CANADIAN INTERNATIONAL TRADE TRIBUNAL | TRIBUNAL CANADIEN DU COMMERCE EXTÉRIEUR

Ottawa, Wednesday, July 4, 2001

Expiry Review No. RR-2000-001

IN THE MATTER OF an expiry review, under subsection 76.03(3) of the *Special Import Measures Act*, of the order made by the Canadian International Trade Tribunal on July 5, 1996, in Review No. RR-95-001, concerning:

CERTAIN OIL AND GAS WELL CASING MADE OF CARBON STEEL ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF KOREA AND THE UNITED STATES

ORDERS

The Canadian International Trade Tribunal, under the provisions of subsection 76.03(3) of the *Special Import Measures Act*, has conducted an expiry review of its order made on July 5, 1996, in Review No. RR-95-001, continuing, without amendment, its order made on June 10, 1991, in Review No. RR-90-005, continuing, with amendment, the review finding made by the Canadian Import Tribunal on November 6, 1986, in Review No. R-7-86, continuing, with amendment, the finding made by the Canadian Import Tribunal on April 17, 1986, in Inquiry No. CIT-15-85, concerning oil and gas well casing made of carbon steel, having an outside diameter ranging from 114.3 mm to 273.0 mm (4 1/2 in. to 10 3/4 in.) inclusive, seamless or welded, plain end or threaded and coupled, supplied to meet American Petroleum Institute specification 5A, grades H40, J55 and K55, or proprietary grades manufactured as substitutes for these specifications, excluding casing which has been manufactured in Canada and re-imported into Canada from the United States by the Canadian manufacturer either in the condition as exported from Canada or after having been threaded and/or coupled in the United States, originating in or exported from the Republic of Korea and the United States.

Pursuant to subsection 76.03(12) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby rescinds its order made on July 5, 1996, in Review No. RR-95-001, in respect of the above-mentioned goods originating in or exported from the Republic of Korea.

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Pursuant to subsection 76.04(3) of the *Special Import Measures Act*, the Canadian International Trade Tribunal also hereby rescinds its order made on July 5, 1996, in Review No. RR-95-001, in respect of the above-mentioned goods originating in or exported from the United States.

James A. Ogilvy
James A. Ogilvy
Presiding Member

Patricia M. Close
Patricia M. Close
Member

Zdenek Kvarda
Zdenek Kvarda
Member

Michel P. Granger
Michel P. Granger
Secretary

Ottawa, Wednesday, July 4, 2001

Expiry Review No. RR-2000-001

CERTAIN OIL AND GAS WELL CASING MADE OF CARBON STEEL ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF KOREA AND THE UNITED STATES

Special Import Measures Act — Whether to rescind or continue, with or without amendment, the order made by the Canadian International Trade Tribunal on July 5, 1996, in Review No. RR-95-001.

Place of Hearing:		Ottawa, Ontario
Dates of Hearing:		May 14 to 18, 2001
Date of Orders and Reasons:		July 4, 2001
Tribunal Members:		James A. Ogilvy, Presiding Member Patricia M. Close, Member Zdenek Kvarda, Member
Director of Research:		Peter Welsh
Researcher:		Manon Carpentier
Economists:		Dennis Featherstone Ihn Ho Uhm
Statistical Officers:		Lise Lacombe Rhonda Heintzman
Counsel for the Tribunal:		Marie-France Dagenais Michèle Hurteau
Registrar Officer:		Pierrette Hébert
Participants:	for	Dalton Albrecht Dunniela R. Kaufman IPSCO Inc.
	for	Ronald C. Cheng Paul D. Conlin Gregory O. Somers Prudential Steel Ltd. Algoma Seamless Tubulars Inc.

Lawrence L. Herman
Craig S. Logie
for Stelpipe Ltd., A Subsidiary of Stelco Inc.
Stelco Inc.

(Domestic Producers)

Gordon LaFortune
Chris Hines
for Alberta Tubular Products Ltd.
Paragon Industries, Inc.

James A. D'Andrea
for Maverick Tube Corporation

David W. Rowbotham
for Fedmet Tubulars, a division of Russel Metals Inc.

(Importers/Exporters Supporting a Continuation of the Order)

Peter Clark
Yannick Beauvalet
for Continental Oilfield Supply Canada
U.S. Steel International

Mark N. Sills
Lyle M. Russell
Huy A. Do
Albert Gourley
Alyson N. D'Oyley
for SeAH Steel Corporation
Hyundai HYSCO

(Importer/Exporters)

Witnesses:

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IPSCO Inc.

Glenn A. Gilmore
Trade Supervisor
IPSCO Inc.

Guy A. Cocquyt
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Robert J. Jaggard
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James E. Fry
General Manager
Stelpipe Ltd., A Subsidiary of Stelco Inc.

Donald K. Belch
Director – Government Relations
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Tom Behanick
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Algoma Seamless Tubulars Inc.

Bruce Stuart
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T. Scott Evans
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Ottawa, Wednesday, July 4, 2001

Expiry Review No. RR-2000-001

IN THE MATTER OF an expiry review, under subsection 76.03(3) of the *Special Import Measures Act*, of the order made by the Canadian International Trade Tribunal on July 5, 1996, in Review No. RR-95-001, concerning:

CERTAIN OIL AND GAS WELL CASING MADE OF CARBON STEEL ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF KOREA AND THE UNITED STATES

TRIBUNAL: JAMES A. OGILVY, Presiding Member
PATRICIA M. CLOSE, Member
ZDENEK KVARDA, Member

STATEMENT OF REASONS

BACKGROUND

This is an expiry review, under subsection 76.03(3) of the *Special Import Measures Act*,[1] of the order made by the Canadian International Trade Tribunal (the Tribunal) on July 5, 1996, in Review No. RR-95-001, continuing, without amendment, its order made on June 10, 1991, in Review No. RR-90-005, continuing, with amendment, the review finding made by the Canadian Import Tribunal (CIT) on November 6, 1986, in Review No. R-7-86, continuing, with amendment, the finding made by the CIT on April 17, 1986, in Inquiry No. CIT-15-85, concerning oil and gas well casing made of carbon steel, having an outside diameter ranging from 114.3 mm to 273.0 mm (4 1/2 in. to 10 3/4 in.) inclusive, seamless or welded, plain end or threaded and coupled, supplied to meet American Petroleum Institute (API) specification 5A, grades H40, J55 and K55, or proprietary grades manufactured as substitutes for these specifications, excluding casing which has been manufactured in Canada and re-imported into Canada from the United States by the Canadian manufacturer either in the condition as exported from Canada or after having been threaded and/or coupled in the United States, originating in or exported from the Republic of Korea (Korea) and the United States.

This is the first expiry review being conducted by the Tribunal, in conjunction with the Canada Customs and Revenue Agency (CCRA), since the coming into force on April 15, 2000, of the amendments to SIMA, the *Special Import Measures Regulations*[2] and the *Canadian International Trade Tribunal Rules*.[3]

Pursuant to subsection 76.03(3) of SIMA, the Tribunal initiated an expiry review of its 1996 order and issued a notice of expiry review on October 20, 2000.[4] The notice was forwarded to all known interested parties. As part of this expiry review, the Tribunal sent, on behalf of the CCRA, expiry review questionnaires to Canadian producers, importers and foreign producers of oil and gas well casing. Those questionnaires

1. R.S.C. 1985, c. S-15 [hereinafter SIMA].
2. S.O.R./84-927 [hereinafter SIM Regulations].
3. S.O.R./91-499 [hereinafter Tribunal Rules].
4. C. Gaz. 2000.I.3269.

were developed by CCRA staff in consultation with Tribunal staff to ensure that they would provide the information needed if the Tribunal subsequently conducted an inquiry into the likelihood of injury to the domestic industry or of retardation.

Following the Tribunal's initiation of the expiry review, the Commissioner of the CCRA (the Commissioner) initiated his investigation on October 21, 2000, to determine if the expiry of the Tribunal's 1996 order was likely to result in a continuation or a resumption of dumping from Korea and the United States. On February 16, 2001, the Commissioner determined that there was a likelihood of continued or resumed dumping from Korea and the United States if the order were allowed to expire. The same day, the Commissioner transferred to the Tribunal the administrative record on which he based his determination.

Upon receipt of the Commissioner's determination and the CCRA administrative record, the Tribunal initiated its inquiry on February 19, 2001, to determine, pursuant to subsection 76.03(10) of SIMA, if the resumed dumping of oil and gas well casing originating in or exported from Korea and the United States was likely to result in material injury to the domestic industry. The Tribunal issued market characteristics questionnaires to Canadian producers, importers, foreign producers/exporters and purchasers of oil and gas well casing. From the replies to the expiry review questionnaires and other sources, the Tribunal's research staff prepared public and protected pre-hearing staff reports.

The record of this expiry review consists of all relevant documents, including the submissions and expiry review questionnaire replies that were filed with the CCRA as part of the Commissioner's investigation, the CCRA's *Protected Expiry Review Report* and *Statement of Reasons*, as well as their supporting documents, the notice of expiry review, confidential replies to Part E of the domestic producers' expiry review questionnaire, public and confidential replies to the market characteristics questionnaires, and the public and protected pre-hearing staff reports. Also forming part of the record are the Tribunal's 1996 and 1991 orders, the CIT's review finding and original finding, as well as the public and protected pre-hearing staff reports that were prepared for the 1996 review. All public exhibits were made available to interested parties, while protected exhibits were provided only to independent counsel who had filed a declaration and undertaking with the Tribunal in respect of the use, disclosure, reproduction, protection and storage of confidential information on the record of the proceedings, as well as the disposal of such confidential information at the end of the proceedings or in the event of a change of counsel.

Public and in camera hearings were held in Ottawa, Ontario, from May 14 to 18, 2001.

The domestic producers, IPSCO Inc. (IPSCO), Prudential Steel Ltd. (Prudential), Algoma Seamless Tubulars Inc. (ASTI) and Stelpipe Ltd. (Stelpipe), which participated in these proceedings with its parent company Stelco Inc. (Stelco), were all represented by counsel at the hearing, argued that there was a likelihood of injury to the domestic industry and, hence, supported a continuation of the order. A witness for Algoma Steel Inc. (Algoma), which was a domestic producer of casing until the first half of 1999, appeared at the hearing.

Two importers of oil and gas well casing, Alberta Tubular Products Ltd. (ATPL) and Fedmet Tubulars, a division of Russel Metals Inc. (Fedmet Tubulars), and two exporters of the subject goods, Paragon Industries, Inc. (Paragon) and Maverick Tube Corporation (Maverick), were represented by counsel at the hearing. They submitted evidence and presented arguments supporting a continuation of the order.

An importer, Continental Oilfield Supply Canada (COSC), and a U.S. exporter, U.S. Steel International (USSI), were represented by counsel at the hearing and presented arguments in support of a rescission of the order. In the alternative, COSC and USSI requested that oil and gas well casing produced and exported by USSI be excluded from the order.

Two Korean steel producers, SeAH Steel Corporation (SeAH) and Hyundai HYSCO (Hyundai), were also represented by counsel at the hearing. They submitted evidence and presented arguments in favour of a rescission of the order in respect of oil and gas well casing originating in or exported from Korea.

The Tribunal also heard the testimony of a representative of PanCanadian Petroleum Limited (PanCanadian).

SUMMARY OF INQUIRY AND PREVIOUS REVIEWS

CIT-15-85

The original finding on casing was issued by the CIT on April 17, 1986. The CIT found that the dumping of casing from Argentina, the Federal Republic of Germany (Germany), Korea and the United States had not caused, was not causing, but was likely to cause material injury to the production of like goods in Canada.

R-7-86

The 1986 review, which was conducted by the CIT, was the first review of the 1986 finding. On November 6, 1986, following a request made by IPSCO, the CIT excluded from its finding U.S. imports of casing manufactured in Canada and re-imported into Canada from the United States by the Canadian manufacturer either in the condition as exported from Canada or after having been threaded and/or coupled.

RR-90-005

The 1990 review, which was conducted by the Tribunal, was the second review of the original finding. On June 10, 1991, the Tribunal concluded that the dumping of casing from Korea and the United States was likely to resume if the review finding were rescinded and that such resumed dumping would likely cause material injury to the production of like goods in Canada. With respect to Argentina and Germany, the Tribunal concluded that resumed dumping of casing was unlikely. Accordingly, it rescinded the CIT's review finding with respect to those two countries.

RR-95-001

The 1995 review was the third review of the original CIT finding. The evidence adduced during that review indicated that there was considerable excess capacity to produce casing in Korea and the United States, while demand in the United States was shrinking and demand in Korea was virtually non-existent. In the United States, this had led to a considerable buildup of inventory. This buildup, in turn, had led to considerable discounting, as inventory holders sold off inventory. The evidence also showed that, during the review period, Korean exporters dumped casing and related products in the United States and other steel products in Canada. The Tribunal was of the opinion that the evidence demonstrated that, should the finding be rescinded, Korean and U.S. exporters would likely resume dumping casing in Canada.

The Tribunal was persuaded that, in the face of competition with dumped products, either the industry would reduce its prices to retain market share, in which case unit prices would fall significantly, or the industry would reduce or eliminate the production of casing where it was not price competitive, in which case unit costs would increase significantly. The Tribunal was of the view that both scenarios would have a considerable negative impact on the industry's gross margins.

Consequently, on July 5, 1996, the Tribunal concluded that, if the order were rescinded with respect to imports into Canada of casing from Korea and the United States, dumping would likely resume and such dumping would likely cause material injury to the domestic industry.

PRODUCT

Definition and Description

The product that is the subject of this expiry review is defined as oil and gas well casing made of carbon steel, having an outside diameter ranging from 114.3 mm to 273.0 mm (4 1/2 in. to 10 3/4 in.) inclusive, seamless or welded, plain end or threaded and coupled, supplied to meet API specification 5A, currently known as API specification 5CT, grades H40, J55 and K55, or proprietary grades manufactured as substitutes for these specifications.

Casing falls within a category of products commonly referred to as oil country tubular goods (OCTG), which include drill pipe, casing and tubing. These OCTG are used in the drilling of wells and to convey the oil and gas products to the surface. Casing is used to protect the walls of the bored hole from collapsing, both during drilling and after the well has been completed. Casing must be able to withstand outside pressure and internal yield pressures within the well. Also, it must have sufficient joint strength to hold its own weight and must be equipped with threads sufficiently tight to contain the well pressure where lengths are joined. Various factors limit the total amount of open hole that can be drilled at any one time, and it may be necessary to set more than one string of casing concentrically for certain portions of the well depth.

Production Process and Distribution

Casing may be produced using one of two processes: the electric resistance weld (ERW) process or the seamless process. IPSCO, Prudential and Stelpipe produce ERW casing, while ASTI produces seamless casing.

ERW casing is produced by slitting flat hot-rolled steel in coil form (skelp) to the proper width required to produce the desired diameter of pipe. The skelp is then sent through a series of forming rolls that bend it into a tubular shape. As the edges of the skelp come together under pressure in the final forming rolls, an electric current is passed between them. The resistance to the current heats the edges of the skelp to welding temperature, and the weld is formed as the two edges are pressed together. The pipe is then cut to length and tested. The finishing of ERW casing differs from one producer to another. IPSCO and Prudential finish the casing by sending it to their finishing line, where it is bevelled and threaded on both ends. They then apply a coupling and coupling protector to one end of the casing and a thread protector to the other end before the casing is ready for shipment. In the case of Stelpipe, because it produces only plain-end (green) casing, the finishing process is done by the customer or a third-party processor that does the threading and coupling of the plain-end casing.

Seamless casing is produced by first forming a central cavity in a solid steel billet (shell). The shell is then rolled on a retained mandrel and reduced in a stretch reduction mill to produce the finished size before cooling on a walking beam cooling bed. The casing is then sized, further cooled and threaded on both ends. A coupling is applied to one end and tested. Thread protectors are applied, and the casing is then ready for shipment.

Within the product range, the H40 and J55 grades are normally made using the ERW process, and the K55 grade, which has a higher tensile strength than the J55 grade, is generally seamless, although IPSCO offers a welded product to compete with this specification (API IK55). These three grades of casing are generally used in shallow wells. Most domestic wells, which are found predominantly in Western Canada, are shallow, averaging less than 1,200 m in depth. The K55 grade of casing can be used in deeper wells of just under 3,000 m.

In these wells, surface casing, usually in ERW H40 grade, is used in the upper 10 percent of the depth. At lower depths, casing in J55 and K55 grades is usually used. In "sweet" environments (where there are relatively low percentages of sulphur), ERW J55 grade casing is generally used, whereas in "sour" environments (where corrosive conditions exist because of higher sulphur content), the stronger seamless K55 grade casing is generally used, although some proprietary K grade ERW casing may be used in this environment.

Generally, the domestic producers sell their casing to oilfield supply distributors that, in turn, sell the casing to end users. Some sales are made directly to large volume end users. Shipments of casing are made primarily from stockyards or stock points that are situated throughout the major petroleum exploration regions. These stock points are owned and maintained by domestic producers, importers/distributors or independent contractors. Most major oilfield supply distributors also supply products related to the drilling trade, such as tubing, pump jacks, drill pipe, rods, pumping equipment and other drilling supplies, and stock these standardized items at various locations close to the drilling activity.

DOMESTIC PRODUCERS

During the period of review, January 1, 1997, to September 30, 2000, the Canadian industry consisted of five producers: IPSCO, Prudential, Algoma, ASTI and Stelpipe.

IPSCO, which is a publicly traded company located in Regina, Saskatchewan, was incorporated in 1956 under the name of Prairie Pipe Manufacturing Co. Ltd. It began producing casing in 1964 and has since then expanded its manufacturing capabilities with the construction of its own steel mill and the construction and acquisition of tubular production facilities in Edmonton, Red Deer and Calgary, Alberta, and Regina, Saskatchewan. The Regina, Calgary and Red Deer plants are all capable of producing casing, but it is the Calgary plant that carries the majority of the production. The Edmonton plant, which was also capable of producing casing, with an annual capacity of 105,000 tons of pipe, closed in 1999.

IPSCO produces ERW casing in the size range 4 1/2 in. to 10 3/4 in. in H40, J55 and IK55 grades, the latter grade being IPSCO's proprietary grade that meets or exceeds K55 specifications, using skelp purchased from a variety of sources that are either related or unrelated companies. In addition to casing, IPSCO produces carbon and alloy hot-rolled sheet and plate, hollow structural sections (HSS), line pipe, piling pipe, standard pipe, OCTG tubing and water well casing.

Prudential, located in Calgary, Alberta, was incorporated in 1966. In 1975, its Mill 2 was commissioned to manufacture OCTG, including casing in H40 and J55 grades in sizes from 2 3/8 in. to 12 in. In the same year, Prudential was sold to Dofasco Inc. (Dofasco) of Hamilton, Ontario. In 1979, Prudential constructed upsetting and threading facilities for its OCTG tubing. These facilities were replaced in 1985. In 1994, Dofasco sold Prudential through a public share offering on the Toronto Stock Exchange. From late 1994 through most of 1997, Mill 1 was closed, but was recommissioned later that year due to increased demand for energy tubular products in Western Canada. The mill was again closed until late 1999 when demand showed signs of recovery. In 1998, Mill 4, located in Longview, Washington, and operated by Prudential Steel Inc., was commissioned and, in January 1999, it started producing OCTG and line pipe used in the energy exploration sector, including the subject casing. In June 2000, Prudential entered into a merger with Maverick of Chesterfield, Missouri, which is a U.S. manufacturer, exporter and importer of OCTG, including casing.

Prudential purchases the majority of its hot-rolled carbon steel coil used to produce casing in the size range 4 1/2 in. to 11 3/4 in. in H40 and J55 grades from IPSCO Regina and Dofasco. Mills 1, 2 and 3, located in Calgary, produce casing, as well as OCTG tubing, line pipe, HSS and ERW carbon steel pipe produced for both energy and industrial applications. Mill 4 produces OCTG and line pipe used in the energy exploration sector.

Algoma owned and operated a seamless tube mill in Sault Ste. Marie, Ontario, from June 1, 1992, to the first half of 1999, at which time it closed the mill. On September 15, 2000, Algoma entered into an agreement with the newly formed ASTI for the long-term lease, with a purchase option, and operation of the seamless tube mill. ASTI, which was established to take advantage of a perceived opportunity in the Canadian market, started producing the like goods in November 2000. The company is owned by Siderca International ApS (Siderca International) of Argentina and Tubos de Acero de México, SA (TAMSA) of Mexico, which is controlled and owned by Siderca International. Siderca International is owned by Siderca SAIC of Argentina, which, in turn, is controlled and owned by Techint SAIC of Argentina, an industrial company with engineering and steel entities in many countries. One of these entities is Techint Engineering Company Inc. of Panama, which owns DST Tubulars Inc. (DSTT) of Calgary, Alberta, the master distributor for the Dalmine SpA (Italy), Siderca and TAMSA products that complement ASTI's seamless casing production. Since its incorporation on February 9, 1999, DSTT has acted as the marketing entity in Canada of Dalmine, Siderca and TAMSA. DSTT has acted in this capacity for ASTI since the latter began production in November 2000.

ASTI produces seamless casing in the size range 2 in. to 7 3/8 in. in K55 grade, using imported billets or rounds from the United States, Mexico and Argentina. Other products being produced by ASTI include seamless casing not subject to this expiry review, seamless line pipe used in industrial applications, such as upstream and downstream fluid conduction, refinery products, power generation products, and other hot-rolled products used in the manufacture of mechanical components, such as hydraulic cylinders, auto parts and bearings.

Stelco, which owns 100 percent of Stelpipe, was established in 1910. In 1962, pipe facilities were purchased by Stelco and became part of the corporation. In 1984, the pipe and tube facilities comprising Page-Hersey Works, Welland Tube Works and Camrose Pipe Company (Camrose Pipe) were grouped and managed as Stelpipe. In 1992, 60 percent of Camrose Pipe was sold to Oregon Steel Mills, with Stelco retaining a minority share. In October 1994, Stelpipe and Welland Pipe became separate legal entities in the Stelco group of businesses. Stelpipe is the only company in the Stelco group of businesses that produces the like goods. Stelpipe started producing oil and gas well casing in size 4 1/2 in. in May 1994. In the fourth quarter of 1997, it expanded its casing production range, which now includes sizes up to 8 5/8 in.

Stelpipe produces ERW casing as plain-end casing that must be finished by threading and coupling by either the customer or a third-party processor. It produces casing in H40 and J55 grades, using coils that it purchases from Stelco Hilton Works and Lake Erie Steel Company. Other products manufactured by Stelpipe include commercial pipe, mechanical tubing, hollows for cold drawing, water well casing, coupling rounds, HSS, other OCTG, conduits, as well as lance, line, seamless, piling, nipple and sprinkler pipe.

IMPORTERS AND EXPORTERS SUPPORTING A CONTINUATION OF THE ORDER

ATPL, an importer and distributor of oil and gas well casing located in Calgary, Alberta, was incorporated in 1990 to service and supply casing, tubing and line pipe to the western Canadian oilfield. ATPL started importing the subject goods in 1991. Prior to 1996, it imported almost all of its OCTG. Since 1996, it has purchased significant quantities of casing from the domestic producers.

Fedmet Tubulars, an importer and distributor of oil and gas well casing, is a division of Russel Metals Inc. (Russel Metals) located in Calgary, Alberta. It was formed in December 1988 to extend Russel Metals' product base to include the OCTG market. Russel Metals, in turn, owns Triumph Tubular & Supply Ltd. in Calgary, Alberta, a distributor of products for the oil and gas market, and Pioneer Steel & Tube Corp., a distributor of casing and line pipe in Denver, Colorado, which exports casing to Fedmet Tubulars. Fedmet Tubulars started importing ERW casing in 1989 from Maverick. During 1995, Fedmet Tubulars started importing seamless casing from Rocky Mountain Steel, a U.S. manufacturer. Other products imported by Fedmet Tubulars include tubing and line pipe.

Maverick, a U.S. producer and exporter of OCTG, including ERW casing, was founded in 1978 in the State of Delaware as Mechanical Tube Manufacturer. In 1980, the company converted its production to OCTG. It began manufacturing line pipe in 1986, in the size range 2 3/8 in. to 4 1/2 in. and expanded its range in 1987 to include sizes 6 5/8 in. to 8 5/8 in. In June 2000, Maverick commissioned a 16-in. mill in Blytheville, Arizona, to expand its size range in all products. Finally, on June 11, 2000, Maverick entered into a definitive combination agreement with Prudential, one of the Canadian producers. The transaction was completed on September 22, 2000. Maverick has production facilities in Blytheville, Arizona, where it produces OCTG and industrial products, such as line pipe, standard pipe, piling pipe and HSS; in Conroe, Texas, where it produces OCTG; and in Beaver Falls, Pennsylvania, where it produces cold-drawn mechanical tubing.

Paragon, a U.S. producer and exporter of the subject goods, was incorporated in 1983 in the State of Oklahoma. It produces OCTG, line pipe, structural tubing and standard pipe. OCTG and line pipe are sold primarily for use in the energy industry relative to the drilling and transportation of oil and natural gas. Structural tubing and standard pipe are used in various industries. Paragon's primary customers are U.S. and Canadian pipe distributors.

IMPORTER AND EXPORTERS SUPPORTING A RESCISSION OF THE ORDER

COSC, an importer and distributor of oil and gas well casing located in Calgary, Alberta, entered into business in 1997. COSC also imports OCTG tubing, line pipe, hollow carrier and mechanical tubing. COSC is controlled 50 percent by 738006 Alberta Ltd. and 50 percent by 3008995 Nova Scotia Company. COSC is the exclusive USSI distributor for finished OCTG in Western Canada and the exclusive representative in Canada for the Continental Group of Companies.

USSI, located in Pittsburgh, Pennsylvania, is the largest integrated steel producer in the United States. USSI is part of USX Corporation (USX), which was founded in 1901 and whose business is divided into two segments: the Marathon Group and the U.S. Steel Group. The Marathon Group is engaged in worldwide exploration, production, transportation and marketing of crude oil and natural gas, while the U.S. Steel Group, which includes USSI, is primarily engaged in the production and sale of steel mill products, coke and taconite pellets. USSI produces slabs, hot-rolled, cold-rolled and corrosion-resistant products, pipe and tubular goods, as well as tin mill products and plate products.

SeAH, founded in October 1960 and located in Seoul, Korea, is a producer and exporter of steel products, including casing, stainless steel pipe and precoated metal sheets. It started producing casing in October 1978 and, in January 1983, it installed another production line (Third Pohang Plant) to produce the subject goods. SeAH does not sell casing in the Korean market. It sells the subject and non-subject casing only to export markets.

Hyundai, founded in 1975 and located in Seoul, Korea, manufactures various types of steel pipe and flat-rolled steel products for both the Korean and export markets. It produced and sold the subject casing from 1982 to 1990. Hyundai did not produce casing during the period from 1991 to 2000; it is only in the first quarter of 2001 that it re-entered the casing market by producing 2,400 metric tons of casing and selling its casing in the U.S. market.

POSITIONS OF PARTIES

Domestic Producers and Parties Supporting a Continuation of the Order

The domestic industry submitted that a continuation of the order is necessary, as the resumed dumping of the subject goods will cause material injury to the producers. Regarding the likely volume of subject goods, the domestic industry submitted that, in view of the excess production capacity and the low utilization rates in both the United States and Korea, dumping from those countries would resume in significant volumes. This was explained by reference to the high price sensitivity of the subject goods, the huge available Korean capacity, as well as the low capacity utilization rate and the inventory buildup in the United States. Relying on the evidence that the domestic industry was competing vigorously with U.S. exports at normal values, IPSCO argued that any liquidation of U.S. inventory will result in intense competition with the dumped imports. Prudential and ASTI noted that the volume of subject goods represents a significant majority of total imports and has recently increased. Basing its argument on the Commissioner's determination, the domestic industry submitted that the subject goods are also likely to be dumped at significant dumping margins. In response to the statements made by the Korean producers that they will not sell to Canada if the order expires, the domestic industry argued that this was simply implausible in light of the dumping history of this country.

It is the domestic industry's position that vulnerability to material injury does not have to exist for all domestic producers in the same way, since they will not be affected uniformly by the dumping. Prudential and ASTI contended that, if one significant producer is particularly vulnerable, it is sufficient to find that the domestic industry as a whole is vulnerable. Furthermore, reference was made to the Tribunal's decision in RR-90-001,[5] in which the Tribunal stated that it relies more on evidence of what is likely to happen in the market in the near term rather than in the long term. It was also submitted that SIMA requires the Tribunal to consider the cumulative effect of resumed dumping of the subject goods from all countries.

IPSCO submitted that the fact that the two largest producers are relatively healthy is irrelevant, as the inquiry should be focussed on the possibility of injury and not past or present injury. The domestic industry argued that the market for tubular products, which is today profitable, can quickly become unprofitable in the face of dumped imports. It relied on testimony that the market, now at a peak, will experience an oversupply due to the high inventory levels in the United States. IPSCO argued that, if the order is allowed to expire, it will have an immediate impact, and injury will occur very quickly. Although market prices have shown some recovery since late 1999, they are subject to immediate reversal, should the market soften or dumping resume. For example, IPSCO submitted that its net income before taxes could drop by almost one half with a 10 percent price reduction or by two thirds if this price reduction is accompanied by a reduction of the same order in volume. Moreover, if the industry experiences, at the same time, a downturn in market demand, this could translate into losses. Taking into account the already low pricing from the non-subject countries, pricing for the subject goods will have to be lowered in order to compete, which will result in price erosion, lost sales and, consequently, material injury to the domestic industry.

IPSCO argued that the evidence indicates that at least two producers would go out of business immediately if the order were allowed to expire, and that the two others will be injured. It was ASTI's

5. *Certain Nickel and Nickel Alloy Seamless Tubing (review)* (21 December 1990).

position that this evidence should be considered, particularly as, being in a startup phase, its financial performance is very sensitive.

Regarding the requests for exclusion made by USSI and the Korean producers, the domestic industry submitted that they were unjustified in light of the Tribunal's usual practice of granting exclusions only when a specific product is not manufactured by the domestic producers.

ATPL, Maverick, Paragon and Fedmet Tubulars supported the domestic industry's position. Their principal arguments have been included in those of the domestic industry above.

Parties Supporting a Rescission of the Order or Requesting Exclusions

SeAH and Hyundai

The Korean exporters requested that the Tribunal rescind its order in respect of the subject goods from Korea and, in the alternative, grant an exclusion for these two producers.

Contrary to the domestic industry's contention, the Korean exporters submitted that the subject goods are not commodity products. This flows from the evidence showing that the price is not the sole factor governing purchasing decisions, the quality and the grade of the products being primary concerns.

In response to the argument that, in order to maintain full capacity utilization, the Korean producers will have no choice but to sell the subject goods in Canada at dumped prices, they argued that there was no evidence of any significant volume of Korean subject goods waiting to be shipped. Bearing in mind that Hyundai has no inventory of the subject goods and that the inventory of SeAH is insignificant, it was argued that the volume coming from Korea, if any, will be very small. Moreover, the evidence shows that SeAH is a highly profitable and technologically advanced company with a clear orientation to production for its home market. The evidence further reveals that the subject goods play a minor role in the company's overall strategy and that SeAH has a high rate of capacity utilization. Hyundai, on the other hand, has experienced weak financial performance over the past two years and is uninterested in export markets. The Korean producers noted that they have been totally absent from the Canadian market and that a substantial volume of low-cost imports from non-subject countries was already present. Therefore, the assumption that the expiry of the order would result in a 10 percent price decline is unfounded, since imports from other countries will insulate the domestic industry from injury by the subject goods.

In their view, weight should be given to the financial performance of the Canadian industry, which has been very profitable in recent years and has good prospects for the immediate future. They argued that Stelpipe's performance was likely to improve considerably over the medium term, while ASTI has not been in business long enough to permit any conclusions. The Korean producers further submitted that the international demand for the subject goods will follow the increase in the worldwide drilling activities.

USSI

Should the Tribunal continue the order, it is USSI's position that it should be excluded from that continuation. USSI submitted that it was involved in neither the 1986 initial inquiry nor the last review and that it has never been found to be injuriously dumping the subject goods in Canada. Furthermore, USSI emphasized that it had never been involved in other dumping cases of tubular products. It also pointed out that, in RR-90-005, the Tribunal had rescinded its order in respect of a specific producer, Siderca. USSI also argued that it controls the volume and pricing of its exports to Canada.

ANALYSIS

As part of the Tribunal's first expiry review under the new SIMA provisions, the CCRA examined the question of the likelihood of resumed dumping in Canada of casing originating in or exported from Korea and the United States. On February 16, 2001, the CCRA determined that such a likelihood existed and, consequently, the Tribunal now has to decide whether the expiry of the order is likely to cause material injury to the domestic industry. In rendering its decision, the Tribunal is of the view that it must focus on circumstances that can reasonably be expected to exist in the near or medium term.

Like Goods

Subsection 2(1) of SIMA defines "like goods", in relation to any other goods, as:

(*a*) goods that are identical in all respects to the other goods, or
(*b*) in the absence of any goods described in paragraph (*a*), goods the uses and other characteristics of which closely resemble those of the other goods.

The product that is the subject of this expiry review is oil and gas well casing made of carbon steel, welded or seamless. The evidence in this case indicates that any technical differences between seamless casing and welded casing are confined to the methods of production and that seamless casing is substitutable for ERW casing in virtually all applications. Although the reverse does not necessarily hold, in the Tribunal's view, the products, for the purposes of this expiry review, are like goods. They are also price competitive in the on-shore shallow-well market. The evidence further shows that, for each API specification, domestically produced oil and gas well casing products compete with, have the same end uses and, with the above caveat, can be substituted for the subject goods whether they are manufactured using the ERW or seamless process.

Therefore, the Tribunal concludes, as in past reviews, that both seamless and welded oil and gas well casing produced by the domestic industry, defined in the same manner as the subject goods, constitute like goods to the casing imported from Korea and the United States.

Cumulation

Subsection 76.03(11) of SIMA provides that the Tribunal shall make an assessment of the cumulative effects of dumping, if the Tribunal is satisfied that this is appropriate, considering the conditions of competition between the subject goods with each other and with the like goods.

In argument, the domestic industry submitted that SIMA requires the Tribunal to consider cumulatively the effect of resumed dumping of the subject goods from all countries. It was further argued that all the prerequisite conditions to cumulate exist in the present expiry review.

The Tribunal examined the conditions of competition between the subject goods with each other and with the like goods. The evidence in this expiry review does not indicate to the Tribunal that the dumped goods from the subject countries compete under the same conditions either with each other or with the like goods in the Canadian market. Specifically, the subject goods from Korea have not been in the Canadian market and, thus, have not competed with the like goods or the U.S. subject goods for at least a decade. As the witness for the Tribunal noted, the Korean product is unknown in the market and would, therefore, not be used by the largest exploration company and the biggest buyer of casing in the Western Canada Sedimentary Basin. Such end users need to approve a product from a new source after site visits confirm that specification requirements have been met and to receive a guarantee of the quality and availability of the new products.[6]

6. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 570 and 583-86.

Given this evidence, and the similar evidence of other major exploration companies, that the risk is too high to use an unknown product in the drilling business, even if it has an API rating,[7] the Tribunal does not consider the conditions of competition to be the same for the Korean product as between the Canadian and well-known U.S. product. In light of the foregoing, the Tribunal is satisfied that it is not appropriate to make a cumulative assessment of the likely effect on the domestic industry of a resumption of the dumping of imports of casing from the two named countries.

Retardation

Subsection 76.03(10) of SIMA provides that the Tribunal shall determine whether the expiry of the order or finding in respect of the subject goods is likely to result in injury or retardation.

Subsection 2(1) of SIMA defines "retardation" as follows:

material retardation of the establishment of a domestic industry.

In previous cases,[8] the Tribunal found that, because the goods in issue were being produced in Canada, there could be no retardation of a domestic industry. Similarly, in the present case, the evidence shows that oil and gas well casing is produced in Canada and that there is an established domestic industry that produces the like goods in Canada.

The evidence indicates that, since November 2000, ASTI has been a producer of like goods and, as such, has become a part of an established domestic industry. Accordingly, the Tribunal finds that there can be no retardation of a domestic industry.

Likelihood of Injury

In examining the likelihood of injury, the Tribunal may consider a broad range of factors, as prescribed by subsection 37.2(2) of the SIM Regulations. In this expiry review, the Tribunal considered a number of factors relating to market conditions in Canada, the subject countries and worldwide, including: (1) the recent and likely performance of producers of casing in Canada and the subject countries; (2) developments in the demand and supply of casing in Canada and the subject countries; (3) the capacity of Canadian and foreign mills to produce casing; (4) the recent and likely volume and prices of imports of casing into Canada from the subject countries; and (5) the subject countries' exports of casing and related steel products to other countries and the existence of anti-dumping actions in other jurisdictions concerning these exports.

<u>Oil and Gas Well Casing Market</u>

The Tribunal has developed its analysis from its understanding of the basic factors driving the casing market in Canada, the United States and the rest of the world.

It is clear to the Tribunal, and parties agreed, that the oil and gas well casing market has been highly cyclical. Demand for casing is driven by the number of wells being drilled and the depth of those wells. In turn, the level of drilling activity is dependent on the current and anticipated prices for oil and natural gas, which can be, and often are, volatile. In such a context, the evidence suggests that the domestic production of

7. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 542-44; Tribunal Exhibits RR-2000-001-26.01, 26.06 and 26.10, Administrative Record, Vol. 5.3 at 43, 87 and 135-36, respectively.
8. See, for example, *Preformed Fibreglass Pipe Insulation (inquiry)* (19 November 1993), NQ-93-002; *Fresh Garlic (inquiry)* (21 March 1997), NQ-96-002.

like goods is determined on the basis of projections developed by gas and oil producers.[9] Producers of casing face a challenge in anticipating demand and, consequently, determining their levels of production and inventory. The amount of inventory held by producers, distributors and end users also affects the market.[10] Three-month forecasting seems to be the norm and, typically, casing producers would have readily available a three-month supply at all times. This system would appear to control any overproduction and large inventory buildup.[11] A rapid surge in demand or sustained growth can make it problematic for them to meet demand, unless there is sufficient inventory on hand. A sustained decline in demand, on the other hand, can leave them with excess inventory, leading to production curtailments. Nevertheless, domestic producers appear to have the ability to adapt quickly to changes in demand.

With respect to oil and natural gas prices, it is clear that they were volatile during the period of review. For example, in 1997, the West Texas Intermediate (WTI) spot price for oil per barrel averaged US$20.64, before it declined to US$14.44 in 1998. The average spot price for oil started to rebound in 1999, when it moved from US$19.25 to US$31.49 in the third quarter of 2000. The spot price for gas per million British thermal units (MMBtu) followed a similar trend in that period. In 1997, it averaged US$2.40, then declined to US$1.96 in 1998 before it started its recovery to reach US$4.31 in the third quarter of 2000. The average Alberta spot price for gas, on the other hand, registered an increase in every year of the review period.[12]

Market Conditions in the Subject Countries

The Tribunal's analysis of whether a resumption of dumping is likely to cause injury to the domestic industry includes an assessment of what the market conditions for casing have been in the subject countries, which, in this case, are significantly different.

– United States

The United States accounts for the biggest share of world drilling volumes. It consumes about half of the world's OCTG products, which include casing. U.S. domestic sales of casing and related pipe products were strong in 1997 and dropped in 1998 and 1999. The utilization rates of the U.S. producers followed a similar trend. It was not until the first nine months of 2000 that U.S. producers could see improvements in their domestic sales and capacity utilization rates.[13] In 2001, exploration companies in the United States are expected to drill approximately 33,000 wells, using between 1,200 and 1,300 rigs, which is an increase of between 31 and 42 percent over the 918 rig count of 2000 and approaches the maximum number of rigs available.[14]

Looking at the issue of capacity to produce casing and related pipe products, the domestic industry submitted that the United States continues to have sufficient freely disposable capacity to flood the Canadian market with dumped goods and that this danger is heightened by the ease of transportation and distribution into the western Canadian market. During the first nine months of 2000, U.S. aggregate capacity was

9. *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 78-79, 83, 93-94, 142 and 193.
10. Tribunal Exhibit RR-2000-001-20.04, Administrative Record, Vol. 5.1C at 165.
11. Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 294; *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 431 and 479.
12. Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 297 and 305.
13. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 466; *Public Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-05, Administrative Record, Vol. 1A at 106.
14. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 463-65 and 473; Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 289 and 297.

estimated at 3.8 million net tons for casing and related pipe products. For the same period, U.S. casing production, segregated from other OCTG production, was close to 700,000 net tons.[15] The evidence shows that, in the early part of 2001, the U.S. industry was running at about 65 percent of capacity for its OCTG products, which include the subject goods.[16] In the Tribunal's opinion, this is not untypical capacity utilization when demand is strong and growing.

The domestic industry also stated that there has been, since 2000, a significant buildup of U.S. inventory that creates an "overhang" and threatens the Canadian industry. According to the domestic industry, in December 2000, OCTG inventory reached 1.5 million net tons.[17] In the first two months of 2001, OCTG inventory continued to build in the United States at a monthly rate of about 30,000 to 35,000 net tons.[18] The domestic industry submitted that this U.S. inventory buildup represents at least six months of sales, which is far above the normal inventory carried in the OCTG market.

The domestic industry's submissions were based on the March 2001 *Preston Pipe & Tube Report*. However, according to that report, inventory growth is not drastically outrunning consumption, but rather is keeping pace with it. In fact, the inventory buildup is only reacting to current strong demand and rig activity and positive growth forecasts for the immediate and medium term. Data in the report also show that U.S. inventory has grown less rapidly than production and total supply, including imports. Furthermore, the report indicates that, due to the beginning of an extended order book for U.S. production of line pipe, which is manufactured on the same equipment used to produce OCTG products, including casing, U.S. OCTG producers will have a more stable price structure and less direct competition.[19] In addition, the Tribunal notes that, although casing is a subset of OCTG products, there is no fixed or predictable ratio between their volumes in any given inventory situation. Therefore, reliable information indicating the volumes of casing cannot be derived from evidence relating to OCTG volumes. This makes it very difficult to say how much influence the inventories might have on possible future injury.

– Korea

With respect to Korea's capacity to produce casing, the Tribunal heard conflicting evidence. The domestic industry stated that, with five API certified producers of OCTG, Korea had sufficient casing capacity to saturate the Canadian market. The domestic industry added that Korean OCTG capacity was estimated at 3.483 million net tons. SeAH and Hyundai indicated, on the contrary, that they were the only two companies capable at present of producing API standard OCTG[20] and that their combined potential OCTG capacity was approximately 1 million net tons. They submitted that most of that capacity was devoted to the production of other more profitable products.[21]

The Tribunal accepts the first-hand evidence supplied by the Korean producers that only those two companies are capable of producing the subject goods. However, the question facing the Tribunal is less one

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15. *Public Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-05, Administrative Record, Vol. 1A at 106.
16. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 483; *Public Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-05, Administrative Record, Vol. 1A at 106; Tribunal Exhibit RR-2000-001-21.03 (protected), Administrative Record, Vol. 6.1A at 214.
17. Manufacturer's Exhibit D-02, Attachment 4 at 14, Administrative Record, Vol. 9A.
18. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 460.
19. Manufacturer's Exhibit D-02, Attachment 4 at 3 and 14, Administrative Record, Vol. 9A.
20. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 615-18; Tribunal Exhibit RR-2000-001-20.08B, Administrative Record, Vol. 5.1F at 167-68; Tribunal Exhibit RR-2000-001-03A, Administrative Record, Vol. 1 at 250.
21. Exporters' Exhibits K-04 and L-04, para. 28, Administrative Record, Vol. 11.

of the absolute capacity to produce the subject goods than one of whether and to what extent such capacity might be used to ship the subject goods to Canada. In addition to being able to manufacture casing on its production lines, SeAH is also capable of producing other OCTG, as well as pipe products, such as line pipe, standard pipe, mechanical pipe, structural pipe, pipe for redrawing and pipe pile. Its OCTG products represent a very small proportion of that production and its casing, a minute proportion. In the case of Hyundai, it is capable of producing a similar range of products, but it is reducing its capacity for casing and pipe in general and is restructuring to reposition itself as a cold-rolled steel producer.[22]

The Korean pipe market has fared well in recent years and is currently much more profitable than in 1986 when the finding was first put in place. Before 1988, 65 percent of Korea's pipe production was exported, and the remaining 35 percent was sold in its domestic market. However, since then, the situation has reversed, with Korea producing 65 percent of its pipe for its domestic market and 35 percent for export markets. One underlying reason is that, following the Asian economic crisis, the Korean economy has been recovering steadily since 1999.[23]

Neither SeAH nor Hyundai has exported the subject casing to Canada since at least 1991, and there is no evidence that SeAH and Hyundai have been approached by Canadian importers to supply the Canadian market in casing.[24] Furthermore, SeAH and Hyundai produce to order and do not carry inventory.[25]

SeAH has not exported the subject casing to Canada in 15 years and testified that it has no plans to do so in the future, as it is not engaged in any marketing activities in the Canadian market.[26] Furthermore, SeAH's OCTG production represents only 2 percent of its total production capacity, while its casing production represents between 0.3 and 0.4 percent of the company's production capacity. Out of that total production capacity distributed among seven production lines, only two lines can be used to produce the subject casing, and those lines are now running at essentially full capacity, producing line pipe, standard pipe and structural pipe, which are more profitable than the subject goods.[27] In addition, SeAH did not export OCTG products to Canada during the review period.[28] SeAH's sales of OCTG products to the United States were significant but dropped by almost half in 1999 and a further two thirds in 2000, as SeAH shifted its exports of OCTG products to other markets.[29]

Hyundai neither produced oil and gas well casing nor exported it to Canada or any other country during the period 1991-2000. In the first quarter of 2001, Hyundai shipped a small volume of oil and gas well casing (2,400 metric tons) to the United States. Despite the capacity to do so, in terms of both plant utilization and the absence of trade remedy actions, Hyundai has not followed up this one order with subsequent

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22. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 613-14, 621, 645 and 706.
23. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 612-13; Tribunal Exhibit RR-2000-001-20.08A, Administrative Record, Vol. 5.1F at 4, 5 and 32 and Tribunal Exhibit RR-2000-001-20.08B, Administrative Record, Vol. 5.1F at 181; Exporters' Exhibits K-04 and L-04, para. 45, Administrative Record, Vol. 11.
24. *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 280; Tribunal Exhibit RR-2000-001-03A, Administrative Record, Vol. 1 at 251; Exporters' Exhibits K-02, para. 4, and K-04 and L-04, para. 102, Administrative Record, Vol. 11.
25. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 625 and 697-98.
26. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 618-19.
27. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 614 and 645; Tribunal Exhibit RR-2000-001-20.08, Administrative Record, Vol. 5.1E at 8.
28. SeAH made one infinitesimal shipment of 389 net tons of tubing in the fourth quarter of 2000. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 648; Manufacturer's Exhibit A-03, Attachment 2, Administrative Record, Vol. 9; Exporter's Exhibit L-01 (protected), para. 7, Administrative Record, Vol. 12.
29. Exporter's Exhibit L-01 (protected), para. 7, Administrative Record, Vol. 12.

shipments. Despite financial difficulties and its access to world OCTG markets, Hyundai has exported virtually no subject goods to any country in over a decade.[30] Moreover, the Tribunal heard evidence that the company, which used to be called Hyundai Pipe Co. Ltd., has changed its name and is in the process of changing its product mix and planning to sell off its pipe capacity.[31]

Taking into account the Koreans' current production levels of casing, their restricted unused capacity, their concentration of sales of pipe in their domestic market and sales of OCTG in other than the North American market, the Tribunal is of the view that there would need to be a major change in the Korean producers' production and marketing practices before significant volumes of casing could be available for sale to Canada.

Market Conditions and Recent Performance of the Canadian Industry

The conditions in the Canadian market could also play a role in the volume and prices of imports of the subject goods. The year 1997 was a strong year for the Canadian casing market.[32] During that banner year, the Canadian producers registered domestic shipments of 383,788 net tons in a market of 497,702 net tons, which translates into a 77 percent market share. The domestic producers were able to increase their market share during the review period and capture 81 percent of the Canadian market in 2000.[33] As shown in the following table, the domestic producers saw the Canadian casing market shrink between 1997 and 1999, from 555,752 net tons to 292,908 net tons. In the first nine months of 2000, however, the market grew by 79 percent to 322,138 net tons over the corresponding period in 1999. The domestic producers' sales of casing followed a similar trend, decreasing by 44 percent in 1998 over 1997, and by an additional 6 percent in 1999 before increasing by 73 percent during the first nine months of 2000 over the corresponding period in 1999.[34] This trend broadly reflects what was happening in the oil and gas market, where prices were volatile.

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30. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 695-96.
31. Exporter's Exhibit K-02, para. 3, Administrative Record, Vol. 11.
32. *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 266.
33. Manufacturer's Exhibit D-02, Attachment 1, Administrative Record, Vol. 9A. Statistics Canada data vary somewhat from the data compiled by the Tribunal in its pre-hearing staff report; however, both series of numbers show a similar trend.
34. *Public Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-05, Administrative Record, Vol. 1A at 30.

Summary of Statistical Data

	1997	1998	1999	Jan.-Sept. 1999	Jan.-Sept. 2000
Apparent Market					
Volume (net tons)	555,752	325,992	292,908	179,817	322,138
Value ($000)	533,372	327,725	276,194	167,275	325,978
Unit Value ($/net ton)	960	1,005	943	930	1,012
Domestic Producers' Capacity Utilization (%)					
Oil and Gas Well Casing	32	16	17	13	28
Other Products	41	49	43	44	37
Domestic Producers' Market Share (%)	77	77	80	N/A	81[1]
PERCENT CHANGE					
Gross Margin ($000)		(41)	2		111
Net Income Before Taxes ($000)		(55)	21		133
Gross Margin ($/net ton)		5	8		22
Net Income Before Taxes ($/net ton)		(20)	28		34

Note:

1. This figure is for the full year 2000.

Source: *Public Pre-hearing Staff Report*, Tribunal Exhibits RR-2000-001-05 and RR-2000-001-05A, Administrative Record, Vol. 1A at 30, 32, 34, 46 and 110; *Protected Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-06 (protected), Administrative Record, Vol. 2A at 46; Manufacturer's Exhibit D-02, Attachment 1, Administrative Record, Vol. 9A.

The domestic producers' capacity utilization rate for the like goods followed the fluctuations of the Canadian market. The domestic producers utilized as little as 16 percent of their capacity in 1998 and as much as 32 percent of that capacity in 1997. When comparing the first nine months of 2000 to those of 1999, the domestic producers saw their capacity utilization rate increase from 13 to 28 percent, which is close to the utilization rate achieved in 1997.[35] Testimony confirmed that these rates of capacity utilization continued into the fourth quarter of 2000.[36]

Evidence on the record and testimony show that the domestic industry's production capacity for casing and related pipe products was never fully utilized, even during very good years like 1997. On the basis of testimony, the Tribunal is of the view that the domestic industry, like the U.S. industry, is not expected to achieve 100 percent of capacity utilization due to the fact that different goods are being produced on the same

35. *Public Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-05A, Administrative Record, Vol. 1A at 110. If ASTI's numbers were removed from the capacity utilization rate calculation for the first nine months of 2000 because it did not start producing the like goods until after the end of that period, that is, in November 2000, the three remaining domestic producers would achieve a utilization rate of 34 percent, thereby surpassing the utilization rate that the domestic producers achieved in the 1997 banner year.
36. *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 299-301.

equipment.[37] The domestic producers must choose which product to produce at any given time based on profitability, their commitments to the different markets and the relative strength of demand in those markets, as well as their relationships with their customers.

Prices in the Canadian market are set by the domestic producers.[38] Average prices of casing fluctuated much less than the volumes of casing sold in the Canadian market. In 1998, when the market was in a sharp downturn, average prices increased by 5 percent over 1997. They then decreased by 6 percent in 1999 before increasing by 9 percent in the first nine months of 2000, when compared to the corresponding period in 1999.

With regard to the market share captured by the domestic producers, the public information available to the Tribunal indicates that it remained fairly constant during the review period, averaging close to 79 percent.[39] Although the magnitudes are different, these numbers follow a trend similar to that of the market shares that the Tribunal calculated on the basis of confidential/protected information that it obtained on domestic production and imports.[40]

While gross margins and profits decreased significantly in 1998, as the demand for casing declined with decreasing oil prices, positive margins and prices per net ton were still achieved by the domestic industry. As the demand recovered, the domestic industry's overall financial results showed signs of improvement in 1999 before flourishing during the first nine months of 2000. The positive margins per net ton throughout the period, regardless of fluctuations in the marketplace, reflect the margins that the domestic industry can capture when the costs of its inputs decrease and also reflect its ability to keep prices up even when volumes are low.

The Tribunal notes that, despite the volatility of the Canadian casing market, Stelpipe decided to enter the market in 1997 because it felt that the pricing of this product was better than the pricing of other pipe products that it sold. The Tribunal observes that, despite the fact that Stelpipe is at a disadvantage in the Canadian market due to its location and the fact that it has produced only plain-end casing, since its entry into the Canadian market, it has, nevertheless, increased its position, capturing between 5 and 10 percent of the market.[41] Either its pricing played a role in this capture of market share, which it denies, or a factor other than price allowed it to gain market share. Stelpipe has also enhanced its position by exporting to the casing market in the eastern United States.[42] Similarly, the basic attractiveness of the Canadian casing market was, in the Tribunal's view, a positive consideration in the entry of ASTI into the market.

If projections for oil and natural gas prices materialize, the demand for casing used in well drilling in the international, U.S. and Canadian markets is likely to be at levels not experienced since the early 1980s. This can only have a positive impact on the Canadian market and its domestic producers of casing. Overall, the domestic industry seems to be well positioned for the future, especially given the forecasts for oil and gas prices. In fact, it is hard to imagine the domestic industry being in any better position than at present. The

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37. *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 30-31, 58-59 and 71, and Vol. 2, 15 May 2001, at 236-37 and 312-13.
38. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 441.
39. Manufacturer's Exhibit D-02, Attachment 1, Administrative Record, Vol. 9A.
40. *Protected Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-06 (protected), Administrative Record, Vol. 2A at 33.
41. *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 229.
42. *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 230 and 265.

Tribunal finds that the domestic industry has demonstrated its ability to operate in a highly volatile market. For example, during the ups and downs of the market, it maintained its market share and its prices, as well as a relatively strong financial performance.

Market Forecast

Projections for oil and natural gas prices are promising and, if the past is any guide to the future, will translate into strong demand for casing in the foreseeable future. For the period 2001-2005, oil prices are forecast to be within the OPEC set target of US$20-US$25/barrel and could very well exceed the upper end of that range.[43] At prices above US$19-US$20, oil and gas exploration companies continue or increase their drilling programs.[44] Natural gas prices are forecast to be between US$4.00 and US$5.68/MMBtu, which is a price much above the US$2.40/MMBtu registered during the 1997 banner year.[45]

With respect to worldwide projections for the total metres drilled and number of rigs used to drill wells, forecasts for 2001 call for 103.1 million metres being drilled, which is a 7 percent increase over the 1997 volume of 96.3 million metres.[46] Projections for rig count in the United States are for an average of 1,211 active rigs in 2001, 1,200 in 2002 and 1,109 in 2003. There is a maximum of approximately 1,300 rigs in an aging fleet that can be put into service in the United States.[47] Projections for rig count in Canada are for 373 active rigs in 2001, 384 in 2002 and 396 in 2003, which meet or surpass the 374 rigs that were active in the 1997 record year.[48] International drilling activity is expected to rise 17 percent in 2001, while Canadian drilling is forecast to grow gradually throughout the period 2001-2005.[49] The major problem is a limit on the availability of rigs, not the demand to drill.[50]

Likely Volume and Prices of the Subject Imports

The Tribunal notes that there was no surge of casing imports into the Canadian market during the review period either when the market was strong or when it was weak. In fact, imports showed no consistent pattern during the period. The volume of imports from the United States decreased in every year of the review period, save the first nine months of 2000 when demand in the Canadian market was at its strongest. With respect to imports of casing from non-subject countries, they showed a small increase in 1998 over 1997, before decreasing in 1999.[51] While non-subject imports increased significantly during the first nine months of 2000, DSTT, the marketing agent for ASTI, was responsible for a major part of those imports. It imported casing from related sources in Argentina and Mexico to fill the void left by the closure of

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43. *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 185-87; Tribunal Exhibit RR-2000-001-12.04 (protected), Administrative Record, Vol. 4D at 15; Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 297.
44. Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 297; *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 185-87, and Vol. 3, 16 May 2001, at 547-49.
45. Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 297.
46. *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 186-87; Tribunal Exhibit RR-2000-001-12.04 (protected), Administrative Record, Vol. 4D at 15.
47. Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 294-95 and 297; *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 463.
48. Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 305.
49. Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 289-90; *Public Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-05B, Administrative Record, Vol. 1A at 114.
50. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 476, 487, 550 and 552; Tribunal Exhibit RR-2000-001-34, Administrative Record, Vol. 1 at 289.
51. *Public Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-05, Administrative Record, Vol. 1A at 24.

Algoma's seamless mill.[52] It will continue to import seamless casing from Argentina and Mexico, but only in sizes and grades outside ASTI's range.[53] As already noted, there have been no imports of oil and gas well casing from Korea since 1991.

On the question of inventory overhang in the United States, the Tribunal notes that it is mirrored by a buildup of inventory by Canadian producers and distributors. This is occurring on the strength of projections of continuing high levels of activity. While the domestic industry submitted that, despite forecasts of strong demand, the situation can change suddenly, the Tribunal notes that decisions by domestic producers to increase inventories suggest that they believe that these forecasts are plausible, at least for the medium term.[54] Moreover, even if the situation changed dramatically for the worse, the Tribunal is puzzled as to who in Canada would buy the U.S. inventory. As noted, the Canadian producers and distributors all have inventory of their own built up in expectation of strong market demand. They will first want to get rid of their own inventories. And while some brokers and traders may buy "fire sale" priced product from the United States,[55] the Tribunal heard evidence that the drilling companies are not likely to switch quickly or easily to an insecure source.[56] It is most likely that oil and gas prices will stay elevated and that the U.S. casing producers and distributors will continue to serve their own market, thereby leaving little incentive for U.S. producers to increase their sales of casing in the Canadian market by lowering their prices to capture a bigger share of that market. The Tribunal observes that, while U.S. casing was present in the Canadian market during the review period, its share of that market decreased throughout the period.

Moreover, the low Canadian dollar makes U.S. imports expensive.[57] Price, the Tribunal heard, is third, fourth and even fifth on the list of criteria when purchasing decisions are made.[58] Ongoing relationships with suppliers are also important.[59] It is, therefore, unlikely, in the Tribunal's view, that a temporary price drop would dictate purchasing decisions. From the evidence, it appears unlikely that end users, the drilling and exploration companies, would risk losing their established relationships with domestic casing producers in favour of short-term gain.[60] Accordingly, the Tribunal does not expect that significant volumes of casing from the United States will enter the Canadian market at low prices. Furthermore, with Canadian domestic inventories high, it would seem unlikely, in the Tribunal's opinion, that a rash of imports would immediately dislodge these inventories, even at discounted prices, and that the "here-today, gone-tomorrow dumpers" would do business in the Canadian market.

The Tribunal's analysis of the conditions facing the Korean producers leads the Tribunal to conclude that the volume of any imports from Korea is likely to be small in the foreseeable future. As already noted, SeAH and Hyundai are the only two Korean producers capable at present of producing the subject goods. Neither company has exported the subject casing to Canada since at least 1991 nor does either one have any plans to do so. SeAH and Hyundai produce to order and do not carry inventory. Furthermore, it can take up to six months before Korean casing can enter the Canadian market, from the time a Korean company receives

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52. *Protected Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-06 (protected), Administrative Record, Vol. 2A at 24; *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 350, 372 and 399-401.
53. *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 402, 404 and 408.
54. *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 145, 177-78, 183-84 and 211.
55. *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 138.
56. *Transcript of Public Hearing*. Vol. 3, 16 May 2001, at 571-72.
57. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 424 and 590.
58. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 554.
59. *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 78, and Vol. 3, 16 May 2001, at 510, 531 and 538.
60. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 570-72.

an order to the time that a potential customer might receive the casing in Canada.[61] This six-month lag time, partly due to the geographical distance, makes it very difficult for Korean mills to maintain a close relationship with their customers and meet their needs or requirements in a very short period of time.[62]

Furthermore, as mentioned earlier, SeAH's production lines are currently used to manufacture products other than the subject goods. Only two out of SeAH's seven lines can be used to produce the subject casing, and that production represents a very small proportion of its overall production. As regards Hyundai, the Tribunal has already noted that it made only one small shipment of the subject casing to the United States in 2001. In addition, Hyundai has plans to switch its pipe production to cold-rolled production. The company is already in the process of selling off its pipe production capacity. The Tribunal is not persuaded that, given the Korean producers' current production mix and their plans, they are likely to ramp up production of casing to attempt to penetrate the Canadian market on a large scale.

As for the evidence of other dumping decisions against the Korean product, the Tribunal's interest in anti-dumping measures against named countries has less to do with the fact that a country was found to be dumping than the fact that the decision might lead to a diversion of goods to Canada. The Tribunal is of the view that SeAH has maintained a presence in the U.S. market, selling at close to normal values.[63] But what is more telling for future activity in Canada is that Hyundai was excluded from the 1995 U.S. OCTG anti-dumping order, which included casing, and that Hyundai has made only one sale of casing into the United States since then.[64] The Tribunal is, therefore, not convinced that the anti-dumping measures in place in the United States against Korea will lead to a diversion of Korean imports into the Canadian market if the order is rescinded.

Even if there should be significant exports of casing from Korea if the order is rescinded, the Tribunal is not persuaded that the price of Korean imports is likely to be low enough to materially injure the Canadian industry. While the Tribunal heard much speculation as to the likely price decreases should the order expire, the evidence that the Tribunal finds most convincing is that related to the one shipment of casing made by Hyundai to the United States, in the absence of anti-dumping duties. Similar prices, if applied to the subject goods sold into Canada, including transportation costs, would not, in the Tribunal's view, have the effect of lowering or suppressing prices in the Canadian market.[65]

Even if the Korean mills were to attempt to re-enter the Canadian market with a significantly lower-priced product, it is unlikely, in the Tribunal's view, that such lower prices would persuade the major oil and gas drilling companies to switch suppliers or to require their suppliers to lower prices or increase discounts. Price, as already noted, is only one of the factors taken into account by buyers in deciding where to purchase the product. Other very important factors include specifications, guaranteed supply, quality, service and delivery.[66] While, with time, the Korean quality may prove acceptable to the Canadian end users, it is

61. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 625-27, 687-88 and 697-98.
62. *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 622-23.
63. Manufacturer's Exhibit A-03, Attachment 5, Administrative Record, Vol. 9; Exporters' Exhibits K-04 and L-04, paras. 61-71, Administrative Record, Vol. 11.
64. Exporters' Exhibits K-04 and L-04, para. 62, Administrative Record, Vol. 11.
65. *Transcript of In Camera Hearing*, Vol. 4, 17 May 2001, at 280-81, 300 and 306; *Transcript of Public Hearing*, Vol. 4, 17 May 2001, at 623-24.
66. *Transcript of Public Hearing*, Vol. 1, 14 May 2001, at 170-71, Vol. 2, 15 May 2001, at 232, and Vol. 3, 16 May 2001, at 427-29 and 554.

unlikely that Korean producers could, in the foreseeable future, offer the security of supply required by the oil and gas exploration industry, given the focus of the Korean mills on their domestic market.

Causation

The Tribunal concludes that the domestic industry is robust at present and is extremely well positioned in the Canadian market. While that does not preclude future injury, it does render the domestic industry less vulnerable to injury. Demand prospects are as good as they could possibly be and are likely to remain so for the foreseeable future. In the Tribunal's opinion, taking into account these prospects, imports of casing from either of the subject countries are not likely to be sold in volumes or at prices that will threaten injury to the domestic industry in the foreseeable future. If the industry is to be injured in the foreseeable future, it will be due to an unforeseen dramatic decrease in the price of oil and gas rather than to imports from either the United States or Korea. The Tribunal is not persuaded that there is a causal relationship between the rescission of the order and any future injury to the domestic industry arising from the resumption of dumped imports of casing from either of the subject countries. Nor is the Tribunal convinced that a resumption of imports of dumped casing from both countries taken together is likely to cause material injury to the domestic industry.

ASTI submitted that, if the order were rescinded, it would probably close its doors because its K55 business would be lost and its enterprise would no longer be viable. However, the witness for ASTI also testified that the company would wait to see what would happen before taking any action.[67] The Tribunal notes that sales of K55 casing represent about 10 to 12 percent of the total casing sales in the Canadian market. As ASTI is competing with IPSCO's IK55 ERW casing for a part of the K55 market, its potential production and sales of seamless casing are likely to be less than the total 40,000-42,000 net tons that the K55 now represents in the Canadian casing market.[68] In the Tribunal's view, this volume is not nearly enough to fill ASTI's mill. To operate the mill at a reasonable level, ASTI will need to sell higher-strength, non-subject casing used mainly in deeper well and sour environment applications. If it does, ASTI will be the sole Canadian producer of those goods, making it seem unlikely to the Tribunal that ASTI will pull out of Sault Ste. Marie, Ontario, because of the rescission of the order on only part of its planned production, the part that has been forecast to show the least growth given the much greater potential related to the vast untapped reserves on the Canadian offshore.

Even if oil and gas prices were to soften, the Tribunal is of the view that high levels of activity in the oil patch are likely to be sustained as long as prices do not drop below the US$19-US$20/barrel target, at which level the drilling activity tends to drop off. Even if the strong demand that is currently forecast does not materialize, the Tribunal, basing its conclusion on the domestic industry's performance during the period of review, is of the opinion that the domestic industry is not likely to be adversely affected by the dumped imports from the subject countries. Even when market demands were moving down, the domestic industry managed to remain profitable. During that cyclical and volatile period, Algoma exited the market, but two other producers joined Prudential and IPSCO – ASTI, which started producing seamless casing in November 2000, and Stelpipe, which started producing ERW plain-end casing in 1997. In addition, in 2000, the domestic industry managed to increase its average price by 9 percent to a level higher than that obtained in the 1997 banner year. During periods of either low or high demand, the domestic industry did not see a surge of casing imports into the Canadian market.

67. *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 391.
68. *Transcript of Public Hearing*, Vol. 2, 15 May 2001, at 357, 387-88 and 412-13.

Furthermore, as the Tribunal has already noted, domestic casing producers have a number of advantages with respect to Canadian customers, which help them compete with importers and exporters of casing. These advantages include the ability to operate with relatively lower inventories because of the lower turnaround time for filling orders; the ability to adapt more quickly to demands of Canadian customers for specific products; the ability to offer discount and special credit terms to target buyers; lower delivery costs; quicker delivery times; and more reliable supply and distribution channels.[69] In this regard, the Tribunal notes that, according to its survey of all the major buyers of casing, these factors are much more important than price in their purchasing decisions.[70] A witness for the largest exploration company in Canada and the biggest Canadian buyer of casing confirmed these findings and testified that there would need to be a drastic reduction in prices before the company could consider switching suppliers.[71]

Therefore, for the reasons mentioned above, the Tribunal does not find any compelling evidence that Korean producers will, with a rescission of the order, begin immediately to ship significant volumes of low-priced casing to the Canadian market, thereby injuring the Canadian industry. Similarly, the Tribunal is not convinced that U.S. imports would increase significantly their presence in the Canadian market at prices that would injure the Canadian industry. Nor is the Tribunal convinced that a resumption of dumped imports from both countries taken together is likely to cause material injury to the domestic industry.

CONCLUSION

Based on the foregoing analysis and rationale, the Tribunal hereby rescinds its order made on July 5, 1996, in RR-95-001, concerning certain oil and gas well casing made of carbon steel originating in or exported from Korea, and rescinds its order made on July 5, 1996, in RR-95-001, concerning certain oil and gas well casing made of carbon steel originating in or exported from the United States.

James A. Ogilvy
James A. Ogilvy
Presiding Member

Patricia M. Close
Patricia M. Close
Member

Zdenek Kvarda
Zdenek Kvarda
Member

69. Importer's Exhibit I-02, para. 7, Administrative Record, Vol. 9A.
70. *Public Pre-hearing Staff Report*, Tribunal Exhibit RR-2000-001-05, Administrative Record, Vol. 1A at 63.
71. *Transcript of Public Hearing*, Vol. 3, 16 May 2001, at 537-38 and 571-72.