Before the
UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

IN THE MATTER OF	)	
MELAMINE FROM CHINA AND TRINIDAD AND TOBAGO	)	**ITC Inv. Nos. 701-TA-526-527 and 731-TA-1262-1263 (Final)**

TESTIMONY OF EIFION JONES

Good morning. My name is Eifion Jones. I am Chief Financial Officer of Cornerstone Chemical Company. I have worked for Cornerstone for over four years. I have over 24 years of experience in the Fibers and Chemical industries. At Cornerstone, I have overall responsibility for all financial reporting of the business and cost management strategies, and I serve as the primary interface with banking institutions.

Following very tough recessionary years in 2008 and 2009, Cornerstone recovered in 2010 and was able to return the melamine plant to near full capacity. Moreover, we achieved a reasonable price that allowed us to earn a profit in 2010. This improving trend continued into the first quarter of 2011. By mid-2011, however, imports from Trinidad started to flood the market at sharply reduced prices. In response, Cornerstone was forced to dramatically reduce our prices to avoid loss of additional market share and to keep our plant running on a continuous basis. Our efforts were not successful. Not only did our prices decline from the beginning of 2011, our U.S. shipments declined substantially from 2010 to 2011 as well.

This decline in performance occurred in the context of an improving U.S. economy, particularly in the residential and automotive sectors that drive demand for melamine. Based on public data, we believe that U.S. consumption of melamine grew from 2010 to 2011. But rather than increasing production, we were increasing inventories.

In 2012, our U.S. sales price continued to decline from the already injured price of the second half of 2011, and our U.S. shipments continued to decrease. In response, we had to further reduce production to conserve cash and avoid excessive inventories. The declining production adversely affected our capacity utilization and, in turn, our per unit fixed costs.

Melamine production is capital intensive. The cost of a new plant exceeds $300 million in order to be safe, reliable, and conform to the environmental standards of the EPA and other regulatory requirements. Fixed costs are high relative to variable costs, because, among other things, we have a large depreciation charge and our direct labor costs are fixed. Unlike a batch manufacturing operation which can reduce the number of days and shifts worked, our continuously operating melamine plant requires a fixed number of employees to run the facility. For these reasons, our declining production over 2011 and 2012 quickly drove up our per unit costs, and profits fell dramatically.

This drop in output and financial results in 2012 forced us to cancel our planned plant expansion, to suspend capital expenditures to grow our business, and to revert to a short term maintenance and repair strategy rather than replacing aged assets. This was a tremendously frustrating decision. Cornerstone had weathered the recession, and U.S. demand for melamine was increasing in tandem with improving residential construction and auto sales. Moreover, environmental regulation calling for greater use of melamine in resins to reduce formaldehyde emissions was also spurring demand. Following our plant expansion in 2009, Cornerstone's U.S. sales of melamine should have been growing in step with the recovering U.S. economy. By the end of 2012, our production, our U.S. prices, and our profits had all fallen sharply.

The lost sales adversely impacted our plant efficiency. Our equipment is designed to run continuously. The financial paradox of a chemical plant like ours is that a reduction in capacity utilization will lead to increased absolute costs because of the monitoring and mechanical issues that arise from running the plant at oscillating or reduced rates. It is expensive and stressful to turn the plant's operating rate up and down to balance production to sales. Adjusting the operating rate of our melamine plant led to excessive mechanical wear and increased wastage of raw materials.

Given our rapidly declining financial performance, we made an attempt to raise prices in 2013. Although we were able to achieve a temporary price increase, we lost sales volume and market share in most of our customer accounts as Southern Chemical continued to blanket our customers with lower price offers and importers of Chinese melamine did the same. Our U.S. sales volume fell from 2012 to 2013, and our financial results continued to suffer.

In the first three quarters of 2014, unfairly priced imports from Trinidad and China were being sold in the U.S. at prices that were well below our cost of goods sold. Cornerstone was forced to reduce prices in a last attempt effort to keep the plant running on a continuous basis and to make at least some contribution to fixed overhead and avoid destabilizing the whole site. Despite our price reductions, we continued to lose sales volume. Our U.S. shipments for the first nine months of 2014 were down significantly from the comparable period in 2013. Pricing in the third quarter of 2014 was down sharply from the same quarter of 2013.

It's critically important for the Commission to understand that the instances of lost revenue presented in the petition do not represent the full lost revenue impact to Cornerstone. The prices we quoted to our customers during the final phase POI, after the subject imports from Trinidad drove down market prices in

2011, had already been discounted as a first step to compete with these imports. For example, the initial price quotes we made during July to September 2014 reflected the cumulative price depression that we suffered since 2011. Thus, the difference between our initial price quote and the lower price at which we made the sale in 2014 reflects only a small sliver of the revenue we lost on that sale. Compared to mid-2011 prices, the lost revenue was far greater. We trust that the Commission will keep that in mind as it reviews the magnitude of the lost revenues we reported in the petition and in our response to the final phase questionnaire.

To summarize, from the beginning of 2011 until the petitions were filed, Cornerstone suffered substantial declines in U.S. shipments, production, capacity utilization, U.S. prices, and profitability. We could no longer justify any capital expenditures beyond the minimum required to keep our plant running.

Cornerstone is a lean organization. We operate a continuous improvement program to lower our cost of goods sold while ensuring the quality of our product and reliability of supply as well as the safety of our operations. Capital expenditures have been limited to short term maintenance and repair. Our only choice, if the tide of unfairly priced imports from Trinidad and China is not stopped, is to close the melamine unit. We have no other opportunity to reduce cost given our already lean position. We are out of financial options.

Since the initiation of these investigation and the imposition of preliminary duties, Cornerstone's financial performance has begun to improve. As you can see from our questionnaire response, in the first half of 2015 we were able to substantially increase our U.S. commercial shipments, production, and capacity utilization. Our prices also substantially recovered from their low point in the third quarter of 2014. These improvements continued in the third quarter of 2015. There is no question that Cornerstone can return to the healthy financial condition we were in before Trinidad rapidly penetrated the U.S. market in 2011—but only if this Commission reaches an affirmative determination and the duties remain in place against both Trinidad and China.

Cornerstone requests the Commission to level the playing field to provide Cornerstone and our 470 workers a chance to compete in a U.S. market that is no longer distorted by dumping and foreign government subsidies.

Thank you.