

**TESTIMONY OF BRENT ST. JOHN  
PRELIMINARY CONFERENCE  
U.S. INTERNATIONAL TRADE COMMISSION  
STRONTIUM CHROMATE FROM AUSTRIA AND FRANCE  
SEPTEMBER 26, 2018**

Good morning. I am Brent St. John and I am the Chairman and Chief Executive Officer of Lumimove, Inc., doing business as WPC Technologies (“WPC”). I have been Chairman of WPC since May 1, 2000. WPC is located in Oak Creek, Wisconsin, a suburb of Milwaukee, and has been in operation since 1975. To the best of our knowledge WPC is the only U.S. producer of strontium chromate in the United States.

Strontium chromate is the core product of WPC. Strontium chromate refers to a chemical compound that is a yellow powder or granular solid and insoluble in water. Its chemical formula is  $\text{SrCrO}_4$ . We generally refer to two kinds of strontium chromate products. The first is referred to as powder or granular, and the second is referred to as dispersions or pastes. The basic product is the powder, which is combined with various solvents to make the dispersion products.

Strontium chromate is made from the reaction of strontium salt with chromate, or, more commonly, strontium carbonate with sodium dichromate. Strontium chromate corrosion inhibitors are environmentally hazardous and safety

standards are quite high. Thus, there are very few producers of strontium chromate in the world.

Strontium chromate is a very effective corrosion inhibitor. Since it is the most effective pigment grade corrosion inhibitor, chromium-based corrosion inhibitive pigments for coil, aircraft and general primer coating applications are very common. Strontium chromate is widely used as a corrosion-resistant pigment in paints and coatings. It is compatible with most binder systems. Strontium chromate is used as a coating for the protection of steel, aluminum and its alloys.

There are only three producers of strontium chromate which are of any significance in the U.S. market – ourselves, Habich of Austria, and SNCZ of France.

In 2016, WPC opened a newly renovated 80,000 square foot manufacturing facility in Oak Creek. The move to that facility began in late 2015. This new facility incorporates upgrades necessary for more efficient production, increased worker safety, and improved finished product storage and handling. The previous facility had been in downtown Milwaukee since the founding of the company and we strongly believed that a new facility was necessary to remain competitive and to serve our customers well. Shareholders of WPC have spent a very substantial investment to modernize and upgrade the facilities for our small company.

We have not brought this case without a great deal of thought. We would prefer to compete with Habich and SNCZ as we traditionally have, based on reasonable and fair prices and good service, and not be involved in trade litigation. But we felt that we had no choice but to bring this case because of the unrelenting, unfair prices from both companies. We brought these cases simply to sustain our business in the face of this assault, and we owe it to our employees and our shareholders to fight back against these unfair acts. I think that any CEO in the same position would do the same thing.

I am sure that we will hear today about the shutdown in 2015 and into 2016, and I want to be upfront with the Commission that the shutdown due to our move to the new facility took longer than we had expected. WPC had built up substantial inventories in anticipation of the move in order to serve our customers without interruption. But when the shutdown took about one calendar quarter longer than we had anticipated, we needed to purchase additional product from our competitor, the Austrian producer, Habich, in order to ensure that our customers had product. We lost money on those purchase and resales from Habich, but serving our U.S. customers was the most important goal and we accomplished that.

Both Habich and the French producer, SNCZ, have been competitors of WPC in the U.S. market for many years. While 2015 and 2016 were unusual years because of the move, the disruptions caused by the move were behind us after the

first quarter of 2016. However, since that time, the behavior of both Habich and SNCZ have become far more aggressive in terms of price and the result is apparent in terms of their increased market shares. For a commodity product such as strontium chromate, price is by far the most important factor for customers. It is not surprising to us that our customers bought the Austrian and French products when offered these extremely low prices, which we show are well below fair value in our Petition. These unfairly low prices are purely the fault of the Austrian and French producers, who clearly decided that dumping their excess capacity on the U.S. market was a way to cover their fixed costs, at the expense of WPC.

As the Commission knows, in most chemical industries, including strontium chromate, high fixed costs mean that it is critical for efficiency for companies to run their plants at high capacity utilization rates. The unfairly priced imports from Austria and France have made achieving a capacity utilization rate that leads to profitability impossible at WPC.

The injury to WPC because of the unfairly traded imports from Austria and France is shown in our questionnaire responses and in the Petition. The exact information is confidential but the injury seems to me to be obvious. Our profits have fallen dramatically when they should have been stable or even rising after the move was completed in 2016. The year 2017 and the year to date in 2018 have been devastating to WPC and there is one reason – unfairly low pricing from

Austria and France. Laura Klein, WPC's sales director, will discuss the pricing situation in detail in a few minutes, but first I would like to go over some import data that indicate the surge in strontium chromate imports from Austria and France, and that also show the trend in pricing.

We are handing out Exhibit 1 which is based on public import data from Dataweb for the period of investigation for powder imports. The category that we have shown appears to account for virtually all of the imports of strontium chromate in powder form. Dispersions are entered under other categories, which includes other imports as well so they are more difficult to track. I understand that the Commission will have information on actual imports so I know that we may soon have more information on pricing. However, the imports we show on these charts are most of the volume of strontium chromate imports and definitely show the trend that we are experiencing. That trend is devastating.

The volumes of imports rose in 2016 in part because of our transition to our new facility. But then take a look at volumes in 2017 and the first half of 2018. We had the new facility up and running in the second quarter of 2016, yet import volumes from Austria were much higher in 2017 than they were in 2016 and France was nearly at the same level as 2016. The situation has gotten even worse in 2018. The volume of imports from Austria for the first half of 2018 were over 15 percent higher than they were in same period in 2017. And the 2017 imports

already were at record high levels. For France, the percentage increase of over 17 percent from the first half of 2017 to the first half of 2018, was even a sharper percentage increase than from Austria. We can see volumes of imports from France go up in 2016 as prices go down from France, a direct correlation.

The reason for the surges in volumes was price. As shown in the chart, the average entered value for the Austrian product was over 9 percent lower than in 2015, but even more importantly, almost 16 percent lower than average year 2013 prices. The same pattern holds for France, but with even more dramatic drops in prices since 2015. Prices from France are shown as almost 34 percent lower in the first half of 2018 compared to calendar year 2015.

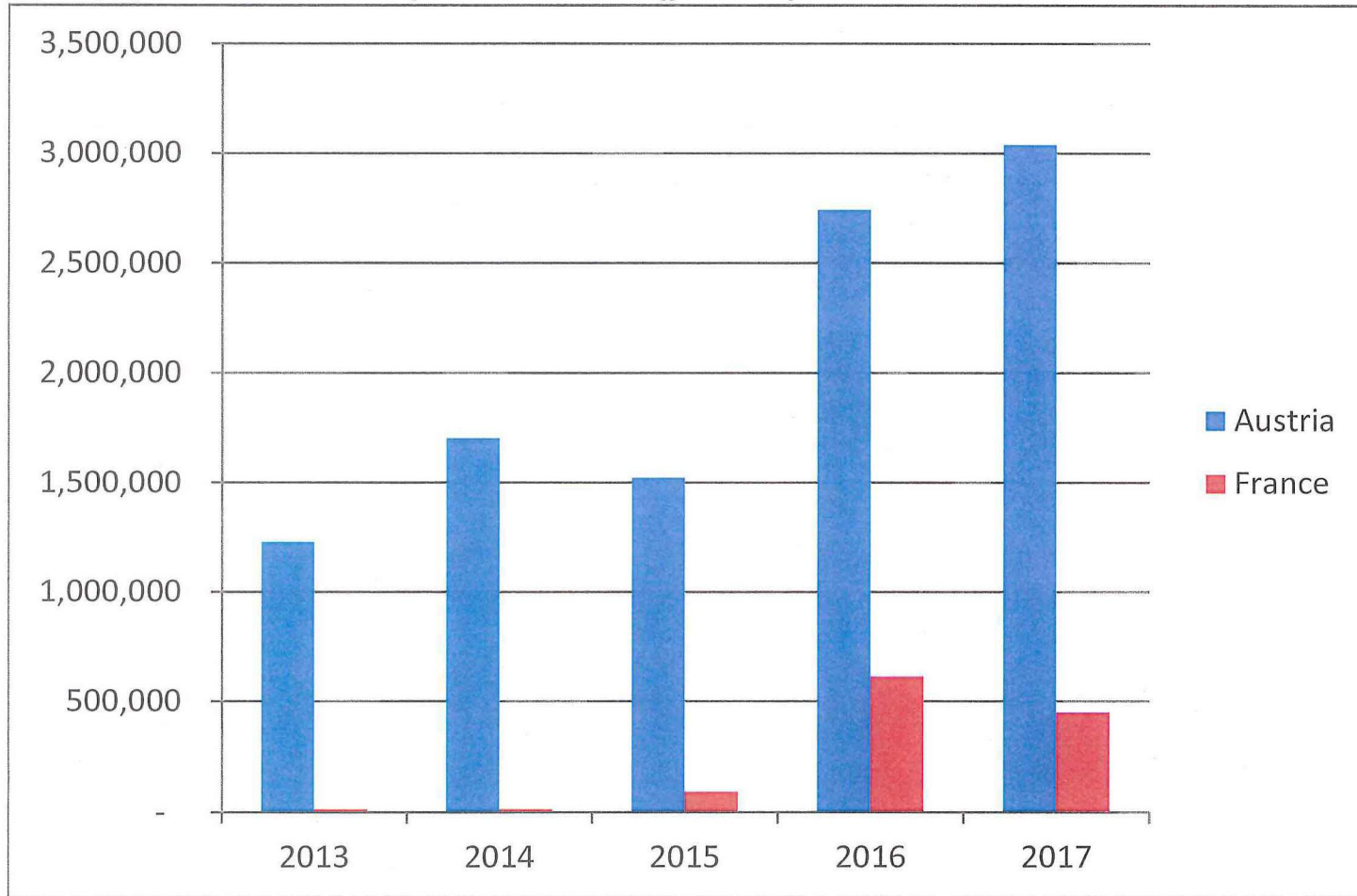
Laura will discuss more details of the pricing we are seeing in the marketplace, but I think that these overall figures give you a good idea of what has been happening with import volumes and the reason for the surge. It has been purely price driven in 2017 and 2018.

As the CEO, I had to make a decision in 2017 and 2018 whether to compete on price regardless of the financial effects, or to lose volume. While we did see price erosion in that period, the volume effects also have been devastating. The loss of volume badly hurts our bottom line as our capacity underutilization drives up our fixed costs per unit.

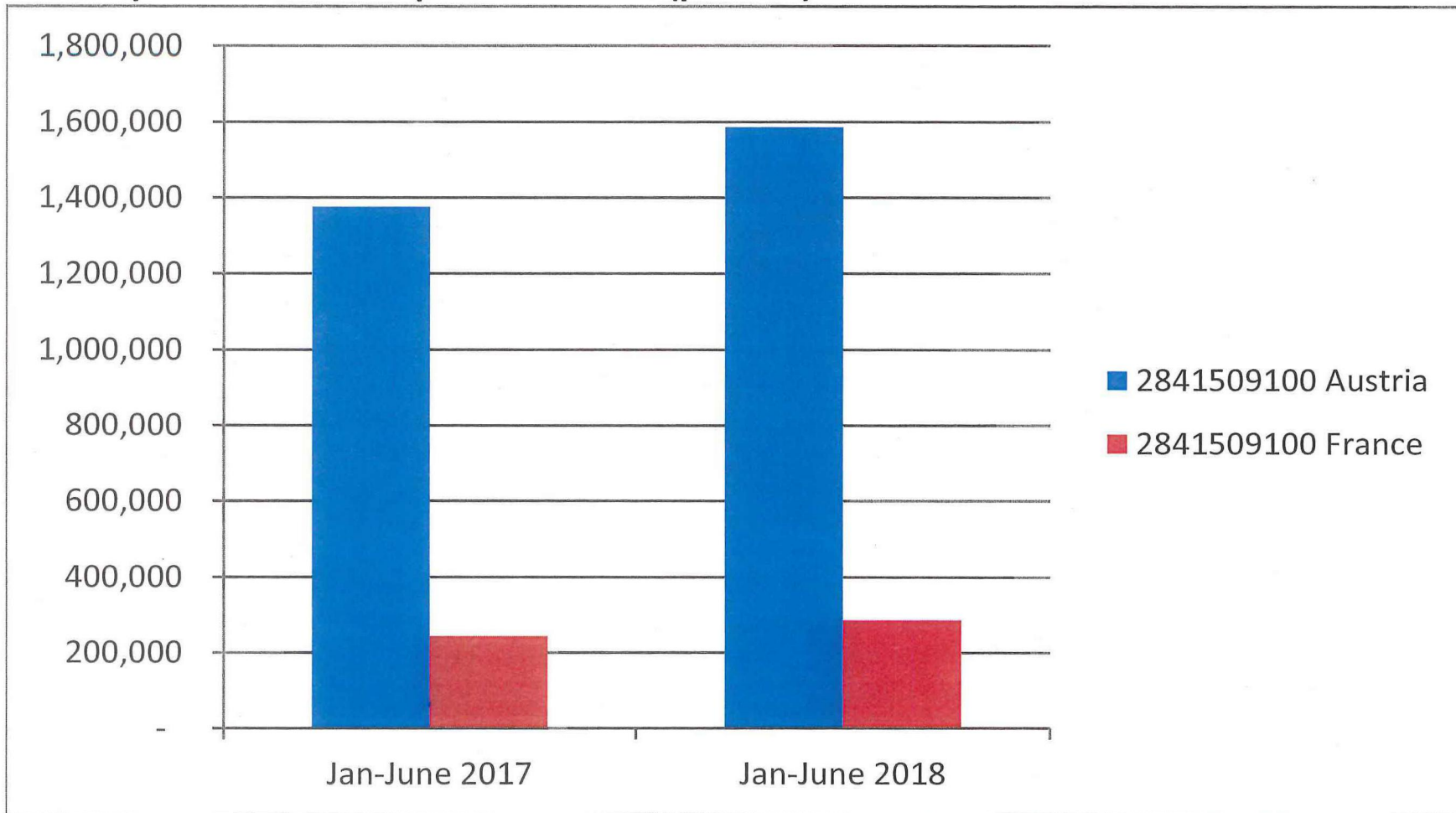
While the exact effects on WPC Technologies are confidential, there is no doubt that the financial and other impacts we are suffering are unsustainable. We have modernized our plant in order to be competitive and efficient. We have provided good jobs with good wages and benefits in the Milwaukee area, and we are the only U.S. producer of strontium chromate. We have a good quality product that is important to our customers. But those customers are being offered prices that are at historical lows and too good to be true. But they are true, and they are being sold at less than fair value.

Relief under the antidumping law is our only hope to get prices from the producers in Austria and France back up to fair pricing levels. You can look at our financials, look at the trends and how imports caused the downwards trends, and ask yourself how long a small company can sustain this situation. I think that when you do you will agree that there an overwhelming showing of material injury to the U.S. industry by reason of the strontium chromate imports from Austria and France.

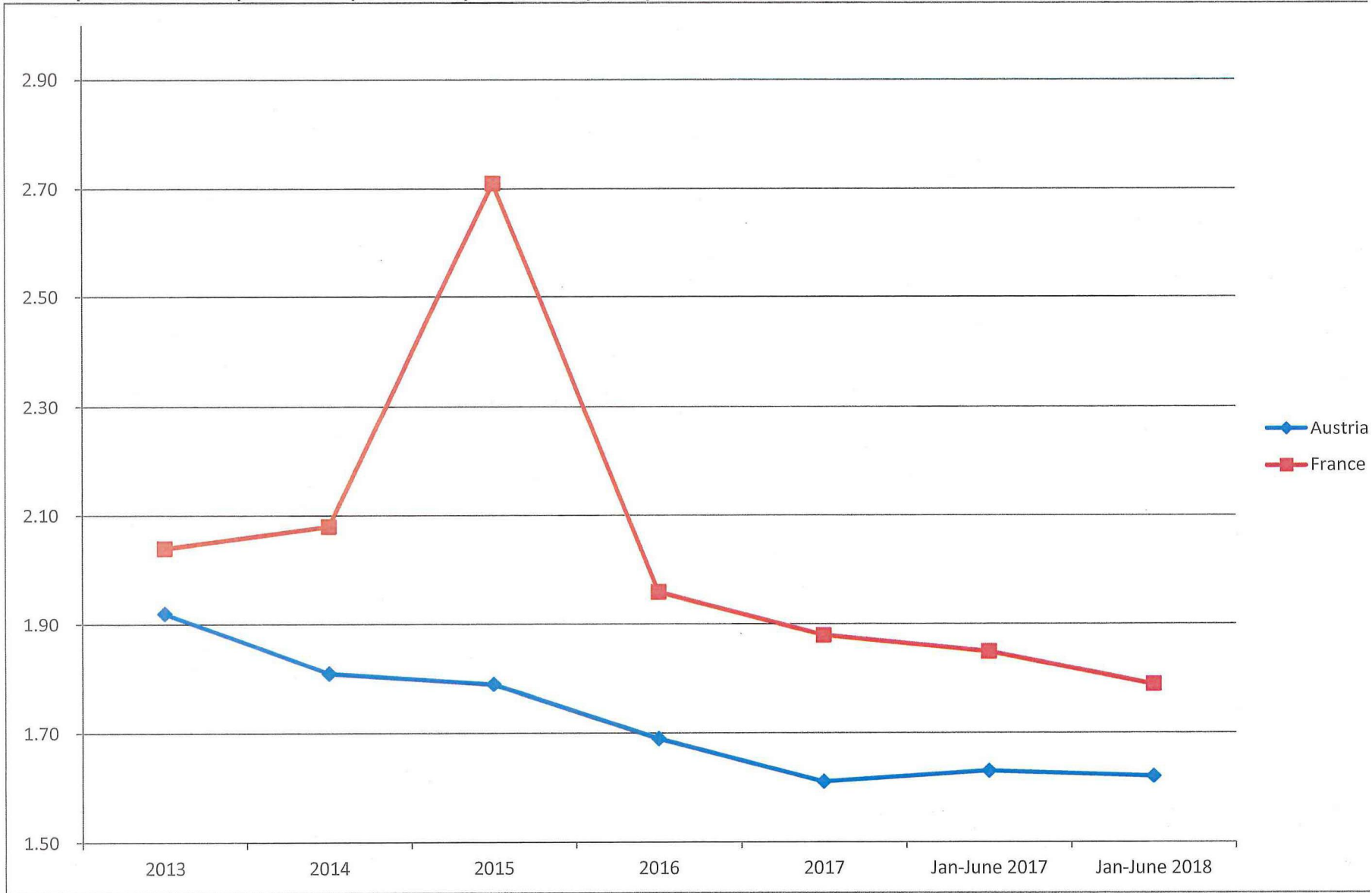
### U.S. Imports for Consumption: Volume (pounds)



### U.S. Imports for Consumption: Volume (pounds) HTSUS 2841.50.9100



U.S. Imports for Consumption: AUV (Landed Duty Paid Value/pound) HTS 2841.50.9100



**U.S. Imports for Consumption: Volume (kg) HTSUS 2841.50.9100**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Jan-June 2017</b>	<b>Jan-June 2018</b>
2841509100 Austria	558,139	772,998	691,826	1,243,567	1,378,250	623,991	719,603
2841509100 France	6,000	6,000	42,279	277,893	204,082	110,362	129,553

**U.S. Imports for Consumption: Volume (pounds) HTSUS 2841.50.9100**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Jan-June 2017</b>	<b>Jan-June 2018</b>
2841509100 Austria	1,230,473	1,704,151	1,525,200	2,741,568	3,038,490	1,375,651	1,586,437
2841509100 France	13,228	13,228	93,208	612,643	449,919	243,304	285,613

U.S. Imports for Consumption: AUV (Landed Duty Paid Value/kg) HTSUS 2841.50.9100

	2013	2014	2015	2016	2017	Jan-June 2017	Jan-June 2018
2841509100 Austria	4.23	3.99	3.95	3.72	3.54	3.58	3.57
2841509100 France	4.51	4.59	5.97	4.33	4.14	4.09	3.94

U.S. Imports for Consumption: AUV (Landed Duty Paid Value/pound) HTSUS 2841.50.9100

	2013	2014	2015	2016	2017	Jan-June 2017	Jan-June 2018
2841509100 Austria	1.92	1.81	1.79	1.69	1.61	1.63	1.62
2841509100 France	2.04	2.08	2.71	1.96	1.88	1.85	1.79