

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

_____) Inv. Nos. 701-TA-548 and
Welded Stainless Pressure Pipe from India 731-TA-1298
_____) (Preliminary)

Testimony of Alan Lipp

Good afternoon:

1. My name is Alan Lipp. I am the Chief Operating Officer of Merit Brass. I have been with the company for more than 30 years. Merit Brass is located in Cleveland, Ohio with branches in Sparks, Nevada, Dallas, Texas, and Birmingham, Alabama. Merit Brass was founded by my Grandfather in 1937 as Perfection Nipple Company. Merit Brass has manufactured in the U.S. high quality brass and chrome-plated brass pipe nipples for much of our existence. In 1980, we began manufacturing stainless steel pipe nipples. Merit Brass employs over 200 people.

2. Merit Brass is also a Master Distributor of Stainless steel pipe. In this capacity, Merit Brass serves wholesale distributors of stainless pipe for the Plumbing, Heating, Cooling and Piping markets. As a master distributor, we stock a complete line of stainless pipe in a wide variety of sizes, as well as fittings, flanges, and valves. Merit Brass both imports stainless pipe and purchases stainless pipe from domestic producers. Merit Brass is somewhat unique in the

business because we not only master distribute stainless pipe but we are a U.S. manufacturer and master distributor of nipples from stainless pipe.

3. The market for welded stainless steel pipe has grown significantly over the last 20 years. Domestic supply has not kept up with demand. As a result, imports are needed in this market and if you look at the data over time, imports have always played a consistent and important role in this market. Our imports are primarily concentrated in the 2" and under segment.

4. In general, the market is divided between Master Distributors that import and sell a full line of stainless steel pipe and related piping products (including buttweld fittings, threaded pipe fittings, nipples, flanges and valves) to wholesalers, and domestic producers of stainless pipe that sell to the wholesale market as well and often through dedicated distributors who handle only domestic product. We purchase stainless steel pipe from US producers, but they are not our primary source. We rarely compete for the same customers with US producers because they tend to supply bigger distributors while we tend to supply smaller and mid-size distributors. There is an import segment of the market, and our major competitors are Ta Chen, and other Master Distributors such as Allied Fittings and others who deal primarily in imported pipe.

5. We occasionally need domestic pipe to fill orders that require domestic only, but we don't focus on that segment of the market and purchasers in

this market do not generally look to Merit to fill their needs. The market segments that insist on “domestic only” do so either out of concerns about quality, or for political reasons in the case of projects that are funded with public funds or that rely on unionized labor. Again, purchasers in those markets look primarily to domestic producers and their dedicated distributors for supply.

6. Merit Brass only recently began importing welded stainless pipe from India. Until 2013, we filled our import needs with imports from Thailand, Malaysia, and Vietnam. We all but stopped importing from these countries as a result of the trade actions. We then turned to India. Our experience with India was significantly different from our experience with Thailand, Vietnam and Malaysia. In the case of India, orders were consistently delayed, with the result that we had to hedge against missed deliveries. Missed deliveries is a widespread problem in India. Whatever the reason, it also means that we need to accept greater amounts of inventory. There have also been some quality control issues. We need imports from India in order to service our business. The quality we now receive from India is adequate, but there is no question that delays and logistics are a huge issue in importing from India. We need to factor significant delays into our purchasing in order to insure that we have adequate supply available. Even with these delays, however, we purchase from India because we need supply.

7. The effects of these delayed shipments can be seen in the import data. Many of the shipments that entered in January through May, 2015 were actually ordered in the first half of 2014 or even at the end of 2013 when the market was strong.

8. With respect to prices, the primary driver of price is nickel and, in the case of grade 316, also molybdenum. Because of the decline in nickel and moly prices over most of the previous 12 months, prices for welded stainless pipe have also declined. Nickel prices recently appeared to bottom out, and there have been some signs that prices are on their way to recovery. Nickel prices impact both US and imported stainless pipe, but as importers, we are much more at risk than domestic producers when prices drop. Domestic producers of stainless pipe are impacted by the drop in nickel because their customers demand a reduction in the price of stainless pipe through a reduction of surcharges. But as importers of stainless pipe with a lead time typically in excess of 6 months, we face significant risks of our negotiated prices being far above the market prices when the shipment even arrives. Conversely, when nickel prices are rising, surcharges increase as well. Life is good when those prices are increasing, not so much when they fall.

Thank you.

