

**PROPOSED DETERMINATION OF ACTION PURSUANT TO
SECTION 301 OF THE TRADE ACT OF 1974 IN RESPONSE TO
CHINA'S ACTS, POLICIES, AND PRACTICES RELATED TO
TECHNOLOGY TRANSFER, INTELLECTUAL PROPERTY, AND INNOVATION**

**HEARING TESTIMONY
SUPPORTING STRONG, COMPREHENSIVE ACTION TO ADDRESS CHINA'S UNFAIR PRACTICES
FILED ON BEHALF OF LB PIPE & COUPLING PRODUCTS, LLC**

JIMMY LEGG, GENERAL MANAGER

Good morning. My name is Jimmy Legg and I am the General Manager of LB Pipe & Coupling Products, LLC. Thank you for the opportunity to provide this testimony on behalf of LB Pipe and the US OCTG/API steel coupling industry. I have been involved in the coupling business for over 18 years. I am here today to speak with you about the steel couplings that are at the heart of the US oil and gas industry and which have been under constant attack by Chinese imports.

You may be familiar with oil country tubulars goods or OCTG. USTR has included OCTG in the Section 301 Annex of products that may be subject to the Section 301 tariffs. But what you may not know is that OCTG can only be used with the couplings. These couplings are used to connect individual tubes and casing in what we refer to as downhole applications, such as drilling and well completion. While many of the big steel mills produce their own couplings for their pipe and tube, there is an entire domestic industry that produces finished couplings for use in downhole applications. You have received a written submission from our Ad Hoc Coalition

of Domestic Producers of Couplings, which accounts for a majority of the domestic production of finished couplings.

The longest piece of seamless OCTG is 46 feet long. You are not going to extract any oil or gas with a 46 foot well. In order to drill deeper, you need to connect together multiple pieces of tubes. That is where couplings come in. Without couplings you cannot drill wells or extract oil and gas. It is as simple as that.

Before I talk about the impact of Chinese finished couplings and why they should also be included with the other OCTG products that are already on the Section 301 Annex, I'd like to talk about our company. We're a family-owned business that started in 2009 with brand new equipment in Magnolia, Texas – about 40 minutes north of Houston. When we created our company, we invested in bringing on line new US manufacturing capacity because we saw an opportunity to take advantage of growing US demand for couplings. Our operations are lean and innovative, and we can compete against anyone on a level playing field. We currently have approximately 100 workers, which is down by 20% from 2014. I estimate that if Chinese imports were fairly traded, we would be hiring 40 to 50 additional workers. Because of the impact of low-priced Chinese couplings we are currently operating at less than half our capacity.

The cause of our poor performance is directly attributable to low-priced Chinese finished couplings. To put their prices into perspective, we are routinely competing against Chinese finished couplings offered in the US at prices that are below our raw material costs. We often see Chinese finished coupling priced at \$6 per piece which translates to a raw material cost of \$1000 per ton. Right now, our raw material costs for coupling stock – the OCTG we use to produce couplings – is approximately \$1600 per ton. And that only represents approximately

50% of our costs. We have to still cut the coupling stock to the desired lengths, thread the couplings and perform testing, all of which rely on skilled US manufacturing workers.

The Administration is proposing to put a 25% Section 301 duty on top of the 25% Section 232 duties and the AD/CVD duties that also apply to OCTG from China. We strongly support all efforts to combat unfair trade and to encourage China to meet its WTO obligations. We are also in favor of taking steps to combat any actions that hurt the US economy. Adding OCTG couplings to the Section 301 Annex contributes to those efforts for a couple of reasons.

First, couplings are essentially OCTG that has been cut to shorter lengths and threaded to connect two tubes together. All of the reasons for including OCTG on the Annex apply equally to OCTG couplings. Second, as drilling increases, the market for finished couplings also increasing. Providing Section 301 relief to protect domestic couplings producers will help our industry compete in the resurgence of US oil and gas production. Finally, the Chinese government policies that impact the OCTG that is already on the Annex are the same policies that permit Chinese coupling producers to sell couplings in the United States at prices below the cost of production of the domestic industry, and at prices far below the raw material feedstock used to produce couplings. Including couplings in the Section 301 relief will assist the United States in getting China to move away from these policies. That is why I urge you to include OCTG couplings in the Section 301 relief.