



May 31, 2017

Brad Botwin
Director
Industrial Studies, Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue, N.W., Room 1093
Washington, DC. 20230
By Email: Steel232@bis.doc.gov

PUBLIC VERSION

**Re: Section 232 National Security Investigation of Imports of Steel:
Comments by TMK Industrial Solutions LLC
Requesting the Exclusion of Seamless Mechanical Tubes**

Dear Mr. Botwin:

On behalf of TMK Industrial Solutions LLC (“TMK IS”), we hereby submit TMK IS’s comments on section 232 investigation initiated by the Department. *See* Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel, 82 Fed. Reg. 19,205 (April 26, 2017).

Pursuant to 15 C.F.R. § 705.6 (a), we hereby request that the Department exempt certain information, clearly identified in brackets in the comments under cover of this letter from public disclosure. The business confidential treatment is requested because the data include, *inter alia*, business trade secrets, names and identification of particular customers, commercial or financial information and certain other information, the release of which would cause competitive harm to TMK IS. Nevertheless, we have provided a non-confidential version of this submission which can be placed in the public file for inspection.

Please direct any questions concerning this submission to the undersigned.

Respectfully submitted,

/s/ Daniel J. Cannistra

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Charles De Jager

Counsel for TMK Industrial Solutions LLC

Section 232 National Security Investigation of Steel Imports
Comments by TMK Industrial Solutions LLC
Requesting the Exclusion of Seamless Mechanical Tubes

May 31, 2017

The present document is submitted to the Department of Commerce (“Commerce”) pursuant to its April 26, 2017 Notice of request for public comments and public hearing on the Section 232 national security investigation of steel imports (“Investigation”). It is submitted on behalf of TMK Industrial Solutions LLC (“TMK IS”) to request that seamless mechanical tubes be excluded from the scope of the Investigation.

Seamless mechanical tubes are distinctly different from standard pipe, line pipe, and oil country tubular goods (“OCTG”). Accordingly, they should be considered separately from all of these other types of products in the context of the Investigation. In addition, domestic mills not only lack the capacity to meet domestic demand, but also choose not to make certain size ranges. The resulting lack of domestic supply of the quantities and qualities of seamless mechanical tubes required by U.S. end-users necessitates imports.

By completing the limited offer of the domestic industry, imports of seamless mechanical tubes help satisfy the full needs of a wide range of domestic end-users involved in key industrial and commercial activities, many of which may be deemed critical to the national security of the United States. Far from causing any injury to the domestic seamless mechanical tubes industry, imports thereby play a critical role in ensuring a vibrant domestic market for the products to the benefit of both the domestic industry and imports.

Accordingly, following background information on TMK IS and seamless mechanical tubes, the criteria of § 705.4 of the National Security Industrial Base Regulations (“NISBR”) enunciated in Commerce’s Notice as being of particular interest in the context of the Investigation are addressed in order below.

1. Background on TMK IS and Seamless Mechanical Tubes

The Company

TMK IS is a company based in Houston, Texas, part of thirteen different sites involved in the production, processing and selling of steel throughout the United States. It is focused on the marketing of seamless mechanical tubes and other steel industrial pipe products of the TMK Group to customers throughout North and South America. TMK Group is a global company that operates various production sites, including in the United States. Its customers include major engineering/procurement/construction (“EPC”), oilfield accessory companies, coupling machine shops, and steel service centers, many of which have deep roots and extensive operations in the United States. The customers of TMK IS also include various small and medium enterprises throughout the United States that play critical roles in their respective markets and local communities.

The Product

Seamless mechanical tubes are distinctly different from all other types of pipes and tubes. They may be hot-rolled or cold-drawn, and made of non-alloy, alloy and stainless steel. By virtue of their precise chemical composition and specific mechanical properties, seamless mechanical tubes are made to meet or exceed various international standards. They can be produced according to customer specifications with respect to distinct tolerances and dimensions for wall thickness and outside diameter, and require cutting, machining, and/or threading by the customer in the manufacturing process. They are used in a variety of specialized applications for which customers require particular ranges and qualities in quantities not readily available from domestic mills in the United States. The specifications for which TMK IS seeks exclusion fall within ASTM A519, ASTM A105, API 5CT (for coupling stock/coupling material only), and properties to ASTM A106 GRADES B/C. Additional details on the specifications of seamless mechanical tubes for which TMK IS seeks exclusion is provided in a chart attached as **Annex 1**.

2. Quantity of steel or other circumstances related to the importation of steel

The volume of seamless mechanical tubes imports into the United States in recent years has had no adverse effects on the U.S. domestic industry. There is no negative trend related to the quantity of seamless mechanical tubes imported into the United States.

3. Domestic production and productive capacity needed for steel to meet projected national defense requirements

Domestic production of seamless mechanical tubes does not satisfy the full volume or range of U.S. demand. Domestic seamless mechanical tubes producers are unable to meet the demand for the product in terms of quantities and time delays because of limitations in domestic production capacity. A list of domestic seamless mechanical tubes mills' estimated production capacities relative to estimated U.S. consumption is provided in **Annex 2**. Domestic seamless mechanical tubes producers are also unwilling to meet the demand for the product in terms of range, as many domestic producers choose not to make certain sizes.

U.S. customers often turn to foreign producers for the uniquely precise physical characteristics they require because they are unable to source such products from the domestic seamless mechanical tubes industry. The U.S. industry is simply unable or uninterested to produce the full range of seamless mechanical tubes necessary to meet U.S. demand, including any projected national defense requirements.

The testimonial of a TMK IS customer confirms this situation:

[

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4. Existing and anticipated availability of human resources, products, raw materials, production equipment, and facilities to produce steel

Imports of seamless mechanical tubes do not affect negatively either the existing or anticipated availability of human resources, products, raw materials, production equipment, and facilities to produce steel in the United States. Given a sufficient interest in producing various products, domestic producers could invest the time and resources needed to develop the required production capacity.

Especially with respect to higher-end imports, opportunities must exist for domestic seamless mechanical tubes producers to enter the market and compete directly with those imports. While it appears domestic seamless mechanical tubes producers are presently satisfied filling a limited share of U.S. demand, nothing effectively prevents them from increasing production or broadening their current product offering.

5. Growth requirements of the steel industry to meet national defense requirements and/or requirements to assure such growth

Given the domestic industry's lack of interest in satisfying the quantity and range demands of U.S. seamless mechanical tubes users, the importation of seamless mechanical tubes needed by U.S. customers must continue uninterrupted to ensure the growth requirements of the downstream steel industry are met and national defense requirements are fulfilled. Until such time as members of the domestic industry may make the required investments in terms of production capacity to contribute in meeting the quantity and range demands of U.S. seamless mechanical tubes users, imports are necessary to avoid any shortfall in supplies of many strategically important high-end seamless mechanical tubes. Again, the testimonial of a TMK IS customer confirms this situation:

The number of mills producing the pipe & tube that I need is limited and usually they choose not to make these sizes. If they do, the minimum tonnage they require is difficult to meet for a small business. Smaller businesses like mine depend on foreign mills that will work with smaller tonnage minimums

and will make the smaller OD seamless pipe & tube that I need for my customers. This trade restriction will not benefit our industry and will actually hinder it since the supply (production capability) will not be able to meet the demand. This industry is still rebounding from what many say was the worst downturn in its history and to create a trade restriction at this time could reverse any momentum we've seen since the 4th quarter of 2016. Please think long and hard about how this affects all businesses, large and small, before creating massive restrictions on how we must do our business moving forward.

A number of TMK IS' distributor clients report that Timken's lead times are now out to December 2017 on Quenched & Tempered Seamless Mechanical Tube. This product is heavily used in the oil & gas accessory markets, oilfield parts, as well as the automotive industry. Therefore, there is currently a "short supply" situation in the seamless mechanical tube industrial user markets. Other distributors of TMK IS' products have stated that the severe short supply situations that will result if these products are not excluded from the scope of the Investigation or any remedies that may be applied will "literally put their end user clients out of business."

6. The impact of foreign competition on the economic welfare of the steel industry

Imports of seamless mechanical tubes have had a positive impact on the economic welfare of the U.S. steel industry. Given the currently limited interest and ability of the domestic industry to produce the full range and quantities of seamless mechanical tubes U.S. users seek, imports of these products have played a critical role ensuring U.S. demand is fully satisfied in the terms required by a strong downstream U.S. steel industry capable of ensuring national security.

7. The displacement of any domestic steel causing substantial unemployment, decrease in the revenues of government, loss of investment or specialized skills and productive capacity, or other serious effects

Given the lack of strong direct competition between domestic and imported seamless mechanical tubes, no substantial unemployment, decrease in government revenues, loss of investment or specialized skills and productive capacity, or other serious effects have resulted from importations of seamless mechanical tubes. On the contrary, imports have served to ensure the continued competitiveness of U.S. end-users for which seamless mechanical tubes are a key direct input.

The activities of these U.S. end-users combined with those of all parties involved in the importation and processing of seamless mechanical tubes in the United States instead contribute to greater employment, increased government revenues and investment, as well as the continued development of specialized skills and productive capacity, all of which are of great importance to the overall U.S. steel industry from a national security perspective.

8. Relevant factors that are causing or will cause a weakening of our national economy

In the present case, the inclusion of imports of seamless mechanical tubes within the scope of the Investigation, and any remedies that may be imposed as a result, will cause a weakening of the U.S. national economy because these imports are a direct input for many U.S. end-users in key industries. The inclusion of imports of seamless mechanical tubes within the scope of the Investigation would cause great uncertainty in the market for these products and severely disrupt existing trade flows to the detriment of U.S. end-users.

The customers of TMK IS are very concerned about any general restriction that may be imposed upon imported seamless mechanical tubes. They feel strongly that there is not nearly enough domestic seamless capacity to even attempt to meet demand. Although there have been recent new investments in domestic seamless capacity, all of this capacity is focused on sizes 10” and below and primarily designed for downhole OCTG production. Domestic distributors of products produced to certain specifications are largely dependent on non-U.S. producers for nearly all of their supply. U.S. Steel is the only large-scale domestic producer of products above 11” and is truly no longer a competitive producer of large OD sizes. These customers further note that if supply of seamless products were to be severely restricted, it would initially result in the creation of a near monopoly for a handful of seamless tubular mills in the United States. This and other information provided by TMK IS customers in the United States is supported by testimonials attached in **Annex 3**.

The mere threat of imposition of any trade-restrictive measures on imports of seamless mechanical tubes would already have a severely negative impact on U.S. end-users of these products. The actual imposition of any remedies on imports of seamless mechanical tubes as an outcome of the Investigation would devastate these U.S. end-users. Given these companies’ strategic importance to U.S. national security, imports of seamless mechanical tubes must be excluded from the Investigation.

9. Conclusion

Based on the information provided above, TMK IS maintains that a strong basis exists for the exclusion of seamless mechanical tubes from both the scope of the Investigation and any remedies that may ultimately be imposed by the President in this context.

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Annex 1
List of Specifications and Applications Identified by U.S. End-Users
Warranting the Exclusion Seamless Mechanical Tubes

Product Description	End-Use	Produced by U.S. Mills?	If produced by U.S. mills, are there any quality, performance, or other differences between imports and U.S. product?
[]	Material is used to create Couplings, Pup Joints, Nipples, other connections/fittings for pipe/tube	Some of the sizes yes, but many of them, no.	[]
[]	Down Hole Tools & Accessories	Timken, Plymouth, Michigan Seamless, Arcelor Mittal	[]
[]	Mechanical, Structural and Process applications	US Steel, Michigan Seamless, PT Alliance, Timken	[]
[]	Multiple uses: Production tubing, velocity strings, dual completions, work strings, injection & stimulation strings	Capable of production but declines to do so. Domestic mills prefer to run large lots of large OD tubing & casing. []	[]

[Industrial, fabrication for Power Generation and Oil & Gas	Yes – size range restricted	[
]]
[Multiple oil & gas applications: oil tools, API couplings and accessories	Timken Steel can technically, but doesn't as far as I am aware. Only has enough capacity to supply maybe 5-10% of entire market, regardless.	[
]]
[Casing and tubing for OIL and Gas production to manufacture Couplings	Yes, but most mills manufacture their own couplings and do not want to sell to other coupling manufactures	[
]]
[Couplings	Limited availability	[
]]

[]	Down Hole Tools	Yes, but very limited.	[]
[]	Down Hole Tools	Yes, but very limited.	[]
[]	Down Hole Tools	Yes, but very limited.	[]

In accordance with industry practice, seamless mechanical tubes are generally entered under the following HTS codes:

7304.313000	7304.390056	7304.598040
7304.316050	7304.390068	7304.598050
7304.390028	7304.390072	7304.598055
7304.390032	7304.596000	7304.598065
7304.390040	7304.598020	7304.598070
7304.390044	7304.598025	
7304.390052	7304.598035	

In addition, coupling stock or coupling material is a subgroup of mechanical tube, marketed as such and treated as such in the industry, as in the Preston Pipe Report and other metals journals. More importantly, coupling stock or coupling material shares the same HTS codes as mechanical tube. This is evidenced in past U.S. trade remedy proceedings against China, which have covered coupling stock under the following HTS codes:

7304.39.00.24	7304.39.00.68	7304.59.80.40
7304.39.00.28	7304.39.00.72	7304.59.80.45
7304.39.00.32	7304.39.00.76	7304.59.80.50
7304.39.00.36	7304.39.00.80	7304.59.80.55
7304.39.00.40	7304.59.60.00	7304.59.80.60
7304.39.00.44	7304.59.80.15	7304.59.80.65
7304.39.00.48	7304.59.80.20	7304.59.80.70
7304.39.00.52	7304.59.80.25	7304.59.80.80
7304.39.00.56	7304.59.80.30	
7304.39.00.62	7304.59.80.35	

Annex 2
Estimated Production Capacities of U.S. Seamless Mechanical Tube Mills
Relative to U.S. Consumption

The three main U.S. mills producing seamless mechanical tubes are the following:

<u>Domestic Mill</u>	<u>Estimated Production Capacity</u>
Plymouth Tube	[] net tons/year depending on running full shifts 24/7 days
Arcelor Mittal	[] net tons/year
Timken	[] net tons/year
<u>Estimated Total U.S. Production Capacity</u>	312,500 net tons/year (2017)
<u>Estimated Total U.S. Consumption</u>	475,000 net tons/year (2017) 590,000 net tons/year (2018)

Other mills that can make seamless products but that orient their production more towards OCTG and Line Pipe are the following:

<u>Domestic Mill</u>	<u>Product Dimensions</u>
Benteler – LA	Only up to 6.05”
USS	4” to 26” OD
Vallourec-Star Plant	Only up to 10.625” OD
TMK Ipsco-Ambridge Plant	Only up to 6.05” OD
TPCO (new Chinese mill in Bishop, TX)	Only up to 9 5/8” OD
Tenaris Bay City (new mill)	Only up to 9 5/8” OD

Annex 3
Responses of TMK IS Customers in the United States

Not susceptible to meaningful non-confidential summary.