CHAPTER 4

CARBON AND ALLOY TUBULAR STEEL

PART I: OVERVIEW (TUBULAR STEEL)

ORGANIZATION OF THIS SECTION

Information in this carbon and alloy tubular steel (tubular steel)[1] section is organized into four parts: (1) overview of issues concerning the industries producing tubular steel; (2) industry and market data for non-OCTG welded pipe and tube (welded, welded pipe, welded tube); (3) industry and market data for fittings and flanges (fittings); and (4) adjustment efforts of U.S. tubular producers. Information collected on the foreign industries producing the subject products is presented in appendix F.

U.S. PRODUCERS

Information on the number of reporting U.S. producers of tubular steel and a summary of U.S. producers' positions with respect to the section 203 relief is presented in table TUBULAR I-1.[2] A list of U.S. producers of tubular steel providing a response to the Commission's producers' questionnaire in this investigation is presented in table TUBULAR I-2.

Table TUBULAR I-1
Tubular steel: Summary of U.S. producers' positions with respect to the section 203 relief, by products and forms

Item	Support relief	Oppose relief	Take no position	No response	Total
Welded	22	0	4	0	26
Fittings	6	0	1	1	8

[1] Responses are shown only for products a firm produces and for which it provided data. A firm may produce more than one of the products or forms.

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

Table TUBULAR I-2
Tubular steel: U.S. producers' production, by products, April 2002-March 2003

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STRUCTURAL DEVELOPMENTS

Information on developments in the domestic industries producing welded products and fittings, including bankruptcy protection filings, mergers and acquisitions, and significant capital investments is presented below. A list of U.S. producers that have recently filed for bankruptcy protection is presented in table TUBULAR I-3. Table TUBULAR I-4 presents industry mergers and acquisitions. Table TUBULAR I-5 presents major publicly announced capital investments of U.S. producers.

[1] For purposes of this report, the term "tubular steel" consists of subject welded pipe and tube and fittings.

[2] As previously mentioned, information on U.S. producers' positions with respect to the section 203 import relief, by firms and by products, is presented in app. E. In some instances, firms have expressed positions for products they do not produce.

Table TUBULAR I-3
Tubular steel: U.S. producers[1] that have filed for bankruptcy protection, 2000-2003

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Tubular steel capability (*million short tons*)	Employees affected	Comments
November 2000	Vision Metals *Ann Arbor, MI* *Rosenberg, TX*	Seamless and welded pipe and tubing	MI-operating; TX-closed Dec. 2001	([2])	610	Michigan plant restarted as Michigan Seamless Tube, LLC, December 2002.
December 2000	LTV *Various plants*	Pipe and tubing; (also hot- and cold-rolled sheet, galvanized sheet, tinplate)	Youngstown closed by Maverick in February 2003; Portland closed by Copperweld in February 2003; other tubular facilities listed in comments are currently operating as Copperweld or Maverick	1.9		Integrated (non-tubular) assets of LTV bought by ISG in April 2002. Unable to find a buyer for the tubular assets which had been purchased by LTV from Copperweld and Welded Tube in 1999, these assets (*Chicago, IL, Portland, OR, Birmingham, AL, Bedford Park, IL, Shelby, OH, Piqua, OH* are the plants producing subject welded product) were spun off as a separate company called Copperweld in October 2002. Maverick bought five LTV tubular facilities (*Youngstown, OH, Ferndale, MI, Cedar Springs, GA, Elyria, OH, Counce, TN*) in December 2002.
July 2001	Excaliber Holding Corp. *Benwood, WV* *Birmingham, AL* *Seymour, IN*	Mechanical tubing and fabricated tube	Shut down welded tube production around July 2001	0.2	800	Company was a fabricator of tube subassemblies for automotive, RV, construction, trucking, and agricultural industries with 3 plants producing welded tube and other plants only fabricating the downstream products. Certain fabricating assets (not welded-tube producing assets) were purchased by Leggett & Platt in August 2001.
July 2001	Laclede Steel Co. *Alton, IL* *Fairless Hills, PA*	Bar, welded standard pipe, welded chain	Shut down August 2001	0.6	525	Emerged from November 1998 bankruptcy in January 2001. Filed again for bankruptcy in July 2001.

[1] Geneva Steel filed for bankruptcy in September 2002 after having ceased operation in November 2001. Geneva Steel was primarily a producer of flat steel, but also produced nonsubject line pipe. Although Geneva Steel sold *** welded tube for piling or other applications, such sales were minor and incidental to its primary business and therefore Geneva Steel is not included as a producer of subject welded pipe for purposes of this investigation.
[2] No public information is available for welded tubular capability.

Source: Compiled from various public sources.

Table TUBULAR I-4
Tubular steel: Significant steel company mergers and acquisitions, 1999-2003[1]

Month and Year	Company	Description and capabilities
		Million short tons tubular capability
November 1999	LTV Steel	LTV, a large integrated steel company which made welded pipe (0.8 capability), acquired Copperweld Steel (0.7 capability) and Welded Tube Co. of America (0.5 capability), major producers of pipe and tubing, including carbon, alloy, and stainless steel.
September 2000	Maverick Tube	Maverick Tube (1.0 capability) acquired Longview, WA, hollow structural sections and line pipe mill (0.1 capability) from Prudential Steel Ltd., a Canadian producer of tubular products.
July 2001	AK Steel	AK Steel, an integrated producer of hot- and cold-rolled sheet, coated products, pipe and tubing products (0.4 capability), and stainless steel, acquired the assets of Alpha Tube Co. (0.2 capability), a bankrupt producer of welded steel tubing.
October 2001	Anvil International	Anvil International, a subject fittings producer, acquired the assets of Beck Manufacturing, a manufacturer of steel, PVC, and aluminum fittings. Beck will reportedly operate as a standalone division of Anvil.
April 2002	Wheatland Tube	John Maneely Company, the parent company of Wheatland Tube Co. (0.4 capability), acquired the Sawhill Tubular Division (0.2 capability) of AK Steel.
December 2002	Maverick Tube	Maverick (1.0 capability) acquired certain tubular assets of LTV Steel Corp. This acquisition was for five plants (Youngstown, OH; Ferndale, MI; Cedar Springs, GA; Elyria, OH; and Counce, TN; with a combined 0.7 capability) that formerly were the LTV Steel Tubular Products Division of LTV Steel prior to the purchase of Copperweld Steel and Welded Tube discussed above. Maverick closed the Youngstown facility in February 2003.
June 2003	Dura-Bond Industries	Dura-Bond (no capability) acquired the idled large diameter welded pipe facility in Steelton, PA (0.3 capability) from ISG.
July 2003	Novamerican (Canada)	Acquired ISG/Bethlehem's half of BethNova Tube (0.1 capability).

[1] Legett and Platt Inc. purchased portions of Excaliber Holding Corp.'s tube-fabricating operations, but not its welded tube assets, in August 2001.

Source: Compiled by Commission staff from various public sources.

Table TUBULAR I-5
Tubular steel: Major capital investments of U.S. steel companies, as reported in public sources, 1999-2003

Year	Company and location	Facility	Reported investment[1]
			Million dollars
1999	LTV Steel *Marion, OH*	New 146,000 tons per year automotive structural tubing facility.	66
1999	Maverick Tube *Hickman, AR*	Construction started on new large diameter pipe manufacturing plant. Production began first quarter 2001.	40
2000	Novamerican Corp. *Dorval, Quebec, Canada*	New tubing facility operated by Nova Tube and Steel, Inc. in Morrisville, PA.	
2001	Lone Star Steel *Lone Star, TX*	New pipe heat-treatment facility. New descaling system.	
2001	BethNova Tube[2] [3] *Jefferson, IN*	New facility to make hydro-formed tubes for the automotive industry. Annual production expected to reach 120,000 tons.	19.5
2002	Lock Joint Tube *South Bend, IN*	New equipment to manufacture mechanical tubing. Announced plans to install another three tube mills.	5
2002	Northwest Pipe *Portland, OR*	Purchase of new spiral mill to be installed in Saginaw, TX.	
2003	Northwest Pipe *Portland, OR*	Purchase of new spiral mill to be installed in Parkersburg, WV.	
2003	Sharon Tube *Sharon, PA*	Expanded existing ERW mill in Nile, OH which is capable of producing large outside diameter and heavy wall to manufacture redraw hollows for its cold drawn operations. This plant was fully operational in April 2003.	9.5

[1] Where no value is given, data were not reported in source.
[2] A joint venture of Bethlehem Steel and Novamerican Steel.
[3] AISE, found at *http://www.steelnews.com/north_american/2001_target_blanks/june01/bethnova.htm*, retrieved Sept. 8, 2003.

Source: *AISE Iron and Steel Engineer* and *AISE Steel Technology*, various issues; Preston Press, *Domestic Mill Activity*, various issues, unless otherwise specified.

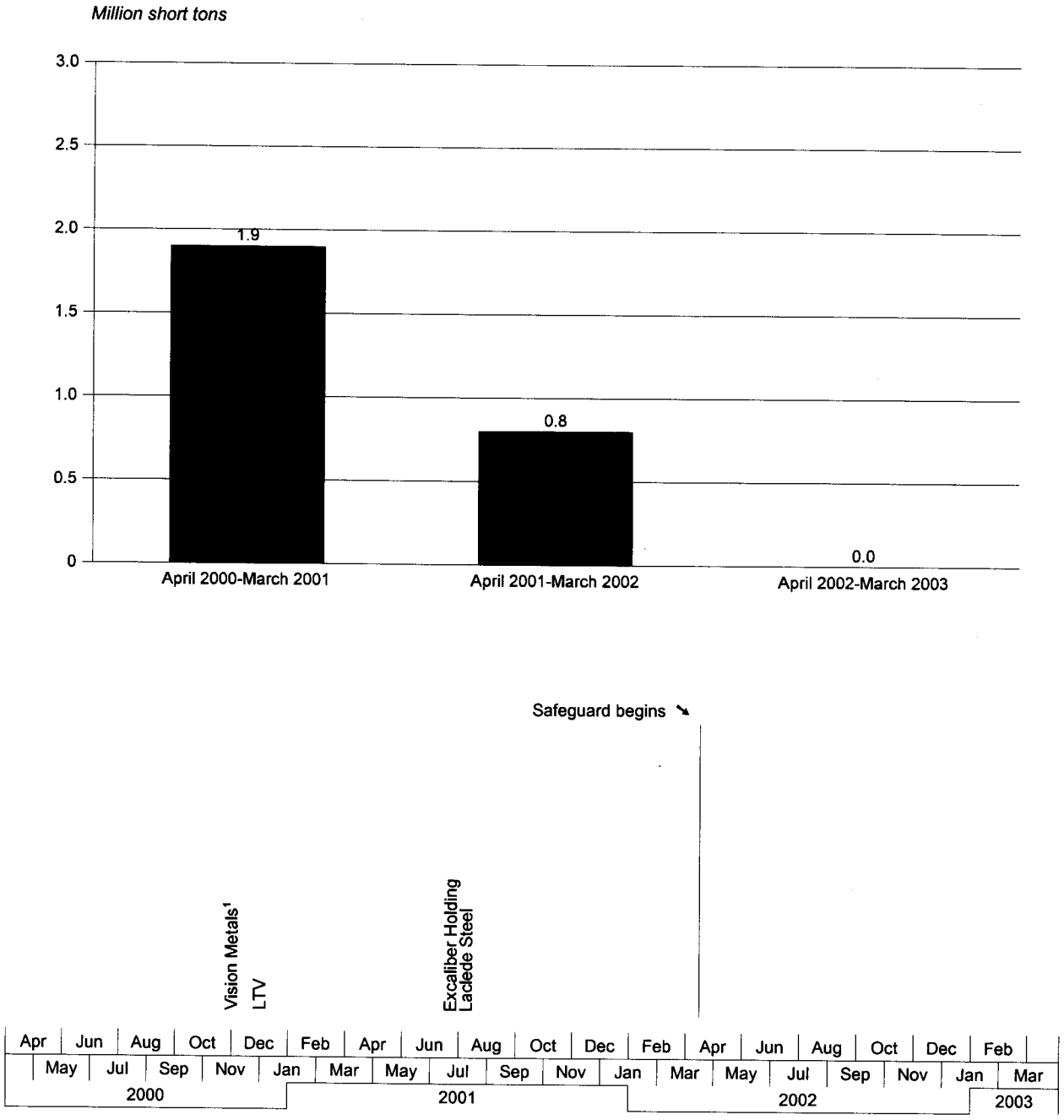
Timelines

Figure TUBULAR I-1 illustrates the timeline for bankruptcies and the related tubular product capability.[3] Bankruptcies were few in number and were primarily of large steel companies for which tubular products were only a fraction of their production. For mergers and acquisitions activity, tubular product capability[4] is shown in Figure TUBULAR I-2. Merger activity was moderate throughout the period examined, but grew during the first year of the safeguard measures.

[3] Tubular capability instead of raw steel capability is shown because many tube producers have no raw steel capability.

[4] No capability is shown for Anvil's acquisition of Beck (both fittings producers).

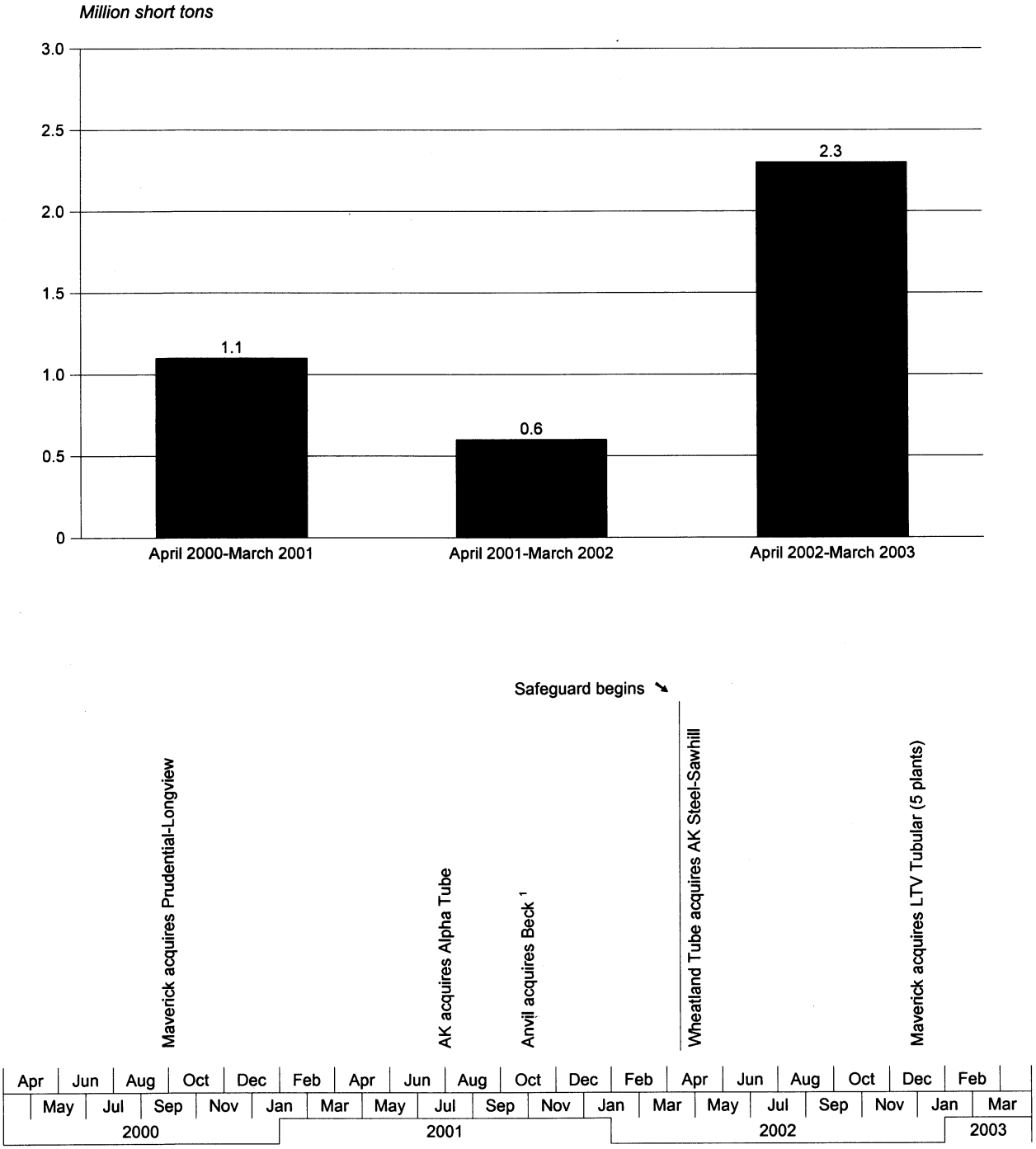
Figure TUBULAR I-1
Tubular steel: Firms filing for bankruptcy protection and related tubular capability, April 2000-March 2003



[1] Welded tubular capability unknown.

Source: Table TUBULAR I-3 and other publicly available information.

Figure TUBULAR I-2
Tubular steel: Mergers and acquisitions and related tubular capability, April 2000-March 2003



[1] Capability data not applicable; firms are both fittings producers, not pipe/tube producers.

Source: Table TUBULAR I-4 and other publicly available information.

PART II: INDUSTRY AND MARKET DATA (WELDED)

DESCRIPTION AND USES

Carbon and alloy welded tubular steel (welded, welded pipe, and welded tube) is produced by bending flat-rolled steel products to form a hollow product with overlapping or abutting seams. These products are then fastened along the seam typically by welding, although clipping, riveting, and forging may also be used to fasten a length of the product. Generally, welded tubular products are slightly less reliable and durable than seamless tubular products because of the presence of a welded seam. Welded tubular products are used in the conveyance of water, petrochemicals, oil products, natural gas, and other substances in industrial piping systems. HTS statistical reporting numbers for subject welded products are presented in table TUBULAR II-1.

Table TUBULAR II-1
Welded: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Welded[1]	7305.11.1030	7305.19.5000	7306.30.1000	7306.30.5055	7306.50.5070
	7305.11.1060	7305.31.2000	7306.30.5010	7306.30.5085	7306.60.1000
	7305.11.5000	7305.31.4000	7306.30.5015	7306.30.5090	7306.60.3000
	7305.12.1030	7305.31.6000	7306.30.5020	7306.50.1000	7306.60.5000
	7305.12.1060	7305.39.1000	7306.30.5025	7306.50.3000	7306.60.7060
	7305.12.5000	7305.39.5000	7306.30.5032	7306.50.5010	7306.90.1000
	7305.19.1030	7305.90.1000	7306.30.5035	7306.50.5030	7306.90.5000
	7305.19.1060	7305.90.5000	7306.30.5040	7306.50.5050	

[1] The temporary HTS subheadings for welded products (other than OCTG) established by proclamation or delegated authority pursuant to trade legislation are:

(1) 9903.73.74 and 9903.73.75 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.77, 9903.73.78, 9903.77.30, 9903.77.31, 9903.77.33 through 9903.77.35, 9903.77.37, 9903.77.38, 9903.77.40 through 9903.77.42, and 9903.82.90 through 9903.82.98 for other products excluded from the section 203 remedy,

(2) 9903.77.32, 9903.77.36, 9903.77.39, 9903.82.99, and 9903.83.00 for products entered in quantities up to stated limits (ranging from 5 tons to 100,000 tons) without additional tariffs, and

(3) 9903.73.84, 9903.73.85, and 9903.73.86 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 15 percent *ad valorem* additional tariffs through March 19, 2003, 12 percent additional tariffs through March 19, 2004, and 9 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of welded products which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of welded product exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

MARKET ENVIRONMENT

Changes in U.S. Demand

Welded tubular products are used in a variety of end uses. Standard pipe is used for conveyance in industrial applications, as well as having uses in construction, electric power generation, and in the oil market. Mechanical tubing is used in automotive and structural applications. Large diameter line pipe is used in the transmission of oil and gas. As shown in section OVERVIEW II, the value of U.S. nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1). The value of U.S. construction of utilities, pipelines, and railroads put in place decreased by 5.1 percent between the first quarter of 2002 and the first quarter of 2003.

The data collected by the Commission (which do not include 100 percent of U.S. production) indicate that apparent U.S. consumption of welded tubular products increased by 9.0 percent from April 2000-March 2001 to April 2001-March 2002, then decreased by 10.5 percent in April 2002-March 2003.

Fourteen of 20 responding U.S. welded tube producers and 20 of 31 responding welded tube importers reported that U.S. demand for steel has decreased since March 20, 2002.[1] U.S. welded tube producers that reported decreased demand generally cited the slowing U.S. economy, particularly weakness in capital spending and the construction market sector. Welded tube importers that reported decreased demand generally cited the slowing U.S. economy and greater competition for end products using welded tube. Declining market sectors cited by welded tube importers include automotive, construction, and capital goods. Welded tube importers that reported increased demand cited increased demand for oil and gas.[2]

Nineteen of 23 responding U.S. welded tube producers and 30 of 33 responding welded tube importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

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[1] Four producers reported that demand has remained the same, and two reported that demand has increased. Seven importers reported that demand has remained the same, and four reported that demand has increased.

[2] One domestic producer of large diameter line pipe testified that the U.S. pipeline industry has undergone one of the biggest shocks ever to its system in the past two years as a result of the fallout from the Enron collapse. This has resulted in a significant reduction in expenditures on pipeline activities. Testimony of Donald Bohach, Vice-President, Marketing and Sales, Stupp Corp., transcript of Commission hearing (July 17, 2003) at 53. A standard pipe producer testified that demand has declined so much that, even without the production of their largest facilities, they have had no problem keeping up with orders. He did not anticipate any increase in demand in the near future from the non-residential construction sector, which is the sector to which their products are primarily sold. Testimony of Mark Magno, Vice-President, Marketing, Wheatland Tube Co., transcript of Commission hearing (July 17, 2003) at 59. A second standard pipe producer testified that the square footage of building construction was down 30 percent in 2002 versus 2001. Testimony of Robert Bussiere, General Manager, Fire Protection Products, Allied Tube & Conduit Corp., transcript of Commission hearing (July 17, 2003) at 87. A mechanical tubing producer maintained that the overall effect of the recession and the September 11 tragedy has caused firms to decide to postpone investment in big capital projects. He also stated that downstream markets for mechanical tubing have been losing a tremendous amount of sales to foreign producers, particularly Chinese producers. Perry Katsafanas, President, Leavitt Tube Co., transcript of Commission hearing (July 17, 2003) at 88-89. Finally, an organized labor witness testified that there has been a particular drop in demand for energy pipe for use in the energy industry since the Enron debacle. He also stated that many of the downstream firms that use mechanical pipe have closed their doors in the United States and moved to China. Testimony of Leo Gerard, International President, United Steelworkers of America, AFL-CIO-CLC, transcript of Commission hearing (July 17, 2003) at 89-90.

Changes in U.S. Supply

Prior to the imposition of the section 203 safeguard measure, Laclede Steel, a producer of carbon and alloy steel hot-rolled bar, welded standard pipe, and welded chain with raw steel capacity of 0.6 million short tons, filed for bankruptcy in July 2001 and shut down its operations in August 2001. Additional capacity reductions reportedly occurred at Excalibur Holding.[3]

Following the imposition of the section 203 safeguard measure, three other tubular facilities were shut down. In June 2002, Olympic Steel Tube shut down its Cleveland, OH tubular facility; in February 2003, Maverick shut down its Youngstown, OH tubular facility (formerly an LTV asset); and also in February 2003, Copperweld shut down its Portland, OR tubular facility (also formerly an LTV asset).[4]

As shown in table TUBULAR II-2, with the exceptions of efforts to increase product availability and decreasing order backlogs, the majority of welded tube producers reported no changes in their marketing practices since March 20, 2002.

Table TUBULAR II-2
Welded: U.S. producer responses to questions regarding firms' activities since March 20, 2002

Marketing practice/market conditions	Number of producers reporting		
	No	Yes	
Efforts to increase product availability	11	14	
Change in geographic market	22	3	
Change in channels of distribution	21	3	
Change in share of sales from inventory	22	3	
Change in average lead times from inventory	19	4	
Change in average lead times from production	16	8	
Change in product range	17	8	
Change in demand for or production of alternate products	19	6	
	Increased	Decreased	Stayed same
Change in order backlogs	4	13	7
Change in on-time shipping percentage	5	1	18

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

[3] *See* table TUBULAR I-3.

[4] A mechanical tubing producer testified that, over the past two years he has seen more capacity leave the U.S. welded pipe industry than at any time since the integrated producers exited the welded pipe and tube business in the early 1980's. He cited the closures of Excalibur Tube, Olympic Steel Tube, the former LTV tubular facility in Youngstown OH, and Copperweld's tubular plants in Birmingham, AL, Portland, OR, and Piqua, OH. Testimony of Perry Katsafanas, President, Leavitt Tube Co., transcript of Commission hearing (July 17, 2003) at 47-48. Counsel to the Korean respondents maintained that the Commission capacity and capacity utilization data indicates that the welded pipe industry has not closed all of its inefficient capacity. Donald Cameron, counsel to Korean respondents, transcript of hearing (July 17, 2003) at 200.

Forty-nine of 133 responding welded tube purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Fifty-four of 124 responding welded tube purchasers reported increased average lead times for their purchases of domestic steel, 56 reported no change in domestic lead times, and 14 reported decreased domestic lead times. Welded tube purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[5] Seventy-nine of 133 responding welded tube purchasers did not indicate that producers had taken any such actions. However, 13 of 133 responding purchasers reported that domestic producers had introduced new or innovative products, 15 reported that domestic producers had improved product quality, 17 reported that domestic producers had expanded marketing efforts, 16 reported that domestic producers had improved customer service, and 23 reported that domestic producers had made other positive adjustment efforts.[6]

Based on data compiled in this investigation, U.S. welded tube producers' capacity utilization was 52.9 percent and their inventories as a percentage of total shipments were 14.3 percent during April 2002-March 2003. Exports accounted for 3.4 percent of total shipments.

Changes in Import Supply

Imports of welded pipe from covered countries fell by 48.9 percent between the periods April 2001-March 2002 and April 2002-March 2003, whereas imports of welded pipe from noncovered countries increased by 8.0 percent between the same periods. Total imports declined 22.1 percent.[7]

The U.S. market share accounted for by imports of welded pipe from covered countries fell from 22.6 percent in April 2001-March 2002 to 12.9 percent in April 2002-March 2003. The U.S. market share accounted for by imports of welded pipe from noncovered countries increased from 20.1 percent in April 2001-March 2002 to 24.2 percent in April 2002-March 2003. The U.S. market share accounted for by all imports decreased from 42.7 to 37.1 percent.[8]

As shown in table TUBULAR II-3, the majority of welded pipe importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table TUBULAR II-4.

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[5] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[6] Some purchasers reported more than one of these actions.

[7] *See* table TUBULAR II-7.

[8] *See* table TUBULAR II-10.

Table TUBULAR II-3
Welded: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	31	15
Change in geographic market	43	2
Change in channels of distribution	39	2
Change in share of sales from inventory	38	5
Change in average lead times from inventory	28	0
Change in average lead times from production	25	9
Change in product range	40	10
Change in demand for or production of alternate products	38	4
Importing of steel from foreign producers from which previously have not imported	36	11

	Increased	Decreased	Stayed same
Change in order backlogs	5	16	24
Change in on-time shipping percentage	5	12	30

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

Table TUBULAR II-4
Welded: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons	*Percent*		
Covered	7,760,639	85.8	6.3	4.8
Noncovered	3,662,050	55.2	18.4	9.2

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

Timeline

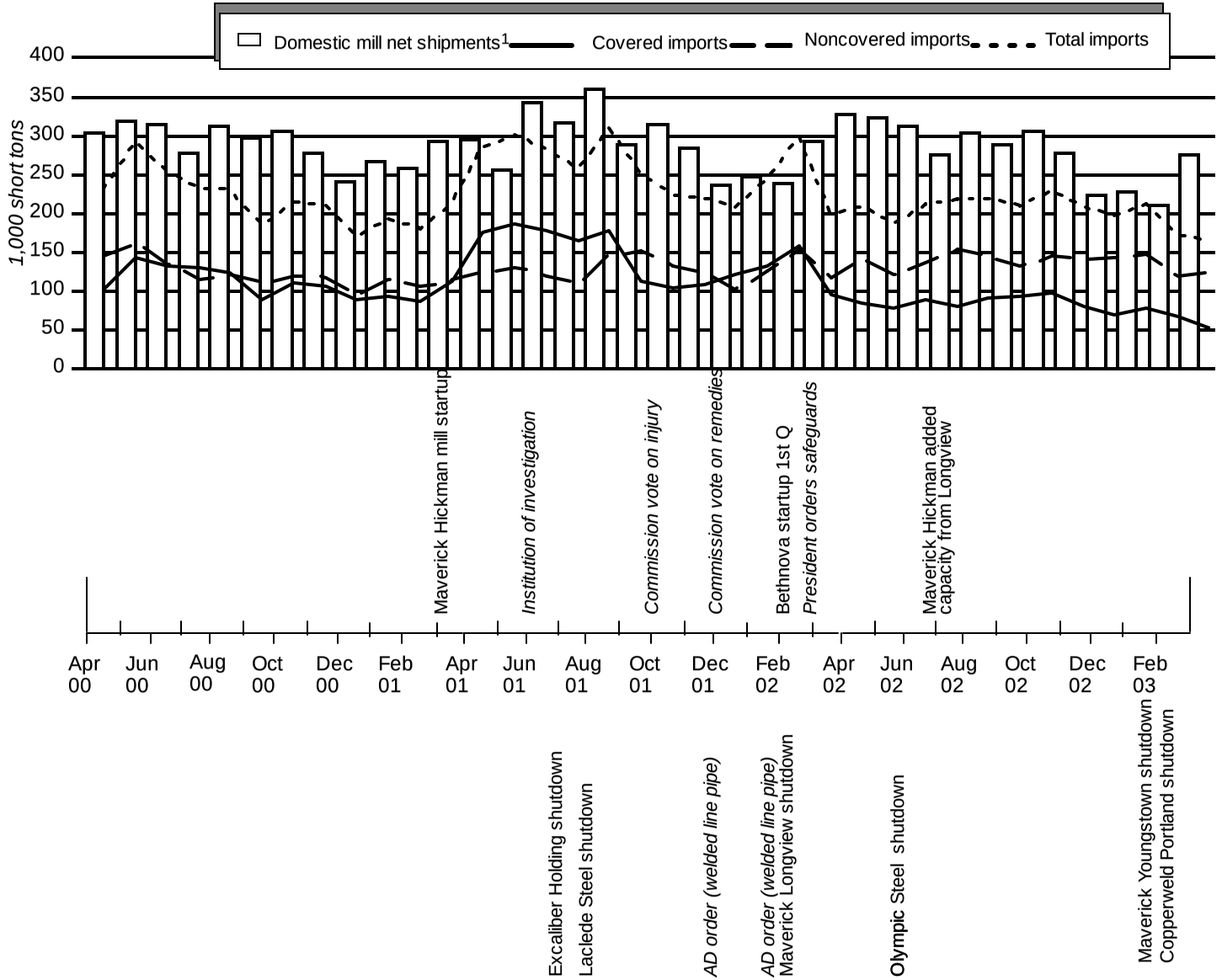
Figure TUBULAR-II-1 shows monthly shipments of welded tubular products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include monthly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the timeline) and start ups (shown above the line). Also shown above the line are significant safeguard dates,[9] while antidumping duty orders are shown below the line.[10] [11]

[9] Counsel to CPTI 201 coalition testified that a surge in imports from Korea between the time of the Commission's injury determination and the President's remedy decision helped "to ruin the first year of relief for the domestic industry by landing such massive quantities of inventories into the U.S. market prior to the beginning of relief." Roger Schagrin, counsel to the CPTI 201 coalition, transcript of Commission hearing (July 17, 2003) at 18. He further testified that imports from some countries not covered by the safeguard measures, notably India and Turkey, had surged compared to the 1996-1997 base period used by the Administration for excluding developing countries. Ibid. at 18-19.

[10] Commerce imposed antidumping duty orders on welded large diameter line pipe from Japan on December 6, 2001 (66 FR 63368) and from Mexico on February 27, 2002 (67 FR 8937).

[11] Imports may also have been affected by safeguard measures imposed on line pipe in March 2000, just before the period examined in the timeline. The President imposed tariff rate quotas on welded line pipe on March 1, 2000. Inasmuch as line pipe can be produced in the same facilities used to produce subject welded pipe, the safeguard measures on line pipe could affect the availability of foreign welded pipe subject to the instant investigation. Counsel testified in the 201 investigation that "with imports of line pipe restricted Korean producers and producers in other countries around the world increased exports of other welded pipe and tube products by even more than their decreased exports of line pipe." Roger Schagrin, counsel to the CPTI 201 coalition, transcript of Commission hearing in Investigation TA-201-73 (September 17, 2001) at 63-64.

Figure TUBULAR II-1
Welded non-OCTG pipe: Monthly imports and monthly domestic mill net shipments, antidumping duty (AD) orders, facility shutdowns and startups, and investigation milestones, April 2000-March 2003



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Table TUBULAR II-5 presents information on U.S. welded pipe producers' capacity, production, shipments, inventories, and employment. The Commission received usable questionnaire responses from 26 welded products producers that are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003.

The following tabulation presents firms that reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation:[12]

* * * * * * *

***. ***. Therefore, the welded data including capacity data shown in table TUBULAR II-2 are understated for the April 2000-March 2001 and April 2001-March 2002 periods.

Several producers have reportedly ceased welded tube operations during the period examined; e.g., Excaliber's operations were broken up in August 2001, Laclede closed in September 2001, Olympic Steel closed in June 2002,[13] Copperweld closed its Portland, OR mill in February 2003, and Maverick closed its Youngstown, OH facility in February 2003.[14]

[12] *** returned questionnaires in both the 201 and the 204 investigations. In the firm's questionnaire response in the section 201 investigation the firm reported welded tube capacity of *** short tons and production of *** short tons in 2000; however, in its questionnaire in this investigation the firm reported that it did not produce subject welded pipe.

[13] *See* Olympic Steel's Form 10-K filing for the year ending December 31, 2002. The firm reported losses for fiscal years 2000, 2001, and 2002.

[14] According to testimony at the Commission's hearing, "{a}t the time of the combination of LTV Tubular, Copperweld and Welded Tube Co. of America to form the LTV Copperweld subsidiary of LTV Steel, significant capacity rationalizing has occurred. That was in 2000 and 2001." Testimony of Parry Katsafanas, President, Leavitt Tube Co., hearing transcript, July 17, 2003 at 48. In May 2003, *** and thereby reducing the capacity of *** from *** short tons per year to *** short tons per year. Staff conversation with ***, September 5, 2003. Additionally, Copperweld has announced the anticipated closures of its structural tubing plant in Birmingham, AL, as well as its mechanical tubing mill in Piqua, OH. Staff telephone conversation with ***, September 9, 2003.

Table TUBULAR II-5
Welded: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Capacity[1]	7,519,521	7,441,796	7,744,735
Production	4,135,729	4,074,940	4,097,957
Internal consumption/transfers	102,681	120,008	115,571
U.S. commercial shipments	3,827,649	3,896,806	3,825,860
U.S. shipments	3,930,330	4,016,814	3,941,431
Export shipments	170,561	137,065	138,700
Total shipments	4,100,891	4,153,879	4,080,131
Ending inventories	604,431	546,480	584,311
	Value *($1,000)*		
Internal consumption/transfers	57,321	60,148	60,970
U.S. commercial shipments	2,299,681	2,161,152	2,278,582
U.S. shipments	2,357,002	2,221,300	2,339,552
Export shipments	113,433	87,109	89,527
Total shipments	2,470,435	2,308,410	2,429,078
	Unit value *(per short ton)*		
Internal consumption/transfers	$558	$501	$528
U.S. commercial shipments	601	555	596
U.S. shipments	600	553	594
Export shipments	665	636	645
Total shipments	602	556	595
	Ratios and shares *(percent)*		
Capacity utilization	55.0	54.8	52.9
U.S. shipments to distributors	67.0	63.5	65.8
U.S. shipments to end users	33.0	36.5	34.2
Inventories/total shipments	14.7	13.2	14.3
	Employment data		
PRWs[2] *(number)*	5,980	5,734	6,014
Hours worked *(1,000)*	12,050	11,552	11,888
Wages paid *($1,000)*	230,020	226,295	250,990
Hourly wages	$19.09	$19.59	$21.11
Productivity *(short tons/1,000 hours)*	343.2	352.8	344.7
Unit labor costs *(per short ton)*	$55.62	$55.53	$61.25

[1] If *** were included in the data, reported capacity would be *** short tons for April 2000-March 2001 and approximately *** short tons in April 2001-March 2002 (***); therefore, capacity in April 2002-March 2003 would be *** percent less than in April 2001-March 2002 and *** percent less than in April 2000-March 2001.
[2] Production and related workers.

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

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

As presented in table TUBULAR II-5, reporting U.S. producers' aggregate output-related indicators reflected little change in the period April 2002 to March 2003. In the first relief year, the domestic industry's capacity reportedly increased by 4.1 percent, production increased by 0.6 percent, and U.S. shipments decreased by 1.9 percent.[15] Each of these indicators was little different than in the period from April 2000 to March 2001.[16] Capacity utilization decreased from 54.8 percent to 52.9 percent in the period April 2002 to March 2003, and was below the 55.0 percent level of the period from April 2000 to March 2001. The number of production and related workers employed increased by 4.9 percent in the first relief year, and was 0.6 percent higher than in the period from April 2000 to March 2001. Productivity decreased by 2.3 percent, while hourly wage rates increased by 7.8 percent, resulting in higher unit labor costs in the period April 2002 to March 2003.

FINANCIAL DATA

Financial data on welded pipe other than OCTG provided by U.S. producers are presented in table TUBULAR II-6.

U.S. firms were requested to provide information on whether they received funds under the Continued Dumping and Subsidy Offset Act (CDSOA or Byrd Amendment), their pension expenses, and their post-employment expenses other than pensions (OPEBs). Ten firms reported receiving funds under the CDSOA, which they classified as other income.[17] Thirteen firms reported that they incurred pension expenses in their operations producing welded pipe, and generally classified those expenses within either other factory costs or direct labor, two categories of the cost of goods sold (COGS). Three of the thirteen also reported part of their pension expenses as a component of total selling, general, and administrative (SG&A) expenses. Seven firms reported incurring OPEBs, and classified those expenses within COGS.

[15] The value of the domestic industry's U.S. shipments increased by 5.3 percent, reflecting an increase in the average unit value of such shipments. Both the value and the average unit value of such shipments were lower than in the period April 2000 to March 2001.

[16] As noted above, a number of welded pipe mills closed over the period examined. The closure of mills such as those of Laclede Steel and Olympic Steel, as well as the ***, and their corresponding absence from the data collected, would tend to overstate a trend of increasing shipments (or other volume-related measures), or understate a trend of declining shipments (or other volume-related measures), over the period examined. It should be noted, however, that the absence of data from mills that opened or ramped up production during the period, such as ***, would have the opposite effect on the presented trends.

[17] *** classified these funds received as an offset to SG&A; Commission staff adjusted them to other income.

Table TUBULAR II-6
Welded: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Net commercial sales	4,009,903	4,045,134	3,977,774
		Value *($1,000)*	
Net commercial sales	2,414,275	2,246,516	2,381,308
Cost of goods sold (COGS)	2,079,772	1,930,635	2,099,694
Gross profit or (loss)	334,504	315,881	281,614
SG&A expenses	196,713	194,819	203,538
Operating income or (loss)	137,790	121,063	78,076
Interest expense	50,385	30,581	39,212
Other (income)/expenses, net	11,860	6,759	(3,920)
Net income or (loss)	75,545	83,723	42,784
Depreciation/amortization	74,769	74,233	74,576
Cash flow	150,314	157,956	117,360
CDSOA funds received	0	3,627	4,313
Pension (credit)/expense	(1,342)	2,891	7,647
Other post-employment benefits	5,609	6,317	6,498
Capital expenditures	79,884	61,399	83,790
R&D expenses	7,609	6,957	7,214
		Ratio to net commercial sales *(percent)*	
COGS	86.1	85.9	88.2
Gross profit or (loss)	13.9	14.1	11.8
SG&A expenses	8.1	8.7	8.5
Operating income or (loss)	5.7	5.4	3.3
Net income or (loss)	3.1	3.7	1.8
		Unit value *(per short ton)*	
Net commercial sales	$602	$555	$599
COGS total	519	477	528
Raw materials	355	318	353
Direct labor	59	57	63
Other factory costs	104	102	112
Gross profit or (loss)	83	78	71
SG&A expenses	49	48	51
Operating income or (loss)	34	30	20
		Number of firms reporting	
Operating losses	6	7	8
Data	26	26	26

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

As presented in table TUBULAR II-6, reporting U.S. producers' net commercial sales decreased on a quantity basis but increased on a value basis in the period April 2002 to March 2003; net sales measured by either measure, however, were below the levels reported in the period April 2000 to March 2001. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales increased from $555 to $599, but were still below the $602 average unit value for the period from April 2000 to March 2001.

COGS increased more on a unit basis than did average unit values. In the period April 2002 to March 2003, unit raw materials costs increased sharply, as did unit labor and other factory costs. Because unit costs increased by a greater degree than unit revenues, and the industry's sales volumes declined, its financial performance declined as well. The industry's operating margins declined from 5.4 percent to 3.3 percent. By contrast, the industry's operating margin was 5.7 percent in the period from April 2000 to March 2001.

Industry representatives stated at the hearing that reported raw material costs reflect changes in the cost of steel that they consume (mostly hot-rolled steel in coils, or slab in the case of CSI).[18] Domestic producers have implemented cost reduction programs, including layoffs and termination of salaried and hourly workers, consolidated facilities, and replaced or upgraded equipment to improve efficiency.[19] These efforts also are seen in the industry's levels of capital investment.[20]

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[18] Several industry representatives testified that raw material costs had increased; *see e.g.* testimony of Robert Bussiere, General Manager Fire Protection Products, Allied Tube, transcript of Commission hearing (July 17, 2003) at 121; and Mark Magno, Vice President, Marketing, Wheatland Tube, transcript of Commission hearing (July 17, 2003) at 124. Parry Katsafanas, President, Leavitt Tube, testified his firm was able to recover only 67 percent of the increased steel costs (transcript of Commission hearing (July 17, 2003) at 122-123. A spokesman for IPSCO testified that, although his firm is vertically integrated, IPSCO's pipe facility is located near Nucor's Hickman, AR, steel mill, and often purchases its steel from Nucor. L. Scott Barnes, Vice President, Commercial, IPSCO Tubulars, Inc. (transcript of Commission hearing (July 17, 2003) at 162-163. He also stated that while raw material costs for hot-rolled have moderated from the beginning to the end of the periods investigated, "other costs such as for health care insurance and energy costs, have continued increasing." L. Scott Barnes, Vice President, Commercial, IPSCO Tubulars, Inc., transcript of Commission hearing (July 17, 2003) at 51; *see also* CPTI posthearing brief at 8. Counsel to the Korean respondents emphasized the relationship between pipe prices and raw material (flat-rolled) costs in their assessment of the effectiveness of relief. Posthearing brief of Korean respondents at 7-9 and 20-21.

[19] Posthearing brief of the CPTI 201 Coalition at 6. *See also* posthearing brief of U.S. Steel with respect to welded tubular products at 3.

[20] Posthearing brief of the CPTI 201 Coalition at 7-8 and exh. 2. For a discussion of investment and its relationship to import relief, see the posthearing brief of Korean respondents at 9-10 and exh. 1.

U.S. IMPORTS

Table TUBULAR II-7 presents data on U.S. imports of welded tubular products by sources for the period April 2000-March 2003. Table TUBULAR II-8 presents data on U.S. imports from covered sources, by tariff categories during April 2002-March 2003. Table TUBULAR II-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in table TUBULAR II-7, in the period April 2002 to March 2003, total imports declined, imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 2,988,231 short tons to 2,327,495 short tons. Imports from countries covered by the safeguard measure declined from 1,583,353 short tons to 809,695 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 1,404,878 short tons to 1,517,800 short tons.[21]

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of welded tubular products are presented in table TUBULAR II-10 and figure TUBULAR II-2.

As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for welded pipe generally declined, and most of the responding U.S. welded pipe producers and importers agreed that demand for steel has decreased since March 2002. As presented in table TUBULAR II-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of welded pipe decreased by 10.5 percent in the period April 2002 to March 2003, and at the conclusion of this period was 2.5 percent below the level of the period from April 2000 to March 2001.[22]

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 57.3 percent to 62.9 percent. Imports from covered countries saw their market share decrease from 22.6 percent to 12.9 percent, while imports from noncovered countries saw their market share increase from 20.1 percent to 24.2 percent.

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[21] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 19.2 percent in the first 12 months of the section 203 safeguard measure. Similarly, the value of U.S. imports from noncovered sources increased more steeply than the quantity, as the average unit value of such imports increased by 7.2 percent. The average unit value of all imports increased by 11.5 percent in the first relief year, and were 8.5 percent higher than in the period April 2000 to March 2001.

[22] As noted above, a number of welded pipe mills closed over the period examined. The closure of mills such as those of Laclede Steel and Olympic Steel, as well as the ***, and their corresponding absence from the data collected, would tend to overstate a trend of increasing shipments (or other volume-related measures), or understate a trend of declining shipments (or other volume-related measures), over the period examined. It should be noted, however, that the absence of data from mills that opened or ramped up production during the period, such as ***, would have the opposite effect on the presented trends.

Table TUBULAR II-7
Welded: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
	Quantity *(short tons)*			*Percent*
Covered sources[1]	1,179,493	1,583,353	809,695	-48.9
Noncovered sources:[2]				
Canada	925,591	912,996	859,989	-5.8
India	32,469	52,348	131,154	150.5
Mexico	178,763	174,483	220,836	26.6
Turkey	26,518	52,205	132,844	154.5
Subtotal	1,163,341	1,192,032	1,344,823	12.8
All others	155,935	212,846	172,977	-18.7
Subtotal (noncovered)	1,319,276	1,404,878	1,517,800	8.0
Total (all imports)	2,498,768	2,988,231	2,327,495	-22.1
	Landed, duty paid value *($1,000)*			
Covered sources[1]	584,967	786,623	479,506	-39.0
Noncovered sources:[2]				
Canada	506,723	476,590	515,974	8.3
India	14,791	22,590	60,288	166.9
Mexico	97,272	88,249	115,505	30.9
Turkey	12,234	17,830	50,456	183.0
Subtotal	631,020	605,259	742,223	22.6
All others	63,875	97,717	72,172	-26.1
Subtotal (noncovered)	694,895	702,976	814,395	15.9
Total (all imports)	1,279,862	1,489,600	1,293,901	-13.1
	Unit value *(per short ton)*			
Covered sources[1]	$496	$497	$592	19.2
Noncovered sources:[2]				
Canada	547	522	600	14.9
India	456	432	460	6.5
Mexico	544	506	523	3.4
Turkey	461	342	380	11.2
Average	542	508	552	8.7
All others	410	459	417	-9.1
Average (noncovered)	527	500	537	7.2
Average (all imports)	512	498	556	11.5
	Share of total imports based on quantity *(percent)*			*Percentage point*
Covered sources[1]	47.2	53.0	34.8	-18.2
Noncovered sources:[2]				
Canada	37.0	30.6	36.9	6.4
India	1.3	1.8	5.6	3.9
Mexico	7.2	5.8	9.5	3.6
Turkey	1.1	1.7	5.7	4.0
Subtotal	46.6	39.9	57.8	17.9
All others	6.2	7.1	7.4	0.3
Subtotal (noncovered)	52.8	47.0	65.2	18.2
Total (all imports)	100.0	100.0	100.0	0.0
	Ratio of imports to production *(percent)*			
Covered sources[1]	28.5	38.9	19.8	-19.1
Noncovered sources	31.9	34.5	37.0	2.6
Total	60.4	73.3	56.8	-16.5

[1] Although Thailand is generally exempt from the section 203 relief, it is a covered source with respect to imports of welded.
[2] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are presented separately.

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

Source: Compiled from official statistics of Commerce.

Table TUBULAR II-8
Welded: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

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Table TUBULAR II-9
Welded: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:[1]			
U.S. shipments of imports	391,511	723,835	411,866
End-of-period inventories	4,772	6,767	4,425
Noncovered sources:			
U.S. shipments of imports	305,847	382,694	323,300
End-of-period inventories	5,958	6,747	6,017
Total:			
U.S. shipments of imports	697,358	1,106,529	735,166
End-of-period inventories	10,730	13,514	10,442
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	1.2	0.9	1.1
Noncovered sources	1.9	1.8	1.9
Average	1.5	1.2	1.4

[1] Although Thailand is generally exempt from the section 203 relief, it is a covered source with respect to imports of welded.

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

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

Table TUBULAR II-10
Welded: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

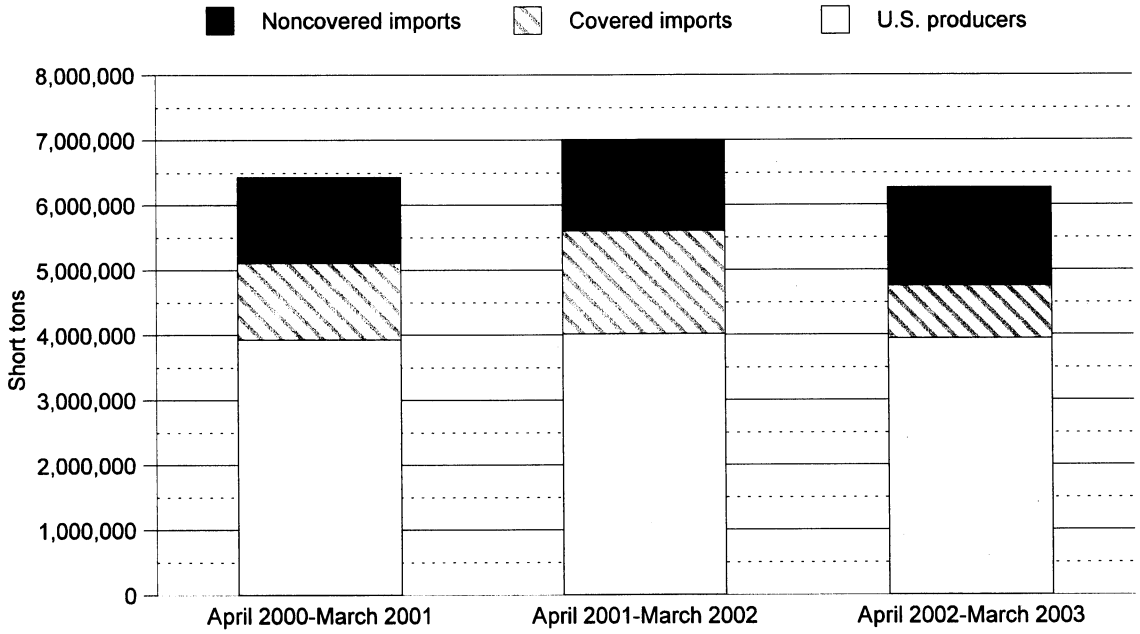
Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
U.S. producers' U.S. shipments	3,930,330	4,016,814	3,941,431
U.S. imports from:			
Covered sources[1]	1,179,493	1,583,353	809,695
Noncovered sources	1,319,276	1,404,878	1,517,800
Total U.S. imports	2,498,768	2,988,231	2,327,495
Apparent U.S. consumption	6,429,098	7,005,045	6,268,926
	Value *($1,000)*		
U.S. producers' U.S. shipments	2,357,002	2,221,300	2,339,552
U.S. imports from:			
Covered sources[1]	584,967	786,623	479,506
Noncovered sources	694,895	702,976	814,395
Total U.S. imports	1,279,862	1,489,600	1,293,901
Apparent U.S. consumption	3,636,865	3,710,900	3,633,452
	U.S. market share based on quantity *(percent)*		
U.S. producers' U.S. shipments	61.1	57.3	62.9
U.S. imports from:			
Covered sources[1]	18.3	22.6	12.9
Noncovered sources	20.5	20.1	24.2
Total U.S. imports	38.9	42.7	37.1
	U.S. market share based on value *(percent)*		
U.S. producers' U.S. shipments	64.8	59.9	64.4
U.S. imports from:			
Covered sources[1]	16.1	21.2	13.2
Noncovered sources	19.1	18.9	22.4
Total U.S. imports	35.2	40.1	35.6

[1] Although Thailand is generally exempt from the section 203 relief, it is a covered source with respect to imports of welded.

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

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

Figure TUBULAR II-2
Welded: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table TUBULAR II-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. welded tube producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table TUBULAR II-11 and TUBULAR II-12). U.S. welded tube purchasers were also asked to report the importance of these factors, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table TUBULAR II-13).

The three factors rated most important by U.S. welded tube producers were: changes in demand for steel within the United States; changes in the level of competition from imports from excluded countries; and changes in the cost of raw materials. The three factors rated most important by welded tube importers were: changes in demand for steel; changes in U.S. production capacity; and changes in competition between U.S. producers. The three factors rated most important by welded tube purchasers were: changes in demand for steel within the United States; changes in the cost of raw materials; and changes in U.S. production capacity.[23]

Pricing Practices

Nearly all responding U.S. welded tube producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Twenty-two of 24 responding U.S. welded tube producers and 32 of 38 responding welded tube importers reported that there has not been a change in the share of their sales that is on a contract versus a spot basis. Nine of 12 U.S. welded tube producers and 15 of 24 welded tube importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag spot prices and are not as volatile.

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[23] Available information indicates that U.S. demand for welded tubular products has declined since March 20, 2002. Most U.S. producers and importers reported that U.S. demand for welded tubular products has decreased since March 20, 2002. Apparent U.S. consumption of welded tubular products decreased by 10.5 percent between April 2001-March 2002 and April 2002-March 2003 (table TUBULAR II-10). The value of non-residential construction put in place decreased by 4.8 percent since April 2002 (table OVERVIEW II-1). The value of utilities, pipelines, and railroads construction put in place decreased by 5.1 percent.

Unit raw materials costs for welded tubular products increased by 11.0 percent between April 2001-March 2002 and April 2002-March 2003. Prices for carbon steel plate and sheet, primary inputs for welded tubular products, increased significantly between the first quarter of 2002 and the first quarter of 2003 (table FLAT II-28). Imports of welded tubular products from noncovered sources increased by 8.0 percent between April 2001-March 2002 and April 2002-March 2003 (table TUBULAR II-7). U.S. welded tube producers' capacity reportedly increased by 4.1 percent, and capacity utilization fell by 1.8 percentage points between April 2001-March 2002 and April 2002-March 2003 (table TUBULAR II-5). As discussed above, however, actual capacity in place appears to have declined. (Table TUBULAR II-5, n. 1).

Table TUBULAR II-11
Welded: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in demand for steel within the United States	1.5	2	4	17
Changes in the level of competition from imports from excluded countries	1.6	9	5	10
Changes in the cost of raw materials	1.6	16	4	3
Changes in competition between U.S. producers	1.7	9	9	6
Changes in U.S. production capacity	1.9	3	9	11
Changes in the level of competition from imports from non-excluded countries	2.0	8	7	9
Changes in demand for steel outside the United States	2.0	12	7	2
Changes in energy costs	2.3	15	8	0
Changes in the productivity of domestic producers	2.3	3	17	4
Changes in transportation/delivery cost changes	2.6	16	8	0
Changing market patterns	2.6	1	17	6
Changes in labor agreements, contracts, etc.	2.9	3	19	2
Changes in the level of competition from substitute products	3.0	3	19	1
Changes in the allocation of production capacity to alternate products	3.0	0	22	2

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all producers answered for all of the factors.

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

Table TUBULAR II-12
Welded: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in demand for steel	1.7	5	14	26
Changes in U.S. production capacity	1.7	17	20	9
Changes in competition between U.S. producers	1.8	20	17	8
Changes in the level of competition by imports	2.0	14	15	17
Changes in the cost of raw materials	2.3	31	15	1
Changes in transportation/delivery cost changes	2.4	24	22	0
Changes in energy costs	2.6	25	20	0
Changes in the productivity of domestic producers	2.6	8	31	6
Changing market patterns	2.6	9	30	6
Changes in labor agreements, contracts, etc.	2.8	8	33	4
Changes in the allocation of production capacity to alternate products	3.0	7	36	1
Changes in the level of competition from substitute products	3.1	4	39	1

[1] The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all importers answered for all of the factors.

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

Table TUBULAR II-13
Welded: As reported by *purchasers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in demand for steel within the United States	1.7	22	39	59
Changes in the cost of raw materials	1.8	75	38	7
Changes in U.S. production capacity	1.8	43	45	34
Changes in competition between U.S. producers	1.9	46	55	23
Changes in the level of competition from imports from non-excluded countries	2.2	38	46	36
Changes in energy costs	2.2	81	41	1
Changes in demand for steel outside the United States	2.2	50	44	14
Changes in the productivity of domestic producers	2.4	21	75	22
Changing market patterns	2.4	32	68	20
Changes in transportation/delivery cost changes	2.4	76	48	1
Changes in the level of competition from imports from excluded countries	2.5	32	76	15
Changes in labor agreements, contracts, etc.	2.7	19	82	12
Changes in the allocation of production capacity to alternate products	3.1	14	101	4
Changes in the level of competition from substitute products	3.2	7	108	8

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all purchasers answered for all of the factors.

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

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following two welded tubular products during April 2000-March 2003:

> ***Product 10A***–**Circular welded non-alloy steel pipe meeting ASTM A-53 or equivalent, schedule 40, black, plain-end, two inches nominal inside diameter.** This commodity product is used for light load-bearing applications or low-pressure conveyance of air, steam, gas, water, oil, or other fluids. It is used in machinery, fence posts, buildings, sprinkler systems, irrigation systems and water wells.
>
> ***Product 10B***–**ASTM A-513 (mechanical) or A-500 grade A or B (ornamental) tubing, carbon welded, pickled and oiled, 1 inch square, 0.065 inch nominal wall thickness (+ or - 10 percent), 20 foot to 24 foot mill lengths.** This commodity product is typically used in ornamental railing, furniture or other fabricated products.

Reported pricing data accounted for 27.0 percent of the quantity of U.S. producers' U.S. commercial shipments of welded tubular products, 13.0 percent of the quantity of total imports, and 21.5 percent and 5.9 percent, respectively, of the quantity of U.S. imports of covered and noncovered welded tubular products during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported welded tubular products are shown in tables TUBULAR II-14 and TUBULAR II-15. Weighted-average prices of U.S.-produced, covered imported, and noncovered imported welded tubular products are also shown in figures TUBULAR II-3 and TUBULAR II-4.[24] A summary of the price data, by product, is shown in table TUBULAR II-16 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables TUBULAR II-17 and TUBULAR II-18, respectively.

The Commission collected quarterly pricing data for two welded pipe and tube products. Domestic producers' prices for standard pipe increased by 17.7 percent from the first quarter of 2002 to the first quarter of 2003, and their prices for mechanical/ornamental tubing increased by 14.5 percent over the same period. Prices for both products, however, were lower in the first quarter of 2003 than they were in the second quarter of 2000, by 1.4 percent and 0.5 percent, respectively. Prices of both imported products increased from the first quarter of 2002 to the first quarter of 2003 from sources covered by the safeguard measure, rising by 12.4 and 24.9 percent, respectively, as well as from sources not covered by the safeguard measure, increasing by *** percent and *** percent, respectively. In the period April 2002 to March 2003, imports from sources covered by the safeguard measure and imports from sources not covered by the measure undersold the domestically produced product in every quarterly comparison.

[24] Public price data for steel pipe and tube products are shown in figure H-9 of app. H

Table TUBULAR II-14
Welded: Weighted-average price and quantity data for U.S.-produced and imported product 10A[1] from covered sources and noncovered sources, and margins of underselling, by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$515.71	93,868	$452.71	68,840	12.2	$418.33	4,345	18.9
July-September	500.10	92,105	454.13	68,133	9.2	425.77	4,143	14.9
October-December	486.38	84,251	449.42	66,881	7.6	***	***	***
2001:								
January-March	470.08	83,856	441.23	68,077	6.1	427.88	6,356	9.0
April-June	462.32	83,127	427.55	67,856	7.5	431.61	7,485	6.6
July-September	439.95	82,549	423.86	68,085	3.7	413.03	7,317	6.1
October-December	436.07	75,846	415.43	79,164	4.7	404.94	6,822	7.1
2002:								
January-March	432.08	94,695	421.58	67,302	2.4	423.65	6,738	2.0
April-June	472.15	102,760	452.43	45,489	4.2	422.56	10,630	10.5
July-September	527.60	76,887	465.68	49,025	11.7	450.23	10,373	14.7
October-December	536.85	67,264	474.07	50,452	11.7	461.14	6,833	14.1
2003:								
January-March	508.43	83,705	474.05	46,525	6.8	***	***	***

[1] Circular welded non-alloy steel pipe meeting ASTM A-53 or equivalent, schedule 40, black, plain-end, two inches nominal inside diameter.

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

Figure TUBULAR II-3
Welded: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 10A, April 2000-March 2003

* * * * * * *

Table TUBULAR II-15
Welded: Weighted-average price and quantity data for U.S.-produced and imported product 10B[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$628.70	196,618	$462.29	2,255	26.5	$***	***	***
July-September	620.67	182,723	488.97	1,806	21.2	***	***	***
October-December	602.08	170,303	504.24	1,308	16.3	***	***	***
2001:								
January-March	583.20	180,302	416.97	1,443	28.5	***	***	***
April-June	574.69	177,976	***	***	***	***	***	***
July-September	549.16	171,068	***	***	***	***	***	***
October-December	549.89	154,344	***	***	***	***	***	***
2002:								
January-March	546.53	176,647	***	***	***	***	***	***
April-June	584.57	192,229	***	***	***	***	***	***
July-September	624.22	172,732	***	***	***	***	***	***
October-December	648.00	152,816	***	***	***	***	***	***
2003:								
January-March	625.62	168,368	***	***	***	***	***	***

[1] ASTM A-513 (mechanical) or A-500 grade A or B (ornamental) tubing, carbon-welded, pickled and oiled, 1 inch square, 0.065 inch nominal wall thickness (+ or - 10 percent), 20 foot to 24 foot mill lengths.

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

Figure TUBULAR II-4
Welded: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 10B, April 2000-March 2003

* * * * * * *

Table TUBULAR II-16
Welded: Change in quarterly prices of U.S. product, imports from covered sources, and imports from noncovered sources, by product

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
10A	-1.4	17.7	4.7	12.4	***	***
10B	-0.5	14.5	***	24.9	-5.1	7.3

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

Table TUBULAR II-17
Welded: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
10A	12	12.2	2.4	0	([1])	([1])
10B	12	28.5	15.4	0	([1])	([1])

[1] Not applicable.

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

Table TUBULAR II-18
Welded: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
10A	12	18.9	2.0	0	([1])	([1])
10B	9	11.2	2.4	3	2.0	([2])

[1] Not applicable.
[2] Less than 0.05 percent.

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

PART III: INDUSTRY AND MARKET DATA (FITTINGS)

DESCRIPTION AND USES[1]

Carbon and alloy fittings and flanges (fittings) generally are used for connecting the bores of two or more pipes or tubes together, or for connecting a pipe or tube to some other apparatus, or for closing the tube aperture. HTS statistical reporting numbers for subject fittings are presented in table TUBULAR III-1.

Table TUBULAR III-1
Fittings: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Fittings[1]	7307.91.5010	7307.91.5070	7307.92.9000	7307.93.9030	7307.99.5045
	7307.91.5030	7307.92.3010	7307.93.3000	7307.93.9060	7307.99.5060
	7307.91.5050	7307.92.3030	7307.93.6000	7307.99.5015	

[1] The temporary HTS subheadings for fittings established by proclamation or delegated authority pursuant to trade legislation are:
(1) 9903.77.51 for products excluded from the section 203 remedy,
(2) 9903.77.50 for products entered in quantities up to a stated limit of 3,000 tons without additional tariffs, and
(3) 9903.73.93, 9903.73.94, and 9903.73.95 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 13 percent *ad valorem* additional tariffs through March 19, 2003, 10 percent additional tariffs through March 19, 2004, and 7 percent additional tariffs through March 20, 2005.

As indicated in (2), temporary subheading 9903.77.50 specifies a particular type of fittings which is excluded from the additional tariffs when entered up to 3,000 tons during the 12-month period beginning on September 1, 2002 or September 1, 2003 or during the period from September 1, 2004 through March 20, 2005, inclusive. Whenever imports of the particular type of fitting covered by 9903.77.50 exceed 3,000 tons, then the quantity in excess would not be covered by the temporary HTS subheading 9903.77.50 and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

MARKET ENVIRONMENT

Changes in U.S. Demand

The fittings category includes pipe fittings and flanges. Fittings and flanges are often distributed with other tubular products, and demand for them is driven by utilities, construction, and import competition in downstream markets. As shown in section OVERVIEW II, the value of U.S. nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1). The value of U.S. construction of utilities, pipelines, and railroads put in place decreased by 5.1 percent between the first quarter of 2002 and the first quarter of 2003.

The data collected by the Commission (which do not include 100 percent of U.S. production) indicate that apparent U.S. consumption of fittings decreased by 22.5 percent from April 2000-March 2001 to April 2002-March 2003.

[1] Tool joints were included in the fittings category in investigation No. TA-201-73. However, the section 203 remedy specifically excluded tool joints from the fittings product category. Therefore, tool joints are not subject products in this investigation.

Three of seven responding U.S. fittings producers reported that U.S. demand for steel has decreased and four reported that demand has remained the same since March 20, 2002. Five of eight responding fittings importers reported that U.S. demand for steel has decreased and three reported that demand has remained the same since March 20, 2002. U.S. fittings producers that reported decreased demand generally cited the slowing U.S. economy, particularly a lack of capital spending, delays in mandated Environmental Protection Agency (EPA) upgrades, and a lack of projects and maintenance in the refining and petrochemical industry. Fittings importers that reported decreased demand also cited the slowing U.S. economy, particularly delays in mandated EPA upgrades, and a lack of projects and maintenance in the refining and petrochemical industry.[2]

All six responding U.S. fittings producers and all eight responding fittings importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

Changes in U.S. Supply[3]

As shown in table TUBULAR III-2, the majority of fittings producers reported no changes in their marketing practices since March 20, 2002.

Seventeen of 60 responding fittings purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Eighteen of 57 responding fittings purchasers reported increased average lead times for their purchases of domestic steel, 31 reported no change in domestic lead times, and 8 reported decreased domestic lead times. Fittings purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[4] Of 60 responding fitting purchasers, 35 purchasers did not indicate that producers had taken any such actions. However, 4 of 60 responding purchasers reported that domestic producers had introduced new or innovative products, 5 reported that domestic producers had improved product quality, 9 reported that domestic producers had expanded marketing efforts, 11 reported that domestic producers had improved customer service, and 11 reported that domestic producers had made other positive adjustment efforts.[5]

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[2] One domestic fittings producer testified that over the past year U.S. demand for welded fittings has declined as key consuming industries such as chemicals, construction, oil and gas stagnated. Demand began to slow in November and December of 2002, dropping slightly each month into 2003. Testimony of Don Graham, President, Trinity Fitting Group Inc. (Trinity), transcript of Commission hearing (July 17, 2003) at 68 and 92.

[3] One domestic fittings producer testified that immediately after the rulings in March 2002, Trinity consolidated its four fittings producing facilities into two facilities, although Trinity's fitting capacity remained the same. Testimony of Don Graham, President, Trinity, transcript of Commission hearing (July 17, 2003) at 112-113. Counsel to the CPTI 201 Coalition testified that Anvil purchased the assets of Beck manufacturing early in 2002 and rationalized capacity through plant closures. Roger Shagrin, counsel to the CPTI 201 Coalition, transcript of Commission hearing (July 17, 2003) at 115. Counsel to Trinity maintained that a decline in U.S. fittings capacity was due to Trinity exiting the flange business. Testimony of Cheryl Ellsworth, counsel to Trinity, transcript of Commission hearing (July 17, 2003) at 157.

[4] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[5] Some purchasers reported more than one of these actions.

Table TUBULAR III-2
Fittings: U.S. producer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of producers reporting	
	No	Yes
Efforts to increase product availability	6	1
Change in geographic market	7	0
Change in channels of distribution	7	0
Change in share of sales from inventory	4	3
Change in average lead times from inventory	7	0
Change in average lead times from production	5	2
Change in product range	6	1
Change in demand for or production of alternate products	6	0

	Increased	Decreased	Stayed same
Change in order backlogs	0	2	5
Change in on-time shipping percentage	1	0	6

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

Based on data compiled in this investigation, U.S. fittings producers' capacity utilization was 55.9 percent and their inventories as a percentage of total shipments were *** percent during April 2002-March 2003. Exports accounted for *** percent of total shipments.

Changes in Import Supply

Imports of fittings from covered countries fell by 26.9 percent between the periods April 2001-March 2002 and April 2002-March 2003, and imports of fittings from noncovered countries fell by 11.8 percent during the same period. Total imports declined 23.7 percent during the same period.[6]

The U.S. market share accounted for by imports of fittings from covered countries fell from 50.4 percent in April 2001-March 2002 to 45.6 percent in April 2002-March 2003. The U.S. market share accounted for by imports of fittings from noncovered countries increased from 13.2 percent in April 2001-March 2002 to 14.5 percent in April 2002-March 2003. The total U.S. market share accounted for by imports decreased from 63.6 percent in April 2001-March 2002 to 60.1 percent in April 2002-March 2002.[7]

As shown in table TUBULAR III-3, with the exceptions of importing steel from new foreign producers and decreasing order backlogs, the majority of fittings importers reported no changes in their marketing practices since March 20, 2002.

[6] *See* table TUBULAR III-7.

[7] *See* table TUBULAR III-10.

Table TUBULAR III-3
Fittings: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting		
	No	Yes	
Efforts to increase product availability	8	2	
Change in geographic market	8	0	
Change in channels of distribution	10	0	
Change in share of sales from inventory	4	2	
Change in average lead times from inventory	6	0	
Change in average lead times from production	5	2	
Change in product range	11	0	
Change in demand for or production of alternate products	6	0	
Importing of steel from foreign producers from which previously have not imported	1	10	
	Increased	Decreased	Stayed same
Change in order backlogs	0	4	4
Change in on-time shipping percentage	0	0	9

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

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table TUBULAR III-4.

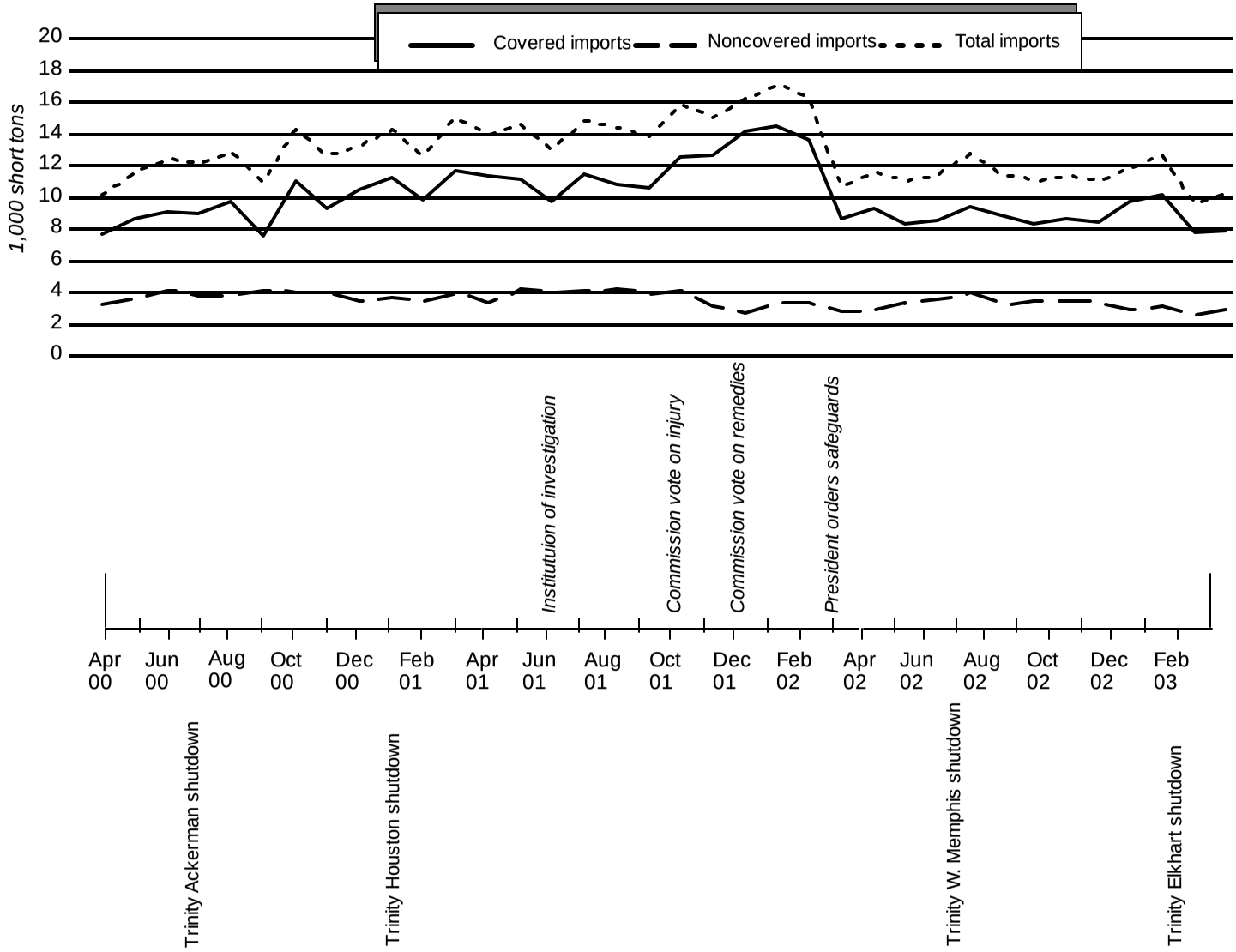
Table TUBULAR III-4
Fittings: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

* * * * * * *

Timeline

Figure TUBULAR III-1 shows monthly total imports of fittings and flanges as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for these products are not available from public sources. Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shutdowns (shown below the timeline); shown above the line are significant safeguard dates.

Figure TUBULAR III-1
Fittings and flanges: Monthly imports, facility shutdowns, and investigation milestones, April 2000-March 2003[1]



[1] Domestic mill shipment data are not available for this product category.

Source: Official statistics of the U.S. Department of Commerce and publicly available information.

U.S. INDUSTRY DATA

Table TUBULAR III-5 presents information on U.S. fittings producers' capacity, production, shipments, inventories, and employment. The Commission received usable questionnaire responses from eight fittings producers that are estimated to account for approximately two-thirds of U.S. production capacity compared with firms responding in the 201 investigation.[8] The following tabulation presents some of the firms that reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation:[9]

* * * * * * *

As presented in table TUBULAR III-5, reporting U.S. producers' aggregate output-related indicators decreased markedly in the period April 2002 to March 2003. In the first relief year, the domestic industry's capacity decreased by 11.1 percent, production decreased by 8.1 percent, and U.S. shipments decreased by 11.5 percent.[10] Each of these indicators was, moreover, substantially lower than in the period from April 2000 to March 2001.[11] Capacity utilization increased modestly from 54.0 percent to 55.9 percent in the period April 2002 to March 2003, but was below the 71.9 percent level of the period from April 2000 to March 2001. The number of production and related workers employed declined by 9.8 percent in the first relief year, and was 16.5 percent lower than in the period from April 2000 to March 2001. Productivity was stable, while the hourly wage rate increased, resulting in increasing unit labor costs in the period April 2002 to March 2003.

[8] As of the time of the prehearing report, several producers that had responded to the Commission's questionnaire in the 201 investigation had not responded in the instant investigation. ***.

[9] Some firms that reported production of fittings in the section 201 investigation did not report capacity or production data for fittings in their questionnaire responses in this investigation (previously reported capacity/production in short tons): ***.

[10] The value of the domestic industry's U.S. shipments decreased by 6.7 percent, reflecting an increase in the average unit value of such shipments. The value of such shipments was lower than in the period April 2000 to March 2001, but the average unit value was 32.1 percent ($448 per short ton) higher.

[11] After having closed flange production facilities in 1998, 2000, and 2001, Trinity closed two fittings facilities in 2002 and transferred its productive assets to its two remaining fittings production facilities. Posthearing Brief of Trinity at 8. *See also* testimony of Roger Schagrin, counsel to CPTI 201 Coalition, transcript of Commission hearing (July17, 2003) at 114-115, regarding the purchase of Beck Manufacturing and subsequent rationalization of capacity.

Table TUBULAR III-5
Fittings: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Capacity	186,531	183,345	162,978
Production	134,192	99,037	91,029
Internal consumption/transfers	292	519	554
U.S. commercial shipments	133,623	97,912	86,531
U.S. shipments	133,915	98,431	87,085
Export shipments	***	***	***
Total shipments	***	***	***
Ending inventories	42,958	38,924	37,990
	Value *($1,000)*		
Internal consumption/transfers	1,810	3,214	3,442
U.S. commercial shipments	184,793	168,567	156,847
U.S. shipments	186,603	171,781	160,289
Export shipments	***	***	***
Total shipments	***	***	***
	Unit value *(per short ton)*		
Internal consumption/transfers[1]	6,199	6,188	6,216
U.S. commercial shipments	1,383	1,722	1,813
U.S. shipments	1,393	1,745	1,841
Export shipments	***	***	***
Total shipments	***	***	***
	Ratios and shares *(percent)*		
Capacity utilization	71.9	54.0	55.9
U.S. shipments to distributors	100.0	100.0	100.0
U.S. shipments to end users	0.0	0.0	0.0
Inventories/total shipments	***	***	***
	Employment data[2]		
PRWs[3] *(number)*	1,523	1,410	1,272
Hours worked *(1,000)*	3,065	2,835	2,575
Wages paid *($1,000)*	44,005	41,442	38,875
Hourly wages	$14.36	$14.62	$15.10
Productivity *(short tons/1,000 hours)*	***	***	***
Unit labor costs *(per short ton)*	$***	$***	$***

[1] ***. *** reported high unit values for both commercial shipments and internal consumption/transfers.
[2] ***. Hourly wages, productivity, and unit labor costs are calculated using data of firms providing both numerator and denominator information.
[3] Production and related workers.

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

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

FINANCIAL DATA

Financial data on fittings and flanges provided by U.S. producers are presented in table TUBULAR III-6.[12]

Table TUBULAR III-6
Fittings: Results of operations of U.S. producers, April 2000-March 2003

* * * * * * *

U.S. firms were requested to provide information on whether they received funds under the Continued Dumping and Subsidy Offset Act (CDSOA or Byrd Amendment), their pension expenses, and their post-employment expenses other than pensions (OPEBs). One firm reported receiving CDSOA funds for fittings and flanges.[13] Three firms producing flanges and fittings reported pension expenses, and generally classified such expenses as a component of cost of goods sold (COGS). One firm that produced flanges and fittings reported OPEBs, classified as a part of "other factory costs" within COGS.

With regard to possible increases in raw material costs, a spokesman for Trinity stated that his firm was not experiencing any increase in such costs.[14] Counsel to the Committee on Pipe and Tube Imports (CPTI 201 Coalition) stated that raw material cost increases for the industry producing fittings (nipples or couples, for example) reflect increases in steel costs.[15]

As presented in table TUBULAR III-6, reporting U.S. producers' net commercial sales decreased on both a quantity and a value basis in the period April 2002 to March 2003, following steep declines in the previous 12-month period, and were substantially below the levels reported in the period April 2000 to March 2001. In the first relief year, the domestic industry's average unit values for commercial sales increased from $*** to $***, and were above the $*** average unit value for the period from April 2000 to March 2001.

COGS increased less on a unit basis than did average unit values. In the period April 2002 to March 2003, unit raw materials costs increased sharply, while unit labor and other factory costs increased less rapidly. Because unit revenues increased at a greater rate than unit costs, but net sales quantities decreased, the industry's financial performance declined in the first relief year. Its operating margin decreased from *** percent to *** percent. The latter margin, however, was above the industry's *** percent operating margin in the period from April 2000 to March 2001.

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[12] ***, did not provide usable financial data.

[13] *** classified these funds as an offset to operating expenses; Commission staff adjusted them to other income.

[14] Trinity explained that its primary raw material input for its commodity grade fittings is seamless pipe, and "while ***, imports of this product were not subject to the Section 201 duties." Changes in the per-unit value of its raw material costs reflect changes in the firm's product mix; "the raw materials required to produce ***, for example. Testimony of Don A. Graham, President, Trinity, transcript of Commission hearing (July 17, 2003) at p. 158. Hence, changes in raw material unit values ***. Trinity also achieved cost savings through the closure of plants producing flanges at Elkhart, IN, and West Memphis, TN, and consolidating production and distribution activities at Enid, OK, and Russellville, AR. The cost of plant closure is typically a current charge and any cost savings gained through increased efficiency is reflected over time. *See* posthearing brief of Trinity at 7-9.

[15] *See* testimony of Roger B. Schagrin, counsel to the CPTI 201 Coalition, transcript of Commission hearing (July 17, 2003) at 159. *See also* posthearing brief of CPTI at exh. 2.

U.S. IMPORTS

Table TUBULAR III-7 presents data on U.S. imports of fittings by sources for the period April 2000-March 2003. Table TUBULAR III-8 presents data on U.S. imports from covered sources, by tariff categories during April 2002-March 2003. Table TUBULAR III-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in table TUBULAR III-10, the quantity of total imports, imports from sources subject to the safeguard measure, and imports from sources not subject to the safeguard measure all declined, and the market share of total imports and imports from sources subject to the safeguard measure declined. The quantity of total imports declined from 171,923 short tons to 131,121 short tons. Imports from countries covered by the safeguard measure declined from 136,164 short tons to 99,573 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure declined from 35,759 short tons to 31,549 short tons.[16]

[16] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 10.8 percent in the first 12 months of the section 203 safeguard measure. The value of U.S. imports from noncovered sources, however, decreased more steeply than the quantity, as the average unit value of such imports decreased by 7.5 percent. The average unit values of all imports increased by 6.4 percent in the first 12 months of the section 203 safeguard measure, but was 2.0 percent lower than in the period April 2000 to March 2001.

Table TUBULAR III-7
Fittings: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
	Quantity *(short tons)*			***Percent***
Covered sources[1]	109,629	136,164	99,573	-26.9
Noncovered sources:[2]				
Canada	16,600	15,994	14,373	-10.1
Mexico	19,971	17,988	13,932	-22.5
Subtotal	36,571	33,982	28,305	-16.7
All others	1,469	1,777	3,244	82.5
Subtotal (noncovered)	38,040	35,759	31,549	-11.8
Total (all imports)	147,669	171,923	131,121	-23.7
	Landed, duty paid value *($1,000)*			
Covered sources[1]	211,615	239,696	194,125	-19.0
Noncovered sources:[2]				
Canada	74,768	68,457	56,435	-17.6
Mexico	38,095	39,456	27,967	-29.1
Subtotal	112,863	107,913	84,402	-21.8
All others	3,234	3,570	6,548	83.4
Subtotal (noncovered)	116,097	111,483	90,950	-18.4
Total (all imports)	327,712	351,178	285,075	-18.8
	Unit value *(per short ton)*			
Covered sources[1]	$1,930	$1,760	$1,950	10.8
Noncovered sources:[2]				
Canada	4,504	4,280	3,926	-8.3
Mexico	1,908	2,193	2,007	-8.5
Average	3,086	3,176	2,982	-6.1
All others	2,202	2,009	2,019	0.5
Average (noncovered)	3,052	3,118	2,883	-7.5
Average (all imports)	2,219	2,043	2,174	6.4
	Share of total imports based on quantity *(percent)*			***Percentage point***
Covered sources[1]	74.2	79.2	75.9	-3.3
Noncovered sources:[2]				
Canada	11.2	9.3	11.0	1.7
Mexico	13.5	10.5	10.6	0.2
Subtotal	24.8	19.8	21.6	1.8
All others	1.0	1.0	2.5	1.4
Subtotal (noncovered)	25.8	20.8	24.1	3.3
Total (all imports)	100.0	100.0	100.0	0.0
	Ratio of imports to production *(percent)*			
Covered sources[1]	81.7	137.5	109.4	-28.1
Noncovered sources	28.3	36.1	34.7	-1.4
Total	110.0	173.6	144.0	-29.6

[1] Although India, Romania, and Turkey are generally exempt from the section 203 relief, they are covered sources with respect to imports of fittings.

[2] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are presented separately.

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

Source: Compiled from official statistics of Commerce.

Table TUBULAR III-8
Fittings: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

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Table TUBULAR III-9
Fittings: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:[1]			
U.S. shipments of imports	75,905	64,943	64,061
End-of-period inventories	4,398	8,819	8,663
Noncovered sources:			
U.S. shipments of imports	4,061	4,026	2,426
End-of-period inventories	1,495	1,793	1,838
Total:			
U.S. shipments of imports	79,966	68,969	66,488
End-of-period inventories	5,893	10,612	10,501
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	5.8	13.6	13.5
Noncovered sources	36.8	44.5	75.8
Average	7.4	15.4	15.8

[1] Although India, Romania, and Turkey are generally exempt from the section 203 relief, they are covered sources with respect to imports of fittings.

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

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

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of fittings are presented in table TUBULAR III-10 and figure TUBULAR III-2.

As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for fittings generally declined. Responses of U.S. producers and importers were mixed as to demand trends since March 2002, with a small majority of producers stating that demand was stable and a small majority of importers stating that demand was declining. As presented in table TUBULAR III-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of fittings decreased by 19.3 percent in the period April 2002 to March 2003, and at the conclusion of this period was 22.5 percent below the level of the period from April 2000 to March 2001.

In the first relief year, the domestic industry increased its share of the U.S. market from 36.4 percent to 39.9 percent. Imports from covered countries saw their market share decrease from 50.4 percent to 45.6 percent, while imports from noncovered countries saw their market share increase from 13.2 percent to 14.5 percent.

Table TUBULAR III-10
Fittings: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

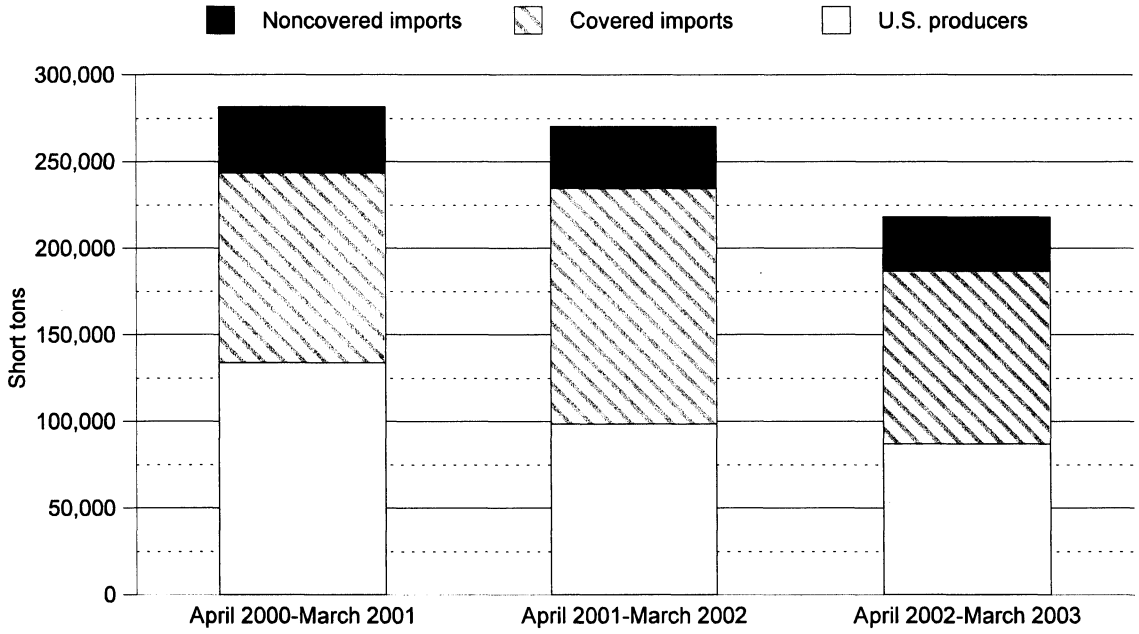
Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
U.S. producers' U.S. shipments	133,915	98,431	87,085
U.S. imports from:			
Covered sources[1]	109,629	136,164	99,573
Noncovered sources	38,040	35,759	31,549
Total U.S. imports	147,669	171,923	131,121
Apparent U.S. consumption	281,584	270,354	218,206
	Value *($1,000)*		
U.S. producers' U.S. shipments	186,603	171,781	160,289
U.S. imports from:			
Covered sources[1]	211,615	239,696	194,125
Noncovered sources	116,097	111,483	90,950
Total U.S. imports	327,712	351,178	285,075
Apparent U.S. consumption	514,315	522,959	445,364
	U.S. market share based on quantity *(percent)*		
U.S. producers' U.S. shipments	47.6	36.4	39.9
U.S. imports from:			
Covered sources[1]	38.9	50.4	45.6
Noncovered sources	13.5	13.2	14.5
Total U.S. imports	52.4	63.6	60.1
	U.S. market share based on value *(percent)*		
U.S. producers' U.S. shipments	36.3	32.8	36.0
U.S. imports from:			
Covered sources[1]	41.1	45.8	43.6
Noncovered sources	22.6	21.3	20.4
Total U.S. imports	63.7	67.2	64.0

[1] Although India, Romania, and Turkey are generally exempt from the section 203 relief, they are covered sources with respect to imports of fittings.

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

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

Figure TUBULAR III-2
Fittings: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table TUBULAR III-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. fittings producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table TUBULAR III-11 and TUBULAR III-12). U.S. fittings purchasers were also asked to report the importance of these factors, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table TUBULAR III-13).

The three factors rated most important by U.S. fittings producers were: changes in the level of competition from imports from non-excluded countries; changes in the level of competition from imports from excluded countries; and changes in demand for steel within the United States. The three factors rated most important by fittings importers were: changes in the level of competition by imports; changes in transportation/delivery cost changes; and changes in energy costs. The three factors rated most important by fittings purchasers were: changes in U.S. production capacity; changes in the cost of raw materials; and changes in competition between U.S. producers.[9]

Pricing Practices

Nearly all responding U.S. fittings producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. All seven responding U.S. fittings producers and all nine responding fittings importers reported that there has not been a change in the share of their sales that is on a contract versus a spot basis. Three of four U.S. fittings producers and four of five fittings importers reported that contract prices tend to follow a different trend than spot prices.

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[9] Available information indicates that U.S. demand for fittings has declined since March 20, 2002. Most U.S. producers and importers reported that U.S. demand for fittings has decreased since March 20, 2002. Apparent U.S. consumption of fittings decreased by 19.3 percent between April 2001-March 2002 and April 2002-March 2003 (table TUBULAR III-10). The value of non-residential construction put in place decreased by 4.8 percent since April 2002 (table OVERVIEW II-1). The value of utilities, pipelines, and railroads construction put in place decreased by 5.1 percent.

Unit raw materials costs for fittings increased by *** percent between April 2001-March 2002 and April 2002-March 2003. Prices for steel scrap increased by 30.8 percent since April 2002 (figure OVERVIEW II-12). Imports of fittings from covered sources fell by 26.9 percent between April 2001-March 2002 and April 2002-March 2003, and fittings imports from noncovered sources fell by 11.8 percent during the same time frame (table TUBULAR III-7). U.S. fittings producers' capacity fell by 11.1 percent, and capacity utilization increased by 1.8 percentage points between April 2001-March 2002 and April 2002-March 2003 (table TUBULAR III-5). Since April 2002, prices for natural gas have increased sharply by 80.5 percent, and prices for electricity sold to industrial users have increased slightly by 2.3 percent (figures OVERVIEW II-10 and OVERVIEW II-11).

Table TUBULAR III-11
Fittings: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the level of competition from imports from non-excluded countries	1.3	3	2	2
Changes in the level of competition from imports from excluded countries	1.4	1	4	2
Changes in demand for steel within the United States	1.5	0	4	2
Changes in the cost of raw materials	1.6	4	2	0
Changes in energy costs	1.7	5	2	0
Changes in labor agreements, contracts, etc.	1.8	1	5	1
Changing market patterns	1.8	1	4	2
Changes in demand for steel outside the United States	2.0	1	4	1
Changes in competition between U.S. producers	2.2	1	4	2
Changes in transportation/delivery cost changes	2.2	4	3	0
Changes in the productivity of domestic producers	2.2	1	5	1
Changes in U.S. production capacity	2.3	0	6	1
Changes in the level of competition from substitute products	2.5	1	6	0
Changes in the allocation of production capacity to alternate products	3.0	1	6	0

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all producers answered for all of the factors.

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

Table TUBULAR III-12
Fittings: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the level of competition by imports	1.8	2	6	5
Changes in transportation/delivery cost changes	2.1	7	5	1
Changes in energy costs	2.2	7	4	1
Changes in demand for steel	2.3	2	5	5
Changes in competition between U.S. producers	2.4	2	10	1
Changes in the cost of raw materials	2.4	8	5	0
Changes in the level of competition from substitute products	2.5	3	10	0
Changes in labor agreements, contracts, etc.	2.6	2	11	0
Changes in U.S. production capacity	2.6	1	8	4
Changes in the productivity of domestic producers	2.7	1	10	2
Changing market patterns	2.8	2	8	2
Changes in the allocation of production capacity to alternate products	3.2	2	11	0

[1] The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all importers answered for all of the factors.

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

Table TUBULAR III-13
Fittings: As reported by *purchasers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in U.S. production capacity	1.7	16	19	20
Changes in the cost of raw materials	1.7	31	19	4
Changes in competition between U.S. producers	1.7	21	26	6
Changes in energy costs	1.8	40	15	0
Changes in demand for steel within the United States	1.8	8	22	22
Changes in demand for steel outside the United States	2.0	24	16	8
Changes in transportation/delivery cost changes	2.0	32	22	1
Changes in the productivity of domestic producers	2.2	11	3	9
Changing market patterns	2.3	13	31	8
Changes in the level of competition from imports from non-excluded countries	2.3	14	24	12
Changes in labor agreements, contracts, etc.	2.5	6	41	5
Changes in the level of competition from imports from excluded countries	2.7	12	37	5
Changes in the allocation of production capacity to alternate products	2.9	7	42	3
Changes in the level of competition from substitute products	3.1	2	46	4

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all purchasers answered for all of the factors.

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

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following fitting product during April 2000-March 2003:

> ***Product 11*–Carbon steel butt-weld pipe fitting, 6 inch nominal diameter, 90 degree elbow, long radius, standard weight, meeting ASTM A-234, grade WPB or equivalent specification.** This commodity product is typically used in pressure piping and in pressure vessel fabrication for service at moderate and elevated temperatures such as in natural gas and petrochemical facilities.

Reported pricing data accounted for 20.4 percent of the quantity of U.S. producers' U.S. commercial shipments of fittings, 3.6 percent of the quantity of total imports, and 2.0 percent and 8.6 percent, respectively, of the quantity of U.S. imports of covered and noncovered fittings during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported fittings are shown in table TUBULAR III-14. Weighted average prices of U.S.-produced, covered imported, and noncovered imported fittings are also shown in figure TUBULAR III-3. A summary of the price data is shown in table TUBULAR III-15 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables TUBULAR III-16 and TUBULAR III-17, respectively.

Quarterly prices for the domestically produced fittings product for which the Commission collected pricing data increased in 2002, reaching a high for the three-year period for which data were collected, but declined between the fourth quarter of 2002 and the first quarter of 2003. The first quarter 2003 price was 0.1 percent below the first quarter 2002 price, but 6.9 percent above the second quarter 2000 price. Prices increased from the first quarter of 2002 to the first quarter of 2003 for imports of this product from sources covered by the safeguard measure, rising by 1.5 percent. Prices increased from the first quarter of 2002 to the first quarter of 2003 for imports of this product from sources not covered by the safeguard measure, rising by 22.3 percent. In the period April 2002 to March 2003, imports from sources covered by the safeguard measure undersold the domestically produced product in all 4 quarterly price comparisons, and imports from sources not covered by the measure undersold the domestically produced product in 2 of 4 quarterly comparisons.

Table TUBULAR III-14
Fittings: Weighted-average price and quantity data for U.S.-produced and imported product 11 from covered sources and noncovered sources, and margins of underselling, by quarters, April 2000-March 2003

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Figure TUBULAR III-3
Fittings: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 11, April 2000-March 2003

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Table TUBULAR III-15
Fittings: Change in quarterly prices of U.S. product, imports from covered sources, and imports from noncovered sources, by product

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
11	6.9	-0.1	4.7	1.5	12.9	22.3

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

Table TUBULAR III-16
Fittings: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
11	12	30.9	19.4	0	([1])	([1])

[1] Not applicable.

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

Table TUBULAR III-17
Fittings: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
11	5	15.9	1.4	7	11.8	1.4

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

PART IV: ADJUSTMENT EFFORTS

Section 204 requires the Commission to monitor and report on the progress and specific efforts made by workers and firms to adjust to import competition. In doing so the Commission examines whether the industry has satisfied its previous commitments, comparing the actions taken by workers and firms to the actions that were anticipated if relief were granted. The report considers these efforts in the context of the prevailing economic circumstances during the period of relief.

PROPOSED ADJUSTMENT PLANS

In the section 201 investigation, the individual adjustment plans put forth by 16 producers of welded pipe, and reviewed by the Commission, stated that they intended to invest about $159 million over a four-year period. The companies said that the investments would be spent on modernization of equipment and application of technological innovations to increase efficiency and productivity. Some companies proposed upgrading and expanding their facilities and installing new equipment, while others planned to relocate or close some of their facilities. Companies also planned to invest in employee training and new information systems. Four fittings producers' adjustment plans proposed combined investments of $12.8 million to $14.8 million to increase competitiveness over a four-year period. Certain companies planned to upgrade their facilities by purchasing new production equipment and developing new manufacturing technologies. Others planned to invest in additional worker training and retirement plans. A summary of the types of actions contained in U.S. producers' proposed adjustment plans in the section 201 investigation is presented in table TUBULAR IV-1.[1]

In the current monitoring proceeding, the Commission asked U.S. producers whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that, if relief were granted as a result of that investigation, their firm would make adjustments in their subject steel products operations that would permit them to compete more effectively with imports of subject steel products after relief expires.[2] The firms' responses are presented at the end of this chapter in table TUBULAR IV-3.

[1] Also included in the table is the number of firms that stated they had reported they had no planned adjustments.

[2] Firms were also asked to attach copies of their specific adjustment plans as reported to the Commission during inv. No. TA-201-73 or to USTR since the initiation of the original section 201 investigation.

Table TUBULAR IV-1
Tubular steel: Number of U.S. producers affirmatively reporting proposed adjustments in the section 201 investigation, by product group

Certain tubular products	
Welded	**Fittings**
Number of reporting U.S. producers	
32	19
No planned adjustments	
7	4
Additional capital investment	
20	14
Further cost reductions	
4	3
Research & Development	
2	2
Improved customer service	
1	1
Utilization of e-commerce to reduce transaction costs or increase sales	
1	0
Develop new or innovative product lines	
1	0
Increase employee training	
4	2
Increase productivity/speed in manufacturing process	
1	2
Increase employment	
3	0
Relocation or closing of facility	
1	2
Expand geographic reach of current customer base	
1	1
Production shift from commodity to niche products	
1	0

Source: *Steel: Investigation No. TA-201-73*, USITC Pub. 3479, December 2001, table TUBULAR-70 at TUBULAR-66, compiled from data submitted in response to Commission questionnaires in that investigation.

SIGNIFICANCE OF RELIEF AND ECONOMIC CONDITIONS DURING ADJUSTMENT EFFORTS

The Commission asked U.S. producers to describe the significance of the tariffs and/or tariff-rate quotas imposed by the President effective on or after March 20, 2002, in terms of their effect on the domestic firms' operations in the following categories:

(a) Production capacity, production, shipments, inventories, and employment.

(b) Return on investment, ability to generate capital to finance the modernization of domestic plant(s) and equipment, or ability to maintain existing levels of expenditures for research and development.

(c) Changes in collective bargaining agreements.

Firms were asked to compare their operations before and after the imposition of the relief. Additionally, firms were asked to explain how they have separated the effects of section 203 relief from the effects of other factors, such as closure or re-opening of domestic production facilities, changes in demand, exchange rate changes, or antidumping and countervailing duties. The responses of firms are summarized in table TUBULAR IV-2 and are presented individually at the end of this chapter in table TUBULAR IV-3 (Part B).

Firms responding affirmatively were specifically asked whether there were any reported planned adjustment actions that they had not implemented, and if so, the reason(s) why specific adjustment actions have not been implemented. The firms' responses are presented at the end of this chapter in table TUBULAR IV-3 (Part A).

Domestic producers described several factors that hindered their adjustment efforts: a surge of imports from Korea;[3] low demand;[4] a surge of imports from noncovered countries (India and Turkey);[5] adverse supply side effects from the differential tariff relief granted to upstream flat-rolled producers relative to downstream welded pipe producers (e.g., 30 percent versus 15 percent *ad valorem* tariff in the first year) as well as some temporary closures of certain flat-rolled producers in 2002;[6] and stagnation in key consuming industries such as chemicals, construction, oil and gas.[7]

Respondents questioned the impact of the relief on the operations of the domestic industry producing welded pipe. In particular, they contend that the low number of producers that affirmatively indicated that their investments were made primarily to compete with subject imports supports the view that the section 203 measure has had very little effect on the domestic welded pipe industry's condition

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[3] Testimony of Robert Bussiere, General Manager of Fire Protection Products, Allied Tube & Conduit, transcript of Commission hearing (July 17, 2003) at 33.

[4] Testimony of Scott Barnes, Vice President, Commercial, IPSCO Tubulars, Inc., transcript of Commission hearing (July 17, 2003) at 50.

[5] Testimony of Robert Bussiere, General Manager of Fire Protection Products, Allied Tube & Conduit, transcript of Commission hearing (July 17, 2003) at 32.

[6] Robert Blecker, professor of economics at American University, transcript of Commission hearing (July 17, 2003) at 60.

[7] Testimony of Don A. Graham President, Trinity, transcript of Commission hearing (July 17, 2003) at 67.

Table Tubular IV-2
Tubular steel: U.S. producers affirmatively reporting actual adjustments in the section 204 investigation, by product group

Certain tubular products	
Welded	**Fittings**
Number of U.S. producers reporting adjustments	
19	6
Investments made	
13	5
Capacity reductions	
2	1
Cost reductions with existing equipment	
8	1
Diversifications/expansions	
3	0
Mergers and consolidations	
3	1
New products developed or new applications for existing equipment	
7	3
Organizational changes	
6	3
Changes in production practices	
7	3
Marketing changes (U.S. and foreign markets)	
5	2
Employee reductions	
11	5
Changes in pension liabilities, healthcare, and union contracts	
7	1
All other efforts made by firm or workers	
5	0

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

or its investment decisions.[8] Respondents contend that the domestic industry's condition is directly influenced by factors other than the section 203 measures, most notably the overall economy, overcapacity, and raw material prices.[9]

POST-RELIEF EFFORTS

The Commission asked U.S. producers to indicate whether they had undertaken any efforts since the implementation of relief to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:[10]

1. Any efforts which have been made by firms and/or their workers since March 20, 2002, to compete more effectively,

2. The period (month(s) and year(s)) in which the efforts were made,

3. The expenditure or savings involved, as applicable, and

4. The effectiveness of efforts, including any competitive advantage acquired (i.e., increased production, cost reduction, quality improvement, increased market share or sales, etc.).

In addition, if firms felt that any of these efforts were made primarily to compete with sales of imported subject steel products, they were instructed to so indicate and to give the reasons in support of their beliefs. To the extent possible, firms were asked to furnish the Commission with memoranda, studies, or other documentation which indicate that such competitive efforts were undertaken primarily against imports of subject steel. The responses of firms are presented at the end of the chapter in table TUBULAR IV-3 (Part C), and a summary of the types of U.S. producers' reported actual adjustments are presented in table TUBULAR IV-2.

Since March 2002, several trends have emerged from in the domestic tubular steel industry. First, the domestic industry has rationalized and consolidated in recent years. Second, several companies have invested in new technologies and made capital improvements.

Several tubular firms have exited or reduced their presence in the industry. Excaliber and Olympic are no longer in business.[11] The LTV tubular division assets were sold to Maverick which has since shut down the tubular mill in Youngstown, OH.[12] Copperweld's Portland, OR mill was closed in February 2003.[13] In May 2003, Wheatland closed the cold-drawn division of the Sawhill plant acquired

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[8] Posthearing brief of Korean respondents at 4.

[9] Posthearing brief of Korean respondents at 5 and A-20-21.

[10] Categories on which producers were asked to comment were: Investments made; Capacity reductions; Cost reductions with existing equipment; Diversifications/expansions; Mergers and consolidations; New products developed or new applications for existing products; Organizational changes; Changes in production practices; Marketing changes in U.S. and foreign markets; Employee reductions; Changes in pension liabilities, healthcare, and union contracts; and, All other efforts made by firm or workers to compete.

[11] Testimony of Parry Katsafanas, President of Leavitt Tube Co., transcript of Commission hearing (July 17, 2003) at 47-48.

[12] Ibid. at 48.

[13] Posthearing brief of domestic producers and the CPTI 201 Coalition at 4.

from AK Steel.[14] Laclede shut down in September 2001. Domestic producers indicated that the Commission's data understate capacity reductions because the data do not include companies such as Laclede that shut down during the period examined by the Commission.[15] More generally, the acquisition of AK/Sawhill by Wheatland and LTV Tubular by Maverick, and the spinning off of Bethnova and Steelton by ISG, represent both industry consolidation and de-linking of integrated steel operations from welded pipe production.

The domestic industry's capital investments include the following. Leavitt doubled its capital expenditures in 2002 versus 2001 and has committed to additional capital expenditures for later in 2003.[16] Wheatland spent over $100 million adjusting to import competition, including the purchase of the Sawhill plant and installing a state-of-the-art five-inch OD mill at its Chicago plant that expanded Wheatland's product range.[17] Stupp has continued to invest in improved quality, including heavier walls and edge and welding capability to meet market demand.[18] With respect to fittings, beginning in 2002, Trinity incurred over $*** in adjustment actions, primarily related to its consolidation of its production assets from four facilities into two and the consolidation of its two distribution centers into a single distribution center.[19] In addition, Anvil bought Beck in October 2001, and subsequently reduced the combined capacity of two operations.[20]

According to a representative of the USWA, the steelworkers have "not only participated in but have led a massive restructuring of the steel industry that is not yet completed."[21] Maverick's purchase of the LTV tubular assets was in part contingent on Maverick's ability to complete a collective bargaining agreement with the USWA, which represents about 300 employees at four of the five LTV tubular assets acquired by Maverick. According to the union, the *** reflected in the contract are examples of the adjustment efforts of the USWA's continuing commitment to improve productivity and

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[14] Testimony of Mark Magno, VP of Sales and Marketing, Wheatland Tube Co., transcript of Commission hearing (July 17, 2003) at 56-57.

[15] Prehearing brief of CPTI Coalition at 20-21.

[16] Testimony of Parry Kapsafanas, President, Leavitt Tube, transcript of Commission hearing (July 17, 2003) at 46. According to Mr. Kapsafanas, these investments led to savings and a significant increase in productivity. Thus the firm was able to reduce its workforce (by half in the past 10 years) while maintaining the same capacity and production capabilities; additionally, on July 1, 2003, Leavitt announced the layoff of 25 percent of its salaried workers, a reduction of 15 people. Ibid.

[17] Testimony of Mark Magno, VP of Sales and Marketing, Wheatland Tube Co., transcript of Commission hearing (July 17, 2003) at 56-57.

[18] Testimony of Don Bohach, VP of Marketing and Sales, Stupp Corp., transcript of Commission hearing (July 17, 2003) at 54, 112, and 16. In addition to quality improvements, Stupp has strived to reduce its costs; major cost savings were reportedly gained by not replacing management personnel who left the firm. Ibid. at 54-55.

[19] Prehearing brief of Trinity at 2-3. *See also* testimony of Don Graham, President, Trinity, transcript of Commission hearing (July 17, 2003) at 66-67. These consolidations resulted in the net elimination of 61 jobs. Prehearing brief of Trinity at 3.

[20] Testimony of Roger Schagrin, counsel to CPTI, transcript of Commission hearing(July 17, 2003) at 115 and 157-158. *See also* questionnaire response of Anvil (***).

[21] Testimony of Leo Gerard, President, United Steelworkers of America, AFL-CIO-CLC, transcript of Commission hearing (July 17, 2003) at 74. Specifically, the union has established strategic principles for future bargaining agreements, including the goals of company reinvestment, streamlined and simplified operating procedures, and an increased role of the union in such areas as training, with the goal of greater productivity and efficiency. Posthearing brief of the United Steelworkers of America at 18.

competitiveness.[22] The workforce at Novamerican's mechanical tubing facilities are covered by similar collective bargaining agreements.[23] [24]

Respondents question the adjustment efforts of U.S. producers on several grounds. First, they note that a number of producers could not remember even submitting adjustment plans, or affirmatively stated that they made no adjustments at all.[25] Second, they dispute the notion that investments made during the first year of relief were in response to import relief; to the contrary, they contend that imports have traditionally been a significant condition of competition in the market to which domestic producers adjusted long ago, as demonstrated by the domestic industry's level of profitability.[26] Finally, they contend that relief is no longer effective, arguing that the domestic industry's performance during the first year of relief demonstrates that it no longer needs protection.[27]

With respect to fittings, Respondents contend that the domestic industry's efforts to make a positive adjustment to import competition have been inadequate. Respondents compare and contrast the adjustment efforts made to those that have not been made, in the context of overall industry performance.[28] They further contend that the domestic industry's financial performance is not dependent upon adjustment efforts, nor in fact is its overall condition correlated to imports of fittings.[29]

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) any adjustment plans their firms submitted during the section 201 investigation, (2) the significance of the section 203 relief on their firm's operations, and (3) the efforts they have undertaken to compete more effectively in the U.S. market. The responses of firms are presented in the following table TUBULAR IV-3.

At its public hearing, the Commission encouraged public commentary regarding adjustment efforts, to the extent possible.[30] In light of the extensive testimony on this issue, summarized above, the Commission did not request a separate, public summary of efforts.

Table TUBULAR IV-3
Tubular steel: Comments of U.S. producers

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[22] Posthearing brief of the United Steelworkers of America at 20-21.

[23] Testimony of Leo Gerard, President, United Steelworkers of America, AFL-CIO-CLC, transcript of Commission hearing (July 17, 2003) at 151.

[24] *See also* Chapter 2 part IV for additional details regarding the USWA's new set of bargaining principles and its pattern bargaining approach.

[25] Posthearing brief of Korean respondents at 10 and confidential exh. 1.

[26] Ibid. at 10.

[27] Ibid. at 11.

[28] Posthearing brief of Awaji Sangyo at 2-3.

[29] Ibid. at 3-6.

[30] *See* request of Chairman Okun, transcript of Commission hearing (July 17, 2003) at 152.