



ECONOMIC CONSULTING SERVICES, LLC

**BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

**IN THE MATTER
OF
WELDED STAINLESS STEEL PRESSURE PIPE
FROM MALAYSIA, THAILAND, AND VIETNAM**

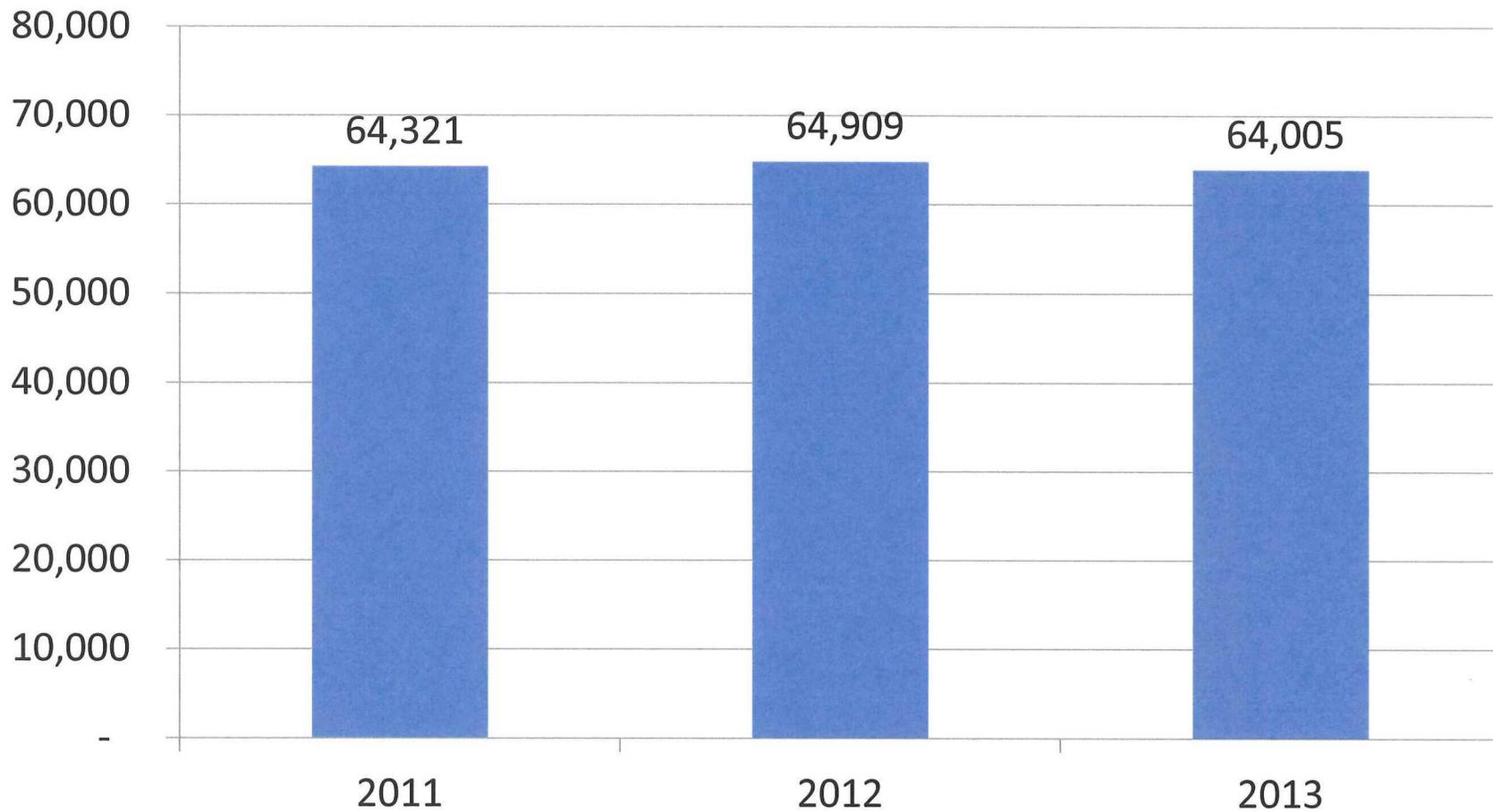
Inv. No(s). 731-TA-1210-1212 (Final)

**EXHIBITS TO TESTIMONY OF
JIM DOUGAN
SENIOR ECONOMIST
ECONOMIC CONSULTING SERVICES, LLC**

May 22, 2014

Washington, D.C.

Demand for WSSPP Was Flat Over the POI: Apparent U.S. Consumption (in ST), 2011-2013



Source: Prehearing Staff Report (Public Version) at p.IV-14. Table IV-8

The Domestic Industry's Volume and Employment Indicia Improved over the POI

	2011	2012	2013	Change 2011-2013
Production	33,537	35,133	34,806	3.8%
Capacity Utilization	50.4%	52.8%	52.1%	+ 1.7 pct. Pts
U.S. Shipments	32,827	34,122	33,505	2.1%
Market Share	51.0%	52.6%	52.3%	+ 1.3 pct. Pts
Production-Related Workers (PRWs)	363	371	372	2.5%
Hourly Wages	19.15	19.83	20.11	5.0%
Productivity (ST per 1,000 hrs)	45.1	46.4	42.9	-4.8%

Source: Prehearing Staff Report (Public Version) at Tables III-2, III-4, III-7, and IV-9

The Data Do Not Support The Domestic Industry's Story About Pricing and Market Share

	2011	2012	Change 2011-2012
Net Sales AUV (\$ per ST)	5,414	4,619	-14.7%
Domestic Market Share	51.0%	52.6%	+1.6 pct pts

	2012	2013	Change 2012-2013
Net Sales AUV (\$ per ST)	4,619	3,935	-14.8%
Domestic Market Share	52.6%	52.3%	-0.3 pct pts

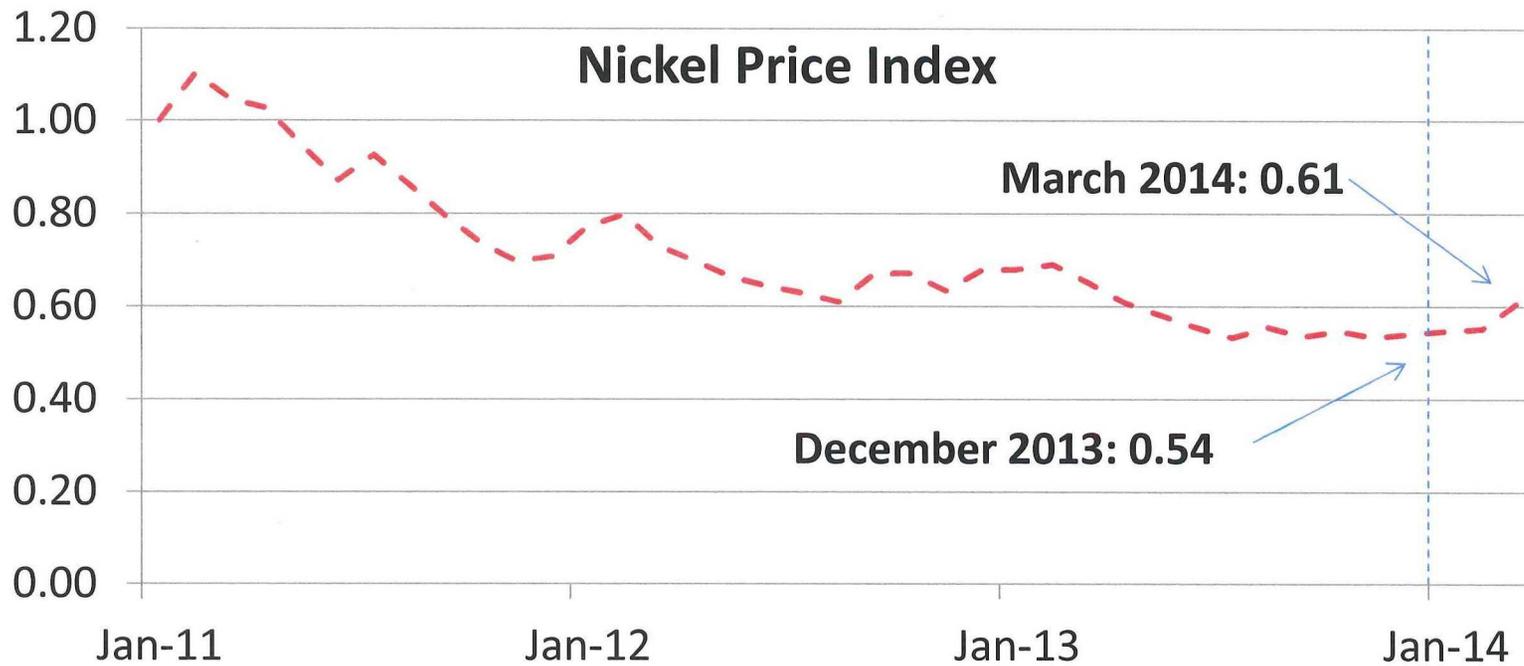
Source: Prehearing Staff Report (Public Version) at Tables IV-9 and VI-1

There Is No Causal Link Between Domestic Industry Concentration in Small-Diameter WSSPP and Its Financial Performance

	2011	2012	2013
Domestic Industry Operating Margin (% of Sales)	-3.7%	-7.1%	-12.0%
Share of U.S. Producers' Shipments in Sizes of:			
<= 1 inch	26.9%	25.7%	27.3%
> 1 inch <= 2 inches	24.9%	20.3%	22.6%
Total <= 2 inches	51.8%	46.0%	49.9%

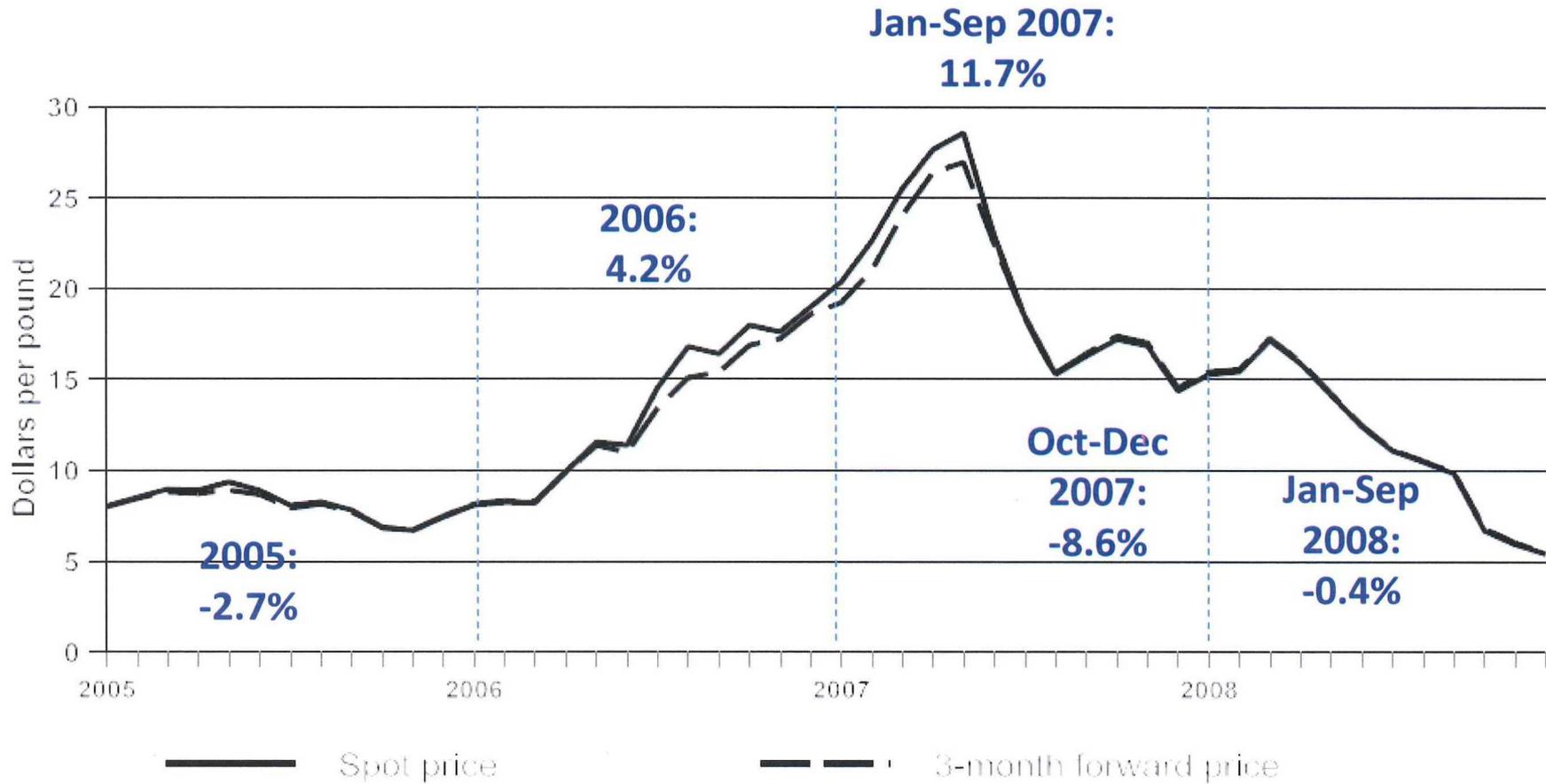
Source: Prehearing Staff Report (Public Version) at Tables III-5 and VI-1

The Price of Nickel – The Key Raw Material Reference Point for Pricing and Surcharges – Plummeted



Source: ITC Doc # 532146-2-912046

Nickel Prices and Domestic Industry Profitability Are Highly Correlated (China Case)



Figures in Blue are Domestic Industry Operating Profit/Net Sales

Source: USITC Publication 4064, Figure V-2 (p.V-1) Table VI-1 (p.VI-2 – VI-3).

The Commission and the Domestic Industry Have Recognized The Historical Link Between Raw Material Costs and Profitability

“Lastly, since pipe producers bill their customers the surcharge amount in effect when the finished pipe is shipped, if surcharges are increasing (as they generally did from 2005 through 2007), an important component of reported profits can be the difference between higher surcharges in effect when the finished pipe is shipped and lower surcharges imbedded in the cost of the pipe. **If surcharges decline (as they generally did in 2008), then the reverse will be true, and pipe producers will be charging lower prices for finished pipe that has higher costs.**”

Source: USITC Publication 4064, p. VI-3 – VI-4. Cites to Hearing Transcript pp. 19-21 (Henke) and 78, 87 (Cornelius); conference transcript, pp. 75-76 (Henke), 76-77 (Cornelius), and 77-79 (Schagrin)

Nickel Prices and Domestic Industry Profitability Are Highly Correlated (Current POI)



Figures in Blue are Domestic Industry Operating Profit/Net Sales

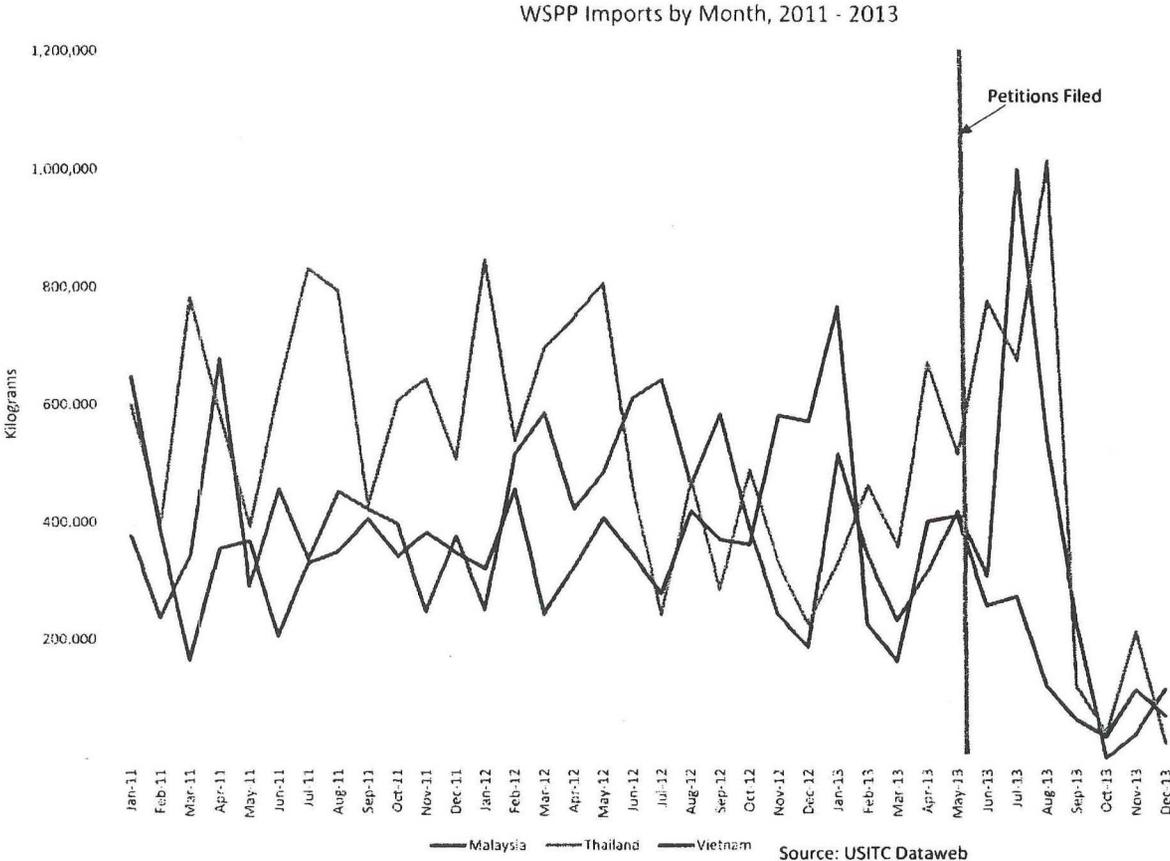
Source: Prehearing Staff Report (Public Version) Table VI-1 and ITC Doc # 532146-2-912046

The Small Gap Between the Rates of Decline in Domestic Industry Prices and Raw Materials Cost Can be Explained by Timing

(\$ per ST)	2011	2012	2013	Change 2011-2013
Net Sales	5,414	4,619	3,935	-27.3%
Raw Materials	4,304	3,671	3,196	-25.7%

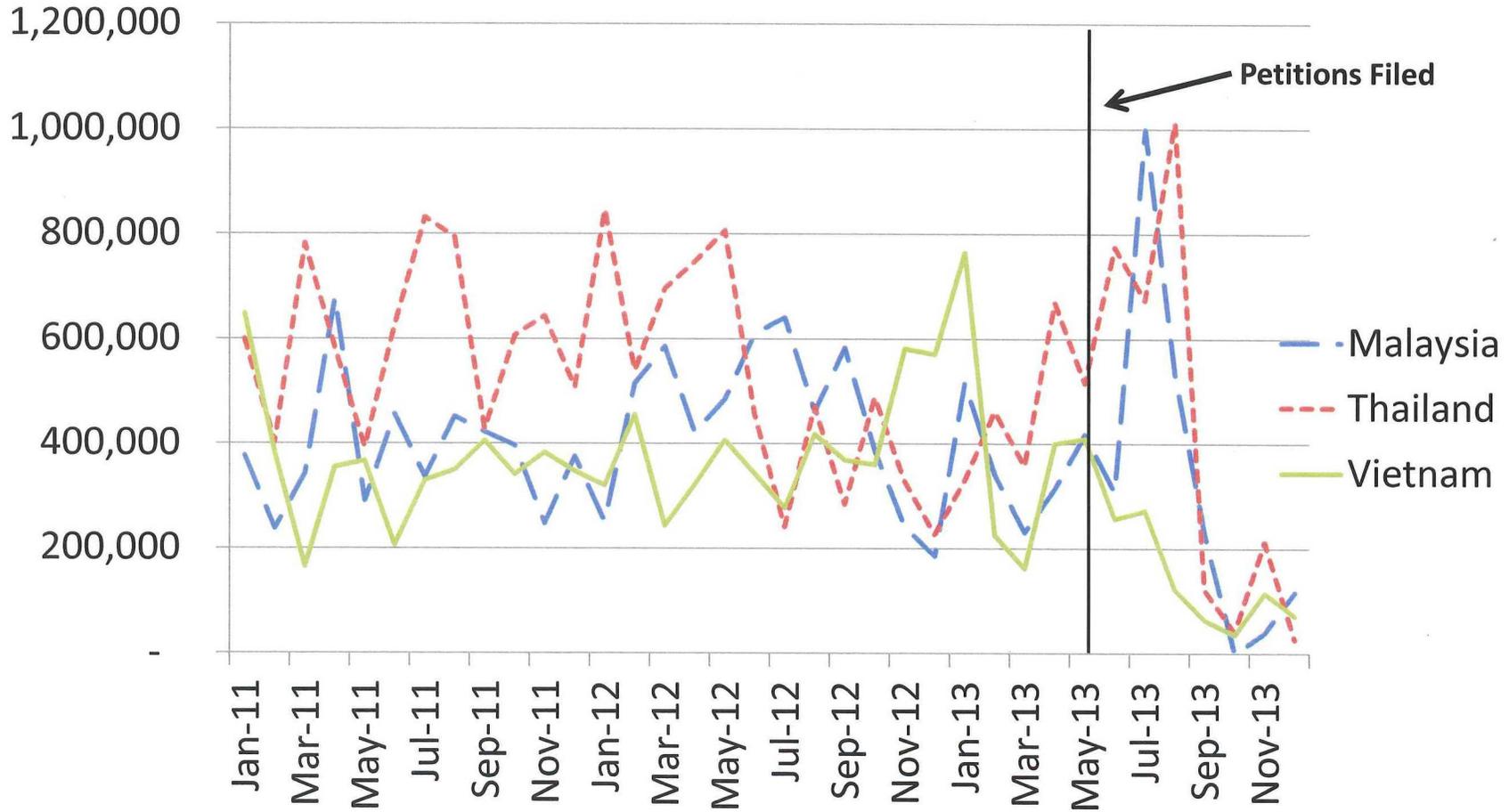
Source: Prehearing Staff Report (Public Version) at Table VI-1 and U.S. Producers' QRs at III-10a

WSSPP Imports by Month, 2011-2013



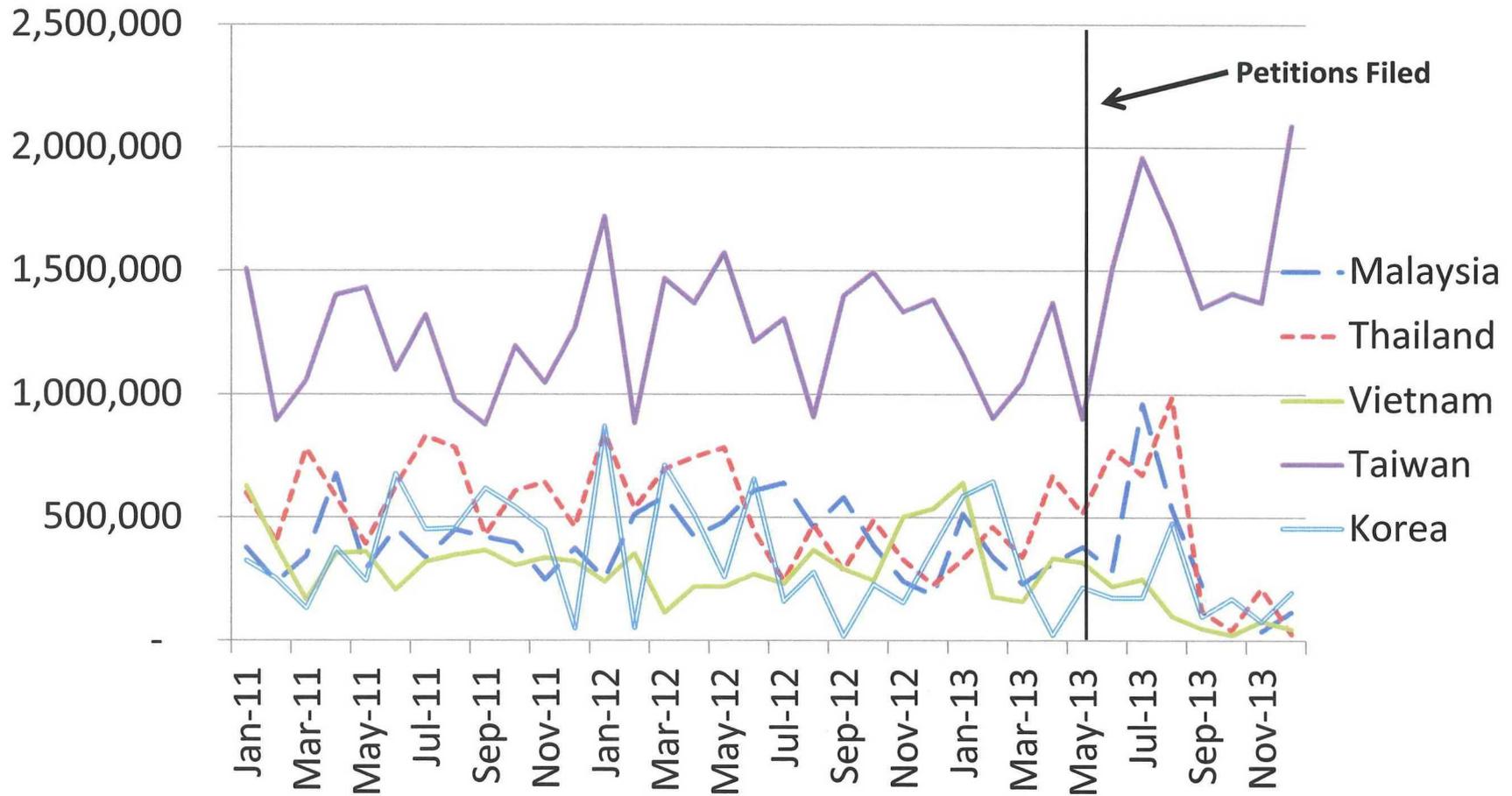
Source: Petitioners' Pre-Hearing Brief, Pg. 8

WSSPP Imports by Month, 2011-2013 (kg)



Source: ITC Dataweb. U.S Imports for Consumption of HTS 7306.40.5005, 7306.40.5040, 7306.40.5062, 7306.40.5064, 7306.40.5085, 7306.40.1010, 7306.40.1015, 7306.40.5042, 7306.40.5044, 7306.40.5080, 7306.40.5090.

WSSPP Imports by Month, 2011-2013 (kg)



Source: ITC Dataweb. U.S Imports for Consumption of HTS 7306.40.5005, 7306.40.5040, 7306.40.5062, 7306.40.5064, 7306.40.5085, 7306.40.1010, 7306.40.1015, 7306.40.5042, 7306.40.5044, 7306.40.5080, 7306.40.5090.