

Before the
U.S. International Trade Commission

Chlorinated Isocyanurates from Spain and China
Inv. Nos. 731-TA-1082 and 731-TA-1083 (Second Review)
USITC Hearing – September 13, 2016

Testimony of David Helmstetter

Good morning. My name is Dave Helmstetter and I am the General Manager of Clearon Corporation. I have had this position for six months, and I have been with Clearon for fourteen years. I started my career with Olin, where I managed four plants, including the plant in Charleston, West Virginia, now owned by Clearon. We employ 127 full time employees and 60-150 seasonal workers.

I testified before the Commission in our countervailing duty case against China in 2014. I am back because the antidumping duty orders on imports from Spain and China are every bit as important as the most recent countervailing duty order. Since the Commission's 2014 investigation, our business has continued to struggle. We have had to institute cost cutting measures, and Clearon itself will not make any money this year. Our poor performance caused our parent company, ICL Industrial Products, to sell the business earlier this year. We were acquired on March 1, 2016. Our new parent company is a U.S. subsidiary of Dalian-Bio, a Chinese producer of biocides. Our chlorine-based chemicals complement Dalian's bromine-based water treatment chemicals and wood preservative products.

For the immediate future, our goals are to stabilize the business, generate a positive cash flow, and try to get the business back to a profitable operation. Without the antidumping duty orders on imports from Spain and China, this will not be possible.

Overall, the U.S. market has not changed significantly since 2014. During the 2014 hearing, the Commission asked us about demand. Currently, the demand for trichlor is flat or even slowly declining. There has been some growth in demand for dichlor or a shock product.

The other factor that has not changed is the importance of a low price. Competition is still driven by the lowest price. Price continues to be the most important factor in every sale. Over my career, the intensity of competition throughout the market has increased. In the past, customers would not switch suppliers over the difference of a few pennies. For about the last decade, since the dumped imports captured a major share of the market, the loyalty that once existed in this business has disappeared. We cannot escape the every-day low prices offered by Chinese and Spanish imports. Because we require volume to fill our capacity and avoid extended shut-downs, we cannot resist the low price levels.

To obtain a positive cash flow, we have attempted to increase sales and fill our capacity. With the antidumping duty orders in place, imports are still the price leaders in the market, and we still have to have low prices in order to compete. But, the antidumping orders seem to put a floor on the imports. Before the dumping orders, there seemed to be no limit to how far the importers were willing to cut prices. With the orders in place, price levels are still too low, but they have stabilized. So, even though there is significant price pressure, we have recaptured some business from the dumped imports and increased our net

sales. We have cut labor costs, and raw materials costs have remained stable. As a result, we are operating at a net loss, but we have a positive cash flow.

In the past two years, imports from China have continued to be a major factor in the market. But, we have also seen more imports from Spain. These imports are produced by Ercros and imported by Lonza, which is the parent company of my old employer, Arch Chemical. When I am trying to sell to Lonza, I am competing with imports from Spain at prices as low as 93 cents a pound in bulk. Since 2014, Lonza has shifted from Chinese imports to imports from Spain. Lonza buys bulk trichlor from Ercros and uses Qualco, a toll contractor, to press tablets.

In the early years under the antidumping orders, Clearon sold in bulk quantities to distributors and tablet makers. Over the past several years, Clearon changed this sales strategy to try to avoid competing with imports in bulk supersacks. By focusing on tablets and on dichlor in retail packaging, we were eventually able to secure business selling direct to club stores such as Sam's Club. Club stores are essentially "two SKU" stores. They will only carry a large package of shock and a pail of trichlor tablets. We are required to remove left-over inventory from the mass merchandisers at the end of the season. We buy it back at the price we sold it to them and bring it all back to one location in North Carolina. 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, Lonza has been offering the imports from Spain

at extremely low prices. These offers force us to cut prices to maintain sales volumes at mass merchandiser accounts.

I explained in the last investigation that I was previously employed by Arch Chemical, which is now Lonza. While an executive with Arch, I had purchasing responsibility for ISOS. When Arch first divested Clearon in 1995, we were under a five-year contract to purchase trichlor from Clearon at a fair price. At the expiration of that contract, I received many price quotes from Chinese producers. I would quote the Chinese prices to Clearon.

Now the shoe is on the other foot. When I try to sell to my old company, I have to meet the Chinese price or the Spanish price to get the business.

Although the volume of imports has fallen due to the antidumping duties, we are still competing against very low prices from China. Furthermore, I believe that while imports to the United States have slowed down, I am pretty positive that a lot of Chinese product is going through Mexico and other places.

With tariffs on Chinese imports jumping to 60 percent or more this year, companies are looking to get imports from elsewhere. But, if the order is revoked, those customers will go back to their Chinese importers in order to obtain the lowest prices. Likewise, if the antidumping order on imports from Spain is revoked, Spanish product at low prices will increase.

In short, Clearon and the U.S. industry need the antidumping duty orders. Without both orders, dumped imports will increase, and prices will again begin to fall. Even with orders in place, Clearon is struggling to increase its sales and earn a positive cash flow. If

either order is revoked, domestic price levels will again start to fall and our business will decline. Clearon will be right back in the situation that caused our owners to sell the business. For these reasons, the Commission should make an affirmative determination in this case. Thank you.