOUS AND RELATED INVESTIGATIONS

The Commission has conducted several previous import relief investigations on line pipe. Table I-1 presents information on investigations for line pipe not exceeding 16 inches in outside diameter (for purposes of this table, referred to as “small diameter”). Table I-2 presents information on investigations that have included imports of welded line pipe not exceeding 16 inches in outside diameter, in whole or in part. Table I-3 presents information on investigations for welded line pipe exceeding 16 inches in outside diameter (for purposes of this table, referred to as “large diameter”).

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<sup>5</sup> The scope of these investigations identifies 12 HTSUS subheadings or statistical reporting numbers under which subject merchandise may be imported. Three HTS subheadings (7305.11.5000, 7305.12.5000, and 7305.19.5000) cover alloy steel pipe with no outside diameter size restriction. Import questionnaire responses, staff interviews, and analysis of confidential import statistics show that there were few entries of in-scope merchandise under these three subheadings (see EDIS document no. 545605). Accordingly, the official import statistics presented in this report do not include data for these three statistical subheadings. Counsel for petitioners and respondents agree with excluding these data from the import statistics. Conference transcript, p. 48 (Schagrin); postconference brief of petitioner Maverick, Exh. 1, p. 1 (noting that it reserves the right to provide further comments should there be final phase investigations; and conference transcript, p. 127 (Cameron, Simon, and Nolan). Furthermore, the scope states that the subject merchandise may also enter in HTSUS statistical reporting numbers 7305.11.1060 and 7305.12.1060. These HTSUS statistical reporting numbers are for LSAW line pipe or other longitudinally welded pipe of iron or steel with an external diameter exceeding 24 inches. Staff notes that the scope defines certain welded line pipe as not being more than 24 inches in nominal outside diameter. Accordingly, these two statistical reporting numbers are also excluded from the import data presented in this report.

**Table I-1**

**Certain welded line pipe: Previous small diameter line pipe Title VII and safeguard investigations**

Investigations		Dates		Outcome
Number	Product / Country	Begin	End	
701-TA-165, 168	Welded Carbon Steel Pipes and Tubes from Brazil and Korea	05/07/1982	12/27/1982	Brazil - terminated after Commission preliminary affirmative determination
			02/08/1983	Korea - Commission final affirmative determination; <sup>1</sup> order revoked by Commerce effective October 1, 1984
731-TA-212	Welded Carbon Steel Pipes and Tubes from Venezuela	12/18/1984	02/01/1985	Commission preliminary negative determination <sup>2</sup>
701-TA-242 & 731-TA-253	Welded Carbon Steel Pipes and Tubes from Venezuela	02/28/1985	12/05/1985	Terminated by Commerce following Commission preliminary affirmative determination <sup>2</sup>
701-TA-252-253 & 731-TA-272-274	Welded Carbon Steel Pipes and Tubes from Taiwan, Turkey, and Yugoslavia	07/16/1985	01/08/1986	Taiwan and Yugoslavia - terminated by Commerce following Commission preliminary affirmative determinations
			02/21/1986	Turkey - Commission final affirmative determination; <sup>2</sup> countervailing duty order revoked by Commerce effective January 1, 2000
731-TA-375	Certain Line Pipes and Tubes from Canada	02/11/1987	03/30/1987	Commission preliminary negative determination <sup>3</sup>
TA-201-70	Circular Welded Carbon Quality Line Pipe	06/30/1999	12/22/1999	Commission affirmative determination with respect to all countries except Mexico and Canada; <sup>4</sup> relief ended effective March 1, 2003.
731-TA-1073-1075	Circular Welded Carbon Quality Line Pipe from China, Korea, Mexico	10/06/2004	12/14/2004	China - terminated by Commerce following Commission preliminary affirmative determination
			02/17/2005	Korea and Mexico terminated after petition withdrawn <sup>5</sup>

Notes continued on next page.

**Table I-1--Continued**

**Certain welded line pipe: Previous small diameter line pipe Title VII and safeguard investigations**

Investigations		Dates		Outcome
Number	Product / Country	Begin	End	
731-TA-1150	Circular Welded Carbon Quality Steel Line Pipe from Korea	04/03/2008	11/25/2008	Terminated after petition withdrawn
701-TA-455	Circular Welded Carbon Quality Steel Line Pipe from China	04/03/2008	01/07/2009	Commission affirmative determination <sup>6</sup>
731-TA-1149	Circular Welded Carbon Quality Steel Line Pipe from China	04/03/2008	05/06/2009	Commission affirmative determination <sup>6</sup>
701-TA-455 & 731-TA-1149 (Review)	Circular Welded Carbon Quality Steel Line Pipe from China	12/02/2013	05/02/2014	Commission affirmative continuation of the orders

<sup>1</sup> The Commission found small (16 inches or less) diameter welded carbon steel standard, line, and structural pipes and tubes to constitute a single like product.

<sup>2</sup> The Commission found separate like products consisting of welded standard pipe and welded line pipe.

<sup>3</sup> The Commission found that the product “like” welded line pipe from Canada was welded line pipe. Commissioner Brunsdale concurred with reservations, writing that “...while I do not do so here, it appears appropriate to find that the like product consists of both standard and line pipe.”

<sup>4</sup> The Commission found that the domestic product “like or directly competitive” with line pipe (including multiple-stenciled line pipe) was line pipe. Commissioner Crawford concluded that the record would justify defining the like or directly competitive product as both line pipe and standard pipe, although she declined to do so.

<sup>5</sup> The Commission found small (16 inches or less) diameter welded line pipe to constitute a single like product but in the final phase sought data on both welded standard pipe and welded line pipe.

<sup>6</sup> The Commission found small (16 inches or less) diameter circular welded carbon quality steel line pipe to constitute a single like product, noting that it had found in a previous investigation that large diameter line pipe is a distinct like product from line pipe 16 inches and under in diameter.

Source: Various Commission publications and Federal Register notices.



**Table I-2**

**Certain welded line pipe: Related Commission investigations**

Investigations		Dates		Outcome
Number	Product / Country	Begin	End	
TA-201-51	Carbon and Certain Alloy Tool Steel Products	01/24/1984	07/24/1984	Commission negative determination <sup>1</sup>
731-TA-732-733	Circular Welded Nonalloy Steel Pipe from Romania and South Africa	04/26/1995	06/27/1996	Commission final negative determination <sup>2</sup>
731-TA-943-947	Circular Welded Non-Alloy Steel Pipe from China, Indonesia, Malaysia, Romania, and South Africa	05/24/2001	07/16/2001	Indonesia, Malaysia, Romania, and South Africa - Commission preliminary negative determination
			07/02/2002	China - Commission final negative determination <sup>3</sup>
TA-421-06	Circular Welded Non-Alloy Steel Pipe from China	08/02/2005	10/21/2005	Commission affirmative <sup>4</sup> followed by a Presidential determination that import relief was not in the national interest
701-TA-447 & 731-TA-1116	Circular Welded Carbon Quality Steel Pipe from China	06/07/2007	07/02/08	Commission affirmative final determinations <sup>5</sup>
701-TA-447 & 731-TA-1116 (Review)	Circular Welded Carbon Quality Steel Pipe from China	06/03/2013	11/18/13	Commission affirmative continuation of the order

<sup>1</sup> The Commission found that the like or directly competitive product was all welded and seamless pipe.

<sup>2</sup> In the final phase of the investigations, the Commission found that the domestic product “like” subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) included all multiple-stenciled pipe. Commissioners Crawford and Watson concluded that the record would justify defining the domestic like product to include all (welded) line pipe, although they declined to do so.

<sup>3</sup> In the final phase of the investigation, the Commission found that the domestic product “like” subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) was standard pipe (including multiple-stenciled pipe used in standard pipe applications), “absent argument and information to the contrary.”

<sup>4</sup> The Commission found that the domestic product “like or directly competitive” subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) was standard pipe (including multiple-stenciled pipe used in standard pipe applications).

<sup>5</sup> The Commission defined the domestic like product as coterminous with Commerce’s scope. Commerce’s scope includes multiple-stenciled line pipe when it meets the physical description (in the scope) and also has one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish.

Source: Various Commission publications and Federal Register notices.

**Table I-3**

**Certain welded line pipe: Related Commission investigations, large diameter line pipe**

Investigations		Dates		Outcome
Number	Product / Country	Begin	End	
731-TA-183	Large Diameter Carbon Steel Welded Pipes from Brazil	March 1984	March 1985	Commission termination of investigation following withdrawal of petition
731-TA-919	Certain Welded Large Diameter Line Pipe from Japan and Mexico	January 2001	October 2001	Japan-Commission affirmative determination <sup>1</sup>
			February 2002	Mexico-Commission affirmative determination
TA-201-73	Certain Steel Products	June 2001	December 2001	Commission affirmative determination, relief ended effective December 4, 2003 <sup>2</sup>
731-TA-919 (Review)	Certain Welded Large Diameter Line Pipe from Japan and Mexico	November 2006	October 2007	Commission affirmative continuation of the order on Japan and revocation of the order on Mexico
731-TA-919 (Second Review)	Certain Welded Large Diameter Line Pipe from Japan	October 2012	September 2013	Commission affirmative continuation of the order

<sup>1</sup> The Commission found that the domestic like product as welded carbon and alloy line pipe with an outside diameter greater than 16 inches but less than 64 inches.

<sup>2</sup> The Commission majority found that the domestic like product was welded pipe other than OCTG. The like or directly competitive product did not include welded pipe with an outside diameter that does not exceed 16 inches (the excluded welded line pipe 16 inches or less in diameter was covered by the section 201 relief request on line pipe, TA-201-70, which is discussed above).

Source: Various Commission publications and Federal Register notices.

**NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV**

**Alleged subsidies**

On November 13, 2014, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on certain welded line pipe from Korea.<sup>6</sup> Commerce identified the following government programs in Korea:

- Korean Export-Import Bank (KEXIM) Countervailable Subsidy Programs
- Korea Development Bank (KDB) and Industrial Bank of Korea (IBK) Short-Term Discounted Loans for Export Receivables
- Korea Trade Insurance Corporation (K-SURE) - Export Insurance and Export Credit Guarantees

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<sup>6</sup> *Welded Line Pipe From the Republic of Korea and the Republic of Turkey: Initiation of Countervailing Duty Investigations*, 79 FR 67419, November 13, 2014.

- GOK Facilities Investment Support: Article 26 of the Restriction of Special Taxation Act (RSTA)
- GOK Targeted “Stimulus” Subsidies
- Subsidies to Companies Located in Free Economic Zones (FEZs)
- Research and Development (R&D) Grants under the Industrial Technology Innovation Promotion Act (ITIPA)
- Modal Shift Program
- Grants to HYSCO and Husteel
- Provision of Electricity for Less Than Adequate Remuneration (LTAR)

On November 13, 2014, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on certain welded line pipe from Turkey.<sup>7</sup> Commerce identified the following government programs in Turkey:

- Provision of Hot-Rolled Steel for LTAR Program 2
- Provision of Electricity for LTAR
- Provision of Land for LTAR
- Provision of Lignite for LTAR
- Deductions from Taxable Income for Export Revenue
- Incentives for Research & Development (R&D) Activities
- Short-Term Pre-Shipment Rediscount Program
- Pre-Export Credits Program
- Export Insurance Provided by Turk Eximbank
- Investment Encouragement Program Customs Duty and VAT Exemptions
- Large-Scale Investment Incentives
- Strategic Investment Incentives
- Law 5084: Withholding of Income Tax on Wages and Salaries
- Exemption from Property Tax
- Law 5084: Incentive for Employer’s Share in Insurance Premiums

#### **Alleged sales at LTFV**

On November 14, 2014, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on certain welded line pipe from Korea and Turkey.<sup>8</sup> Commerce has initiated antidumping duty investigations based on estimated dumping margins of 48.49 to 202.31 percent for certain welded line pipe from Korea and 9.85 percent for certain welded line pipe from Turkey.

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<sup>7</sup> *Welded Line Pipe From the Republic of Korea and the Republic of Turkey: Initiation of Countervailing Duty Investigations*, 79 FR 67419, November 13, 2014.

<sup>8</sup> *Welded Line Pipe From the Republic of Korea and the Republic of Turkey: Initiation of Less-Than-Fair-Value Investigations*, 79 FR 68213, November 14, 2014.

## THE SUBJECT MERCHANDISE

### Commerce's scope

Commerce has defined the scope of this investigation as follows:

The merchandise covered by these investigations is circular welded carbon and alloy steel (other than stainless steel) pipe of a kind used for oil or gas pipelines (welded line pipe), not more than 24 inches in nominal outside diameter, regardless of wall thickness, length, surface finish, end finish, or stenciling. Welded line pipe is normally produced to the American Petroleum Institute (API) specification 5L, but can be produced to comparable foreign specifications, to proprietary grades, or can be non-graded material. All pipe meeting the physical description set forth above, including multiple-stenciled pipe with an API or comparable foreign specification line pipe stencil is covered by the scope of these investigations.

The welded line pipe that is subject to these investigations is currently classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) under subheadings 7305.11.1030, 7305.11.5000, 7305.12.1030, 7305.12.5000, 7305.19.1030, 7305.19.5000, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150. The subject merchandise may also enter in HTSUS 7305.11.1060 and 7305.12.1060. While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.<sup>9</sup>

### Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to this investigation is imported under statistical reporting numbers 7305.11.1030, 7305.11.5000, 7305.12.1030, 7305.12.5000, 7305.19.1030, 7305.19.5000, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150 of the Harmonized Tariff Schedule of the United States ("HTS").<sup>10</sup> The general rate of duty for these statistical reporting numbers is free.

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<sup>9</sup> *Welded Line Pipe From the Republic of Korea and the Republic of Turkey: Initiation of Countervailing Duty Investigations*, 79 FR 67419, November 13, 2014.

<sup>10</sup> The scope of these investigations identifies 12 HTSUS provisions under which imports of subject merchandise may be reported. The scope includes seven HTSUS statistical reporting numbers under which subject line pipe primarily enters the United States (7305.11.1030, 7305.12.1030, 7305.19.1030, (continued...))

## THE PRODUCT

### Overview

Line pipe<sup>11</sup> is classified as a long-rolled steel pipe product that can be either welded or seamless, and produced in sizes from 1/8 inches to 36 inches in outside diameter. The most common application for line pipe is the gathering, transmission, and distribution of oil and gas. Line pipe can be produced with plain ends, threaded, beveled, grooved, flanged or expanded, depending on the requirements.<sup>12</sup> Figure I-1 is a visual depiction of welded line pipe.

**Figure I-1: Welded API line pipe**



Source: <http://www.apisteel.com/api-5l-x42-steel-line-pipe-813/>

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(...continued)

7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150). Data collected under these seven HTSUS statistical reporting numbers are presented in this report. The scope also includes three HTS subheadings (7305.11.50, 7305.12.50, and 7305.19.50) which cover alloy steel pipe with no outside diameter size restriction, thus covering goods of larger diameter along with subject goods. Separate data for subject merchandise classified in those subheadings are not available, but based on the staff research referenced above, entries of subject merchandise are believed to be limited. Finally, the references two additional HTSUS statistical reporting numbers (7305.11.1060 and 7305.12.1060), covering LSAW line pipe or other longitudinally welded pipe of iron or steel exceeding 24 inches in outside diameter.

<sup>11</sup> The terms “pipes” and “tubes” are interchangeable in common usage and in the HTSUS. However, tubular product manufacturers typically classify “pipes” as having a circular cross-section in a few standard sizes, whereas “tubes” may have any cross-sections (circular, square, rectangular or others). Steel pipes can be manufactured in either a welded or seamless process. Steel pipes can be further subdivided according to the grades of steel (carbon, alloy and stainless) used in steel production. Moreover, the American Iron and Steel Institute (AISI) further categorizes steel pipes and tubes by six-end uses: line pipe, standard pipe, structural pipe and tubing, mechanical tubing, pressure tubing and oil country tubular goods. Seamless pipe and stainless steel pipe are outside the scope of these investigations.

<sup>12</sup> Mohinder L. Nayar, “Piping Handbook,” Seventh Edition, 2000, pp. C-238-230.

## Description and applications

The line pipe subject to these investigations is a welded circular pipe product, not more than 24 inches (609.6 millimeters) in outside diameter, regardless of wall thickness, length, surface finish, or end finish.<sup>13</sup> Line pipe is generally produced in the United States in lengths of 40 feet or greater,<sup>14</sup> and with either a bare finish or a black (lacquered) finish to protect the pipe from rust, which is especially important for storage in humid climates or for waterborne transportation. End finishes typically include square cut or beveled for welding in the field.<sup>15</sup>

The subject product includes welded line pipe used in oil and gas pipelines for the gathering, transmission, and distribution of oil and gas. Gathering is an upstream application in which welded line pipe is used to move the natural gas out of the fields and into the processing plants, or gather oil for further processing in oil refineries.<sup>16</sup> According to petitioners, the use of welded line pipe from 16 to 24 inches in diameter has recently become more common in gathering applications like pad drilling, which is the practice of drilling multiple entry points into oil wells from a single surface location, as opposed to drilling a single well.<sup>17</sup> Transmission of oil and gas is considered a midstream application in which welded line pipe is used to move oil and gas to any type of collection or distribution point, often over long distances.<sup>18</sup> Distributing oil and gas is a downstream application in which welded line pipe is used to move the oil and gas to the end customer.<sup>19</sup> Petitioners state that line pipe between 16 and 24 inches is also being used to distribute oil and gas to consumers.<sup>20</sup>

Subject line pipe is normally produced in conformance with the American Petroleum Institute's API 5L specifications, which provides standards for "pipe suitable for use in conveying gas, water, and oil in both the oil and gas industries."<sup>21</sup> The subject product generally bears an API line pipe stencil.<sup>22</sup> The API 5L grades define the strength level of the pipe and of the steel

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<sup>13</sup> Although the scope of the investigation does not take into account wall thickness, API 5L specifications have thickness allocations for their specifications.

<sup>14</sup> Nominal 40-45 foot lengths are referred to by the industry as "double random lengths" or "DRL."

<sup>15</sup> *Annual Book of ASTM Standards*, Section One, Iron and Steel Products, Volume 01.01, 2009, p.6, and Mohinder L. Nayyar, "Piping Handbook," Sixth Edition, 1992, p A.49.

<sup>16</sup> Conference transcript, pp. 59-60 (Nolan).

<sup>17</sup> Conference transcript, pp. 53-54 (Barnes).

<sup>18</sup> *Certain Welded Large Diameter Line Pipe from Japan, Investigation No. 731-TA-919 (Second Review)*, USITC Publication 4427, September 2013, p. 24, and U.S. Steel Tubular Products' website, *Standard and Line Steel Pipe*, <http://usstubular.com/standard-and-line-steel-pipe/>, (accessed on November 18, 2014).

<sup>19</sup> Conference transcript, pp. 85-86 (Fisher).

<sup>20</sup> Postconference brief of petitioner ACIPCO et al., p. 4, and conference transcript, p.65 (Noland).

<sup>21</sup> API, Specification for Line Pipe, *API Specification 5L*, 44th Edition, October 1, 2007. The API 5L specification covers both seamless and welded steel line pipe. Although seamless pipe is covered by the API 5L specification, it is outside the scope of these investigations.

<sup>22</sup> A "stencil" is information marked by the manufacturer with paint stenciled on the outside of the pipe indicating the specification in conformance with which it has been manufactured. However, the purchaser and manufacturer can agree to put all or part of the markings on the inside of the pipe. Pipe

(continued...)

used to make the pipe. For grade A25 and X42 to X80, the last two digits reflect the yield strength of the steel.<sup>23</sup> Lower grades of line pipe, namely A25, grades A and B, have lower strength but have other desirable properties. For example, grade A line pipe is more malleable and more readily weldable than pipes of higher grade. The API 5L specification also suggests that “products in compliance with multiple compatible standards may be marked with the name of each standard.” Thus, line pipe can bear multiple stencils, signifying compliance with one or more certifications (such as grade B/ X-42), as well as standard pipe,<sup>24</sup> piling,<sup>25</sup> or structural<sup>26</sup> pipe certifications.

### Manufacturing processes

Welded line pipe is most commonly manufactured by the electric resistance weld (“ERW”) process or the submerged arc welding process (“SAW”). SAW encompasses both helical (spiral) welding (“HSAW”) and longitudinal welding (“LSAW”).<sup>27</sup> The ERW manufacturing process is the least expensive production method, and the LSAW manufacturing process is the most expensive manufacturing method for producing line pipe.<sup>28</sup> Line pipe produced from LSAW is mainly used for transporting oil and gas, either onshore or offshore, while ERW- and HSAW-produced line pipe are mainly used for transporting oil and gas onshore. The ERW method cannot produce welded line pipe with a very heavy wall thickness, and therefore does not work well in offshore or deep-water applications where a heavier internal pressure is needed to move crude oil or gas through a pipeline.<sup>29</sup>

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(...continued)

that is 1-1/2 inches and smaller has identification markings die-stamped on a metal tag fixed to the bundle or printed on the straps or binding clips used to tie the bundle.

<sup>23</sup> Tensile strength is measured in thousands of pounds per square inch (psi). Grades A and B require yield strength of 30,000 and 35,000 psi, respectively.

<sup>24</sup> ASTM A-53, Grade B covers both welded and seamless pipe with a minimum tensile strength of 60,000 psi and minimum yield strength of 35,000 psi. The weld seam for ERW line pipe meeting ASTM A-53, Grade B specifications must be heat-treated after welding. *Annual Book of ASTM Standards*, Section One, Iron and Steel Products, Volume 01.01, 2009, p.2.

<sup>25</sup> ASTM 252, Grade 3 covers welded and seamless steel pipe for piling application or permanent load carrying member with a minimum yield strength of 45,000 psi. *Annual Book of ASTM Standards*, Section One, Iron and Steel Products, Volume 01.01, 2009, p.149-150.

<sup>26</sup> ASTM A-500, Grade C covers cold-formed welded and seamless carbon round, square, rectangular, or special shape structural tubing for general structural with a minimum yield strength of 50,000 psi. *Annual Book of ASTM Standards*, Section One, Iron and Steel Products, Volume 01.01, 2009, p.355.

<sup>27</sup> Petitioners noted that HSAW and LSAW manufacturing methods are more popular for welded API line pipe above to the 24 inch to 48 inch diameter sizes in the United States. Conference transcript, p. 61 (Fisher).

<sup>28</sup> *Certain Welded Large Diameter Line Pipe from Japan, Investigation No. 731-TA-919 (Second Review)*, USITC Publication 4427, September 2013, p. I-18.

<sup>29</sup> Conference transcript, p. 81 (Fisher, Clark).

Line pipe manufactured using the HSAW and ERW methods are produced from steel sheet in coils in a continuous forming process.<sup>30</sup> By contrast, LSAW pipe requires piece-by-piece production from thicker steel plates, and is used in more demanding applications.<sup>31</sup> The ERW process is limited by the width of the available steel coils and suitable for thinner-walled and small diameter pipes, and is used to produce pipe with a maximum outside diameter of 24 inches, maximum length of 80 feet, and a maximum pipe wall thickness of 0.63 inches. The LSAW method of production can produce line pipe with a maximum outside diameter of 48 inches, and maximum length of 40 feet, and a maximum pipe wall thickness of 1.25 inches.<sup>32</sup> According to conference testimony, line pipe below 24 inches in outside diameter can be manufactured either by LSAW or HSAW method, but tend to be cost-prohibitive.<sup>33</sup>

### *ERW Manufacturing Method*

ERW is the dominant manufacturing method for producing welded line pipe up to 24 inches; and virtually all U.S. producers manufacturing line pipe up to 24 inches in outside diameter use the ERW method.<sup>34</sup> The ERW manufacturing process begins with coils of hot-rolled sheet steel, which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of pipe. The slit coils are fed into tube mills, which cold-form the flat ribbon of steel into a tubular cylinder by a series of tapered forming rolls. The product is then welded along the joint axis by heat obtained from the pipe's resistance to the flow of electric current of which it is part, and by applied pressure to form a forged weld. The welded tube next passes under a tool that removes the outside flash (the metal extruded by the weld process) resulting from pressure during the welding. Inside flash is likewise removed by cutting tools. The tube is then subjected to such post-weld heat treatment as is required, and may involve heat treatment of the welded seam only or treatment of the full cross-section of the pipe. After heat treatment, sizing rolls shape the tube to specific diameter tolerances. The product is then cooled and cut to length at the end of the tube mill. In the finishing stage, the welded line pipe also may be beveled, inspected and hydrostatically tested (figure I-2). The same equipment and workers can be used to product standard pipe as well as other tubular products, most commonly oil tubular goods ("OCTG").<sup>35</sup>

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<sup>30</sup> A continuous forming process is completed in one step versus the multi-step, piece-by-piece production of LSAW.

<sup>31</sup> Seamless line pipe is mostly used for offshore drilling. Staff conference transcript, p. 80-82.

<sup>32</sup> *Certain Welded Large Diameter Line Pipe from Japan, Investigation No. 731-TA-919 (Second Review)*, USITC Publication 4427, September 2013, p. I-17-18.

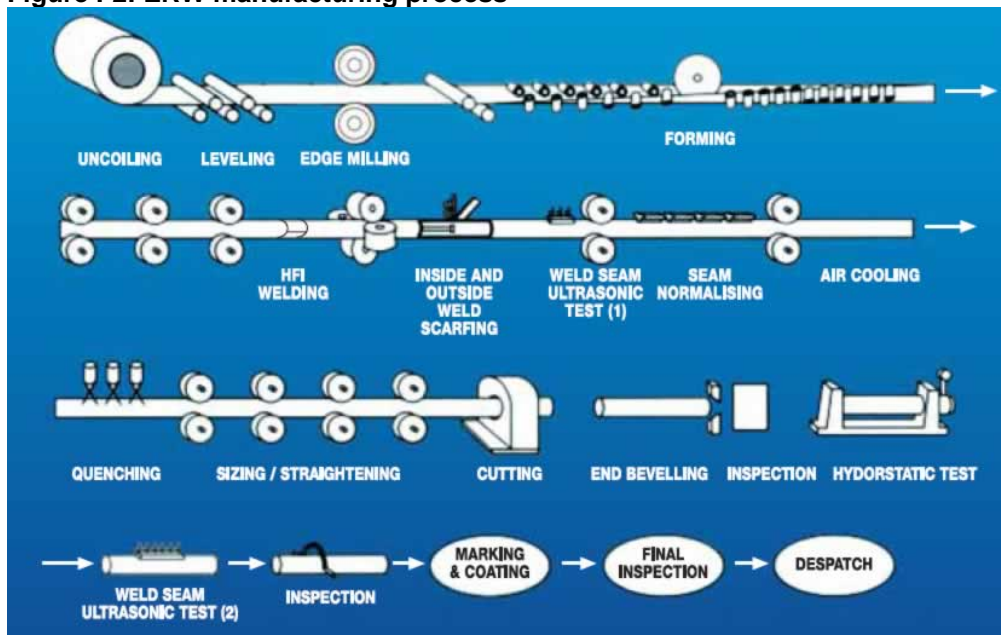
<sup>33</sup> Conference transcript, p. 59-60 (Noland).

<sup>34</sup> Compiled from data submitted in response to Commission's questionnaire responses.

<sup>35</sup> *Circular Welded Carbon Quality Steel Line Pipe from China and Korea, Inv. Nos. 701-TA-455 and 731-TA-1149-1150*, USITC Publication 4003, May 2008, p. 32.



Figure I-2: ERW manufacturing process



Source: Sunny Steel Enterprise Ltd., *ERW Manufacturing Process*, <http://www.sunnysteel.com/erw-pipe-processes.php#.VE5ySk10yic>

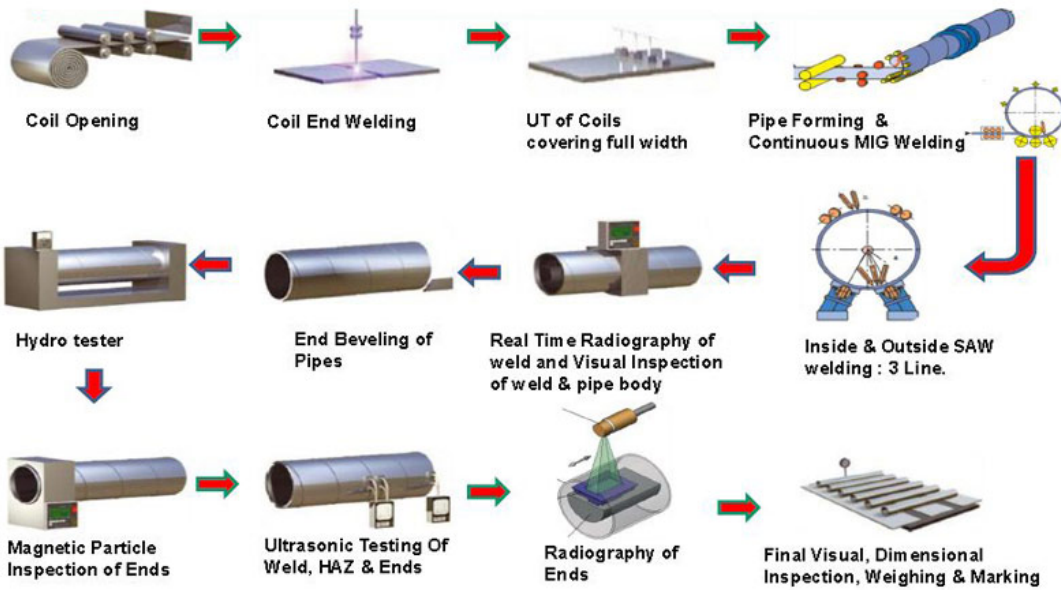
### *HSAW Manufacturing Method*

Like ERW, the HSAW manufacturing method uses coiled hot-rolled steel strip as the starting material for formation of pipes. The coiled steel strip is loaded on a decoiler and the strip is straightened and edges are milled to the desired joint configuration. The steel strip is then formed to produce a cylinder hollowed body which is then welded spirally, like a helix, so that the coil strip assumes the shape of the pipe at a predetermined forming angle. Inside and outside welding is performed by an automatic submerged arc process. HSAW line pipe is not limited by coil width because of the helical wrap of the steel, and is generally used for larger diameter pipe projects in the United States. The HSAW method of line pipe production has become more prevalent due to certain technological advances such as the ability to produce wider and thicker hot-rolled coils and improvements in welding technology for large diameter pipes. The HSAW method of production can produce line pipe with a maximum outside diameter of 64 inches, and maximum length of 80 feet, and a maximum pipe wall thickness of 1.03 inches.<sup>36</sup> Figure I-3 visually depicts the HSAW manufacturing process for welded line pipes.

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<sup>36</sup> *Certain Welded Large Diameter Line Pipe from Japan, Investigation No. 731-TA-919 (Second Review)*, USITC Publication 4427, September 2013, p. I-18.

**Figure I-3: HSAW manufacturing process**



Source: Indsur, *HSAW Manufacturing Process*, <http://indsur.com/images/HSAW-Manufacturing-Process.jpg>

### *LSAW Manufacturing Method*

Unlike the ERW and HSAW manufacturing methods, which begin with steel coils, the LSAW method produces line pipe from cut-to-length steel plates. Each individual plate proceeds through various steps including (a) shearing and edge planing to ensure that the plate is flat and aligned so that the two edges of the steel plate are parallel and square with the ends and (b) crimping or bending of the plate edges in order to avoid a flat surface along the seam of the pipe and (c) bending the plate to the desired form. The two primary methods of shaping line pipe in the LSAW process are the pyramid rolling<sup>37</sup> and the U-O-E methods.<sup>38</sup> Figure I-4 visually depicts the LSAW manufacturing process for welded line pipes.

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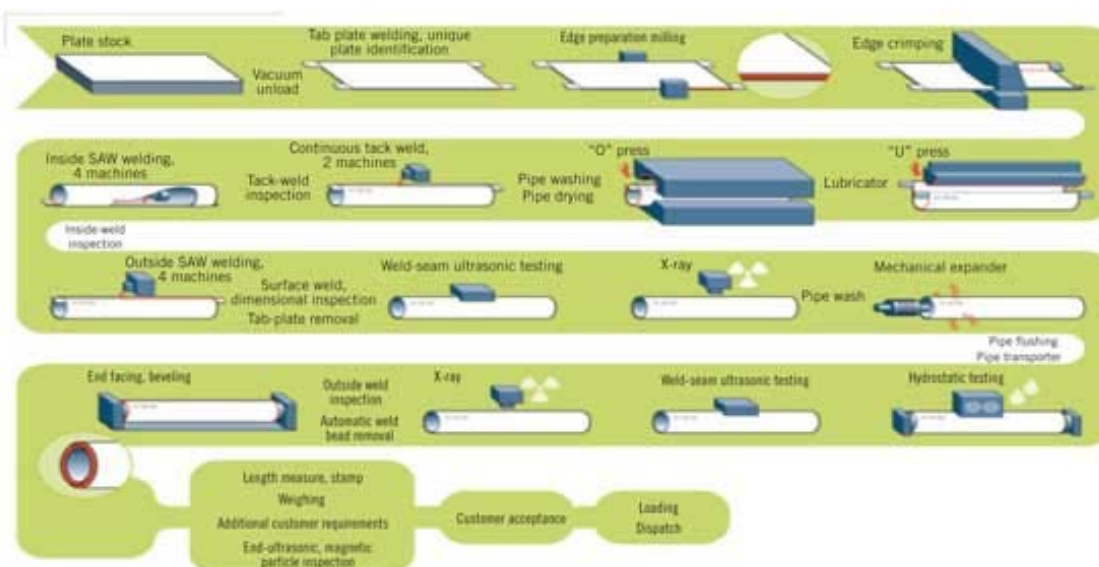
<sup>37</sup> The pyramid rolling machine consists of an elongated three-roll bending apparatus with the two bottom rolls fixed and the top roll movable along a vertical plane. The steel plate moves into position beneath the top roll and, through the proper combination of force and counter pressure, is shaped into a cylinder around the top roll. The edges of the pipe are formed by a continuous crimping machine, which prepares the edges for welding. When this is accomplished, the pipe is welded along the joint axis. Finally, the pipe is sized to ensure that it meets specifications on roundness and diameter at the ends. The sizing machine consists of a top and bottom roll shaped to the desired configuration of the pipe. Pressure is applied on the top roll to exert a force on the pipe as it passes between the rolls. *Certain Welded Large Diameter Line Pipe from Japan, Investigation No. 731-TA-919 (Second Review)*, USITC Publication 4427, September 2013, p. I-17-20.

<sup>38</sup> In the U-O-E method, the plate is crimped by bending the edges upward; it then enters the U-press, where a die bends it into a “U” shape. Next, the “U” enters the O-press, where the walls of the  
(continued...)

Figure I-4: LSAW manufacturing process, U-O-E method

UOE PIPE MANUFACTURE

FIG. 4



Source: Oil and Gas Journal, Volume 109, Issue 49, December 2011, <http://www.ogj.com/content/dam/ogj/print-articles/Volume%20109/December%205/z111205OGJtr04.jpg>

### DOMESTIC LIKE PRODUCT ISSUES

Petitioners ACIPCO et al. and Maverick (“Petitioning Coalition”) contend that the Commission should find one domestic like product coextensive with Commerce’s scope.<sup>39</sup>

(...continued)

“U” are forced together, resulting in an “O” shaped pipe. The pipe is then welded along the joint axis. In order to round the pipe and to ensure proper yield strength (which may be reduced in the O-press), two methods of expansion can be used, mechanical or hydraulic. In the mechanical expander, the pipe is moved over a head mechanism with symmetrical segments that can exert force on the inside of the pipe, thereby causing it to expand. In the hydraulic expander, the pipe is closed at both ends, filled with water and then pressurized. Under high pressure, the pipe expands to fill outside dies of the desired size. The pipe is then tested and inspected. LSAW pipe is welded with an electric arc that heats the metal edges and a consumable electrode or electrodes which provide the filler metal. The weld is blanketed by a shield of granular, fusible flux to protect the hot weld from chemically reacting with the surrounding air. Pipes usually are welded on both the outside and the inside of the same seam. Following the welding process, the scaly deposit left from the flux must be scraped away and the pipe cleaned. The weld is then inspected to correct any defects. *Certain Welded Large Diameter Line Pipe from Japan, Investigation No. 731-TA-919 (Second Review)*, USITC Publication 4427, September 2013, p. I-17-20.

<sup>39</sup> Postconference brief of petitioner Maverick, p. 4 and postconference brief of petitioner ACIPCO et al., p. 2. Petitioners ACIPCO et al. do, however, acknowledge that earlier investigations found that all welded line pipe 16 inches and under constituted a single like product, and that all welded line pipe greater than 16 inches and less than 64 inches constituted a single like product.

Petitioner Maverick argues that all welded line pipe up to 24 inches in outside diameter has the same physical characteristics and end uses, the same producer and consumer perceptions, the same channels of distribution, and the same manufacturing processes and employees.<sup>40</sup>

Petitioner Maverick also contends that there is a clear dividing line between line pipe up to 24 inches in outside diameter and line pipe greater than 24 inches in outside diameter.<sup>41</sup>

Petitioners ACIPCO et al. noted that firms' responses to the "interchangeability" domestic like product factor generally commented that the size of the pipe used depends on the volume of product it will transmit, and that the difference between 6 inches and 8 inches is similar to the differences between 16 inches and 18 inches.<sup>42</sup> Petitioners ACIPCO et al. addressed the "price" domestic like product factor by summarizing questionnaire responses.<sup>43</sup>

Korean respondents<sup>44</sup> argue that there is one domestic like product consisting of line pipe equal to or less than 16 inches and another domestic like product of ERW pipe greater than 16 inches.<sup>45</sup> Korean respondents argue that line pipe 16 inches and under is used in gathering lines while line pipe over 16 inches is used for large pipeline transmission projects.<sup>46</sup> Korean respondents argue that pipeline projects determine the size of pipe required and that 16 inch pipe can never be used on a 24 inch pipeline. Korean respondents also contend that for the ERW production process, sizes above 16 inches would be made on a separate production line dedicated to the larger diameter product.<sup>47 48</sup> Korean respondents acknowledge that both size ranges are sold to end users, but larger line pipe is more likely directly sold to end users for projects. Furthermore, customers demand pipe to meet specific end uses, and as those end uses vary, so do customer perceptions. Finally, Korean respondents argue that line pipe equal to or less than 16 inches is generally lower in price.

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<sup>40</sup> Postconference brief of petitioner Maverick, p. 4. Maverick did not address domestic like product factors for price and interchangeability.

<sup>41</sup> Postconference brief of petitioner Maverick, p. 5.

<sup>42</sup> Postconference brief of petitioner ACIPCO et al., pp. 5-6.

<sup>43</sup> Postconference brief of petitioner ACIPCO et al., pp. 9-10.

<sup>44</sup> Respondent Turkish Steel Exporters Association do not object to the petitioners' definition of the like product and domestic industry but do reserve the option to reconsider this matter should the Commission reach preliminary affirmative determinations. Postconference brief of Respondent Turkish Steel Exporters Association ("Turkish Exporters"), p. 11. Respondent Turkish producers did not comment on the definitions of the domestic like product or the domestic industry.

<sup>45</sup> Postconference brief of Korean respondents, p. 7.

<sup>46</sup> Postconference brief of Korean respondents, p. 7.

<sup>47</sup> Korean respondents claim that "sizes above 16 inches require much larger and stronger equipment." Postconference brief of Korean respondents, p. 8.

<sup>48</sup> Korean respondents also state (based on conference testimony) that the HSAW and LSAW production processes are not used to produce line pipe 24 inches and under, therefore pipe produced by these processes should be excluded from their proposed like product definition for 16 inch pipe or more. Postconference brief of Korean respondents, p. 8. However, as shown in table III-3, the \*\*\* production process is used to produce a small quantity of welded line pipe 24 inches and under.

The Commission’s decision regarding the appropriate domestic product(s) that are “like” the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Information regarding these factors is discussed below.

### **Physical characteristics and uses**

Table I-4 presents the information provided by U.S. producers and importers on the comparison of the physical characteristics and uses of welded line pipe not more than 16 inches in diameter and welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches.

**Table I-4**  
**Certain welded line pipe: Comparison of physical characteristics and uses**

\* \* \* \* \*

### **Manufacturing facilities and production employees**

Table I-5 presents the information provided by U.S. producers in their comparison of the manufacturing facilities, processes, and employees of welded line pipe not more than 16 inches in diameter and welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches. Of the responding producers, eight only produced welded line pipe 16 inches in diameter or less. There were no producers that exclusively produced welded line pipe greater than 16 inches but not greater than 24 inches. The four producers that produced welded line pipe greater than 16 inches but not greater than 24 inches also produced welded line pipe not more than 16 inches in diameter.

**Table I-5**  
**Certain welded line pipe: Comparison of manufacturing facilities and production employees**

\* \* \* \* \*

### **Interchangeability**

Table I-6 presents the information provided by U.S. producers and importers on the interchangeability of welded line pipe not more than 16 inches in diameter and welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches.

**Table I-6**  
**Certain welded line pipe: Assessment of interchangeability**

\* \* \* \* \*

## Producer and customer perceptions

Table I-7 presents the information provided by U.S. producers and importers on producer and customer perceptions of welded line pipe not more than 16 inches in diameter and welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches.

**Table I-7**

**Certain welded line pipe: Assessment of producer and customer perceptions**

\* \* \* \* \*

## Channels of distribution

Table I-8 presents the information provided by U.S. producers and importers on the channels of distribution of welded line pipe not more than 16 inches in diameter and welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches. U.S. producers of welded line pipe not more than 16 inches in diameter reported that \*\*\* percent of their U.S. commercial shipments were to distributors and \*\*\* percent were to end users in 2013. U.S. producers of welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches reported that \*\*\* percent of their U.S. commercial shipments were to distributors and \*\*\* percent of their U.S. shipments were to end users in 2013.<sup>49</sup>

**Table I-8**

**Certain welded line pipe: Comparison of channels of distribution**

\* \* \* \* \*

## Price

Table I-9 presents the information provided by U.S. producers and importers on the price of welded line pipe not more than 16 inches in diameter and welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches. Table I-10 presents the average unit values of domestic producers' U.S. shipments of welded line pipe not more than 16 inches in diameter and welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches. The average unit values of welded line pipe not more than 16 inches in diameter were consistently lower than average unit values of domestic producers' U.S. shipments of welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches during 2011-13 and January-June 2014.

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<sup>49</sup> For more information on channels of distribution, see Part II.

**Table I-9**

**Certain welded line pipe: Comparison of prices**

\* \* \* \* \*

**Table I-10**

**Certain welded line pipe: Average unit values of domestic producers' U.S. shipments of welded line pipe <= 16 inches and welded line pipe > 16 inches and <= 24 inches, 2011-13, January-June 2013, and January-June 2014**

\* \* \* \* \*





## **PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET**

### **U.S. MARKET CHARACTERISTICS**

Certain welded line pipe is used to transport oil and gas at all three stages of production: gathering at the production source, transmission across regions, and distribution to consumers. It is produced in compliance with the American Petroleum Institute's (API) 5L standard. This standard was revised in July 2013 to ensure quality standards and address concerns regarding liability.<sup>1</sup> Petitioners stated that U.S. producers and importers produce welded line pipe meeting the API 5L specification as well as additional requirements requested by end users.<sup>2</sup> Demand for certain welded line pipe depends on various factors, including oil and natural gas prices, and project-specific factors based on the volume of oil or natural gas produced to warrant the construction of a pipeline. There are at least 12 U.S. producers, eight of which are the petitioners.

### **CHANNELS OF DISTRIBUTION**

U.S. producers sold to distributors and end users with a slight majority to distributors, while importers sold mainly to distributors, as shown in table II-1.

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<sup>1</sup> Conference transcript, p. 57 (Fisher and Dubreuil). Also, see API 5L 45<sup>th</sup> Edition Memorandum certifying the July 1, 2013 effective date, <http://www.api.org/certification-programs/api-monogram-program-and-apiqr/~media/Files/Certification/Monogram-APIQR/program-updates/API%20Spec%205L%2045th%20Ed%20Notification.pdf>, November 20, 2014

<sup>2</sup> Conference transcript, pp. 55-58 (Barnes, Clark, Fisher, Dubreuil).

**Table II-1**

**Certain welded line pipe: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2011-13, January-June 2013, and January-June 2014**

Item	Period				
	Calendar year			January-June	
	2011	2012	2013	2013	2014
<b>Share of reported shipments (percent)</b>					
<b>U.S. producers' U.S. commercial shipments of certain welded line pipe:</b>					
Distributors	61.8	55.9	57.8	58.1	62.0
End users	38.2	44.1	42.2	41.9	38.0
<b>U.S. importers' U.S. commercial shipments of certain welded line pipe from Korea:</b>					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
<b>U.S. importers' U.S. commercial shipments of certain welded line pipe from Turkey:</b>					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
<b>U.S. importers' U.S. commercial shipments of certain welded line pipe from all other countries:</b>					
Distributors	51.7	40.4	52.4	46.3	48.1
End users	48.3	59.6	47.6	53.7	51.9

Source: Compiled from data submitted in response to Commission questionnaires.

### GEOGRAPHIC DISTRIBUTION

More than half of the twelve responding U.S. producers reported selling certain welded line pipe to all regions in the contiguous United States; most U.S. producers reported selling to the Northeast, Midwest, Southeast, Central Southwest, and Mountain regions (table II-2). Importers reported selling primarily to the Central Southwest region, followed by the Southeast and Pacific Coast. While both U.S. producers and importers sold certain welded line pipe throughout the United States, only one importer of subject merchandise from Korea reported serving the entire contiguous United States. Importers of subject merchandise from Turkey sold mainly to the Central Southwest. For U.S. producers, \*\*\* percent of sales were within 100 miles of their production facility, \*\*\* percent were between 101 and 1,000 miles, and \*\*\* percent were over 1,000 miles. Importers' U.S. shipments from Korea sold \*\*\* percent within 100 miles of their U.S. point of shipment and \*\*\* percent between 101 and 1,000 miles, while importers' U.S. shipments from Turkey sold \*\*\* percent within 100 miles of their U.S. point of shipment.

**Table II-2**

**Certain welded line pipe: Geographic market areas in the United States served by U.S. producers and importers, by number of responding firms**

Region	U.S. producers	Importers	
		Korea	Turkey
Northeast <sup>1</sup>	11	4	0
Midwest <sup>2</sup>	11	3	0
Southeast <sup>3</sup>	11	8	1
Central Southwest <sup>4</sup>	12	11	3
Mountain <sup>5</sup>	12	1	0
Pacific Coast <sup>6</sup>	9	8	0
Other <sup>7</sup>	2	0	0
All regions (except Other)	7	1	0
Reporting firms	12	12	4

<sup>1</sup> Includes CT, ME, MA, NH, NJ, NY, PA, RI, and VT.

<sup>2</sup> Includes IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, and WI.

<sup>3</sup> Includes AL, DE, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA, and WV.

<sup>4</sup> Includes AR, LA, OK, and TX.

<sup>5</sup> Includes AZ, CO, ID, MT, NV, NM, UT, and WY.

<sup>6</sup> Includes CA, OR, and WA.

<sup>7</sup> All other U.S. markets, including AK, HI, PR, and VI, among others.

Source: Compiled from data submitted in response to Commission questionnaires.

## SUPPLY AND DEMAND CONSIDERATIONS

### U.S. supply

#### Domestic production

Based on available information, U.S. producers of certain welded line pipe have the ability to respond to changes in demand with moderate changes in the quantity of shipments of U.S.-produced certain welded line pipe to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and the ability to produce alternate products.

#### Industry capacity

U.S. production of certain welded line pipe was 1.5 million short tons in 2011 and decreased to 1.3 million short tons in 2013. Domestic capacity totaled 2.2 million short tons in 2011 and increased to 2.3 million short tons in 2013. Domestic capacity utilization decreased from 66.1 percent in 2011 to 55.8 percent in 2013 and was 57.7 percent in interim January-June 2014, compared to 57.9 percent in interim January-June 2013. This relatively low level of capacity utilization suggests that U.S. producers may have a moderate-to-large ability to increase production of certain welded line pipe in response to an increase in prices.

### ***Alternative markets***

U.S. producers' exports, as a ratio to total shipments, increased from 2.3 percent in 2011 to 5.4 percent in 2013. U.S. producers' export shipments were 2.7 percent during interim January-June 2013 and 5.8 percent during interim January-June 2014. This proportion of total shipments indicates that U.S. producers may have a limited ability to shift shipments between the U.S. market and other markets in response to price changes. Six U.S. producers indicated that they export to Canada, \*\*\* of which exports to \*\*\* as well.

### ***Inventory levels***

U.S. producers' inventories, as a ratio to total shipments, increased from 6.5 percent in 2011 to 8.4 percent in 2013 and were 10.9 percent during interim January-June 2013 and 12.8 percent during interim January-June 2014. These inventory levels suggest that U.S. producers may have a limited-to-moderate ability to respond to changes in demand with changes in the quantity shipped from inventories.

### ***Production alternatives***

All responding U.S. producers stated that they could switch production from certain welded line pipe to other products. More than half of overall U.S. production was dedicated to other products over the period. Other products that producers reportedly can produce on the same equipment as certain welded line pipe are OCTG, welded standard pipe, welded structural pipe, water transmission pipe, mining pipe, and piling (construction) pipe.

### ***Supply constraints***

Ten of twelve responding U.S. producers reported they did not experience constraints on their ability to supply certain welded line pipe. The remaining two reported instances in which they declined to supply certain welded line pipe. \*\*\* declined to accept new business in early 2013 and sold off prior scheduled rollings and inventory. \*\*\* reported that it had ample capacity to fully satisfy all orders but was forced to decline certain sales because it could not meet customer demands for prices as low as those of subject imports.

### ***Subject imports from Korea<sup>3</sup>***

Based on available information, producers of certain welded line pipe from Korea have the ability to respond to changes in demand with small-to-moderate changes in the quantity of shipments of certain welded line pipe to the U.S. market. The main contributing factors to this

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<sup>3</sup> The Commission received four useable questionnaire responses from Korean producers. These firms' exports to the United States were equivalent to \*\*\* percent of U.S. imports of certain welded line pipe from Korea in 2013.

degree of responsiveness of supply are limited unused capacity, some ability to shift shipments to alternate markets, limited inventories, and the ability to produce alternate products.

### ***Industry capacity***

Korean capacity utilization increased from \*\*\* percent in 2011 to \*\*\* percent in 2012 and decreased to \*\*\* percent in 2013. This relatively high level of capacity utilization suggests that Korean producers may have a limited ability to increase production of certain welded line pipe in response to an increase in prices. Korean capacity was approximately \*\*\* percent of U.S. capacity and Korean production was approximately \*\*\* percent of U.S. production in 2013.

### ***Alternative markets***

Korean producers' exports represented \*\*\* of their total shipments since January 1, 2011. Korean producers' export shipments to non-U.S. markets declined from \*\*\* percent in 2011 to \*\*\* percent in 2013 and were \*\*\* percent and \*\*\* percent, respectively, in the interim January-June periods of 2013 and 2014. Projections indicate expansion of sales to markets other than the United States. Countries and regions that Korean producers shipped to include \*\*\*. Therefore, Korean producers may have some ability to shift shipments between the U.S. market and other markets in response to price changes.

### ***Inventory levels***

Korean producers' inventories, as a ratio to total shipments, increased from \*\*\* percent in 2011 to \*\*\* percent in 2013. These inventory levels suggest that Korean producers may have a limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

### ***Production alternatives***

\*\*\* responding Korean producers stated that they could switch production from certain welded line pipe to other products. Nearly \*\*\* percent of overall Korean production was dedicated to other products over the period. Other products that producers reportedly can produce on the same equipment as certain welded line pipe are OCTG, standard pipe, boiler tube, and structural pipe.

### ***Supply constraints***

\*\*\* responding Korean producers reported constraints on their ability to supply certain welded line pipe. \*\*\* reported product specification, line speed, and facility maintenance as constraints. \*\*\* reported that machinery trouble and bottle necks during hydrostatic and non-destructive processes slow production.

## **Subject imports from Turkey<sup>4</sup>**

Based on available information, producers of certain welded line pipe from Turkey have the ability to respond to changes in demand with moderate changes in the quantity of shipments of certain welded line pipe to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity, inventories, and the ability to produce alternate products.

### ***Industry capacity***

Turkish capacity utilization decreased from \*\*\* percent in 2011 to \*\*\* percent in 2013 and was \*\*\* percent during interim January-June 2014 compared to \*\*\* percent during interim January-June 2013. This relatively low level of capacity utilization suggests that U.S. producers may have a moderate-to-large ability to increase production of product in response to an increase in prices. Turkish capacity and production were approximately \*\*\* of Korea's capacity and production and \*\*\* of U.S. capacity and production in 2013.

### ***Alternative markets***

Turkish producers' exports, as a ratio to total shipments, represented roughly \*\*\* of their total shipments since January 1, 2011. Turkish producers' export shipments to non-U.S. markets declined from \*\*\* percent in 2011 to \*\*\* percent in 2013 and were \*\*\* percent and \*\*\* percent, respectively, in the interim January-June periods of 2013 and 2014. Projections indicate expansion of sales to markets other than the United States. Countries that Turkish producers shipped to include \*\*\*.<sup>5</sup> Therefore, Turkish producers may have a moderate ability to shift shipments between the U.S. market and other markets in response to price changes.

### ***Inventory levels***

Turkish producers' inventories, as a share of total shipments, increased from \*\*\* percent in 2011 to \*\*\* percent in 2012 but fell to \*\*\* percent in 2013. These inventory levels suggest that Turkish producers may have some ability to respond to changes in demand with changes in the quantity shipped from inventories.

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<sup>4</sup> The Commission received \*\*\* questionnaire responses from Turkish producers. These firms' exports to the United States were equivalent to \*\*\* percent of U.S. imports of certain welded line pipe from Turkey in 2013.

<sup>5</sup> According to the Turkish Steel Exporter's Association, the United States is not the primary export market for line pipe, and nor will it become a primary export market as announced projects (Trans-Anatolian gas systems, an Iran-Turkey-Europe natural gas pipeline, and a Trans-Adriatic natural gas pipeline) will increase domestic demand for large diameter pipe. Respondent Turkish Steel Exporters Association postconference brief, p. 35. Respondents also indicated that Turkish pipes are also being used in the Melen Project for water in Istanbul as well as for local gas distribution arms in Turkey to renovate and upgrade facilities in and around Istanbul. Conference transcript, p. 112 (Nolan).

### ***Production alternatives***

\*\*\* responding Turkish producers stated that they could switch production from certain welded line pipe to other products. Over \*\*\* percent of overall Turkish production was dedicated to other products over the period. Other products that producers reportedly can produce on the same equipment as certain welded line pipe are OCTG, standard pipe, hollow section, water pipe, structural pipe, and galvanized pipe.

### ***Supply constraints***

\*\*\* responding Turkish producers reported constraints on their ability to supply certain welded line pipe. \*\*\* reported these constraints as the particular size and strength capabilities of particular lines, requirements for inside weld scarfing, high material grade, low diameter-to-thickness ratio, low diameter-to-length ratio, seam annealing process, non-destructive test, drift test, and hydrotest. \*\*\* reported no constraints other than the “capabilities of the equipment”. \*\*\* reported that “destructive and non-destructive test capacities (Ultrasonic Testing, Hydrotest), and heat treatment capacity are limited; finishing facilities such as packaging and coating (mill lacquer) are also less than actual pipe capacity; unused space in the plant is limited for setting up extra capacity for testing and further finishing operations; speed of mill's welding capacity is limited; and, more importantly, allocation of resources for other product lines.”

### ***Nonsubject imports***

Based on official import statistics, the largest sources of nonsubject imports during 2011-13 were Canada, Germany, Greece, Japan, Mexico, and the United Kingdom.<sup>6</sup> Combined, these countries accounted for 78.9 percent of imports from nonsubject sources and 30.8 percent of total imports in 2013.<sup>7 8</sup>

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<sup>6</sup> Official statistics based on HTS statistical reporting numbers 7305.11.1030, 7305.12.1030, 7305.19.1030, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150.

<sup>7</sup> Petitioners stated that there were 300,000 tons of nonsubject imports from Japan and Germany in 2012 that did not compete with domestic or subject imports because the product went into deep offshore wells with heavy walls. Conference transcript, p. 158 (Schagrin).

<sup>8</sup> There are already existing AD/CVD orders on line pipe no larger than 16 inches from China and an existing AD order on line pipe larger than 16 inches but no larger than 24 inches from Japan. *Circular Welded Carbon Quality Steel Line Pipe From the People's Republic of China: Continuation of Antidumping and Countervailing Duty Orders*, 79 FR 28894, May 20, 2014, and *Welded Large Diameter Line Pipe From Japan: Continuation of Antidumping Duty Order*, 78 FR 64477, October 29, 2013.

## U.S. demand

Based on available information, the overall demand for certain welded line pipe is likely to experience small-to-moderate changes in response to changes in price. The main contributing factors are the lack of substitute products and the moderate-to-large cost share of product in most of its end-use products, depending on the identified end use.

U.S. demand for certain welded line pipe depends on the demand for energy products, such as oil and natural gas, which require pipe capable of transporting these products under pressure from gathering to transmission to distribution. According to Petitioners, the U.S. domestic energy market has been strong and has created higher demand for certain welded line pipe in the United States than in other international markets.<sup>9</sup> The United States has been producing oil and gas at historic levels since 2011, after the effects of the financial crisis waned.<sup>10</sup> According to the Turkish Steel Exporters Association, demand for the natural gas sector declined overall, falling in the second part of 2012 and further in 2013. Demand for line pipe declined as natural gas production declined, and the number of pipeline projects and the rate of their approval slowed.<sup>11</sup>

Spot prices for oil and natural gas fluctuated between January 2011 and June 2014 (figure II-1). Domestic crude oil prices began the period at \$89 per barrel, reached \$106 per barrel in March 2012 and \$107 per barrel in August 2013, and were \$106 per barrel in June 2014. Spot prices for natural gas declined from \$4.55 per million btu in June 2011 to \$1.95 per million btu in April 2012, then gradually increased until a sharp peak at \$6 per million btu in February 2014, and then returned to \$4.55 per million btu by June 2014. Subsequent to June 2014, oil and gas prices have declined.

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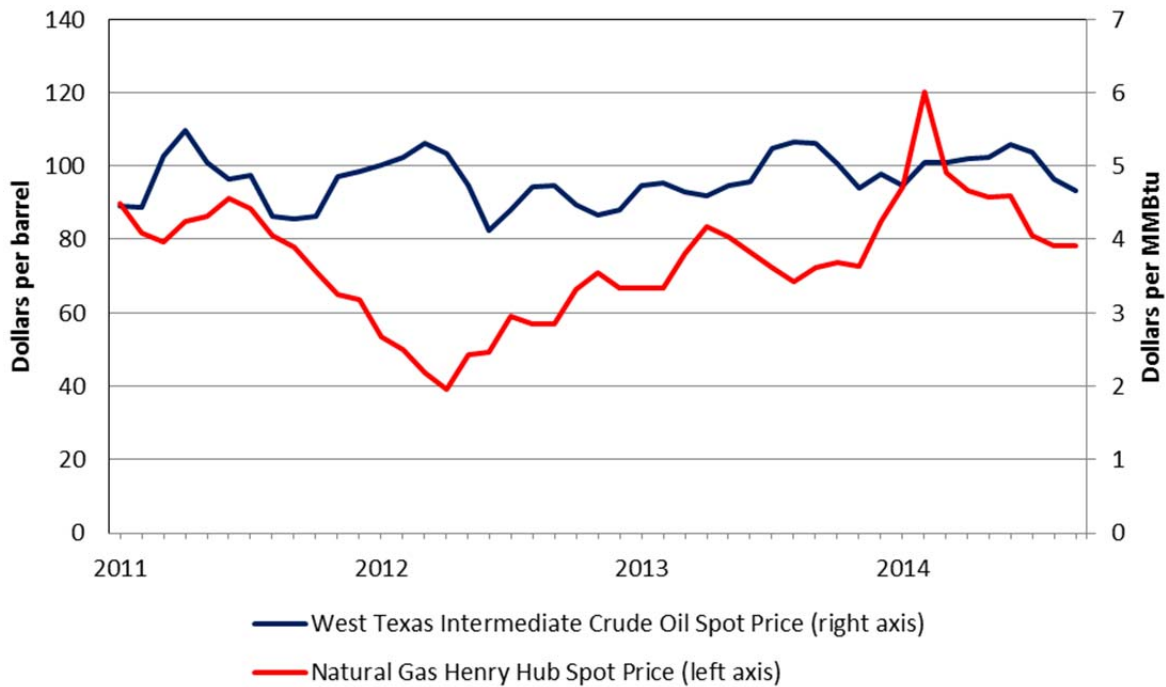
<sup>9</sup> Conference transcript, p.19 (Clark).

<sup>10</sup> Conference transcript, p. 39 (Lowe).

<sup>11</sup> Turkish Steel Exporters Associate postconference brief, pp. 3-4



**Figure II-1**  
**Crude oil (WTI) and natural gas (Henry Hub spot) prices, monthly, January 2011-September 2014**



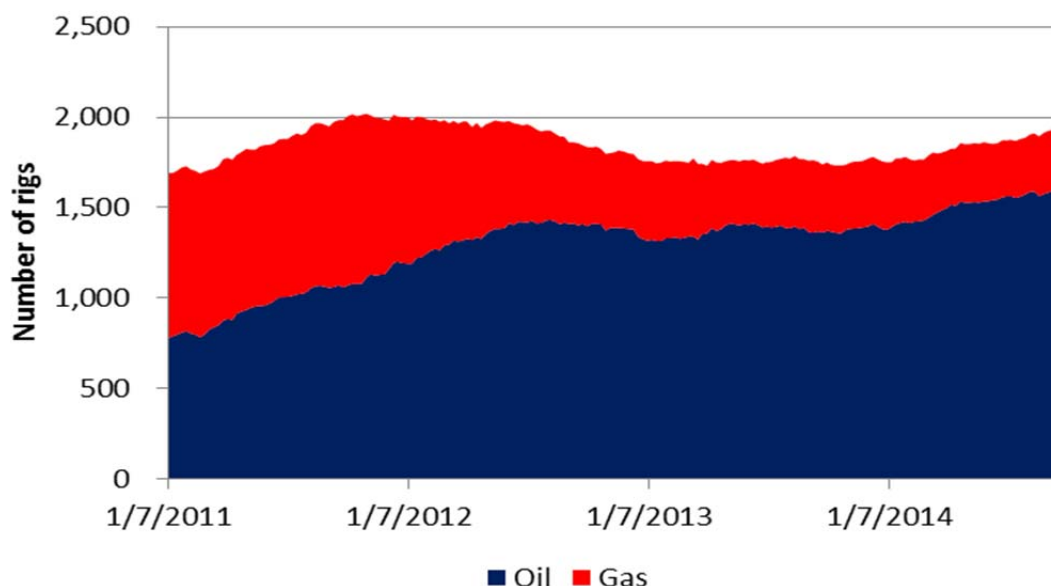
Source: Energy Information Administration.

Production of oil and gas can affect demand conditions for certain welded line pipe, and rig count is a leading indicator of oil and gas sector activity. The rig count for oil production in the United States increased from 777 rigs in the first week of January to 1,558 rigs in the last week of June 2014 (figure II-2). The rig count for gas production declined from 914 rigs to 314 rigs over the same period. Respondents stated that demand for certain welded line pipe depends on drilling activity, which can be illustrated by rig count over the period.<sup>12</sup> Petitioners contend that demand for certain welded line pipe is unlike that of OCTG, which is heavily dependent on oil exploration, but is dependent on critical mass volumes being reached in order to justify the construction of a pipeline.<sup>13</sup>

<sup>12</sup> Conference transcript, pp. 118-119 (Quaia)

<sup>13</sup> Conference transcript, pp. 24-25, 53 (Barnes), 54 (Herald).

**Figure II-2**  
**Baker-Hughes United States Oil and Gas Rig Count, weekly, January 2011-September 2014**



Source: Baker Hughes North America Rotary Rig Count, November 18, 2014.

**End uses**

Certain welded line pipe is an intermediate good that is integrated in large pipeline infrastructure projects at various stages of transportation of oil and natural gas (e.g. gathering, transmission, and distribution).

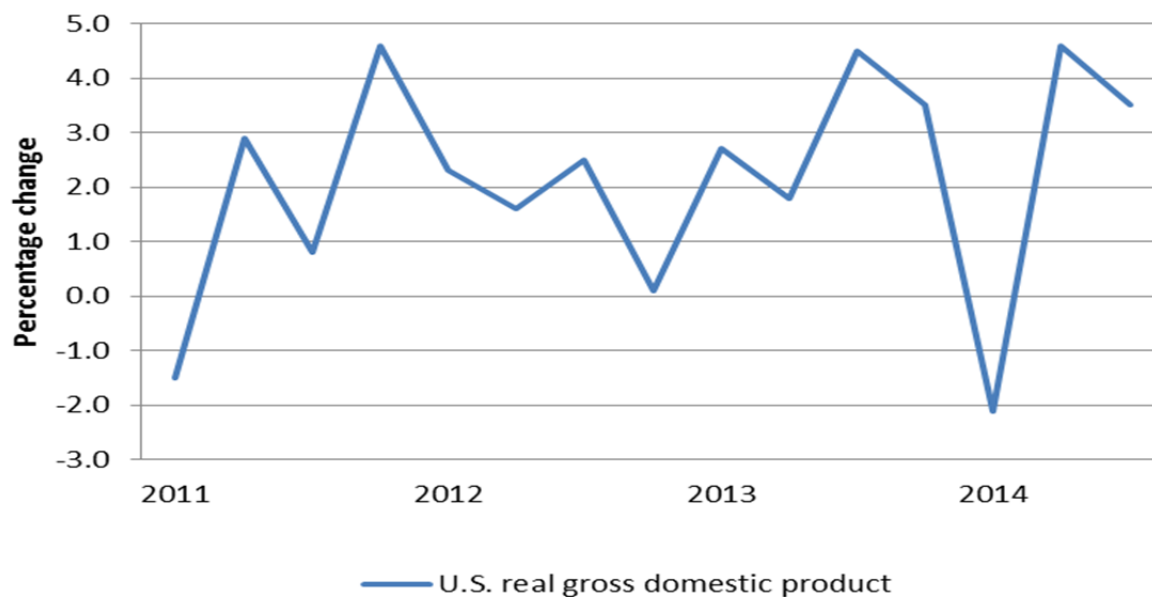
**Business cycles**

Four of six U.S. producers and 8 of 21 responding importers, indicated that the market was subject to business cycles or conditions of competition. Specifically, firms identified economic growth that increases the demand for energy, and seasonal effects, such as increased demand for gas during the winter. Overall economic growth broadly drives oil and gas demand and, therefore, demand for certain welded line pipe. Figure II-3 illustrates the quarterly percent change in U.S. real gross domestic product from 2011 to the third quarter of 2014. Project-specific demand for certain welded line pipe increases when oil and gas production in a geographic region reaches a critical mass that justifies the construction of a pipeline versus other transportation methods, such as by truck and rail.<sup>14</sup>

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<sup>14</sup> Conference transcript, p. 25 (Barnes).

**Figure II-3**  
**U.S. real gross domestic product, quarter-over-quarter percent change, January 2011-September 2014**



Source: Bureau of Economic Analysis.

### Apparent consumption

Apparent U.S. consumption of certain welded line pipe fluctuated from 2.5 million short tons in 2011 to 3.3 million short tons in 2012 to 2.6 million short tons in 2013. Overall, apparent U.S. consumption in 2013 was 0.5 percent higher than in 2011.

### Demand trends

Almost all market participants (11 of 12 U.S. producers and 16 of 21 importers) reported either increasing or fluctuating U.S. demand for certain welded line pipe since 2011 (table II-3).

**Table II-3**  
**Certain welded line pipe: Firms' responses regarding U.S. demand, by number of responding firms**

Item	Increase	No change	Decrease	Fluctuate
<b>Demand in the United States</b>				
U.S. producers	5	0	1	6
Importers	10	4	1	6
<b>Demand outside the United States</b>				
U.S. producers	2	1	0	4
Importers	3	6	1	5

Source: Compiled from data submitted in response to Commission questionnaires.

## Substitute products

Most U.S. producers and importers reported that there were no substitutes for certain welded line pipe.<sup>15</sup> Substitutes are limited and can include seamless pipe, high density polyethylene pipe, or plastic PVC pipe, depending on the application. Those that referenced seamless pipe as a substitute also noted its higher price relative to welded line pipe.<sup>16</sup>

## Cost share

Certain welded line pipe accounts for a moderate-to-large share of the cost of the end-use products in which it is used. Several U.S. producers reported cost shares for certain welded line pipe ranging from 25 percent to 75 percent when integrated into a larger pipeline project. Others indicated that certain welded line pipe is itself an end-use product and is, therefore, 100 percent of the cost.

## SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported certain welded line pipe depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is moderate-to-high degree of substitutability between domestically produced certain welded line pipe and certain welded line pipe imported from subject sources.

## Lead times

Certain welded line pipe is primarily produced-to-order. U.S. producers reported that 86.1 percent of their commercial shipments were produced-to-order, with lead times ranging from 10 to 170 days, with most reporting in the 30-90 day range.<sup>17</sup> The remaining 13.9 percent of their commercial shipments came from inventories, with lead times ranging from 5 to 30 days.<sup>18</sup> Importers reported that 99.2 percent of commercial shipments from Korea were produced-to-order, with lead times ranging from 90 to 150 days, and \*\*\* percent of

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<sup>15</sup> Conference transcript, pp. 80 (Noland), 144 (Snow), and 145 (Cameron).

<sup>16</sup> \*\*\* in their U.S. producer questionnaire responses.

<sup>17</sup> \*\*\* of \*\*\* responding U.S. producers reported lead times included in this range for produced-to-order certain welded line pipe.

<sup>18</sup> \*\*\* U.S. producers, \*\*\*, reported lead times from inventory in the \*\*\* day range. \*\*\* reported lead times from inventory of \*\*\* days.

commercial shipments from Turkey were produced-to-order, with lead times averaging \*\*\* days.<sup>19</sup>

### **Comparison of U.S.-produced and imported certain welded line pipe**

To determine whether U.S.-produced certain welded line pipe can generally be used in the same applications as imports from Korea and Turkey, U.S. producers and importers were asked whether the products can “always,” “frequently,” “sometimes,” or “never” be used interchangeably. As shown in table II-4, most U.S. producers reported that domestically produced welded line pipe and imported welded line pipe are “always” interchangeable. Importer responses were mixed; most importers (13 of 19 importers comparing the United States and Korea and 9 of 13 comparing the United States and Turkey) reported that welded line pipe is either “always” or “frequently” interchangeable between the U.S.-produced welded line pipe and pipe produced in Korea or Turkey. Importers that reported welded line pipe as “sometimes” interchangeable between the United States and subject countries referenced lead times, product range, and quality requirements as limiting factors.

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of certain welded line pipe from the United States, subject, or nonsubject countries. As seen in table II-5, most U.S. producers reported that there are no significant differences other than price between certain welded line pipe produced in the United States and in other countries. Importer responses were mixed; most importers (11 of 19 importers comparing the United States and Korea and 8 of 14 comparing the United States and Turkey) reported that there are “sometimes” or “never” significant differences other than price between certain welded line pipe produced in the United States and in Korea or Turkey. Importers that reported there are “frequently” significant differences other than price between the United States and subject countries referenced lead times, product range, and quality requirements.

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<sup>19</sup> The remaining 0.9 percent of commercial shipments from Korea came from inventories. One importer, \*\*\*, reported that the lead time from U.S. inventory is \*\*\* days.

**Table II-4**

**Certain welded line pipe: Interchangeability between certain welded line pipe produced in the United States and in other countries, by country pair**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
<b>U.S. vs. subject countries:</b>								
U.S. vs. Korea	9	2	0	0	6	7	5	1
U.S. vs. Turkey	9	2	0	0	6	3	4	0
<b>Subject countries comparisons:</b>								
Korea vs. Turkey	8	0	0	0	6	4	2	0
<b>Nonsubject countries comparisons:</b>								
U.S. vs. Japan	10	1	0	0	6	6	1	0
U.S. vs. Mexico	9	2	0	0	6	4	3	0
U.S. vs. Other	7	2	0	0	5	4	4	1
Korea vs. Japan	8	0	0	0	5	4	1	0
Korea vs. Mexico	8	0	0	0	7	4	0	0
Korea vs. Other	6	0	0	0	5	4	2	0
Turkey vs. Japan	8	0	0	0	5	1	3	0
Turkey vs. Mexico	8	0	0	0	7	3	0	0
Turkey vs. Other	6	0	0	0	6	3	0	0
Japan vs. Mexico	8	0	0	0	4	2	2	0
Japan vs. Other	6	0	0	0	5	2	3	0
Mexico vs. Other	6	0	0	0	6	4	0	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

**Table II-5**

**Certain welded line pipe: Significance of differences other than price between certain welded line pipe produced in the United States and in other countries, by country pair**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
<b>U.S. vs. subject countries:</b>								
U.S. vs. Korea	0	0	3	8	3	5	7	4
U.S. vs. Turkey	0	0	3	8	2	4	5	3
<b>Subject countries comparisons:</b>								
Korea vs. Turkey	0	0	0	8	0	1	6	4
<b>Nonsubject countries comparisons:</b>								
U.S. vs. Japan	0	0	3	8	1	2	8	2
U.S. vs. Mexico	0	0	3	8	1	4	5	4
U.S. vs. Other	0	0	3	5	1	4	6	3
Korea vs. Japan	0	0	0	8	1	0	6	2
Korea vs. Mexico	0	0	0	8	0	1	5	4
Korea vs. Other	0	0	1	5	0	0	5	4
Turkey vs. Japan	0	0	0	8	1	1	6	2
Turkey vs. Mexico	0	0	0	8	0	1	6	3
Turkey vs. Other	0	0	1	5	0	0	5	4
Japan vs. Mexico	0	0	0	8	1	1	6	3
Japan vs. Other	0	0	1	5	0	2	6	2
Mexico vs. Other	0	0	1	5	0	1	4	5

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.





## PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of 12 firms that accounted for the vast majority of U.S. production of certain welded line pipe during 2013.

### U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to the 18 firms identified in the petition. Sixteen firms provided responses. One firm reported that it does not produce certain welded line pipe,<sup>1</sup> three firms provided limited data,<sup>2</sup> and the remaining twelve firms provided useable data on their certain welded line pipe productive operations. Staff believes that these responses represent the vast majority of U.S. production of certain welded line pipe.<sup>3</sup>

Table III-1 lists U.S. producers of certain welded line pipe, their production locations, positions on the petition, total production, and shares of total production.

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<sup>1</sup> \*\*\*.

<sup>2</sup> \*\*\*. Their data are included in table III-3. \*\*\* reported production of certain welded line pipe, \*\*\*.

<sup>3</sup> There are several other producers of welded line pipe that did not provide questionnaire responses to these investigations but did for the five-year review on certain welded large diameter line pipe from Japan, which was completed in September 2013. These firms include \*\*\*. \*\*\* reported that it produced \*\*\* short tons of \*\*\*. Various U.S. producers' questionnaire responses from Investigation No. 731-TA-919 (Second Review): Welded Large Diameter Line Pipe from Japan.

**Table III-1**

**Certain welded line pipe: U.S. producers of certain welded line pipe, their positions on the petition, production locations, production, and shares of reported production, 2013**

Firm	Position on petition	Production location(s)	Share of production (percent)
ACIPCO	Petitioner	Birmingham, AL	***
Berg <sup>1</sup>	***	Panama City, FL	***
Boomerang <sup>2</sup>	***	Liberty, TX	***
CSI <sup>3</sup>	***	Fontana, CA	***
Energex <sup>4</sup>	Petitioner	Wheatland, PA; Warren, OH	***
Maverick <sup>5</sup>	Petitioner	Hickman, AR; Counce, TN	***
Northwest Pipe	Petitioner	Atchison, KS; Bossier, LA	***
Paragon <sup>6</sup>	***	Sapulpa, OK; Muskogee, OK	***
Stupp <sup>7</sup>	Petitioner	Baton Rouge, LA	***
Tex-Tube <sup>8</sup>	Petitioner	Houston, TX	***
TMK IPSCO <sup>9</sup>	Petitioner	Blytheville, AR; Camanche, IA; Wilder, KY	***
US Steel <sup>10</sup>	***	McKeesport, PA; Lone Star, TX	***
Welspun <sup>11</sup>	Petitioner	Little Rock, AR	***
Total			***

Source: Compiled from data submitted in response to Commission questionnaires.

<sup>1</sup> Berg is \*\*\*.

<sup>2</sup> Boomerang is \*\*\*.

<sup>3</sup> CSI is \*\*\*.

<sup>4</sup> Energex is \*\*\*.

<sup>5</sup> Maverick is \*\*\* and is related to \*\*\*.

<sup>6</sup> Paragon is \*\*\*.

<sup>7</sup> Stupp is \*\*\*.

<sup>8</sup> Tex-Tube is \*\*\*. \*\*\*. Tex-Tube \*\*\*.

<sup>9</sup> TMK-IPSCO is \*\*\*.

<sup>10</sup> U.S. Steel \*\*\*.

<sup>11</sup> Welspun is \*\*\*.

As indicated in table III-1, no U.S. producer is related to a foreign producer of the subject merchandise. \*\*\*. No U.S. producer directly imports subject merchandise.

Since 2011-14, a prevailing trend in the welded line pipe industry was the expansion of production capacity. Companies that announced plans to add capacity for line pipe production in the United States include: ACIPCO, CSI, Energex, Northwest Pipe, Prolamsa, and Welspun. In addition, certain firms expanded their ability to produce larger outside diameters of line pipe at U.S. locations.

A major operational change in the industry during this period was the acquisition of Lake Steel by JMC Steel in 2012, which led to the subsequent formation of Energex. Later, in 2014, U.S. Steel closed two line pipe facilities in Bellville, Texas and McKeesport, Pennsylvania.

The McKeesport facility produced line pipe up to 20 inches in outside diameter; while the Bellville facility produced high-strength line pipe and OCTG.<sup>4</sup> Table III-2 summarizes industry events.

**Table III-2**  
**Certain welded line pipe: Important industry events since 2011**

<b>Date</b>	<b>Company</b>	<b>Event</b>
2011 January	Lakeside Steel	<b>Capacity expansion:</b> Lakeside Steel confirmed investment in its Thomasville, AL mill, which added 192,000 short tons of annual capacity to produce API OCTG and line pipe up to 10.75 inches outside diameter.
2011 April	Northwest Pipe	<b>Capacity expansion:</b> Northwest Pipe added an annual capacity of 100,000 short tons and announced upgrades to its Atchison, KS facility to produce ERW line pipe up to 16 inches OD.
2011 May	U.S. Steel	<b>Operational changes:</b> U.S. Steel took operational control over the McKeesport, PA pipe mill formerly operated by Camp Hill Corporation.
2012 May	JMC Steel	<b>Operational changes:</b> JMC Steel acquired Lakeside Steel in a \$58 million purchase. Lakeside Steel facilities were combined with JMC Steel tubular assets and renamed EnergyX.
2012 November	Welspun	<b>Capacity expansion:</b> Welspun announced production at its Little Rock, AR facility that has an annual capacity between 175,000-225,000 short tons per year. The facility will produce ERW line pipe between 6 -20 inches OD in grades up to X80.
2013 May	Prolamsa	<b>Capacity expansion:</b> Prolamsa stated that it will build a pipe and tube facility at Bryan, TX with an annual capacity of 300,000 short tons to produce ERW pipe and tube products up to 16 inches OD at API and ASTM specifications.
2013 October	American Steel Pipe (ACIPCO)	<b>Capacity expansion:</b> American Steel Pipe announced an expansion of its North and South mills by an annual capacity of 350,000 short tons. The South mill produces line pipe up to 20 inches OD while the North mill produces up to 24 inches OD.
2014 March	Northwest	<b>Sale of facility:</b> Northwest sold its assets (***) in Bossier City, LA to SB International.
2014 April	EnergyX	<b>Capacity expansion:</b> ***.
2014 June-August	U.S. Steel	<b>Closure:</b> U.S. Steel closed its Bellville, TX (100,000 short tons annual capacity) and McKeesport, PA (315,000 short tons annual capacity) facilities that produced line pipe and OCTG products.
2014 September	California Steel Industries	<b>Capacity expansion:</b> California Steel Industries produced its first pipe at its pipe mill near Fontana, CA. The mill will produce line pipe up to 24 inches OD at an annual capacity of 400,000 short tons.

Source: American Metal Market, Metal Market Bulletin and Preston Pipe & Tube Report news articles.

<sup>4</sup> Preston Pipe and Tube Report, "Domestic Mill Activity", June 2014, p. 18. The Bellville, Texas facility \*\*\*. Staff telephone interview with \*\*\*.

## U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-3 presents U.S. producers' overall welded pipe production, capacity, and capacity utilization, by type of production process. As discussed in Part I, there are three different production processes for producing welded line pipe. Four producers provided capacity and production data for their HSAW mills.<sup>5</sup> \*\*\* the HSAW process to produce certain welded line pipe. Much of what is produced using the HSAW process is for welded line pipe greater than 24 inches in outside diameter.<sup>6</sup> One firm, Berg, reported having LSAW capacity. Berg produced \*\*\* of certain welded line pipe using the LSAW production process. Most of what is produced using the LSAW production process is welded line pipe greater than 24 inches in outside diameter. The ERW production process accounts for virtually all production of certain welded line pipe. ERW mills do, however, produce more of other products (including OCTG) than they do of certain welded line pipe.<sup>7</sup>

**Table III-3**  
**Certain welded line pipe: Overall U.S. producers' welded pipe capacity, production, and capacity utilization, by production process, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
Quantity (short tons)					
HSAW mills:					
Overall capacity	***	***	***	***	***
Production:					
Welded line pipe <= 24"	***	***	***	***	***
Welded line pipe > 24"	***	***	***	***	***
Other HSAW products	***	***	***	***	***
Total production	***	***	***	***	***

Table continued on next page.

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<sup>5</sup> These firms are United Spiral, Stupp, Welspun, and Evraz.

<sup>6</sup> The \*\*\* capacity utilization rate for HSAW mills is largely affected by data provided by \*\*\* which reported annual HSAW capacity of \*\*\* short tons for each year during 2011-13 but reported production of \*\*\*. \*\*\*. Its production was \*\*\* short tons in January-June 2013 and \*\*\* short tons in January-June 2014.

<sup>7</sup> Other products include OCTG as well as standard and structural pipe and tube.

**Table III-3--Continued**

**Certain welded line pipe: Overall U.S. producers' welded pipe capacity, production, and capacity utilization, by production process, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
LSAW mills:					
Overall capacity	***	***	***	***	***
Production:					
Welded line pipe <= 24"	***	***	***	***	***
Welded line pipe > 24"	***	***	***	***	***
Other LSAW products	***	***	***	***	***
Total production	***	***	***	***	***
ERW mills:					
Overall capacity	5,541,994	5,670,025	5,997,172	3,028,560	3,021,857
Production:					
Welded line pipe <= 24"	1,446,966	1,616,295	1,306,275	699,229	686,143
Welded line pipe > 24"	0	0	0	0	0
Oil country tubular goods	1,674,556	1,745,416	2,056,533	1,043,157	993,385
Other ERW products	543,907	506,085	551,190	266,493	252,870
Total production	3,665,429	3,867,796	3,913,998	2,008,879	1,932,398
Total overall capacity	6,687,994	6,821,025	7,195,172	3,609,846	3,644,857
Overall production:					
Welded line pipe <= 24"	1,450,900	1,623,203	1,307,286	699,735	686,723
Welded line pipe > 24"	349,400	272,365	635,573	354,690	190,638
Other products	2,231,760	2,317,422	2,615,533	1,316,110	1,249,805
Total overall production	4,032,060	4,212,990	4,558,392	2,370,535	2,127,166
<b>Capacity utilization (percent)</b>					
HSAW mills	***	***	***	***	***
LSAW mills	***	***	***	***	***
ERW mills	***	***	***	***	***
All mills combined	60.3	61.8	63.4	65.7	58.4
<b>Ratio to overall production (percent)</b>					
Overall production:					
Welded line pipe <= 24"	36.0	38.5	28.7	29.5	32.3
Welded line pipe > 24"	8.7	6.5	13.9	15.0	9.0
Other products	55.4	55.0	57.4	55.5	58.8
Total production	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-4 presents data regarding U.S. producers' production, capacity, and capacity utilization. U.S. capacity of certain welded line pipe increased by 7.7 percent (approximately 167,000 short tons) from 2011 to 2013. Capacity was 1.4 percent (approximately 17,000 short tons less in January-June 2014 than in January-June 2013).

The increase in capacity from 2012 to 2013 is due to the combination of Welspun's new ERW mill coming online, along with \*\*\* investments in new capacity expanding equipment. \*\*\*

also reporting increasing capacity, but its increase was due to changes in product mix which affected allocated capacity.<sup>8</sup> These combined increases in reported capacity offset the \*\*\* short tons of declining capacity reported by \*\*\* and \*\*\* short tons of declining capacity reported by \*\*\*. The declines reported by \*\*\* reflect the reduction of operations at its \*\*\* facility as less capacity was allocated to welded line pipe as its output of that product declined.<sup>9</sup> \*\*\* reported decline in capacity reflects \*\*\*.<sup>10</sup>

**Table III-4  
Certain welded line pipe: U.S. producers' production, capacity, and capacity utilization of certain welded line pipe, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
Capacity	2,188,400	2,291,751	2,342,745	1,206,866	1,189,582
Production	1,446,966	1,616,295	1,306,275	699,265	686,143
<b>Ratio (percent)</b>					
Capacity utilization	66.1	70.5	55.8	57.9	57.7

Source: Compiled from data submitted in response to Commission questionnaires.

Production fluctuated during 2011-13. Production increased by 11.7 percent from 2011 to 2012, but decreased by 19.2 percent from 2012 to 2013, for an overall decrease of 9.7 percent from 2011 to 2013. Production was 1.9 percent lower in January-June 2014 than in January-June 2013.

Capacity utilization rates also fluctuated during 2011-13. The increase in production from 2011 to 2012 outpaced the increase in capacity, resulting in a 4.4 percentage point increase in capacity utilization. Capacity utilization, however, declined by 14.8 percentage points from 2012 to 2013. The decrease in production from 2012 to 2013 largely accounts for the lower utilization rate. Capacity utilization in January-June 2014 was virtually the same as it was in January-June 2013.

### U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-5 presents U.S. producers' U.S. shipments, export shipments, and total shipments.<sup>11</sup> The quantity of U.S. producers' U.S. shipments increased by 12.9 percent from 2011 to 2012, but decreased by 21.7 percent from 2012 to 2013, resulting in an overall decrease of 11.6 percent for 2011-13. U.S. producers' U.S. shipments were 6.9 percent lower in January-June 2014 compared to January-June 2013. U.S. producers' export shipments more than doubled during 2011-13, and were higher in January-June 2014 than in January-June 2013,

<sup>8</sup> E-mail from \*\*\*, November 17, 2014.

<sup>9</sup> E-mail from \*\*\*, November 17, 2014.

<sup>10</sup> E-mail from \*\*\*, November 17, 2014.

<sup>11</sup> No U.S. producer reported any internal consumption or transfers to related firms.

but did not represent more than 5.8 percent of total shipments during any full or partial year period. The average unit values of U.S. producers' U.S. shipments increased by 1.3 percent from 2011 to 2012, but decreased by 14.6 percent from 2012 to 2013, resulting in an overall decrease of 13.5 percent from 2011 to 2013. The average unit values of U.S. producers' U.S. shipments were 9.4 percent lower in January-June 2014 compared to January-June 2013.

**Table III-5**  
**Certain welded line pipe: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
U.S. shipments	1,385,741	1,563,874	1,224,466	639,964	595,675
Export shipments	32,797	38,089	69,232	17,795	36,349
Total shipments	1,418,538	1,601,963	1,293,698	657,759	632,024
<b>Value (1,000 dollars)</b>					
U.S. shipments	1,813,926	2,073,429	1,386,324	754,222	636,236
Export shipments	40,696	267,709	68,824	18,370	36,405
Total shipments	1,854,622	2,341,138	1,455,148	772,592	672,641
<b>Unit value (dollars per short ton)</b>					
U.S. shipments	1,309	1,326	1,132	1,179	1,068
Export shipments	1,241	7,029	994	1,032	1,002
Total shipments	1,307	1,461	1,125	1,175	1,064
<b>Share of quantity (percent)</b>					
U.S. shipments	97.7	97.6	94.6	97.3	94.2
Export shipments	2.3	2.4	5.4	2.7	5.8
Total shipments	100.0	100.0	100.0	100.0	100.0
<b>Share of value (percent)</b>					
U.S. shipments	97.8	88.6	95.3	97.6	94.6
Export shipments	2.2	11.4	4.7	2.4	5.4
Total shipments	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

## U.S. PRODUCERS' INVENTORIES

Table III-6 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments.

**Table III-6**  
**Certain welded line pipe: U.S. producers' inventories, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
U.S. producers' end-of-period inventories	92,457	102,614	108,518	143,575	161,243
<b>Ratio (percent)</b>					
Ratio of inventories to.-- U.S. production	6.4	6.3	8.3	10.3	11.7
U.S. shipments	6.7	6.6	8.9	11.2	13.5
Total shipments	6.5	6.4	8.4	10.9	12.8

Source: Compiled from data submitted in response to Commission questionnaires.

## U.S. PRODUCERS' IMPORTS AND PURCHASES

No U.S. producer imported subject merchandise or purchased subject imports from an importer.

## U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-7 shows U.S. producers' employment-related data during the period examined. The number of production and related workers increased by 19.4 percent from 2011 to 2012, but decreased by 14.0 percent from 2012 to 2013, resulting in an overall increase of 2.7 percent during 2011-13. The number of production and related workers was 2.7 percent higher in January-June 2013 compared to January to June 2014. Production and related workers' hours worked and wages paid exhibited the same changes as number of production and related workers. Productivity, however, decreased steadily during 2011-13, and was lower in January-June 2014 compared to January-June 2013. Likewise, unit labor costs increased steadily during 2011-13, and was \$4.49 per short ton higher in January-June 2014 compared to January-June 2013.



**Table III-7**

**Certain welded line pipe: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
Production-related workers (PRWs) (number)	1,815	2,167	1,864	1,960	2,012
Total hours worked (1,000 hours)	3,852	4,495	3,745	1,927	2,006
Hours worked per PRW (hours)	2,122	2,074	2,009	983	997
Wages paid (\$1,000 dollars)	93,068	115,408	98,504	49,622	51,769
Hourly wages (dollars per hour)	24.16	25.67	26.30	25.75	25.81
Productivity (short tons per 1,000 hours)	371.8	359.6	348.8	362.9	342.0
Unit labor costs (dollars per short tons)	64.98	71.41	75.41	70.96	75.45

*Source:* Compiled from data submitted in response to Commission questionnaires.



## PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

### U.S. IMPORTERS

The Commission issued importer questionnaires to 30 firms believed to be importers of certain welded line pipe, as well as to all U.S. producers of certain welded line pipe.<sup>1</sup> Usable questionnaire responses were received from 23 companies, representing 96.2 percent of imports from Korea, 88.5 percent of imports from Turkey, and 50.6 percent of imports from all other sources in 2013.<sup>2</sup> Table IV-1 lists all responding U.S. importers of certain welded line pipe from Korea, Turkey, and other sources, their locations, and their shares of U.S. imports, in 2013.

**Table IV-1**  
**Certain welded line pipe: U.S. importers by source, and share of imports by source, 2013**

Firm	Headquarters	Share of imports by source (percent)		
		Korea	Turkey	All other sources
Borusan	Houston, TX	***	***	***
C&F International	Houston, TX	***	***	***
CMC	Irving, TX	***	***	***
CPW America	Houston, TX	***	***	***
Daewoo	Teaneck, NJ	***	***	***
Dongbu	Torrance, CA	***	***	***
Evraz	Chicago, IL	***	***	***
Husteel	Houston, TX	***	***	***
Hyundai Corp.	Torrance, CA	***	***	***
Hyundai HYSCO	Houston, TX	***	***	***
Kurt Orban	Burlingame, CA	***	***	***
MC Tubular	Houston, TX	***	***	***
SeAH	Santa Fe Springs, CA	***	***	***
Sumitomo	Houston, TX	***	***	***
Sunbelt Group L.P.	Houston, TX	***	***	***

Table continued on next page.

<sup>1</sup> The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data \*\*\*, may have imported certain welded line pipe.

<sup>2</sup> U.S. imports are based on official import statistics for the following seven statistical reporting numbers from the HTSUS: 7305.11.1030, 7305.12.1030, 7305.19.1030, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150. (See Part I for a discussion of the use of these statistical reporting numbers).

**Table IV-1--Continued****Certain welded line pipe: U.S. importers by source, and share of imports by source, 2013**

Firm	Headquarters	Share of imports by source (percent)		
		Korea	Turkey	All other sources
TATA International	Schaumburg, IL	***	***	***
TATA Steel International	Schaumburg, IL	***	***	***
Ternium	Houston, TX	***	***	***
TMK IPSCO	Houston, TX	***	***	***
Toyota Tsusho	Georgetown, KY	***	***	***
Marubeni-Itochu	Houston, TX	***	***	***
Salzgitter Mannesmann International (USA), Inc.	Houston, TX	***	***	***
Tosyali Dis Ticaret A.S.	Hatay, Turkey	***	***	***
Total		***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

## U.S. IMPORTS

Table IV-2 presents data for U.S. imports of certain welded line pipe from Korea, Turkey, and major nonsubject sources.<sup>3</sup> Table IV-2 also presents data for the ratio of imports to U.S. production. U.S. imports from Korea increased by 36.0 percent from 2011 to 2012, but decreased by 3.5 percent from 2012 to 2013. U.S. imports from Korea were 16.9 percent lower in January-June 2014 than in January-June 2013. U.S. imports from Turkey increased by 192.6 percent from 2011 to 2012, but decreased by 0.7 percent from 2012 to 2013. U.S. imports from Turkey were 18.8 percent lower in January-June 2014 than in January-June 2013. Imports from nonsubject sources exhibited the same trend as subject imports, increasing from 2011 to 2012, but decreasing from 2012 to 2013, and lower in January-June 2014 compared to January-June 2013. The increase in imports from nonsubject sources (led by Germany and the United Kingdom) from 2011 to 2012 (338,538 short tons) was greater than the increase in imports from subject sources (215,493 short tons). The decrease in imports from nonsubject sources from 2012 to 2013 (388,690 short tons) was also greater than the decrease in imports from subject sources (26,583 short tons). The average unit value of imports from nonsubject sources was greater than the average unit value of imports from subject sources throughout 2011-June 2014, by \$110 per short ton to \$286 per short ton.

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<sup>3</sup> Additional summary data, including import statistics, are provided in appendix C. Table C-2 provides data for welded line pipe not more than 16 inches in outside diameter and table C-3 provides data for welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches.

**Table IV-2**  
**Certain welded line pipe: U.S. imports by source, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
U.S. imports from.--					
Korea	550,707	749,029	722,892	419,982	348,849
Turkey	22,717	66,472	66,025	36,726	29,828
Subject	573,425	815,501	788,917	456,707	378,677
Canada	18,138	38,732	46,791	12,496	18,558
Germany	18,001	138,439	32,448	21,548	42,144
Greece	48,840	116,718	51,098	28,738	5,064
Japan	144,123	209,002	92,515	44,490	20,041
Mexico	140,762	115,958	120,822	73,808	62,179
United Kingdom	23,801	145,100	57,307	55,342	5,245
All other sources	168,940	137,193	111,472	56,311	62,132
Nonsubject total	562,605	901,143	512,453	292,733	215,364
Total	1,136,029	1,716,644	1,301,370	749,440	594,041
<b>Value (1,000 dollars)</b>					
U.S. imports from.--					
Korea	515,789	711,513	602,585	357,292	266,643
Turkey	19,856	57,744	51,901	29,246	31,109
Subject	535,644	769,257	654,486	386,537	297,752
Canada	26,825	52,048	46,230	12,927	19,397
Germany	26,609	170,555	38,666	27,111	37,086
Greece	54,448	143,774	57,530	31,708	5,595
Japan	167,954	258,730	106,504	50,547	22,050
Mexico	165,857	130,139	118,272	73,297	57,578
United Kingdom	23,729	228,941	89,985	88,098	3,973
All other sources	153,178	122,980	94,167	46,938	47,377
Nonsubject total	618,600	1,107,167	551,354	330,626	193,055
Total	1,154,245	1,876,424	1,205,840	717,164	490,807

Table continued on next page.

**Table IV-2--Continued**

**Certain welded line pipe: U.S. imports by source, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Unit value (dollars per short ton)</b>					
U.S. imports from.--					
Korea	937	950	834	851	764
Turkey	874	869	786	796	1,043
Subject	934	943	830	846	786
Canada	1,479	1,344	988	1,034	1,045
Germany	1,478	1,232	1,192	1,258	880
Greece	1,115	1,232	1,126	1,103	1,105
Japan	1,165	1,238	1,151	1,136	1,100
Mexico	1,178	1,122	979	993	926
United Kingdom	997	1,578	1,570	1,592	757
All other sources	907	896	845	834	763
Nonsubject total	1,100	1,229	1,076	1,129	896
Total	1,016	1,093	927	957	826
<b>Share of quantity (percent)</b>					
U.S. imports from.--					
Korea	48.5	43.6	55.5	56.0	58.7
Turkey	2.0	3.9	5.1	4.9	5.0
Subject	50.5	47.5	60.6	60.9	63.7
Canada	1.6	2.3	3.6	1.7	3.1
Germany	1.6	8.1	2.5	2.9	7.1
Greece	4.3	6.8	3.9	3.8	0.9
Japan	12.7	12.2	7.1	5.9	3.4
Mexico	12.4	6.8	9.3	9.8	10.5
United Kingdom	2.1	8.5	4.4	7.4	0.9
All other sources	14.9	8.0	8.6	7.5	10.5
Nonsubject total	49.5	52.5	39.4	39.1	36.3
Total	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

**Table IV-2--Continued**

**Certain welded line pipe: U.S. imports by source, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Share of value (percent)</b>					
U.S. imports from.--					
Korea	44.7	37.9	50.0	49.8	54.3
Turkey	1.7	3.1	4.3	4.1	6.3
Subject	46.4	41.0	54.3	53.9	60.7
Canada	2.3	2.8	3.8	1.8	4.0
Germany	2.3	9.1	3.2	3.8	7.6
Greece	4.7	7.7	4.8	4.4	1.1
Japan	14.6	13.8	8.8	7.0	4.5
Mexico	14.4	6.9	9.8	10.2	11.7
United Kingdom	2.1	12.2	7.5	12.3	0.8
All other sources	13.3	6.6	7.8	6.5	9.7
Nonsubject total	53.6	59.0	45.7	46.1	39.3
Total	100.0	100.0	100.0	100.0	100.0
<b>Ratio to U.S. production (percent)</b>					
U.S. imports from.--					
Korea	38.1	46.3	55.3	60.1	50.8
Turkey	1.6	4.1	5.1	5.3	4.3
Subject	39.6	50.5	60.4	65.3	55.2
Canada	1.3	2.4	3.6	1.8	2.7
Germany	1.2	8.6	2.5	3.1	6.1
Greece	3.4	7.2	3.9	4.1	0.7
Japan	10.0	12.9	7.1	6.4	2.9
Mexico	9.7	7.2	9.2	10.6	9.1
United Kingdom	1.6	9.0	4.4	7.9	0.8
All other sources	11.7	8.5	8.5	8.1	9.1
Nonsubject total	38.9	55.8	39.2	41.9	31.4
Total	78.5	106.2	99.6	107.2	86.6

Note.—Line pipe not more than 16 inches in outside diameter from China is subject to antidumping and countervailing duty orders (*Circular Welded Carbon Quality Steel Line Pipe From the People's Republic of China: Continuation of Antidumping and Countervailing Duty Orders*, 79 FR 28894, May 20, 2014) and line pipe line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches from Japan is subject to an antidumping duty order (*Welded Large Diameter Line Pipe From Japan: Continuation of Antidumping Duty Order*, 78 FR 64477, October 29, 2013).

Source: Compiled from official Commerce statistics.

## NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.<sup>4</sup> Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.<sup>5</sup> Table IV-3 presents data for imports during October 2013-September 2014 for Turkey and Korea and their individual shares of total imports. Imports from Korea accounted for 57.2 percent of total imports of certain welded line pipe and imports from Turkey accounted for 5.6 percent.<sup>6</sup>

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<sup>4</sup> Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

<sup>5</sup> Section 771 (24) of the Act (19 U.S.C § 1677(24)).

<sup>6</sup> During October 2013-September 2014, Korea accounted for 58.6 percent of total imports of welded line pipe not more than 16 inches in outside diameter. Imports from Turkey accounted for 7.5 percent of total imports in this size range. During October 2013-September 2014, Korea accounted for 53.1 percent of total imports of welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches. There were no imports from Turkey in this size range.



**Table IV-3**  
**Certain welded line pipe: U.S. imports by source and share of imports, October 2013-September 2014**

Month	Quantity (short tons)		
	Korea	Turkey	All other sources
2013 -- October	46,121	2,657	34,254
November	24,826	8,517	28,052
December	39,667	5,959	42,715
2014 -- January	66,932	0	28,297
February	47,220	11,420	35,311
March	32,405	531	44,949
April	62,056	4,741	51,360
May	88,666	10,057	36,041
June	51,570	3,079	19,406
July	65,034	8,476	48,561
August	99,348	613	29,983
September	51,137	10,251	39,269
Total	674,982	66,300	438,198
Share of total imports Oct. 2013-Sept. 2014	57.2	5.6	37.2

Source: Compiled from official Commerce statistics.

### CUMULATION CONSIDERATIONS

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product and has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market is presented below.

#### Fungibility

Table IV-4 presents data for U.S. producers' U.S. shipments and importers' imports of certain welded line pipe by size ranges. U.S. producers and importers from Korea supplied certain welded line pipe in both size ranges. Importers from Turkey did not supply any certain welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches.

Table IV-4

**Certain welded line pipe: U.S. producers' U.S. shipments by size and imports by size, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January-June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
<b>U.S. producers' U.S. shipments</b>					
<=16 inches	914,411	1,019,486	837,769	471,729	394,916
> 16 inches <= 24 inches	461,670	551,170	386,697	168,235	200,759
Total	1,376,081	1,570,656	1,224,466	639,964	595,675
<b>U.S. imports from:</b>					
<b>Korea</b>					
<=16 inches	485,551	597,204	570,876	353,290	274,526
> 16 inches <= 24 inches	65,156	151,825	152,016	66,692	74,323
Total	550,707	749,029	722,892	419,982	348,849
<b>Turkey</b>					
<=16 inches	22,717	66,472	66,025	36,726	29,828
> 16 inches <= 24 inches	0	0	0	0	0
Total	22,717	66,472	66,025	36,726	29,828
<b>All other sources</b>					
<=16 inches	357,022	446,733	296,836	166,121	155,689
> 16 inches <= 24 inches	205,582	454,409	215,616	126,612	59,675
Total	562,605	901,143	512,453	292,733	215,364

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

### Presence in the market

Official Commerce data for U.S. imports were used to evaluate subject import presence in the market. Table IV-5 summarizes the number of months during January 2011-September 2014 in which imports were present from Korea and Turkey, by size range. Imports of certain welded line pipe from Korea were present in all 45 months during January 2011-September 2014. Imports from Korea of welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches and imports from Korea of welded line pipe not more than 16 inches in outside diameter were each also present in all 45 months during January 2011-September 2014. August 2014 represented the largest quantity of imports from Korea entered during a single month, with 99,348 short tons.

Imports of certain welded line pipe from Turkey were present in 37 months during January 2011-September 2014 (eight months during 2011, eleven months during 2012, ten months during 2013, and eight months during January-September 2014). Imports from Turkey were exclusively for welded line pipe not more than 16 inches in outside diameter. October 2012 represented the largest quantity of imports from Turkey entered during a single month, with 15,799 short tons.

Imports of certain welded line pipe from all other sources were present in all 45 months during January 2011-September 2014. Imports from all other sources of welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches and imports from all other sources of welded line pipe not more than 16 inches in outside diameter were each also present in all 45 months during January 2011-September 2014. March 2012 represented the largest quantity of imports from all other sources entered during a single month, with 130,172 short tons.

**Table IV-5**  
**Certain welded line pipe: Monthly U.S. imports, by source, 2011-13, and January-September 2014**

Month	Period			
	2011	2012	2013	2014
<b>Quantity (short tons)</b>				
U.S. imports from Korea --				
January	58,061	79,476	78,728	66,932
February	35,468	40,176	49,178	47,220
March	36,890	66,466	80,155	32,405
April	60,079	68,121	63,622	62,056
May	33,124	70,849	58,135	88,666
June	64,161	42,374	90,164	51,570
July	52,063	82,363	55,717	65,034
August	50,780	62,080	66,019	99,348
September	47,595	47,228	70,561	51,137
October	39,721	83,268	46,121	
November	37,962	68,913	24,826	
December	34,803	37,716	39,667	
Total	550,707	749,029	722,892	564,369
U.S. imports from Turkey --				
January	5,016	0	526	0
February	278	6,782	14,342	11,420
March	0	8,424	1,256	531
April	3,933	90	2,073	4,741
May	1,621	5,976	4,458	10,057
June	0	202	14,070	3,079
July	0	5,817	12,167	8,476
August	5,062	11,313	0	613
September	1,699	518	0	10,251
October	1,089	15,799	2,657	
November	0	11,243	8,517	
December	4,020	309	5,959	
Total	22,717	66,472	66,025	49,167

Table continued on next page.

**Table IV-5--Continued****Certain welded line pipe: Monthly U.S. imports, by source, 2011-13, and January-September 2014**

Month	Period			
	2011	2012	2013	2014
<b>Quantity (short tons)</b>				
U.S. imports from all other sources --				
January	30,223	47,360	56,688	28,297
February	33,856	47,975	49,036	35,311
March	66,483	130,172	57,086	44,949
April	69,304	105,028	43,084	51,360
May	52,359	65,135	48,811	36,041
June	37,707	99,592	38,028	19,406
July	35,564	118,246	29,187	48,561
August	41,309	70,836	40,663	29,983
September	47,436	46,436	44,849	39,269
October	60,320	62,569	34,254	
November	34,207	75,319	28,052	
December	53,836	32,475	42,715	
Total	562,605	901,143	512,453	333,177

Source: Compiled from official Commerce statistics.

### Geographical markets

According to Commerce statistics, 75.6 percent of U.S. imports of certain welded line pipe from Korea entered the United States through the Houston-Galveston, Texas, customs district in 2013. The second largest point of entry for subject imports from Korea, representing 11.2 percent of imports, was the Los Angeles, California, customs district. No other customs district accounted for more than 3.5 percent of subject imports from Korea. Subject imports from Turkey were more concentrated, with 99.6 percent entering through the Houston-Galveston, Texas, customs district in 2013. Entries of imports from all other sources were concentrated in three customs districts: Houston-Galveston, Texas (40.1 percent), New Orleans, Louisiana (16.8 percent), and Laredo, Texas (23.6 percent).

In 2013, imports of welded line pipe not more than 16 inches in outside diameter from Korea primarily entered through the Houston-Galveston, Texas customs district (73.4 percent). The Los Angeles, California customs district was the second largest point of entry (12.8 percent). As discussed above, there were no imports from Turkey of welded line pipe greater than 16 inches in diameter. Accordingly, entries by customs district of welded line pipe not more than 16 inches in outside diameter is the same as entries of all subject merchandise from Turkey—99.6 percent through the Houston-Galveston, Texas customs district. Nearly 75 percent of imports from all other sources entered through the customs districts of New Orleans, Louisiana (40.5 percent) and Houston-Galveston, Texas (33.9 percent).

Imports of welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches from Korea primarily entered through the Houston-Galveston, Texas customs district, representing 83.9 percent of entries in 2013. There were no imports from Turkey of welded line pipe in this size range. Imports from all other sources in this size range entered mainly through the customs districts Houston-Galveston, Texas (48.6 percent) or Laredo, Texas (37.5 percent); no other customs district accounted for more than 6 percent of entries.

### APPARENT U.S. CONSUMPTION

Table IV-6 presents data on apparent U.S. consumption and U.S. market shares for certain welded line pipe.

**Table IV-6**  
**Certain welded line pipe: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
U.S. producers' U.S. shipments	1,385,741	1,563,874	1,224,466	639,964	595,675
U.S. imports from.--					
Korea	550,707	749,029	722,892	419,982	348,849
Turkey	22,717	66,472	66,025	36,726	29,828
Subject	573,425	815,501	788,917	456,707	378,677
Canada	18,138	38,732	46,791	12,496	18,558
Germany	18,001	138,439	32,448	21,548	42,144
Greece	48,840	116,718	51,098	28,738	5,064
Japan	144,123	209,002	92,515	44,490	20,041
Mexico	140,762	115,958	120,822	73,808	62,179
United Kingdom	23,801	145,100	57,307	55,342	5,245
All other sources	168,940	137,193	111,472	56,311	62,132
Nonsubject total	562,605	901,143	512,453	292,733	215,364
Total	1,136,029	1,716,644	1,301,370	749,440	594,041
Apparent U.S. consumption	2,521,770	3,280,518	2,525,836	1,389,404	1,189,716

Table continued on next page.

**Table IV-6--Continued**

**Certain welded line pipe: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
<b>Value (1,000 dollars)</b>					
U.S. producers' U.S. shipments	1,813,926	2,073,429	1,386,324	754,222	636,236
U.S. imports from--					
Korea	515,789	711,513	602,585	357,292	266,643
Turkey	19,856	57,744	51,901	29,246	31,109
Subject	535,644	769,257	654,486	386,537	297,752
Canada	26,825	52,048	46,230	12,927	19,397
Germany	26,609	170,555	38,666	27,111	37,086
Greece	54,448	143,774	57,530	31,708	5,595
Japan	167,954	258,730	106,504	50,547	22,050
Mexico	165,857	130,139	118,272	73,297	57,578
United Kingdom	23,729	228,941	89,985	88,098	3,973
All other sources	153,178	122,980	94,167	46,938	47,377
Nonsubject total	618,600	1,107,167	551,354	330,626	193,055
Total	1,154,245	1,876,424	1,205,840	717,164	490,807
Apparent U.S. consumption	2,968,171	3,949,853	2,592,164	1,471,386	1,127,043

Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.

## U.S. MARKET SHARES

U.S. market share data are presented in table IV-7.

**Table IV-7**  
**Certain welded line pipe: U.S. consumption and market shares, 2011-13, January-June 2013, and January-June 2014**

Item	Calendar year			January to June	
	2011	2012	2013	2013	2014
<b>Share of quantity (percent)</b>					
U.S. producers' U.S. shipments	55.0	47.7	48.5	46.1	50.1
U.S. imports from.--					
Korea	21.8	22.8	28.6	30.2	29.3
Turkey	0.9	2.0	2.6	2.6	2.5
Subject	22.7	24.9	31.2	32.9	31.8
Canada	0.7	1.2	1.9	0.9	1.6
Germany	0.7	4.2	1.3	1.6	3.5
Greece	1.9	3.6	2.0	2.1	0.4
Japan	5.7	6.4	3.7	3.2	1.7
Mexico	5.6	3.5	4.8	5.3	5.2
United Kingdom	0.9	4.4	2.3	4.0	0.4
All other sources	6.7	4.2	4.4	4.1	5.2
Nonsubject total	22.3	27.5	20.3	21.1	18.1
Total	45.0	52.3	51.5	53.9	49.9
<b>Share of value (percent)</b>					
U.S. producers' U.S. shipments	61.1	52.5	53.5	51.3	56.5
U.S. imports from.--					
Korea	17.4	18.0	23.2	24.3	23.7
Turkey	0.7	1.5	2.0	2.0	2.8
Subject	18.0	19.5	25.2	26.3	26.4
Canada	0.9	1.3	1.8	0.9	1.7
Germany	0.9	4.3	1.5	1.8	3.3
Greece	1.8	3.6	2.2	2.2	0.5
Japan	5.7	6.6	4.1	3.4	2.0
Mexico	5.6	3.3	4.6	5.0	5.1
United Kingdom	0.8	5.8	3.5	6.0	0.4
All other sources	5.2	3.1	3.6	3.2	4.2
Nonsubject total	20.8	28.0	21.3	22.5	17.1
Total	38.9	47.5	46.5	48.7	43.5

Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.





## PART V: PRICING DATA

### FACTORS AFFECTING PRICES

#### Raw material costs

Certain welded line pipe is primarily made from hot-rolled steel in coils. Raw materials were 65.8 percent of U.S. producers' net sales in 2011 and increased to 71.0 percent in 2013. Published U.S. prices for hot-rolled sheet reached \$887 per short ton in 2011, then declined irregularly through mid-2013, before generally increasing through the remainder of 2013 and into 2014. Published U.S. prices for hot-rolled sheet averaged \$660 per short ton in 2012, \$631 per short ton in 2013, and \$666 per short ton in the first half of 2014. Hot-rolled sheet prices averaged \$669 per short ton in the third quarter of 2014 (figure V-1).<sup>1</sup>

According to Petitioners, certain welded line pipe is made to particular quality specifications provided by API-5L and grade specifications (e.g., X-42, X52, X60, X70); as a result, hot-rolled steel purchases reflect a premium.<sup>2</sup> \*\*\* estimates these specifications increase the raw material cost of certain welded line pipe by \$\*\*\* per short ton based on grade \*\*\* requirements and a base price reported by \*\*\*.<sup>3</sup> Maverick reportedly paid \$\*\*\* to \$\*\*\* extra for API 5L grade hot-rolled steel.<sup>4</sup> Petitioners provided comparisons of AMM prices to purchase costs of welded line pipe, (including dates between \*\*\* and \*\*\*, covering various suppliers and purchasers, and grades X42 to X70), that ranged in additional costs from \$\*\*\* per short ton to \$\*\*\* per short ton.<sup>5</sup> Petitioners also indicated that the price of line pipe is set by competitive pressures and not necessarily reflective of changes in raw material costs.<sup>6</sup>

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<sup>1</sup> American Metal Market, [www.amm.com](http://www.amm.com), retrieved November 2014.

<sup>2</sup> Conference transcript, p. 58 (DuBreuil).

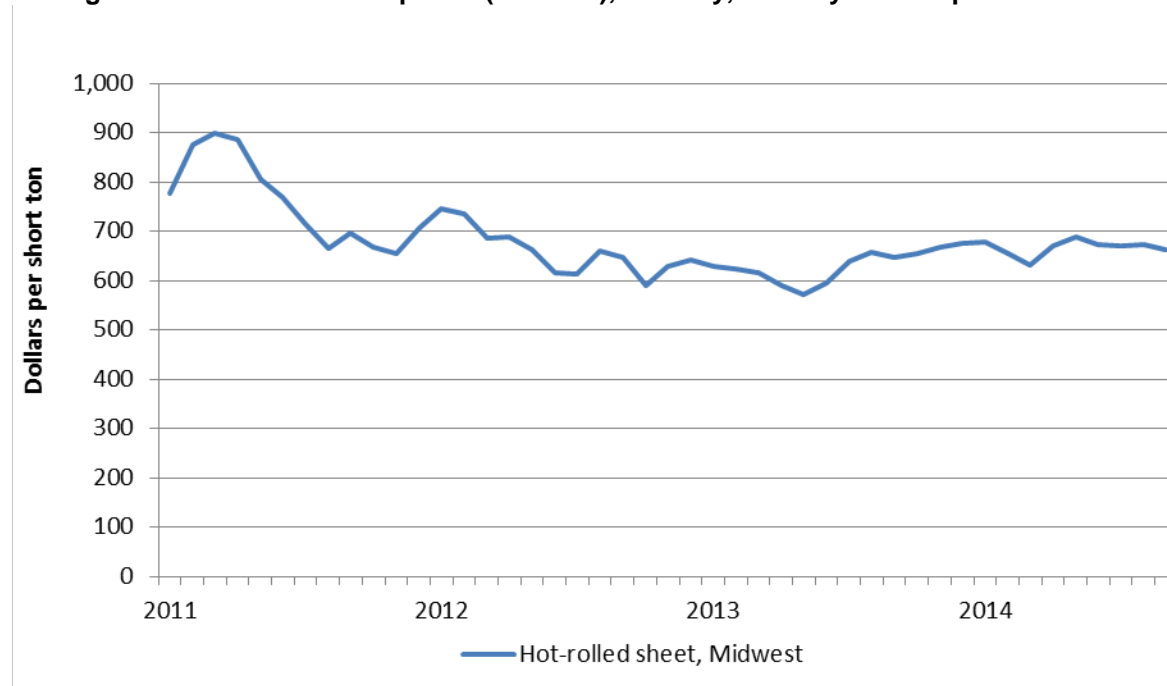
<sup>3</sup> U.S. Steel postconference brief, exhibit 1.

<sup>4</sup> Petitioner Maverick's postconference brief, exhibit 1 pp.14.

<sup>5</sup> Petitioner ACIPCO et al. postconference brief, exhibit 9.

<sup>6</sup> Conference transcript, p. 75 (Schagrin); Petitioner ACIPCO et al. postconference brief, p. 28.

**Figure V-1**  
**Average hot-rolled steel sheet prices (Midwest), monthly, January 2011-September 2014**



Source: American Metal Market, [www.amm.com](http://www.amm.com), retrieved November 2014.

### **U.S. inland transportation costs**

Eleven responding U.S. producers and eight responding importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from 1.0 percent to 10.0 percent while importers reported costs of 2.0 percent to 10.0 percent.

## **PRICING PRACTICES**

### **Pricing methods**

U.S. producers and importers reported using primarily transaction-by-transaction negotiations, with more limited use of contracts, price lists, and other methods (table V-1).

**Table V-1**

**Certain welded line pipe: U.S. producers and importers reported price setting methods, by number of responding firms**

<b>Method</b>	<b>U.S. producers</b>	<b>Importers</b>
<b>Transaction-by-transaction</b>	12	21
<b>Contract</b>	***	***
<b>Set price list</b>	***	***
<b>Other</b>	***	***

<sup>†</sup> The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

*Source:* Compiled from data submitted in response to Commission questionnaires.

U.S. producers reported selling most of their certain welded line pipe in the spot market while importers of Korean line pipe reported selling primarily under short-term contracts and importers of Turkish line pipe reported selling \*\*\* in the spot market (table V-2).

**Table V-2**

**Certain welded line pipe: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2013**

<b>Type of sale</b>	<b>U.S. producers</b>	<b>Importers</b>	
		<b>Korea</b>	<b>Turkey</b>
<b>Long-term contracts</b>	0.0	0.0	***
<b>One year contracts</b>	0.0	0.0	***
<b>Short-term contracts</b>	30.4	96.0	***
<b>Spot sales</b>	69.6	4.0	***
<b>Total</b>	100.0	100.0	100.0

Note.--Because of rounding, figures may not add to the totals shown.

*Source:* Compiled from data submitted in response to Commission questionnaires.

### **Sales terms and discounts**

U.S. producers and importers typically quote prices on an f.o.b. basis. Most U.S. producers do not offer discounts, although \*\*\* offers quantity and total volume discounts and \*\*\* producers indicated other discount policies, including \*\*\* and \*\*\*. Seven of twelve responding producers reported sales terms of net 30 days, four reported sales terms of 2/10 net 30 days, and four reported other sales terms. Most importers reported that they did not offer discounts; \*\*\* offers a discount based on early payment. The majority of importers (12 of 13) reported sales terms of net 30 days.

Approved manufacturer's lists (AMLs) can also affect sales. End users use AMLs as a quality control device to evaluate potential suppliers.<sup>7</sup> Most U.S. producers are on these AMLs,

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<sup>7</sup> Conference transcript, pp. 100-101 (Snow).

as well as most Korean producers.<sup>8</sup> Turkish respondent, Tosçelik, contends that it is not an end user AMLs.<sup>9</sup>

### PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following certain welded line pipe products shipped to unrelated U.S. customers from January 2011 to June 2014.

**Product 1.-- API 5L Grade B/X42 welded pipe, 6-inch nominal size (6.625 inch O.D.), plain end, with a wall thickness of 0.280 inch.**

**Product 2.-- API 5L Grade B/X42 welded pipe, 8-inch nominal size (8.625 inch O.D.), plain end, with wall thickness of 0.322 inch.**

**Product 3.-- API 5L Grade B/X42 welded pipe, 12-inch nominal size (12.75 inch O.D.), plain end, with a wall thickness of 0.375 inch.**

**Product 4.-- API 5L Grade B/X60 welded pipe, 24-inch nominal size (24 inch O.D.), plain end, with a wall thickness of 0.375 inch.**

Eleven U.S. producers and ten importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately 5.2 percent of U.S. producers' shipments of product, 6.3 percent of U.S. shipments of subject imports from Korea, and \*\*\* percent of U.S. shipments of subject imports from Turkey in 2013. Staff received usable pricing data for 14 quarters of products 1, 2, and 3, and received 8 quarters of pricing data for product 4 from U.S. producers. Staff received useable pricing data for 14 quarters for all four pricing products imported from Korea but received only one quarter of pricing data for products 1 and 3, three quarters for product 2, and no pricing data for product 4 for imports from Turkey.<sup>10</sup>

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<sup>8</sup> Conference transcript, pp. 100-101 (Snow). Ms. Snow, testifying for Korean Respondents, also stated that many end users do not accept imports on the AMLs in reality.

<sup>9</sup> Conference transcript, p. 133 (Simon).

<sup>10</sup> Turkish importer, \*\*\*, did not report pricing data as requested by staff. \*\*\* imports certain welded line pipe from Turkish producer \*\*\*, who produces \*\*\*. According to \*\*\*, line pipe produced at \*\*\* do not require mill test certificates and, therefore, cannot be used in oil and gas pipeline systems. \*\*\* believes this material does not sell head-to-head with domestic industry products, and is not used in the usage of oil and gas fields or oil and gas pipelines. Email with \*\*\*, Counsel to \*\*\*, November 20, 2014.

Price data for products 1-4 are presented in tables V-3 to V-6 and figures V-2 to V-5. Nonsubject country prices are presented in Appendix D.

**Table V-3**

**Certain welded line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 1<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2011-June 2014**

Period	United States		Korea			Turkey		
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)
<b>2011:</b>								
Jan.-Mar.	\$1,189.49	7,197	\$899.98	5,398	24.3	--	0	--
Apr.-June	1,335.14	6,493	892.10	3,838	33.2	--	0	--
July-Sept.	1,298.75	5,863	1,040.33	4,322	19.9	--	0	--
Oct.-Dec.	1,247.45	3,746	997.56	2,949	20.0	\$***	***	***
<b>2012:</b>								
Jan.-Mar.	1,281.06	6,604	963.60	3,786	24.8	--	0	--
Apr.-June	1,260.32	6,686	944.27	5,440	25.1	--	0	--
July-Sept.	1,180.11	4,815	979.06	7,767	17.0	--	0	--
Oct.-Dec.	1,175.81	9,005	916.35	3,407	22.1	--	0	--
<b>2013:</b>								
Jan.-Mar.	1,042.04	4,141	886.16	4,179	15.0	--	0	--
Apr.-June	972.53	7,718	853.91	4,145	12.2	--	0	--
July-Sept.	1,001.18	5,319	817.94	4,137	18.3	--	0	--
Oct.-Dec.	954.84	4,878	772.94	1,914	19.1	--	0	--
<b>2014:</b>								
Jan.-Mar.	***	***	770.81	3,831	***	--	0	--
Apr.-June	***	***	777.48	7,098	***	--	0	--

<sup>1</sup> Product 1: API 5L Grade B/X42 welded pipe, 6-inch nominal size (6.625 inch O.D.), plain end, with a wall thickness of 0.280 inch.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-4

Certain welded line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 2<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2011-June 2014

Period	United States		Korea			Turkey		
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)
<b>2011:</b>								
Jan.-Mar.	\$1,193.85	4,093	\$895.94	6,988	25.0	--	0	--
Apr.-June	1,344.69	5,538	878.08	3,462	34.7	--	0	--
July-Sept.	1,310.32	8,016	1,027.98	4,745	21.5	--	0	--
Oct.-Dec.	1,300.09	8,454	988.46	2,578	24.0	--	0	--
<b>2012:</b>								
Jan.-Mar.	1,316.14	7,713	909.31	4,715	30.9	--	0	--
Apr.-June	1,301.60	11,321	924.16	5,221	29.0	--	0	--
July-Sept.	1,247.53	8,217	913.52	5,216	26.8	--	0	--
Oct.-Dec.	1,125.74	3,939	919.77	3,653	18.3	--	0	--
<b>2013:</b>								
Jan.-Mar.	1,063.99	5,400	853.73	3,933	19.8	\$***	***	***
Apr.-June	1,063.31	5,700	814.08	4,927	23.4	***	***	***
July-Sept.	1,084.22	3,804	817.99	3,680	24.6	***	***	***
Oct.-Dec.	1,038.25	2,808	775.86	1,700	25.3	--	0	--
<b>2014:</b>								
Jan.-Mar.	1,027.65	3,371	769.26	4,005	25.1	--	0	--
Apr.-June	977.82	3,394	776.22	6,953	20.6	--	0	--

<sup>1</sup> Product 2: API 5L Grade B/X42 welded pipe, 8-inch nominal size (8.625 inch O.D.), plain end, with wall thickness of 0.322 inch.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-5

Certain welded line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 3<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2011-June 2014

Period	United States		Korea			Turkey		
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)
<b>2011:</b>								
Jan.-Mar.	\$***	***	\$893.35	5,719	***	--	0	--
Apr.-June	1,342.80	11,422	893.12	5,774	33.5	--	0	--
July-Sept.	1,316.66	6,660	1,019.37	4,372	22.6	--	0	--
Oct.-Dec.	1,285.71	6,763	1,013.56	3,401	21.2	--	0	--
<b>2012:</b>								
Jan.-Mar.	1,378.64	10,375	892.63	6,766	35.3	--	0	--
Apr.-June	1,308.59	11,343	860.61	6,195	34.2	--	0	--
July-Sept.	***	***	940.70	5,290	***	--	0	--
Oct.-Dec.	1,058.83	6,016	847.08	4,547	20.0	--	0	--
<b>2013:</b>								
Jan.-Mar.	1,072.91	5,906	877.76	3,748	18.2	--	0	--
Apr.-June	1,059.30	5,177	836.47	4,280	21.0	\$***	***	***
July-Sept.	***	***	779.72	3,984	***	--	0	--
Oct.-Dec.	***	***	803.18	1,253	***	--	0	--
<b>2014:</b>								
Jan.-Mar.	***	***	761.96	7,649	***	--	0	--
Apr.-June	984.25	5,931	782.88	6,942	20.5	--	0	--

<sup>1</sup> Product 3: API 5L Grade B/X42 welded pipe, 12-inch nominal size (12.75 inch O.D.), plain end, with a wall thickness of 0.375 inch.

Source: Compiled from data submitted in response to Commission questionnaires.

**Table V-6**

**Certain welded line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 4<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2011-June 2014**

Period	United States		Korea			Turkey		
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)
<b>2011:</b>								
Jan.-Mar.	\$***	***	\$915.20	682	***	--	0	--
Apr.-June	***	***	896.29	538	***	--	0	--
July-Sept.	***	***	***	***	***	--	0	--
Oct.-Dec.	***	***	***	***	***	--	0	--
<b>2012:</b>								
Jan.-Mar.	--	0	990.90	1,272	--	--	0	--
Apr.-June	***	***	981.48	1,192	***	--	0	--
July-Sept.	--	0	992.10	2,412	--	--	0	--
Oct.-Dec.	***	***	***	***	***	--	0	--
<b>2013:</b>								
Jan.-Mar.	--	0	***	***	--	--	0	--
Apr.-June	--	0	***	***	--	--	0	--
July-Sept.	--	0	***	***	--	--	0	--
Oct.-Dec.	--	0	***	***	--	--	0	--
<b>2014:</b>								
Jan.-Mar.	***	***	***	***	***	--	0	--
Apr.-June	***	***	***	***	***	--	0	--

<sup>1</sup> Product 4: API 5L Grade B/X60 welded pipe, 24-inch nominal size (24 inch O.D.), plain end, with a wall thickness of 0.375 inch.

Source: Compiled from data submitted in response to Commission questionnaires.

**Figure V-2**

**Certain welded line pipe: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2011-June 2014**

\* \* \* \* \*

**Figure V-3**

**Certain welded line pipe: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2011-June 2014**

\* \* \* \* \*

**Figure V-4**

**Certain welded line pipe: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2011-June 2014**

\* \* \* \* \*



**Figure V-5**

**Certain welded line pipe: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2011-June 2014**

\* \* \* \* \*

**Price trends**

Prices generally decreased from 2011 through the first half of 2014. Table V-6 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases for products 1, 2, and 3 ranged from \*\*\* to \*\*\* percent from the first quarter of 2011 to the second quarter of 2014 while prices for product 4 increased \*\*\* percent. Korean import price decreases across all products ranged from \*\*\* to \*\*\* percent. Due to limited data points and coverage, price trend data was unavailable for Turkey.

**Table V-6**

**Certain welded line pipe: Summary of weighted-average f.o.b. prices for products 1-4 from the United States, Korea, and Turkey**

\* \* \* \* \*

**Price comparisons**

As shown in table V-7, prices for certain welded line pipe imported from Korea were below those for U.S.-produced product in 50 of 50 instances; margins of underselling ranged from \*\*\* to \*\*\* percent. Prices for certain welded line pipe imported from Turkey were below those for U.S.-produced product in 5 of 5 instances; margins of underselling ranged from \*\*\* to \*\*\* percent.

**Table V-7**

**Certain welded line pipe: Instances of underselling/overselling and the range and average of margins, by product, January 2011-June 2014**

Source	Underselling				
	Number of quarters	Quantity <sup>1</sup> (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
Korea	50	***	***	***	***
Turkey	5	***	***	***	***
Total	55	208,389	23.6	12.0	35.3
Source	(Overselling)				
	Number of quarters	Quantity <sup>1</sup> (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
Korea	0	0	0	0	0
Turkey	0	0	0	0	0
Total	0	0	0	0	0

<sup>1</sup> These data include only quarters in which there is a comparison between the U.S. and subject product. There were no comparisons made for \*\*\* quarters for which there were sales of certain welded line pipe from Korea. U.S. producers did not report pricing data for product 4 in \*\*\*.

Source: Compiled from data submitted in response to Commission questionnaires.

### LOST SALES AND LOST REVENUE

The Commission requested U.S. producers of certain welded line pipe to report any instances of lost sales or revenue they experienced due to competition from imports of certain welded line pipe from Korea or Turkey since January 1, 2011. All 12 responding U.S. producers reported that they had to either reduce prices or roll back announced price increases. Four producers provided 35 lost sales allegations which totaled \$\*\*\* and involved \*\*\* short tons of certain welded line pipe and a lost revenue allegation that totaled \$\*\*\* and involved \*\*\* short tons of certain welded line pipe.<sup>11</sup> Staff contacted \*\*\* purchasers and a summary of the information obtained follows (tables V-8 and V-9).<sup>12 13</sup> Purchasers agreed to \*\*\* of the \*\*\* lost

<sup>11</sup> Seven of the 12 producers that indicated lost sales did not report specific lost sales or lost revenue allegations. \*\*\* reported that they do not have the data available to provide the level of detail for specific allegations because they sell to distributors. \*\*\* do not have the documentation or data. \*\*\* did not report lost sales allegations to preserve customer confidentiality.

<sup>12</sup> Staff was unable to verify the contact information of \*\*\* lost sales allegations provided by \*\*\* and \*\*\*. These allegations totaled \$\*\*\* and involved \*\*\* short tons. These allegations are not included in table V-8.

<sup>13</sup> Two petitioning companies, \*\*\* and \*\*\*, provided additional allegations subsequent to the filing of the petition. \*\*\* submitted \*\*\* new lost sales allegations on \*\*\*, two weeks after the petition was filed. \*\*\* submitted \*\*\* new lost sale allegation, \*\*\* new lost revenue allegation, and \*\*\* updated

(continued...)

sale and lost revenue allegations. \*\*\* allegations reportedly involved Turkey, \*\*\* of which were confirmed by purchasers. The remaining \*\*\* allegations reportedly involved Korea, \*\*\* of which were confirmed by purchasers.

**Table V-8**

**Certain welded line pipe: U.S. producers' lost sales allegations**

\* \* \* \* \*

**Table V-9**

**Certain welded line pipe: U.S. producers' lost revenue allegations**

\* \* \* \* \*

\*\*\* stated that “the primary reason for the rejection of the domestic offering was due to manufacturing process. We were offered two domestic offerings one a DSAW and the other an LSAW product. Our Engineering rejected both processes for this project.”

\*\*\* stated that “The line pipe sale was awarded to a distributor, \*\*\* and they quoted line pipe manufactured by \*\*\*. We did not go to any mills for quotes. Only distribution.”

\*\*\* stated that “we have a purchase activity during that period but bids were received from pipe distributors and I do not have any idea what mark-ups the distributors applied to quotes that they received from their perspective mills. Distributors could apply markups as high as 25%. Our purchase requirement involved pipe coating which could have impacted logistics costs on the overall pipe order.”

\*\*\* responded “No answer/don’t know” to the survey. However, a representative from \*\*\* stated that “the quantity says \*\*\* tons but only \*\*\* tons were from Korea” in a phone interview.

Purchasers responding to the lost sales allegations also were asked whether they shifted their purchases of certain welded line pipe from U.S. producers to suppliers from Korea or Turkey since 2011 (table V-10). In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of certain welded line pipe from Korea or Turkey. Four of the ten responding purchasers reported that they had shifted purchases of certain welded line pipe from U.S. producers to subject imports since 2011; all four indicated that price was the reason for the shift. The same four purchasers reported that U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2011.

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(...continued)

allegations on \*\*\*, more than two weeks after the petition was filed. The \*\*\* new lost sales allegations totaled \$\*\*\* and accounted for \*\*\* short tons. Staff was only able to give identified purchasers in the \*\*\* new allegations three business days to reply to these allegations, rather than the full week given to the allegations identified in the petition. \*\*\* were the only purchasers to respond to these secondary allegations. The new allegations are included in table V-8; \*\*\*’s revised allegations were not resubmitted to the purchasers and are not revised and included in the table.

**Table V-10**

**Certain welded line pipe: Purchasers' responses regarding shifting supply and price reductions**

\* \* \* \* \*

\*\*\* stated that U.S. producers "often reduce prices by \*\*\* percent." Another \*\*\* representative stated that "U.S. producers reduced their prices often, sometimes by as much as \*\*\*%."

An \*\*\* representative stated that "U.S. producers have been constantly chasing the Korean numbers that have ranged \*\*\* NT lower than domestics." Another stated that "The pricing difference between Korean and domestic is \$\*\*\*/NT depending on market conditions. The domestic mills haven't ever been able to match any Korean pricing.

## **PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS**

### **INTRODUCTION**

Twelve U.S. producers (ACIPCO, Boomerang, CSI, EnergeX, Maverick, Northwest Pipe, Paragon, Stupp, TMK IPSCO, Tex-Tube, U.S. Steel, and Welspun) provided financial data on their operations on certain welded line pipe. These data are believed to account for nearly all U.S. production of certain welded line pipe in 2013. \*\*\* to report sales other than commercial sales. \*\*\* reported transfers to related firms \*\*\* that accounted for \*\*\* percent of total net sales between January 2011 and June 2014, and are not shown separately in this section of the report. EnergeX and Welspun reported fiscal year ends of September 30 and March 31, respectively. All other firms reported a fiscal year end of December 31.

As previously discussed in this report, some firms have made substantial capital investments related to the production of certain welded line pipe since 2011, including the new ERW plant and onset of production by Welspun in 2013. In addition, some firms cut back production of the subject product, including U.S. Steel which indefinitely idled its McKeesport facility in August 2014.

### **OPERATIONS ON CERTAIN WELDED LINE PIPE**

Income-and-loss data for U.S. producers of certain welded line pipe are presented in table VI-1, while selected financial data, by firm, are presented in table VI-2. The reported profitability of the U.S. industry declined from 2011-13. The reported aggregate net sales quantity declined by 7.5 percent from 2011-13, while the aggregate net sales value declined by 20.5 percent during this time. Collectively, the aggregate cost of goods sold ("COGS") and selling, general, and administrative ("SG&A") expenses declined by 8.7 percent during this time. As a result of the larger decline in revenue as compared to operating costs and expenses, aggregate operating income declined from 2011-13.

Similar to the full year data, net sales and operating income were lower in January-June 2014 as compared to January-June 2013. The reported aggregate net sales quantity and value were lower by 3.9 and 12.9 percent, respectively. Collectively, operating costs and expenses were 8.4 percent lower in interim 2014 as compared to interim 2013. As a result of the larger decline in revenue as compared to operating costs and expenses, aggregate operating income was lower in January-June 2014 than in January-June 2013.

On a per short ton basis, raw material costs decreased from 2011-13, and were also lower in interim 2014 as compared to interim 2013. Direct labor, other factory costs, and SG&A expenses all increased on a per short ton basis from 2011-13. In January-June 2014 as compared to January-June 2013, other factory costs and SG&A expenses declined on a per short ton basis, while direct labor increased. As a ratio to net sales, operating costs and expenses were higher in each successive full and partial year, while operating income was lower.

**Table VI-1**  
**Certain welded line pipe: Results of operations of U.S. producers, 2011-13, January-June 2013,**  
**and January-June 2014**

Item	Fiscal year			January-June	
	2011	2012	2013	2013	2014
<b>Quantity (short tons)</b>					
Total net sales	1,413,085	1,602,650	1,306,408	657,759	632,025
<b>Value (\$1,000)</b>					
Total net sales	1,846,887	2,115,958	1,468,441	772,502	672,641
Cost of goods sold	1,508,130	1,746,340	1,363,032	689,683	636,616
Gross profit or (loss)	338,757	369,618	105,409	82,819	36,025
SG&A expense	80,004	93,021	86,768	45,378	37,059
Operating income or (loss)	258,753	276,597	18,641	37,441	(1,034)
Other income or (expense), net	(15,947)	(17,480)	(12,295)	(7,645)	(8,431)
Net income or (loss)	242,806	259,117	6,346	29,796	(9,465)
Depreciation	31,258	30,966	33,382	15,077	20,211
Cash flow	274,064	290,083	39,728	44,873	10,746
<b>Ratio to net sales (percent)</b>					
Cost of goods sold.--					
Raw materials	65.8	64.9	71.0	68.7	74.6
Direct labor	4.0	4.5	5.6	5.3	6.4
Other factory costs	11.8	13.1	16.2	15.3	13.7
Average COGS	81.7	82.5	92.8	89.3	94.6
Gross profit or (loss)	18.3	17.5	7.2	10.7	5.4
SG&A expense	4.3	4.4	5.9	5.9	5.5
Operating income or (loss)	14.0	13.1	1.3	4.8	(0.2)
<b>Unit value (per short ton)</b>					
Total net sales	\$1,307	\$1,320	\$1,124	\$1,174	\$1,064
Cost of goods sold.--					
Raw materials	860	857	798	807	794
Direct labor	53	60	63	62	68
Other factory costs	155	173	182	180	145
Average COGS	1,067	1,090	1,043	1,049	1,007
Gross profit or (loss)	240	231	81	126	57
SG&A expense	57	58	66	69	59
Operating income or (loss)	183	173	14	57	(2)
<b>Number of firms reporting</b>					
Operating losses	0	0	5	5	7
Data	11	11	12	12	12

Source: Compiled from data submitted in response to Commission questionnaires.

**Table VI-2**  
**Certain welded line pipe: Selected results of operations of U.S. producers, by firm, 2011-13, January-June 2013, and January-June 2014**

\* \* \* \* \*

Raw material costs accounted for an average 78.7 percent of total COGS for the reporting period, and had the greatest impact on the increase or decrease in COGS during this time. Respondents argue that certain U.S. producers' reported raw material costs are unusually high, and inhibit profitability unless demand and pricing are very strong. Respondents also argue that these firms' data result in per short ton raw material costs that are incongruous with publicly available price data for hot-rolled steel.<sup>1</sup> In response to these allegations, U.S. producers stated that the hot-rolled steel purchased to produce the subject line pipe is more expensive than publicly available base prices due to surcharges for higher grades of steel and freight costs.<sup>2</sup>

Certain U.S. producers reported relatively greater profitability as compared to the average results for all firms, including \*\*\*. According to \*\*\*.<sup>3</sup> According to \*\*\*.<sup>4</sup>

While the U.S. industry overall reported a decline in profitability, \*\*\* reported financial performance in 2013 was \*\*\* as compared to other reporting firms. According to \*\*\*.<sup>5 6</sup> According to \*\*\*.<sup>7 8</sup>

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<sup>1</sup> Postconference brief of Korean producers, pp. 23-29. Respondents particularly focus on the raw material costs reported by \*\*\*. E-mail from \*\*\*, November 17, 2014. \*\*\*. E-mails from \*\*\*, November 10, 2014 and November 17, 2014. \*\*\* raw material costs are discussed above.

<sup>2</sup> \*\*\*. Postconference brief of U.S. Steel, exhibit 1. \*\*\*. Postconference brief of Maverick, pp. 14-15. In petitioners' postconference brief, \*\*\*. Postconference brief of petitioners, exhibit 9.

<sup>3</sup> E-mails from \*\*\*, November 3, 2014, and November 4, 2014.

<sup>4</sup> E-mail from \*\*\*, November 4, 2014. In its U.S. producer questionnaire response, \*\*\*.

<sup>5</sup> E-mails from \*\*\*, November 4, 2014, and November 13, 2014. \*\*\*. Ibid.

<sup>6</sup> \*\*\*. Postconference brief of U.S. Steel, pp. 2-3.

<sup>7</sup> E-mail from \*\*\*, November 14, 2014. \*\*\*. Ibid. These other raw materials account for about \*\*\* percent of \*\*\*'s total raw materials cost for the subject line pipe. E-mail from \*\*\*, November 16, 2014.

<sup>8</sup> The decline in operating income observed in the reported data is impacted by \*\*\*.

## Variance analysis

The variance analysis presented in table VI-3 is based on the data in table VI-1.<sup>9</sup> The analysis shows that the decline in operating income from 2011 to 2013, as well as from January-June 2013 to January-June 2014, is primarily attributable to a higher unfavorable price variance despite a favorable net cost/expense variance (that is, prices declined more than costs and expenses).

**Table VI-3**  
**Certain welded line pipe: Variance analysis on the operations of U.S. producers, 2011-13, and January-June 2013-14**

Item	Fiscal year			January-June
	2011-13	2011-12	2012-13	2013-14
<b>Value (\$1,000)</b>				
<b>Total net sales:</b>				
Price variance	(239,020)	21,312	(256,393)	(69,638)
Volume variance	(139,426)	247,759	(391,124)	(30,223)
Total net sales variance	(378,446)	269,071	(647,517)	(99,861)
<b>Cost of sales:</b>				
Cost variance	31,246	(35,895)	60,506	26,084
Volume variance	113,852	(202,315)	322,802	26,983
Total cost variance	145,098	(238,210)	383,308	53,067
<b>Gross profit variance</b>	(233,348)	30,861	(264,209)	(46,794)
<b>SG&amp;A expenses:</b>				
Expense variance	(12,804)	(2,284)	(10,941)	6,544
Volume variance	6,040	(10,733)	17,194	1,775
Total SG&A variance	(6,764)	(13,017)	6,253	8,319
<b>Operating income variance</b>	(240,112)	17,844	(257,956)	(38,475)
<b>Summarized as:</b>				
Price variance	(239,020)	21,312	(256,393)	(69,638)
Net cost/expense variance	18,442	(38,179)	49,564	32,628
Net volume variance	(19,534)	34,712	(51,128)	(1,465)

Note.--Unfavorable variances are shown in parenthesis; all others are favorable.

Source: Compiled from data submitted in response to Commission questionnaires.

<sup>9</sup> The Commission's variance analysis is calculated in three parts: sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost variance is calculated as the change in unit price or unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or unit cost. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances.



## Capital expenditures, research and development expenses, and total assets

The responding firms' aggregate data on capital expenditures, research and development ("R&D") expenses, and total assets are shown in table VI-4. Eleven firms reported capital expenditure data, and three firms reported research and development ("R&D") expenses. Aggregate capital expenditures increased notably from 2011 to 2013, with the majority of reported capital expenditures in 2013 reflecting \*\*\*. The total assets utilized in the production, warehousing, and sale of certain welded line pipe decreased from \$1.9 billion in 2011 to \$1.7 billion in 2013.

**Table VI-4**  
**Certain welded line pipe: Capital expenditures, R&D expenses, and total assets of U.S. producers, 2011-13, January-June 2013, and January-June 2014**

Item	Fiscal year			January-June	
	2011	2012	2013	2013	2014
<b>Value (\$1,000)</b>					
Capital expenditures	***	***	***	***	***
R&D expenses	***	***	***	***	***
Total assets	1,924,222	1,910,321	1,729,177		

Note.—\*\*\*.

Source: Compiled from data submitted in response to Commission questionnaires.

## Capital and investment

The Commission requested U.S. producers of certain welded line pipe to describe any actual or potential negative effects of imports of certain welded line pipe from the subject countries on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Responses by U.S. producers follow.

### Actual Negative Effects:

\*   \*   \*   \*   \*   \*   \*

### Potential Negative Effects:

\*   \*   \*   \*   \*   \*   \*



## **PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES**

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

*In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors<sup>1</sup>--*

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) inventories of the subject merchandise,*

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<sup>1</sup> Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

- (VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,*
- (VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).<sup>2</sup>*

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV and V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

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<sup>2</sup> Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

## THE INDUSTRY IN KOREA

The petition in these investigations identified 13 producers and/or exporters of certain welded line pipe in Korea. The Commission issued foreign producers'/exporters' questionnaires to these firms and received a completed response from four producers: Husteel, Hyundai HYSCO, NEXTEEL, and SeAH.<sup>3</sup> A comparison of the responding firms' export data to official Commerce import statistics shows that in 2013 they accounted for \*\*\* percent of U.S. imports from Korea. According to estimates requested of the responding Korean producers, the production of certain welded line pipe in Korea reported in Part VII accounts for approximately all production of certain welded line pipe in Korea. Husteel reported that \*\*\* percent of its sales in the most recent year were sales of certain welded line pipe. Hyundai HYSCO reported that \*\*\* percent of its sales in the most recent year were sales of certain welded line pipe. NEXTEEL reported that \*\*\* percent of its sales in the most recent year were sales of certain welded line pipe. SeAH reported that \*\*\* percent of its sales in the most recent year were sales of certain welded line pipe.

### Overall capacity and production of welded tubular products

Table VII-1 presents information on the total welded tubular capacity and production of the four responding producers in Korea.

**Table VII-1**  
**Certain welded line pipe: Overall Korean welded pipe capacity, production, and capacity utilization, by production process, 2011-13, January-June 2013, and January-June 2014**

\* \* \* \* \*

### Operations on certain welded line pipe

Table VII-2 presents information on the certain welded line pipe operations of the four responding producers and exporters in Korea. Reported capacity fluctuated slightly from 2011 to 2013. Capacity is expected to remain at the 2013 level through 2015. Production increased by \*\*\* percent from 2011 to 2013 but was \*\*\* percent lower in January-June 2014 than in January-June 2013. Production is projected to be \*\*\* percent lower in 2014 than in 2013, and to not change from 2014 to 2015. Capacity utilization increased from \*\*\* percent in 2011 to \*\*\* percent in 2012 but declined to \*\*\* percent in 2013. Capacity utilization was over \*\*\* percent in January-June 2013 and January-June 2014.

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<sup>3</sup> \*\*\*.

**Table VII-2  
 Certain welded line pipe: Korean operations for certain welded line pipe, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

Total shipments of Korean certain welded line pipe increased during 2011-13. Exports to the United States accounted for most of the increase, as exports to all other markets grew slightly and Korean home market shipments declined during 2011-13. Exports of certain welded line pipe from Korea to the United States increased by \*\*\* percent from 2011-13. In 2013, \*\*\* percent of total shipments of certain welded line pipe from Korea were exported to the United States, and \*\*\* percent were exported to other markets.

**Operations on welded line pipe not more than sixteen inches in outside diameter**

Table VII-3 presents information on the Korean operations for welded line pipe not more than 16 inches in outside diameter.

**Table VII-3  
 Certain welded line pipe: Korean production of welded line <= 16 inches, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

**Operations on welded line pipe greater than sixteen inches in outside diameter and less than or equal to twenty four inches**

Table VII-4 presents information on the Korean operations for welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches.

**Table VII-4  
 Certain welded line pipe: Korean production of welded line pipe > 16 inches <= 24 inches, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

**THE INDUSTRY IN TURKEY**

The petition in these investigations identified 13 potential producers and/or exporters of certain welded line pipe in Turkey. The Commission issued foreign producers'/exporters' questionnaires to these firms and received a completed response from three producers: Cayirova Boru Sanayi, Toscelik, and Borusan.<sup>4</sup> A comparison of the responding firms' export data to official Commerce import statistics shows that in 2013 they accounted for \*\*\* percent

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<sup>4</sup> \*\*\*.

of U.S. imports from Turkey. Responding Turkish producers did not provide estimates of their share of the production of certain welded line pipe in Turkey, but Counsel for Respondent Turkish Exporters characterized questionnaire responses as accounting for the vast majority of the Turkish industry.<sup>5</sup> Cayirova Boru Sanayi reported that \*\*\* percent of its sales in the most recent fiscal year were sales of certain welded line pipe. Toscelik reported that \*\*\* percent of its sales in the most recent fiscal year were sales of certain welded line pipe. Borusan reported that \*\*\* percent of its sales in the most recent fiscal year were sales of certain welded line pipe.

### Overall capacity and production of welded tubular products

Table VII-5 presents information on the total welded tubular capacity and production of the three responding producers in Turkey.

**Table VII-5**  
**Certain welded line pipe: Overall Turkish welded pipe capacity, production, and capacity utilization, by production process, 2011-13, January-June 2013, and January-June 2014**

\* \* \* \* \*

### Operations on certain welded line pipe

Table VII-6 presents information on the certain welded line pipe operations of the three responding producers and exporters in Turkey. Reported capacity increased steadily during 2011-13, resulting in an overall increase of \*\*\* percent from 2011 to 2013. Capacity is projected to be \*\*\* percent lower in 2014 compared to 2013, and to not change from 2014 to 2015. Production increased from by \*\*\* percent from 2011 to 2012 but decreased by \*\*\* percent from 2012 to 2013, resulting in an overall increase of \*\*\* percent from 2011 to 2013. Production was \*\*\* percent lower in January-June 2014 than in January-June 2013. Production is projected to be \*\*\* percent lower in 2014 compared to 2013, and is projected to be \*\*\* percent lower in 2015 compared to 2013. Capacity utilization increased by \*\*\* percentage points from 2011 to 2012 (from \*\*\* percent to \*\*\* percent), but the combination of increasing capacity and decreasing production resulted in a \*\*\* percentage point decrease from 2012 to 2013. Capacity utilization is projected to decrease further in 2014 and 2015, reaching \*\*\* percent in 2015.

**Table VII-6**  
**Certain welded line pipe: Turkish operations for certain welded line pipe, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

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<sup>5</sup> Conference transcript, p. 128 (Nolan).

Total shipments of Turkish certain welded line pipe increased by \*\*\* percent from 2011-13. During this period, home market shipments increased by \*\*\* percent and exports by \*\*\* percent. During 2011-12, exports to the United States increased by \*\*\* percent whereas exports to all other markets decreased by \*\*\* percent. In 2013, \*\*\* percent of total shipments of certain welded line pipe from Turkey were exported to the United States, and \*\*\* were exported to other markets.

**Operations on welded line pipe not more than sixteen inches in outside diameter**

Table VII-7 presents information on the Turkish operations for welded line pipe not more than 16 inches in outside diameter.

**Table VII-7  
Certain welded line pipe: Turkish production of welded line <= 16 inches, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

**Operations on welded line pipe greater than sixteen inches in outside diameter and less than or equal to twenty four inches**

Table VII-8 presents information on the Turkish operations for welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches.

**Table VII-8  
Certain welded line pipe: Turkish production of welded line pipe > 16 inches <= 24 inches, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

**SUBJECT COUNTRIES COMBINED**

Table VII-9 presents information on the overall welded pipe operations of the responding producers and exporters in the subject countries.

**Table VII-9  
Certain welded line pipe: Overall subject producers' welded pipe capacity, production, and capacity utilization, by production process, 2011-13, January-June 2013, and January-June 2014**

\* \* \* \* \*

Table VII-10 presents information on certain welded line pipe operations of the reporting producers and exporters in the subject countries.



**Table VII-10**

**Certain welded line pipe: Subject producers' operations for certain welded line pipe, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

Table VII-11 presents information on subject producers' operations combined for welded line pipe not more than 16 inches in outside diameter.

**Table VII-11**

**Certain welded line pipe: Subject producers' combined production of welded line <= 16 inches, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

Table VII-12 presents information on subject producers' combined operations for welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches in the subject countries.

**Table VII-12**

**Certain welded line pipe: Subject producers' production of welded line pipe > 16 inches <= 24 inches, 2011-13, January-June 2013, January-June 2014, and projected 2014 and 2015**

\* \* \* \* \*

**U.S. INVENTORIES OF IMPORTED MERCHANDISE**

Table VII-13 presents data on U.S. importers' reported inventories of certain welded line pipe.<sup>6</sup>

**Table VII-13**

**Certain welded line pipe: U.S. importers' inventories, 2011-13, January-June 2013, and January-June 2014**

\* \* \* \* \*

**U.S. IMPORTERS' OUTSTANDING ORDERS**

The Commission requested importers to indicate whether they imported or arranged for the importation of certain welded line pipe from Korea and Turkey after June 30, 2014. These imports are presented in table VII-14.

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<sup>6</sup> U.S. importers' reported inventories of welded line pipe not more than 16 inches in outside diameter is presented in table C-2 and U.S. importers' reported inventories of welded line pipe greater than 16 inches in outside diameter and less than or equal to 24 inches is presented in table C-3.

**Table VII-14**

**Certain welded line pipe: U.S. importers' arranged imports, July 2014 – June 2015**

\* \* \* \* \*

### **TRADE REMEDY ACTIONS IN THIRD-COUNTRY MARKETS**

There are no known trade remedy actions in third-country markets covering certain welded line pipe.

### **INFORMATION ON NONSUBJECT COUNTRIES**

Welded line pipe is produced in substantial quantities by pipe and tube producers throughout the world. The World Steel Association publishes data on the broader product grouping of all welded tubes. Global welded tube production increased by 46 percent from 2009 to 2013, following the global economic recession. Global welded tube production reached its highest levels in 2013 with 870.2 million short tons produced that year. Most of this growth was attributed to China, which accounted for 64 percent of all global welded tube production in 2013.<sup>7</sup>

Official Commerce statistics indicate that Mexico was the second-largest source of U.S. imports of line pipe of up to 24 inches after Korea, and accounted for 9.3 percent of all such U.S. imports in 2013. Imports from Japan of line pipe up to 24 inches fell slightly under Mexico's levels, but also accounted for 7.1 percent of all U.S. imports in 2013. However, from 2011 to 2013, welded line pipe imports from Mexico decreased by 14.2 percent and imports from Japan decreased by 35.8 percent.

#### **Mexico**

Mexico's domestic oil and gas industry, as well as pipeline projects in the United States, drives demand for Mexican welded line pipe. Despite recent declines in oil production, Mexico remains one of the world's top ten largest oil producers. Further, substantial, new off-shore and on-shore oil discoveries have been reported, and Mexico is estimated to be one of the largest shale gas resource bases. However, extraction of these resources is developing slowly. In the meantime, Mexico expects to expand its natural gas pipeline from the United States to meet Mexican demand for energy. Mexico currently has 13 natural gas pipeline connections and plans to add two additional connections.<sup>8</sup> According to the World Steel Association, Mexico was not a top-ten global producer of all welded tubes in 2011 and 2012. Mexico's welded tube

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<sup>7</sup> World Steel Association, *Steel Statistical Yearbook*, 2014, table 28, p. 52.

<sup>8</sup> U.S. Energy Information Administration, Country Analysis Brief, Mexico, last modified April 24, 2014.

production was 570,000 metric tons in 2013. However, according to Global Trade Atlas, Mexico was the fourth-largest supplier of all diameters of welded line pipe to the United States from 2011-2013, by quantity (table VII-15).<sup>9</sup> From 2011 to 2013, Mexico's global exports of welded line pipe decreased by 15.0 percent, and its exports to the United States decreased by 12.3 percent.

**Table VII-15**  
**Welded line pipe: Mexico's reported exports, 2011-13**

Country	Calendar year		
	2011	2012	2013
	Quantity (short tons)		
World	135,299	144,351	115,069
United States	130,425	107,743	114,422
Guatemala	635	856	508
Belize	0	2	71
Italy	0	22	20
Nicaragua	0	0	19
Costa Rica	12	0	17
El Salvador	40	60	10
Nigeria	0	0	3
Cuba	1	0	0
Canada	0	3	0
Colombia	3,102	172	0
Peru	0	4	0
Singapore	0	12	0
Thailand	0	2	0
Korea South	13	4	0
Uruguay	64	24	0
Venezuela	1,006	25,369	0
Barbados	0	10,074	0
All others	1	4	0

Note.— Original data were published in metric tons, which were converted to short tons by multiplying by 1.102311. Because of rounding, figures may not add to the totals shown. The HTS subheadings used to gather information on welded line pipe are broader than the HTS statistical reporting numbers in the scope of this investigation.

Source: Global Trade Atlas, 2014 HS Subheadings 730511, 730512, 730519, and 730619.

In terms of line pipe of up to 16 inches in outside diameter, Mexico was the second-largest importer to the United States by quantity (after Korea) and accounted for about 13 percent of the total from 2011-14.<sup>10</sup> However, in terms of line pipe greater than 16 inches up to 24 inches, Mexico accounted for less than 1 percent of U.S. imports from 2011-14.

<sup>9</sup> Global Trade Atlas, U.S. Import Statistics, 2014, HS Subheadings 7305.11, 7305.12, 7305.19, 7306.19.

<sup>10</sup> Official Commerce statistics, 2014; HTS numbers 7305.11.1030, 7305.12.1030, 7305.19.1030, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150.

There are thirteen known Mexican welded line pipe producers that produce to API 5L standards: ArcelorMittal Productura Mexicana de Tuberia, Forza Steel, Procarisa, Pytco, Talleres Acerorey, Tenaris TAMSA, Ternium Hysla, Tubac, Tubacero, Tuberia Laguna (Tysla), Tubesa, Tumex, and Tuberia National (Villacero).<sup>11</sup> In 2011, Carso Infraestructura y Construccion (CICSA) sold its carbon steel pipes subsidiary, Operadora CICSA, to Tubacero, a Mexican pipe and tube manufacturer. The facility acquired from CICSA is located in Veracruz and produces welded line pipe to API 5L specifications.<sup>12</sup> In 2013, Tubacero also completed the addition of 243,000 short tons of capacity to produce welded line pipe ranging from 6 inches to 96 inches outside diameter at its Monterrey Interport facility (Salinas Victoria, Nuevo León).<sup>13</sup> According to Simdex, Tubacero's Monterrey facility has the capacity to make 425,000 short tons of OCTG and welded line pipe with outside diameter ranges of 6.625 inches to 48 inches.<sup>14</sup> In October 2014, Tenaris TAMSA announced that its Veracruz facility currently has an annual production capacity of 1.1 million short tons per year focused on seamless and welded line pipes for offshore and onshore oil and gas applications.<sup>15</sup>

## Japan

Since Japan's oil resources are very limited, the country relies almost solely on imports to meet its oil consumption needs, making the country the third largest net oil importer. Japan is the world's largest liquefied natural gas (LNG) importer because it depends on LNG imports for virtually all of its natural gas demand. Due to lack of domestic oil and gas reserves, Japanese energy companies have actively pursued upstream oil and natural gas projects abroad, and provide construction for energy projects worldwide. Japan is a major exporter of energy-sector capital equipment.<sup>16</sup>

According to the World Steel Association, Japan was the world's fourth-largest producer of all welded tube in 2012, after China, Russia, and Korea.<sup>17</sup> Japan's welded tube production in 2013 was 5.1 million tons in 2013. According to Global Trade Atlas, Malaysia was the leading market for Japan's exports of welded line pipe in 2013, accounting for approximately 42 percent of the Japan's total exports (table VII-16). From 2011 to 2013, Japan's exports of welded line pipe decreased by 1.6 percent. The United States was the second-largest export destination for Japanese welded line pipe from 2011 to 2013.

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<sup>11</sup> The Simdex Steel Tube Manufacturers Worldwide Guide, 2014.

<sup>12</sup> CNNExpansion, "Slim Deja Negocio de Tubos de Acero", April 27, 2011; Grupo Carso, "Significant Events", Annual Report, 2012

<sup>13</sup> Tubacero, "Investment in New Plant Located in Salinas Victoria", April 1, 2013

<sup>14</sup> The Simdex Steel Tube Manufacturers Worldwide Guide, Tubacero, 2014.

<sup>15</sup> *Preston Pipe and Tube Report*, October 2014, 19, and Tenaris, "Offshore and Onshore Pipeline Solutions," July 2012, accessed on November 20, 2014.

<sup>16</sup> U.S. Energy Information Administration, Japan, Country Analysis, last modified May 30, 2013. <http://www.eia.gov/countries/country-data.cfm?fips=ja> (accessed on November 4, 2014).

<sup>17</sup> World Steel Association, *Steel Statistical Yearbook*, 2014, table 28, p. 52.

**Table VII-16**  
**Welded line pipe: Japan's reported exports, 2011-13**

Country	Calendar year		
	2011	2012	2013
	Quantity (short tons)		
World	1,138,654	1,373,168	1,120,581
Malaysia	369,305	355,289	474,569
United States	210,808	242,190	155,473
United Arab Emirates	36,590	92,103	113,135
Singapore	93,580	109,847	65,295
Saudi Arabia	87,807	203,718	61,770
Indonesia	54,884	133,093	60,173
Canada	38,451	72,508	41,112
Thailand	24,105	23,753	29,033
France	30,812	3,800	24,625
Mozambique	0	8,303	17,116
United Kingdom	94	8,952	15,343
All others	115,916	102,448	62,935

Note.— Original data were published in metric tons, which were converted to short tons by multiplying by 1.102311. Because of rounding, figures may not add to the totals shown. The HTS subheadings used to gather information on welded line pipe are broader than the HTS statistical reporting numbers in the scope of this investigation.

Source: Global Trade Atlas, 2014 HS Subheadings 730511, 730512, 730519, and 730619.

During 2011 to 2013, Japan was the third-largest exporter of welded line pipe to the United States (12.3 percent of U.S. imports of welded pipe in 2013), after Korea and Canada.<sup>18</sup> In terms of line pipe of up to 16 inches in outside diameter, Japan was the fifth-largest supplier to the United States (after Korea, Mexico, Turkey, and Canada), and accounted for 5.0 percent of U.S. imports in the product category from 2011 to June 2014. However, in terms of line pipe greater than 16 inches up to 24 inches, Japan was the second-largest exporter to the United States after Korea, and accounted for 21.5 percent of U.S. imports in the product category from 2011 to June 2014.<sup>19</sup>

The eight known Japanese welded line pipe producers that produce to the API 5L and ASTM A-53 standards are JFE Steel Corporation (“JFE Steel”), Nippon Steel and Sumitomo Metal Corporation (“NSSMC”), Maruichi Steel Tube, Araya Industrial, Nishimura Koki, Osaka Tokushu

<sup>18</sup> Global Trade Atlas, HTS numbers 730511, 730512, 730519, and 730619 (accessed on November 4, 2014).

<sup>19</sup> Official Commerce Import Statistics, 2014; HTS numbers 7305.11.1030, 7305.12.1030, 7305.19.1030, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150.

Kokan, Toa Gaigyo, and Usui Kokosai Sangyo Kaisha.<sup>20</sup> In October 2012, NSSMC was created as a result of a merger between Nippon Steel Corporation and Sumitomo Metal Industries.<sup>21</sup> According to Simdex, the Nippon Steel facilities have the capacity to make 3.9 million metric tons of tubes annually and Sumitomo Metal Industries facilities have the capacity to make 3 million metric tons of pipe and tube annually. These companies focus their production on circular welded carbon or low alloy pipes. In December 2011, JFE Steel announced its intention to increase capacity of high grade pipe to 330,000 tons per year as a result of welding and crane upgrades.<sup>22</sup> According to its website, JFE Steel has the ability to make 1.32 million metric tons annually of submerged arc welded pipe, 940,000 metric tons of high-frequency welded tubular products, and 360,000 metric tons of butt-welded pipe.<sup>23</sup> Simdex states that Mariuchi Steel Tube Ltd. has the capacity to produce 1.2 million metric tons of pipes and tubes annually.<sup>24</sup> On its website, Japanese welded line pipe producer, Nishimura Koki, states that it makes line pipe for oil and gas applications and produces 36,000 metric tons annually.<sup>25</sup>

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<sup>20</sup> The Simdex Steel Tube Manufacturers Worldwide Guide, 2014.

<sup>21</sup> Nippon Steel and Sumitomo Metal website, *Who We Are*, <http://www.nssmc.com/en/company/whoweare/index.html> (accessed on November 10, 2014).

<sup>22</sup> *Preston Pipe and Tube Report*, December 2011, vol. 29 no. 12.

<sup>23</sup> JFE Steel Website, *JFE Line Pipe*, <http://www.jfe-steel.co.jp/en/products/pipes/linepipe/facts.html> (accessed on November 13, 2014).

<sup>24</sup> The Simdex Steel Tube Manufacturers Worldwide Guide, Mariuchi Steel Tube Ltd., 2014.

<sup>25</sup> Nishimura Koki, *Profile*, <http://www.nishimura-koki.co.jp/en/profile/index.html> (accessed on November 10, 2014).

**APPENDIX A**

***FEDERAL REGISTER* NOTICES**





The Commission makes available notices relevant to its investigations and reviews on its website, [www.usitc.gov](http://www.usitc.gov). In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
79 FR 63438 October 23, 2014	<i>Certain Welded Line Pipe From Korea and Turkey; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	<a href="https://www.federalregister.gov/articles/2014/10/23/2014-25156/certain-welded-line-pipe-from-korea-and-turkey-institution-of-antidumping-and-countervailing-duty">https://www.federalregister.gov/articles/2014/10/23/2014-25156/certain-welded-line-pipe-from-korea-and-turkey-institution-of-antidumping-and-countervailing-duty</a>
79 FR 67419 November 12, 2014	<i>Initiation of Countervailing Duty Investigations</i>	<a href="https://www.federalregister.gov/articles/2014/11/13/2014-26897/welded-line-pipe-from-the-republic-of-korea-and-the-republic-of-turkey-initiation-of-countervailing">https://www.federalregister.gov/articles/2014/11/13/2014-26897/welded-line-pipe-from-the-republic-of-korea-and-the-republic-of-turkey-initiation-of-countervailing</a>
79 FR 68213, November 14, 2014	<i>Initiation of Antidumping Duty Investigations</i>	<a href="https://www.federalregister.gov/articles/2014/11/14/2014-26894/welded-line-pipe-from-the-republic-of-korea-and-the-republic-of-turkey-initiation-of">https://www.federalregister.gov/articles/2014/11/14/2014-26894/welded-line-pipe-from-the-republic-of-korea-and-the-republic-of-turkey-initiation-of</a>

Source: <https://www.federalregister.gov/>



**APPENDIX B**

**LIST OF CONFERENCE WITNESSES**



## CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

**Subject:** Certain Welded Line Pipe from Korea and Turkey  
**Inv. Nos.:** 701-TA-524-525 and 731-TA-1260-1261 (Preliminary)  
**Date and Time:** November 6, 2014 - 9:30 am

Sessions were held in connection with these preliminary investigations in the ALJ Courtroom A (room 100), 500 E Street, S.W., Washington, DC.

### **OPENING REMARKS:**

Petitioners (**Roger B. Schagrin**, Schagrin Associates)  
Respondents (**Donald B. Cameron**, Morris, Manning & Martin, LLP)

### **In Support of the Imposition of Antidumping and Countervailing Duty Orders:**

Schagrin Associates  
Washington, DC  
on behalf of

American Cast Iron Pipe Company ("ACIPCO")  
California Steel Industries ("CSI")  
Energex, a division of JMC Steel Group  
Northwest Pipe Company  
Stupp Corporation, a division of Stupp Bros., Inc.  
Tex-Tube Company  
TMK IPSCO  
Welspun Tubular LLC USA  
United Steel, Paper and Forestry, Rubber,  
Manufacturing, Energy, Allied Industrial  
and Service Workers International Union ("USW")

**Jon Noland**, Division Manager - American Steel Pipe  
Division, ACIPCO

**Robert Mahoney**, Senior Vice President of Strategy & Business  
Development, Northwest Pipe Company

**John Clark**, Senior Vice President of Global Sales and Marketing,  
Stupp Corporation

**In Support of the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

**Michael O'Brien**, Vice President of Sales, ACIPCO

**Ray Dubreuil**, Vice President of Sales, CSI

**Raymond Davila**, Consultant, Tex-Tube Company

**Scott Barnes**, Senior Vice President and Chief Commercial  
Officer, TMK IPSCO

**Rusty Fisher**, Senior Vice President of Marketing and Sales,  
Welspun Tubular LLC USA

**Skip Herald**, President and CEO, Welspun Americas LLC

**Holly Hart**, Legislative Director, USW

**Roger B. Schagrin** )  
**John W. Bohn** ) – OF COUNSEL  
**Paul W. Jameson** )

Skadden, Arps, Slate, Meagher & Flom LLP  
Washington, DC  
on behalf of

United States Steel Corporation (“U.S. Steel”)

**Robert Y. Kopf**, General Manager North American  
Flat-Rolled Marketing, U.S. Steel

**Jeff Johnson**, Director, Commercial – North American Line  
& Standard Pipe, United States Steel Tubular Products

**Robert C. Upton**, Manager Standard and Line Pipe Marketing,  
United States Steel Tubular Products

**Stephen P. Vaughn** ) – OF COUNSEL

**In Support of the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

Wiley Rein LLP  
Washington, DC  
on behalf of

Maverick Tube Corporation

**Brad Lowe**, President, Tenaris Global Services (USA) Inc. and  
Commercial Director, Maverick Tube Corporation

**Alan H. Price** )  
 ) – OF COUNSEL  
**Robert E. DeFrancesco** )

**In Opposition to the Imposition of  
and Countervailing Duty Orders:**

**Antidumping**

Morris, Manning & Martin, LLP  
Washington, DC  
on behalf of

Husteel Co., Ltd.  
Hyundai HYSCO  
Nextell Co., Ltd.  
SeAH Steel Corporation

**Hope Snow**, Vice President, Trident Steel

**Donald B. Cameron** )  
 ) – OF COUNSEL  
**Julie C. Mendoza** )

Arent Fox, LLP  
Washington, DC  
on behalf of

Çelik İhracatçılari Birliği (“ÇİB”)

**Matthew M. Nolan** )  
 ) – OF COUNSEL

Diana Dimitriuc Quaia )

**In Opposition to the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

Law Offices of David L. Simon  
Washington, DC  
on behalf of

Çayırova Boru Sanayi ve Ticaret A.S. and its affiliated exporter,  
Yücel Boru İthalat-İhracat ve Pazarlama A.S. (collectively “Yücel”)  
Tosçelik Profil ve Sac Endustrisi A.S. and its affiliated exporter,  
Tosyalı Dis Ticaret A.S. (collectively “Tosçelik”)

**David L. Simon** ) – OF COUNSEL

**REBUTTAL/CLOSING REMARKS:**

Petitioners (**Roger B. Schagrin**, Schagrin Associates *and* **Alan Price**,)  
Wiley Rein LLP

Respondents (**Donald B. Cameron**, Morris, Manning & Martin, LLP *and*  
**Matthew M. Nolan**, Arent Fox, LLP)

**-END-**



**APPENDIX C**  
**SUMMARY DATA**



Table C-1

## Welded line pipe: Summary data concerning the U.S. market, 2011-13, January to June 2013, and January to June 2014

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to June		2011-13	Calendar year		Jan-Jun 2013-14
	2011	2012	2013	2013	2014		2011-12	2012-13	
<b>U.S. consumption quantity:</b>									
Amount.....	2,521,770	3,280,518	2,525,836	1,389,404	1,189,716	0.2	30.1	(23.0)	(14.4)
Producers' share (fn1).....	55.0	47.7	48.5	46.1	50.1	(6.5)	(7.3)	0.8	4.0
<b>Importers' share (fn1):</b>									
Korea.....	21.8	22.8	28.6	30.2	29.3	6.8	1.0	5.8	(0.9)
Turkey.....	0.9	2.0	2.6	2.6	2.5	1.7	1.1	0.6	(0.1)
Subject.....	22.7	24.9	31.2	32.9	31.8	8.5	2.1	6.4	(1.0)
All others sources.....	22.3	27.5	20.3	21.1	18.1	(2.0)	5.2	(7.2)	(3.0)
Total imports.....	45.0	52.3	51.5	53.9	49.9	6.5	7.3	(0.8)	(4.0)
<b>U.S. consumption value:</b>									
Amount.....	2,968,171	3,949,853	2,592,164	1,471,386	1,127,043	(12.7)	33.1	(34.4)	(23.4)
Producers' share (fn1).....	61.1	52.5	53.5	51.3	56.5	(7.6)	(8.6)	1.0	5.2
<b>Importers' share (fn1):</b>									
Korea.....	17.4	18.0	23.2	24.3	23.7	5.9	0.6	5.2	(0.6)
Turkey.....	0.7	1.5	2.0	2.0	2.8	1.3	0.8	0.5	0.8
Subject.....	18.0	19.5	25.2	26.3	26.4	7.2	1.4	5.8	0.1
All others sources.....	20.8	28.0	21.3	22.5	17.1	0.4	7.2	(6.8)	(5.3)
Total imports.....	38.9	47.5	46.5	48.7	43.5	7.6	8.6	(1.0)	(5.2)
<b>U.S. importers' U.S. imports from:</b>									
<b>Korea:</b>									
Quantity.....	550,707	749,029	722,892	419,982	348,849	31.3	36.0	(3.5)	(16.9)
Value.....	515,789	711,513	602,585	357,292	266,643	16.8	37.9	(15.3)	(25.4)
Unit value.....	937	950	834	851	764	(11.0)	1.4	(12.2)	(10.2)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>Turkey:</b>									
Quantity.....	22,717	66,472	66,025	36,726	29,828	190.6	192.6	(0.7)	(18.8)
Value.....	19,856	57,744	51,901	29,246	31,109	161.4	190.8	(10.1)	6.4
Unit value.....	874	869	786	796	1,043	(10.1)	(0.6)	(9.5)	31.0
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>Subject:</b>									
Quantity.....	573,425	815,501	788,917	456,707	378,677	37.6	42.2	(3.3)	(17.1)
Value.....	535,644	769,257	654,486	386,537	297,752	22.2	43.6	(14.9)	(23.0)
Unit value.....	934	943	830	846	786	(11.2)	1.0	(12.1)	(7.1)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>All other sources:</b>									
Quantity.....	562,605	901,143	512,453	292,733	215,364	(8.9)	60.2	(43.1)	(26.4)
Value.....	618,600	1,107,167	551,354	330,626	193,055	(10.9)	79.0	(50.2)	(41.6)
Unit value.....	1,100	1,229	1,076	1,129	896	(2.1)	11.7	(12.4)	(20.6)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>Total imports:</b>									
Quantity.....	1,136,029	1,716,644	1,301,370	749,440	594,041	14.6	51.1	(24.2)	(20.7)
Value.....	1,154,245	1,876,424	1,205,840	717,164	490,807	4.5	62.6	(35.7)	(31.6)
Unit value.....	1,016	1,093	927	957	826	(8.8)	7.6	(15.2)	(13.7)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>U.S. producers:</b>									
Average capacity quantity.....	2,188,400	2,291,751	2,342,745	1,206,866	1,189,582	7.1	4.7	2.2	(1.4)
Production quantity.....	1,446,966	1,616,295	1,306,275	699,265	686,143	(9.7)	11.7	(19.2)	(1.9)
Capacity utilization (fn1).....	66.1	70.5	55.8	57.9	57.7	(10.4)	4.4	(14.8)	(0.3)
<b>U.S. shipments:</b>									
Quantity.....	1,385,741	1,563,874	1,224,466	639,964	595,675	(11.6)	12.9	(21.7)	(6.9)
Value.....	1,813,926	2,073,429	1,386,324	754,222	636,236	(23.6)	14.3	(33.1)	(15.6)
Unit value.....	1,309	1,326	1,132	1,179	1,068	(13.5)	1.3	(14.6)	(9.4)
<b>Export shipments:</b>									
Quantity.....	32,797	38,089	69,232	17,795	36,349	111.1	16.1	81.8	104.3
Value.....	40,696	267,709	68,824	18,370	36,405	69.1	557.8	(74.3)	98.2
Unit value.....	1,241	7,029	994	1,032	1,002	(19.9)	466.4	(85.9)	(3.0)
Ending inventory quantity.....	92,457	102,614	108,518	143,575	161,243	17.4	11.0	5.8	12.3
Inventories/total shipments (fn1).....	6.5	6.4	8.4	10.9	12.8	(0.1)	2.0	2.0	1.8
Production workers.....	1,815	2,167	1,864	1,960	2,012	2.7	19.4	(14.0)	2.7
Hours worked (1,000s).....	3,852	4,495	3,745	1,927	2,006	(2.8)	16.7	(16.7)	4.1
Wages paid (\$1,000).....	93,068	115,408	98,504	49,622	51,769	5.8	24.0	(14.6)	4.3
Hourly wages.....	24.16	25.67	26.30	25.75	25.81	8.9	6.3	2.4	0.2
Productivity (short tons per 1,000 hours).....	375.6	359.6	348.8	362.9	342.0	(7.1)	(4.3)	(3.0)	(5.7)
Unit labor costs.....	64.32	71.40	75.41	70.96	75.45	17.2	11.0	5.6	6.3
<b>Net sales:</b>									
Quantity.....	1,413,085	1,602,650	1,306,408	657,759	632,025	(7.5)	13.4	(18.5)	(3.9)
Value.....	1,846,887	2,115,958	1,468,441	772,502	672,641	(20.5)	14.6	(30.6)	(12.9)
Unit value.....	1,307	1,320	1,124	1,174	1,064	(14.0)	1.0	(14.9)	(9.4)
Cost of goods sold (COGS).....	1,508,130	1,746,340	1,363,032	689,683	636,616	(9.6)	15.8	(21.9)	(7.7)
Gross profit of (loss).....	338,757	369,618	105,409	82,819	36,025	(68.9)	9.1	(71.5)	(56.5)
SG&A expenses.....	80,004	93,021	86,768	45,378	37,059	8.5	16.3	(6.7)	(18.3)
Operating income or (loss).....	258,753	276,597	18,641	37,441	(1,034)	(92.8)	6.9	(93.3)	fn2
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	1,067	1,090	1,043	1,049	1,007	(2.2)	2.1	(4.3)	(3.9)
Unit SG&A expenses.....	57	58	66	69	59	17.3	2.5	14.4	(15.0)
Unit operating income or (loss).....	183	173	14	57	(2)	(92.2)	(5.7)	(91.7)	fn2
COGS/sales (fn1).....	81.7	82.5	92.8	89.3	94.6	11.2	0.9	10.3	5.4
Operating income or (loss)/sales (fn1).....	14.0	13.1	1.3	4.8	(0.2)	(12.7)	(0.9)	(11.8)	(5.0)

## Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

Source: Import data compiled from official U.S. import statistics and data submitted in response to Commission questionnaires.

Table C-2

Welded line pipe: Summary data concerning the U.S. market for welded line pipe <=16", 2011-13, January to June 2013, and January to June 2014

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year		2013	January to June		2011-13	Calendar year		Jan-Jun 2013-14
	2011	2012		2014	2011-12		2012-13		
U.S. consumption quantity:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
Korea.....	***	***	***	***	***	***	***	***	***
Turkey.....	***	***	***	***	***	***	***	***	***
Subject.....	***	***	***	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***	***	***	***
Total imports.....	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
Korea.....	***	***	***	***	***	***	***	***	***
Turkey.....	***	***	***	***	***	***	***	***	***
Subject.....	***	***	***	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***	***	***	***
Total imports.....	***	***	***	***	***	***	***	***	***
U.S. importers' U.S. imports from:									
Korea:									
Quantity.....	485,551	597,204	570,876	353,290	274,526	17.6	23.0	(4.4)	(22.3)
Value.....	454,126	558,321	466,602	295,686	204,558	2.7	22.9	(16.4)	(30.8)
Unit value.....	935	935	817	837	745	(12.6)	(0.0)	(12.6)	(11.0)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Turkey:									
Quantity.....	22,717	66,472	66,025	36,726	29,828	190.6	192.6	(0.7)	(18.8)
Value.....	19,856	57,744	51,901	29,246	31,109	161.4	190.8	(10.1)	6.4
Unit value.....	874	869	786	796	1,043	(10.1)	(0.6)	(9.5)	31.0
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Subject:									
Quantity.....	508,268	663,676	636,901	390,015	304,354	25.3	30.6	(4.0)	(22.0)
Value.....	473,982	616,065	518,503	324,932	235,667	9.4	30.0	(15.8)	(27.5)
Unit value.....	933	928	814	833	774	(12.7)	(0.5)	(12.3)	(7.1)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity.....	357,022	446,733	296,836	166,121	155,689	(16.9)	25.1	(33.6)	(6.3)
Value.....	389,537	493,211	282,009	161,255	138,351	(27.6)	26.6	(42.8)	(14.2)
Unit value.....	1,091	1,104	950	971	889	(12.9)	1.2	(13.9)	(8.5)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Total imports:									
Quantity.....	865,291	1,110,409	933,737	556,136	460,042	7.9	28.3	(15.9)	(17.3)
Value.....	863,519	1,109,276	800,512	486,187	374,017	(7.3)	28.5	(27.8)	(23.1)
Unit value.....	998	999	857	874	813	(14.1)	0.1	(14.2)	(7.0)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
U.S. producers:									
Average capacity quantity.....	***	***	***	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000).....	***	***	***	***	***	***	***	***	***
Hourly wages.....	***	***	***	***	***	***	***	***	***
Productivity (short tons per 1,000 hours).....	***	***	***	***	***	***	***	***	***
Unit labor costs.....	***	***	***	***	***	***	***	***	***
Net Sales:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***	***	***	***
Gross profit of (loss).....	***	***	***	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.  
fn2.--Undefined.

Source: Import data compiled from official U.S. import statistics and data submitted in response to Commission questionnaires.

Table C-3

Welded line pipe: Summary data concerning the U.S. market for welded line pipe >16" and <= 24", 2011-13, January to June 2013, and January to June 2014

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	2011	Calendar year		January to June		2011-13	Calendar year		Jan-Jun
		2012	2013	2013	2014		2011-12	2012-13	2013-14
<b>U.S. consumption quantity:</b>									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
Korea.....	***	***	***	***	***	***	***	***	***
Turkey.....	***	***	***	***	***	***	***	***	***
Subject.....	***	***	***	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***	***	***	***
Total imports.....	***	***	***	***	***	***	***	***	***
<b>U.S. consumption value:</b>									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
Korea.....	***	***	***	***	***	***	***	***	***
Turkey.....	***	***	***	***	***	***	***	***	***
Subject.....	***	***	***	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***	***	***	***
Total imports.....	***	***	***	***	***	***	***	***	***
<b>U.S. importers' U.S. imports from:</b>									
<b>Korea:</b>									
Quantity.....	65,156	151,825	152,016	66,692	74,323	133.3	133.0	0.1	11.4
Value.....	61,662	153,192	135,983	61,605	62,085	120.5	148.4	(11.2)	0.8
Unit value.....	946	1,009	895	924	835	(5.5)	6.6	(11.3)	(9.6)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>Turkey:</b>									
Quantity.....	0	0	0	0	0	fn2	fn2	fn2	fn2
Value.....	0	0	0	0	0	fn2	fn2	fn2	fn2
Unit value.....	fn2	fn2	fn2	fn2	fn2	fn2	fn2	fn2	fn2
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>Subject:</b>									
Quantity.....	65,156	151,825	152,016	66,692	74,323	133.3	133.0	0.1	11.4
Value.....	61,662	153,192	135,983	61,605	62,085	120.5	148.4	(11.2)	0.8
Unit value.....	946	1,009	895	924	835	(5.5)	6.6	(11.3)	(9.6)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>All other sources:</b>									
Quantity.....	205,582	454,409	215,616	126,612	59,675	4.9	121.0	(52.6)	(52.9)
Value.....	229,063	613,956	269,345	169,371	54,704	17.6	168.0	(56.1)	(67.7)
Unit value.....	1,114	1,351	1,249	1,338	917	12.1	21.3	(7.5)	(31.5)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>Total imports:</b>									
Quantity.....	270,738	606,235	367,633	193,303	133,998	35.8	123.9	(39.4)	(30.7)
Value.....	290,726	767,148	405,328	230,976	116,789	39.4	163.9	(47.2)	(49.4)
Unit value.....	1,074	1,265	1,103	1,195	872	2.7	17.8	(12.9)	(27.1)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>U.S. producers:</b>									
Average capacity quantity.....	***	***	***	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***	***	***	***
<b>U.S. shipments:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
<b>Export shipments:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000).....	***	***	***	***	***	***	***	***	***
Hourly wages.....	***	***	***	***	***	***	***	***	***
Productivity (short tons per 1,000 hours).....	***	***	***	***	***	***	***	***	***
Unit labor costs.....	***	***	***	***	***	***	***	***	***
<b>Net sales:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***	***	***	***
Gross profit of (loss).....	***	***	***	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

Source: Import data compiled from official U.S. import statistics and data submitted in response to Commission questionnaires.



**APPENDIX D**

**NONSUBJECT PRICE DATA (JAPAN AND MEXICO)**





Tables D-1 and D-2 and figures D-1 and D-2 present data on nonsubject prices of pricing products 1 and 3 described in Part V. Only three quarters of pricing data were provided for Japan, and all in product 3. Japan's prices were lower than the U.S. prices but were higher than Korean prices in all quarters with data available. Only five quarters of pricing data were provided for Mexico, and all in product 1. Mexico's prices were lower than the United States and Turkish prices in all quarters with data available but were higher than Korean prices in three of the five quarters. There were no reported imports from nonsubject countries of products 2 and 4.

**Table D-1**

**Certain welded line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 1,<sup>1</sup> by quarters, January 2011-June 2014**

Period	United States		Japan		Mexico	
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)
<b>2011:</b>						
Jan.-Mar.	\$1,189.49	7,197	--	0	--	0
Apr.-June	1,335.14	6,493	--	0	--	0
July-Sept.	1,298.75	5,863	--	0	***	***
Oct.-Dec.	1,247.45	3,746	--	0	***	***
<b>2012:</b>						
Jan.-Mar.	1,281.06	6,604	--	0	***	***
Apr.-June	1,260.32	6,686	--	0	--	0
July-Sept.	1,180.11	4,815	--	0	***	***
Oct.-Dec.	1,175.81	9,005	--	0	***	***
<b>2013:</b>						
Jan.-Mar.	1,042.04	4,141	--	0	--	0
Apr.-June	972.53	7,718	--	0	--	0
July-Sept.	1,001.18	5,319	--	0	--	0
Oct.-Dec.	954.84	4,878	--	0	--	0
<b>2014:</b>						
Jan.-Mar.	***	***	--	0	--	0
Apr.-June	***	***	--	0	--	0

<sup>1</sup> Product 1: API 5L Grade B/X42 welded pipe, 6-inch nominal size (6.625 inch O.D.), plain end, with a wall thickness of 0.280 inch.

Source: Compiled from data submitted in response to Commission questionnaires.

**Table D-2**

**Certain welded line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 3,<sup>1</sup> by quarters, January 2011-June 2014**

Period	United States		Japan		Mexico	
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)
<b>2011:</b>						
Jan.-Mar.	***	***	--	0	--	0
Apr.-June	\$1,342.80	11,422	--	0	--	0
July-Sept.	1,316.66	6,660	***	***	--	0
Oct.-Dec.	1,285.71	6,763	--	0	--	0
<b>2012:</b>						
Jan.-Mar.	1,378.64	10,375	--	0	--	0
Apr.-June	1,308.59	11,343	--	0	--	0
July-Sept.	***	***	***	***	--	0
Oct.-Dec.	1,058.83	6,016	--	0	--	0
<b>2013:</b>						
Jan.-Mar.	1,072.91	5,906	--	0	--	0
Apr.-June	1,059.30	5,177	--	0	--	0
July-Sept.	***	***	--	0	--	0
Oct.-Dec.	***	***	--	0	--	0
<b>2014:</b>						
Jan.-Mar.	***	***	***	***	--	0
Apr.-June	984.25	5,931	--	0	--	0

<sup>1</sup> Product 3: API 5L Grade B/X42 welded pipe, 12-inch nominal size (12.75 inch O.D.), plain end, with a wall thickness of 0.375 inch.

Source: Compiled from data submitted in response to Commission questionnaires.

**Figure D-1**

**Certain welded line pipe: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2011-June 2014**

\* \* \* \* \*

**Figure D-2**

**Certain welded line pipe: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2011-June 2014**

\* \* \* \* \*