

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
BARIUM CARBONATE FROM CHINA) Investigation No.:
731-TA-1020 (Final)

REVISED AND CORRECTED COPY

Pages: 1 through 237
Place: Washington, D.C.
Date: July 31, 2003

HERITAGE REPORTING CORPORATION
Official Reporters
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P R O C E E D I N G S

(9:30 a.m.)

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3 CHAIRMAN OKUN: Good morning. On behalf of
4 the United States International Trade Commission, I
5 welcome you to this hearing on Investigation No.
6 731-TA-1020 (Final) involving Barium Carbonate From
7 China.

8 The purpose of this investigation is to
9 determine whether an industry in the United States is
10 materially injured or threatened with material injury
11 by reason of less than fair value imports of subject
12 merchandise.

13 Schedules setting forth the presentation of
14 this hearing and testimony of witnesses are available
15 at the Secretary's desk. I understand the parties are
16 aware of the time allocations. Any questions
17 regarding time allocations should be directed to the
18 Secretary. As all written testimony will be entered
19 in full into the record, it need not be read to us at
20 this time. All witnesses must be sworn in by the
21 Secretary before presenting testimony.

22 Copies of the notice of institution, the
23 tentative calendar and transcript order forms are
24 available at the Secretary's desk. Transcript order
25 forms are also located in the wall rack outside the

1 Secretary's office. Finally, if you will be
2 submitting documents that contain information you wish
3 classified as business confidential, your requests
4 should be in compliance with Commission Rule 201.6.

5 Madam Secretary, are there any preliminary
6 matters?

7 MS. ABBOTT: No, Madam Chairman.

8 CHAIRMAN OKUN: Very well. Let us proceed
9 with opening remarks.

10 MS. ABBOTT: Opening remarks on behalf of
11 the Petitioners will be made by Joseph H. Price,
12 Gibson, Dunn & Crutcher.

13 CHAIRMAN OKUN: Good morning, Mr. Price.

14 MR. PRICE: Good morning, Madam Chairman.

15 The Petitioner in this case, Chemical
16 Products Corporation or CPC, was founded in 1933. All
17 of us know from our economic history that was not a
18 particularly good year to be starting a business, yet
19 in the ensuing 70 years CPC has grown and prospered as
20 a U.S. producer of barium chemicals.

21 It has taken advantage of its location in
22 Cartersville, Georgia, which is right next to
23 substantial deposits of barite ore, to be an efficient
24 producer of high quality material. Indeed, CPC has
25 outlived much larger rivals, such as FMC Corporation

1 and Sherwin-Williams, who used to be producers of
2 barium carbonate.

3 I've started with that historical
4 perspective this morning because it's important for
5 the Commission to understand that during its years of
6 operation CPC has faced and overcome many economic
7 challenges. It understands the business cycle. It
8 has survived a number of recessions, and it has lived
9 through and adjusted to changes in demand and uses for
10 its product.

11 Thus, you should be very skeptical today
12 when you hear Respondent's claim that it's really
13 economic conditions -- falling demand, rising natural
14 gas prices or a recessionary downturn -- rather than
15 subject imports that are the cause of CPC's problems.
16 Such economic conditions are not a new phenomenon, and
17 CPC has shown that it knows how to deal with them.

18 What CPC cannot deal with on its own and the
19 reason it filed this antidumping case are the
20 incredibly low-priced imports of barium carbonate from
21 China that have entered the market in the last several
22 years. Those imports have pulled down prices to such
23 an extent that CPC's granular barium carbonate
24 operations, which is a principal part of its barium
25 business, are now suffering significant losses.

1 Despite its position in recent years as the
2 sole domestic producer of barium carbonate, CPC has
3 faced tough competition from imports. Both the large
4 German company, Solvay, and the major Mexican
5 producer, CMV, have been active in the U.S. market.
6 You will undoubtedly hear today that Chinese imports
7 have done nothing but replace German and Mexican
8 imports. As with most oversimplifications, however,
9 that argument conveniently overlooks a critical
10 factor, which is pricing.

11 We urge the Commission to compare Chinese
12 prices with the prices previously charged for Mexican
13 and German imports. We also urge the Commission to
14 look at what the importers of German and Mexican
15 barium carbonate have to say about Chinese imports.
16 We are confident that such an analysis will reveal the
17 true nature of what is actually happening, which is
18 not a substitution, but a remarkable market
19 transformation by aggressively priced Chinese imports
20 seeking to expand market share.

21 Finally, let me say that the data in this
22 case have been collected in such a way as to provide
23 the Commission with both an easy and effective means
24 of evaluating the impact of Chinese imports. CPC has
25 broken out the financial information it has reported

1 to the Commission between its granular barium
2 carbonate operations and its powdered barium carbonate
3 operations.

4 In its granular business, CPC competes head-
5 to-head with Chinese imports for sales to the all-
6 important TV glass and specialty glass markets.
7 Competition with Chinese imports is much more
8 attenuated, however, with respect to CPC's powdered
9 barium carbonate sales. A large part of those sales
10 is of CPC's Micro-Flo and Aquo-Flo for which at least
11 in the past there has not been a Chinese substitute.

12 As the Commission will see when it examines the
13 data, CPC is doing much worse in its granular business
14 where it competes with Chinese imports than in its
15 powdered business where the competition is attenuated.
16 In looking at the reason for that disparity, we again
17 get back to pricing.

18 On the one hand, Chinese imports have
19 unmercifully driven down prices for granular barium
20 carbonate. On the other hand, however, with respect
21 to CPC's Micro-Flo and Aquo Flo products, which
22 account for a large portion of its powdered sales and
23 which face virtually no Chinese competition, prices
24 have remained stable.

25 In sum, while CPC acknowledges that it faces

1 challenges in today's economic climate, although
2 hardly any more difficult than it faced at its
3 founding in 1933, those challenges are not what has
4 brought CPC to its current crisis. Rather, that
5 crisis is the result of unfairly priced imports from
6 China.

7 Thank you.

8 CHAIRMAN OKUN: Thank you.

9 MS. ABBOTT: Opening remarks on behalf of
10 the Respondents will be made by Adams C. Lee, White &
11 Case.

12 CHAIRMAN OKUN: Good morning, Mr. Lee

13 MR. LEE: Good morning. My name is Adams
14 Lee with the law firm White & Case. I appear today on
15 behalf of a Chinese producer and exporter of barium
16 carbonate, Qingdao Red Star Chemical Group Import &
17 Export Company, Ltd., or simply referred to as Red
18 Star.

19 In the preliminary determination, the
20 Commission reviewed the record under a much lower
21 legal standard and could vote negative only if there
22 was clear and convincing evidence to establish the
23 absence of injury or threat. Even under that lower
24 preliminary standard, the Commission did not find that
25 CPC was injured. Instead, they merely found that

1 there was a threat of injury.

2 In this final determination, the burden is
3 no longer to prove the absence of injury or threat.
4 Rather, the Commission must find that there is
5 substantial evidence on the record that affirmatively
6 establishes present material injury or threat of
7 material injury that is caused by reason of the
8 subject imports. In the final determination, the
9 statute directs the Commission to insure that any
10 injury caused by other sources not be attributed
11 improperly to subject imports.

12 Today you will hear from both CPC and from
13 witnesses from BassTech International, the primary
14 importer of Chinese barium carbonate exported by Red
15 Star. Much of the testimony will be quite similar to
16 what was presented to the Commission at the
17 preliminary conference last October. CPC will tell a
18 different story of what's happening in barium
19 carbonate, and it will be different from what our
20 story will be.

21 In the preliminary investigation, however,
22 the Commission was limited to just information that
23 was submitted either by CPC or by ourselves and had
24 limited perspective to judge which story made sense.

25 In this final investigation, the Commission

1 now has compiled a much more comprehensive staff
2 report based on information received from almost all
3 of the key players in this market, including CPC, the
4 main Chinese exporter, the main Chinese importer, the
5 importers of non-subject imports and a comprehensive
6 list of all the key purchasers, especially the TV
7 glass purchasers.

8 We urge the Commission to listen to the
9 presentations today with the perspective from the
10 views expressed by all the other major players in the
11 market. As the responses from the purchasers are
12 confidential, I can only state that the perspectives
13 provided by the prehearing staff report and purchaser
14 questionnaire responses is critical to this case.

15 The Commission also has the benefit of
16 reviewing this case on barium carbonate with the
17 perspective gained from the review in the recent
18 preliminary determination in Color TV Receivers From
19 Malaysia and China. Color TVs is the key downstream
20 market for barium carbonate. Barium carbonate is used
21 to make glass for TVs. Glass for TVs is used to make
22 picture tubes. Picture tubes are used in TVs.

23 We specifically urge the Commission to keep
24 these perspectives in mind, along with the following
25 questions, when listening to Petitioner's presentation

1 and our presentation this afternoon.

2 First, what is the significance of the
3 barium carbonate market of the undisputed fact that
4 the demand for granular barium carbonate is declining
5 because of the intense market pressures facing the
6 U.S. TV and TV glass industry. We urge the Commission
7 to consider what they viewed in the TV From China and
8 Malaysia case.

9 As the Commission has found that the U.S. TV
10 industry has faced significant increase in imports
11 that has adversely affected volume and price in that
12 downstream industry, we submit that the current tight
13 conditions facing the downstream U.S. TV and TV glass
14 industries is the dominant condition of competition
15 that shapes our barium carbonate market, and those
16 conditions support a negative determination.

17 Second, what is the significance of subject
18 imports that replace Mexican imports that actually
19 allowed CPC to increase their volume and market share?
20 We urge the Commission to look at whether if Mexican
21 volumes were non-injurious, then the same amount of
22 Chinese imports that replaced these non-injurious
23 Mexican imports also should be considered not
24 significant.

25 In terms of pricing, we urge the Commission

1 to look at the separate market segments. Petitioners
2 have highlighted that there is a difference between
3 granular barium carbonate and powdered barium
4 carbonate, particularly because in the powdered
5 segment they have a unique Micro-Flo product that does
6 not have any competition from any other sources.

7 Fourth, what is the causal nexus that
8 justifies holding Chinese imports responsible for
9 CPC's inability to control cost over the POI?

10 Fifth, we ask the Commission to examine what
11 is the significance of Red Star's exports in light of
12 significant home market and third country demand.

13 With that, I will urge the Commission to
14 consider the testimony from these perspectives, and we
15 submit that this would support a negative
16 determination. Thank you.

17 CHAIRMAN OKUN: Thank you.

18 MS. ABBOTT: Thank you. The first panel in
19 support of the imposition of antidumping duties has
20 been sworn.

21 (Witnesses sworn.)

22 CHAIRMAN OKUN: You may proceed.

23 MR. PRICE: Good morning. Again, for the
24 record my name is Joe Price. I'm with the law firm of
25 Gibson, Dunn & Crutcher. We are representing the

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1 Petitioner in this investigation, Chemical Products
2 Corporation or CPC. We appreciate the opportunity to
3 appear before you this morning and to discuss the
4 injury being caused by imports of barium carbonate
5 from China.

6 I want to briefly describe how we will use
7 our time this morning. Our first witness will be
8 Ballard Mauldin, the president of CPC, who will talk
9 about the company, describe the barium carbonate it
10 produces and discuss the injurious impact of the
11 Chinese imports.

12 Mr. Mauldin will be followed by Tom Bourdon,
13 who is sales and marketing manager for CPC. Mr.
14 Bourdon is in daily contact with CPC's customers for
15 barium carbonate and is in the best position to
16 describe exactly how much damage has been caused by
17 the unfair pricing practices of the Chinese producers
18 in this market.

19 Also with us today from CPC are Ray McCain,
20 vice president of sales and marketing; Gary Graves,
21 the product manager for CPC's Barium Division; and
22 Bill Emberson, product manager for barium carbonate.
23 They will not be offering direct testimony, but will
24 be available to answer any questions you may have.

25 Finally, my colleague from Gibson, Dunn &

1 Crutcher, Chris Wood, will provide our concluding
2 testimony. Chris will put the facts in the
3 appropriate legal context and also will discuss the
4 continued threat posed by Chinese imports.

5 If it is all right with you, Madam Chairman,
6 any of our allotted time that we don't use in direct
7 testimony we would like to reserve for rebuttal.

8 CHAIRMAN OKUN: Yes, that's fine.

9 MR. PRICE: Thank you very much. We will
10 proceed with Mr. Mauldin.

11 MR. MAULDIN: Thank you. My name is Ballard
12 Mauldin, and I am president of Chemical Products
13 Corporation, or as we refer to it many times as CPC.
14 I want to thank you very much for the opportunity to
15 be here this morning to discuss the current state of
16 CPC and also to discuss the barium carbonate industry
17 in the United States.

18 I only wish I really had better news to
19 report. The fact of the matter is that CPC is
20 experiencing the toughest time in our 70-year history
21 right now. Our pricing and profitability have fallen
22 during the last two years in a way that almost defies
23 description.

24 What I would like to do for the next few
25 minutes is to give you an introduction to our company

1 and our industry and try to explain why it is that we
2 are here before you today. I hope that by the end
3 that you will thoroughly understand why relief from
4 low-priced Chinese imports is critically important,
5 even imperative to the survival of CPC.

6 Let me start, if I may, by telling you a
7 little bit about CPC. We are a small, family-owned
8 business located in Cartersville, Georgia.

9 Cartersville is a small town in northwest Georgia. We
10 have been making barium carbonate in Cartersville
11 since 1933. That's 70 years now. We also produce
12 other barium chemicals. We produce a line of sodium
13 silicates. We also produce some sulfur products as
14 well in Cartersville, but barium carbonate is by far
15 our primary product there.

16 We're very proud of our history of
17 innovation and product development in barium carbonate
18 at CPC. We have always been a leader in introducing
19 new technologies and pioneering new applications for
20 barium carbonate. We invented the three-tower
21 precipitation system for producing barium carbonate
22 that is now used in many places throughout the world.

23 Our Micro-Flo product is another example
24 which you may be familiar with -- you've heard it
25 before -- that has unique physical characteristics

1 that are optimized to the needs of the brick and the
2 tile industry.

3 We have continually invested in our
4 facilities to keep them modern and competitive. We
5 have also responded to increasing environmental
6 regulation by employing high efficient waste treatment
7 and emission control technologies. We are the proud
8 recipient from our state of two environmental awards.
9 We are very proud of that. We have a longstanding
10 commitment to providing the highest quality products
11 and services possible to our customers and being a
12 responsive and responsible and active member to our
13 community.

14 I am personally very proud of the fact that
15 CPC has survived and prospered as a producer of barium
16 carbonate in the United States, even while such larger
17 companies as Sherwin-Williams and the FMC Corporation
18 have chosen to leave the market. CPC is now the only
19 domestic producer of barium carbonate in commercial
20 quantities -- I guess we're the last one -- and I
21 firmly believe -- firmly believe -- that we are as
22 competitive and efficient as any producer in the
23 world, maybe more so.

24 The market for barium carbonate in the
25 United States can really be broadly divided, if you

1 will, into three categories. I'd like to go over
2 those, if I may.

3 Let me mention the first one, and it's the
4 most important one, is the barium carbonate that's
5 sold into the television glass industry, the TV glass
6 producers. The barium obtained from barium carbonate
7 makes up about eight to 10 percent by weight of the
8 television panel glass. The panel is the part that we
9 all view through that we're actually looking through
10 as we view our TVs. The reason barium is used is
11 because of its x-ray absorption capabilities and
12 characteristics. Barium blocks the x-rays simply. It
13 blocks them as emitted by the cathode ray tubes of our
14 TVs.

15 Television glass producers all use the
16 granular form. They all use the granular form of
17 barium carbonate because it flows very smoothly, and
18 it can be fed into production operations at a very
19 constant and consistent rate.

20 Right now there are only three television
21 panel glass producers left remaining in the United
22 States. That's Thomson, American Video and
23 Technoglas. Until very recently, Corning-Asahi also
24 made television glass in State College, Pennsylvania,
25 but they announced in April -- as a matter of fact, it

1 was April 15 -- of this year that they would be
2 closing their U.S. facility which employed more than
3 1,000 people. A thousand people out of work. I'll
4 talk a little more about the reasons for the decision
5 that they made in just a moment.

6 Secondly, the second category of market I
7 will describe. Barium carbonate is also used in glass
8 applications other than -- other than -- television
9 glass. Now, I'm not saying that all glass producers
10 use barium carbonate. That isn't true, but a number
11 of other glass producers do use barium carbonate.
12 They're using it primarily in the decorative or
13 specialty glasses where good formability and sometimes
14 high refractive index is important for a particular
15 end use.

16 For example, glass made with barium
17 carbonate will reflect light more brilliantly, so it's
18 used in making reflective glass beads. These beads
19 are used on the surface of road signs. They're used
20 in striping paint that's on the highways and also even
21 on the license plates on our vehicles so that when
22 headlights shine upon them they perform very
23 brilliantly, and they're very bright.

24 The increased formability of glass made with
25 barium carbonate is useful in producing small and

1 complicated articles, such as laboratory tube glass,
2 test tubes, for instance, and some specialty bottles.
3 These specialty glass producers can use either
4 granular or powdered barium carbonate, depending on
5 their particular function.

6 Let me mention the third category. The
7 third measure of use segment for barium carbonate is
8 in the brick and the tile industry. Brick and tile
9 producers use powdered barium carbonate to control the
10 formation of a white substance, a white residue, on
11 the surface of the brick or tile that is often called
12 scum. That's what the industry name is called. Scum.

13 CPC sells a specialized barium carbonate
14 powder marketed as Micro-Flo -- we've heard of that
15 already -- that is designed specifically for this end
16 use. Micro-Flo has obviously superior flow
17 characteristics, which is helpful for feeding into
18 production lines, but it also has, and maybe
19 importantly, dispersibility and reactivity properties
20 that allow it to be favorable.

21 Those are the three categories. First of
22 all, let me review. There's a category of the TV
23 glass industry; secondly, glass that's not TV, but
24 it's the other glass industry; and, thirdly, the brick
25 and tile industry. If you understand the different

1 end use applications of barium carbonate, it becomes
2 very easy to see the effect that the Chinese imports
3 have had on CPC and the market.

4 We compete directly with Chinese imports on
5 barium carbonate for sales into the television glass,
6 the first one, and the specialty glass customers, the
7 second one that I mentioned. Over the past two years,
8 prices at virtually all of those customer accounts
9 have been driven down to unsustainable levels as a
10 result of underselling by importers of the Chinese
11 product.

12 At the major television glass accounts, we
13 are confronted time and time again by demands that we
14 meet Chinese pricing or risk losing our business. We
15 know -- even our customers know -- that CPC really has
16 no way to resist these demands. There is just no
17 doubt that if CPC is unwilling to respond to the low
18 prices offered by Chinese importers the customers can
19 and will switch their business away from us. We have
20 already lost sales to Chinese imports at several glass
21 industry accounts where we were unwilling to lower our
22 prices to match the Chinese product.

23 With so much of our business resting on
24 sales to a small number of major customers, the loss
25 of any major account becomes a significant blow to our

1 business. As a result, we are now in a situation
2 where market prices to television and specialty glass
3 customers -- Category 1 and Category 2 -- are being
4 determined by the pricing offered by imports from
5 China. So far, we have not seen any limit on how low
6 those prices can go.

7 We are basically being forced to choose
8 between entering into money losing contracts to retain
9 our market share or giving up sales volume and
10 operating at unsustainably low levels of capacity
11 utilization. Either way, the results are devastating
12 to our business. We are really caught between the
13 proverbial rock and a hard place.

14 You can get some idea of the effects of the
15 Chinese imports on CPC by looking at the significant
16 contrast in our performance in the granular versus the
17 powdered barium carbonate business over the last few
18 years. While we do face direct Chinese competition on
19 sales of granular barium carbonate, our powdered
20 barium carbonate sales are mostly of Micro-Flo where
21 the specialized physical properties create some
22 differentiation from Chinese imports.

23 Without going into any detail, it is
24 absolutely sufficient to say that our Micro-Flo sales
25 have not experienced anything like the severe price

1 declines we have seen in the glass industry accounts,
2 Category 1 and 2. Frankly, we are worried that even
3 for our Micro-Flo sales that it's just a matter of
4 time before we are confronted with the identical
5 lower-priced Chinese product.

6 We have already had reports that a new
7 Chinese product similar to Micro-Flo has been
8 developed, is available for testing and is being
9 offered at extremely low prices, so whatever advantage
10 we have held so far in the brick and tile sectors may
11 be fading away, and I have no doubt that we will see
12 the same catastrophic decline in pricing as Chinese
13 imports increase.

14 It is really difficult for me to fully
15 convey to you the negative impact that these Chinese
16 imports have had on our business. You can see from
17 our questionnaire response just how far our financial
18 performance has deteriorated in the past few years.
19 Basically just three years ago, we had a healthy and
20 profitable business in barium carbonate. Now, because
21 of these unfairly traded imports, we're having to take
22 steps and consider options that are absolutely
23 unprecedented in CPC's 70-year history.

24 For example, just last month our board of
25 directors announced permanent layoff of 27 persons at

1 our Cartersville plant. I know it's not unusual for
2 all of us to see reports of layoffs in the paper. You
3 see them every day, but it's never been our philosophy
4 of CPC to do that. We have always prided ourselves on
5 running a very lean manufacturing plant and staying
6 absolutely loyal to our employees.

7 As a matter of fact, these are the first
8 work force reductions CPC has ever had in its 70-year
9 history, and it's been, I might say, a terribly
10 difficult process for us. This was a step that we did
11 not want to take, but we put off as long as we could.
12 As things stand, however, we just had no choice. We
13 may be forced to take even more extreme steps in the
14 near future if conditions don't improve and there is
15 not a restoration of fair, competitive conditions in
16 our markets.

17 We're facing circumstances today in barium
18 carbonate that are unlike anything we have encountered
19 before. I have been involved in this business since
20 1975, and I've never seen anything resembling the
21 speed and the magnitude of the price declines that
22 have occurred over the last two to three years. I've
23 spoken many times with my predecessors, one now 86
24 years old and one now 71 years old, and this is
25 absolutely outside of anything they have experienced

1 either.

2 We cannot continue to operate in this
3 environment where pricing is determined by dumped
4 Chinese imports. Without the discipline of a dumping
5 order, we have no expectation that conditions will
6 improve. There are practically no limits on the
7 amount of barium carbonate that's available from
8 China, that China is capable of producing and sending
9 to the United States.

10 China is far and away the largest producer
11 of barium carbonate in the world, and they are still
12 adding capacity annually, year by year. They have to
13 send that excess capacity somewhere, and right now the
14 United States is currently one of the most attractive
15 remaining destinations for Chinese producers.

16 We have good information, very reliable
17 information, that one of the largest Chinese
18 producers, Red Star, targeted the U.S. market for
19 expansion in early 2001. Since that time, prices have
20 fallen, and Chinese import volumes have just exploded.

21 You can see that Chinese imports are down
22 this year, but we strongly believe for a number of
23 reasons that that is only exclusively as a result of
24 the preliminary dumping determination made late last
25 year. If those restraints are lifted, I can guarantee

1 that we will see the same surge of imports at
2 ruinously low prices that forced us to file this case
3 in the first place.

4 The other fact that I hope you will take
5 into account in making your decision is that our
6 industry already is facing significant challenges in
7 the upcoming months and years. These challenges will
8 further diminish our ability to cope with a wave of
9 low-priced Chinese imports.

10 In mid April of this year, one of the
11 largest television glass customers, Corning-Asahi,
12 announced that it would close its manufacturing lines
13 in its Pennsylvania facility. This will inevitably
14 lead to a reduction in our shipment volume and place
15 even more pressure on our barium carbonate operations
16 going forward.

17 If you look at the reason why Corning was
18 forced to shut down its plant, you will see that the
19 biggest problem they faced was increasing volumes of
20 unfairly priced imported televisions, again mostly
21 from China. These imports are placing pressure on the
22 operations of other domestic television glass
23 manufacturers as well. We hear what's happening from
24 our customers.

25 MR. MAULDIN: This is not the first time the

1 U.S. glass manufacturers of television glass market
2 have had price significant challenges. They have
3 always made adjustments necessary to stay competitive
4 and preserve the domestic industry, and we have always
5 partnered with them to improve efficiency and reduce
6 cost.

7 We believe, we have faith that our domestic
8 glass manufacturers will be able to pull through this
9 time as well. Our goal, our goal is to work with our
10 television glass customers and support as we have
11 always done in the past, but I hope you understand,
12 and I emphasize this, I hope you understand that we
13 cannot support our customers if we are out of
14 business, and if things are not restored, that is
15 exactly where we are headed.

16 The impact of the Chinese imports has not
17 been limited just to CPC either. In fact, what we
18 have seen over the last few years is that all market
19 economy producers, all market economy producers of
20 barium carbonate have been systematically driven out
21 of the market by Chinese import prices.

22 Two years ago our principal competition was
23 a company called CMV in Mexico. They were forced out
24 of the barium carbonate business altogether by Chinese
25 import pricing. In fact, they conceded -- they

1 entered into an agreement with an importer of Chinese
2 products and just shut down their production entirely.
3 They couldn't compete with the prices that just kept
4 dropping with no end in site.

5 Our other main competition before the influx
6 of Chinese imports was with Solvay, who had a plant in
7 German, has a plant in Germany. Solvay is one of the
8 largest barium carbonate producers of the world and
9 competes very successfully in many different markets.
10 But over the last two years you will see that imports
11 from Germany have just dropped to nothing. They
12 recognize the same thing that we have; that prices in
13 the United States have fallen so far and so fast that
14 it no longer makes economic sense to sell barium
15 carbonate here.

16 If I may just to sum up, I just want to say
17 with absolute sincerity that three years ago I never
18 would have imagined, never would have imagined that I
19 would be here appearing before you asking for relief
20 to offset the effects of unfairly traded barium
21 carbonate imports. But the speed at which these
22 prices have fallen across the market and the continued
23 pressure that we are facing at virtually all of our
24 glass accounts have left us with absolutely no other
25 recourse.

1 Our barium carbonate business truly is at a
2 crossroads in terms of its prospects for long-term
3 survival. I should add, I should add that a healthy
4 barium carbonate business is critical for us to
5 continue to invest in new research and to develop new
6 products for CPC's future.

7 I want to thank you, and I want to thank you
8 on behalf of the remaining CPC employees very much for
9 your attention this morning, and certainly at the
10 appropriate time I will be happy to answer any
11 questions you may have. Thank you very much.

12 CHAIRMAN OKUN: Thank you.

13 MR. BOURDON: Good morning. My name is Tom
14 Bourdon. I am the Sales and Marketing Manager for
15 Chemical Products Corporation. I have been with CPC
16 for 17 years, 11 of them in the position of Sales and
17 Marketing Manager. In my testimony today, I would
18 like to describe the recent developments in the barium
19 carbonate market and focus in particular on the
20 damaging effects that imports from China have had on
21 the pricing in the U.S. market.

22 What we have seen over the last few years is
23 a tremendous change in the type of competition that we
24 face in our barium carbonate business. Until a few
25 years ago, we competed mostly with CMV in Mexico and

1 with Solvay, based in Germany. That is no longer the
2 case.

3 Both of those companies, which had been
4 long-term participants in the U.S. market, have been
5 displaced by import competition from China. As
6 Chinese barium carbonate has moved into the United
7 States, pricing has crumbled all across the market.
8 It has not been possible for anyone in the U.S. barium
9 carbonate market to remain unaffected by the Chinese
10 pricing.

11 We are now in direct competition with
12 imports from China at all of our major glass industry
13 accounts. We have been forced to reduce our prices
14 time and time again to avoid losing volume.

15 I want to be clear that this is a very
16 significant change from only a few years ago. Up
17 until late 2000 or early 2001, Chinese barium
18 carbonate was not perceived as a major factor in the
19 U.S. market. Some customers on the west coast
20 purchased powdered barium carbonate from China, but
21 the supply of material was perceived to be irregular.
22 In particular, granular barium carbonate was often
23 available only in limited quantities.

24 Today that situation has changed completely.
25 You can see from the import statistics that volumes of

1 barium carbonate from China exploded in 2002. That is
2 consistent with what we observe on a daily basis in
3 visiting and talking with our customers. There has
4 been a tremendous increase in activity by Chinese
5 importers across virtually our entire customer base.

6 Our information indicates that there has
7 been a huge expansion in capacity to produce barium
8 carbonate in China over the last few years. That new
9 capacity has to go somewhere, because the Chinese
10 domestic market can only absorb a fraction of the
11 increased production. We believe that Red Star, and
12 possibly other producers in China, have made a
13 decision to increase their share in the United States
14 and have decided that undercutting market prices was
15 the quickest way to achieve that goal.

16 The expansion of low-priced Chinese imports
17 has had a huge effect on the market because price -- I
18 repeat -- price is by far the most important factor in
19 selling barium carbonate. Once a producer is able to
20 meet a purchaser's quality standards -- usually
21 relating to the levels of impurities -- there is no
22 differentiation among grades or suppliers of barium
23 carbonate. All of our major barium carbonate
24 producers worldwide, including those in China, are
25 able to meet minimum purity standards set by the

1 customers.

2 As a result from the perspective of the
3 purchaser choosing among suppliers of ordinary
4 powdered or granular barium carbonate, it makes little
5 difference whether they buy from CPC or imported
6 Chinese products for their needs. The products are
7 interchangeable and interchangeable in a vast majority
8 of cases.

9 The one exception is probably CPC's Micro-
10 Flo product, which Mr. Mauldin mentioned earlier.
11 That product can be sold on the basis of superior
12 value to customers in the brick and tile industry.
13 Apart from Micro-Flo, however, price is the key issue
14 and principal deciding factor for most customers in
15 negotiations.

16 It's also important to recognize that
17 qualification is not a significant constraint on
18 competition in the industry. Purchasers can easily
19 use the threat of qualifying an alternative source to
20 force price reduction from their existing suppliers.

21 Our television glass customers, for example,
22 make it very clear to us that if we are unwilling to
23 reduce prices to compete with Chinese imports, they
24 will take steps to qualify the Chinese product. We
25 have to recognize the seriousness of that threat

1 because Chinese producers already supply barium
2 carbonate to television glass customers in Asia,
3 Europe, as well as the United States. We know that
4 qualification can be completed very quickly if the
5 customer wants that to happen.

6 As a result, it is completely wrong to
7 suggest that price competition only takes place among
8 pre-qualified suppliers. Everyone in this market
9 recognizes that a customer will switch suppliers for
10 barium carbonate if that customer is offered a
11 sufficiently low price, and qualification status will
12 not be an obstacle if the customer is ready to change
13 suppliers.

14 Let me talk a little bit about the current
15 conditions in the market. The U.S. market is now at a
16 point where pricing is being dictated by the levels
17 set by Chinese imports in each segment where we face
18 direct competition from China. At almost every
19 customer account we have been confronted by demands to
20 meet the pricing offered on Chinese barium carbonate
21 or risk losing our position with that customer.

22 We have seen the same basic pattern again
23 and again where the customer uses the leverage of
24 discounted Chinese price to force CPC to respond.
25 This is not limited to just the large television glass

1 accounts, but has reached down to affect pricing even
2 at our smallest specialty glass customers.

3 The customers are absolutely aware of
4 Chinese products in the market and of the prices at
5 which it is being offered. The customers have also
6 seen the Chinese barium carbonate is being sent to the
7 United States in sufficient quantities to supply even
8 the largest customers. This is the key. That sends a
9 strong signal to the market enhancing the credibility
10 of the Chinese producer as suppliers and it has made
11 customers more willing to switch their purchases away
12 from CPC to Chinese barium carbonate.

13 In most instances, we have responded to the
14 Chinese competition by lowering our prices to retain
15 our volume. We know that once we lose our position at
16 these accounts, it would be extremely difficult to
17 regain our share. We have already lost business with
18 a number of customers where we just could not reduce
19 our prices any further to compete with Chinese
20 imports. For our larger accounts, we simply cannot
21 risk losing substantial volumes. As a result, we have
22 been forced to defend our market share position even
23 when that means that prices do not cover our costs.

24 I think that you will see from the data that
25 we supplied that we have experienced a very severe

1 decline in pricing in the market segments where the
2 low-priced Chinese imports are concentrated. At some
3 specialty glass customers, prices have fallen by \$100
4 to \$200 a ton in the last couple of years. Even in
5 the television glass segment, which traditionally has
6 the largest customers and lowest pricing, we have been
7 forced to reduce prices again and again to avoid
8 losing our business to imports from China.

9 I should mention that even our negotiated
10 contracts are not providing any protection from the
11 damaging effects of this Chinese pricing. We have had
12 customers -- including one of our largest accounts --
13 come to us when they learn of Chinese prices being
14 offered elsewhere in the market and demand that we
15 offer similar reductions in order to keep their
16 business.

17 The only segment in which we have been able
18 to maintain any degree of control over our own pricing
19 has been with our Micro-Flo product, which retains a
20 degree of differentiation from ordinary powdered
21 barium carbonate.

22 The contrast between Micro-Flo and our other
23 barium carbonate products is powerful evidence of what
24 is happening in this market. In Micro-Flo, prices
25 have remained stable for the last two years because of

1 the lack of direct competition from China.

2 During that same period, though, in our
3 other markets for powdered and granular barium
4 carbonate the prices have fallen farther and faster
5 than I have ever seen. In the past, pricing for all
6 of these products has generally followed the same
7 trends -- the difference now is a measure of just how
8 devastating the impact of Chinese pricing has been.

9 You may hear today that declining prices to
10 television glass producers are the result of adverse
11 economic conditions faced in that industry that are
12 unrelated to Chinese imports. We could not disagree
13 more with this suggestion. It is just not consistent
14 with the facts. The facts are that the price declines
15 for barium carbonate have not been limited to
16 television glass.

17 In our other glass industry accounts, the
18 situation has been equally bad if not worse. The only
19 common factor is the intensity of price competition
20 from China. Even in the TV glass industry, the
21 argument doesn't hold water. Demand from our
22 customers has been up and down over the last couple of
23 years, but our prices have gone only one way --
24 straight down.

25 As Mr. Mauldin described to you, the effects

1 of Chinese pricing on our barium carbonate operations
2 have been nothing short of ruinous. We have done
3 everything in our power to retain our volume and
4 market share position, but current conditions are just
5 not sustainable. If the current trends continue, I do
6 not see how we can remain viable in barium carbonate
7 business.

8 Looking ahead, there is also no question
9 that CPC is going to face increasing challenges as a
10 result of recent developments in the TV glass
11 industry. Just last month, as Mr. Mauldin mentioned,
12 Corning Asahi shut down its glass production
13 operations in State College, Pennsylvania. Thomson
14 has also recently indicated that it does not plan to
15 invest in refurbishing one of its glass lines in Ohio.

16 What this means is that we are likely to be
17 even more vulnerable than before to price competition
18 from Chinese imports in upcoming negotiations. With
19 Corning Asahi gone, we will have even less leverage
20 with customers who use low bids from Chinese barium
21 carbonate to drive our prices down.

22 The other thing that is important for you to
23 know is that the market is watching the outcome of
24 this case very closely. So far this year, Chinese
25 imports are down, which we believe is a direct result

1 of this trade action. Because importers brought a
2 tremendous amount of Chinese barium carbonate at the
3 end of 2002, we have yet to see any improvement in our
4 market conditions.

5 What we are most concerned about is that the
6 floodgates will open again if current measures are
7 removed. We have no doubt that the Chinese producers
8 are still targeting the U.S. market and that we will
9 experience the same rapid surge of imports as before
10 if an antidumping order is not put in place.

11 We have had customers tell us that they are
12 awaiting for this action to be determined with regard
13 to their plans on the Chinese product. There really
14 is a lot riding on this case for CPC and also for the
15 barium carbonate business in the United States.

16 I really want to thank you very much for
17 your attention. I would be pleased to answer any
18 questions that you may have.

19 CHAIRMAN OKUN: Thank you.

20 MR. WOOD: Good morning. My name is Chris
21 Wood. I am also from the law firm of Gibson, Dunn &
22 Crutcher.

23 CHAIRMAN OKUN: Would you pull your
24 microphone a little closer for us.

25 MR. WOOD: Of course. Of course.

1 CHAIRMAN OKUN: Thank you.

2 MR. WOOD: I would just like to spend a
3 couple of minutes this morning to address the record
4 that has been gathered in this investigation in terms
5 of the statutory material, injury and threat factors.

6 I think the record, and certainly the
7 testimony of our company representatives this morning
8 leaves little doubt that there has been a tremendous
9 upheaval in the barium carbonate market over the last
10 couple of years. There has been a rapid increase in
11 the penetration of Chinese imports and market prices
12 have fallen dramatically as those imports have
13 increased.

14 In many ways, this record appears to be a
15 textbook case of what happens when a new disruptive
16 force is introduced into a commodity product market.
17 Prices fall as purchasers use low bids from new
18 entrants to force price reductions on their suppliers.

19 The existing supplier often has the option
20 of meeting the price to retain the business, but as
21 you have heard this morning that also carries a very
22 substantial impact on profitability.

23 Turning first to volume, I think there is no
24 dispute that there was a tremendous increase in the
25 amount of subject imports from 2001 to 2002. Just

1 looking at the official import statistics, you can see
2 that the quantity of barium carbonate from China
3 almost tripled in a single year, rising from around
4 5,000 tons in 2001 to more than 14,000 tons in 2002.

5 We may hear from the respondents this
6 afternoon that that -- and I guess we already have
7 this morning -- that the increase was just a
8 replacement for nonsubject imports as CMV in Mexico
9 chose to exit the market. That's a simple story, but
10 I think it's a little bit of a misleading
11 characterization, and I think it ignores the real
12 impact of the increased volumes in the market.

13 First, the tremendous rise in these Chinese
14 imports sent a very strong signal to the market that
15 barium carbonate from China was available in large
16 quantities, and could be a reliable source of supply.

17 As Mr. Bourdon mentioned earlier, until
18 recently the supply of Chinese barium carbonate was
19 not always constant. Customers had to be concerned
20 about relying on the Chinese product for their primary
21 source. But now that the Chinese importers have
22 gained a foothold and demonstrated that their supply
23 chain and product quality is sufficient to supply even
24 the largest television glass purchasers they have
25 become a much more viable option.

1 Customers have clearly noticed that once the
2 Chinese producers decided to turn on the spigot and
3 began sending large quantities of barium carbonate to
4 the United States, there was really no effective limit
5 on the amount of material that could be shipped.

6 The other issue that Respondents have not
7 addressed is the very damaging effects that the
8 increased volume of Chinese imports have had on U.S.
9 pricing. The record shows consistent underselling of
10 CPC's barium carbonate by Chinese imports in all
11 directly competitive product segments. Much of the
12 damage has been concentrated in the important
13 television glass segment where CPC's prices have been
14 forced steadily downward since 2001. For powdered
15 barium carbonate, other than CPC's Micro-Flo, product
16 four in the Commission's report, the data show the
17 same trend: significant underselling by Chinese
18 imports on the order of 10 to 30 percent throughout
19 the period of investigation, leading to substantial
20 declines in domestic prices.

21 Now, the only segment in which CPC's pricing
22 has remained relatively stable is for its Micro-Flo
23 product. That is no coincidence since Micro-Flo is
24 the only product, barium carbonate product that is not
25 routinely confronted with directly competitive Chinese

1 prices.

2 Just by comparing the pricing trends for
3 Micro-Flo against CPC's other barium carbonate
4 products, you can tell that there is some very
5 significant factor at work affecting granular barium
6 carbonate and ordinary powdered barium carbonate that
7 is not present in the case of Micro-Flo. We would
8 submit that the underselling and underbidding by
9 directly competitive Chinese imports is that factor.

10 Now, the alternative explanations that
11 Respondents have offered for declines in prices we
12 think that don't hold up to scrutiny. If poor
13 performance by the TV glass manufacturers, and adverse
14 conditions in that industry were what was the main
15 driver of reduced pricing, then you would expect the
16 price effects to be localized to TV glass customers.
17 That has clearly not been CPC's experience over the
18 last few years. Prices are sharply down not only to
19 TV glass customers, but also to other specialty glass
20 customers.

21 Moreover, there appears to be very little
22 correlation between the declines in prices and the
23 actual demand from CPC's TV glass customers. Even as
24 shipments fluctuated over the period of investigation,
25 what stands out is the rapid deterioration in prices

1 towards the end of the POI when Chinese imports
2 entered the market in force.

3 Now, the sharp decline in prices has
4 obviously had a very negative effect on CPC's
5 financial performance during the period of
6 investigation. As Mr. Mauldin mentioned in his
7 testimony, this was a healthy industry just three
8 years ago. Currently the company is in a severe state
9 of material injury as shown by its declining
10 profitability.

11 Not surprising, this decline is most evident
12 in CPC's granular barium carbonate operations where it
13 faces the most direct competition from Chinese
14 imports.

15 Although prices have fallen on powdered
16 barium carbonate that competes with the Chinese
17 imports as well, CPC's relatively strong position with
18 its Micro-Flo powdered product sold to the brick and
19 tile industry has mitigated the impact on CPC's
20 overall results for powdered barium carbonates.

21 Now, the Commission's unanimous decision in
22 the preliminary phase of this investigation was that
23 the domestic industry faced an imminent threat of
24 material injury from subject imports. Now, we would
25 contend that the conditions noted by the Commission in

1 that decision have now matured into full-blown
2 material injury. But I also want to spend a few
3 moments reviewing the record as it relates to the
4 statutory threat factors.

5 The situation facing CPC today is far worse
6 than it was even late last year, and the company is
7 very vulnerable to further material injury resulting
8 from Chinese imports.

9 First, we think it's very important to
10 recognize that not only is the Chinese barium
11 carbonate industry the largest in the world today by
12 far, but that it continues to grow rapidly. We
13 supplied the Commission with an estimate of 370,000
14 tons of capacity for China, which is in the staff
15 report, but we are obviously going to have to revise
16 that figure upwards.

17 Let me read to you what the most recent
18 description of the Chinese industry is in the China
19 Chemical Reporter, and just to quote from this
20 article, "Over 30 producers are engaged in the
21 production of barium carbonate with a total capacity
22 of half a million tons per year." That's from
23 February of this year.

24 The same article notes that exports are
25 rising at a rate of 10 percent a year, and that again

1 to quote, "China's exporting prices were 30 percent
2 lower than that of the international markets."

3 Well, that is certainly consistent with what
4 CPC's experience has been as you have heard this
5 morning, and it certainly underscores the threat that
6 CPC faces as Chinese producers continue to look for
7 outlets for this rapidly expanding capacity.

8 Now, a second point that I want to focus on
9 is that there really are no credible barriers to
10 increasing amount of imports from China in the
11 imminent future. Any questions that purchasers might
12 have had once upon a time about the quality of Chinese
13 barium carbonate or the ability of importers to obtain
14 sufficient supplies on a reliable basis was erased
15 when imports shot up in 2002.

16 The Chinese industry is heavily export-
17 oriented by design. China could not absorb anything
18 close to the amount of barium carbonate it produces,
19 and so it is always a very significant exporter.

20 Moreover, the ability of the Chinese
21 producers to target a new market for rapid increases
22 in exports is not a new pattern. In our brief, we
23 made reference to the dumping case brought by Indian
24 barium carbonate producers against China a few years
25 ago. This appears to be very similar circumstances to

1 what we see today in the United States.

2 Within a two-year period in India, Chinese
3 exports rose by more than 700 percent, forced
4 competing suppliers out of the Indian market, and
5 caused significant harm to that domestic industry by
6 driving down prices. Again this sounds very familiar
7 to us. The Indian authorities ultimately entered an
8 antidumping order to help restore the domestic
9 industry in 2000.

10 In particular, we have heard before these
11 claims that qualification is some obstacle that will
12 forestall future imports, and we just don't see that
13 as credible. You have heard testimony this morning
14 describing how purchasers can and do use the threat of
15 qualifying new sources to leverage lower prices from
16 their current suppliers.

17 In this industry, like many others the
18 Commission has reviewed in the past, qualification is
19 only as big a hurdle as the buyer wants it to be.

20 If the purchaser perceives the price
21 advantage in qualifying a new source and using that
22 source, qualification can be addressed very quickly
23 especially in the important TV glass segment. Red
24 Star and other Chinese producers already supply barium
25 carbonate to companies such as Asahi Glass, Nippon

1 Electric Glass, Samsung, all the major producers, at
2 their plants in Europe and Asia. There is no reason
3 why they would not be able to do the same thing here
4 in the United States.

5 The other thing that has changed with
6 respect to the Commission's threat analysis since the
7 preliminary determination is that the domestic barium
8 carbonate industry has become much more vulnerable to
9 injury as a result of several recent announcements
10 from the TV glass industry.

11 We've talked already about the closing of
12 Corning Asahi in June. That was a major customer for
13 CPC. There is no question that the loss of that
14 volume is going to be a significant challenge for CPC
15 going forward. Right now the other TV glass
16 manufacturers are also under pressure, mostly again,
17 as a result of imports from low-priced televisions
18 from China.

19 I know the Commission is familiar with that
20 situation from the antidumping case that was recently
21 filed, but until that case is resolved one of the
22 trickle down effects is going to be an impact on the
23 barium carbonate industry here in the United States.

24 What these developments mean is that CPC has
25 little room to withstand continued underselling and

1 underbidding by Chinese imports. Restoration of fair
2 competitive conditions may not solve all of the
3 challenges facing the domestic barium carbonate
4 industry, but it is a minimum requirement to have some
5 hope for a turnaround in this industry.

6 Without the relief afforded by an order, the
7 only likely scenario is that imports will begin
8 increasing again, prices will continue to spiral
9 downward, and CPC will suffer further losses until it
10 is forced to radically scale back or even close its
11 barium carbonate operation.

12 Thank you for your attention.

13 As you will see, this morning we have a
14 number of representatives from the company, and I hope
15 you will take advantage of this opportunity to ask
16 them any questions that you may have about the market.
17 Thank you very much.

18 CHAIRMAN OKUN: Thank you very much. And
19 before we begin the questioning this morning, I do
20 want to take the time to thank the industry
21 representatives in particular for taking the time to
22 be with us today to talk about your business and to
23 answer questions, and also to provide the information
24 that is in the questionnaires and any additional
25 information we may request today. Appreciate it very

1 much.

2 Commissioner Koplan will be begin the
3 questioning this morning.

4 COMMISSIONER KOPLAN: Thank you, Madam
5 Chairman, and I too want to thank the witnesses.

6 I would like to start by probing with you
7 the arrangement between BassTech and CMV in Mexico
8 because I am reading a different story than what I
9 heard this morning. Let me start by asking -- I'm
10 going to the transcript of the staff conference if I
11 could, and to Mr. Guttman's testimony, who I will be
12 hearing from this afternoon.

13 He starts out by saying, and I'm just
14 extracting part of this, and I would like to hear your
15 comments, "Although CPC has filed a petition seeking
16 antidumping duties against Chinese barium carbonate,
17 CPC in 1999 and 2000 was the purchaser of significant
18 quantities of Chinese barium carbonate from us.
19 Indeed, CPC purchased so much Red Star barium
20 carbonate that CPC was our largest single barium
21 carbonate customer in 1999 and 2000.

22 "We do not know what CPC did after it
23 purchased Red Star barium carbonate from us, but it is
24 significant that CPC is not an end user that would
25 consumer barium carbonate production in the production

1 of some other products. We guess that CPC probably
2 further processed the Red Star material and/or resold
3 it to some of its customers as theirs.

4 "We note that CPC's purchases of Red Star
5 barium carbonate from us in '99 and 2000 were at low
6 prices because CPC demanded that we provide co-
7 producer discounts. Our sales of Chinese barium
8 carbonate to CPC were at lower prices than our sales
9 of Chinese barium carbonate to other customers during
10 the same time frame. CPC never complained about our
11 prices being too low. If anything, CPC complained
12 that our prices are too high."

13 Would you respond to that? I haven't heard
14 anything about any arrangement that you had with these
15 folks.

16 MR. MAULDIN: Let me, if I may,
17 Commissioner, start off. At least start, and some
18 others may want to pick up where I leave off, and let
19 me just tell you the story behind that.

20 COMMISSIONER KOPLAN: Let me just ask you.

21 MR. MAULDIN: Yes, sir.

22 COMMISSIONER KOPLAN: Is he lying? Is that
23 true?

24 MR. MAULDIN: That is not true the way it
25 was represented.

1 COMMISSIONER KOPLAN: Were you a customer?

2 MR. MAULDIN: Yes, we were, and I would like
3 to explain if I may, sir, why we were a customer.

4 COMMISSIONER KOPLAN: Sure.

5 MR. MAULDIN: Thank you. The Chinese would
6 like to have -- they wanted to move material through
7 us. They have been a threat. We took the opportunity
8 with BTI in order to, first of all, evaluate the
9 quality of their product. The quality is something
10 that you can't take five pounds of material or a pound
11 or something like that and determine it. Anyone can
12 select material on a selected basis and find some
13 that's very good, and on the other hand perhaps very
14 bad. So one must accept hundreds of tons of material
15 to get an average quality of the material.

16 We were pushed to take even more from them.
17 It became obvious that it was becoming more of a
18 threat, so we took the opportunity to really test the
19 logistics. Quality is one thing. We determined, by
20 the way, that their quality was quite good.

21 Logistics is a second thing. Can they
22 actually supply material on a routine basis to supply
23 one of the large glass customers such as the TV
24 industry or such as the larger non-TV glass customers
25 as well?

1 In order to determine that, if they can
2 consistently supply, one must take really a few
3 thousand tons of material. We did at that time. We
4 took a few. We determined that they indeed could move
5 material into the country as well.

6 COMMISSIONER KOPLAN: When was this?

7 MR. MAULDIN: This was '99-2000, if my
8 memory serves me correct. I mean, we can check that
9 and get it for you and give you the exact quantities.

10 COMMISSIONER KOPLAN: At that time were you
11 their biggest --

12 MR. MAULDIN: I'm not sure of that. You
13 know, I don't know what their other shipments were.

14 COMMISSIONER KOPLAN: Well, they indicated
15 at another point that you were purchasing 55,000 short
16 tons from them at that time.

17 MR. MAULDIN: Oh, no. Oh, heavens no.
18 Fifty-five thousand, never.

19 COMMISSIONER KOPLAN: I'm sorry. I'm
20 referring to the barite ore. That's another matter
21 that I will come to later.

22 MR. MAULDIN: Okay. But let me, if I may,
23 continue the story.

24 We did take a few thousand tons from them
25 when we were checking the logistics of that. We were

1 pushed to take even more from them. As a matter of
2 fact, we were pushed to take even 10 to 15 thousand
3 tons from the Chinese. At that point it would have
4 become well over one-third of our business. In
5 effect, we would be forced to shut down operations at
6 the expense of bringing in material, and we could we
7 could see where that was going.

8 And a matter of fact, I got to say that we
9 were proven right by the fact that the same thing
10 occurred with our competitor in Mexico when we refused
11 to buckle into it, and they indeed did in turn shut
12 their operation down, and just conceded to some sort
13 of import agreement.

14 COMMISSIONER KOPLAN: I appreciate what
15 you're saying. Let me go on if I could with what he
16 said, and have you respond to this.

17 He goes on to say that, "In 1999, CPC and
18 our company, BassTech, discussed and explored the
19 possibility of entering into an agreement whereby CPC
20 would assist the marketing of Red Star barium
21 carbonate in the United States and Red Star would
22 assist its marketing of CPC's barium carbonate in
23 Asia. These discussions were initiated because both
24 sides recognize the natural competitive advantage of
25 the other. Red Star is able to produce high quality

1 barium carbonate very efficiently because it is
2 located right near a source of high quality barite 4.

3 "Similarly, CPC's Mexican subsidiary is able
4 to efficiently produce high quality strathium
5 carbonate. Since both barium carbonate and strathium
6 carbonate are sold in combination with each, the
7 television glass producers and are used in
8 combination, CPC and BassTech wanted to explore
9 whether there would be opportunities to work together
10 and take advantage of the other party's natural market
11 strength.

12 "CPC visited the Red Star facility several
13 times during the period of investigation. Discussions
14 with CPC and BassTech, however, on this market deal
15 did not reach fruition.

16 "After the discussions with CPC ended,
17 BassTech began to negotiate with the Mexican producer
18 CMV, which produced both barium carbonate and
19 strathium carbonate. As a result of our agreement,
20 CMV agreed to stop producing barium carbonate. In
21 exchange, CMV agreed to receive a commission for any
22 sales that we made of Red Star barium carbonate to any
23 of their former U.S. Customers.

24 "Although we previously had sold to Techna
25 Glass Red Star barium carbonate as a minority

1 supplier, because of its agreement with CMV we were
2 able to increase our sales to Techna Glass in 2002 by
3 replacing the volume that had been sold by CMV.

4 "CMV also had other barium carbonate
5 customers in the U.S. Specifically, CMV used to sell
6 to Corning, which negotiated barium carbonate
7 purchases to both American Video Glass and Corning
8 Video products. We did not land that Corning
9 business. Why did? CPC.

10 "Thus, although we increased our sales
11 volume to Techna Glass after CMV stopped producing, it
12 appears that our agreement with CMV also allowed CPC
13 to increase their market share to Corning."

14 Then they conclude by saying, "This
15 antidumping petition appears to have been triggered by
16 CPC's concerns that we reached an agreement with CMV
17 and not CPC to market Red Star material."

18 Now, that's what I am going to be hearing
19 this afternoon, and you haven't really dealt with that
20 at all in your direct presentation, and I would like
21 you to help me out.

22 MR. BOURDON: Let me comment.

23 COMMISSIONER KOPLAN: I'd appreciate that.

24 MR. BOURDON: It's interesting that the
25 represented this relationship as being, you know, we

1 needed them to move because they had an advantage on
2 cost or whatever.

3 COMMISSIONER KOPLAN: On barite ore.

4 MR. BOURDON: Yes, okay. Because the truth
5 of the matter is, is they were undercutting pricing,
6 and we had to evaluate just what we were up against.
7 We were running into these Chinese prices from Red
8 Star at many accounts. And the threat with the
9 calcined material, which they never brought in
10 before, was starting to show itself at the television
11 glass customers, which is our life blood.

12 We had to do something. We began to buy
13 some materials to qualify it and to satisfy and to see
14 what kind of appetite there was for this business. I
15 mean, even 5,000 tons is a smaller percentage of our
16 business. Okay, we worked our way up to that. But it
17 is clear from communications from BassTech that they
18 were not satisfied and Red Star was not satisfied with
19 that volume, and it was very clear communications.
20 They would not be satisfied unless they had 10 to 15
21 thousand tons.

22 And we could not live with that. We could
23 not live with that kind of a volume. We are a barium
24 carbonate producer. The pricing situation and the
25 threat of what they would do if we didn't do business

1 with them was of great concern to us, but we couldn't
2 shut our operations down to buy from the Chinese like
3 CMV did. We wouldn't do it.

4 COMMISSIONER KOPLAN: Mr. Bourdon, I see my
5 time has expired, and I appreciate what you are
6 saying, and I listened very closely to your direct
7 testimony, and you talked about the undercutting being
8 beyond TV glass production.

9 My problem is that when I look at our tables
10 and our information, I'm afraid I'm going to need some
11 documentation for the things you were talking about
12 today for the record because I can't find it. Okay?
13 And it will need to be specific with regard to the
14 problems that you say you were having because I just
15 don't see it there.

16 Thank you very much.

17 CHAIRMAN OKUN: Thank you, and again thank
18 you for being here.

19 Let me, if I could, have the industry
20 witnesses go through a few other things just related
21 to the market itself, and I appreciate very much, Mr.
22 Mauldin, your discussion of what this industry looks
23 like and where you sell to and where you are seeing
24 the competition. I think that was very helpful in
25 terms of understanding, you know, what's in the pre-

1 hearing report and supplementing that.

2 One thing that I wanted, and I don't know,
3 from anyone from the industry who is most familiar can
4 answer these, but the first thing I want to know is
5 with regard to demand.

6 Both during the period of investigation and
7 then looking forward in your forecast, which I think
8 you focused on quite a bit in terms of what's going on
9 with the TV glass purchasers. But if you could talk
10 about demand in the three different end use markets
11 that you described, Mr. Mauldin, what happened during
12 the period of investigation, and also looking forward,
13 and you can maybe start with brick and tile, which I
14 heard less about, and then come back up to the TV
15 glass where I have some other questions.

16 MR. BOURDON: Yes. I guess in looking at
17 the three segments, demand actually in TV glass was up
18 and down over the periods, and it certainly was not on
19 a decline that you would see in the pricing.

20 The brick and tile industry, I would say
21 that that was pretty steady demand, and the glass
22 industry, the other segment which is mostly specialty
23 type glasses, that demand was steady as well.

24 CHAIRMAN OKUN: And now looking forward your
25 forecast for those three areas?

1 MR. BOURDON: Looking forward, I would say
2 the same thing. Obviously, there is going to be a
3 decline in the television glass demand domestically
4 because of the situation at Thompson Consumer
5 Electronics and -- or Thompson Multimedia now -- and
6 Corning Asahi shutting down. So the demand will be
7 affected there.

8 CHAIRMAN OKUN: And for brick and tile, you
9 would say they were steady going forward?

10 MR. BOURDON: You know, you can follow
11 construction industry productions, and your guess
12 would be as good as mine as far as where that's going
13 to go over the next couple of years, but I think
14 steady.

15 CHAIRMAN OKUN: You think steady. Okay.

16 MR. BOURDON: Yes.

17 CHAIRMAN OKUN: And then in terms of --
18 turning to the TV glass segment, and the pre-hearing
19 staff report had estimates, but they were CPC
20 estimates in terms of the size of those different
21 segments which TV was like 75 percent, and I assume
22 that's -- you all agree with that. I didn't hear
23 anything different in terms of the size of these
24 segments.

25 When you say that the demand was up and down

1 during the period, did that relate to, or do you have
2 a sense from your customers, was it because certain of
3 those customers either shut down operations or did
4 something happen during the period that affected
5 demand other than --

6 MR. BOURDON: Yes, demand went up and down
7 due to a few different reasons, depending on the
8 customer, and in public I wouldn't want to go on
9 record as to stating facts that they really should
10 state. But in general, there was some furnaces that
11 shut down intermittently, came back up, and you know,
12 demand was not consistent.

13 Some operations ran very well, and other
14 operations didn't run as well.

15 CHAIRMAN OKUN: Okay. Perhaps, and I think
16 some of this may have been in your pre-hearing, but
17 for the post-hearing if you can just put the specifics
18 in there with regard to what you believe was going on
19 with your customers.

20 I have a specific question with regard to
21 some of the volume in one of pricing products, but
22 I'll come back to understand, but understand that a
23 lot of this record is confidential and it limits what
24 we're able to ask and what you are able to answer.

25 MR. BOURDON: Yes.

1 CHAIRMAN OKUN: But we will do the best we
2 can to get as much as we can on the public record, and
3 then ask for other stuff in post-hearing.

4 What about in terms of other trends that are
5 on the horizon? I mean, you know, watch TV and watch
6 what is going on with -- what kind of TV are we going
7 to buying next.

8 MR. BOURDON: Right.

9 CHAIRMAN OKUN: And I know one of the thing
10 that was also mentioned was as the industry moves to
11 flat glass, that that reduces the amount of barium
12 carbonate that would be used. What's your sense when
13 you look again looking forward, not just what the
14 Corning Asahis are doing and Thomson? What about just
15 in terms of demand for barium carbonate as the TVs
16 change?

17 MR. BOURDON: In actuality, the demand for
18 barium carbonate into cathode ray tubes worldwide is
19 still expected to grown. I know that people hear
20 about plasma display and LCD, and certainly those are
21 growing at astronomical rates.

22 CHAIRMAN OKUN: Look at it longingly. Don't
23 have one.

24 MR. BOURDON: Yeah, yeah.

25 CHAIRMAN OKUN: But I look in the stores.

1 MR. BOURDON: But even though they might see
2 a huge growth rate, the starting point is still very
3 low in terms of percentage of the total market.

4 I'm at a loss. I do have some figures I
5 could share maybe with you.

6 CHAIRMAN OKUN: Okay, if you could put those
7 in the post-hearing.

8 MR. BOURDON: Yes, but it's a small
9 percentage even with the growth as you look out the
10 new few years of what PDP and LCD is going to
11 cannibalize in the cathode ray tubes from what we
12 hear, projections we have seen.

13 CHAIRMAN OKUN: Okay. Well, that would be
14 helpful to see those figures.

15 There was something else, I believe,
16 mentioned by Respondents, and I'm trying to remember
17 what the actual term was called. I'm looking in here.
18 I'll come back to that.

19 Oh, I know, glass collet was mentioned in
20 the pre-hearing report. Is that similar or?

21 MR. BOURDON: Well, you know, glass collet
22 can fluctuate up and down, you know, and a glass
23 producer could probably give you a much better
24 explanation than I could. But from what we
25 understand, that can be affected by how well a

1 customer runs on any particular month. You know, they
2 might generate more collet and recycle that collet
3 back through the process and use, you know. Or
4 generate it to a raw material or a collet pile and use
5 that at a later time. So it doesn't -- it's not
6 always a steady thing.

7 CHAIRMAN OKUN: Okay.

8 MR. BOURDON: It can changed based on how
9 the customer is running and how much collet they have
10 in a pile that they may have generated for one reason
11 or another.

12 CHAIRMAN OKUN: Okay.

13 MR. MAULDIN: Excuse me. If I could add
14 just one more time to what Tom said.

15 CHAIRMAN OKUN: Yes.

16 MR. MAULDIN: I would like, please, ma'am,
17 to emphasize that that's a transitory thing, glass
18 collet. It's a short-term issue. There is only a
19 finite amount of storage that they would have for
20 collet, and these glass companies they can go up and
21 down, up and down, but overall the average if you were
22 to draw a block around the whole process, there is raw
23 materials coming in, and then there is finished
24 product going out in terms of TV sets or TV tubes,
25 glass tubes. And the collet pile is sitting there and

1 the relationship between it and the furnace is just a
2 recycle. Sometimes it just back and forth.

3 I just wanted to make that point. Thank
4 you.

5 CHAIRMAN OKUN: Okay, that's helpful.
6 Again, just so that I can understanding what these
7 different factors are that are out there.

8 Then if I could, let me turn to something
9 that you spent some time in your testimony and
10 Respondents have raised, and it's obviously been
11 discussed at length in the brief, but I do want to go
12 back to it, and that is the issue about the non-
13 subjects being displaced by the Chinese product.

14 And I think both in your opening, Mr. Price,
15 and in all your statements I think what I have heard
16 is that, you know, you can look at the volumes and
17 say, yes, it's Mexican versus Chinese but what that
18 ignores is price, and it's really the price that has
19 been the key there.

20 And I wondered, I think for post-hearing,
21 because a lot of this is confidential, I would ask
22 you, Mr. Price and Mr. Wood, to focus very carefully
23 on a record of what we would look to in terms saying
24 that when it comes in from China the prices that the
25 purchasers are paying indicates that, but if there is

1 a difference between the Chinese prices being paid by
2 purchasers as opposed to an importer. I guess I'm
3 trying to -- I just want to make sure that I get my
4 point across that -- I'm trying to make sure that it's
5 actually what the purchasers in the market are paying
6 for Chinese product differs from what they would pay
7 for the non-subject products.

8 Then in terms of -- so for discussion here
9 in our hearing, some of the information I was very
10 interested in in your brief was on pages 22 and 23 and
11 Exhibits 8 and 9, which were the arguments that went
12 to the sizing pressure, and that you face from your
13 larger accounts.

14 And I guess my question would be, and I
15 guess this would go to the counsel, although industry
16 could comment if they could, whether you think the
17 pre-hearing staff report reflects what happened in
18 these accounts, and I guess specifically, whether --
19 and the way I read these allegations it was about --
20 it's really a lost revenue; what you were saying, your
21 pricing pressure of a big account coming to you and
22 saying Chinese prices are out there, you need to come
23 down with your prices.

24 I see it in your briefs. I don't think I
25 see it necessarily in the staff report that it's the

1 same things, and I want to know why, and so it might
2 need to be post-hearing.

3 Do you understand, Mr. Wood, like what you
4 argue in your brief?

5 MR. WOOD: Right. Well, I think I do
6 understand what you're saying, and we can certainly
7 expand on -- I mean, in our brief I think in those
8 instances in particular we are relying on primary
9 source documentation; I mean, their business records.

10 And to the extent that -- I mean, in one
11 sense it's understandable why perhaps those didn't
12 make it into the staff report if they're -- in this
13 record. But maybe we should address this in the post-
14 hearing. I'm pretty sure that I understand what
15 you're asking about.

16 CHAIRMAN OKUN: Okay, that's helpful. And
17 my red light has come on, so I want to come back to
18 the industry folks on another round.

19 Commissioner Koplan.

20 COMMISSIONER KOPLAN: Thank you, Madam
21 Chairman.

22 If I could just come back for a second to
23 our discussion earlier, I would like you to provide
24 for the record exactly how much barium carbonate you
25 purchased from Red Star and why, and I would like to

1 get that for our period of examination with
2 documentation.

3 MR. PRICE: Commissioner Koplan.

4 COMMISSIONER KOPLAN: Okay, with
5 documentation. Yes.

6 MR. PRICE: If I may, we will certainly
7 expand on that. We have provided that information in
8 our questionnaire response: the period of time, the
9 tonnage, and the reasons -- we thought fairly clearly,
10 and it ceased totally with only an early period, and
11 only just got into the POI, but it's there.

12 COMMISSIONER KOPLAN: What about with
13 respect to the barite ore, have you provided
14 information?

15 MR. PRICE: We certainly can. I'm not sure
16 we were asked for that, but we can certainly do that.
17 Of course, that's not the product subject to review,
18 but we can certainly provide it.

19 COMMISSIONER KOPLAN: But it's an input.

20 MR. PRICE: It is an input.

21 COMMISSIONER KOPLAN: And it's an issue.

22 MR. PRICE: Yes, sir.

23 Could I just, Commissioner, if you would
24 give me just a -- on your last round of questioning, I
25 didn't have a chance to respond on the BassTech

1 arrangements and allegations. You read a lot from the
2 conference here. Because I think we have tried to lay
3 out that story. There is a very different story. Our
4 story is very different.

5 We tried to lay that out in our pre-hearing
6 brief, and I would particularly urge you to look at
7 Exhibit 12 because we have correspondence with
8 BassTech. I mean, this is as original documentation
9 as you would want. And I think when you read that
10 documentation you will see that what happened was
11 really, and I don't think it's an overstatement to say
12 it almost became a threat -- that they wanted to move
13 large, large quantities of Chinese barium carbonate in
14 the place of CPC's production.

15 Essentially, they wanted CPC to do what CMV
16 did, which is close out your domestic barium carbonate
17 production and start moving the Chinese product as
18 agent for us.

19 And when it came down to that, that's what
20 broke the deal. You know, CPC was looking at this
21 source, trying to see what was going to happen to it,
22 and then it became very clear, and that's why I urge
23 you to look at that correspondence, because it's very
24 clear from that correspondence what their intention
25 was, and the response on CPC's -- at that point they

1 broke it off and they said we are not talking to you
2 because you want us to shut down our barium carbonate
3 operations.

4 And then they went to CMV and they found
5 somebody who was willing to do what they wanted to do.

6 So that's our story. We are happy to expand
7 on that, but it is a very different story, and I think
8 we have documentation to support our story.

9 COMMISSIONER KOPLAN: I appreciate that, Mr.
10 Price. Let me stay with you for a moment.

11 When I listened to the direct testimony of
12 Mr. Mauldin, he talked about three categories. The
13 first category was TV glass, and he discussed the way
14 this was used to take care of x-ray absorption on the
15 face of the glass.

16 As I look at our price data, and I can't get
17 into the specific details of it, but the Commission
18 asked U.S. producers and importers of barium carbonate
19 to provide quarterly data for the total quantity and
20 value of the product that was shipped to unrelated
21 customers in the U.S. during our period of
22 examination. And there were four products provided to
23 us, and product one appears to be the one that covers
24 TV glass. Okay.

25 That's granular barium carbonate calcined

1 sold in any size packaging with a total BA CO-3, and
2 SR CO-3 content of at least 97 percent. That's the
3 800-pounds here as I understand it.

4 MR. PRICE: Well, let me, because I also
5 wanted to make this point. You asked a question about
6 the non-TV glass, and you wanted more documentation
7 about our argument that, well, it was affected
8 similarly.

9 COMMISSIONER KOPLAN: If I could stay with
10 this with you.

11 MR. PRICE: Surely.

12 COMMISSIONER KOPLAN: Because this will be
13 helpful. Product two, which is granular barium
14 carbonate compacted or compressed sold in any size
15 packaging with a total of BA CO-3 and SR CO-3 content
16 of at least 97 percent.

17 Is that the brick and tile?

18 MR. PRICE: No, that's -- I will ask Mr.
19 Mauldin. That's not a product -- we don't make that
20 product at all to any great extent.

21 COMMISSIONER KOPLAN: So brick and tile
22 falls under product one as well?

23 MR. PRICE: No.

24 COMMISSIONER KOPLAN: It doesn't?

25 MR. PRICE: Brick and tile would be products

1 three and four.

2 COMMISSIONER KOPLAN: In the powdered
3 category?

4 MR. PRICE: In the powdered category.

5 COMMISSIONER KOPLAN: Okay.

6 MR. PRICE: Three is the Micro-Flo which is
7 --

8 COMMISSIONER KOPLAN: Right.

9 MR. PRICE: -- primarily brick and tile, and
10 four is the one I wanted to discuss when you get
11 there.

12 COMMISSIONER KOPLAN: Because four, I don't
13 believe, was discussed by Mr. Mauldin when he outlined
14 the three categories.

15 MR. PRICE: Well, four, and I will let them
16 expand on that, and that's the one I wanted to get to
17 when you were asking about documentation on the non-TV
18 glass.

19 Four represents a lot of powdered product
20 that goes to the specialty glass people.

21 COMMISSIONER KOPLAN: Okay.

22 MR. PRICE: Now, the reason that's important
23 is if you look at the pricing trends there -- that's
24 why I was a little surprised when you said you didn't
25 see our argument about prices going down. The prices

1 for product four, if you look at 2002 and compare it
2 to 2001 and 2000, just look at the price trend.
3 That's not TV glass. That's specialty glass, and
4 that's not affected by TV problems, and that's why we
5 were basing very strongly -- we will get you
6 additional documentation as well -- but we thought
7 that was very good documentation showing what's
8 happening to pricing in the non-TV glass part of the
9 market, and that's product four.

10 COMMISSIONER KOPLAN: Okay. But when he was
11 talking about powdered products what I heard him -- I
12 thought what I heard him saying was that is not where
13 the problem has been lying, when he talked about the
14 powdered category generally. He didn't line it up
15 with these products that --

16 MR. PRICE: Well, let me say there is a
17 complicating factor. It depends whether you're
18 talking about pricing or profitability. Pricing, we
19 have the four products. Profitability, CPC provided
20 information on its granular operations and its
21 powdered operations. And Mr. Mauldin was saying, and
22 we said in our brief, that you don't see as nearly a
23 significant impact on the powdered operations, but the
24 reason for that is not because of product four, it's
25 because of the Micro-Flo is in that category, and

1 Micro-Flo is the predominant of the powdered.

2 So that the income results, you see the
3 granular hit very hard. The powdered, we used the
4 term "attenuated," fancy word, attenuated results, and
5 the reason being that our powdered operations include
6 the Micro-Flo which was not affected by Chinese
7 imports to any great extent.

8 COMMISSIONER KOPLAN: I can't get into the
9 specifics of product four, but in terms of a trend it
10 appears to me that for 2000 and 2001 your prices
11 remained rather strong for those two years, and it
12 wasn't until 2002 that there appeared to be an effect
13 on the prices you were charging.

14 MR. PRICE: 2002 was the year when Chinese
15 imports almost tripled.

16 COMMISSIONER KOPLAN: Okay.

17 MR. PRICE: That's the critical period for
18 pricing, 2002.

19 COMMISSIONER KOPLAN: Okay.

20 MR. PRICE: For all products.

21 COMMISSIONER KOPLAN: Now, their position is
22 that basically this all comes down to their taking
23 over CMV, Techna Glass needs, that they were providing
24 to Techna Glass. Any additional detail --

25 COMMISSIONER KOPLAN: -- regarding these

1 non-sales that you're talking about for Product 4
2 would be appreciated.

3 MR. PRICE: We will certainly provide that,
4 but I would urge you not to neglect either the pricing
5 data that we already have for Product 4 because we
6 think that shows a lot. We'll get more specific, but
7 that shows you what was happening to pricing overall
8 for the non-TV glass powdered product.

9 COMMISSIONER KOPLAN: Well, I'm saying that,
10 and I can't get into the details, but I'm asking you
11 because I've also looked at the tables in that chapter
12 relating to lost sales and lost revenue so you
13 understand where I'm coming from.

14 MR. PRICE: Yes. Yes, I do.

15 COMMISSIONER KOPLAN: Okay.

16 MR. PRICE: We'll provide more information
17 on that. I'm not sure we're going to be able to
18 satisfy if there are disagreements, give total
19 satisfaction. We certainly stand by the things we've
20 said. It's the best information we have, but we'll
21 try to provide more to you.

22 COMMISSIONER KOPLAN: But you can understand
23 the reason for the question?

24 MR. PRICE: I certainly can.

25 COMMISSIONER KOPLAN: Okay. Thank you very

1 much. I won't start my next round because I see the
2 light is about to come on.

3 CHAIRMAN OKUN: Thank you.

4 I guess just further on the price question,
5 Mr. Price, one other question in terms of what you
6 were just arguing, which is with regard to Product 1 I
7 definitely see the point of where the prices start to
8 take the hit in 2002 and where the Chinese volume was.

9 With regard to Product 4, the pricing trend
10 I guess would be similar to Product 1, but the volume
11 trend is much different for the Chinese product, so I
12 guess I would ask you to address that in relation to
13 Commissioner Koplan's question.

14 MR. PRICE: I think what it shows, and it's
15 what we've said, is that the Chinese clearly started
16 to focus. In the early days, their market was
17 essentially the brick and tile industry, and a lot of
18 it out on the west coast. There wasn't much
19 competition for that, and they weren't a real problem
20 for us.

21 What happened was that in 2001, late 2001,
22 they started looking at the TV glass accounts, and
23 they started bringing in, and their calcsined product
24 for the first time started being accepted. That's a
25 critical point because up to that time there was some

1 question in the marketplace, you know, how good was
2 the calcsined product, whatever. Even though they had
3 been selling it in Europe and Asia, they had not been
4 selling it here.

5 That was a major breakthrough for them when
6 they started selling the calcsined product. What you
7 saw then was really a change or switch of focus. You
8 see sort of declines, certainly not increases in the
9 powdered, but you see a tremendous increase in the
10 granular, in calcsined, so I think that's what those
11 numbers reflect, a focus. They were focusing on the
12 big customers and bringing it in for them. That would
13 be why we think the numbers show that.

14 CHAIRMAN OKUN: I see that point. It's just
15 then trying to understand what the story is on powder
16 because, you know, you have the prices that we see
17 here for let's go to Product 4 again versus the
18 volumes and then looking at the lost sales and lost
19 revenue in terms of whether it was a powder product or
20 a granular product where you had confirmations and
21 trying to understand how those interrelate.

22 MR. PRICE: The interesting thing, you know,
23 is you were looking at Product 1, the pricing trends,
24 and this is our information so while I don't want to
25 reveal a lot of it I don't have to worry about an APO

1 violation.

2 What CPC tried to do and what's so clear
3 from the numbers is you'll see in 2001 because natural
4 gas prices went up significantly, CPC tried to get a
5 price increase. What you see from the numbers is it
6 didn't hold, so you see a little blip there for a
7 couple of quarters, and then you see what happens. It
8 didn't hold, and the reason it didn't hold was because
9 of the pressure of the low-priced Chinese imports.

10 You'll see that. It's interesting how that
11 plays out in all the charts on the pricing. You'll
12 see that little blip where they actually tried to get
13 the prices up, and then you just see them falling
14 through the roof in 2002 when the big push of Chinese
15 imports came in. Falling through the floor I should
16 say. Excuse my malapropism, Madam.

17 CHAIRMAN OKUN: I've had several of those.

18 I guess just further on Product 1, because
19 that related to the question I was asking earlier
20 about what was going on with the TV purchases, which
21 is that is the product where you see a volume blip, as
22 it were, which relates to when prices start to go back
23 down, and that volume does not look like it's
24 reflective of the Chinese volume at that point, again
25 focusing on 2001.

1 I did want you to address post-hearing
2 whether that relates to anything going on with your
3 customers.

4 MR. PRICE: I can address that now --

5 CHAIRMAN OKUN: Okay.

6 MR. PRICE: -- because what you had was you
7 had the attempt to get the price up. Then in latter
8 2001, that's when you had the shopping, the Chinese
9 coming in and offering. That's when they were trying
10 to get into the market. There's a lag between, you
11 know, the negotiations and the sales and the actual
12 shipments, and that's what this chart reflects, the
13 lag.

14 The real shipments started coming in in
15 2002, but that was as a result of pricing and shopping
16 and negotiations taking place obviously before that
17 time.

18 CHAIRMAN OKUN: Okay. On that point, and
19 I'd come back to the industry witnesses if I could.
20 In terms of the contracts that you have in place with
21 it sounds like a lot of your business is on contract
22 and mostly yearly contracts, if I understand what was
23 in the staff report. Is that accurate? Most of your
24 business is under contract?

25 MALE VOICE: Yes. Yes.

1 CHAIRMAN OKUN: For the period coming up,
2 are they negotiated in the fall then? Is that what
3 Mr. Price was mentioning? When do your contracts come
4 out?

5 MR. BOURDON: A lot of times they are
6 negotiated in the fall, but that's not necessarily in
7 stone. I mean, it really depends, you know, when they
8 want to start negotiation.

9 CHAIRMAN OKUN: Okay. For purposes of post-
10 hearing, and some of this information might be in
11 there because I'm thinking I've seen some of it. If
12 you could just be specific about when contracts are
13 coming due, focusing primarily I guess on the TV
14 market, but other places where you see the competition
15 so that I can evaluate what that means --

16 MR. BOURDON: Sure. I understand.

17 CHAIRMAN OKUN: -- in terms of conditions
18 coming forward. I think that would be helpful.

19 Let me just go back to a question during my
20 first round, Mr. Wood, which you were going to
21 address, which is the information in the brief
22 regarding pricing pressure as reflected by your large
23 accounts.

24 My question just was why weren't those in
25 the lost revenue, what was provided in terms of for

1 the staff to look at lost revenue? That was my other
2 question.

3 MR. WOOD: Okay. I think I actually ought
4 to let Tom or Ballard address some of this as well,
5 but I do want to make one sort of basic point, which
6 is that we understand the degree of specificity that
7 you need to sort of confirm a lost sale/lost revenue
8 type allegation.

9 I think it would be useful for Tom perhaps
10 to talk a little bit about just the basics of how
11 these negotiations go, what it is that the purchasers
12 are holding up to you, how they're approaching you in
13 terms of making clear what their requirements are for
14 your price and what the consequences are of not
15 meeting those because I think that will also go to
16 your question. I think it's very important that we
17 really do focus in on how the mechanics of this work.

18 Tom, can you comment on that?

19 CHAIRMAN OKUN: I'd appreciate hearing from
20 him on that.

21 MR. BOURDON: Okay. Yes. I'd be glad to.
22 Bill Emberson, who is behind me, handles barium
23 carbonate. He's the product manager. I personally
24 have made many visits with him over especially that
25 period in the 2002 time frame when it seemed like

1 there was a huge influx of price quotations to a
2 number of customers that for many years we never heard
3 about Chinese material.

4 I think a lot of that had to do with the
5 fact that now granular was showing up, and they were
6 able to tell small customers in the glass industry
7 that a large customer was buying a lot of quantity
8 from them now. This was a huge base for them to get
9 in the U.S. with that large customer.

10 We began seeing these price quotations at
11 many of these smaller customers, midsize customers,
12 and it was definitely Chinese pricing that fueled
13 these reductions in prices. They were held out to us
14 at all of our meetings and to our competitors as well.
15 I can't speak for them, but I'm sure that they
16 probably saw the same thing.

17 CHAIRMAN OKUN: When you say they saw the
18 same thing, I mean, is this in terms of -- just help
19 me out.

20 MR. BOURDON: Yes.

21 CHAIRMAN OKUN: Are they physically showing
22 you quotes, or are they describing for you what they
23 believe they can get in the market? Are they specific
24 as to --

25 MR. BOURDON: I believe we had some

1 communication in writing. A lot of it is verbal, but
2 obviously we wouldn't react to this kind of pricing.

3 I have to be responsible to the president of
4 the company. I would not just volunteer price
5 reductions when natural gas and everything else is
6 through the roof unless we were in dire straights in
7 terms of having to meet a price or lose business. I
8 think we have outlined several of these accounts in
9 confidentiality.

10 CHAIRMAN OKUN: You have, which kind of goes
11 to this question of how we would evaluate them. I
12 mean, they are certainly record evidence at this
13 point.

14 Mr. Emberson, I saw you shaking your head
15 back there when I was asking about how you saw it or
16 how they described it. Maybe you could add some
17 details there.

18 MR. EMBERSON: Yes, ma'am. Basically in the
19 barium carbonate --

20 CHAIRMAN OKUN: Hold on one second. Mr.
21 Bourdon, if you can just turn off your microphone?
22 There is sort of an echo.

23 MR. EMBERSON: With customers in the United
24 States that purchase barium carbonate, traditionally
25 they have always bought from a basis of comfort, from

1 a comfort zone. Therefore, our particular position
2 being a domestic producer has always been a good
3 policy for them.

4 In the last year, year and a half or so,
5 they have started looking into factors associated with
6 imports of Chinese product. A good position that we
7 found I guess from a strategy of Chinese importers and
8 such has been to hold up large volumes of product
9 being moved into the United States and having on-site
10 inventory in the domestic U.S. The way the
11 negotiations traditionally have started is that we
12 would either have an existing contract with a
13 particular customer that may or may not have a meet or
14 release clause.

15 To be quite honest with you, regardless of
16 whether the price with a particular customer was what
17 we consider firm, meaning no up or down reduction, to
18 a certain extent in recent months hasn't come to bear
19 that it meant a whole lot in our negotiations because
20 the fact of the matter is that they would show
21 pricing, sometimes written, that they have received
22 pricing at such a level. A lot of times it would just
23 be verbal that if this price is not able to be met
24 then we will have to seek purchases from imports.

25 The troubling portion of that is a lot of

1 times it didn't stop there. Let's say, for instance,
2 if some of the Chinese pricing was not good enough,
3 especially at first try, they would try again, and the
4 price would in return drop. We have actually
5 negotiated contracts, had it locked down, and within
6 45 days they have executed an additional -- and this
7 is customers; an additional meet or release clause.

8 CHAIRMAN OKUN: Okay. My red light has come
9 on, but those were very helpful in trying to
10 understand this. I think I have more questions, but
11 I'll do that on the next round.

12 Commissioner Koplan?

13 COMMISSIONER KOPLAN: Thank you, Madam
14 Chairman.

15 At page 2 of their prehearing brief,
16 Respondent Red Star argues that, and I'm quoting:
17 "U.S. TV glass purchases are under intense pressure
18 from downstream U.S. television tube and television
19 set producers who are facing their own competition
20 from imports of televisions from China and Malaysia."
21 That's an obvious reference to an ongoing
22 investigation that we have that's now in its final
23 phase.

24 They state that, and I quote: "This
25 pressure in the much larger downstream television

1 industry is the dominant force that affects demand,
2 volume and price conditions for the barium carbonate
3 market. The current condition of the U.S. television
4 industry has resulted in decreased demand, shipment
5 volume and prices for barium carbonate in the U.S.
6 market. Despite these conditions, CPC has increased
7 shipments and gained market share."

8 I note that at page 39 of your prehearing
9 brief you state: "Over the past several years, U.S.
10 demand for television glass, which fuels demand for
11 barium carbonate, has declined as a result of
12 increased imports of low-priced finished television
13 sets."

14 In light of the fact that the Commission did
15 not find that the domestic barium carbonate industry
16 suffered material injury in our preliminary
17 determination, I would like you to reply to
18 Respondent's argument.

19 MR. WOOD: Okay. Well, I think there's a
20 number of things that we'd like for you to take into
21 account when you're looking at this. One is, of
22 course, that our --

23 COMMISSIONER KOPLAN: Could you move that
24 microphone a bit closer?

25 MR. WOOD: Sure. All right. I think at the

1 outset to me that's a little bit of a naive argument
2 to say that oh, the TV glass people are suffering
3 these adverse conditions, and as a result, you know,
4 somehow out of that either the price comes down.
5 Well, of course they want price reductions. I don't
6 think anyone is questioning that.

7 COMMISSIONER KOPLAN: You do cite this
8 yourself in your brief.

9 MR. WOOD: Well, I think that our main point
10 is the decline is certainly set to demand
11 significantly in the future with the Corning-Asahi
12 plant going out, but, yes, you quoted our brief
13 accurately with that.

14 Our point on this, though, is that if you
15 look at our shipments, our sales to these customers,
16 they have in fact gone up and down over the last
17 couple of years. We'll deal with that, of course, in
18 the post-hearing brief, but the fact is that
19 conditions have not been consistent throughout the
20 market.

21 I guess the other point that I'd like to
22 make --

23 COMMISSIONER KOPLAN: Can I just break in
24 for a second and ask you this?

25 MR. WOOD: Sure.

1 COMMISSIONER KOPLAN: In looking at the
2 first quarter of this year --

3 MR. WOOD: Yes.

4 COMMISSIONER KOPLAN: -- when they finally
5 exited the market, I'm wondering if --

6 MR. WOOD: I'm sorry. When they exited?

7 COMMISSIONER KOPLAN: The Chinese. Well,
8 what I'm looking at in my tables looks like they
9 basically left in the first quarter of this year.
10 I'm wondering why you weren't doing better
11 in the first quarter of this year if it's not impacted
12 by this circumstance?

13 MR. WOOD: Well, I think, Commissioner
14 Koplan, for one it's not hard to envision that once
15 prices do come down it's much harder to lift them back
16 up.

17 That's really the point that I wanted to
18 make is that even if one grants that yes, the TV glass
19 producers are under pressure and want price
20 reductions, you've got to take the next step and say
21 what is the lever that is being given to them in order
22 to force those price reductions down? What has the
23 change been in the last couple of years that was not
24 present before that allows them to do this?

25 Some of these producers have been facing

1 fairly severe conditions for a long time, and they've
2 gone up and down over time. The point that we've
3 heard in our testimony this morning and I think we
4 could certainly give you any data you wanted on is
5 that there has just never been this degree of price
6 decline in such a short period. Something brand new
7 is happening here.

8 Our view, and we think it's backed up by the
9 records the staff has gathered and the import
10 statistics, is that the new factor is the increased
11 activity and the increased volume and the price
12 pressure being exerted by the Chinese imports.

13 MR. PRICE: Could I just add, Commissioner
14 Koplan, to that?

15 COMMISSIONER KOPLAN: Sure.

16 MR. PRICE: If I may respectfully say so,
17 you have to be careful here in the distinction between
18 imports and domestic shipments when you look at the
19 first quarter of 2003. That's a critical point.

20 We have seen no let up in the first quarter
21 of sales, and I can't go into the confidential
22 information, but I think you'll understand what I'm
23 talking about. There's a big difference between
24 imports and shipments.

25 It's not surprising at all, given the

1 tremendous quantity of imports that came in in the
2 last part of 2002, that we would be suffering very
3 badly in the first quarter of 2003. In fact, it seems
4 to me almost if we weren't something would be wrong.
5 I wanted to respond to that, your question about
6 imports.

7 Also, again I would respectfully suggest
8 that exited the market? I wouldn't use the term exit.
9 They may not have shipped for a quarter or two, but we
10 think that's very much the result of the preliminary
11 in this case, and I think there's information in the
12 record that supports our position on that and the
13 dumping margins.

14 COMMISSIONER KOPLAN: Thank you.

15 Red Star claims in their brief at pages 21
16 and 22 that subject imports exited the market by
17 January to March of 2003, that the absence of Chinese
18 imports in 2003 means inventories will not be
19 replenished, and that inventory sales in China by Red
20 Star declined overall during the period examined and
21 aren't expected to increase in 2003 and 2004.

22 While importers' inventories in the U.S.
23 increased during the period examined, any current
24 overhang is simply a result of shipments destined for
25 BassTech's major TV glass customer and thus have

1 already been sold.

2 What significance do these arguments have on
3 our threat analysis in this final phase of
4 investigation?

5 MR. PRICE: We would suggest very little. I
6 mean, if what they're saying is they're no longer
7 interested in this market, they have a very strange
8 way of showing it by contesting this case as
9 vigorously as they have.

10 COMMISSIONER KOPLAN: Thank you.

11 They also argue that any surge in subject
12 imports during the period were simply the replacement
13 of imports from non-subject sources, Mexico, by
14 subject imports with absolutely no impact on the
15 volume or market share of CPC, which actually
16 increased consistently during the period examined.

17 That's their argument, and I'd like you to
18 respond to that if you would.

19 MR. PRICE: Well, I'll ask Mr. Mauldin as
20 well, but this is a pricing case. Everything we've
21 shown you, this company has to produce at near
22 capacity. This plant runs seven days a week, 24 hours
23 a day. You don't stop and start the process. As long
24 as they are in production, they have got to move
25 product.

1 So what's killing with the Chinese, they
2 competed with Solvay, and they competed with the
3 Mexicans. It was a vigorous but fair competition, and
4 you didn't have the pricing effect you have now, if
5 you look at the record. But it's not the quantities
6 that were replaced; it's the pricing of what came in.
7 It's the pricing of the Chinese product, but let me
8 ask, Ballard, either you or Tom, if you want to expand
9 on that.

10 MR. MAULDIN: Really, I don't know how I
11 could add anymore to what you just said, Mr. Price.
12 It's absolutely it. It's sort of interesting. We've
13 got a new financial guy that's come into our company
14 about three months ago, and within a week -- I've just
15 got to remember what he said -- his analysis of the
16 whole thing: It's price. It's price. It's price.
17 That's exactly what he said on the situation. It's
18 simply an issue of pricing.

19 Mr. Price did characterize the plant. The
20 plant, obviously, in order to utilize capacity, it
21 must run. It must run close to capacity for a number
22 of reasons. Kilns -- I won't go into the depth of
23 that, but one of the heart of the operations is the
24 kiln. The kiln needs to run, uninterrupted, 24 hours
25 a day. Many times, again, I won't get into the

1 technology of it, many times, it takes, if you've had
2 a kiln shutdown, it may take the better part of a day
3 or even in excess of a day to, as the old-timers would
4 say, "to line it out" in order to bring about steady
5 state operating conditions on the process. So it's
6 not a process subject to simply turning off a light or
7 throwing the switch and turning it back on.

8 COMMISSIONER KOPLAN: Thank you, and I know
9 you got into some detail on that in the brief as well.

10 MR. MAULDIN: Thank you, sir.

11 COMMISSIONER KOPLAN: At pages 9 and 10 of
12 the prehearing brief of Red Star, they point out that
13 the segment of the market for calcined barium
14 carbonate, Product 1, in our pricing analysis, is by
15 far, in terms of dollar value, the most important
16 segment. They argue that the margins of underselling
17 were both mixed and quite low for Product 1 and
18 comparable to the margins of overselling, referring to
19 Table 5-1 at page 5-6.

20 They then argue that what they characterize
21 as the low margins of underselling are significant
22 because the Commission asked purchasers of imported
23 barium carbonate how much higher the import price
24 would have to be before they would have bought U.S.-
25 produced barium carbonate, and the average response

1 was 22 percent. The argument is that the margins of
2 underselling were a very small fraction of that and,
3 therefore, lacked the potential to displace domestic
4 sales.

5 I see my red light is on, so you can respond
6 to that in my next round.

7 CHAIRMAN OKUN: Go ahead and respond now to
8 Commissioner Koplan.

9 MR. PRICE: Yes. I want to say, first of
10 all, we think that question was not understood,
11 misleading. We take great issue with that 20 percent.
12 I would also urge you to look at --

13 COMMISSIONER KOPLAN: Twenty-two percent,
14 actually.

15 MR. PRICE: I would urge you to look at the
16 number of responses. I would urge you to look at who
17 they were. I think you will find they were very small
18 producers. So I think that's basically a red herring.
19 That won't stand up, and it's just clearly not true.
20 I think if you actually read the questionnaires, it
21 seemed to us the people didn't really understand the
22 question and weren't sure what they were saying
23 because there were other statements in these
24 questionnaires, again, there were only a few of them,
25 and they only represent very small quantities, that

1 should not be taken as having any significance.

2 What's important is this is a commodity
3 product, and you would expect to have small margins of
4 underselling, and I would urge you to look at the
5 volumes and when the underselling took place.

6 COMMISSIONER KOPLAN: Thank you for that,
7 Mr. Price. If you want to expand in a post-hearing, I
8 would appreciate --

9 MR. PRICE: We will certainly expand on the
10 22 percent.

11 COMMISSIONER KOPLAN: Thank you. Thank you,
12 Madam Chairman.

13 CHAIRMAN OKUN: Thank you. If I could just
14 go back for a moment to the question of what the
15 interim periods tell us about the Chinese presence in
16 the market or the presence of subject imports in the
17 market, the one thing I did want, and, I guess, this
18 would go to counsel, a comment on, which is, as you
19 know, in the staff report, we prepared a Table C-1,
20 which is based on questionnaire responses, and Table
21 C-2, which is based on official U.S. import
22 statistics.

23 With regard to looking at the U.S. imports
24 from China, the quantity on the two tables, I would
25 like your response, just generally, your response on

1 which table we should put a focus on, and then,
2 second, with regard to that, with regard to the issue
3 of what we see of the Chinese product during the
4 interim period, if there is anything you want to say
5 publicly about that, although I think you have
6 responded in talking about where you think the product
7 remains in the market. And I know Commissioner Koplan
8 asked you about that Respondents' argument, which is,
9 if it's in the market, it's under contract, and how
10 does that impact your pricing, and if you could expand
11 on that in post-hearing. But, Mr. Price, it looks
12 like you want to say something here as well.

13 MR. PRICE: Yes. I think, and Mr. Wood will
14 say something as well, that perhaps the staff report
15 didn't give enough weight to the FOB prices, if you
16 will, in this sense: One thing, it's an easy
17 comparison to look at FOB Chinese prices, FOB Mexican
18 prices, FOB German prices. You get a very good
19 comparison. Now, I understood your question earlier
20 about that may not necessarily represent what's being
21 sold.

22 What it does represent, though, is the
23 flexibility the importer has in terms of pricing. In
24 other words, if I'm an importer, I would much rather
25 be buying at \$100 FOB than \$200 FOB. That gives me a

1 lot more flexibility in terms of my pricing, going
2 back, particularly in the kinds of negotiations that
3 occur here. And I think, for that reason, we think
4 you have to look at both, but perhaps the Census data
5 were not given appropriate, if not weight, at least
6 appropriate consideration. Chris, would you like to -
7 -

8 MR. WOOD: No. I think that's about right,
9 and we'll expand on that in the post-hearing brief.
10 Thank you.

11 CHAIRMAN OKUN: Okay. I appreciate that.
12 And then, just to go back to you, Mr. Emberson, which
13 is at the end of my last round, you were talking about
14 negotiations and how your customers have raised the
15 issue of subject imports. I do know that there was a
16 fair amount of information in the briefs with regard
17 to large customers. If there is anything else in
18 terms of documentation, you know, understanding that a
19 lot of this is oral, but if there is anything else
20 that you could provide in post-hearing on the presence
21 of subject imports and how they are used in
22 negotiations, I would appreciate that as well, just
23 again, in understanding this.

24 MR. EMBERSON: Yes, ma'am.

25 CHAIRMAN OKUN: Let me turn, if I could, to

1 one other market question, which is, one of the things
2 that was referenced a few times in the briefs and in
3 the staff report was that TV glass producers purchase
4 both barium carbonate and strontium carbonate as raw
5 materials, and I wondered if you could talk about
6 whether it's important in this market, whether it was
7 important, whether it's important now, that a producer
8 be able to provide both to a customer, and if it is,
9 is that price a package? Do you give a break on one
10 or the other in terms of packaging the two products,
11 if you do?

12 MR. BOURDON: I guess I'll handle that
13 question.

14 CHAIRMAN OKUN: Okay.

15 MR. BOURDON: No. They are handled
16 separately. Now, you've got to understand, TV glass
17 people tend to handle their negotiations at the same
18 time, but they buy other raw materials for their glass
19 as well as barium carbonate and strontium carbonate.
20 There is lead, and there is potassium carbonate, other
21 materials. But they handle them separately. They
22 just happen to occur at the same time. And does a
23 supplier have to have both? I think there's cases,
24 even with the Chinese, where they supplied just one
25 item to a customer for some years, of course, not at

1 the large volume that started in around 2002, but yes.
2 I mean, you don't have to have both.

3 CHAIRMAN OKUN: Okay. That's been the same
4 over both of those periods. It's not a change at all
5 in how business is being done that you could now do
6 one or the other. It's always been negotiated
7 separately.

8 MR. BOURDON: No, no. The TV glass people
9 would not limit their --

10 CHAIRMAN OKUN: Negotiate at the same time
11 pricing --

12 MR. BOURDON: -- negotiating ability by
13 saying you have to have both.

14 CHAIRMAN OKUN: Okay. And are there any
15 other services? I think, Mr. Emberson, one of the
16 things that you had said is in how it used to be was
17 suppliers were looking for comfort in some ways. They
18 had a reliable supplier, and they were going to keep
19 with it. And your testimony and others, as I
20 understand it, is that when the Chinese were able to
21 show, they were able to come in both the quality and
22 the quantity that gave them the comfort they needed to
23 perhaps test or perhaps buy that product.

24 MR. BOURDON: Yes.

25 CHAIRMAN OKUN: Is there anything else with

1 relation to services that CPC provides that lets you
2 maintain a premium in any way? And I wonder this most
3 specifically with regard to Micro Flow, whether you
4 provide anything, in addition to Micro Flow, any
5 special equipment or anything else that they need
6 that's part of that package.

7 MR. EMBERSON: I guess, to elaborate on it
8 just a little bit, the Micro Flow product was
9 originally a patented product. It gave us
10 dispersibility characteristics. It's very well needed
11 in the brick industry, as the products entered into
12 the clay source. But I guess, for any additional
13 services, I think, for the time being, associated with
14 that particular product or even the other ones, it's
15 really come down to a big pricing issue.

16 I think that without the Micro Flow product,
17 the Chinese material has been able to virtually mirror
18 our other products, which has made them very accepted
19 into the marketplace for use, whether it be in glass
20 or in miscellaneous applications. But I would say,
21 any additional values at the moment that we're adding
22 into our process, our product, our service, or our
23 literature almost falls on deaf ears at the moment,
24 especially when pricing has come into the forefront of
25 the customers.

1 But I'll be honest with you. We're
2 constantly striving to always put that in the
3 forefront, but it all comes down to price, and as long
4 as it has been shown that there is a steady stream or
5 an infrastructure, as has already been established by
6 the influx of Chinese material, the customer has the
7 comfort level. They now have the price, and as a
8 domestic producer, we are forced to address that
9 price, and that's the detriment.

10 CHAIRMAN OKUN: Mr. Mauldin?

11 MR. MAULDIN: I just wanted to add
12 something, if I might, Commissioner. Some customers,
13 we do supply, and this is in the Micro Flow arena, we
14 do supply a small feeder -- we call it a "Micro Flow
15 feeder" -- to them. Some customers elect to use their
16 own feeding apparatus as well. But I think I remember
17 you asking something about equipment as well, and
18 that's been something -- it's a very simple device,
19 but it's a device that allows them to feed material
20 into their process.

21 CHAIRMAN OKUN: Okay. And then with regard
22 to the testimony that's been given regarding whether
23 the Chinese are trying to compete with Micro Flow, you
24 both, today in your testimony and in Exhibit 5 of your
25 prehearing brief that contained information from 2002,

1 indicated that the Chinese have begun selling a new
2 formula, and I wondered if there is anything else
3 specific you have with regard to that product since
4 that point, since that's more than a year old, and we
5 haven't really come up with anything else in the
6 record. Is there anything else that you're aware of
7 with regard to the Chinese new product? Mr. Emberson?

8 MR. EMBERSON: I think, at this particular
9 point, thank goodness, we have not seen any additional
10 infiltration into our marketplace with what is
11 considered a different grade of a product that would
12 be introduced into the brick and tile industry. We
13 have maintained our product viability, which has been
14 able to sustain our pricing level that we need in
15 order to survive, as to be a profitable company. But
16 I think, as we continue along, that that will be the
17 next inroad that I feel confident that the Chinese
18 manufacturers will try to enter, and then price, in
19 return, will become the main topic of discussion, and
20 that's our big concern.

21 CHAIRMAN OKUN: Okay. I see my yellow light
22 is on. I did have more questions, but I'll turn to
23 Commissioner Koplan.

24 COMMISSIONER KOPLAN: Thank you, Madam
25 Chairman. Seaforth argues, at pages 3 and 4 of their

1 brief, that CPC's cost relating to key inputs used in
2 making barium carbonate have been a major factor in
3 your downward financial performance in recent years.
4 Initially, they point to barite ore as the primary raw
5 material used in the production of barium carbonate.

6 They further argue that much of your
7 production equipment is antiquated and inefficient,
8 and, consequently, your manufacturing costs -- I see
9 you're already smiling -- your manufacturing costs,
10 energy costs, and costs relating to the production of
11 -- put you at a substantial cost disadvantage to
12 producers of the subject product.

13 In sum, their position seems to be that your
14 economic performance is attributable to these input
15 costs, not to subject imports, and Red Star makes
16 similar arguments.

17 I note that when Mr. Gutmann testified at
18 the staff conference, he mentioned that, in 1999 and
19 2000, he says that CPC told them that you were
20 purchasing the full annual requirement of barite ore,
21 estimated at 55,000 short tons, direct from China.

22 I'm also curious as to what percentage of
23 the cost of production of barium carbonate is
24 attributable to this input. Could you comment on
25 these arguments?

1 MR. MAULDIN: If I may, let me start off.

2 COMMISSIONER KOPLAN: Thank you, Mr.
3 Mauldin.

4 MR. MAULDIN: Thank you, sir. First of all,
5 let me take absolute exception to the fact that our
6 equipment is antiquated and out of date. I think, if
7 you come and examine our plant, you will find that
8 it's anything but that at all. We do take great pride
9 in keeping our equipment current and very efficient.

10 I would argue that our efficiency is better,
11 frankly, than any efficiency in the world, from what I
12 know. Perhaps we could address some of that in what
13 we're referring to as the post-conference brief.

14 COMMISSIONER KOPLAN: Certainly.

15 MR. MAULDIN: Let me take the barite
16 question or comment, if I may, please. It is
17 absolutely true that we have taken some barite from
18 China. This is for two reasons, really. Number one,
19 it extends our reserves. We do have a great quantity
20 of reserve, both in Cartersville, Georgia, and we also
21 have a reserve in Mexico. But nevertheless, we have
22 taken, through the years, some of this material.
23 There has never been a year, and I'm not sure where
24 this comment that you're quoting from Mr. Gutmann,
25 that we have never operated with 100 percent of our

1 requirement on any given year from China. I have no
2 idea where that came from.

3 As a matter of fact, I think it's very fair
4 to say that in all but perhaps one year, and this was
5 because of a circumstance that we could probably
6 mention in post-hearing, that the vast majority of our
7 ore has come locally. They would make the implication
8 that the price of the ore is much different from China
9 versus the other.

10 COMMISSIONER KOPLAN: Is the quality -- they
11 claim that the quality is --

12 MR. MAULDIN: The quality is extremely
13 comparable. As a matter of fact, our local ore is
14 slightly better in terms of quality than the Chinese
15 ore. It's slightly easier to run and easier to use.
16 Again, we can comment on some of those things in post-
17 hearing.

18 The quality of our ore is excellent. In
19 terms of assay, for instance, -- an assay is percent
20 BAS-04 -- you will see, and I hope our people are
21 taking notes, that the quality of our ore is just as
22 good. The impurity levels in our ore is better,
23 slightly better, than what's coming from China.

24 So for someone to say that the quality of
25 our ore is much worse is absolutely false.

1 COMMISSIONER KOPLAN: They spent a lot of
2 time on that.

3 MR. MAULDIN: Please explore that, is all I
4 can ask you, and I'm saying to our attorneys, please
5 jump on that because it's absolutely false.

6 Let me say, if I may, something about
7 energy. It's another thing that the Seaforth people
8 that I think you were quoting, I don't recall these
9 people ever being at our plant. They have made these
10 allegations about our equipment is outdated. They
11 seem to know everything about our process. I'm not so
12 sure they have ever even seen our process. I can't
13 imagine them making allegations like that. They have
14 never been there. They surely haven't.

15 Let me talk a bit about energy because they
16 seem to make something about energy. Absolutely
17 natural gas and I know you guys know now that you're
18 here. Natural gas is a serious subject when it comes
19 to the United States' energy. It's a very serious
20 subject, especially with the chemical industry. If
21 you would just allow me to through the process just a
22 little bit, --

23 COMMISSIONER KOPLAN: Certainly.

24 MR. MAULDIN: -- just a little bit, I'll be
25 brief.

1 First of all, in energy consumption, in our
2 process, in the barium carbonate process, -- let me do
3 it by the finger -- there's actually three areas,
4 basic areas, that I would characterize energy
5 consumption. First of all, there is the kiln area.
6 This is a reduction kiln. You probably will see some
7 reference to it in some of your staff reports.
8 Secondly, there is steam that's required from that in
9 order to do things like leach the material and others.
10 But the point is there is the kiln; secondly, there is
11 steam; and, thirdly, there is the drying or
12 granulation end. These are the three areas of energy.

13 Now, let me just tell you, without going
14 into too much detail because some of this is
15 confidential in our process, and, by the way, it's
16 subject to your verification, if you wish to do so, in
17 our process, the kiln is not fired on natural gas. It
18 can run natural gas, but it's primarily fired on waste
19 oil. Waste oil, if you'll check records, what we
20 refer to as "No. 5 oil," has not experienced the
21 volatility, the ups and downs, that natural gas has.
22 Please look. It hasn't. We have records that do show
23 that.

24 Also, as far as the steam, and I really
25 don't want to go into much detail on this, but just

1 take it as it's worth, we have a process that we can,
2 through waste-heat recovery and other things, we can
3 make almost enough steam from recovering waste heat to
4 run that plant. Do you understand what I've just
5 said?

6 COMMISSIONER KOPLAN: Yes.

7 MR. MAULDIN: Recovering from waste heat,
8 and most of that waste heat is coming from the kiln
9 process. And even for the very small amount of heat
10 or steam that's required from the primary boilers, our
11 primary boilers now are fired on No. 5 oil.

12 So I'm telling you that natural gas is not
13 the issue of the kiln. Natural gas is not the issue
14 in the boiler. Now, natural gas could be an issue in
15 the granulation or the calcination process.

16 Let me give you some magnitude there. In
17 general terms, we like to refer to the fuel efficiency
18 of that part of the process in therms per ton of
19 material. A therm is 100,000 BTUs. You may have
20 heard a million BTUs or something like that, but let
21 me give you some magnitude here.

22 Back in the 2000 era, natural gas, to some
23 extent, was about 30 cents a therm, or if you want to
24 put it into dollars per MMBTU, about three dollars per
25 MMBTU. Now, on the average, it's up somewhere on the

1 order of between five and six dollars per MMBTU or,
2 let's just say, for the benefit of the doubt, let's
3 say 60 cents per therm. Let's say it's double what it
4 is right now, and that's pretty close to what we're
5 running. Our calcination process and our granulation
6 process, and I'll say this at the risk of telling some
7 of our trade secret a little bit, operates on the
8 order of 40 to 50 therms per short ton of material.

9 Let's just take 50, again, to make things
10 easy. Let's say, in the year 2000, that cost, if you
11 take 50 therms per ton, and you take 30 cents per
12 therm, simple math will tell you that that's about \$15
13 per ton. Now, let's say now on that process. Now,
14 it's roughly 60 cents a therm, and let's again use the
15 high number, let's use 50 therms per ton, that's \$30.
16 The difference between the two is \$15. Thirty minus
17 15 is \$15. The magnitude we're talking about here and
18 the damage done is an order of magnitude, quite
19 frankly. It's 10 times that.

20 So I'm telling you that that's not relevant
21 to this particular case. I'm telling you, please,
22 that number one, in the kiln process, natural gas is
23 not the issue; it's waste oil, and those processes are
24 not volatile like the other. I'm telling you that
25 waste heat is recovered in the second part of the

1 process, and I'm telling you, even in the third
2 process, which does use natural gas, we're only
3 talking about a cost of \$15 a ton or so of natural
4 gas, and we're talking about price cuts here on the
5 magnitude of \$100 to \$200 per ton that's happened in
6 two years. As our accountant says, "It's price. It's
7 price. It's price. That's the answer here. This is
8 the issue.

9 You know, just looking at a number, and I've
10 got to say this, that's on our notes here, and this is
11 the customs value of the material coming out of China:
12 In the year 2000, it was \$325 a ton, and in the year
13 2002, it was \$230 per ton. This is the FOB China port
14 value. That alone tells you something of what's going
15 on here.

16 I sort of got overboard in expounding on
17 this a little bit, but I had an opportunity, and I
18 appreciate you giving me the opportunity, really.

19 COMMISSIONER KOPLAN: Don't apologize.

20 MR. MAULDIN: Thank you. I feel better now.

21 COMMISSIONER KOPLAN: I'm glad I could help.

22 Thank you very much for your response. It's much
23 appreciated. Thank you, Madam Chairman.

24 CHAIRMAN OKUN: We could just end the
25 questions there, but I still have a few, so I will

1 keep going.

2 Just back in terms of making sure that I
3 understand everything going on with the product and
4 all of the different variations, which is, one of the
5 things in the record is that at least one of the TV
6 glass manufacturers purchases a slightly different
7 product than some of the other TV glass manufacturers,
8 and I wondered if you could talk about that a little
9 bit in terms of I want to make sure that I understand
10 what that means and what it means for potential
11 competition with the Chinese and then also just to
12 make sure, and although I think I understand this from
13 staff, that it's accurately reflected in the staff
14 report and in your financials properly.

15 MR. BOURDON: I could answer that. The
16 product is a little bit different, but they are
17 interchangeable. They are both granular products.
18 It's a preference to the customer as to what they use,
19 and I can tell you firsthand, from that major
20 customer, that we were told, point blank, that they
21 could very easily use the Chinese granular product
22 instead of the product that we're selling them. I
23 don't know what else I could say other than that.

24 CHAIRMAN OKUN: It doesn't have any
25 proprietary characteristics in terms of the way -- I

1 guess Micro Flow is no longer under patent --

2 MR. BOURDON: No.

3 CHAIRMAN OKUN: Is it more like a Micro
4 Flow-type product or more just like --

5 MR. BOURDON: No, and Ballard could expound
6 on it, but it's built more for a granular alternative
7 to calcined, you know, material, but it's considered
8 by them to be the same, and in recent times, with the
9 pricing activity they have seen from China, we were
10 told, point blank, they see them as interchangeable.

11 CHAIRMAN OKUN: Okay. And, Mr. Mauldin, I'm
12 happy to have you expand on that, but my other
13 question is, in terms of the pricing products that we
14 collected pricing for, would this product have been
15 reflected in Product 1? Okay. I just wanted to make
16 sure that I understand that.

17 Mr. Mauldin, is there something else you
18 wanted to say about the product?

19 MR. MAULDIN: No.

20 CHAIRMAN OKUN: Okay. Mr. Wood?

21 MR. WOOD: No. I just wanted to clarify for
22 the record that you're correct. It is in Product 1.
23 It's a granular product.

24 MR. PRICE: Could I just?

25 CHAIRMAN OKUN: Yes, Mr. Price.

1 MR. PRICE: Again, you mentioned the staff
2 report, and one of the purposes here, we can comment
3 on the staff report. We think basically the staff has
4 done a wonderful job. They were down at CPC.

5 I guess, though, their treatment of this
6 product that you mentioned, I think we might differ
7 with slightly, and it's probably just a matter of
8 wording. I think Mr. Bourdon said it right. It's
9 interchangeable. I think they take the position
10 somehow it's not, or it may not compete, or the
11 Chinese don't compete with that, and we would take
12 issue with that, that that's not the case at all.

13 We will have more information on that, but
14 this also goes to the elasticity of substitutability,
15 and, again, we think that's too low. We think the
16 products are much more substitutable, and this may be
17 one of the reasons why that elasticity is where it is.
18 We think it should be higher.

19 CHAIRMAN OKUN: Okay. I appreciate those
20 comments. And then, I guess, I would ask, in any
21 post-hearing information that you provide on this, if
22 you would look at Table 3-3 and from that let me know
23 whether the company receives a premium for this type
24 of product, whether that's reflected in Table 3-3 or
25 something else. I'll leave it there on that one.

1 Another thing, just in terms of the TV glass
2 producers, to make sure I understand the Corning
3 situation. As I understand it, Corning has closed the
4 State College, Pennsylvania, plant but not Mount
5 Pleasant, Pennsylvania. Is that accurate?

6 MR. BOURDON: Yes. First of all, Mount
7 Pleasant, Pennsylvania, is a joint venture between
8 Corning, Asahi, and Sony, so Sony would have a lot to
9 say about the presence of the Mount Pleasant facility,
10 and I don't know the details of what actually is
11 happening with the ownership there.

12 CHAIRMAN OKUN: Okay. Can you talk in
13 public session about whether your company has a
14 relationship in supplying that plant, going forward?

15 MR. BOURDON: I think I would prefer to --

16 CHAIRMAN OKUN: -- do it in the post-
17 hearing.

18 MR. BOURDON: Yes.

19 CHAIRMAN OKUN: Okay. And also, just if you
20 could, in doing that, Mr. Price and Mr. Wood, look at
21 whether you think that whatever is said in that is
22 accurately reflected in the data that we have,
23 including some of the tables that were put together
24 with regard to the purchaser, sort of the TV glass
25 purchasers. Okay. That's helpful.

1 Let me go back to you, Mr. Emberson. One of
2 the things you had also mentioned was the presence of
3 meet-or-release clauses, and there is a mention of
4 this both in the brief and in the staff report. I
5 just wanted to make sure that I understand that what
6 you're saying is not that they -- have they been
7 triggered? I guess that should be my question.
8 During the period of investigation, have you had the
9 meet-or-release clauses triggered?

10 MR. EMBERSON: Yes.

11 CHAIRMAN OKUN: You have?

12 MR. EMBERSON: Yes, ma'am.

13 CHAIRMAN OKUN: Okay, okay. Then I will go
14 back and look. I assume that was in your brief.

15 MR. EMBERSON: Yes.

16 CHAIRMAN OKUN: Okay. Let me go back to
17 that. I think I must have missed that. All right. I
18 will look at that.

19 Then, in the instances, again, going back to
20 the information that was provided in the brief
21 regarding price suppression and price renegotiation,
22 which we explored a little bit in the public session,
23 I wondered if you, for post-hearing, could provide
24 details on what percentage of your sales those
25 contracts represent so that I can understand kind of

1 in order of magnitude and relation to volume what
2 percent of total sales these would represent.

3 MR. EMBERSON: Okay.

4 CHAIRMAN OKUN: I see counsel shaking their
5 head --

6 MR. EMBERSON: Good. We can do that.

7 CHAIRMAN OKUN: -- and Mr. Emberson saying
8 he will help with that, which will depend, I'm sure,
9 on you.

10 All right. Now, let me turn to a couple of
11 questions more specific to threat. We, of course,
12 have incomplete data regarding the Chinese producers,
13 although Red Star is believed to be the major Chinese
14 producer. One of the things I'm interested in is
15 whether you have any other information regarding other
16 Chinese producers, and I think it was you, Mr. Price,
17 that may have talked about the others, or maybe you,
18 Mr. Wood, in terms of that Chinese chemical market
19 report, whether there was any discussion there about
20 the quality of the product the other Chinese producers
21 have available, whether it's of the quality that could
22 come to the United States.

23 I know one of the arguments has been that
24 with the Asian market growing for TVs, finished TVs,
25 and we've heard a great deal about that, that those

1 other producers are selling something slightly
2 different into that market than what would be coming
3 into the United States, and I want to make sure that
4 we've had a complete response from you on the best
5 information you have on that.

6 MR. WOOD: Okay. Well, to start with, I
7 think you do have the best information that we have.
8 I personally can't claim some expanse of knowledge of
9 the Chinese industry beyond what's on the record, and
10 that would include the article that we've given you.
11 I think the main points we want to make, though, that
12 this is not limited just to Red Star because three
13 years ago you could have said the same thing about Red
14 Star, is that simply because they haven't sold to the
15 TV glass manufacturers here yet or that they haven't
16 come in large quantities here yet, as the capacity
17 continues to rise every year, and you look for
18 somewhere to absorb that capacity, I don't think that
19 we can have a whole lot of confidence in what the
20 future holds on that.

21 The fact of the matter is that just from the
22 information that is on the record, there appear to be
23 a number of Chinese producers that are very, very
24 significant producers, and perhaps the other folks
25 could comment on this. I'm not sure what the actual

1 technical difference is between anything they might
2 produce and what's sold to the TV glass people here
3 or, conversely, how difficult it would be to set up
4 that capacity. I'll leave it at that.

5 MR. PRICE: If I could just add, --

6 CHAIRMAN OKUN: Yes. Mr. Price?

7 MR. PRICE: -- we do know that there is at
8 least one other Chinese supplier, and that's Seaforth
9 Supply. It's different from Red Star. I think they
10 have indicated who it is. I won't mention the name in
11 public, but it's in this market. It's very
12 interesting.

13 Seaforth filed a brief. They are interested
14 in the case. Obviously, it's important to them, but I
15 don't believe, unless something has come in that I'm
16 not aware of, that the Commission has received a
17 questionnaire response from that other Chinese
18 producer. So it's a little bit of a handicap to know
19 -- we know at least one other that's shipping but is
20 not cooperating, and we think there are others as
21 well.

22 CHAIRMAN OKUN: Okay. I appreciate those
23 comments.

24 Oh, yes, Mr. Graves.

25 MR. GRAVES. Yes. I was just going to say

1 one other thing. I don't know that we could probably
2 identify all 30 of the producers that Chris mentioned,
3 but probably 10. I know that I've even received some
4 e-mail. One of my responsibilities is to just track
5 imports and kind of keep up with some of the
6 companies, and I've even received e-mails from
7 companies quoting prices as low as, say, \$135 a ton,
8 FOB Chinese port, and everything that they have shown
9 me, as far as what specifications they would have,
10 would be 99 percent barium carbonate and 99.2 percent
11 barium carbonate, those type of numbers.

12 When you look at what we actually shipped to
13 the television glass producers, I think our average
14 barium carbonate -- help me, Ballard, -- is probably
15 somewhere around 97 and a half to 98 percent. So this
16 would even possibly be considered a higher purity
17 product. You mentioned that it might not be as pure
18 as what might be coming into the U.S., but I think
19 that we've got evidence that would show otherwise.

20 CHAIRMAN OKUN: Okay. Mr. Graves, if those
21 e-mails are not on the record, if you could make sure
22 that they are on the record and then provide analysis,
23 if you could, in terms of what that means in terms of
24 quality, to the best of your ability.

25 Commissioner Koplan?

1 COMMISSIONER KOPLAN: Thank you, Madam
2 Chairman. I would just like to follow up.

3 I think I understood your response, but
4 you're saying, then, that there are other Chinese
5 producers other than Red Star that are producing the
6 calcined, granular, barium carbonate, what we call
7 Product 1.

8 MR. MAULDIN: May I answer that? And the
9 answer is absolutely yes.

10 COMMISSIONER KOPLAN: Okay.

11 MR. MAULDIN: Yes, there are.

12 COMMISSIONER KOPLAN: But you're saying that
13 they are not yet shipping to the U.S. market.

14 MR. MAULDIN: I'm sure they have shipped
15 some, but, by far, the vast majority of the material
16 coming into the U.S. has been Red Star.

17 COMMISSIONER KOPLAN: Has been Red Star.

18 MR. MAULDIN: Yes.

19 COMMISSIONER KOPLAN: If you have any
20 evidence that they are shipping what we call Product
21 1, I would appreciate -- it wasn't Mr. Emberson -- Mr.
22 Graves, if any of these e-mails concern what we call
23 Product 1, the television glass, I would be very
24 interested in seeing that.

25 MR. GRAVES: Yes. We do have actually some

1 quotes. Now, as far as imports, I'll have to go back
2 and look. I don't think that the data that we would
3 pull off the ITC Web site, I don't think it would
4 distinguish between a granular or a powdered barium
5 carbonate form.

6 COMMISSIONER KOPLAN: I'm interested in this
7 as well because this morning, Mr. Wood, you were
8 talking about the tremendous growth of Chinese
9 capacity in this barium carbonate market, and so it
10 would be of interest to me if you have some
11 documentation on this part of it. Thank you.

12 I'm just curious. If demand is down, why
13 does the U.S. offer such an attractive market for the
14 Chinese in the granular, TV glass segment of the
15 market?

16 MR. MAULDIN: Let me give you a very short
17 and practical answer. In the period of investigation,
18 the demand certainly wasn't down that much. Corning
19 made it announcement, and I think that's what you're
20 referring to, on April the 15th of this year. In
21 fact, they ceased operations just in the month of May,
22 I believe it is. Chris, I think I beat you to the
23 microphone. Excuse me.

24 MR. WOOD: Well, I mean, the other point to
25 make is that you can look at the demand and say, yes,

1 there has been a decline there or whatever, but it's
2 still a very significant sized market relative to
3 other untapped markets out there for the Chinese
4 producers, and I think that's the point that we're
5 making, is that if your capacity grows, and you've
6 already got a very strong, very heavy presence in
7 Asia, Japan, places like that, then it would seem
8 logical to me that another large, untapped market is
9 somewhere that one would look, and I think that the
10 import statistics bear us out on that.

11 COMMISSIONER KOPLAN: Thank you.

12 MR. PRICE: If I could just add, too, that
13 if you're already selling to parents or affiliated
14 companies in Europe and Asia, this is a natural
15 extension for you.

16 COMMISSIONER KOPLAN: Thank you.

17 I'm almost afraid to ask this question, Mr.
18 Mauldin, of you, but I'm going to come back to
19 Seaforth, if I could, for just a moment. They allege,
20 at page 3 of their brief, that demand for barium
21 carbonate in the U.S. has decreased in part because
22 U.S. production of ferrite powder and ferrite magnets
23 has virtually ceased in recent years, -- I see you're
24 already smiling -- and U.S. producers of these items
25 had previously been significant purchasers and users

1 of barium carbonate. Could you explain this to me?
2 Does it in any way relate to what we've described in
3 our staff report as Products 3 and 4 in our pricing
4 analysis?

5 MR. MAULDIN: I'm going to give you a break
6 and let Tom respond to that.

7 MR. BOURDON: What you're referring to is
8 barium carbonate that would go into the manufacturing
9 of barium ferrite, and that market has been gone way
10 before this period of investigation.

11 I will bring up one point, though, is that
12 one consumer did start using some barium again for
13 barium ferrite, and we have referenced a quotation, an
14 undercutting price quotation, that was made on that
15 consumer, and I think we can reference it again in the
16 post-hearing brief. The one customer that did go back
17 to using barium ferrite was affected by the Chinese
18 imports.

19 COMMISSIONER KOPLAN: Thank you very much
20 for that, and with that, I have no further questions.

21 CHAIRMAN OKUN: Just a related question to
22 Commissioner Koplan's regarding demand in the United
23 States. Just for post-hearing, when you address that,
24 if you will focus not just on what you think the
25 overall demand was but just, in the granular portion,

1 what the record reflects in terms of apparent
2 consumption and, again, how that relates to the
3 attractiveness of the U.S. market and also looking
4 forward.

5 And then, secondly on that, which is, I
6 think, the other point of my question in the last
7 round, -- I'm losing track of them now -- is just in
8 terms of looking at where the Chinese production is
9 likely to go, and obviously you made the point about
10 what Chinese production is that the Respondents have
11 pointed to and will point to again, the growth in TV
12 production overseas and that that would be attractive
13 as well and take some of this demand, I guess, some of
14 their capacity. And if you could attempt to address
15 that, along with commenting, and you may have already
16 -- it doesn't reflect it, but in the prehearing staff
17 report, on page 7-1, where it talks about the world
18 market for barium carbonate, they have the global
19 supply capability in there, global demand, and the
20 estimate for global growth in demand. All of the
21 figures are confidential, but if you can be sure that
22 you comment on those statistics in there as it relates
23 to threat characteristics or threat, I would
24 appreciate that.

25 And I think I'm just left with a few

1 housekeeping things, which is, in your prehearing
2 brief, I thought there were several useful documents,
3 which I've referenced today in my questions, but in
4 some cases, the exhibits refer to other documents or
5 raise questions for me whether other documents exist
6 that would help the Commission in evaluating the facts
7 surrounding the issues, and I will give you the ones
8 that I had noted.

9 One was with regard to Exhibit 1, which
10 refers to a fax, another fax, if you could include
11 that. Exhibit 8 contains information containing CPC's
12 negotiations with a particular customer; if you could
13 provide more documentation detailing those
14 negotiations, including the other documents that are
15 referenced in Exhibit 8. And with regard to Exhibit
16 9, page 1 is a document detailing price negotiations
17 with a certain customer, dated October 24, 2002. It
18 refers to confirming paper work. In addition, page 3
19 of that exhibit refers to a 1999 sales purchase
20 agreement, and page 4 refers to follow-up
21 documentation, and page 10 refers to a letter of
22 agreement. If you have those available, if you could
23 provide those so that I could evaluate those in the
24 context of your arguments, that would be very helpful.

25 Commissioner Koplan, did you have any other

1 questions?

2 COMMISSIONER KOPLAN: No, I don't.

3 CHAIRMAN OKUN: Do staff have questions for
4 this panel?

5 MR. CANTRELL: Ray Cantrell of the staff. A
6 question for Mr. Mauldin.

7 Mr. Mauldin, you said, I believe, that you
8 have practically enough waste steam to run your entire
9 plant. Is that correct?

10 MR. MAULDIN: I'm talking about in the
11 barium carbonate process, Mr. Cantrell, we have enough
12 waste energy, and, again, we'll be happy to address
13 the details of this, enough waste energy there that we
14 can recover waste energy and convert that into steam
15 and almost enough steam to completely run the barium
16 carbonate process without the addition of any primary
17 steam, and what addition there is is extremely small.
18 So it's a matter of waste-heat conversion, that's
19 using any heat that might be wasted, and converting
20 that into steam energy.

21 MR. CANTRELL: Could you answer this
22 question? If not, if you could do it in your post-
23 hearing. Do you employ co-generation at your plant?

24 MR. MAULDIN: Coke generation?

25 MR. CANTRELL: Excuse me. Co-generation,

1 co-gen.

2 MR. MAULDIN: Co-gen. No, we do not.

3 MR. CANTRELL: Okay. Thank you.

4 MR. MAULDIN: We do not. We have looked at
5 that.

6 MR. CANTRELL: Okay. Thank you very much.
7 The staff have no further questions.

8 MR. MAULDIN: Yes, sir. Thank you.

9 CHAIRMAN OKUN: Do counsel for those in
10 opposition to relief have questions? Mr. Lee?

11 MR. LEE: We have no questions.

12 CHAIRMAN OKUN: All right. Well, I want to
13 thank the witnesses very much for your testimony, for
14 all of the answers you've given to our questions, and
15 for the information you will be providing post-
16 hearing.

17 This looks like a good time to take a lunch
18 break. Before I bang down the gavel here, we
19 understand that the Department of Commerce is going to
20 announce its margins determinations at noon today, so
21 we will ask counsel to comment on those in your post-
22 hearing brief. And the room is not secure, so be sure
23 you take any confidential business information with
24 you when you leave, and with that, we will take a
25 recess until one-fifteen.

1 (Whereupon, at 12:12 p.m., a luncheon recess was
2 taken.)
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1 A F T E R N O O N S E S S I O N

2

3 CHAIRMAN OKUN: Good afternoon. This
4 hearing of the United States International Trade
5 Commission will please come back to order.

6 Good afternoon, Madam Secretary.

7 MS. ABBOTT: Good afternoon, Madam Chairman.

8 CHAIRMAN OKUN: I see that our second panel
9 of witnesses has been seated.

10 Have all the witnesses been sworn?

11 MS. ABBOTT: Yes, Madam Chairman.

12 CHAIRMAN OKUN: You may proceed.

13 MR. LEE: Thank you, Commissioner. My name
14 again is Adams Lee. I'm with the law firm of White &
15 Case, representing Qingdao Red Star. With me today
16 are Ben Gutmann and Alan Chalup of Bass Tech
17 International. They are the importers of Red Star
18 material and, without further ado, I would like to
19 introduce them so that we could go over some of the
20 points in this case where based on what we've heard
21 this morning it seems like we actually have a lot that
22 we agree with CPC about and what we'd like to do is
23 explain, even though we agree with these points, we'd
24 like to explain what the significance of these points
25 is, in our view, supporting a negative determination

1 and then after we go through those points we'd like to
2 identify a few points where we disagree with them and
3 would like to clarify those points.

4 So without further ado, I will turn it over
5 to Mr. Gutmann.

6 MR. GUTMANN: Thank you. Good afternoon.
7 My name is Ben Gutmann. I am CEO and Managing
8 Director of Bass Tech International. With me today is
9 Alan Chalup, Vice President of Bass Tech. Alan and I
10 testified before the commission in the preliminary
11 investigation last October and we're pleased to have
12 the opportunity to appear again before the commission
13 in this final investigation.

14 Today Alan and I would like to focus first
15 on some key factors where we are in agreement with CPC
16 regarding the conditions of competition that affect
17 the U.S. barium carbonate market. Although we agree
18 with CPC on these points, we will explain why we
19 disagree on the significance of these points as they
20 relate to the conditions analysis.

21 We also will focus on a number of statements
22 made by CPC that we believe grossly mischaracterize
23 several key factors concerning the conditions of
24 competition in the barium carbonate market.

25 First, we agree with CPC that barium

1 carbonate is principally used in the production of
2 specialty glass, particularly television glass, as
3 well as in the production of structural clay bricks
4 and tiles. We agree that the largest and most
5 important market is the television glass market, which
6 for most of the period of investigation was composed
7 of four producers: Techneglas, Thompson, American
8 Video and Corning Asahi. Thompson, by the way, makes
9 the glass for televisions that go in RCA, Proscan and
10 AVG makes the glass that's used in Sony televisions.

11 We also agree that demand in the United
12 States for barium carbonate will likely decrease in
13 the future. Although the structural clay segment has
14 remained steady, demand from the primary market
15 segment, the U.S. T.V. glass market, is decreasing.
16 This decline in demand has occurred for the primary
17 reasons as follows:

18 One, T.V. glass producers are moving to the
19 geographic locations where the market for traditional
20 CRTs is strongest and still growing, for example,
21 China, southeast Asia and eastern Europe.

22 Secondly, T.V. glass producers are global,
23 multi-nationals that are shifting their production
24 from high cost production sites to lowest cost
25 production sites globally in order to maximize their

1 economic benefit.

2 Thirdly, in more economically advanced
3 markets such as the United States and western Europe,
4 consumers are switching their purchasing from
5 traditional CRT T.V.s to next generation type of T.V.s
6 that utilize plasma, LCD, flat screens or projection
7 T.V.s which do not require barium carbonate.

8 We disagree, however, on the significance of
9 this declining demand for barium carbonate,
10 particularly in the U.S. T.V. glass market. As the
11 commission is well aware, U.S. T.V. assemblers are
12 facing significant import pressure of their own and
13 have filed an antidumping case against color
14 television receivers from China and Malaysia, in which
15 the commission issued a preliminary affirmative
16 determination just last month.

17 This pressure on the U.S. T.V. assemblers
18 directly affects U.S. picture tube manufacturers and
19 U.S. T.V. glass producers and all electronics to
20 reduce costs from their suppliers in order to deal
21 with the competitive conditions in their market.

22 One of the four T.V. glass producers,
23 Corning Asahi Video, recently announced the permanent
24 closure of its T.V. glass production facility in State
25 College, Pennsylvania as of June 30th. This plant is

1 closed forever and its manufacturing equipment has
2 been sold to a T.V. glass producer in China.

3 Thompson has shut down two of its U.S.
4 picture tube production lines because Thompson's tube
5 production has been halved. Thompson has also
6 canceled plans to refurbish a U.S. T.V. glass line in
7 light of this reduced demand. Instead, Thompson has
8 chosen to focus its efforts on increasing its China
9 picture tube production.

10 Technoglas has also reduced production
11 within the past year by about 50 percent. As part of
12 multi-national corporations, the U.S. T.V. glass
13 companies are facing pressure to reduce costs and to
14 shift production to China and other Asian markets. In
15 light of these tight market conditions facing the
16 downstream U.S. T.V. glass and T.V. assemblers, raw
17 material suppliers face extreme pressure to reduce
18 prices. This is a dominant condition of competition,
19 not the mere presence of Red Star's discrete volume of
20 imports that shapes the U.S. barium carbonate market.

21 CPC tries to dismiss this extreme pressure
22 exerted by T.V. glass manufacturers on barium
23 carbonate suppliers by claiming that "Pressure to
24 reduce prices is a constant condition faced by raw
25 material suppliers to the television glass industry."

1 This is not true. The market conditions in U.S. T.V.
2 and T.V. glass industry were obviously much worse over
3 the past two years as evidenced by the fact that the
4 U.S. T.V. industry now felt a need to file the recent
5 antidumping petition on CT.V.s from China and
6 Malaysia.

7 As the commission recognized in its
8 preliminary determination, the volume of CT.V.s from
9 China and Malaysia increased more than tenfold from
10 2000 to 2002, with the sharpest increase occurring
11 from 2001 to 2002. In light of this recent increase
12 in import volumes, U.S. T.V. assemblers, U.S. picture
13 producers and U.S. T.V. glass producers faced unique
14 levels of competitive pressure to reduce costs that
15 were much more extreme than the petitioners suggest.

16 Indeed, the commission found that U.S. T.V.
17 production fell substantially and that the U.S. T.V.
18 industry's financial performance worsened as subject
19 imports increased.

20 We believe that a reasonable analysis of
21 demand conditions of barium carbonate created by U.S.
22 T.V. glass producers will indicate that Chinese barium
23 carbonate imports, particularly from Red Star, cannot
24 be blamed for CPC's condition. Thus, while we agree
25 with CPC that demand is decreasing primarily because

1 of the extremely tight market conditions facing the
2 U.S. T.V. glass and T.V. manufacturers, we disagree
3 that this particular condition of competition warrants
4 an affirmative injury or threat determination.

5 Indeed, given that this dominant market
6 condition has everything to do with CPC's current
7 condition and nothing to do with Chinese imports, we
8 believe that this condition of competition warrants a
9 negative determination.

10 Another point where we are in agreement with
11 CPC is the fact that imports have shifted from Mexico
12 and Germany to China. Worldwide, there are only a
13 handful of producers of barium carbonate: CPC in the
14 United States, Red Star and Gingi and several smaller
15 producers in China and Solvay in Europe. We
16 specifically explained to the commission in the
17 preliminary investigation that the increase in Chinese
18 imports in 2002 pursuant to an agreement that was
19 reached between our company, Red Star and the Mexican
20 barium carbonate producer CMV, where CMV agreed to
21 stop producing barium carbonate in Mexico and agreed
22 to receive a commission for any sales of Red Star
23 barium carbonate that our company makes to former CMB
24 customers.

25 We strongly disagree with CPC that CMB was

1 forced out of the U.S. market by this agreement. CMV
2 willingly negotiated this commission marketing
3 agreement with us because they recognized that their
4 strengths were in strontium carbonate and that Red
5 Star's strengths were in barium carbonate and that an
6 agreement combining these two basic strengths would be
7 mutually beneficial.

8 CPC should know this because from 1999 to
9 2001 CPC was aggressively trying to court us and
10 negotiate a similar agreement with Red Star and us.
11 We had multiple high level management negotiations, at
12 least three times in China and numerous times in
13 Cartersville, over this two-year period. CPC's
14 suggestion that we forced out CMB sounds like sour
15 grapes. We would not wait idly by while they
16 endlessly deliberated over whether to enter into an
17 arrangement with us. Rather than being able to take
18 decisive action and finalize a long term agreement for
19 the material that they already had been purchasing
20 from Red Star and us, CPC has once again turned to
21 plan B and asked the government for protection from
22 imports. It seems that all the information that was
23 provided by Red Star and us in good faith efforts to
24 reach an agreement with CPC during our negotiations
25 has reappeared in this case in a twisted effort to

1 prove that we are somehow unfairly competing.

2 During 2000 and 2001, CPC was our largest
3 single customer. If they say they were purchasing Red
4 Star material just for testing purposes, this is not a
5 realistic statement because the volumes they were
6 purchasing far exceed a realistic quantity necessary
7 to prove both quality and consistency.

8 In fact, CPC has been purchasing from us for
9 over three years. This experience with CPC seems to
10 substantiate our argument that the qualification
11 process is in fact much longer and complicated than
12 what CPC is now telling the commission.

13 While we agree with CPC that Chinese imports
14 increased in volume from 2001 to 2002, we strongly
15 disagree with CPC's argument that this increase was
16 significant because the Chinese import volume merely
17 replaced non-subject Mexican imports that were
18 presumably at non-injurious levels and did not affect
19 CPC's volume in any way. Indeed, our marketing
20 agreement with CMB actually allowed CPC to increase
21 their shipments and market share because after CMB
22 stopped producing in 2001, CPC became the exclusive
23 supplier of both barium carbonate and strontium
24 carbonate to both Corning Asahi and American Video
25 Glass. CPC had already been the exclusive supplier

1 for barium carbonate and strontium carbonate to
2 Thompson, which uses CPC's spray dried material, which
3 has no comparable product from China. Red Star
4 material had not been approved at any of these T.V.
5 glass producers.

6 So while we agree that import shifted from
7 Mexico to China, we disagree that this harmed CPC in
8 any way. Indeed, it looks to us like CPC improved
9 their position by becoming the exclusive supplier of
10 barium carbonate and strontium carbonate to three of
11 the four U.S. T.V. glass producers.

12 Techneglas, unlike Corning and Thompson, has
13 for years sought to maintain a diverse supply base and
14 has sought barium carbonate from CPC, Solvay, CMV and
15 Red Star. To the extent Techneglas increased its
16 purchases of Red Star material, it was to replace
17 volume previously supplied by CMV. It would be
18 unreasonable for CPC to claim that it somehow lost
19 volume that was previously supplied by CMV. CPC is
20 not entitled to the share of Techneglas volume
21 requirements that it had not had, in fact, Techneglas
22 reported to us that they believe that this antidumping
23 petition was filed by CPC in order to punish
24 Techneglas for supporting the Bass Tech Red Star CMV
25 marketing agreement. I believe that even if Red Star

1 material was restricted from the market as a result of
2 this case, Techneglas will still support other
3 non-subject imports rather than using CPC's material.

4 Another key point that we agree with CPC is
5 the fact that in the structural clay market segment,
6 Chinese powdered material does not compete to any
7 significant degree with CPC's patented Microflow
8 product. CPC is insulated from any significant
9 competition from Chinese imports, not only because of
10 its technical difference in the type of barium
11 carbonate, but also because of geographic differences.
12 We sell our powdered product to structural clay
13 manufacturers located primarily in the western U.S.
14 Most West Coast customers cannot afford the
15 significant transportation charges required to ship
16 CPC's products over 2000 miles by truck or rail from
17 Cartersville, Georgia. We do not sell any barium
18 carbonate to the remaining 80 to 85 percent of the
19 structural clay manufacturers who are mainly located
20 in the eastern half of the United States. These
21 structural clay manufacturers are locked into using
22 CPC's patented Microflow product.

23 Unlike the T.V. glass producers, the
24 structural clay manufacturers do not experience any
25 global pricing pressures and thus can charge a

1 significant premium for their spray dried Microflow
2 product for which no comparable product exists.

3 I know our list of brick and tile customers
4 and have a good idea of CPC's brick and tile
5 customers. In short, we are in agreement that there
6 is little to no overlap between our customers and
7 CPC's customers in this market segment. Accordingly,
8 in light of this undisputed fact, there can be no
9 injury or threat of injury caused by Chinese powdered
10 barium carbonate given the little or no correlation
11 between Chinese powdered imports and CPC's Microflow
12 product in the structural clay market segment.

13 At this point, I will turn the microphone
14 over to Alan, who will continue.

15 MR. CHALUP: Good afternoon. I'd like to
16 discuss a little bit more now on the situation --

17 CHAIRMAN OKUN: Bring your microphone a
18 little closer, if you would, please, Mr. Chalup.

19 MR. CHALUP: Is this better?

20 CHAIRMAN OKUN: Thank you.

21 MR. CHALUP: We also would like to highlight
22 the following points made by CPC in the pre-hearing
23 brief that we believe are an inaccurate and misleading
24 description of certain key factors affecting the
25 barium carbonate market.

1 Contrary to CPC's claim, barium carbonate is
2 not a commodity in which price is a decisive factor
3 considered in purchase decisions. In our preliminary
4 testimony, we stated that in the U.S. barium carbonate
5 market, the supplier with the lowest price does not
6 always get the sale. Contrary to CPC's incorrect
7 claim, price is not the main criteria in purchasing
8 decisions of barium carbonate.

9 The staff report emphatically refutes CPC's
10 description of barium carbonate as a commodity product
11 where price is the key factor. Quality was
12 overwhelmingly identified by purchasers as the number
13 one factor considered in purchasing decisions. Only
14 one out of 24 purchasers said they would always buy
15 the lowest price offered. In contrast, seven out of
16 those purchasers said they would never purchase the
17 lowest price offered. Without proven quality that
18 purchasers are willing to put in the production line,
19 price is not even a consideration.

20 Contrary to CPC's claim, quality and
21 qualification process has kept Chinese barium
22 carbonate out for years and is likely to keep it out
23 in the imminent future. Although the commission in
24 the preliminary determination concluded that
25 qualification was not a significant barrier to entry,

1 the commission now has more detailed responses from
2 the purchasers to determine how significant
3 qualification is a barrier to entry.

4 In particular, we question the accuracy and
5 validity of affidavits submitted by former T.V. glass
6 employees which are relied upon by the commission in
7 the preliminary determination. These affidavits
8 suggested that the qualification process can be
9 completed in about only 30 days. In contrast, the
10 staff report notes that the medium qualification time
11 identified by purchasers was five to six months.
12 Regardless of the length of the actual qualification
13 process, the decision to initiate the qualification
14 process is even more significant and takes much more
15 time to get to that point.

16 Also, T.V. glass producers prefer to source
17 their requirements for barium carbonate together with
18 their requirements for strontium carbonate, which used
19 roughly in equal proportions in their glass
20 composition. CPC is a producer of barium carbonate in
21 Cartersville and strontium carbonate in Mexico and is
22 able to negotiate a complete package for the T.V.
23 glass producers. By only being able to offer barium
24 carbonate, the customer would be concerned about
25 sourcing a sufficient strontium carbonate allotment

1 because CPC could withhold the strontium carbonate or
2 offer it at unfavorable prices if it wasn't purchased
3 as a package.

4 Our lack of shipments to any T.V. glass
5 manufacturer other than Techneglas for more than ten
6 years is proof that the decision to initiate a
7 qualification process is indeed a real barrier to
8 entry in the T.V. glass markets.

9 Another point concerning quality and
10 qualification that needs clarifying is the
11 commission's statement in the preliminary
12 determination that qualification by T.V. glass
13 producers in third countries indicates a likelihood
14 that affiliated U.S. T.V. glass producers will
15 similarly find the Chinese barium carbonate acceptable
16 from a quality and qualification standpoint.

17 The record gathered by the commission staff
18 now indicates that this statement is not true. Asian
19 T.V. glass producers generally use the compacted
20 granular barium carbonate whereas U.S. T.V. glass
21 producers use a calcined granular barium carbonate,
22 with the exception of Thompson, which uses spray dried
23 material that is exclusively produced by CPC.

24 CPC does not produce calcined granular
25 barium carbonate. Red Star is to our knowledge the

1 only Chinese producer of calcined granular that has
2 exported calcined granular barium carbonate to the
3 United States for T.V. glass production. Techneglas
4 is the only U.S. T.V. glass producer that has actually
5 used Chinese calcined granular product. Red Star is
6 not guaranteed to be qualified by Thompson or Corning
7 in the United States just because Red Star material
8 may be qualified at Thompson or Corning affiliates
9 elsewhere in the world.

10 Qualification in one plant does not mean
11 qualification for all affiliated plants around the
12 world because T.V. glass factories have unique subtle
13 differences in production processes and raw materials.
14 Therefore, barium carbonate must be tested through
15 independent qualification trials at each individual
16 T.V. glass location.

17 CPC argues that the margins of underselling
18 for the calcined granular barium carbonate was
19 significant. I don't know the underselling margins
20 identified in the staff report, but I do know that our
21 prices on Red Star calcined granular to Techneglas are
22 in the same range that Techneglas gets for Solvay's
23 product. Given the market power exerted by the T.V.
24 glass producers, no barium carbonate supplier is in a
25 position to demand a significant premium in price over

1 any other supplier. It is our understanding that
2 during annual contract negotiations with T.V. glass
3 producers prices have always been within a nominal
4 range for CPC and the non-subject imports. Therefore,
5 since we are all in a nominal range of price, price
6 was not the determining factor to get T.V. glass
7 business.

8 We disagree with CPC's argument that Red
9 Star's calcined granular product is suppressing prices
10 to the T.V. glass producers. First, we are not
11 qualified to supply Thompson or Corning, therefore, it
12 is unreasonable to say that Thompson forced CPC to
13 lower their prices in response to an unqualified
14 product and unproven supplier that Thompson would
15 never use in their production process. If this were
16 the case, then any Internet offer for barium carbonate
17 would be deemed a legitimate offer and price movement
18 would be more extreme.

19 Second, to the extent anyone is setting
20 prices, it is the T.V. glass manufacturers, not the
21 barium carbonate suppliers. As discussed above, the
22 extreme market pressure that developed for U.S. T.V.
23 glass producers from 2000 to 2002 was the dominant
24 factor that affected the granular barium carbonate
25 market.

1 Third, CPC ignores the fact that its price
2 for calcined granular has consistently been well above
3 prices offered by Solvay and CMV. Solvay is approved
4 at every U.S. T.V. glass manufacture perhaps with the
5 exception of Thompson. Solvay therefore is in a
6 better position to have a much greater influence on
7 pricing than we are because we are only approved at
8 Techneglas.

9 We have e-mail correspondence from Corning
10 where they told us that Solvay's price was lower than
11 our offer and that was an additional reason why the
12 qualification process was never initiated for us at
13 Corning.

14 Therefore, we must assume that at least for
15 Corning Solvay is the benchmark price setter. Thus,
16 it would be inappropriate and inaccurate to attribute
17 the effects from these other pricing forces to Red
18 Star's imports which were shipped only to one T.V.
19 glass producer, which was Techneglas.

20 Other than Red Star, CPC's competitors are
21 Solvay and CMV. To the extent that either Solvay or
22 CMV may have made statements that blame Red Star for
23 price declines, we note that either Solvay or CMV have
24 the most to gain from an antidumping order on Red Star
25 because both Solvay and CMV are lower priced than CPC

1 and would gain any volume or market share lost by Red
2 Star. Therefore, we urge the commission to consider
3 statements made by Solvay and CMV with caution.

4 CPC highlights the fact that Chinese
5 powdered barium carbonate undersold CPC's product by
6 significant margins. CPC goes so far as to admit that
7 the competition between Chinese powdered product and
8 CPC's Microflow product is attenuated so that this
9 underselling has not had any significant effect upon
10 CPC's powdered operations.

11 Indeed, despite the significant underselling
12 margins, the volume of Chinese powdered product did
13 not increase. Moreover, prices for Chinese powdered
14 product increased over the POI while CPC's prices were
15 decreasing. These points indicate that there is no
16 correlation between the pricing of Chinese powdered
17 product and CPC's Microflow powdered product.

18 In sum, there appears to be nothing other
19 than CPC's own self-interested assertions to support
20 their allegations that Chinese barium carbonate has
21 had adverse price effects.

22 Contrary to CPC's allegations, the decline
23 in the profitability of CPC's barium carbonate
24 operations cannot be tied to Chinese imports. As
25 noted above, we have described the conditions of the

1 T.V. glass industry that has created significant
2 demand side pressure on CPC. In addition to the
3 demand side pressure exerted by the T.V. glass
4 purchasers on barium carbonate suppliers to reduce
5 prices, the commission should also consider relevant
6 supply factors that also impact CPC, particularly
7 CPC's raw material and energy costs, which are wholly
8 unrelated to Chinese barium carbonate imports.

9 The raw material for making barium carbonate
10 is barite ore. China has by far the largest and best
11 quality barite reserves worldwide with purity levels
12 in excess of 94 percent. In contrast, we believe that
13 barite reserves in Cartersville, Georgia have a purity
14 level of 20 to 30 percent. The purity level of the
15 barite ore is significant because the lower quality
16 barite ore must be beneficiated or further processed
17 in order to achieve the desired specifications for
18 barium carbonate production. Higher quality barite
19 ore requires no bonification. Bonification requires
20 greater volumes of the barite ore, additional
21 processing time, and additional energy costs,
22 certainly increasing the overall costs of the barium
23 carbonate produced.

24 The higher quality Chinese barite ore gives
25 Red Star a considerable advantage over CPC, regardless

1 of whether CPC uses lower quality barite ore from
2 Cartersville, Georgia which requires bonification or
3 imports higher quality barite ore from China. In
4 fact, in 1999 and 2000, when we were trying to develop
5 business with CPC, they told us that they were
6 purchasing their full annual requirement of barite ore
7 which they told us was about 55,000 short tons from
8 China. In other words, either CPC has to use lower
9 quality barite ore mined locally that requires
10 significant and costly processing or it must import
11 higher quality barite ore from China.

12 Either option necessarily results in a
13 higher cost structure than that faced by Red Star and
14 creates supply side pressures on CPC that have had an
15 effect on CPC's bottom line.

16 In contrast, Red Star moved their factory to
17 the location of the barite mine and this permitted Red
18 Star to lower dramatically its production costs.

19 CPC also admitted that its natural gas costs
20 increased over the POI and that its barium carbonate
21 production costs are highly dependent on a variable
22 energy cost. I don't think that it's reasonable for
23 CPC to claim that it is somehow entitled to pass on
24 these costs regardless of whatever the market will
25 bear. The T.V. glass also uses significant quantities

1 of natural gas and is similarly dependent on the
2 variable energy costs. If they cannot pass these
3 increased costs on to its customers, why should CPC be
4 entitled to pass their increased costs to them? At
5 any rate, Red Star imports have nothing to do with
6 CPC's natural gas costs.

7 CPC suggests that it is entitled to achieve
8 the same level of profitability for its granular
9 operations as it does for its specialty Microflow
10 product. This is unreasonable. CPC has admitted that
11 in the structural clay market segment import
12 competition is attenuated because they supply a unique
13 Microflow product. As discussed above, CPC's patented
14 Microflow product combined with the geographical
15 segmentation means that there is little overlap of
16 competition from Chinese imports.

17 Now I want to address a little on lost
18 sales. We are the only supplier of Chinese calcined
19 granular barium carbonate in the U.S. T.V. glass
20 market segment and we are also the dominant supplier
21 of Chinese material in the structural clay market.
22 These markets have a small number of customers and it
23 would be very easy to tell if we took sales away from
24 CPC. As discussed above, our increased sales of
25 calcined granular for Techneglas replaced shipments on

1 a one-for-one basis to CMV, not CPC. CMV's other
2 business went to CPC and increased CPC's market share.
3 We have not made any sales to Thompson or Corning for
4 their American Video Glass or, at that time, the
5 Corning Asahi Video plant, because we have not been
6 qualified there. In the structural clay market, we
7 don't offer a spray dry product comparable to CPC's
8 Microflow product and CPC does not ship any
9 significant volume to the West Coast structural clay
10 customers because of the prohibitively high freight
11 rates.

12 In short, after looking at our customer
13 list, we don't feel that we can reasonably be blamed
14 for any lost sales or lost revenues alleged by CPC,
15 especially when they increased their market share as a
16 result of our agreement with CMV.

17 Barium carbonate generally goes where the
18 T.V. glass and T.V. set production is. As the
19 commission is well aware, the U.S. T.V. industry filed
20 an antidumping case against imports of T.V.s from
21 China and Malaysia. Given the significant increased
22 volume of T.V.s produced in China, it is unrealistic
23 for CPC to assert that there was little demand for
24 barium carbonate in the China market. Thompson
25 announced plans to increase production of picture

1 tubes at their China plant and described China as the
2 largest and fastest growing television production
3 market. Corning sold its T.V. glass manufacturing
4 assets from the Corning Asahi Video facility in State
5 College, Pennsylvania to the largest T.V. glass
6 producer in China. The China market is huge and it
7 continues to grow.

8 Chinese T.V. producers and Chinese T.V.
9 glass producers are responding to that huge and
10 growing home market demand. Chinese barium carbonate
11 producers in turn are responding to the escalating
12 home market demand.

13 Red Star is the only Chinese supplier of
14 calcined granular barium carbonate which is used by a
15 U.S. T.V. glass producer. Virtually all other Chinese
16 barium carbonate producers are not capable of
17 producing calcined granular and instead produce only
18 compacted granular, which is used by Asian T.V. glass
19 producers.

20 The vast majority of China barium carbonate
21 produced is a compacted granular. There is no demand
22 for compacted granular by any U.S. T.V. glass
23 producer. Thus, there is no threat that compacted
24 granular product can be shifted to the U.S. for T.V.
25 glass production.

1 Moreover, as discussed above, qualification
2 by an Asian T.V. glass producer is not transferrable
3 to affiliated U.S. T.V. glass producers.

4 CPC's Microflow is the only spray dried
5 product in the marketplace. None of the Chinese
6 powdered barium carbonate is comparable to the
7 Microflow product. They are not spray dried and do
8 not have unique additives to improve the
9 dispersability. Customers have not accepted any
10 Chinese powder product as a viable alternative to
11 CPC's Microflow product.

12 Now I'll address a bit the inventory
13 proposes no threat.

14 CPC has not even challenged that the
15 inventories of our barium carbonate in the U.S. is
16 posing a threat to CPC because those inventories held
17 by Bass Tech are already committed to Techneglas and
18 other customers that buy from us on a long-term basis.
19 No new imports have been made since the end of 2002
20 and our inventories have not been replenished.

21 In the preliminary conference, CPC testified
22 that it purchased some Chinese product to test its
23 quality, consistency and availability and suggested
24 that they were being pressured to do so. We
25 negotiated those sales to CPC. We were trying to get

1 as high a price as we could for those sales. It's
2 ironic that CPC is now complaining about Red Star
3 being too low priced when they were complaining to us
4 all along that our prices were too high.

5 In short, we strongly disagree with CPC's
6 claim that they are materially injured or threatened
7 with injury because of China barium carbonate imports.
8 Accordingly, we request the commission carefully
9 consider the additional information collected in the
10 final investigation to determine whether the record
11 evidence supports CPC's allegations of injury or
12 threat of injury by reason of the subject Chinese
13 imports. We feel that a fair and reasonable analysis
14 of the true market conditions will lead the commission
15 to make a negative injury and threat determination.

16 That concludes my testimony. We thank you
17 for the opportunity to come here and present our
18 testimony and facts and we would be glad to answer any
19 questions that you might have.

20 MR. LEE: I'd like to address a couple of
21 points on Chinese production capacity and capacity
22 utilization.

23 In the preliminary determination, the
24 commission questioned the accuracy of the Chinese
25 utilization rates and the capacity reported in the

1 preliminary phase. The record shows now from the
2 final investigation that the reported Chinese
3 utilization rates are indeed reasonable and accurate.
4 This is true because of the strong demand for barium
5 carbonate in China and in other Asian countries,
6 particularly for compacted granular barium carbonate,
7 which is distinguished from calcined granular, which
8 is used only by U.S. T.V. glass manufacturers.

9 As noted earlier, the commission's
10 investigation of color T.V.s from China and Malaysia
11 establishes without any doubt that there is a
12 significant volume of production of T.V.s in China and
13 Malaysia. In the past few years, T.V. assembly,
14 picture tube production and T.V. glass production have
15 shifted steadily towards China and other Asian markets
16 such as Japan, Korea, Malaysia, Singapore and other
17 southeast Asian countries.

18 This shift in T.V. production to Asia from
19 other markets such as North America and Europe not
20 only created increased demand for T.V. picture tubes
21 and T.V. glass, but also barium carbonate, which
22 explains not only the increase in capacity but also
23 the high capacity utilization rates notwithstanding
24 the capacity increases.

25 Contrary to CPC's unrealistic argument, the

1 record indicates that there is a high likelihood that
2 Red Star's production capacity will continue to be
3 committed to these home and Asian markets. Simply
4 stated, that's where the demand for barium carbonate
5 is.

6 The overwhelming majority of Red Star's
7 production has always been directed to home and Asian
8 markets. There is absolutely nothing to support
9 petitioner's claim that Red Star's increase in
10 capacity and production poses a threat of being
11 directed to the United States. Just because Red Star
12 exports does not mean those exports are directed to
13 the United States. Whatever threat is absolutely
14 ridiculous and based strictly on speculation and
15 conjecture.

16 In light of the market conditions that
17 establish undisputedly that China and Asia is the
18 largest and fastest growing market for T.V.s and T.V.
19 production, the commission should recognize that
20 petitioner's threat allegation is speculative and
21 should be rejected. Simply stated, Chinese exports to
22 third countries pose no viable threat to increased
23 imports to the United States market.

24 With that, that concludes my testimony and
25 we are all available for questioning.

1 CHAIRMAN OKUN: Thank you very much to the
2 witnesses for being here, for your testimony, for the
3 information you've provided in the questionnaires and
4 for the additional information that you'll be asked to
5 provide today and post-hearing.

6 I'm going to begin the questioning this
7 afternoon. I'd like to start, if I could, on the
8 arguments regarding non-subject imports and the
9 arguments made by you, Mr. Chalup and Mr. Lee in the
10 opening, that it's virtually been a one-for-one
11 displacement of non-subject imports for Chinese and
12 that therefore that cannot injure the domestic
13 industry.

14 When posed to the panel this morning, their
15 response was it's not the switch, it's the prices and
16 I wondered if you could -- I have a couple of specific
17 questions, but I wanted to have you just respond
18 generally to that argument, whether it makes a
19 difference whether it was the traditional suppliers
20 who had been in the market versus the Chinese
21 suppliers because of the price differential.

22 MR. CHALUP: While the negotiations go on
23 with our customers typically on an annual basis, as we
24 said, we have all always been in the same range of
25 pricing. Typically, within that range a supplier,

1 say, like Techneglas, would always have two or
2 possibly even three suppliers of barium carbonate and
3 strontium carbonate. Therefore, all of the suppliers
4 were somewhere in the same range so that there was no
5 real benefit or loss between who they purchased from.

6 The barium carbonate calcined granular that
7 we have been supplying in the United States has not
8 been new, as incorrectly stated by CPC. We have been
9 supplying this to Techneglas for over ten years. They
10 were our one traditional customer in the United
11 States. We always had a very small minority position
12 at Techneglas because we were not able at that time to
13 offer strontium carbonate along with our barium. The
14 barium carbonate and strontium carbonate are used in
15 roughly the same proportions in T.V. glass production.
16 Every other major producer we are discussing now for
17 non-subject imports -- Solvay produces both products.
18 Solvay is a producer of strontium carbonate in Mexico
19 and a producer of barium carbonate in Germany and now
20 has started a barium carbonate production also in
21 Mexico. Solvay, sorry. CMV was a producer of
22 strontium carbonate additionally in Mexico and also
23 had started production of barium carbonate. CPC has
24 production of barium carbonate in Cartersville and
25 strontium carbonate in Mexico. Red Star was a

1 producer initially of only barium carbonate and
2 therefore we were unable to compete here in that
3 market because we were not able to offer a complete
4 package. When we reached our marketing agreement with
5 CMV, CMV came to the table with their strengths of
6 strontium carbonate production and we came with our
7 strengths in barium carbonate and that's the only
8 reason why we were considered by Techneglas as a
9 viable supplier and why our market share grew with
10 that customer.

11 CHAIRMAN OKUN: Okay. I have some questions
12 about the packaging, but let me just ask one other
13 question which -- a lot of the information is BPI, so
14 Mr. Lee I'll direct this mostly to you, which is the
15 average unit value of subject imports which are on a
16 public table, which is Table C-5, you can look at it
17 and see what level they are. However, if you look at
18 the average unit value of shipments of subject imports
19 in Table C-1, they're not at the same level and while
20 we can't discuss the specifics, I can say that the
21 shipment values reflected in C-1 are higher than the
22 import AUVs.

23 Petitioners this morning had made the
24 argument that this provides Bass Tech with more leeway
25 to beat CPC in its price negotiations that Mr. Chalup

1 was describing and I wondered if you could comment on
2 that in the public session and then also address the
3 specifics in post-hearing.

4 MR. LEE: Sure. Absolutely. I think there
5 is a significant disconnect between petitioner's
6 allegation that you should look at the AUVs of the
7 import stats compared to the commission's normal
8 practice of actually looking at shipment data for
9 pricing. The commission looks at the shipment data
10 because that's where the competition actually happens.
11 You want to compare prices to the end user. What is
12 happening at the import statistic level is that you're
13 getting a comparison at a different point of
14 distribution. What you're seeing is the average unit
15 value as to what Bass Tech is paying to Red Star.
16 That has no impact on what CPC is getting from the
17 price from their T.V. glass customer, so it's an
18 apples to orange price comparison, so we would
19 respectfully submit that the AUVs are totally
20 irrelevant and useless.

21 CHAIRMAN OKUN: And does it become more
22 oranges to oranges if the other -- I guess the other
23 thing the petitioners described both today and in
24 their brief was that it's the flexibility that Bass
25 Tech has to use -- I guess what it is is a margin

1 spread, in terms of where they're getting their
2 Chinese product to negotiate prices and that their
3 customers, major customers, are using that information
4 to suppress prices and now I'm going to talk mostly
5 about the T.V. market where most of their allegations
6 were made.

7 MR. LEE: I would say not because I think in
8 light of what's actually happening in the marketplace,
9 I think you actually have to see what is happening in
10 terms of the T.V. glass suppliers demanding all of
11 their suppliers -- not just barium carbonate, but all
12 of their chemical raw material suppliers -- to lower
13 costs. I think that Alan or Ben can go into a little
14 more detail as to what's actually happening in the
15 marketplace. I think it would explain why the average
16 unit values really aren't relevant because when you
17 actually get to the final price comparison point that
18 is actually the point of competition, you're seeing
19 that the barium carbonate suppliers aren't really
20 having any power, any real say as to what the pricing
21 should be, it's the T.V. glass producers who are
22 demanding where prices should be.

23 CHAIRMAN OKUN: Mr. Chalup, if you wanted to
24 add to that, but let me ask you, one of the follow-up
25 questions I had with regard to that point was what I

1 think the petitioners had argued with regard to
2 purchasing power of the glass producers is that that's
3 a constant, they've been under price pressure because
4 when you have those few purchasers in a market, they
5 have market power to ask for price decreases all the
6 time and it's really more the ability of the
7 petitioner to withstand the domestic industry,
8 withstand lowering their prices as opposed to getting
9 their price increases. So if you can comment in that
10 context.

11 MR. CHALUP: With regard to pricing, what
12 should be the accurate price comparison levels, or
13 what point in the supply chain is accurate, the AUVs
14 are really not an accurate description in the sense
15 that over the last couple of years when the increase
16 in the volume occurred Bass Tech had changed its
17 logistics systems for shipments and deliveries and
18 this is basically where things become muddled and
19 where the confusion has occurred.

20 Traditionally, barium carbonate was shipped
21 in containers from Asia to a port of destination here
22 in the United States. Based on that scenario, the
23 pricing structure that it was usually sold on was on a
24 CIF basis, which means the cost of the material,
25 insurance and freight to get it to its port of

1 destination.

2 This method for smaller businesses is
3 workable. When we had begun our discussions with CPC,
4 CPC, as I told you, had continued to tell us in order
5 for us to reach an agreement that our pricing had to
6 be lower and lower. CPC when they purchased their
7 barite from China moved their barite on chartered
8 vessels through China to New Orleans, where the
9 material is then transferred in New Orleans to barge
10 to further delivery to a location close to their
11 plant, normally Chattanooga.

12 We were recommended to try to use the same
13 kind of shipment method in order to reduce our
14 logistics costs, basically the money that we would pay
15 to steamship companies or handlers to move the
16 product. We explored this possibility and it did
17 work, we were able to move our barium carbonate along
18 with other bulk minerals on chartered vessels from
19 China to the United States. Once the material arrived
20 in New Orleans, there are then costs to transfer the
21 material from the vessels to barges, inland
22 transportation costs, handling costs when it arrives
23 at our warehouse, debagging costs, different kind of
24 costs associated.

25 That's why by specifically looking at the

1 AUV price it does not reasonably summarize all our
2 costs that are associated with delivering the product
3 to the customer. There's much more involved. So in
4 the beginning when you used to see CIF values and now
5 they say the value of the material dropped so
6 dramatically, it's because we changed our logistics
7 systems to purchase the material on an FOB China
8 basis.

9 CHAIRMAN OKUN: Okay. And in terms of the
10 pricing pressure of the T.V. producers?

11 MR. CHALUP: Every T.V. glass producer here
12 in the United States is owned by a foreign company.
13 Thompson is a French company. American Video is owned
14 by Sony, a Japanese company. Techneglas is owned by
15 NEG, Nippon Electric Glass, a Japanese company.
16 Solvay sells their barium carbonate on the domestic
17 market and exports it all over the world. Red Star
18 sells their barium carbonate on the domestic market
19 and sells it all over the world. CPC sells their
20 barium carbonate in the United States and that's it.
21 They're not globally competitive on their product.
22 What they've produced now is an artificial market here
23 in the United States where they believe that their
24 prices can be protected. They want a monopoly for
25 their material and they want that monopoly sanctioned

1 by the government here and now that's why we're at
2 this hearing. What's occurring now is that every
3 buyer -- from NEG in Japan, from Thompson in France,
4 from Sony in Japan -- know globally what the price of
5 barium carbonate should be. They come to the table
6 with a knowledge of what that pricing and their raw
7 materials are worldwide and they're not willing to pay
8 a premium or support an artificial market here in the
9 United States with escalated prices by CPC.

10 CHAIRMAN OKUN: Well, I see that my red
11 light has come on, I have some other questions, but
12 I'll have another opportunity --

13 Mr. Gutmann, I'll have an opportunity to
14 come back in the next round.

15 Commissioner Koplan?

16 COMMISSIONER KOPLAN: Thank you, Madam
17 Chairman.

18 I understand that as you were answering that
19 last question the margin came in from Commerce. I
20 guess they're going to announce that. It is now 34.44
21 percent and that's for Red Star and for all others
22 it's 81.30. I just thought I'd -- that was just
23 handed up here.

24 Mr. Lee, let me just start by asking you,
25 this is business proprietary so I can't get into it,

1 but the table at page -- it's Chapter 3, page 10 in
2 our staff report, it does not comport with the direct
3 testimony of Mr. Gutmann with regard to CPC purchases
4 of barium carbonate from China during our period under
5 examination and I would ask you for the post-hearing
6 to look at that table and if you could provide me with
7 as much detail as possible as to what you think this
8 should look like, with documentation.

9 MR. LEE: Sure. I'd be willing to clarify
10 the timing of when the purchases were made between CPC
11 and Bass Tech.

12 COMMISSIONER KOPLAN: Okay. Documents would
13 be very helpful on that, anything that you have on
14 that, if you could submit it. Thank you.

15 When Red Star negotiated the agreement with
16 CMV Mexico, I guess in January of 2002 is when that
17 was completed, where they agreed to stop producing
18 barium carbonate, was Techneglas a participant in
19 those discussions? I would imagine they would be
20 because you wouldn't sign an agreement without knowing
21 that in fact you could step into CMV's shoes.

22 Mr. Chalup?

23 MR. CHALUP: Yes. Techneglas was fully
24 aware of the discussions. In fact, they were intimate
25 with them because, as you know, for a T.V. glass

1 plant, any change in either process, raw materials,
2 production, supplier or anything must be approved by
3 them since there's such a large potential for impact.
4 So they had to agree that CMV would withdraw their
5 product and now Red Star or Bass Tech would go from
6 the minority position to a much larger position in
7 their supply. But, yes, they were well aware of it.

8 COMMISSIONER KOPLAN: At the time, were
9 CMV's barium carbonate sales to Techneglas a
10 profitable operation?

11 MR. CHALUP: I don't know that.

12 COMMISSIONER KOPLAN: You don't know the
13 answer to that?

14 MR. CHALUP: I don't know the answer to
15 that.

16 COMMISSIONER KOPLAN: Okay. Let me ask you
17 this. How do the prices that Techneglas pays to Bass
18 Tech under this new arrangement compare to the prices
19 that Techneglas is paying to CMV prior to the signing
20 of that agreement? Higher, lower?

21 MR. CHALUP: It wasn't higher. We believe
22 that the pricing, even though we weren't privy to
23 their original pricing, was about the same. Within a
24 very close proximity. It was not an increase in
25 pricing to Techneglas.

1 COMMISSIONER KOPLAN: You didn't come in
2 lower than CMV? I don't understand that. What was
3 the incentive for them to switch to you, then?

4 MR. CHALUP: The incentive was -- the basic
5 incentive to CMV was to increase their strontium
6 carbonate production through the single plant that
7 they have and improve their efficiency.

8 COMMISSIONER KOPLAN: Let me understand
9 this, though, Mr. Chalup. When you entered into this
10 agreement, it would seem to me a natural question is
11 from you all to CMV is what are you getting for the
12 product now. You didn't know the answer to that? You
13 didn't know what they were charging Techneglas when
14 you entered into this arrangement? How could you do
15 that? I mean, how would you know what you could
16 charge if you didn't know what they were -- wouldn't
17 that all be a part of --

18 MR. CHALUP: CMV was responsible for the
19 marketing of the product.

20 COMMISSIONER KOPLAN: But you didn't inform
21 yourselves as to that?

22 MR. CHALUP: Well, we had discussions with
23 them at what price we could offer, what their
24 commission basis would be and for that nature, but
25 what actually their previous contract directly with

1 Techneglas was, no, we were not privy to that.

2 COMMISSIONER KOPLAN: Well, their current at
3 that time. You didn't ask that?

4 MR. CHALUP: No.

5 MR. LEE: Sir, I think it was not necessary
6 because at that time, Bass Tech was already a supplier
7 to Techneglas and we were already selling at a fixed
8 price to Techneglas and so there wasn't a need -- the
9 relevant comparison point was to Bass Tech's existing
10 price to Techneglas. It wasn't necessarily relevant
11 to compare to CMV's half price.

12 COMMISSIONER KOPLAN: Well, I hear what
13 you're saying, Mr. Lee, but I don't know that I agree
14 with that because you've described yourselves as a
15 very minor supplier prior to this happening and now
16 you're coming in with a very, very significant
17 increase in volume and I would imagine that would have
18 some bearing on what you're able to get for the
19 product. So I hear what you're saying, but I didn't
20 hear that from Mr. Chalup or Mr. Gutmann.

21 Any documentation you have with regard to
22 this negotiation and your pricing coming in, whatever
23 details you can provide for purposes of the
24 post-hearing I'd appreciate it.

25 Let me ask you this. Did CMV continue to

1 supply strontium carbonate to Techneglas after they
2 exited the barium carbonate market?

3 MR. CHALUP: Yes.

4 COMMISSIONER KOPLAN: They did.

5 MR. CHALUP: And they continue to.

6 COMMISSIONER KOPLAN: And they continue to
7 do that now.

8 MR. CHALUP: Yes.

9 COMMISSIONER KOPLAN: Since your answer to
10 that is yes, isn't that inconsistent with your
11 testimony that purchasers prefer to buy their
12 strontium and barium carbonate from the same supplier,
13 that now they'd be buying it from two different
14 suppliers, right? Strontium from CMV and the barium
15 carbonate from you all.

16 MR. CHALUP: With the marketing arrangement
17 that we have, there was a synergy between the two
18 companies which we brought forward to the customer,
19 that we were marketing it as a package. CMV would
20 offer the strontium carbonate and Bass Tech would
21 offer the barium carbonate.

22 COMMISSIONER KOPLAN: But CMV was already
23 doing the strontium with them as well.

24 MR. CHALUP: Correct.

25 COMMISSIONER KOPLAN: Okay.

1 MR. CHALUP: Correct.

2 COMMISSIONER KOPLAN: And Techneglas was
3 willing to split the suppliers on this? Right? I
4 mean, that's what they did.

5 MR. CHALUP: One of the things that you
6 heard Mr. Emberson say was a comfort level, that a
7 customer buys from whom they're comfortable with, from
8 a comfort level.

9 COMMISSIONER KOPLAN: I'm just asking the
10 question, though, they did split their suppliers on
11 these two things, didn't they?

12 MR. GUTMANN: Yes, they did split the
13 supplier. Absolutely, but they looked at us as a team
14 that was working together, so in their minds I don't
15 think they saw it as separate entities.

16 COMMISSIONER KOPLAN: Thank you,
17 Mr. Gutmann.

18 Now, this morning you heard that CPC
19 testified that its ore, barite ore, and barium
20 carbonate is superior to that of you all. Yet you
21 continue to claim that CPC's product is inferior,
22 necessitating them to spend additional sums to purify
23 their product. What is your support for these
24 allegations regarding the inferior quality of CPC's
25 product versus Chinese product?

1 MR. GUTMANN: We know for a fact that
2 they're buying barite from China. If the locally
3 mined barite was cheaper and it was a better quality,
4 why would they be buying from China? And they've told
5 us over the years that they were buying barite from
6 China.

7 COMMISSIONER KOPLAN: They told you?

8 MR. GUTMANN: Yes, they did.

9 COMMISSIONER KOPLAN: Okay. But you heard
10 me ask them this morning about the 55,000 short tons
11 of barite ore that you all had alleged were purchased
12 from Red Star and they denied it, so I guess what I'm
13 going to do -- it sounds like you're both at opposite
14 sides on this issue and I'm going to ask you if you
15 would, for purposes of the post-hearing, provide
16 detailed documentation of all purchases of barite ore
17 by CPC from Red Star during the period of examination.

18 MR. LEE: Well, a point of clarification. I
19 don't think the barite ore was directly purchased from
20 Red Star. Chinese barite ore can be sourced from
21 other suppliers, not just Red Star. The other point
22 of clarification is that we were reporting what CPC
23 told Bass Tech. We can't vouch for the accuracy of
24 the amount that they told us, we're just reporting
25 back what CPC told us that, you know, they were buying

1 for barite ore.

2 COMMISSIONER KOPLAN: If CPC denies that
3 they said that, if they deny that, you have no
4 independent knowledge of CPC purchases of barite ore
5 from Chinese producers?

6 MR. LEE: In our preliminary post-conference
7 brief, we submitted documentation regarding the
8 shipping company that we contacted who confirmed that
9 CPC was importing barite ore from China.

10 COMMISSIONER KOPLAN: Well, I'd like you, if
11 you could, to go back on this issue because it does
12 sound like I'm hearing two conflicting stories on
13 this. And you heard the testimony this morning.

14 MR. LEE: Right. And then I think --

15 COMMISSIONER KOPLAN: And you can see I'm
16 between a rock and a hard spot right now and I'm
17 looking for information from both sides.

18 MR. LEE: I think you can look at the staff
19 report, the questionnaires to the producers did have a
20 specific question regarding barite ore directed to CPC
21 and I think the responses provided do address this
22 particular issue about the sourcing amounts.

23 COMMISSIONER KOPLAN: Okay. Thank you.

24 I see my red light is on and I will continue
25 with this in my next round.

1 Thank you.

2 CHAIRMAN OKUN: Let's see. I wanted some
3 clarification on one exhibit in your brief, this
4 relates to Exhibit 2, which has to do with the supply
5 agreement with CMV and on the second page, since this
6 is your own company's information I assume you're
7 going to be able to comment, you can reply in
8 post-hearing, but let me pose the question which is it
9 lists customers on the second page of that exhibit on
10 this -- I guess what is the fifth page, it looks like
11 page 4 there, and I wanted to know why those customers
12 are listed, whether they were ones you had sold to,
13 were marketing to.

14 MR. CHALUP: Without getting into too much
15 detail, they were at the time of our agreement existing
16 customers of CMV.

17 CHAIRMAN OKUN: So on the date of this
18 agreement, they were existing --

19 MR. CHALUP: They were existing customers of
20 CMV.

21 CHAIRMAN OKUN: Okay.

22 MR. CHALUP: So the idea was that if we were
23 able to transfer that business to Bass Tech, that
24 would be their commission.

25 CHAIRMAN OKUN: Okay. And then Addendum A

1 to that, those would be -- that reflects -- those are
2 actual -- well, I guess -- it's very hard to talk
3 about this when you can't talk about anything -- for
4 post-hearing, if you could comment on Addendum A, if
5 those are actual prices that someone was paying.

6 MR. CHALUP: Okay.

7 MR. LEE: I think we can address a little
8 more in detail, but I think the fact that it was a
9 marketing agreement -- Bass Tech needed CMV's good
10 will relationships with their existing customers in
11 order to introduce the Red Star material to the
12 existing customers. We were able to pass on and take
13 advantage of that goodwill with Techneglas. For the
14 other customers, notwithstanding CMV's marketing
15 efforts on our behalf, we still are not able to sell
16 to those customers and our point from that is that as
17 a result, it looks like CPC was actually able to take
18 advantage of this inability to follow through on the
19 marketing agreement to those customers and increased
20 shipments to those customers and increased their
21 overall market share.

22 CHAIRMAN OKUN: Okay. Okay. Now, you said
23 existing customers of CMV?

24 CHAIRMAN OKUN: Of CMV's.

25 MR. LEE: Correct.

1 CHAIRMAN OKUN: Okay.

2 MR. LEE: Correct.

3 CHAIRMAN OKUN: I now understand it. So
4 that the information you've provided was what happened
5 in your attempts -- could you provide additional
6 information on your attempts to market to the other
7 customers listed there?

8 MR. CHALUP: The only customers we were able
9 to retain was Techneglas.

10 CHAIRMAN OKUN: Okay. And what about other
11 efforts with the other ones that are listed there?

12 MR. CHALUP: The efforts were on behalf of
13 CMV and they just did not come to fruition.

14 CHAIRMAN OKUN: Okay. On behalf of CMV for
15 strontium?

16 MR. CHALUP: And barium both.

17 CHAIRMAN OKUN: But barium from Red Star.

18 MR. CHALUP: Red Star. Correct.

19 CHAIRMAN OKUN: Okay. If there's any
20 additional information or documentation you have with
21 regard to those efforts and the time period in which
22 they took place, if you could provide those, that
23 would be helpful.

24 Okay. Well, now I understand that.

25 Let me ask you a couple of demand questions.

1 I had raised this with petitioners this morning
2 because they focused a lot on demand in the television
3 glass producers and the petitioners have described
4 demand over the period as up and down. What is your
5 view of what demand was over the period that we were
6 examining?

7 MR. CHALUP: Historically, demand would go
8 up and down, cyclic, as you would follow the economy.
9 That's a normal trend following. But starting, like,
10 say towards the end of 2002 and certainly now into
11 2003, there isn't a trend any more, it's basically a
12 complete change in the market. What's occurring now
13 as we had discussed previously is the that T.V. glass
14 production in the United States is diminishing because
15 a lot of the production of tubes and final T.V. sets
16 are shifting to other geographic locations, where the
17 sales for CRT T.V.s, which is what you conventionally
18 or traditionally call a T.V. set in your house, has
19 now a larger market in Asia and, say, eastern Europe,
20 okay?

21 When you produce a T.V. screen, which you
22 heard about, they're very heavy objects and they
23 really -- to ship T.V. glass by itself is not
24 economical, so typically the glass is produced at the
25 point of production, of assembly. A T.V. set is

1 assembled, you take a whole bunch of components and
2 you put them together. So traditionally, for a heavy
3 object like T.V. glass, the panels or something, those
4 objects are produced near the point of assembly, okay?
5 And the point of assembly is then normally near your
6 market.

7 The U.S., the market for traditional CRTs is
8 diminishing, one reason being the imports, thus the
9 antidumping petition that was filed against the
10 receivers from Malaysia and China.

11 CHAIRMAN OKUN: Let me just stop you there
12 because I'm not participating in that investigation,
13 there was a lot of discussion on it today, but I'm not
14 participating in it, but how would we evaluate that
15 when the commission has put a preliminary -- there's
16 been an affirmative determination in the preliminary,
17 if it were to go to a final affirmative determination,
18 would that reverse the fortunes of the T.V. glass
19 producers?

20 MR. CHALUP: To some degree, yes. To some
21 degree, there would be --

22 MR. LEE: I mean, I guess what the
23 commission has to look at is what is the record
24 evidence during the period of investigation and then
25 if you're looking forward for a reasonable inference

1 as to what is likely to happen in the near future,
2 you'd have to establish some sort of factual basis for
3 that. So it's hard to speculate whether the
4 commission will or will not vote affirmative in the
5 final determination.

6 I think in the T.V. case all you have go on
7 right now is the volume price and impact that you
8 looked at from the preliminary determination and as of
9 the time that you come to a vote in this case then you
10 have to consider whatever data you have on the T.V.
11 industry at that point in time and what reasonable
12 inferences you can make about the downstream T.V.
13 market as of your vote day.

14 CHAIRMAN OKUN: For post-hearing, it might
15 be interesting for you to look -- interesting for us,
16 for you to look at whether the commission has placed
17 reliance on interim rulings both in other countries
18 and I will direct this to the petitioners as well.

19 MR. LEE: We're not saying that you should
20 on just the fact that you voted affirmatively in the
21 color T.V.s case. We're just saying that that case
22 establishes a record regarding the trends of volume,
23 price and the overall demand in the T.V. market.

24 CHAIRMAN OKUN: Right. No, I know what
25 you're citing it for, I'm just saying that it could be

1 cited for the opposite -- or not the opposite, but to
2 support the point that if there were an affirmative
3 ruling and with a preliminary duty in place that the
4 glass producer would be more likely to remain in the
5 U.S. It's the obverse of what you're arguing, it's an
6 interesting point.

7 MR. LEE: In addition to the color T.V. case
8 that you've looked at, in our preliminary brief in
9 Exhibit 18, we had submitted documentation regarding
10 demand for T.V.s and T.V. glass, not just in the U.S.
11 but worldwide. Based on our conversations, the demand
12 for T.V.s overall in the United States, there is still
13 some growth, but compared to the growth rates for
14 T.V.s in Asia and in particular China, we would
15 definitely say that the Asian demand for finished
16 T.V.s is far greater, probably around 10 percent,
17 whereas in the U.S. and North American, it's maybe 2,
18 3, 4 percent at most.

19 CHAIRMAN OKUN: Did the information -- I
20 don't have it front of me -- the information that you
21 provided there, did it reference what the impact would
22 be like flat panels?

23 MR. LEE: Yes. I think that we have seen
24 articles -- we've seen articles saying, yes, flat
25 panel displays are coming and the end for CRTs is

1 near. However, we've seen other articles saying that,
2 no, CRTs are still going to be around for at least
3 five, ten years and that the transition is going to be
4 more gradual.

5 CHAIRMAN OKUN: That sounds a little bit
6 like the HDTV argument.

7 MR. LEE: Exactly. Exactly.

8 CHAIRMAN OKUN: And I see my light is on,
9 but just, I guess, for post-hearing, just to make sure
10 that you have commented, as I asked the petitioners
11 to, on Part 7 of the threat considerations on the
12 world market for barium carbonate and the figures in
13 there with regard to global demand and then in
14 particular, I think, in the section regarding the
15 Chinese industry to make sure that you've commented on
16 Asian demand and how that relates to the comments
17 you've just given me.

18 Commissioner Koplan?

19 COMMISSIONER KOPLAN: Thank you, Madam
20 Chairman.

21 I probably should have asked this this
22 morning, but, if you know, how difficult would it be
23 for producers to shift from compressed barium
24 carbonate to the calcined form? In other words, from
25 product 2 to product 1, I believe that is?

1 MR. CHALUP: It's a totally different
2 production process. They're not related in any sense.
3 Pressed granular material is basically taking a barium
4 carbonate powder and passing it through two high
5 pressure rollers. What the rollers actually do is
6 they compress the material upon itself under pressure
7 with no additives. What comes out of the bottom looks
8 kind of like peanut brittle and then the peanut
9 brittle is chopped and passed through a screen and the
10 finds go back in and are compressed again, the coarse
11 ones are chopped again and whatever comes out the
12 middle is viable product.

13 It does not change the physical -- it makes
14 it into a granular, but the granular is composed of
15 individual small particles of powder, okay? So what
16 happens is when a compacted granular material starts
17 to disintegrate, it disintegrates back to its powder
18 stage.

19 Calcined granular in contrast is an actual
20 fusion of the particles. The barium carbonate powder
21 is passed through a separate calcinedr, another oven
22 or calcinedr rotary kiln, at temperatures at around
23 1200 degrees where the particles are actually fused
24 together, so what you get is a very hard, very dense
25 particle with a consistency, let's say, of sugar,

1 okay?

2 So the two processes, one is not a
3 downstream or upstream from the other. They're two
4 individually separate techniques, both requiring their
5 own specialties.

6 COMMISSIONER KOPLAN: Thank you. I would
7 also ask for purposes of the post-hearing if
8 petitioners would comment on this as well. That would
9 be helpful. And I note for the record that
10 petitioner's counsel nodded in the affirmative that he
11 would do that.

12 Let me come back to that negotiation with
13 CMV if I could, just for a moment.

14 MR. CHALUP: Okay.

15 COMMISSIONER KOPLAN: I'm just going to add
16 this. I note that there is, I believe, some evidence
17 in the record that would lead me to believe that CMV's
18 operation at the time you entered into this agreement
19 was not profitable, but I can't get into the support
20 part because it's business proprietary information.
21 Assuming that that was the case, assuming that, then
22 what was your incentive to shift significant
23 production from powder to granular product 1? I
24 assume you would have had to do that to ramp up your
25 sales to Techneglas.

1 MR. CHALUP: I don't understand the
2 question, with the shift, do you mean from powder to
3 granular?

4 COMMISSIONER KOPLAN: In order to meet what
5 would be the increased demand from you for product 1
6 from Techneglas, you were a minor supplier prior to
7 that.

8 MR. CHALUP: Correct. Correct.

9 COMMISSIONER KOPLAN: Would you have had to
10 shift production from powder to granular to meet that
11 increased demand?

12 MR. CHALUP: You mean at Red Star?

13 COMMISSIONER KOPLAN: Yes. At Red Star.

14 MR. LEE: No, I don't believe so. I mean,
15 the fact that Red Star was already producing a certain
16 amount of calcined granular doesn't mean that they
17 were already operating at maximum capacity for that
18 calcined granular product.

19 COMMISSIONER KOPLAN: So you had the
20 capacity to do it?

21 MR. LEE: Because the limiting factors are
22 basically your kiln and how much you can output from
23 that kiln, whatever initial amounts that were being
24 sold to Techneglas were below that output capacity for
25 calcinedd granular.

1 Now, Red Star has capacity to produce
2 compacted granular product, but that is, as Alan
3 described, a completely different production process,
4 and so it is not the same capacity that is
5 transferrable to the United States.

6 COMMISSIONER KOPLAN: So purposes, though,
7 of calcined, you were operating at full capacity, Red
8 Star was not operating at full capacity. Is that
9 right?

10 MR. LEE: Correct.

11 COMMISSIONER KOPLAN: And how far below full
12 capacity were you?

13 MR. LEE: That I would have to get back to
14 Red Star to get into the details of that.

15 COMMISSIONER KOPLAN: Could you provide that
16 post-hearing?

17 MR. LEE: I will certainly do that.

18 COMMISSIONER KOPLAN: Thank you.

19 You've argued in your brief that quality not
20 price is the dominant factor for purchasers because
21 price is driven by the downstream product and that it
22 would take a 22 percent higher import price for a
23 purchaser of subject product to switch to domestic
24 product.

25 If that is true, would this new margin

1 assigned by Commerce cause those purchasers to exit
2 the market with you all and switch?

3 MR. LEE: Not necessarily. I mean, I think
4 because of the arrangement between Red Star and Bass
5 Tech it is not definitive. I think you have two
6 separate things. You have the margin of underselling
7 at the point of competition that is reflected in the
8 staff report and then you have Commerce's margins
9 which reflect the margins calculated based on Red
10 Star's price to Bass Tech and so they are at different
11 levels so the margins just calculated by Commerce are
12 not applicable to the underselling margins calculated
13 by staff.

14 COMMISSIONER KOPLAN: At what point would
15 they become applicable?

16 MR. LEE: It's a far more complicated
17 equation because you then have to factor in what is
18 Bass Tech's pricing behavior and then --

19 COMMISSIONER KOPLAN: Could you do that for
20 the post-hearing?

21 MR. LEE: Yes.

22 COMMISSIONER KOPLAN: Since you've raised
23 this issue I'm curious as to how you come up with
24 these new margins.

25 MR. LEE: Okay.

1 COMMISSIONER KOPLAN: So I guess you can't
2 do it on the back of your hand, but obviously you
3 ought to be able to do a computation of that.

4 MR. LEE: Yes. I think we could give an
5 explanation, but my initial reaction is that that it
6 is not necessarily tied -- that the margin calculated
7 by Commerce is not necessarily tied to the margins of
8 underselling because what you're looking at is a
9 margin calculated for both powdered and calcined
10 products by Commerce, but you have different ranges of
11 margins of undersellings calculated by the staff for
12 calcinedd and powdered product as well.

13 COMMISSIONER KOPLAN: Thank you, Mr. Lee.

14 I'd also like petitioners to take a crack at
15 that for me as well for purposes of the post-hearing.

16 And Mr. Wood is nodding in the affirmative
17 that he will do that.

18 At pages 36 to 39 of CPC's pre-hearing
19 brief, they discussed the outstanding antidumping
20 order in India against imports of barium carbonate
21 from China which the chairman just mentioned to you as
22 well. To assist me in my threat analysis, could you
23 provide a copy of that determination and order for
24 purposes of the post-hearing? And I'd like to know
25 what your total export to India during the period

1 examined leading up to that order were and what they
2 are now, when is that order subject to review, have
3 reviews taken place since the order went into effect
4 and, if so, what was the result?

5 MR. LEE: Okay. I think in our preliminary
6 post-conference brief at Exhibit 22 we've put a copy
7 of the antidumping order issued by the government of
8 India on that case. We can tell you that there was a
9 drop off in the volume of Chinese imports into India
10 after the order was imposed, but since 2000, the
11 volumes of Chinese product has gone up. I do not
12 believe that there have been any reviews in India of
13 the order, so notwithstanding the presence of an order
14 in India the Indian import statistics do show
15 continued increases from the 2000 levels of Chinese
16 barium carbonate into India.

17 COMMISSIONER KOPLAN: Okay. I appreciate
18 that. When you mentioned the post-conference brief,
19 on the first round, when I asked you about the barite
20 ore shipment, you indicated that there was a
21 post-conference submission that I thought that you
22 said you made that got into that. Did you make a
23 comment like that?

24 MR. LEE: Yes.

25 COMMISSIONER KOPLAN: I know you referred to

1 something you submitted post-conference.

2 MR. LEE: Right. That was Exhibit 3 of our
3 post-conference brief.

4 COMMISSIONER KOPLAN: Okay. I appreciate
5 that.

6 I see my yellow light is on, so rather than
7 start another question, I thank you for your answers
8 thus far.

9 Thank you, Madam Chairman.

10 CHAIRMAN OKUN: Thank you.

11 I wanted to ask you just in terms of what we
12 can discuss in this public forum, but your current
13 relationship with CMV.

14 MR. CHALUP: The agreement that we have with
15 CMV is currently in place because we are continuing to
16 deliver material to Techneglas, so the agreement still
17 stands as is. What the future of it will be will
18 depend on whether or not we can continue to import
19 product from China.

20 COMMISSIONER KOPLAN: Okay. And you've
21 submitted -- there's information in the brief with
22 regard to the supply agreement. Were there any
23 changes, anything that's not in the brief that
24 happened subsequent that you can provide us in terms
25 of were there any provisos added or --

1 MR. CHALUP: No.

2 CHAIRMAN OKUN: No?

3 MR. CHALUP: No. As is.

4 CHAIRMAN OKUN: So it's as is.

5 MR. CHALUP: As is. All terms and
6 conditions remain as is from the original copy that
7 you have.

8 CHAIRMAN OKUN: Okay. Okay. I appreciate
9 that.

10 Then let me ask you if -- yes, go ahead.

11 MR. CHALUP: Just one point that we were
12 going to say is that the one customer we had was
13 Techneglas and we made the mention that the contract
14 is still in place because we continue to deliver. The
15 reason why we continue to deliver is that their
16 consumption is much lower now than they had
17 anticipated since the beginning of the year.

18 CHAIRMAN OKUN: Their consumption?

19 MR. CHALUP: Their consumption of barium
20 carbonate, yes. Their production is down almost
21 50 percent, if not more, and therefore their raw
22 material usage is off about the same percentage.

23 CHAIRMAN OKUN: Okay. So you're supplying
24 them out of inventory?

25 MR. CHALUP: Out of inventory. Correct.

1 CHAIRMAN OKUN: Okay. And so what happens
2 when you run out of inventory is dependent on what
3 happens here?

4 MR. CHALUP: Correct.

5 CHAIRMAN OKUN: Fair enough.

6 Let me go back to the quality question that
7 I think it was you, Mr. Chalup, who discussed it in
8 your testimony in terms of the global market, that it
9 didn't matter if some of these other T.V. glass
10 producers had qualified Chinese product in another
11 market, that you still have to go through the
12 qualification process.

13 MR. CHALUP: Yes.

14 CHAIRMAN OKUN: And I just wanted -- you
15 know, I mean, when I heard that, I was thinking, well,
16 I understand that you have different qualifications
17 for a different market, but in terms of this kind of
18 comfort level or comfort that you referenced and I
19 believe the petitioners referenced as well, would you
20 be more -- when you're approaching a new customer,
21 when you were going to the customers that CMV had, do
22 you make that argument, that Chinese product is
23 qualified with this company in X country?

24 MR. CHALUP: Well, as any good marketing
25 approach, yes, you to try to flout the benefits of the

1 products as positive to something. Yes, it does help
2 when the product is known to a parent company or say a
3 subsidiary or an affiliate company somewhere else in
4 the world. As far as it's being able to be used
5 specifically for their plant, the answer is it still
6 has to be evaluated. I mean, the best example I can
7 use is that for Thompson, who has two plants in
8 Europe, one in Poland and one in France, they purchase
9 the majority of their material almost exclusively from
10 Solvay, their calcined granular material, whereas
11 their subsidiary here in the United States won't use
12 it, will only use CPC's Microflow or spray dried
13 material. So even though the parent company has two
14 plants in Europe that exclusively use one product,
15 it's not allowed here into the plant here in the
16 United States. So there is no transferability.

17 CHAIRMAN OKUN: Okay. And then not related
18 to that, but that reminded me when you just said it,
19 when you said the Microflow spray dried, when I asked
20 them this morning, to me, it sounded like they're
21 really not the same product. I mean, the Microflow is
22 something that they're getting a premium in in a
23 different market than the spray dry.

24 MR. CHALUP: It's our understanding that
25 Microflow is their trade name for their spray dried

1 material.

2 CHAIRMAN OKUN: Okay. But from our -- and,
3 Mr. Lee, you might want to comment -- it's my
4 understanding from what they were saying -- why I was
5 asking my question is I think I had read that in the
6 pre-hearing brief and my understanding is at least for
7 purposes of this record that the spray dried material
8 is showing up in product 1 which is different than
9 Microflow which is showing up as --

10 MR. LEE: Well, I guess what we're going off
11 is what we're hearing from Thompson as we're going to
12 them to see if they would be willing to initiate a
13 qualification process for us. And one of the things
14 that we're hearing back is, well, we're not really
15 interested in yours because we're actually using a CPC
16 product, you know, we have technical requirements that
17 fit CPC's unique spray dried material. I don't know
18 if it is specifically the same Microflow product that
19 they're selling in the brick tile segment, but in
20 terms of what is being conveyed to us from Thompson,
21 Thompson is noting that there is a technical
22 difference in CPC's product that makes it so
23 distinguishable from other normal calcined granular
24 product that we're not even in the running for
25 consideration for qualification in light of their

1 custom tailored production process that is set up to
2 fit CPC's product.

3 CHAIRMAN OKUN: Okay. I understand that.

4 And then you also referenced the worldwide
5 price for barium carbonate. I'm not sure we have --
6 sometimes we try to collect this information, do we
7 have information in the record with regard to prices
8 in other countries? And, if not, would you,
9 Mr. Chalup, or you, Mr. Lee, be able to provide that
10 type of information?

11 MR. LEE: I don't think there is that
12 information in the record and I'm not sure that it is
13 out there in the world. One thing I can note is that
14 with the Asian glass makers primarily using the
15 compacted granular product, it really is not a
16 comparable product to the calcined granular product.
17 Yes, they are both granular, but, as Alan described,
18 there are different processes used to produced
19 compacted as opposed to calcined.

20 CHAIRMAN OKUN: Is the price lower?

21 MR. LEE: My sense is that -- and Alan or
22 Ben could confirm -- compacted is much lower because
23 the powdered product is much cheaper to produce and
24 you are basically mechanically compacting as opposed
25 to chemically calcining and the cost differences in

1 those operations result in a higher price cost for the
2 calcinedd material.

3 If you guys want to expand on that?

4 MR. GUTMANN: Yes, that's correct. The
5 compacted is cheaper than the calcinedd. It costs
6 more to produce the calcinedd.

7 CHAIRMAN OKUN: Okay. And do you have any
8 sense of prices in other markets? Is there anything
9 specific you could point to or point us to or provide
10 for us?

11 MR. GUTMANN: No. Red Star typically sells
12 through marketing organizations so even they would not
13 know final prices to their customers in Asia except
14 maybe China, so we wouldn't have access to any of
15 that.

16 CHAIRMAN OKUN: And you don't have that
17 because you are just United States importers.

18 MR. GUTMANN: Correct. We might have a
19 little bit of information in the market in Europe
20 which we could maybe present. Would that be helpful?

21 CHAIRMAN OKUN: Yes.

22 MR. GUTMANN: Okay.

23 CHAIRMAN OKUN: Okay. Then the other thing
24 that I guess struck me as I've been reading the record
25 and trying to understand the market, we're talking

1 about -- let's talk about powder for a while, we
2 haven't talked about that for a while -- that the
3 Chinese have traditionally supplied the -- if I
4 understand this correctly -- the West Coast, that that
5 hasn't been CPC's market for brick and tile and then
6 I've heard the argument about the attenuated
7 competition because of their Microflow product and
8 that they get a premium because of that. I'm trying
9 to figure out what these West Coast guys are doing --
10 or actually, maybe what the midwest guys are doing. I
11 mean, if it's good enough for the West Coast, why
12 isn't it good enough for the rest of the country?

13 MR. CHALUP: Chemically, barium carbonate
14 does the same thing, no matter -- you know, when we
15 began these discussions the decision was made that
16 barium carbonate chemically between any party
17 discussed performs the same and all meets the same
18 specification. So what we are discussing now is the
19 variability in its physical characteristics, its
20 particle size, its particle composition, how it
21 actually flows, how it doesn't flow, how it reacts.
22 That's where we're arbitrarily making the designation.

23 So traditionally, like we said for the T.V.
24 glass industry, they like a hard calcined granular
25 material because the way they move their products

1 through the system because of the volume they use is
2 pneumatically, let's say, with air, so they blow their
3 particles all around. The particle has to be very
4 strong, otherwise it disintegrates into a powder and
5 then would clog their tubes and not work well. Also,
6 they try to match the particle size of their other raw
7 materials, mostly which is sand. So you try to get
8 all the particles about the same size so they don't
9 separate.

10 For the brick industry, they would prefer to
11 use a powder because they want a higher reactive
12 material and they would prefer to use a powder.

13 The equipment for feeding the powder
14 established by CPC in its geographic area, let's say
15 the midwest to the east, they had designed equipment
16 that worked well with this Microflow product that
17 flowed very well, had a certain additive in it which
18 aided in dispersability and worked well in their
19 composition. For the customers on the West Coast,
20 instead of not maybe having initially availability of
21 this Microflow or because of the cost factor from a
22 distance, they have been able to create handling
23 systems to handle the finer powder. Chemically, both
24 products do exactly the same, it's the ability to
25 handle the material and feed the material that's

1 different.

2 You heard Mr. Mauldin say this morning say
3 this morning that CPC supplies feeders for their
4 Microflow product. They designed a feeder and supply
5 it to be able to feed their particle sized material.
6 On the West Coast, the brick customers have been able
7 to design feeders that can handle the powder. That's
8 basically the only differential.

9 CHAIRMAN OKUN: Okay. I appreciate those
10 comments.

11 Commissioner Koplan?

12 COMMISSIONER KOPLAN: Thank you, Madam
13 Chairman.

14 I just want to make sure I heard you
15 correctly before. Did you say that your agreement
16 with CMV is still in place, in response to the
17 chairman?

18 MR. CHALUP: Yes.

19 COMMISSIONER KOPLAN: So it is still in
20 effect.

21 MR. CHALUP: Yes. CMV is still receiving a
22 commission for the shipments that we have to
23 Techneglas.

24 COMMISSIONER KOPLAN: Okay. All right.
25 Thank you for that.

1 For purposes of my threat analysis, I refer
2 you to a discussion at page 38 of CPC's pre-hearing
3 brief regarding evidence in our record that Chinese
4 producers have developed a new free flowing powdered
5 product meant to compete directly with CPC's Microflow
6 and Aquaflow, I guess that's product 3, and that it's
7 now being made available to U.S. customers for testing
8 purposes.

9 This morning, they said that their
10 understanding is it's being offered at lower prices
11 than CPC's product.

12 Could you please provide documentation
13 regarding any such offers to potential U.S. customers
14 including any responses received for purposes for the
15 post-hearing and how has that product been received by
16 potential customers? Has it been qualified for sale
17 in the U.S.?

18 MR. LEE: I think we addressed this in our
19 direct comments. I think Mr. Chalup noted that there
20 is no real new product, new Chinese product, out there
21 and that we are not aware of any Chinese product that
22 is comparable to Microflow in terms of the
23 dispersability and the patented characteristics that
24 Microflow has.

25 Perhaps Alan can talk a little bit more

1 about what's happening in the marketplace for this
2 Microflow type product.

3 MR. CHALUP: As we keep coming back to it,
4 Microflow is a unique product. Originally, as you
5 know, it was under a patent, the method of production
6 and the additives which are in there for
7 dispersability and flowability and reaction. There is
8 no production of spray dried material in China. It
9 doesn't exist. It's not the technology, but the
10 process does not exist.

11 Instead, the Chinese, along with even other
12 producers, offer varieties of different types of
13 powders, differences in particle size. Some with a
14 very small particle size, some with a very big
15 particle, then from the larger particle size you move
16 to granulars, granular or calcined, so there's a whole
17 range you can have.

18 So in order to meet customer requirements,
19 because any good supplier tries to meet the
20 requirements of their customers, in where you operate
21 there's a range how you can adjust it. Some material
22 has a slightly larger particle size, so it flows a
23 little bit better.

24 We offer different ranges of products to our
25 customers, none of which directly, let's say, targets

1 as a replacement to Microflow, but the ability to
2 service a customer with different products somewhat
3 designed or changed or altered to meet their handling
4 systems or requirements both chemically and
5 physically.

6 MR. LEE: I guess another way of looking at
7 that is that the customers who are already purchasing
8 CPC's Microflow products are paying a premium for that
9 product. They are aware that there is powdered
10 product out in the marketplace from China, so they
11 have approached Bass Tech to see, well, what can you
12 do, you know, and the product that we offer, it's, I
13 think, been tested but it hasn't proven successful.
14 So I think this morning CPC did acknowledge that they
15 haven't seen any more of that product coming in, so it
16 does seem to suggest that regardless of whatever
17 attempts may have been made to replace or substitute a
18 Microflow product, it ultimately was not successful so
19 these attempts are at best isolated and not a basis
20 for a long-term threat for the Microflow product.

21 COMMISSIONER KOPLAN: Thank you.

22 Petitioner argues at pages 21 and 24 of
23 their brief that pressure to reduce prices is a
24 constant condition faced by raw material suppliers to
25 the television glass industry, but that the ability of

1 a raw material supplier to resist that pressure is
2 highly dependent on supply conditions. They are argue
3 that the record shows that supply conditions for
4 barium carbonate changed dramatically in 2002 when a
5 wave of low priced Chinese imports began to enter the
6 U.S. market and that the effect was to establish a new
7 equilibrium point between barium carbonate suppliers
8 and T.V. glass producers. Finally, they argue that
9 the ready availability of dumped Chinese imports as an
10 alternative supply source forced all suppliers to
11 respond to the price reduction demanded by the T.V.
12 glass producers. They cite record evidence to support
13 their claim, but that is business proprietary
14 information so I can't get into it, but I would like
15 to hear Bass Tech's response now and also counsel's
16 response in the post-hearing when he is able to factor
17 in the BPI.

18 MR. LEE: Yes. If I could start, supply --
19 if supply is constant and demand decreases, prices
20 will fall. That's a basic economic principle. CPC, I
21 believe, has altered that formula by assuming that
22 supply has increased just because Chinese import
23 volumes increased. If you look at the total import
24 volumes from 2000, 2001, 2002, in particular 2001,
25 2002, total import volumes basically remained the

1 same. So in fact supply has remained constant, so
2 notwithstanding the fact that Chinese import volumes
3 increased, dramatically as CPC has noted, it was at a
4 one-for-one replacement to the non-subject imports, so
5 total supply has remained constant so what's really
6 driving this market is that you have a sharp drop off
7 in demand in 2002 and that's what's driving the prices
8 down, it's not an increase in supply because the total
9 import volumes have remained constant.

10 And I don't know from a marketing
11 perspective if you've seen similar type of
12 arrangements.

13 COMMISSIONER KOPLAN: Mr. Chalup,
14 Mr. Gutmann, anything you want to add?

15 MR. LEE: I mean, because you guys are
16 dealing only with Techneglas, have you seen any
17 changes in other T.V. glass producers?

18 MR. GUTMANN: Well, we're only dealing with
19 Techneglas because one of the other customers told us
20 that they wouldn't even consider our material because
21 there were others offering at lower prices, so we're
22 clearly not the lowest priced barium carbonate on the
23 market, and I think really it's a condition that the
24 market is also in, the situation is very different
25 than it was over the last two years as people are

1 closing plants and cutting production. I don't see
2 that the effect of what's going is caused by imports
3 of our barium carbonate which replaced Mexican barium
4 carbonate, it's much more obvious that it's a market
5 situation.

6 COMMISSIONER KOPLAN: Thank you,
7 Mr. Gutmann.

8 This has already been discussed to an
9 extent, but I just want to revisit it, if I could.
10 You argue at page 3 that barium carbonate is not a
11 commodity product sold preliminarily on the basis of
12 price and you've also discussed that today in both
13 your direct presentation and in response to questions
14 of the chairman.

15 You argued the qualification process is a
16 significant market entry barrier not only because of
17 the time to complete the process but because
18 purchasers are unwilling to initiate the qualification
19 process regardless of the price offered, given the
20 significant costs and perceived risks to qualify.
21 However, CPC provides an affidavit that's Exhibit 6 to
22 their brief regarding the qualification process used
23 by television glass producers from an individual who
24 appears to have extensive experience in the industry.
25 Most of that statement is business proprietary

1 information, but not the following:

2 The qualification of a new supplier for a
3 well known raw material ingredient such as barium
4 carbonate is straightforward and is not a lengthy
5 process. Based on his experience, this person states
6 that the full qualification process would commonly be
7 completed from beginning to end in about 30 days.

8 He notes that it is important to distinguish
9 between (a) qualifying a new supplier for an existing
10 raw material such as barium carbonate and (b)
11 qualifying a supplier for a new raw material to be
12 used in glass production. If the latter, the
13 television glass producer must seek approval from
14 customers for the change, but not for the former.

15 Any minute differences in barium carbonate
16 chemistry among suppliers can be easily adjusted
17 during the production of the glass and that price
18 would be the only reason to qualify a new supplier for
19 the same raw material.

20 I see my light has come on.

21 CHAIRMAN OKUN: I have no further questions,
22 so continue on.

23 COMMISSIONER KOPLAN: Thank you, Madam
24 Chairman.

25 If you could respond to that?

1 MR. CHALUP: Then my business should be much
2 larger because otherwise our experience as we gave
3 with our post-hearing brief in the beginning also from
4 another T.V. glass producer of the approval process
5 necessary for a new vendor, a new supplier, was a
6 pamphlet that was maybe 80 or 90 pages long,
7 everything from approval of their financial condition
8 to their supply and logistics, to the quality
9 production, the quality standards, to their ISO
10 certification, to many different factors. It's not
11 simply saying you take out one pound of X and you put
12 in one pound of Y. The initiation and the
13 qualification stages are much longer than that.

14 We have taken customers three or four times
15 to China to look at Red Star's production facility and
16 yet have still not gained any business. So the
17 approval process or the commitment of a company to
18 change their raw material source is very large. You
19 never really know what the end result will be when you
20 change a vendor. There are a lot of black box things
21 that occur and a lot of risk. Anything that's done in
22 a T.V. glass tank can take weeks to change, meaning
23 that if for some reason when they started feeding our
24 material it was high in a certain impurity content or
25 something was unexpected, it could take one to two

1 weeks to clean that tank out from our product to start
2 pulling good glass again. You're talking six figure
3 losses.

4 So the decision to finally change is a very
5 long decision to make and, in fact, to show that the
6 product is not a commodity, the definition of a
7 commodity is something that is interchangeable very
8 easy. The T.V. glass producers that we discussed with
9 the exception of Thompson, but like the Corning or the
10 American Video Glass, those two T.V. glass plants have
11 separate silos if they would have two vendors. They
12 will not even mix the same identical product, let's
13 say, chemically in the same silo together.

14 COMMISSIONER KOPLAN: Let me ask you this.
15 You qualified to supply Techneglas given it was a
16 small quantity.

17 MR. CHALUP: Correct.

18 COMMISSIONER KOPLAN: Ten years ago. That
19 was your direct testimony.

20 MR. CHALUP: Correct.

21 COMMISSIONER KOPLAN: I am correct, aren't
22 I, on that? Tell me about that process. How long did
23 it take you to qualify once they agreed to entertain
24 your request? Can you document that for us
25 post-hearing?

1 MR. GUTMANN: That would be difficult to
2 document because it happened before we started Bass
3 Tech, while we were working at another company. But,
4 actually, what happened to Techneglas is they called
5 us up in a panic one day and said there is a railroad
6 strike, we can't get material from Cartersville or
7 anywhere else, we'll buy all the barium carbonate you
8 have in stock. I don't know if we actually ever
9 technically qualified. It was on an emergency basis,
10 in other words.

11 COMMISSIONER KOPLAN: And you had no
12 complaints.

13 MR. GUTMANN: We had none and they had none.

14 MR. LEE: I think Techneglas also must be
15 viewed in the context of their sourcing practices are
16 slightly different from Corning's and Thompson.
17 Techneglas has a practice of having a diverse supply
18 base for all of their chemicals. In contrast,
19 Thompson and Corning seem more willing and have a
20 stronger preference for exclusive supplier
21 arrangements and for those companies --

22 COMMISSIONER KOPLAN: So that has nothing to
23 do with the qualification process, that's what you
24 call a comfort level.

25 MR. LEE: Yes. I mean, but to the extent

1 that it gets you to a point where you're willing to
2 initiate a qualification process -- I mean, Techneglas
3 starts off at a point where they are initially more
4 comfortable to entertain other suppliers, whereas
5 Corning and Thompson perhaps are a bit more
6 traditional, I guess, and so they are more comfortable
7 with what is already in their system. Given the cost
8 for what happens if something bad goes wrong in the
9 test run, you're going to have to have enough
10 financial incentive to actually want to go down that
11 testing qualification road. So I urge the commission
12 to actually look at the questionnaire response from
13 the T.V. glass producers that they submitted to the
14 commission, not just the affidavits of * * * from
15 these companies. We don't know exactly * * *, we
16 don't know if in fact * * * whether they actually did
17 replace or try barium carbonate from any other
18 suppliers. So I think it is probably more reliable to
19 look at what the companies actually submitted in their
20 questionnaire response rather than this secondhand
21 affidavit from * * * * *.

22 COMMISSIONER KOPLAN: All right. Thank you
23 very much for that.

24 I have one last question and, actually this
25 might have already been covered, so I apologize if it

1 has. What percentage of the cost of production of
2 barium carbonate is attributable to barite ore?

3 MR. LEE: I'll have to defer back with Red
4 Star, but I do believe it is the dominant cost
5 overall, the dominant cost of the overall barium
6 carbonate cost, but I'll have to get back to you in
7 our post-hearing brief with a more exact number.

8 COMMISSIONER KOPLAN: Thank you very much.
9 I appreciate all your answers to my questions.

10 I thank you, Madam Chairman.

11 CHAIRMAN OKUN: Does staff have questions of
12 this panel?

13 MR. GREENBLATT: Hello. I'm Jack
14 Greenblatt. I'm the product analyst on the case.

15 I just wanted to ask. I think I had asked
16 previously. Any latest information on changes in
17 capacity or in quality changes or improvements? If
18 there's anything that you can provide either for Red
19 Star or for any other company operating in China, I
20 would appreciate that.

21 MR. LEE: Certainly we'll ask Red Star to
22 see if they can document, but to the best of our
23 knowledge other than what's been reported in our
24 questionnaire response there are no other improvements
25 to capacity.

1 We wish to iterate that whatever increases
2 in capacity are parallel to the capacity utilization
3 rate and that this reflects the high and increasing
4 rate of consumption in Asia, so that to the extent
5 strong demand in Asia has necessitated an increase in
6 capacity it's all been directed to now increasingly
7 China and other Asian countries.

8 MR. GREENBLATT: And what about improvements
9 in services or quality or variety of products?

10 MR. LEE: I don't believe so, but I'll have
11 to ask Red Star to confirm that.

12 MR. GREENBLATT: Okay. Thank you. I have
13 no further questions.

14 MR. CANTRELL: Ray Cantrell with staff. I
15 had a question for Mr. Chalup. This is a
16 transportation issue.

17 Could you discuss the relative economics of
18 containerized shipments versus shipments by charter
19 vessel and your experience in this area?

20 CHAIRMAN OKUN: Mr. Chalup, if you could
21 just come up to the microphone? You still have to use
22 it. You can look at him, but use your microphone.

23 MR. CHALUP: In the post-conference brief,
24 we can give you a breakdown of the associated costs of
25 both so you can see a comparison.

1 MR. CANTRELL: Okay. I mean, you didn't
2 have any just general comment that you could make?

3 MR. CHALUP: The general comment is that
4 there is an advantage cost-wise, logistic-wise of
5 shipping the material on charter vessels in pads and
6 containers. There is a larger risk by shipping on
7 charter vessels, so obviously that risk has to be
8 offset by the savings that you have.

9 The advantage of shipping on chartered
10 vessels is that the actual total cost to deliver the
11 product to your warehouse or let's say your final
12 stocking location is less than shipping by
13 containerized vessels. The disadvantage is that in
14 order to do this you must ship larger quantities less
15 frequently during the year.

16 Charter vessels don't have a normal sailing
17 schedule as you would say a containerized vessel
18 would. You can't say every Monday a vessel is
19 leaving, every Tuesday or something. You always know
20 you can get product on board.

21 For a charter vessel, the freight is
22 negotiated each and every time, and you must negotiate
23 for a specific vessel calling on a specific port at
24 some future point in time, so the frequency is much
25 less. What you end up doing is you have to bring in

1 much larger quantities less frequently during the
2 year, and then the material will be stocked and stored
3 in preparation for further delivery to your customers.

4 CPC was our main reason for getting involved
5 in these bulk shipments. They were the ones who
6 recommended that we try it because of their barite
7 imports from China. The system actually works very
8 well. We thank them for that, but the problem is --
9 well, not the problem. The difference is that you
10 have to bring in, as I said, much larger quantities
11 less frequently.

12 When it comes down to an issue of pricing,
13 there is a significant savings, which has allowed us
14 to be more competitive, but in order for it to work we
15 needed a much larger volume in the United States to
16 sell, so we needed to be able to secure a customer
17 like Techneglas with the cooperation of CMV before we
18 could put this plan into reality.

19 You know, Mr. Mauldin keeps talking about
20 price, price, price, price, price. I think what he
21 really means is volume, volume, volume, volume, volume
22 because he sits here repeatedly in the prehearing and
23 now this meeting that in order for his plant to run
24 profitably he needs a certain volume to put through
25 it. Without reaching that capacity or near capacity,

1 the plant can't run and the plant can't be profitable.

2 I mean, all we've heard now is how volumes
3 have gone down. Not replacement by Chinese material,
4 but the volumes are just disappearing due to market
5 conditions. We find it hard to believe how his plant
6 can still be operating at capacity and still be
7 profitable. What he really wants I think is our
8 Techneglas volume to get his plant back profitable
9 again, or at least to its capacity again.

10 It's all coming down to this situation, I
11 think. It's one of the advantages that we had with
12 changing our logistics system to bring material in on
13 charter vessels.

14 MR. DEYMAN: I'm George Deyman, Office of
15 Investigation.

16 As a follow-up to Mr. Cantrell's question
17 then would you say that the fact that there have been
18 imports from China in bulk on the charter vessels, is
19 that a major reason for why the unit value of imports
20 from China, according to official statistics, is much
21 lower than the unit values from the other supplying
22 countries?

23 MR. CHALUP: Yes. We've changed now from
24 buying material on a CIF basis, a CIF port basis here
25 in the United States. CIF, terminology meaning cost

1 of the material, insurance and freight, ocean freight.

2 The purchasing material is now on an FOB
3 China basis, which basically means that we handle now
4 all the shipments of the freight on charter vessels
5 from China to the U.S. compared to buying the
6 materials delivered to the U.S. already in containers.

7 That differential or the difference in the
8 cost of freight, especially for a product like barium
9 carbonate, is significant. That's the differential
10 that you see.

11 MR. DEYMAN: All right. The staff has no
12 further questions. Thank you.

13 CHAIRMAN OKUN: Thank you.

14 Do counsel for Petitioners have questions
15 for this panel?

16 MR. WOOD: No, we do not.

17 CHAIRMAN OKUN: Then I want to thank this
18 panel of witnesses very much for your testimony and
19 for your willingness to answer many questions this
20 afternoon.

21 Let me go over the time remaining for the
22 parties. Petitioners have a total of 18 minutes,
23 which includes five minutes for closing. Respondents
24 have a total of 29 minutes, which includes five
25 minutes for closing.

1 Are you ready proceed, Mr. Wood and Mr.
2 Price?

3 MR. WOOD: Yes, I think we're ready,
4 Chairman Okun.

5 CHAIRMAN OKUN: Okay. If this group of
6 witnesses wants to go to a table behind here, and
7 we'll let the Petitioners come up to present their
8 final comments.

9 Thank you again.

10 (Panel excused.)

11 CHAIRMAN OKUN: You may proceed, Mr. Wood.

12 MR. WOOD: Good afternoon again. I'm Chris
13 Wood appearing for the Petitioner.

14 CHAIRMAN OKUN: If you can just pull that
15 microphone a little bit closer?

16 MR. WOOD: One of these times I'll remember
17 that, and you won't have to tell me. Thank you.

18 If it's convenient for the Commission, I
19 thought I would just sort of combine the rebuttal and
20 conclusion. There's just a number of points I would
21 like to reiterate and then address a couple of things
22 that we heard during the Respondent panel this
23 afternoon, and so I'll proceed.

24 CHAIRMAN OKUN: That would be fine.

25 MR. WOOD: Basically I think there is

1 agreement on a number of things that are important to
2 this case, although we have very different views on
3 how they arose and what they mean in different
4 situations.

5 For example, there's no question I think on
6 the record that prices in a number of very important
7 market segments are way down, mostly since 2001. One
8 key question the Commission has to ask itself in
9 making your decision is why is that? We'll talk about
10 that in a moment.

11 A second significant question I think
12 particularly for the threat analysis is is it likely
13 that Red Star and other Chinese producers, the
14 BassTechs and other importers, have the ability and
15 the desire and the willingness to increase their
16 shipments to the United States in the future?

17 Let's start with price because I also don't
18 think there's any question that the declining prices
19 that we've observed since 2001 are clearly a very
20 significant cause of the material injury suffered by
21 CPC. I think the data that's in the record is quite
22 clear on that.

23 If the Commission finds that the low-priced
24 imports from China were a substantial reason for those
25 declining prices, it almost compels an affirmative

1 determination. Let's look at the facts that bear on
2 that question.

3 Now, are prices down all across the barium
4 carbonate market? No, they're not. One of the really
5 striking things on this record is that the price
6 declines are evident only in those market segments
7 where there is direct competition from the Chinese
8 imports.

9 We heard a lot from the Respondents this
10 afternoon about TV glass and conditions at the TV
11 glass producers. We'll deal with that in the post-
12 hearing, and I'll address a little bit of it here as
13 well. One thing, though, that I want to point out is
14 that we heard nothing about specialty class accounts.

15 There are quite a few users of barium
16 carbonate that are not TV glass producers that use a
17 product that had the option of using CPC's product,
18 Chinese product or, in the past, you know, Mexican or
19 German product, although that's not much of an option
20 anymore.

21 You only heard about TV glass this
22 afternoon, but, as you heard from our witnesses this
23 morning, the price declines in those other specialty
24 glass segments have been every bit as bad, if not
25 worse, than what's happened in the TV glass segment.

1 Let's talk about the TV glass segment for a
2 minute. As we heard this morning, and I think there
3 was generally agreement this afternoon, the demand
4 from individual customers in that area, some have gone
5 up. Some have gone down. It's fluctuated over time.

6 There's no correlation between that
7 fluctuation and the direction of the prices. The
8 prices have gone straight down. Even Mr. Chalup, you
9 know, puts the demand decline toward the end of 2002
10 and now. You know, we can debate how significant that
11 decline is, but if that's true, if it's the end of
12 2002 and 2003, how does that explain price declines
13 for the last two years?

14 The answer, we submit, is very simple, and
15 it's exactly what you heard from Mr. Mauldin and Mr.
16 Bourdon this morning. It's that around in 2001 there
17 was a huge push. There was BassTech, maybe other
18 Chinese importers, going out there trying to take
19 market share very aggressively, doing it through low
20 prices, and CPC has to respond to those prices or lose
21 that volume. They simply have no choice.

22 Now, we have to also look at whether there
23 are alternative causes that could have been
24 responsible for these declining prices. We've heard
25 this suggestion that well, maybe it wasn't us. Maybe

1 it wasn't the Red Star material after all. Maybe it
2 was Solvay or CMV that led the prices down. I frankly
3 have a hard time even understanding that argument
4 because it's so hard to square with what has actually
5 happened.

6 Up until a couple of years ago, you had
7 consistent imports from Solvay into this market. You
8 can look at the imports from Germany. That's Solvay.
9 They're gone. Does it make sense to say that Solvay
10 led the prices in the market down so far that they
11 could no longer even sell here, because that's
12 certainly what the import statistics would imply. You
13 know, we would encourage you to talk to the people.
14 Solvay probably has an opinion on this. Ask them.

15 The same thing with CMV. Did they just get
16 up one morning and decide well, gosh. We've had a
17 nice run in the barium carbonate business, but we'd
18 really rather just get out of it tomorrow and take a
19 commission on some indeterminant amount of sales.

20 I think the only plausible explanation is
21 that they were affected by the same declining prices
22 that CPC was, a price decline that began as the
23 Chinese imports came into the market and made the
24 decision that they could no longer compete and that
25 some commission was better than nothing, was better

1 than to continue losing money.

2 I don't think there's any question. Of
3 course, the purchasers wanted price reductions, were
4 overjoyed no doubt when people came calling to offer
5 them increasingly lower prices for Chinese material,
6 but that's the lever. That's the change in conditions
7 that allowed these TV glass purchasers to negotiate
8 down barium carbonate prices.

9 That's the principal changed condition in
10 this market from three years ago. It's the presence
11 of these unfairly traded imports, which we now know
12 range from margins of 34 to 81 percent. That's very
13 significant in the context of a product that, and we
14 all agree on this too, chemically is an identical
15 product no matter what you use. We've made the point
16 that this is a commodity product market, and we're
17 very comfortable with what the record shows on that.

18 I would also like to address just very
19 briefly Mr. Lee's point about the equilibrium and the
20 supply and demand condition. I think it's a little
21 bit -- well, I think it's just wrong to say that you
22 can look at the volume consumption and equate that to
23 supply.

24 Supply is the availability of supply in the
25 market, and, particularly if demand is trending

1 downward or is flat, if you have a new source of
2 supply that is out there offering what appears to be
3 just unlimited capacity to supply the market, then I
4 think it's no surprise that that's going to drive the
5 prices down.

6 You know, we heard from Mr. Mauldin before,
7 and we heard from Mr. Chalup this afternoon. The TV
8 glass industry is cyclical. It goes up and down with
9 economic conditions, but they have never, never seen
10 prices that have gone down this fast this far. That's
11 what is unprecedented, and that's why we're here today
12 frankly.

13 Turning quickly to the threat factors, you
14 know, I think again the record here is pretty
15 straightforward. You know, capacity continues to rise
16 in China, and the United States is in fact still an
17 obvious place to look for further market share
18 increases.

19 Mr. Lee described it as ridiculous or
20 speculative that Red Star might even be interested in
21 selling any barium carbonate here in the future. You
22 know, that might be true except for the recent history
23 that we see on the record in this case. There was a
24 huge jump in these Chinese imports in 2002. There was
25 clearly an interest in supplying the market then, and

1 I think we've supplied on the record in our prehearing
2 brief some fairly compelling evidence of exactly what
3 Red Star was thinking about the U.S. market.

4 You know, is there any evidence to suggest
5 that that's changed since then? I'm not aware that
6 there is. What that suggests to us is that the
7 reduction in imports this year is only temporary, that
8 it almost certainly has more to do with the pendency
9 of this case than any change in attitude or any
10 declining demand in the U.S. market and that if an
11 order is not put into place we're very likely to see
12 the same pattern reoccur.

13 I want to turn now just to a few points that
14 were raised in the presentation this afternoon. One
15 is that we've talked a little bit about the CPC
16 purchases from BassTech that occurred a few years ago.
17 We really don't think it's terribly significant for
18 where the case is right now for the record in front of
19 you. There are not very large volumes on the record.
20 The key issue is what has happened to the pricing
21 since all of those relationships were broken off quite
22 some time ago.

23 I think that the documents that we've given
24 you both in our prehearing brief and in our post-
25 conference submission after the preliminary are fairly

1 telling about how that relationship went. There is a
2 definite difference in the perspective that both sides
3 are bringing to that negotiation and subsequently into
4 that relationship, and I think I would mostly just
5 encourage you to look at those documents and read it
6 for yourself and draw the conclusions that are there
7 to be drawn.

8 Not to pick on too many specifics, but I
9 think Mr. Gutmann's comment that they got tired of the
10 endless deliberation at CPC. Well, yes. Again, look
11 at the documents. They are full of we have to know.
12 You give us your decision today. We have to know
13 right now what you're going to do. You have to buy
14 this much volume, that much volume.

15 As Mr. Mauldin said this morning, they could
16 see what was coming down the track. They could see
17 what the intent was of Red Star with respect to this
18 market. In fact, they were proved right. There was a
19 giant increase in imports. They entered into a deal
20 with CMV that put them out of the barium carbonate
21 market, and I don't think there's any question but
22 that from CPC's perspective that was not an attractive
23 business arrangement, and they were actually right to
24 turn it down.

25 Turning to that CMV deal for a moment, as we

1 mentioned, that put them out of the barium carbonate
2 business. It's pretty clear that the CMV customer
3 list -- it's not just Techneglas; it's all their
4 customers that they were quite interested in. You
5 have to ask yourself why CMV would agree to enter into
6 that kind of arrangement. Again, we would suggest
7 that the record indicates that prices had fallen so
8 far that they just probably felt they had no choice.

9 We've heard a little bit today about the
10 differences in product quality or qualification
11 issues. Again there we do have a fuller record in
12 this final phase investigation. I think what you will
13 find is that yes, purchasers are going to tell you
14 that quality is quite important, but I would encourage
15 you also to look at the record about what purchasers
16 say about the comparability of the U.S. product and
17 the Chinese product.

18 I mean, obviously if you have products that
19 are perceived to be equivalent in quality and then
20 price is the next most significant factor, then you're
21 really in a situation where you're competing on price,
22 and that's very consistent with what we've mentioned
23 to you.

24 With respect to qualification, again we do
25 have a fair bit of evidence on the record, both the

1 purchaser questionnaires and from individuals that are
2 very familiar with how the qualification process takes
3 place. The point I'd like to stress is that, you
4 know, the way this market works the damage is
5 occurring well before qualification.

6 If you're the incumbent supplier and someone
7 comes to you and says if you're not willing to lower
8 your price we're going to qualify somebody else, you
9 know, the clear implication there is that you're going
10 to lose your volume if you don't reduce your price to
11 match that. That's certainly been an effective tactic
12 for those purchasers to use. They've been very
13 fortunate to have the Chinese imports there to allow
14 them to do that.

15 Finally, I want to turn to this idea that
16 CMV and Solvay are the price setters in this market.
17 I mean, it's odd. I guess we've already dealt with
18 this. It's odd at the very least to think that they
19 were price setters to the point that they priced
20 themselves out of the market. I find it hard to see
21 that as credible.

22 Then just as a last point, and this is more
23 a point of clarification than anything else. The only
24 point that we're trying to make when we're pointing
25 you to official import statistics, to Customs values,

1 is that that's one measure of what the prices are in
2 China to the United States.

3 We really are trying to do an apples to
4 apples comparison here. I understand, you know, that
5 BassTech may have changed their freight and
6 transportation arrangements, their logistics or
7 whatever. That's not what we're getting at. We're
8 looking at the Customs value. Those are FOB. They
9 should be at least. Those are FOB China values.
10 There's an entire different set of statistics
11 maintained for landed duty paid values.

12 If you look at what's happening in China,
13 and that's important because we've given you good
14 reason to believe that there was a decision made in
15 China to sell a bunch of barium carbonate in the
16 United States no matter what. If you look at what
17 happened in China over the period of investigation,
18 the fact is the prices go down almost \$100 a ton, 30
19 or 35 percent, which is again fairly consistent with
20 the margins that we're seeing from Commerce as well.

21 Clearly, the prices to the purchasers in the
22 market are also important, but when you're looking at
23 the ability to go in and offer lower bids than the
24 incumbent to try to get someone to switch their
25 purchases to you, you know, obviously the more price

1 reduction you can get out of your supplier on that end
2 the more room you're going to have to do that. That's
3 the point that we offer it for, and we think it's
4 fairly straightforward.

5 I guess you know we appreciate the attention
6 that you have paid to reviewing the record in this
7 case. We hope very much that you'll take into account
8 the points we've made and the arguments we've raised,
9 and we would be pleased to respond.

10 We'll obviously respond to the questions
11 that you raised in our post-hearing submission, as
12 well as anything else that you'd like for us to gather
13 for you. Thank you very much.

14 CHAIRMAN OKUN: Thank you.

15 We will now hear from Mr. Lee.

16 MR. LEE: Thank you very much. This has
17 been a very useful hearing because I think the
18 testimony presented today has allowed the Commission
19 to focus on key points of agreement and disagreement.

20 I think, you know, the facts are not
21 terribly in dispute. I think the significance of
22 those facts, you know, is still subject to debate, but
23 I think the Commission today has seen our respective
24 stories, and I would like to emphasize why we believe
25 certain aspects of Petitioners' story just aren't

1 credible or reasonable and why our story is more
2 credible and merits a negative determination.

3 Before getting into the specifics of the
4 conditions of competition and volume, price, impact
5 and threat, I'd like to step back and sort of just get
6 a historical perspective. Mr. Price began today
7 talking about the history of CPC being formed over 70
8 years ago.

9 I think with regard to CPC's history of
10 antidumping cases, I think that also is a relevant
11 point because the last time CPC filed a case or
12 actually the first time they filed a case was back in
13 1981. They filed a case against barium carbonate and
14 stannium carbonate from Germany. The Commission went
15 affirmative for barium carbonate, but negative for
16 stannium carbonate.

17 The Order on barium carbonate, not
18 coincidentally on barium carbonate from Germany,
19 expired in 2000. The sunset review went negative for
20 Germany, for Solvay, in 1998, but the revocation of
21 that Order was effective in 2000. This is relevant to
22 us because it is a trigger point for what happened in
23 the market subsequently.

24 Another historical point is the fact that in
25 1983, CPC filed an antidumping petition against barium

1 chloride and barium carbonate from China. Although an
2 Order was imposed on barium chloride, none was imposed
3 in this action on barium carbonate because the
4 Department made a negative final determination.

5 I'm sure back then in the 1980s, CPC was
6 claiming that their survival hinged on the imposition
7 of antidumping relief. Despite the lack of an Order
8 on barium carbonate from China in 1983, CPC managed to
9 survive some 20 some years, and Chinese imports at
10 that time did not flood the market as feared in the
11 1983 case.

12 Now, it is helpful to understand what
13 triggered the cases in the 1980s. In the 1980s, the
14 TV industry had a shift in technology. That was when
15 black and white TVs were shifting to color TVs.
16 Because color TVs have an increased need for barium
17 carbonate and stannium carbonate, that affected the
18 barium carbonate industry, and suddenly you have much
19 greater competition, and thus CPC had to file an
20 antidumping case.

21 Today, we are looking at a similar shift in
22 technology in the TV industry as traditional cathode
23 ray TVs are starting to give way to new technology,
24 such as flat screens, LCDs and plasma screen TVs.
25 Now, this shift is going to result in a longer term

1 decrease in demand for barium carbonate, but more
2 immediately there is an internal shift within the
3 cathode ray TV industry.

4 Although overall demand for TVs is still
5 increasing even here in the United States, the
6 production of those TVs is shifting dramatically from
7 North America to TV production in China and Malaysia.
8 If you look at Chung Hong and Funai, in those cases
9 that is a recent shift. The Commission in the TVs
10 case noted that the most rapid increase was from 2001
11 and 2002. That shift in the cathode ray TV industry
12 is directly relevant to our barium carbonate case.

13 The Commission should carefully examine the
14 shift in technology and the shift in production of
15 cathode ray TVs from North America to Asia because we
16 feel that the timing of these shifts is critical to
17 the Commission's analysis in this case.

18 With regard to volume, again Petitioners
19 just seem to point to the absolute increase in Red
20 Star's Chinese barium carbonate import volume. We
21 urge the Commission to look not just at the absolute
22 volumes, but at the relative volumes. Compare it to
23 see how much non-subject imports was being replaced
24 and was there an increase in total subject and non-
25 subject imports. We submit that because there was a

1 one-for-one replacement there is no adverse volume
2 effect caused by this increase of Chinese imports.

3 With regard to price, I would start and
4 finish by urging the Commission to look at the staff
5 report data on pricing. I can't go into it because
6 it's confidential, but I think it is very striking,
7 and it is relevant to give you a perspective as to
8 which testimony presented today is more reasonable.

9 The Petitioners have obviously emphasized
10 that price is dropping throughout the POI, and we're
11 trying to explain why the prices are dropping and why
12 those price drops are unrelated to our presence in the
13 marketplace.

14 We are in agreement that general economic
15 conditions do have an effect on pricing and that from
16 2000-2001 we could say that, you know, there was the
17 typical fluctuation. Given that we were in a
18 recession at that time, that would explain the minor
19 -- relatively minor -- drop in prices.

20 What we're seeing from the latter half of
21 2002 into 2003 is a much more significant drop in
22 demand and prices that cannot be attributed to normal
23 economic considerations. It is not normal when
24 Corning-Asahi Video decides to shut down their entire
25 operation. It is not normal for Thomson to shut down

1 two of their picture tube operations and decide not to
2 rebuild one of their glass lines.

3 That is not a normal drop-off that is going
4 to recover when the economy recovers. There is no up
5 in demand now because CAV is gone. All their assets
6 and all their manufacturing equipment has been sold
7 off to China.

8 CPC also mentioned today that they were
9 interested in working to restore fair and competitive
10 conditions in the marketplace and that they worked
11 closely to support the TV producers in the United
12 States. We submit that imposing antidumping duties on
13 barium carbonate will do nothing to help improve the
14 U.S. TV industry.

15 Rather than helping the U.S. TV industry, we
16 submit that the extreme conditions that are facing the
17 domestic TV producers will be further exacerbated by
18 an Order on barium carbonate from China. Indeed, it
19 would seem like it is adding yet another nail to
20 conditions of competition that are facing the domestic
21 TV industry.

22 With regard to threat, it seems that
23 Petitioners completely ignore the difference between
24 compacted granular product and calcined granular
25 product. Asian TV glass producers do not use calcined

1 product. They use compacted granular product.

2 Whatever granular product is being shipped
3 to Asian TV glass producers, there's no reason.
4 There's no demand for that product to come to the
5 United States. It is absolutely ludicrous to
6 hypothesize or speculate that just because Red Star
7 ships compacted granular to Asian TV glass producers
8 that there is a threat to the U.S. TV glass market
9 here in the United States.

10 Fundamentally it seems that CPC just doesn't
11 have any experience in the Asian market. That's why I
12 believe they were trying to negotiate a deal with CPC.
13 Sorry. CPC was trying to negotiate a deal with Red
14 Star and BassTech so that they could get access to
15 that growing Asian market.

16 While generally I do not doubt the sincerity
17 or the conviction of CPC's belief in the accuracy of
18 their views of the U.S. barium carbonate market, I
19 respectfully request that the Commission consider
20 whether these views are accurate or not and that the
21 relevant benchmark is what is being said by all of the
22 other participants in the marketplace.

23 We submit that CPC's points are stated from
24 a perspective that is too narrow and isolated because
25 they're focusing only on the United States market.

1 They're not aware of what's happening in Europe.

2 They're not aware of what's happening in Asia.

3 They're not aware of what Solvay is doing.

4 I think if you look at Solvay, Solvay has
5 recently begun to shift their barium carbonate
6 production from Germany to Mexico. The valuation of
7 the euro has helped push Solvay to look at Mexico as a
8 new supply option.

9 To the extent that Germany has dropped off
10 on the import stats, you will still see that Mexico is
11 still there notwithstanding CMV's exit from the Mexico
12 market. What's happening there is that Solvay is
13 definitely still in the marketplace. Petitioners are
14 misleading in suggesting that Solvay is not in the
15 marketplace anymore.

16 We can understand why CPC would have a
17 different perspective of the barium carbonate market
18 than we do. It seems that they have been in a comfort
19 zone for quite a long period of time. They are still
20 in that comfort zone for their Micro-Flo spray dried
21 product. However, being uncomfortable does not
22 necessarily mean that they are injured or threatened
23 with injury. This is just competition.

24 We simply ask the Commission to consider the
25 perspective of the purchasers themselves and not just

1 CPC's fears of what the purchasers are going to do to
2 determine CPC's allegations regarding Chinese barium
3 carbonate imports are reasonable or fair.

4 We submit that consideration of the volume,
5 price, impact and threat factors in light of all of
6 the record evidence that encompasses all perspectives
7 of the marketplace will lead the Commission to
8 conclude that a negative injury and threat
9 determination should be made in this case.

10 Thank you very much for your time today.

11 CHAIRMAN OKUN: Thank you.

12 Before I turn to the closing statement, I
13 note that it has been brought to my attention that
14 there may have been a possible release of BPI
15 information during today's proceeding. Therefore,
16 parties who have ordered transcripts will not receive
17 them until we correct the transcripts. We will do
18 this as quickly as possible.

19 Post-hearing briefs, statements responsive
20 to questions and requests of the Commission and
21 corrections to the transcript must be filed by
22 August 7, 2003. Closing of the record and final
23 release of data to parties is August 26, 2003, and
24 final comments are due August 28, 2003.

25 With no other business to come before the

1 Commission, this hearing is adjourned.

2 (Whereupon, at 3:38 p.m. the hearing in the
3 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Barium Carbonate From China
INVESTIGATION NO.: 731-TA-1020 (Final)
HEARING DATE: July 31, 2003
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: July 31, 2003

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Maria Hester
Signature of Court Reporter