

SSTTAC Website Panel Discussion
March 6, 2014

Participants:

Phil Belejchak - Sandvik
Holly Both - Plymouth Tube
Tom Centa - Plymouth Tube
Paul Burdette - Salzgitter Mannesmann Stainless Tubes
John Coates - Handy & Harman
Gary Johnson - Tube Methods
Rufino Orce - Salem Tube (*via teleconference*)
Don Osborn - Schulz Xtruded Products
Tony Thurman - Salzgitter Mannesmann Stainless Tubes
Skip Hartquist - Kelley Drye & Warren

Moderator: Welcome to the SSTTAC website panel discussion. How about new industries being served by SSTTAC?

Holly Both: Not from Plymouth's perspective since our last meeting.

Rufino Orce: Not for us, for Salem Tube.

Paul Burdette: Nothing for Salzgitter. Nothing in terms of new but again I think I said this at the last meeting it's interesting to see the impact of shale gas. It really has a major effect on energy and infrastructure in America. The price of shale gas is very significant to U.S. manufacturers.

Don Osborn: Nothing new at Schulz.

Moderator: How about the current market outlook for the industry? How does 2014 look?

Gary Johnson: Ours looks the same as 2013.

John Coates: Outside of some of the new competitive pressures, I would second Gary on the business level, about the same as last year. I hoped for a little bit of an uptake but not yet.

Phil Belejchak: Sandvik is reporting that they see a lot of project activity which is an improvement over last year. However, they also see more competition from Japan. That activity kind of offsets the growth. The mid-stream shale gas market seems to be improving for Sandvik. It seems to me that you get more volume there. Certainly the LNG plants that are being built also give us some opportunities.

Holly Both: I'd just like to echo what John said about competitive pressures. We are definitely seeing more competitive influence from our competitors in the U.S. market.

Rufino Orce: I see the tradition of the commodity products running just okay. Our aircraft business is really doing okay. I see more competition, external and domestic.

Don Osborn: I think we're looking at this year being relatively flat.

Tony Thurman: We're looking at a relatively flat year, primarily due to domestic and import competition.

Moderator: Okay, thank you. How about the economic recovery, what's been happening? I think a lot of manufacturing companies will see some modest improvement in the second quarter of this year, not big, and maybe a little better in the second half of 2014. But I don't think anybody expects this year to be a real boom. 2015 may be significantly better.

Moderator: Any new examples of quality issues with the imports? I think the last few conversations we've had have generally been to the effect that the quality is competitive and not a significant issue.

Tony Thurman: We've seen a couple of examples of rusty IDs on instrumentation tube. We've gotten feedback from our customers along those lines. But that's about it, no geometry, no chemistry. It just seems to be passivation.

John Coates: It's interesting we had a project that we did for a company and we did have some left over Chinese raw material that we utilized. We sold the material to them. After about a year they swapped. It had a little rust, as Tony said. They could just not believe that we used Chinese product. The project was in Shenzhen.

John Coates: We've had some hit or misses. We haven't had a miss in a long time because we've avoided that. We've just had really too many customers who are sticking on the bottom of their orders "do not use Chinese material." Paul, you mentioned earlier that maybe some of the pricing of the Chinese material doesn't have quite the differential that it used to. So the motivation is pretty light on our part. I don't see us doing that in the near term.

Moderator: Any other comments about quality?

Phil Belejchak: We did an analysis on four Chinese companies just recently. There were weaknesses mentioned but nothing related to quality of the material. It would be more maybe in the size range or the fact that one or two may not be fully integrated. But as far as the quality, none cited those four major companies.

Moderator: New production capabilities since we last met, any new equipment or new certifications? No? Okay. Availability of raw materials or any problems with delivery of raw materials? That's probably not an issue right now.

Rufino Orce: No, not an issue.

Moderator: And anything with respect to any new materials that your companies are producing, new grades, new alloys? Okay, short discussion this morning. Thank you.