

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 Chad Robinson

Good afternoon.

1. My name is Chad Robinson and I am the head of global procurement for Warren Alloy and the Allied Group. Warren Alloy is master distributor of stainless steel and alloy pipe, buttweld fittings, forged fittings, flanges and valves. We serve distributors of stainless pipe for the oil, gas, power, petrochemical, and marine 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. We design our inventory so that the valves, fittings and flanges match up to the pipe we sell. This involves quite a bit of machining and other modifications to be made to the valves, fittings and flanges that go with the pipe. So when they buy from us they are not buying “pipe for pipe” but rather they are buying a package deal of pipe, flanges, valves and fittings so we provide “one-stop,” just-in-time shopping for our customers of all the stainless products they may need for a particular project. Our pricing often reflects this package deal and may not be directly comparable to a producer or distributor that sells only pipe. Moreover, this is a service that is not

available from the domestic pipe and tube manufacturers so this helps us to set ourselves apart and make us more competitive. Our customers tell us that this is a very important component of why they buy from us.

2. I would like to talk to you today about the U.S. market for welded stainless pressure pipe. It is significant that imports have been a consistent presence in the U.S. market for many years. While Petitioners have brought case after case against every new source of supply over the last 15 years or more, you have to ask yourself why imports have been such a constant part of the U.S. market. The reason is that the domestic industry cannot supply the entire U.S. market for stainless steel pipe, and appears to have little interest in doing so. Domestic producers such as Outokumpu spent almost \$10MM dollars to install a 6,000 ton press to do very large diameter pipes for the project business. Bristol announced that it spent \$5MM for a similar press for the same large diameter production. These producers have chosen to focus their investments and their competitive efforts in the large diameter segment of the welded stainless pipe market over 14 inches which is associated with large projects. This large diameter pipe is made on different equipment, and in many cases, features specialized welds. Over the past six years, Bristol and Outokumpo have not expanded or upgraded their facilities for smaller diameter pipe.

3. While imports of stainless pipe have been a long term factor in this industry, the source of those imports has changed over time with Taiwan and Korea being a consistent presence in the U.S. market. Until 2014, imports from India were not a significant presence in the U.S. market. However, the Orders on Malaysia, Thailand, and Vietnam that went into effect in 2013 significantly reduced the supply of imports to the U.S. market. With demand increasing in 2014, demand for imports was also strong, the import volumes increased in 2014, not only from India, but also from Korea and Taiwan. As I will discuss in a moment, there are significant disadvantages to importing from India. However, we purchase from India because we would not be able to fulfill our needs otherwise.

4. We have purchased from domestic producers in the past but we have frequently encountered problems with this supply. For example, after years of doing business together, Felker notified us in February of this year that they would no longer sell to us. For other U.S. producers, the reality is that they are very reluctant to supply us because they do not accept our role in the market as a master distributor. We purchased 10” and larger stainless pipe from domestic producers for years because those were the sizes that they offered to us.

5. However, in 2013 and 2014, the domestic producers increasingly were stocking the same items we carried in our inventory and offering to sell them to our customers at the same prices that they quoted to us. In other words, they viewed us

as competitors and tried to cut us out of the distribution chain. We determined several years ago that the business model of selling the exact same producer products was not sustainable anymore since they were going directly to the customers and by-passing us as the master distributor. There was no way to distinguish ourselves with the customers if we both handled the same producer products. Then we started to look at supplying an alternative to sustain our business as a master distributor.

6. We have expanded our business to include a larger range of products because of customer demands. However, stainless pipe from India in many ways is not competitive with the domestic producers or with imports from suppliers such as Taiwan and Korea. Indian suppliers do not offer the same breadth of products, in terms of special alloys, diameter range, and custom wall thickness that the U.S. producers offer. In addition, reliability and consistency of supply is a big issue. Our suppliers have struggled to supply the volumes we need, and there have been extensive delays in deliveries. During the POI, the time from order to delivery has been 9-10 months, with some deliveries delayed even longer. Deliveries have been so sporadic that we have had to turn down orders and sell only to our top tier customers.

7. This delay in shipments was bad throughout 2014 and into 2015. The majority of the shipments in 2015 were orders placed in the first half of 2014 or

even 2013. We began reducing our orders in the last quarter of 2014 and continued that trend throughout 2015.

8. While the pipe we have obtained from India is of good quality, because of India's lack of track record in this market, not all customers will accept it. We have three full time employees on site at our suppliers in India to inspect 100% of our shipments to ensure that it meets our requirements. Even then, there remains a perception in the market that Indian pipe is not always the best quality, and that affects its competitiveness. Indian pipe is not on most Approved Manufacturers Lists, so companies that use AMLs generally will not buy Indian pipe. Some market segments insist on "domestic only" 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. Even some customers who will purchase imports prefer imports from Korea or Taiwan because of their more established record for quality. We have limited opportunities to offer those products as the Korean suppliers and Ta Chen have their own distribution network in the U.S.

9. The primary driver of price in this market is raw materials costs, particularly the price of nickel and molybdenum, both of which have been highly volatile during the POI. In 2015 prices for these raw materials have declined, with the result that market prices have also declined. In fact, today, nickel and moly are

at inflation adjusted lows. Fluctuations in prices of nickel and moly are not something that the U.S. producers can control and as a consequence, they have little control over their pricing since their customers are well aware of the prices of these commodities. When the price of these commodities increases, then the U.S. producers are able to push through large surcharges that result in higher prices and greater profits but when nickel prices drop, the market demands almost instant declines in the surcharges. In some ways the industry has made itself more vulnerable to commodity price fluctuations by having an important part of the price depend on surcharges which are completely transparent.

10. There is a discount in the market for imports from India, which reflects the costs of doing business and the market's perception of Indian pipe versus U.S. pipe. Indian pipe simply does not have the same acceptance in the market. It has to be discounted. Customers can buy directly from the factory while I have to compete as a master distributor. In our experience, imports from Taiwan and Korea have greater acceptance in the market but they are often priced lower than Indian imports.

11. Demand has been relatively stable in 2015 and we expect that to continue.

12. Thank you.