ITC OCTG Final Injury Hearing

December 1, 2009 – 9:30am

Testimony of Vicki Avril, President and CEO, TMK IPSCO

Good morning Chairman Aranoff and members of the Commission. My name is Scott Barnes and I am the Vice President and Chief Commercial Officer of TMK IPSCO. Unfortunately, Vicki Avril, our President and CEO is unable to attend today's hearing due to an emergency. I ask that her testimony be entered for the record.

TMK IPSCO is a manufacturer of casing, tubing, drill pipe, coupling stock and premium connections for the oil and gas industry. Our facilities producing welded OCTG are located in Blytheville, Arkansas; Camanche, Iowa and Wilder, Kentucky. We have a steel mill producing billets in Koppel, Pennsylvania. We have a pipe mill twenty miles away in Ambridge, Pennsylvania producing seamless OCTG. We have finishing facilities at a number of our mills, and we have separate processing facilities in Catoosa, Oklahoma, and a new state of the art heat treating facility in Baytown, Texas. This heat treating facility in Baytown was part of our Seamless Tube Mill Project which began over three years ago, and despite the turmoil in the marketplace and two ownership changes, we completed the facility and brought it online in April of this year. Other than that investment, we have frozen all major capital projects throughout our company. That is a problem, because I can tell you based on my thirty years of experience in the steel industry that when you stop investing, you lose your competitive edge and start dying.

Our company was formed when TMK purchased the IPSCO Tubular assets in the United States from SSAB and Evraz in 2008. We became part of a company that is one of the three largest OCTG producers in the world. We are using this relationship not only to improve our business practices, but also to become more active in export markets.

Unquestionably, TMK IPSCO and its workforce suffered tremendous injury from the massive import surge of unfairly traded OCTG from China. Since late 2008, we have had intermittent plant closures at each of our facilities, significant worker layoffs and reduced shifts, we have suffered financial losses. The massive buildup of Chinese inventory in the U.S. greatly compounded the normal market adjustments to the cyclical downturn in drilling activity and the reduction in OCTG consumption.

Despite the fact that we have seen a modest rebound in energy prices, both oil and natural gas, which has exceeded our expectations from earlier this year and an uptick in the rig count, we have not seen a comparable rebound in demand for OCTG products as we had hoped. There is approximately 250-270,000 tons of OCTG being used each month, a pretty good level of consumption. We are still seeing Chinese product being quoted by traders, including Tubular Synergy Group, at prices as low as $1,030 per ton for J-grades already upset, threaded and coupled, and $850 per ton for K-grades already threaded and coupled. In addition to trader offerings, distributors are selling Chinese OCTG to each other at prices that are often even lower. These prices are below prices where we can be profitable.

Our company, and most importantly our workers, must have relief from unfair trade from China in order to get back on their feet and back in our plants producing OCTG to be used to drill for oil and gas in the United States. Thank you.