Before the
U.S. International Trade Commission

Chlorinated Isocyanurates from Japan and China
Inv. Nos. 701-TA-501 and 731-TA-1226 (Final)
USITC Staff Conference – September 9, 2014

Testimony of David Helmstetter

Good morning. My name is Dave Helmstetter and I am Vice President of Sales and Marketing for Clearon Corporation. I have had this position for seven years, and I have been with Clearon for twelve years. I started my career with Olin, where I managed four plants, including the plant in Charleston, West Virginia, now owned by Clearon.

Olin ended up selling the Charleston, WV plant and later Olin split their company into Olin and Arch Chemicals, I became an executive with Arch and had purchasing responsibilities for Isos. In 1995, Olin divested the Clearon business, selling it to ICL. Through 1999, Olin/Arch had a five-year contract with Clearon. During those five years, Arch paid a fair price for trichlor made by Clearon. Eventually, after the contract expired, I came in and said we wouldn't sign another contract with Clearon.

So, while I was at Arch, Clearon would come to us and quote to supply 20 million pounds. I would just beat them down on price because I could get it cheaper from China and Japan. I'd meet with Shikoku and with importers from China, and I would use their prices against Clearon. I would have them quote me for a combined total of 20 million pounds to get their lowest price. Clearon had no option, but to supply me at the price I requested. At Arch, we would just keep forcing the price down, using Chinese and Japanese prices to quote against the best domestic prices.

When I left Arch in 2003 and came to Clearon, Clearon had their biggest sales volume ever, but we lost $17 million that year due in large part to the intense pressure from Chinese imports.

As Scott mentioned, we had to change our sales strategy to try an avoid competing with imports in bulk supersacks. Clearon went to Costco in 2003, and we went to Sam's Club in 2003. Although we did not secure any business in the first year, we were eventually able to penetrate the accounts. The big box retailers are essentially "two SKU" stores. They will only carry a large package of shock and a pail of trichlor tablets. The mass merchandisers have required us to remove left-over inventory from their stores at the end of the season. We bring it all back to one location in North Carolina, and we buy it back at the price we sold it to them. It will be the first product sent out next year.

Despite these requirements, the mass merchandisers purchase in large volume – and we need volume sales to fill our plant. As a result, Clearon shifted from production of granular in bulk bags to dichlor granular and trichlor tablets in retail packaging so that we could supply the mass merchandisers directly.

This strategy worked for a time to help us maintain margins, but in the past three years Arch, my old employer, has been offering extremely low prices to mass merchandisers, forcing us to cut prices to maintain sales volumes.

In my experience in this industry, price is the most important factor in every sale. Over my career, the intensity of competition throughout the market has increased. Historically, the manufacturers were able to make a profit. Nobody was changing suppliers for a few pennies. There was loyalty between customer and supplier. However, the subsidized and dumped imports have changed all of that. We were making money in the first few years after the antidumping order was published with respect to China, selling trichlor tablets at $1.74/lb. Today, by comparison, that same customer will report that Arch, quoted $1.40/lb., using a factory in China to supply bulk trichlor.

Although we have shifted our focus to the retail market, we have not stopped trying to sell isos in bulk quantities. For example, in 2011 we offered our best possible price to three U.S. repackers to supply ten million pounds of trichlor and dichlor granular for the 2012 season. At a volume of ten million pounds, we would have been able to cover our costs. Customer 5 and Customer 6 ordered at our price – the third customer insisted that the Japanese imports were cheaper. We thought we would sell these ten million pounds, but shortly after we started supplying, Customer 5 came back and insisted we meet a lower quote he had received.

Customer 6 never purchased per the agreed upon schedule and when we protested that his price was based upon a much higher volume of sales, the customer told me that Shikoku had quoted 7 or 8 cents below our price. At this point, we lost the sales volume altogether.

At another account, Customer 7, we have suffered a steady decline in sales volume over the entire period of investigation. This customer is a national distributor that covers every state. Because the customer switched its orders to a Chinese seller, Clearon suffered a decline in shipments in 2011, which got even lower in 2012. In 2013, we lost 2 million pounds of 3-inch tablets to Chinese imports at $1.40/lb. We quoted again in December 2013, for the 2014 pool season. This year, we again lost the business, but it was imports from Japan instead of China.

Whether we have sold in bulk bags to repackers and tableters or whether we have sold tablets directly to retailers, we cannot escape the every-day low prices offered by Chinese and Japanese imports. Because we require volume to fill our capacity and avoid extended shut-downs, we cannot resist the low price levels.

We thought, in January 2013, that an increase in the antidumping duties on China would help. In some cases, though, the Chinese imports simply built inventory before the duties were raised. In other cases, importers shifted from Jiheng or Kangtai, who got high antidumping duties, to another supplier. I know of one customer, Customer 8, that purchased four million pounds of Chinese 3-inch tablets in 2013 from Heze. Heze's antidumping duty was only 2.6%. These tablets were sitting in the customer's parking lot, packed in 50-pails, for most of last year.

In short, we were unable to raise prices to a level that would cover our costs, even when antidumping duties increased in January 2013. Not until this summer, after the new petition was filed, have we been able to get a price increase. On July 1, this year, we raised prices 5 cents per pound. We have already announced another price increase for October 1, which will raise prices 10 cent per pound. Without the antidumping and countervailing duties, we could not have increased prices.

In fact, without relief from foreign subsidies and price discrimination we cannot find any strategy that will allow us to operate at a profit. In 2005, the antidumping orders on China and Spain helped us to turn around the business. We need your help again. Thank you.