



## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of: )  
 ) Investigation Nos.  
 CHLORINATED ISOCYANURATES ) 701-TA-501 and  
 FROM CHINA AND JAPAN ) 731-TA-1226

Thursday,  
 September 19, 2013

Room B  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The hearing commenced, pursuant to notice, at 9:39 a.m., before the Commission staff of the United States International Trade Commission, CATHERINE DEFILIPPO, Director of Investigations, presiding.

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In Support of the Imposition of Antidumping  
 and Countervailing Duty Orders :On behalf of Clearon Corp and Occidental  
 Chemical Corporation :

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P R O C E E D I N G S

(9:39 a.m.)

MS. DEFILIPPO: Good morning, and welcome to the United States International Trade Commission's conference in connection with the Preliminary Phase of Antidumping and Countervailing Duty Investigation Nos. 701-TA-501 and 731-TA-1226, concerning Imports of Chlorinated Isocyanurates from China and Japan.

My name is Catherine DeFilippo. I'm the Director of the Office of Investigations, and I will preside at this conference.

Among those present from the Commission staff are, from my far right, Elizabeth Haines, the Supervisory Investigator; Joanna Lo, the Investigator; David Goldfine, the Attorney/Advisor. To my left, John Benedetto, the Economist; Mary Klir, the Accountant and Auditor; and Christopher Robinson, the Industry Analyst.

I understand that parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of

1 the court reporter.

2 I understand that all witnesses have been  
3 sworn in before presenting testimony today. I also  
4 understand parties are aware of the time allocations.

5 Any questions regarding the time allocations should  
6 be addressed with the Secretary.

7 Are there any questions?

8 (No response.)

9 MS. DEFILIPPO: Hearing none, we will  
10 proceed with the opening statements.

11 Good morning, Mr. Cannon.

12 MR. CANNON: Good morning. Thank you. I'm  
13 Jim Cannon. I'm with the law firm Cassidy Levy Kent.

14 I'm here on behalf of Clearon Corporation, an  
15 Occidental Chemical Corporation, the Petitioners in  
16 this investigation.

17 The case is a sequel. The Petitioners are  
18 back after having secured an antidumping order in  
19 2005. The Commission in 2005 unanimously found  
20 material injury. To go through the issues we'll talk  
21 about in further detail today, a little preview, if  
22 you will.

23 The first issue, like product. We think  
24 there's one like product and the Commission found  
25 unanimously, 6-0, that there was one like product.

1 That dichlor, and trichlor, and granular, and powder  
2 are all a single like product.

3 A perhaps more portrayed law junkie's  
4 interesting issue: Should you include targeters as  
5 part of the industry? In 2005 the Commission split  
6 3-3.

7 There will now be new facts, we believe.  
8 Because of the questionnaire and because you have  
9 taken on the challenge of collecting P&L data from the  
10 targeters, which was ambitious of you, because you've  
11 done that, the record will now have the information to  
12 determine whether or not targeters essentially benefit  
13 from the imports rather than from their domestic  
14 business.

15 So it's our position that what the  
16 Commission is likely to find is that, in fact,  
17 targeters -- tableters. I call them targeters. I'm  
18 still in my Commerce mind frame. Sorry. Tableters  
19 make their money reselling ISOs.

20 They don't care whether it's granular, or  
21 tablet, or in a bucket. They make their money finding  
22 a customer who will pay them more for ISOs and, in  
23 essence, operate like any distributor in any market.  
24 They break up large quantities and sell in smaller  
25 quantities. So the nature of their business really in

1 a fundamental level is not to make money on the  
2 bucket, it's to make money on the ISOs.

3 For that reason, I think when you fit  
4 together all the six factors the Commission looks at,  
5 the Commission will see that in this case we have  
6 additional evidence on the record that tableters  
7 benefit from having access to low priced imports, and  
8 therefore, should not be included in the domestic  
9 industry.

10 With regard to cumulation, we think,  
11 legally, the petition was filed against both countries  
12 on the same day. The product is simultaneous sold on  
13 a nationwide basis to the same customers, through the  
14 same channels, and so cumulation will be appropriate  
15 under the statute.

16 Looking then at the industry, back in 2004,  
17 the last full year before the 2005 order, total  
18 imports in the U.S. market were about 65 million  
19 pounds. Now, just China and Japan are about 100  
20 million pounds. So import penetration has gone from  
21 20 percent to north of 30 percent.

22 Looking at that situation, the industry is  
23 back here today because they have lost significant  
24 market share. The overall market isn't much  
25 different. The aggregate market is going to be less



1 than 300 million. It was approximately in that range,  
2 250 to 290, back in 2004, 2003, 2002. You're going to  
3 see not much growth, but you're going to see a lot of  
4 import growth by imports from Japan and China. They  
5 have displaced domestic shipments in an industry in  
6 which fixed costs are high, so there has been a fight  
7 to get sales volume.

8           Given this import market share and this  
9 increase, the domestic industry has been forced to  
10 reduce its prices, so you'll see price depression. On  
11 a three year basis, the prices will steadily decline.

12           You will hear testimony that the domestic  
13 industry has attempted to raise prices without  
14 success. In fact, they announced a price increase,  
15 and as soon as they announced it, imports came and  
16 called on their accounts at even lower prices and they  
17 were unable to put it through.

18           In another instance, a customer brought to  
19 one of the domestic producers a meet or release clause  
20 for millions of pounds, forcing the domestic industry  
21 to release the volume. So you will see that there's  
22 price depression. With rising costs, you will see  
23 price suppression. There is a cost price squeeze, and  
24 although the data are not in, we strongly believe the  
25 record will show underselling.

1           In addition, because of the lack of volume  
2 there has been an extended shut down one of the  
3 domestic industry plants. It wasn't operating for  
4 approximately four months. As a consequence, workers  
5 were laid off for that period.

6           So we have declining prices, price  
7 suppression, we have lay offs, we have shut downs.  
8 The capacity is only used to about 60 percent. It's  
9 severely underutilized. If we had higher manning  
10 levels and more orders, we could actually increase our  
11 overall capacity.

12           In this context the last thing you want to  
13 look at is operating profits. The trend in  
14 profitability is, exactly tracks the decline in prices  
15 and the increase in import penetration, so what you  
16 will see, we believe, is strong, relatively strong,  
17 profits in 2010, declining 2011, declining again 2012,  
18 and in 2013, although we're only halfway through the  
19 year, we are, you will hear testimony today that we  
20 are losing money, even while we sit here, because we  
21 make our money in the first half of the year.

22           It's a seasonal market. The swimming pools  
23 open in June. We need to sell all our product in the  
24 first six months, and they make all their money in the  
25 first six months. So when you look at the small

1 profit margin they had in the first six months of  
2 2013, what that's going to translate to on a full year  
3 basis is certainly going to be a deep loss.

4 For those reasons, we think the Commission  
5 should make an affirmative determination, and we look  
6 forward to your questions. Thank you.

7 MS. DEFILIPPO: Thank you very much, Mr.  
8 Cannon.

9 We will now have opening remarks on behalf  
10 of Respondents. Believe, Mr. Janzen -- are you  
11 presenting? Doing the honors? Great. Welcome, and  
12 please proceed when you're ready.

13 MR. JANZEN: Good morning. My name is Bernd  
14 Janzen with the law firm Akin Gump Strauss Hauer &  
15 Feld appearing on behalf of Shikoku Chemicals  
16 Corporation and Shikoku International Corporation.

17 I appreciate the opportunity to address the  
18 Commission staff at today's conference. Dan Klett of  
19 Capital Trade Inc. is also here today on behalf of  
20 Shikoku. A familiar face to you, I know.

21 Shikoku Chemicals Corporation is a Japanese  
22 producer of chlorinated ISOs and accounts for most of  
23 the chlorinated ISOs exported from Japan to the United  
24 States. Shikoku International Corporation is the U.S.  
25 importer of record of this merchandise.

1           Today the Commission will hear from Mr.  
2           Nicolas Pettoruto, President of Del Cal, Inc., the  
3           exclusive marketing agent in the U.S. for Shikoku's  
4           chlorinated ISOs. Mr. Pettoruto will provide  
5           testimony describing Shikoku's decades of involvement  
6           in the U.S. market and how Shikoku obtained the  
7           significant U.S. market presence that it has had since  
8           long before the period of investigation in this case.

9           Also here today is Mr. Jim Eisch, the Chief  
10          Operating Officer of Suncoast Chemicals, a producer of  
11          trichlor tablets and a long-standing major purchaser  
12          of Shikoku's product. Among other things, Mr. Eisch  
13          will describe a number of business decisions taken by  
14          domestic producers, moving them into a position of  
15          direct competition with the tableters. Mr. Eisch will  
16          also explain why Suncoast Chemicals has long relied on  
17          Shikoku and Del Cal to supply its tableting facility.

18          Now, we are all well aware that preliminary  
19          injury investigations are very difficult to win from a  
20          foreign producer perspective and negative  
21          determinations are rare. However, Congress  
22          established preliminary phase investigations precisely  
23          to enable the Commission to shut off cases such as  
24          this one against Japan.

25          There are instances in which the enormous

1       burden imposed on foreign producers and their U.S.  
2       importers of a continuing investigation is simply not  
3       justified due to the absence of even a reasonable  
4       indication of material injury to the domestic  
5       industry, and we maintain that this is one such  
6       instance.

7               Shikoku is appearing here today to discuss  
8       with the staff a number of facts demonstrating that  
9       there is no real case here against Japan.

10              First, the level of imports of Japanese  
11       product in the U.S. market is essentially unchanged  
12       during the POI.

13              Second, Shikoku's long-standing significant  
14       position in the U.S. market is explained, in large  
15       part, by actions taken by the domestic producers  
16       themselves.

17              Third, Shikoku's product is of an industry  
18       leading quality that also commands a significant price  
19       premium.

20              Shikoku represents the overwhelming majority  
21       of Japanese imports of chlorinated ISOs into the U.S.  
22       and believes that the record of this investigation  
23       will make clear that there is no reasonable indication  
24       of material injury based on the pricing, the volume,  
25       or the impact of the Japanese product, which has a

1 long-standing, consistent, and complimentary presence  
2 in the U.S. market.

3 We look forward to discussing the industry  
4 and Shikoku's role in the industry with you today, and  
5 we believe that our testimony will help you understand  
6 why the Commission should reach a negative  
7 determination in this preliminary investigation with  
8 respect to Japan. Thank you.

9 MS. DEFILIPPO: Thank you very much, Mr.  
10 Janzen.

11 We will now move to direct testimony for  
12 Petitioners. Mr. Cannon, if you and your panel would  
13 like to come up, and then proceed when you're ready.  
14 Thank you.

15 MR. CANNON: Thank you. We will jump right  
16 into our presentation. We will first hear from Tom  
17 Kuechler.

18 MR. KUECHLER: Good morning. My name is Tom  
19 Kuechler, and I am the Technical Service Specialist  
20 for the chlorinated isocyanurate business at  
21 Occidental Chemical. I've been with Oxy since January  
22 1993 and have a Ph.D. in inorganic chemistry. I  
23 manage the technical service for the chlorinated  
24 isocyanurate products. My responsibilities have  
25 included laboratory and application research, product

1 formulation, field trials, customer presentations,  
2 technical service, manufacturing support, and  
3 regulatory support.

4           Since January 2004 I've also been Occidental  
5 Chemical's representative to, and chairman of, the  
6 isocyanurate industry ad hoc committee known as the Ad  
7 Hoc Committee. The members of the Ad Hoc Committee  
8 are joint owners of the toxicity studies which are  
9 used by all of the manufacturers and repackers in the  
10 industry for the purpose of registering their products  
11 in the U.S. with the EPA, as well as in Europe under  
12 the biocide product directive.

13           Let me first describe the physical  
14 properties and uses of the chlorinated isocyanurates.

15       The chlorinated ISOs are biocides. When a sufficient  
16 amount of dichlor or trichlor is added to a swimming  
17 pool, the chlorine will kill algae and bacteria.

18           The EPA limits the chlorine concentration to  
19 four parts per million when swimmers are present.  
20 Maintaining between one and four parts per million  
21 will kill the algae and control, will kill the  
22 bacteria and control algae. Pools are also  
23 periodically shocked with 10 parts per million to  
24 oxidize organic debris and kill more resistant algae.

25           There are other chlorine donors capable of

1 being used in water treatment to sanitize the water.  
2 These include elemental chlorine; sodium hypochlorite,  
3 or liquid bleach; calcium hypochlorite, which is a  
4 solid; salt systems; and the chlorinated  
5 isocyanurates, i.e., trichlor and dichlor, which are  
6 solids.

7           Each product has its advantages and  
8 disadvantages. However, in the residential swimming  
9 pool market, chlorinated isocyanurates are the  
10 dominant product for adding chlorine. Isocyanurates  
11 are safer than the alternatives. They are easier to  
12 use, have a high chlorine content, and are very stable  
13 during storage. They also provide the cyanuric acid  
14 stabilizer which must be added separately when the  
15 other chlorine donors are used. As a result, the  
16 chlorinated isocyanurates have the majority market  
17 share in the residential pool market.

18           Chlorinated ISOs are also used in industrial  
19 water treatment, such as cooling towers, hard surface  
20 disinfection and sanitization, institutional laundry,  
21 drinking water, and wastewater treatment. Consumers  
22 purchasing chlorinated ISOs for the residential  
23 swimming pools can use dichlor or trichlor  
24 interchangeably. That is, either product can be used  
25 to maintain the desired chlorine level in the pool up



1 to four parts per million, or, to shock a pool, to 10  
2 parts per million.

3 Trichlor tablets are more commonly used for  
4 continuous addition of chlorine, but because dichlor  
5 is more soluble than trichlor, dichlor is more  
6 commonly used to quickly raise the chlorine level.  
7 Dichlor, because it is a salt, is more, is soluble to  
8 about 20 percent in water, while trichlor is only  
9 about one percent soluble in water.

10 When added to a swimming pool dichlor will  
11 release chlorine into the water at a much faster rate  
12 than trichlor and, for this reason, dichlor is used as  
13 a shock to quickly raise the chlorine level. Trichlor  
14 is preferred as a means of maintaining the base level  
15 of chlorine in the pool over a longer period of time.  
16 However, once you've added either dichlor or trichlor  
17 to the water you can no longer tell if the cyanuric  
18 acid came from the dichlor or trichlor. Trichlor  
19 powder is also used as a shock because powder  
20 dissolves more quickly than granules or tablets.

21 Commercial pools and water parks, in  
22 contrast to residential pools, typically use sodium  
23 hypochlorite, or liquid bleach, which can be fed  
24 faster to automatically adjust the chlorine levels.  
25 Some professional operators even use elemental

1 chlorine, but this product prevents severe safety  
2 risks.

3 Other chemicals that may be used in  
4 residential pools have significant disadvantages. For  
5 instance, calcium hypochlorite is much more of a fire  
6 hazard than the chlorinated isocyanurates.

7 Turning to the manufacturing process, Slide  
8 2 shows a simple outline of Oxy's production process.

9 The processes used are almost the same steps whether  
10 we produce trichlor or dichlor. At Oxy, we produce in  
11 two plants, one in Luling, Louisiana, and the second  
12 in Sauget, Illinois.

13 The first step in the production process is  
14 the production of crude cyanuric acid, or CYA, which  
15 is produced from urea. This is then purified by  
16 reaction with sulfuric acid. After that, either  
17 plant, the process reducing dichlor or trichlor is  
18 almost the same.

19 The trichlor process is shown in Slide 3.  
20 We start with purified cyanuric acid and add caustic  
21 soda and then chlorine. We react the purified  
22 cyanuric acid with caustic soda and in this case we  
23 adjust the ratio of the raw materials to obtain  
24 trisodium cyanurate. Then we react that to cyanurate  
25 with chlorine to produce trichloroisocyanuric acid.

1           The dichlor process at Lulling is shown in  
2 Slide 4. After producing purified cyanuric acid,  
3 again, we react the cyanuric acid with caustic soda to  
4 produce the, in this case the disodium cyanurate, and  
5 then add chlorine at the chlorination step to make the  
6 dichlor acid. The additional step with dichlor is to  
7 react the dichlor acid with caustic soda to produce  
8 the salt.

9           After the dichlor or trichlor are produced  
10 at either plant, the remainder of the process steps  
11 are essentially the same, as shown in this slide. In  
12 both cases we dry the product and then granulate.  
13 After granulation, the dichlor or trichlor is packaged  
14 in one ton sacks or bulk bags.

15           In both cases we ship the bulk bags directly  
16 to customers or, if the customers are purchasing  
17 products in retail packaging, we ship the bulk bags to  
18 toll processors. These companies will repackage the  
19 chlorinated ISOs then into smaller plastic pouches,  
20 bottles, or pails for retail sale.

21           Finally, any biocidal chemicals, including  
22 the chlorinated ISOs, must be registered with, and  
23 approved by, the US EPA under FIFRA. The EPA requires  
24 that a large amount of data be submitted to the EPA  
25 before the registration can be approved. The data

1 include information concerning the chemical and  
2 physical properties, the toxicity, biodegradation, and  
3 much more.

4 The Ad Hoc Committee is a consortium of 12  
5 manufacturers that jointly own much of the required  
6 data for the chlorinated isocyanurates. Shikoku and  
7 the three largest Chinese exporters are all members of  
8 this committee. The Ad Hoc Committee currently values  
9 this database at over \$5.5 million in today's dollars.

10 However, most of this data is no longer compensable  
11 for EPA registration. In other words, there is no fee  
12 for a manufacturer or repacker to use this data at  
13 this point in order to obtain an EPA registration.

14 Thank you for your attention.

15 MR. CANNON: Thank you, Tom.

16 Next, we'll hear from Jeff Williams.

17 MR. WILLIAMS: Good morning. My name is  
18 Jeffrey Williams, and I'm the Senior Business Manager  
19 for the ACL, Silicates and Sodium Chlorites business  
20 for Occidental Chemical. At Oxy, ACL is the brand  
21 name for our chlorinated isocyanurates.

22 I've been in this business unit with Oxy for  
23 about the past 13 years. For the first 10 years I was  
24 handling the silicates business, and then later became  
25 the business, senior business manager for the ACL

1 business and the sodium chlorites business.

2 When I compare the silicates business with  
3 the ISO business one of the biggest differences is the  
4 unfairly traded imports. When I ran the silicates  
5 business for Oxy we definitely encountered imports,  
6 particularly in the dry silicate area. However, the  
7 impact of the Chinese and Japanese ISOs has been much  
8 more severe. In fact, I've never encountered anything  
9 like this in my entire career.

10 At the outset, let me describe the U.S.  
11 market and conditions of competition. On a geographic  
12 basis, the ISO market is a national market. Broken  
13 down by end users, there's really two large major  
14 segments.

15 The first, and largest, end use market for  
16 ISOs is in residential swimming pools, including spas  
17 and hot tubs. This accounts for about 85 to 90  
18 percent of our sales. We sell to large players some  
19 of you may know: Leslie's, PoolCorp, BioLab Chemtura.

20 Those three companies represent a majority of our  
21 sales.

22 Leslie's resales to the retail market,  
23 PoolCorp supplies professional pool products and  
24 services, and BioLab supplies to the vast merchants or  
25 the box stores.

1           Water treatment and industrial cleaners  
2           account for the remaining 10 to 15 percent.  
3           Customers, such as Ecolab, uses ISOs as ingredients  
4           for cleaners and scouring detergents and dishwashing  
5           detergents.

6           In the swimming pool market we sell ISOs in  
7           bulk bags to repackers. In some cases we use toll  
8           repackers to break down the bulk bags before shipping  
9           to our customers. These repackers will also press  
10          product into tablets depending on the form in which  
11          the product is to be sold.

12          Our customers, the repackers, and tableters  
13          are not overly concerned about the quality of the  
14          product, or service, or even the source. The  
15          customers will simply look at a bucket and say how  
16          much is the price? Most people have the perspective  
17          that all brands perform equally well.

18          Even though the market is seasonal, the  
19          importers maintain inventory in the United States. As  
20          a result, we do not have an advantage, even regarding  
21          delivery time.

22          At the end of the day, our customers buy on  
23          price, not quality. When Customer 1 significantly  
24          lowered our volume in 2013 they told me that your  
25          price is \$1 but we can get the Chinese for 95 cents.

1 Even though they would concede that we have higher  
2 quality, they still chose the Chinese product at a  
3 lower price.

4 The next major characteristic of this market  
5 is the highly seasonal nature of sales. Although some  
6 pools in the south and southwest are open year round,  
7 there's an obvious seasonal trend in demand for  
8 chlorinated ISOs because up to 90 percent of the  
9 demand in the swimming pool market comes in the first  
10 six to eight months of the year, leading up to the hot  
11 months.

12 In order for ISOs to be packed and in the  
13 retail stores when the weather turns warm, we begin  
14 building inventory to ship our customers in January of  
15 every year.

16 As Tom described, our swimming pool  
17 customers are generally looking for supply of both  
18 products, both tri and dichlor. Customers want to  
19 order a full line of products from a single supplier.

20 Our customers do not want a single source or have to  
21 single source each chemical. In fact, even though you  
22 could run a pool entirely on dichlor, most people use  
23 dichlor for shock and trichlor for maintaining the  
24 pool.

25 Prices at large customers are typically

1 negotiated in the fourth quarter prior to the  
2 beginning of the year. Demand is driven by the  
3 swimming pool market and the weather. In some ways,  
4 we're like farmers, you know. Our sales can fluctuate  
5 with the weather. For example, this year was off  
6 because we had one of the coldest springs in the  
7 history of the United States. As a result, customers  
8 did not begin ordering large quantities of ISOs until  
9 relatively late, as compared to 2012 when weather was  
10 super hot.

11 Also, as economists would say, the demand is  
12 relatively inelastic. We're not going to sell any  
13 more product by lowering our prices. Homeowners with  
14 their pools and spas tend to use sufficient ISOs to  
15 maintain the chlorine levels throughout the season.  
16 Overall demand will not rise simply because we cut  
17 prices.

18 Given the seasonal nature of the market, we  
19 put the pedal to the metal in January 1, and we run  
20 flat out, essentially, for the first four or five  
21 months of the year.

22 We start production based on the fourth  
23 quarter contract negotiations and anticipated demand.

24 As orders come in, we watch the quantity of sales  
25 closely and adjust the production levels to maintain



1 appropriate inventory levels at our sites.

2 Most of our large customers contract for  
3 multiyear periods. These agreements allow price  
4 changes over time during the terms of these contracts.

5 We have contracts that include meet or release  
6 clauses. In other words, our contracts require the  
7 price to be renegotiated each fall. We will then  
8 nominate new prices for the coming year. We'll also  
9 try and set target quantity. Most contracts, however,  
10 do not fix the quantity that must be ordered by our  
11 customers. Price is, overall, the single-most  
12 important factor in making sales in this market.

13 We submitted several instances of lost sales  
14 and lost revenues due to import competition from China  
15 and Japan. Coming from the silicates business, after  
16 I first took over this ISO business in 2010, in 2011 I  
17 attempted to put through a price increase because our  
18 profit margins were low and our raw material costs  
19 were going up, and so the first thing I did was  
20 announce a price increase.

21 In response, there was actually a flurry of  
22 even new offers at lower prices to my customers. In  
23 fact, despite our attempts to increase prices, the  
24 overall market price level has declined more than 10  
25 percent since 2010.

1           Another example of the impact of unfairly  
2 traded imports is found in the confidential Exhibit  
3 No. 1. There, you'll see a copy of a letter from one  
4 of our very largest customers. The letter states that  
5 the customer is invoking the meet or release clause.  
6 Attached to the letter, attached from this letter is a  
7 copy of the competing offer, in this case, Chinese  
8 imports.

9           In response to this competitive offer, we  
10 would not meet the import price, which was actually  
11 below the cost of our manufacturing. We therefore had  
12 to release the customer from its volume commitments  
13 and allow it to purchase the Chinese imports.

14           Maintaining our sales volume is critical to  
15 this business because we have high fixed costs. Our  
16 dichlor fixed costs account for about 50 percent of  
17 our manufacturing costs. On trichlor, our fixed costs  
18 run about a third of the cost of manufacturing.

19           Our plants are geared to run at high rates.

20       Over the years, when our sales volume has fallen we  
21 have been forced to let staff go and bring down the  
22 operating capacity at our plants to be in line with  
23 the sales volume. In fact, in 2013 we are not running  
24 at the high rates that we could achieve if we had more  
25 orders. This means that we're providing fewer U.S.

1 manufacturing jobs in our communities.

2 As I've described, our business is seasonal.

3 In fact, we sell about two-thirds of our volume in  
4 the first six months of the year. Consequently, we  
5 will shut our plant down for several weeks in October  
6 and November because the product is so destructive  
7 that the equipment has to be, has to have preventative  
8 maintenance done in the off seasons to refurbish the  
9 reactors, and kilns, and so on.

10 From a financial perspective, the  
11 seasonality of the business means that we make all our  
12 money in the first half of the year. We're  
13 essentially running at a loss from this month on for  
14 the rest of the year. This means that even though  
15 we'll show a profit from January to July or June, our  
16 full year results will be negative. In fact, the  
17 first half of 2012 we had higher profits than we  
18 experienced this year, but for 2012 as a whole, we  
19 suffered losses. I can safely predict, therefore,  
20 that 2013 profits will be negative.

21 Confidential Exhibit No. 2 includes a list  
22 of our top 10 customers provided in Section 4 of the  
23 questionnaire response. If you go down that list, I  
24 have encountered Chinese and Japanese imports in  
25 almost every account where we've lost sales or been

1 forced to reduce prices in response.

2 For example, at Customer No. 1 and 2 we were  
3 forced to cut prices to maintain our sales volume in  
4 2013. At Customer No. 3 we lost substantial volume of  
5 dichlor due to unfair competition. You can see from  
6 the exhibit how important these accounts are to our  
7 operating rates. We've been forced to meet price  
8 levels offered by most Chinese and Japanese imports at  
9 the majority of accounts.

10 In short, the dumped and subsidized imports  
11 caused us to compromise pricing to maintain our  
12 volume, but prices continue to fall and our operating  
13 profits continue to become losses. We're running our  
14 plant well below full capacity at the cost of U.S.  
15 jobs.

16 When we look at the P&L, we make our profits  
17 in the first half of the year. I know this is a  
18 product in which you have to make your money while the  
19 sun shines -- no pun intended -- but from now on we're  
20 going to lose money every month, and we will lose a  
21 lot of money in October and November when the plant  
22 shuts down for maintenance. In these circumstances,  
23 our industry needs your help. Thank you.

24 MR. CANNON: I'm going to interrupt the flow  
25 slightly here. With the, with my like thinking about

1 the technology and the people arriving this morning, I  
2 forgot to give the confidential exhibits to counsel  
3 for the Respondents, so I just want to give them a  
4 couple copies and I'll come right back. All right.

5 Now I'd like to turn it over to Scott  
6 Johnson.

7 MR. JOHNSON: Good morning. My name is  
8 Scott Johnson, and I'm the Executive Vice President of  
9 Clearon Corporation. I've been with Clearon for over  
10 17 years, and in that time I have always been in the  
11 ISOs business.

12 I was involved in the first case in 2005 and  
13 appeared before the International Trade Commission at  
14 the hearing in 2005. In 2004 we filed the antidumping  
15 petitions against China and Spain because our sales  
16 were declining, the volume of imports was steadily  
17 increasing, and dumped imports had sufficiently  
18 degraded market prices, to the extent that Clearon was  
19 losing money. Given the condition of the industry at  
20 that time the Commission unanimously found material  
21 injury.

22 In the first few years after the antidumping  
23 duties were imposed, our industry regained sales  
24 volume, market price levels improved, and we  
25 experienced profitable operations. In other words,

1 for several years the antidumping orders on China and  
2 Spain were effective in creating conditions of fair  
3 trade.

4 I am back before the Commission today  
5 because the relief from dumping did not last. Since  
6 the antidumping orders in 2005, imports from Japan  
7 have entered the market in large volumes at prices  
8 that are well below our cost of production. Imports  
9 from China never really left the market but now are  
10 benefitting from significant subsidies.

11 As a result, price levels in the U.S. market  
12 are as low as ever. Indeed, I believe that the record  
13 in this case will show that the imports of ISOs are  
14 now being sold at prices lower even than what we had  
15 in 2005.

16 In addition, imports from China and Japan  
17 now account for an even larger share of the U.S.  
18 market than when I appeared before the Commission in  
19 2005. As shown on Slide 9, the last full year in the  
20 original 2005 investigation, imports from China and  
21 Japan have increased from less than 22 percent of the  
22 market to over 34 percent.

23 Compared to the original 2005 investigation,  
24 imports have increased, price levels are just as low  
25 as 2005, our operating rates are lower, our shipments

1 and market share have fallen, and we are again losing  
2 money.

3 In terms of capacity, we are running at  
4 lower operating rates this time around then we were  
5 back in the 2003, 2004 timeframe. As Jeff Williams  
6 described, our operating rates are a very important  
7 issue for us as it allows us to spread our fixed  
8 costs.

9 Like Oxy, our fixed costs account for almost  
10 one half of the cost of manufacturing of chlorinated  
11 ISOs. As our production volume declines, there is a  
12 significant negative impact on our cost structure.

13 We were making tablets back in the 2003,  
14 2004 timeframe as we do today, but most of our  
15 business back in the earlier timeframe was bulk  
16 business or toll-oriented where we would sell bulk  
17 material and toll the cost of the tableting process.  
18 Since the original case, price levels in the bulk  
19 business have deteriorated to the point that we cannot  
20 make a profit. As a result, we have shifted more and  
21 more to producing products for direct shipment to  
22 retailers.

23 A majority of our business today consists of  
24 selling directly to big box retailers. Retailers will  
25 not take bulk quantities of super sacks, or quantities

1 in the super sacks or in the drums. For these  
2 customers we repackage the product in smaller  
3 quantities, including 50 pound -- you can see  
4 representatives of these different quantities to my  
5 right -- 25 pound, smaller plastic buckets, plastic  
6 bags, or other containers.

7 As Jeff Williams described, dichlor is  
8 typically sold in the swimming pool market as a  
9 granular product for use in the shock treatment.  
10 Trichlor is typically sold as a bucket or a pail  
11 filled with trichlor tablets.

12 In Charleston, West Virginia we have two  
13 facilities. First, there is our manufacturing plant,  
14 and second, about a half mile away is our retail  
15 packaging operation.

16 The whole business operation starts on the  
17 manufacturing side. That's where the chemical  
18 manufacturing process takes place. We use a process  
19 very similar to the process described by Oxy. In our  
20 case, we make dichlor and trichlor in the same  
21 facility. Like Oxy, the process for manufacturing  
22 cyanuric acid from urea is identical whether we are  
23 making dichlor or trichlor. Also, the raw materials  
24 are identical and both products use the same  
25 production steps.



1           Unlike Oxy, we have our own packaging and  
2           tableting operation. At our warehouse we have  
3           packaging lines and tablet presses. In general,  
4           dichlor is packaged in granular form which aides in  
5           quickly dissolving the product. Trichlor is typically  
6           pressed into tablets and then packaged into retail  
7           containers. We have brought various of these retail  
8           containers with us this morning.

9           Our tableting operation is similar to that  
10          of other repackagers in the market, although perhaps  
11          larger in scale. When it comes to tableting, the only  
12          thing that you need is a press. A tablet press is a  
13          fairly common type of industrial press and the  
14          equipment is easily obtained and operated by virtually  
15          anyone.

16          The amount of skill needed to run the press  
17          is low, relative to the skill needed for the operators  
18          in our ISOs manufacturing operation. That's where we  
19          are handling all of the chemicals, and some of these  
20          are hazardous chemicals: chlorine, numerous acids,  
21          caustic, and ammonia. These operators are well-  
22          trained and capable of controlling the operation to  
23          make sure that there are no incidents that would  
24          impact employees or the community.

25          By virtue of their additional training and

1 skills, the production workers in our ISO  
2 manufacturing facility earn on average more than \$40  
3 an hour, which includes benefits. By comparison, the  
4 operators for our tableting presses average about \$15  
5 an hour, including their benefits.

6 The investment to purchase a press and the  
7 necessary tooling ranges from about \$80,000 to  
8 \$140,000. The chemicals are very corrosive so we  
9 periodically take our presses out of service, do a  
10 mechanical work over. We take out existing dies and  
11 have them checked, and machined, and brought back to  
12 the tolerances that we expect.

13 These operations, however, do not compare to  
14 the maintenance that takes place in our manufacturing  
15 facilities with respect to the kilns and the reactors  
16 that we use. Typically the total cost of production  
17 for a finished tablet, including the granular  
18 trichlor, cost of tableting, packaging into finished  
19 good containers, we are looking at about \$1.50 per  
20 pound. By comparison, the cost to press a three inch  
21 tablet is about 15 cents.

22 Not only do the tablet press operators earn  
23 low wages, but the workforce itself fluctuates on a  
24 seasonal basis. The manufacturing facility has about  
25 140 individuals who work year round. These operators

1 have higher skills and include chemical operators,  
2 skilled mechanics, professional engineers, and  
3 managers. Tableting and packaging has an employee  
4 base that fluctuates very heavily, depending on the  
5 time of the season.

6 As we get into the pool season, our  
7 workforce number will escalate to 150 operators. As  
8 the season passes and, the number of tableting  
9 individuals will decrease to about 40. Most of our  
10 tablet volume is pressed over a short period of time.

11 Every repacker has to have a registered EPA  
12 establishment number, as we do. Similarly, all  
13 repackers will incur engineering and management,  
14 supervision, and similar overhead costs. These costs  
15 are more of a press maintenance issue than a true  
16 production issue. There are no significant costs  
17 associated with tableting.

18 The technology used is very straightforward,  
19 very common. There's no R&D that goes into the  
20 process. There are some things we do to maintain a  
21 higher quality at Clearon, but these are very simple  
22 issues. In short, the tableting operation simply does  
23 not compare with our chemical manufacturing operation.

24 Turning to the impact of importers on our  
25 operation, I would like to echo again Jeff's testimony

1 that the ISOs business is a fixed cost intensive  
2 industry. Raw materials and utilities go into the  
3 variable cost side, but everything else, labor,  
4 equipment, operating supplies, are all fixed costs.

5 I would estimate that our fixed costs are 40  
6 to 50 percent of our total cost to manufacture. Given  
7 such high fixed costs, as well as a large amount of  
8 unused capacity, it is critical for us to increase our  
9 sales volume.

10 Last year, due to the lost sales volume to  
11 the Chinese and Japanese imports, we were forced to  
12 shut down our plant for over four months. Normally,  
13 we shut down during the month of September for  
14 maintenance. This usually lasts four weeks, although  
15 when our orders are high we shut down our dichlor and  
16 our trichlor operation for only two weeks.

17 In 2012 we shut down for four months, not  
18 four weeks, and laid off one-third of our employees  
19 during this shut down. We have never had a shut down  
20 comparable to last year's. In this respect, the  
21 unfairly traded imports prevent us from earning  
22 adequate returns. Subsidies on the Chinese ISOs and  
23 dumping by the Japanese imports allow the imports to  
24 increase their market share and give our purchasers  
25 the leverage to force us to cut prices in order to

1 maintain that precious sales volume.

2 In January of this year when the antidumping  
3 duties on the Chinese imports were increased to nearly  
4 30 percent, we expected that the price levels would  
5 rise across the market. Unfortunately, that simply  
6 did not happen. Instead, we have been forced to cut  
7 prices to try and get some of our volume back.

8 Rising raw material costs amplify the impact  
9 of unfairly traded imports. Even as market prices for  
10 ISOs have declined, we have experienced increases in  
11 raw material costs. For example, urea is the chemical  
12 that forms our cyanuric acid, which is the carrier for  
13 the chlorine. Urea is made directly from natural gas  
14 and the price fluctuates with prices both in the  
15 natural gas market and with fertilizer demand.

16 Urea that is purchased in the ISO production  
17 process is an atypical type of urea. The urea  
18 material that we use has to be very pure, untreated,  
19 and free of any anticaking agents. Obtaining a high  
20 grade urea with those characteristics adds an  
21 additional cost to the material that we have to  
22 purchase.

23 We have seen a near doubling of the price of  
24 urea from 2010 to 2012. Our raw material contracts  
25 link our price that we pay to the trend in the

1 published Gulf Coast NOLA Prices. As these prices  
2 increase, our urea cost automatically increases. Gulf  
3 Coast urea prices nearly doubled between 2010 and  
4 2012.

5 In 2013 these prices have declined, but not  
6 to the levels that were experienced before that  
7 period. The major problem is that our product pricing  
8 is not indexed to our raw material prices. In other  
9 words, even as prices have fallen, our unit costs have  
10 been increasing.

11 Despite attempts to announce price increases  
12 to cover rising costs, prices have not risen. In such  
13 a market, we cannot earn an adequate return on sales  
14 or investment. Faced with high fixed costs and the  
15 pressure to load our capacity, we cannot afford to  
16 hold out for higher prices. When I compare the  
17 situation with 2005, I honestly believe that the  
18 competition has become more intense and more  
19 injurious.

20 For these reasons, we ask the Commission to  
21 make affirmative determination and again relieve our  
22 industry from the effects of unfair trade. Thank you.

23 MR. CANNON: Thank you, Scott.

24 Batting clean up, Dave Helmstetter.

25 MR. HELMSTETTER: Good morning. My name is

1 Dave Helmstetter, and I'm Vice President of Sales and  
2 Marketing for Clearon Corporation. I've had this  
3 position for six years and I've been with Clearon for  
4 11 years.

5 I started my career with Olin where I  
6 managed four plants, including the plant in  
7 Charleston, West Virginia now owned by Clearon. Olin  
8 ended up selling the Charleston, West Virginia plant,  
9 and later, Olin split their company into Olin and Arch  
10 Chemicals. I became an executive with Arch and had  
11 purchasing responsibilities for ISOs.

12 In 1995, Olin divested the Clearon business,  
13 selling it to ICL. Through 1999, Olin Arch had a five  
14 year contract with Clearon. During those five years  
15 we paid a heavy price for trichlor made by Clearon.  
16 Eventually, after the contract expired, I came in and  
17 said we would not sign another contract.

18 I would have Clearon quote 20 million pounds  
19 for supply and I'd beat them down in price because I  
20 could get it cheaper from China and Japan. I'd meet  
21 with the Japanese producer Shikoku and others and use  
22 their price. I would have them quote me for a  
23 combined total of 20 million pounds to get the lowest  
24 price, but then I'd buy the bulk of the product from  
25 Clearon. When the product as long as it is, this is

1 what happens.

2 At Arch, we would just keep forcing the  
3 price down using Chinese and Japanese prices that  
4 quoted against the best domestic prices.

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

9 Before bringing the antidumping case in 2004  
10 we changed our sales strategy. Clearon went to Costco  
11 in 2003 and we went to Sam's Club in 2003. Although  
12 we did not secure any business in the first year, we  
13 were eventually able to penetrate the account.

14 The big box retailers, essentially two SKU  
15 stores. They would only carry a large package of  
16 shock and a big drum of trichlor tablets. The mass  
17 merchandisers have required us to remove left over  
18 inventory from their stores at the end of the season.  
19 We bring it all back to one location in North Carolina  
20 and we buy it back at the price we sold to them. It  
21 is then the first product sent out next year.

22 Despite these requirements, the mass  
23 merchandisers purchase in large volume and we need  
24 volume sales to fill our plant. As a result, Clearon  
25 shifted from the production of granular and bulk bags



1 to dichlor granular and trichlor tablets in retail  
2 packaging so that we could supply the mass  
3 merchandisers directly.

4 This strategy worked for a time to help us  
5 maintain margins, but in the past three years Arch, in  
6 particular, has been offering extremely low prices to  
7 mass merchandisers, forcing us to cut prices to  
8 maintain sales volumes.

9 In my experience in this industry, price is  
10 the most important factor in every sale. Over my  
11 career, the intensity of competition throughout the  
12 market has increased. Historically, the manufacturers  
13 were able to make a profit. Nobody was changing  
14 suppliers for a few pennies. There was loyalty  
15 between the customer and the supplier. However, the  
16 subsidized and dumped imports have changed all that.

17 We were making money in the first few years  
18 after the antidumping order was published with respect  
19 to China, selling trichlor tablets at \$1.74 a pound.  
20 Today, by comparison, that same customer will report  
21 that Arch, now Lonza, quoted \$1.40 a pound, using a  
22 factory in China to supply the bulk trichlor.

23 Although we have shifted our focus to the  
24 retail market, we have not stopped trying to sell ISOs  
25 in bulk quantities. For example, in 2011 we offered

1 our best possible price to three U.S. repackers to  
2 supply them 10 million pounds of trichlor and dichlor  
3 granular for the 2012 season. At a volume of 10  
4 million pounds we would have been able to cover our  
5 cost.

6 Two customers ordered at our price. The  
7 third customer insisted that the Japanese imports were  
8 cheaper. We thought we would sell those 10 million  
9 pounds, but shortly after we started supplying, one  
10 customer came back and insisted we meet a lower quote  
11 he had received.

12 The second, larger customer never purchased  
13 per the agreed upon schedule, and when we protested  
14 that that price was based upon a much higher volume of  
15 sales, the customer told me that Shikoku had quoted  
16 seven or eight cents below our price. At this point,  
17 we lost the sales volume altogether.

18 At another account, Customer 2 on our top 10  
19 list, we had suffered a steady decline in sales volume  
20 over the entire period of investigation. This  
21 customer is a national distributor that covers every  
22 state. Because the customer switched its orders to a  
23 Chinese seller, Clearon suffered a decline in  
24 shipments in 2011, which got even lower in 2012.

25 In short, whether we have sold in bulk bags

1 to the repackers and tableters or whether we have sold  
2 tablets directly to retailers, we cannot escape the  
3 every day low prices offered by Chinese and Japanese  
4 imports. Because we require the volume to fill our  
5 capacity and avoid extended shut downs as in 2012, we  
6 cannot resist the low price levels.

7 We thought in January of this year that an  
8 increase in the antidumping duties on China would  
9 help, but we have been unable to raise prices to a  
10 level that will cover our costs. As a result, we are  
11 not able to compete against subsidized and dumped  
12 imports.

13 The Commission helped us in 2005. We need  
14 your help again. Thank you very much.

15 MR. CANNON: Thank you, David. I would now  
16 like to just do a couple little points of  
17 housekeeping, so if we could roll back to Slide 7,  
18 Slide 7 shows the seasonal trend in imports. These  
19 data are based on PIERS data. We do not believe that  
20 the census import statistics for the HTS category,  
21 that's 6015 that specifically covers dichlor and  
22 trichlor, we don't believe those HTS statistics are  
23 accurate in reflecting imports.

24 In fact, it's interesting because that  
25 category was created after the antidumping order

1 specifically to pick up this product, and yet the  
2 volumes are wildly understated.

3 So this data is from the PIERS database  
4 where we have aggregated from ships' manifest, and we  
5 think it will much more closely match what you will  
6 have in the record in the combined, or aggregation of  
7 the importer questionnaire responses.

8 If you turn to the next slide, this slide is  
9 a public version with the index. In the pink handout  
10 you'll see Exhibit 3. Exhibit 3 is the confidential  
11 version. It shows the actual prices. These are Oxy  
12 prices for the pricing products. We've just taken a  
13 simple weighted average, but in postconference we'll  
14 of course lay out all the products to show the trend  
15 and the steep decline in prices.

16 Also in the confidential exhibits we have,  
17 and you heard him discuss in the first exhibit, an  
18 attachment to Oxy's questionnaire response, which was  
19 a meet or release clause letter.

20 The second exhibit and the fourth exhibit  
21 are the pages from the questionnaire that identify  
22 customers, the top 10. So in the testimony the  
23 witnesses, in order to be able to speak about their  
24 customers, use numbers, Customer 1, 2, and so forth.  
25 That, in every case, corresponds to these lists. So

1 in answering your questions, if we're talking about  
2 Customer 1 or 2 and you want to see who it is, this is  
3 the guidebook.

4 With that, we are finished and are happy to  
5 take your questions.

6 MS. DEFILIPPO: Thank you very much, Mr.  
7 Cannon, and thank you very much to the industry  
8 witnesses that appeared here today. It's always very  
9 helpful to have firsthand knowledge helping us  
10 understand this. I know it's difficult to get away  
11 from your businesses for the day, so we do greatly  
12 appreciate it.

13 I will turn first to our investigator, Ms.  
14 Lo, for any questions for this panel.

15 MS. LO: Hi. Thank you all for being here  
16 today to help us understand. I'm still trying to get  
17 an understanding of why tableters have the ability to  
18 tablet and not that the producers, Clearon and Oxy,  
19 you guys don't do all the tableting yourself. Is  
20 there some reason behind that?

21 MR. JOHNSON: Let me start with that  
22 specifically because Clearon does have that  
23 capability, but it was one that came associated with  
24 our industry from way, way back. The manufacturing  
25 part of our operation is the real cost intensive

1 difficult part of the process.

2           The tableters -- you can look at tableting  
3 in the early days of Clearon. We did most of our  
4 tableting as a toll-type of an arrangement. Today,  
5 we've looked at doing it more internally for our sales  
6 directly. It is just a, it is a simple add on, there  
7 are -- to make the product into the type of container  
8 that the retail customer wants to have. At the  
9 manufacturing plant we make large bulk quantities and  
10 those are not useful for the retail customer.

11           I guess the other thing is there are a  
12 number of tableters that exist throughout the U.S.  
13 It's not a difficult business to get into, as I tried  
14 to mention earlier, so they're able to take these  
15 chemicals that have been produced and then put it into  
16 form that the retailers want to have. That's an easy  
17 business to get into, and an easy business to toll  
18 out.

19           MR. WILLIAMS: You know, as a chemical  
20 manufacturer, we're good at making chemicals, okay?  
21 That's our forte. We're good at selling bulk  
22 chemicals. That's where you make your money, okay?

23           The reason that you get into tolling and we  
24 did it was because of customer demand, you know? We  
25 had customers that came to us and said, hey, we want

1 to buy three inch tabs in 50 pound pails from you.

2 Well, you know, we don't want to make the  
3 investment in the tableting, per se, because there are  
4 at least a dozen high quality tableters across the  
5 United States. They exist in California, in Oklahoma,  
6 there's a large company that's a half mile from our  
7 plant, they're up in New Jersey, they're in Florida,  
8 Texas, and so these tableters exist across the United  
9 States. So Oxy chose not to do that add on as  
10 tableting and farmed that out to the tableters.

11 From a chemical standpoint, our philosophy  
12 is we make our money on the bulk side, or we try to  
13 anyway. Does that make sense?

14 MS. LO: It's just that I see that Clearon,  
15 Mr. Johnson had testified that he is moving away from  
16 or has moved away from bulk because he's not able to  
17 sell bulk as much, that he is making some tableting.  
18 So I was just -- you still have to, you still don't  
19 make enough tablets for your customers or are you just  
20 trying to get business any way you can? Is that  
21 what's happening?

22 MR. JOHNSON: More the latter of what you  
23 just mentioned. As you heard Dave Helmstetter  
24 testify, we still go after bulk granular markets as  
25 best we can, but that market is being very severely

1 impacted by imports that we're competing against.

2 We do make all of the tablets that we need  
3 for our sales. We have that tableting capability. We  
4 also use some other outside capabilities to put our  
5 product into the right containers that we don't have  
6 that capability to do in repacking.

7 MR. CANNON: So I would just add two  
8 footnotes based on things that they've told me. I  
9 believe, as chemical manufacturers, they try to run  
10 their plant year round and smooth out production. The  
11 tableters are sort of a seasonal thing. They wait  
12 right until they get a big order and they jump on it.

13 So Scott would tell you he runs his tableting  
14 business by bringing in a bunch of extra workers and  
15 tableting like crazy right around the pool season.

16 The tableters secondly tablet other  
17 products. So at a point in time in history, before  
18 they moved into tableting, there was a kind of a group  
19 of companies who distribute, package, and then when  
20 people want tablets, they press them. They do things  
21 like have seasonal workforce, try to run presses, keep  
22 them busy. These folks, being chemical manufacturers,  
23 as Jeff described, were not really looking to run kind  
24 of on that model.

25 Then I think to sort of -- as the Commission



1 has seen in many cases, the big box stores, they don't  
2 want any middleman, they don't want any distributor in  
3 the middle there, they want to go straight to the  
4 source. So they want to come straight to Clearon, and  
5 Clearon now then owns the tableting presses and does  
6 all of its own tableting. Is that fair?

7 MALE VOICE: Yes.

8 MS. LO: A quick add on. So you said  
9 tableters do make nonsubject products when they aren't  
10 pressing ISOs, correct?

11 MR. JOHNSON: Yes. Tableters, we refer to  
12 them as tableters or repackers. I think repackers are  
13 probably a better description, but when they aren't  
14 pressing tablets, they are doing other types of  
15 activities. Many are not just limited to doing ISO  
16 products. They will do other types of swimming pool  
17 products as far as pressing tablets.

18 MS. LO: For the record, the same equipment  
19 used for tableting can be used for nonsubject  
20 products.

21 MR. JOHNSON: It can be.

22 MS. LO: Thank you. Another question. Are  
23 you aware of any other investigations going on in  
24 chlorinated ISOs in the domestic market?

25 MR. CANNON: Not that we're aware of. We'll

1 look, and if there are, it will be in the  
2 postconference brief.

3 MS. DEFILIPPO: Thank you, Ms. Lo.

4 Mr. Goldfine?

5 MR. GOLDFINE: Good morning. Mr. Cannon, I  
6 understand your position again, and this investigation  
7 is you're arguing for one like product, and to the  
8 extent in your post-conference brief you can walk us  
9 through the six factors on that, particularly on the  
10 Trichlor/Dichlor issue that the Commission looked at  
11 last time, I think that would be helpful. Is that the  
12 only, I mean, in terms of what the Commission should  
13 be looking at in this investigation in terms of like  
14 product because I know in the prior investigation they  
15 looked at several issues, blended and then powder, as  
16 far as from your perspective, how many like products  
17 issues are there?

18 MR. CANNON: So from our perspective, we  
19 have 50 pages, so we'd like to wait and see how many  
20 like products they throw out there before we start  
21 writing about all of them, and by they, I mean  
22 Respondents, but certainly in post-conference brief  
23 we're happy to address it, and as I stated, I don't  
24 think the Commission had a significant problem on that  
25 particular issue. It was 60 on like product. It was

1 on the tabular issue where there was a split.

2 MR. GOLDFINE: And I guess this is more for  
3 the witnesses now. I mean, you can help me understand  
4 on to the extent there's some overlap between Trichlor  
5 and Dichlor, if you can educate me on that because  
6 from a layman's perspective, you're talking about one  
7 is shock, one is maintenance, one is powder, one is  
8 tablet. These sound like differences to me. I mean,  
9 can you point out in terms of either in uses or  
10 chemical structure or in customer perceptions where  
11 there's an overlap?

12 MR. HELMSTETTER: Well, both of them are  
13 bringing chlorine to the application area and in the  
14 swimming pool market. They both bring chlorine in the  
15 water the same way they do it in the industrial  
16 markets. If it's being used for bleach, they bring  
17 the chlorine. One brings it very quickly to solution,  
18 one brings it very slowly. That's the only  
19 difference. You can use them interchangeably anywhere  
20 in the industry. I mean --

21 MR. GOLDFINE: Do you have some sense in the  
22 market, I mean, to estimate how much of the time --

23 MR. HELMSTETTER: The main reason we --

24 MR. GOLDFINE: In terms of shock versus  
25 maintenance.

1           MR. HELMSTETTER: What we recommend to our  
2 customers for ease of convenience, just for the  
3 customer, is you put your tablets in once a week, and  
4 you don't have to go add any more thing, and you shock  
5 your pool maybe once every 10 days, so you just want a  
6 high increase of chlorine. You can get it either way,  
7 but for the consumer in his backyard pool, he doesn't  
8 want to add stuff to his pool every day. He doesn't  
9 want to mess with it everyday, so it's just a  
10 convenience that he treat his pool with either  
11 chemical with no problem.

12           MR. GOLDFINE: So most consumers don't know  
13 or they're not being deliberative in terms of whether  
14 they're throwing a Trichlor tablet in the pool or a  
15 Dichlor?

16           MR. HELMSTETTER: They have their  
17 instructions, but we see consumers that never use  
18 tables, and they always use Dichlor.

19           MR. GOLDFINE: Yes.

20           MR. HELMSTETTER: We see consumers that just  
21 use Trichlor, and they don't use the Dichlor, so it's  
22 either way. It's convenience to them, so the consumer  
23 has a choice what they want to use.

24           MR. GOLDFINE: Okay. If anyone else has  
25 something?

1                   MR. KUECHLER: Again, I mean, both Trichlor  
2                   and Dichlor have chlorine attached to the cyanuric  
3                   acid ring. When it dissolves in the pool water, it  
4                   releases that chlorine. That's the active biocide to  
5                   kill your bacteria, and you have the chlorine and  
6                   cyanuric acid, so either one kind of gets you to the  
7                   same place. Once you look at that pool water after  
8                   you've added it to the water, you can't tell which one  
9                   you've added. It's the same product, and the only  
10                  real difference between the two is you've got two  
11                  chlorines on one of the molecules and three chlorines  
12                  on the other molecule and how you feed that to the  
13                  water, but once you put it in the water, they're  
14                  essentially equivalent.

15                 MR. GOLDFINE: Okay. Then I guess --

16                 MR. CANNON: We have one other point.

17                 MR. GOLDFINE: Yes.

18                 MR. CANNON: So on the shock, Dichlor is  
19                 usually used as a shock, but Trichlor can also be used  
20                 as a shock, particularly Trichlor powder because it's  
21                 fine and will dissolve quickly, and so technically,  
22                 and these folks know the answer. Technically, it's  
23                 not like really a shock, but it's sold that way in the  
24                 market, and it comes in a big bucket, and it's white  
25                 powder, so people will dump it in their pool. It's

1 called shock. Can you explain this?

2 MR. HELMSTETTER: They're all bringing  
3 chlorine to the pool. If the consumer needs chlorine  
4 to treat his pool, he can get it in a variety of ways.  
5 What we have found is that the majority of the  
6 consumers like to put their tablets in their pool and  
7 then shock periodically, you know, once a week.

8 MR. CANNON: So Dave, tell us about the  
9 Trichlor powder being used as a shock just like  
10 Dichlor is used as a shock.

11 MR. HELMSTETTER: All right. You can take  
12 Trichlor powder, and you shock your pool with it. One  
13 of the differences is it dissolves so slowly that if  
14 you broadcast it into your pool, it will sink to the  
15 bottom of your pool, and you have to vacuum it out, so  
16 what they do is they put it in their skimmer box, and  
17 then it goes and gets caught on the filter and  
18 dissolves there. The Dichlor powder you can broadcast  
19 right into your swimming pool, and it will dissolve  
20 very quickly, within a couple of minutes, so those are  
21 the differences you have and how they behave.

22 When you go to EPA and get registrations for  
23 your products, you have to tell whether it's a shock  
24 or a primary treatment. The Trichlor or the Dichlor,  
25 either one, you can get an EPA registration because

1 it's a clarifier. It's not killing the bacteria or  
2 the algae, but it clarifies your water, so when you  
3 buy Trichlor at the Walmart, you know what the  
4 registrations say. It'll say it's a clarifier and not  
5 so much a sanitizer because what they want to do for  
6 marketing reasons, and this is purely marketing  
7 reasons, is you can swim immediately after shocking  
8 the pool because the EPA recommends not to get in your  
9 swimming pool water if it's above 4 ppm chlorine, so  
10 that's a marketing angle they use and why they use the  
11 Trichlor shock, but they're all doing the same thing.  
12 They're all bringing chlorine to the water.

13 MR. GOLDFINE: Okay.

14 MR. HELMSTETTER: That's all sort of  
15 confusing.

16 MR. CANNON: To fill in a couple of blanks,  
17 so when you shock with Dichlor, you get your water up  
18 to 10 parts per million chlorine. You can't swim in  
19 it for four to six hours, so if you're having a pool  
20 party, and you want to get rid of the algae, you have  
21 to do it the night before and wait overnight. If you  
22 shock with Trichlor powder instead, you can swim right  
23 away, so they sell in the store Trichlor powder. They  
24 call it a shock, so there's a direct overlap.

25 Shock isn't only Dichlor. It's also

1 Trichlor. It's usually Trichlor powder, and it works.

2 The main use of Trichlor though is the tablets, and  
3 that's a longer release. You throw it in the pool.  
4 It lasts a week, so in our view, it's kind of like  
5 many products the Commission sees. We have sort of a  
6 spectrum, continuum of uses, right? It's always to  
7 deliver chlorine. In fact, I think my scientists will  
8 say once the Trichlor or Dichlor gets into the water,  
9 it turns into the same thing.

10 MR. KUECHLER: Well, that's what I just  
11 said, yes. You've got chlorine and cyanuric acid.  
12 You can't tell which one it came from.

13 MR. GOLDFINE: Okay. Thank you very much  
14 for those answers. I think it would be helpful in  
15 your post-conference brief to the extent on each of  
16 those six factors you could really put in the best  
17 evidence you have on the overlap on the shock issue,  
18 for instance. On the issue of the tableters, I  
19 understand from the petition and what you said earlier  
20 your position is the tableter should not be included.

21 As you said, the Commission, although it was  
22 a different set of Commissioners the last time, it was  
23 divided on that issue, so in your post-conference  
24 brief, it would be very helpful for you to walk  
25 through the analysis, the factors the Commission looks



1 at, but for purposes of our discussion now, how would  
2 you respond to sort of what the, you know, the  
3 arguments or the conclusions that the Commissioners  
4 who did include the tableters the last time? One of  
5 their points was that there is a fair amount of  
6 technical expertise involved in tableting, you know,  
7 hazardous materials, et cetera. What would any of the  
8 witnesses have to say about that?

9 MR. JOHNSON: I guess I would look at the  
10 last comment that you made in the tableters are really  
11 taking the less hazardous leach granules that have  
12 already been produced at the manufacturing plant and  
13 just pressing it into a tablet form. It's a much,  
14 much less complex, much less skill requirement to do  
15 that tableting versus making the actual isos from the  
16 different chemicals that are fed into the  
17 manufacturing process.

18 MR. GOLDFINE: And I think you said it was a  
19 less -- what was the word you used? Less?

20 MR. JOHNSON: Less hazardous.

21 MR. GOLDFINE: Less hazardous, or is it less  
22 complicated? I mean, is it --

23 MR. JOHNSON: Both.

24 MR. GOLDFINE: Okay. And what are you  
25 basing that statement on? The fact that it's just

1       quicker to press it?

2                   MR. JOHNSON:  When you look at the  
3       manufacturing process, we're handling hazardous  
4       materials, and the most hazardous is a chlorine gas.  
5       We're taking the gas.  We're handling large amounts of  
6       acids and caustic, and we're combining all of those  
7       materials together to form a much more safe granule of  
8       the chlorinated isocyanurate.

9                   MR. GOLDFINE:  Okay.

10                  MR. JOHNSON:  Once that granule is formed,  
11       then the step of pressing it into a tablet is much  
12       more straightforward.  You aren't dealing with all of  
13       the components feeding into the chemical manufacture.

14                  MR. GOLDFINE:  Okay.  Thank you for that.

15                  MR. CANNON:  We'll be happy to address that,  
16       and I think one way to think about it in terms of what  
17       Scott was saying is Tom went through the charts,  
18       right?  So we saw, for example on Slide 1, that's the  
19       cover.  Slide 2?  Okay.  So those descriptions,  
20       purification, chlorination, drying, compaction,  
21       screening, packaging, you reimpose natural gas to  
22       cyanuric acid, these are -- perhaps you've been at a  
23       plant, a chemical plant.  These are large reactors,  
24       kilns.  There's piping.

25                  Inside each of these steps, there might be a

1 chemical reaction, raise the temperature chains or  
2 exothermic reaction. There are processing stages, and  
3 look how many there are just from the sheer  
4 complexity. Then, if you go to the next slide, you  
5 have a product change. You go from cyanuric acid to a  
6 different chemical product, and then you have  
7 chlorination to yet another chemical product. I was  
8 in a customs case.

9 This would be a double substantial  
10 transformation, but fundamentally, we are moving  
11 molecules around and going through multiple-stage  
12 process in a plant with hundreds of millions of  
13 dollars of investment. We are not taking something in  
14 a big sack that's already in a granular form, loading  
15 them into a die doing a stamp and getting a tablet.  
16 Essentially, they've got a one step mechanical process  
17 versus an entire chemical factory, and that's, I  
18 think, the major reason we feel this is fundamentally  
19 different than tableting operation.

20 We'll, of course, go through all the  
21 factors, and as I said in the opening, we think it is  
22 important that there will now be more evidence because  
23 the Commission specifically said in the final that it  
24 couldn't determine whether the tableters were  
25 benefitting from the imports because they didn't have

1 separate data. Now you've got the U.S. producer data  
2 from the tableters perhaps, or maybe we'll have it,  
3 hopefully by Friday, and then we can see are they  
4 benefitting. Is the nature of their business like  
5 they're commodity brokers or distributors more than  
6 they are manufacturers. They don't call them  
7 targeters anymore?

8 MR. GOLDFINE: This may be also for your  
9 post-conference, but I understand the point you just  
10 made about a one-step process, but in terms of the  
11 value added, and maybe that's for the post conference,  
12 but would any of the witnesses have anything to say  
13 about that, the value added to the product? In other  
14 words, how would you respond to the argument that  
15 okay, this is a one-step process, but it has quite a  
16 substantial value to the final product?

17 MR. JOHNSON: Let me try to address that  
18 from both the consumer side of it as well as the cost  
19 side of it. Some of the numbers that I've put forth  
20 said that tableting really accounts for about 10  
21 percent of the total cost of the whole operation, so  
22 value added, really a very small portion of the cost,  
23 goes into the tableting aspect of making this produce  
24 sellable to the general public. As far as the general  
25 public is concerned, nevertheless, they can't use the

1 bulk sizes of materials that we produce, and so they  
2 have to be brought down into the smaller containers  
3 that are more easily used by them in their pools.

4 MR. CANNON: I can't resist because this is  
5 a function of the end price. If we didn't have the  
6 subsidized imports from China and the dumped imports  
7 from Japan, the price of the tablet would be higher.  
8 We wouldn't be talking \$1.50. We'd be at \$1.70,  
9 \$1.75. The 15-cent cost of the tablet, that doesn't  
10 change, and it's less than 10 percent.

11 MR. GOLDFINE: Also, in your post-conference  
12 brief, could you please address any related parties  
13 issues, if the tableters are included, that may affect  
14 the analysis on related parties, so I appreciate that.

15 I understand your argument on cumulation. Again, in  
16 the post-conference brief, if you could walk through  
17 the factors that the Commission would look at there?  
18 I guess, and also to the extent you want to compare  
19 the record from the file the last time to the record  
20 we have now on that analysis? Let me see if I have  
21 anything else. I think that's all I have for now.

22 MS. DEFILIPPO: Thank you, Mr. Goldfine. We  
23 will now turn to our economist, Mr. Benedetto.

24 MR. BENEDETTO: Hello. Thank you all very  
25 much for coming, and thank you all very much for the

1 questionnaire data as well. I'm going to ask some  
2 questions that may touch on some sensitive issues. If  
3 I do, please feel to indicate that your answer would  
4 be confidential and then just respond in the post-  
5 conference brief. First up, from the opening comments  
6 of the Respondents, could you please elaborate a  
7 little bit on the quality of Japanese product versus  
8 the quality of the U.S. product and Chinese product?  
9 Are there any differences there?

10 MR. WILLIAMS: I think, and again I'm  
11 relatively new to the business. I don't have the  
12 seniority as far as these guys down here, but I think  
13 years ago, I think you could have said that was  
14 probably a quality differential, but I would say over  
15 the past couple of years, as far as the customers are  
16 concerned, they really don't see a huge quality  
17 difference between an OCC or a Clearon or a Biolab or  
18 a Shikoku or a lot of the Chinese producers now.  
19 There's just not that much of a difference, and that's  
20 talking to the customers.

21 MR. BENEDETTO: Anyone else?

22 MR. HELMSTETTER: In fact, the difference I  
23 think that Shikoku's probably referring to is that 10  
24 or 15 years ago, there was a huge quality difference  
25 between U.S.-made and Chinese-made product, so that

1 Shikoku always said their product was equivalent to  
2 the U.S.-made product, and we agree with that, so we  
3 were always on this side, but in the past decade, the  
4 Chinese quality is has come up so dramatically you  
5 can't tell any difference in the tablets. If I gave  
6 you two tablets, you couldn't tell who made them.  
7 They're exactly the same.

8 MR. BENEDETTO: What would a quality  
9 difference even be?

10 MR. HELMSTETTER: A lot of it had to do with  
11 the granulation. If you made your granulars too  
12 course when the tableters or we would tablet it, you  
13 would get what they call an orange peel on your table.

14 It looks like an orange peel, so if you use the right  
15 granulations, it's very smooth. You'd have beveled  
16 edges, very crisp. You wouldn't have cracks in it, so  
17 once the Chinese figured out how to get their  
18 granulation up to where Japanese and American  
19 granulation was, their tablet quality became much  
20 better, and that's 10 years ago. That's changed.

21 MR. BENEDETTO: Okay. Thank you. Just  
22 really quickly. There was some information in the  
23 petition, and I think it was confidential, but it  
24 suggests that chlorinated isos are more popular in the  
25 South and Midwest versus substitutes in the North, but

1 you said today it's sold nationally. Is the product  
2 sold nationally?

3 MR. HELMSTETTER: We sell it to national  
4 merchandisers, to Sams Club, for example, Walmart, and  
5 they sell it in every store in every part of the  
6 country, every state. We don't see any dramatic sales  
7 difference by climate except when the pools open and  
8 when they close, and the northern stores aren't open  
9 as long for pool chemicals as southern stores.

10 MR. BENEDETTO: Anyone else? Okay. Dr.  
11 Kuechler's testimony on the substitutes was very  
12 helpful. I'm just wondering if I walk into one of the  
13 big box stores, and so I'm not going to a pool  
14 specialty store, do I see chlorinated isos and also  
15 some of these substitutes, or do I just see  
16 chlorinated isos?

17 MR. KUECHLER: No. I think you see the full  
18 range of choices whether you go to a big box store or  
19 you go to a pool specialty store. The specialty store  
20 will have a little more variety, but any of the  
21 alternatives are readily available, except for gaseous  
22 chlorine.

23 MR. BENEDETTO: And are the prices of  
24 chlorinated isos versus the substitutes, could you  
25 talk a little bit about that? You elaborated that



1 it's a lot easier to use the chlorinated isos. Is it  
2 cheaper to use the substitutes?

3 MR. HELMSTETTER: I want to go back to Tom's  
4 question first. Depending which supplier is supplying  
5 the retail store will depend what product you'll see.  
6 Like, if you go into our stores, we don't carry every  
7 product made in the country. We don't carry calcium  
8 hydrochloride. We don't carry sodium hydrochloride.  
9 We only carry the isocyanurates. If you go into some  
10 of the other stores, and you can get a wider variety  
11 of products.

12 MR. JOHNSON: Let me add one other hopefully  
13 clarification here. When you talk about big box  
14 stores, you heard from the testimony here this morning  
15 that big box stores are the two SKUed type stores.  
16 They really are looking at bringing in a specific one  
17 or two or three SKUs of pool products, and that's what  
18 they represent. They aren't like the pool stores or  
19 the dealers where they will have a full broad range of  
20 different options for people to choose from.

21 MR. BENEDETTO: Okay. So and they would be  
22 more likely to be more limited to chlorinated isos  
23 rather than say a substitute? In other words, if  
24 you're only going to have a few SKUs, you're going to  
25 have chlorinated iso SKUs versus --

1                   MR. HELMSTETTER: There are a several  
2 different types of mass merchandise where if you go to  
3 Costco and Sams Club and BJ's I think is over here,  
4 you're going to see two SKUs, and they're probably  
5 going to both be isos. If you go to Walmart, then  
6 you're going to see all the different products because  
7 they're carrying 88 to 100 SKUs in that store because  
8 they're giving a much wider variety, much smaller  
9 packaging sizes, and so that's where you go, but when  
10 you go to the clubs, it's a very small selection, and  
11 that's the only thing sold at clubs is isocyanurates.

12                   MR. BENEDETTO: Okay. Anyone else? Okay.  
13 Thank you. We have some information on the record  
14 about the importance of the housing market for  
15 chlorinated isos demand. Can you elaborate a little  
16 bit on the importance of the housing market, and  
17 specifically, do you look at housing market data when  
18 you're considering pricing or production decisions, or  
19 is it more that you notice or haven't noticed that  
20 there's a --

21                   MR. HELMSTETTER: Well, we're reactionary,  
22 so when we had the big housing boom in the early 2000s  
23 when people were building their houses, the builders  
24 would say you can add a pool, and it's only going to  
25 adjust your monthly payment by \$10 or something, lots

1 and lots of swimming pools were going in the ground.  
2 Lots of them. When the crash came, all those swimming  
3 pools, a lot of them, if they foreclosed, went out of  
4 the market, and when the houses quit being built, you  
5 know, the very lowest percentage of houses being built  
6 now, very few swimming pools will go up.

7 They only go up when a new house goes up, so  
8 you don't see a lot of people coming in and digging up  
9 their back yard after the fact after you've built.  
10 You usually do it when you build your house, so yes,  
11 that's the relationship you see, but we don't study  
12 any data like that. In fact, my management asked me  
13 when we're going to build more pools, and I say when  
14 are they going to build more houses?

15 MR. CANNON: Another footnote. So I think  
16 in our post-conference, we'll give you some  
17 confidential data, but to get a sense, but if there  
18 are 10 million installed pools already in the United  
19 States, new construction might be something like  
20 200,000 a year, so that when we talk about new pool  
21 construction, that's a small, small part, right? So  
22 most of our market, and the reason our apparent  
23 domestic consumption is pretty flat is this already  
24 existing base of however many, 10 million pools.

25 MR. BENEDETTO: Okay. And then in the post-

1 conference brief if you could provide any published  
2 series on urea, that would be helpful. I mean, prices  
3 of urea over 2010 to 2012, and I just wanted to ask  
4 also what is the impact of natural gas prices, and you  
5 can do this in the post-conference brief if you want,  
6 on your prices or on your profits? U.S. natural gas  
7 prices, I know they've been going up over the last  
8 year or two, but the fact that they're lower than in  
9 China and Japan probably, does that have any effect on  
10 your competition with product from China and Japan?

11 If those are confidential questions, feel  
12 free to answer that in a brief. It looks like you're  
13 indicating that's probably confidential.

14 MR. CANNON: We will answer them in the  
15 brief, and I think with regard to the last question, I  
16 don't think any of us thought of that, so we'll have  
17 to think about that one.

18 MR. BENEDETTO: Okay. Just a couple more  
19 questions. Can you tell me again here or in the  
20 briefs about blended tablets and what role they play  
21 in the market? Do retailers charge more for blended  
22 tablets? Is this a large chunk of the market? Is it  
23 something that maybe only higher-end consumers want?  
24 Anyway, I don't want to put words in your mouth, and  
25 are they a lot more difficult to make, so can you tell

1 me a little bit about blended tablets that way?

2 MR. HELMSTETTER: Blended tablets only exist  
3 in one segment of the market, that's the mass  
4 merchants.

5 MR. BENEDETTO: Okay.

6 MR. HELMSTETTER: The market's essentially  
7 split between dealers, you know, you go to a dealer if  
8 you have a problem with your pool, and they give you  
9 the right answer, and you take care of it, so blended  
10 tablets don't exist there. They only exist over the  
11 mass merchant side, and the reason they exist there is  
12 mass merchants like to sell things. You may not be  
13 aware of this when you go shopping, but they like to  
14 give you the lowest-priced product, the middle-priced  
15 product and then what they call the best product.

16 What they'll do is take the standard non-  
17 blended tablet and say this is a good product, and  
18 they will retail it at the lowest price. Then, they  
19 will take a blended product, which might have some  
20 copper sulfate or some borate salts or whatever,  
21 usually salt, and it has a couple percent. They'll  
22 make it a little higher price, and then they'll take  
23 another product that has like five or seven percent  
24 blend in it, and it will be a much higher price. This  
25 one has the least active ingredient, and they're

1 marketing it as the best product. Guess which one  
2 they sell the most of? The blended product.

3           When you run the advertised special in the  
4 newspaper, they will advertise this product, the  
5 lowest-priced product at a very low price. When you  
6 go to the store, you may not find it because they only  
7 two or four facings of it, and they're gone, so in the  
8 swimming pool business, if you need chemicals for your  
9 pool, you're going to buy them that day because  
10 there's a problem in your pool, so wherever you go,  
11 once they get you in the store to buy pool chemicals,  
12 you're going to walk out with something in your cart.

13           That's what it is, but yes, that's a  
14 marketing tool a lot of retailers use and a lot of the  
15 retailers like because they like price differences to  
16 give their consumers a choice, but they're making very  
17 high margins on this one. The blends are inactive  
18 ingredients. They don't do anything to help your  
19 swimming pool.

20           MR. JOHNSON: Let me address. You asked a  
21 question about the difficulty of making the blends  
22 also, and really when you look at the blend, you've got  
23 the granular isocyanurates that have already been  
24 made. You bring in these other salts that Dave was  
25 referring to, these other components of the blended

1 tablets. You blend those together, very simple  
2 operation, and then you press it into a tablet, so  
3 it's not different really than your typical tableting  
4 operation.

5 MR. BENEDETTO: So it's nothing to do with  
6 the initial phase where you're making the chemical  
7 itself.

8 MR. JOHNSON: It has nothing to do with that  
9 whatsoever.

10 MR. BENEDETTO: Okay. Anyone else? Okay.  
11 This is a large question, but I just want a quick  
12 answer. How quickly can you sort of set up a plant or  
13 expand a plant, and I mean a bulk isocyanurates plant?  
14 There's a public exhibit to the petition that  
15 discusses how quickly China expanded its capacity over  
16 2000 to 2008, and I'm just wondering is this typical?  
17 Can producers in either China or Japan continue to do  
18 that, or in the United States, how quickly can you  
19 expand the capacity of a bulk chlorinated  
20 isocyanurates plant or create a new one?

21 MR. CANNON: So the exhibit in the petition,  
22 and I assume you're talking about --

23 MR. BENEDETTO: GEN-17?

24 MR. CANNON: Right.

25 MR. BENEDETTO: Yes.

1           MR. CANNON: The capacity in China expanded  
2 very rapidly, but a lot of it was because -- well,  
3 some of it was due to subsidies. A lot of it was  
4 because chlor-alkali producers expanded downstream.  
5 Chlor-Alkali is a big chemical manufacturer who makes  
6 chlorine and caustic soda. They are already a  
7 manufacturing plant in the chemical industry, and  
8 these are generally large-scale major operations, and  
9 so the Chinese were looking for an outlet for  
10 chlorine, another way to sell it, and so a lot of them  
11 just started up making CYA, and then they can make  
12 isos.

13           So when you are already a chemical  
14 manufacturer, and you're talking about expanding, it's  
15 not the same thing as if new equity money had to come  
16 in and build a whole new facility. In other words,  
17 they have a site. They have utilities. They're sort  
18 of ready to go, and so that aids their ability to do  
19 this quickly. Do you guys want to elaborate? Go  
20 ahead.

21           MR. JOHNSON: If I could add at least my  
22 perspective on that? First of all, it would be a  
23 wonderful feeling to have the demand such that we were  
24 expanding. That has not been the case for a number of  
25 years, and so, you know, I can only refer to the fact



1 that we've got capacity that's been unused and in fact  
2 forced us to shut down for the period the tail end of  
3 last year and lay off the folks that are typically our  
4 operators. Now, typically, we'll want to run our  
5 facilities at an even rate.

6 We'll modify our operating rates during the  
7 year, but we absorb that with changes in our  
8 inventory, but that just hasn't been the case, so we  
9 don't really see any demand to grow our industry if it  
10 were not for the issue of materials coming from being  
11 dumped in the U.S. from Japan and China. That may  
12 look different. Our plants have been built with  
13 specific capacities. We typically would go through  
14 our plants and instead of building a new isocyanurate  
15 facility, most of us would look at just trying to de-  
16 bottleneck and add additional capacity to existing  
17 operations.

18 MR. BENEDETTO: Okay. I'm sorry. I did  
19 have one more quick question. On the issue of EPA  
20 registration, how often do you need to get registered,  
21 and are there any rejections? Does that ever happen,  
22 and then how much does that affect the ability of say  
23 Chinese and Japanese producers just to sell on the  
24 U.S. market? Are most of them registered or all of  
25 them registered?

1           MR. KUECHLER: In order to sell the  
2 chlorinated isos in the U.S., you have to be  
3 registered.

4           MR. BENEDETTO: Once you're registered,  
5 you're registered?

6           MR. KUECHLER: You are registered. You  
7 don't have to renew that. It just continues. Once in  
8 a while, EPA requires a change on the label or  
9 something, but that's just minor changes. It's not a  
10 re-registration of some kind.

11          MR. BENEDETTO: And is it the foreign  
12 producers who get registered, or is it their importers  
13 that get registered? So in other words, like once a  
14 foreign producer is registered, can anyone import from  
15 them?

16          MR. KUECHLER: The registration is the  
17 registration of the label, so really who's name, who's  
18 responsible for that product is the person that gets  
19 registered. You can subregister to put somebody else,  
20 your customer's name on it, but usually it's the  
21 manufacturer that maintains the registration.

22          MR. BENEDETTO: And there's some numbers in  
23 the petition about say Chinese capacity. Is most of  
24 that capacity registered? I mean, maybe you can talk  
25 about this in the post-conference brief.

1           MR. KUECHLER: Well, you really don't  
2 register the plant. You register the product, and in  
3 particular, you register the label. You have to have  
4 an establishment number for the plant, but you're not  
5 really registering the plant.

6           MR. BENEDETTO: I see, so if somebody brings  
7 it in under that label, regardless of which plant it  
8 came from, just the person with the label's  
9 responsible for it? Okay.

10          MR. HELMSTETTER: Correct, and that's how  
11 the imports starts coming into the country under a  
12 U.S. person's label, and they had the primary  
13 registration. Now I think most of the -- I'm sure all  
14 the Japanese do, and I'm sure most of the Chinese do  
15 have their own EPA registrations now for their  
16 products, that they're not having to rely on the U.S.  
17 product, or if it's going into their U.S. label, it  
18 will go under the U.S. manufacturer primary  
19 registration, not the Chinese.

20          MR. KUECHLER: And the other thing about  
21 registration is the established manufacturers, the  
22 members of the ad hoc committee own this data, and  
23 that's been used for years to support our  
24 registrations. That data, the compensability period's  
25 a little like a patent. It runs out after a

1 particular time, and so a lot of more recent  
2 registrations have relied on that data, which the rest  
3 of us have generated, but they've really not had to  
4 pay for it, and so they've kind of gotten a free ride  
5 in terms of just coming in and relying on the data  
6 that everybody else has generated.

7 MR. BENEDETTO: Okay. Thank you all very  
8 much for your time and all your answers.

9 MS. DEFILIPPO: Thank you, Mr. Benedetto.  
10 We will not turn to Ms. Klir for questions.

11 MS. KLIR: I'd like to thank you all for  
12 your testimony as well. It's very helpful. I just  
13 have a few questions. As many on this panel know,  
14 I've peppered some of you with questions yesterday, so  
15 I look forward to those responses later this week. My  
16 first question to the extent you can talk about it in  
17 the public forum, if you could discuss the data you  
18 provided on capital expenditures for the granular and  
19 the tableted products? Is there anything you can say  
20 publicly about the primary projects or whatever are  
21 behind those numbers that were provided?

22 MR. CANNON: Sounds like that's for the post  
23 conference.

24 MS. KLIR: Okay. That's fine.

25 MR. CANNON: Okay. Go ahead.

1           MR. WILLIAMS: One small comment on capital.  
2           The one thing that we do find, and obviously OCC is a  
3           company that's all about safety and things, so safety  
4           is a primary focus for us, but there have been a lot  
5           of capital projects that have been delayed and  
6           postponed due to the performance of this business  
7           area, so that does happen on a regular basis.

8           MS. KLIR: Okay. Thank you, and you talked  
9           a little bit earlier about per-pound prices, so if I  
10          touch on something that was discussed earlier, I  
11          apologize. When I look at the per-unit values in the  
12          financial data for granular versus tableted, what  
13          should I expect to see in a general sense, the  
14          relative difference between the two, or would there be  
15          none? I mean, I'm just curious.

16          MR. HELMSTETTER: It depends which granular  
17          you're talking about. If you're talking about a super  
18          sack converted into tablets?

19          MR. CANNON: Are you talking at the  
20          aggregate level?

21          MS. KLIR: Yes.

22          MR. CANNON: Think of your P&L, so you've  
23          got total quantity in net sales in total dollars.  
24          That's your overall average. Then, when we broke it  
25          out into the separate pages for Dichlor and Trichlor

1 in the sense of a reality check of our break out was  
2 it correct? Because obviously we had the overall  
3 business and broke it down, so she wants to know would  
4 the average unit value for say granular Trichlor be a  
5 buck and the Dichlor is a buck ten, or is there some  
6 relationship to that.

7 MR. HELMSTETTER: Well, I know where we  
8 don't sell.

9 MR. CANNON: If you know off the top of your  
10 head.

11 MR. HELMSTETTER: I sell almost no granular  
12 today.

13 MR. CANNON: Of Trichlor?

14 MR. HELMSTETTER: Of Trichlor, yes. I mean,  
15 every price I've quoted has been too high, so I don't  
16 know what the number should be. I mean, maybe --

17 MR. CANNON: No. It wouldn't be your price.  
18 I'm thinking of -- think of revenues per pound. If  
19 you think only of your Trichlor granular business  
20 revenue per pound versus only your Dichlor business  
21 revenue per pound, is that --

22 MS. KLIR: Yes. I didn't mean for it to be  
23 so confusing. I'm sorry. Yes. I'm looking at the  
24 data you provided in your financial information.

25 MR. CANNON: I see.

1                   MR. JOHNSON: I'll add a few comments. Our  
2 whole accounting system is not built on separating our  
3 products out the way that you have asked for them as  
4 far as granular and tablets, whether you look at it  
5 aggregated or separated into Dichlor and Trichlor. We  
6 typically, in our industry, will look at the products  
7 that we produce at the manufacturing facility. Now,  
8 those are typically granular. Those products are then  
9 moved to the tableting and packaging operation, and  
10 that's where we look at transforming them from bulk  
11 produced at the manufacturing plant to finished goods  
12 that are sold, and so our accounting system is set up  
13 that way.

14                   We have many granular products that are sold  
15 as finished goods. You've heard us talk about the  
16 Dichlor granular that's put into buckets. You'll see  
17 one of the buckets over here is for Dichlor granular,  
18 and so we've had to take those and try and separate  
19 our finished goods out in a way that's very, very  
20 different, so that's part of the reason you see the  
21 hesitancy on trying to answer that. The answers  
22 aren't straightforward just yes, this is what our data  
23 shows, but you've heard various testimonies about the  
24 amount of fixed cost.

25                   The amount of overhead's a little different

1 as allocated to Dichlor and Trichlor, typically a  
2 little higher on the Dichlor side, and it will carry a  
3 higher cost to it. Does that help at all? Not  
4 really?

5 MS. KLIR: No, it's helpful. I just didn't  
6 realize I was asking a question that was going to be  
7 difficult, so I apologize. If there's anything you  
8 want add post-conference about sort of the revenues  
9 between the two and sort of analyzing the differences,  
10 and even between companies as well to the extent there  
11 may be differences between different U.S. producers,  
12 so that's all I have right now. Thank you very much  
13 for your testimony.

14 MS. DEFILIPPO: Thank you, Ms. Klir. We'll  
15 now turn to our industry analyst, Mr. Robinson.

16 MR. ROBINSON: Thank you. I'd like to also  
17 thank you all for your time, both coming here today  
18 and preparing these materials. You've presented us  
19 with a huge amount of information, and so I don't have  
20 a lot to ask. The information has really focused on  
21 the swimming pool segment of the market, which I  
22 understand is the majority of the market, and I'm  
23 trying to understand a little bit more about that,  
24 sort of roughly 15 percent of non-swimming pool share  
25 of the market.



1           I understand it's a very diverse and small  
2 segment, but if we could just get some sort of rough  
3 comparison between that segment and the swimming pool  
4 market looking at the product type? I assume the  
5 products are roughly the same, just if we could  
6 verification of that, the presence of repackers in  
7 that market, import penetration and if there's any  
8 difference in terms of in your estimation quality is a  
9 factor in purchaser decisions? Does that make sense?

10           MR. HELMSTETTER: Well, what I can say is we  
11 don't like to talk about this market much because  
12 there's not a lot of competition from imports here.  
13 We get a much better price. It's a small market, but  
14 when you term the quality, it's not the chemical  
15 quality they're so concerned about. It's the physical  
16 properties because these are being used in  
17 formulations where we're only maybe one percent of the  
18 formula, and then it's being put into a retail product  
19 that you would buy in a cleaning aisle of a grocery  
20 store or whatever, and our product's in there. We  
21 also are in a lot of commercial laundry business, and  
22 we've worked with these people for many years in how  
23 to make very unique shapes for them that are not sold  
24 in the swimming pool market, and their equipment is  
25 based around some of our unique shapes and our

1 registrations so the market doesn't really grow, but  
2 it's a very nice priced market for us.

3 MR. ROBINSON: And so there's a premium for  
4 the standard of the product you deliver?

5 MR. HELMSTETTER: For meeting their  
6 requirements, there's a premium.

7 MR. ROBINSON: Yes.

8 MR. WILLIAMS: OCC, for example, we produce  
9 a proprietary product called Towerchlor, Towerbrom,  
10 which is essentially Isocyanurates. It's used in the  
11 treatment of water cooling towers. You've seen the  
12 big towers that they got to cool the air conditioning  
13 units on the sides of buildings and stuff, and so we  
14 have a very small niche market, and those products can  
15 bring as much as 3X on a pool side versus the pool  
16 products.

17 MR. ROBINSON: Is it functioning as a  
18 biocide in the water in the cooling tower?

19 MR. KUECHLER: It functions as a biocide,  
20 and it requires additional EPA registration to claim  
21 those additional uses, but yes, we don't see much  
22 interest from the Chinese in getting into those  
23 markets, because they'd have to do the extra  
24 registration work as well. They see the bulk of the  
25 market as being the swimming pool market. That's what

1 they're really going after.

2 MR. ROBINSON: All right. Thank you very  
3 much. That's all I have.

4 MS. DEFILIPPO: Thank you, Mr. Robinson, for  
5 those questions. Thank you for filing out the  
6 questionnaire. In listening to you, I realized for  
7 all parties involved, for anyone receiving a  
8 questionnaire, it's never easy to do, and we often are  
9 trying to get it such that we are asking things in a  
10 way that the industry understands, but it's  
11 challenging for us because we're not in industry, so I  
12 appreciate your patience and providing us with that  
13 data.

14 I think I only have a couple of questions.  
15 Most of mine have been answered in testimony or asked  
16 by other staff members. In fact, that was just Mr.  
17 Robinson. This may be a dumb question, but with the  
18 product, is there any expiration date, or does the  
19 effectiveness of the product only last for a certain  
20 time, or is there a very long shelf life for it?

21 MR. HELMSTETTER: Extremely long shelf life.  
22 We usually say it's three years, and that's not due  
23 to the product. It's due to the ink on the package  
24 will fade off.

25 MS. DEFILIPPO: Okay.

1           MR. HELMSTETTER: So if the product package  
2 is still good, I've never seen it degrade.

3           MS. DEFILIPPO: Thank you. I was thinking  
4 of that. The reason that question came into mind is  
5 when we were talking -- let me see who's this is.  
6 It's yours, Mr. Helmstetter. In your testimony, you  
7 talked some about the mass merchandisers where they  
8 have required you to remove any left over inventory at  
9 the end of the season. Has that practice been  
10 something that has come about during the period of  
11 investigation, so is it a new practice, or is that  
12 something that you saw but it became increasingly more  
13 frequent?

14           MR. HELMSTETTER: The only reason I bring it  
15 up is the cost of doing business with the mass  
16 merchants. The reason we bring it back is they have  
17 another SKU that's going on that shelf, and they don't  
18 have room to store it in their back room, so we have  
19 an agreement with them that they pay the freight back  
20 to our warehouse, and we just buy back the price,  
21 store it for the year or the off season, and then it  
22 goes right back to them.

23           MS. DEFILIPPO: Have you seen any, and I  
24 concur with Mr. Benedetto, if there's anything you  
25 don't feel comfortable discussing in this public

1 setting, please just note that. Have you seen any  
2 increase in the volume that has been sent back from  
3 those customers?

4 MR. HELMSTETTER: Last year, when we had the  
5 very hot summer, we had the lowest returns almost  
6 ever. Now, I was very concerned in August that we  
7 were going to have a very large amount of product come  
8 back, but due to this recent warm weather, especially  
9 down in Texas, we've had double-digit sales for the  
10 past three weeks at retail, which is not increasing  
11 our sales, but it's decreasing the inventory.

12 MS. DEFILIPPO: That's helpful. Thank you.

13 I think I only have one more question, and it relates  
14 to the pricing graph that was put up. I think it was  
15 Slide 8 where it talked about average prices dropping  
16 over the POI, and it's come up several times today  
17 that sales of the product are seasonal in nature, so I  
18 was trying to look at this graph and see if I saw that  
19 seasonality, so I was labeling things A, B, C, D for  
20 different quarters and was trying to see from quarter  
21 1 to quarter 1 over the years was it going down, and I  
22 guess what I was wondering, is the seasonality  
23 reflected in here?

24 I would have expected sort of higher prices  
25 maybe when the sales were highest? One would hope,

1 but also a couple of quarters stuck out, sort of  
2 fourth quarter in 2010 was the highest, which sort of  
3 surprised me, so any thoughts on the trend as it  
4 relates to the seasonality of the pricing and any sort  
5 of Q4 and Q1 in 2012 kind of jumped out as ones that  
6 surprised me as being higher.

7 MR. WILLIAMS: Well, I'll tell you this.  
8 You have to keep in mind that when you're negotiating  
9 the prices and contracts, a lot of this is done in the  
10 fourth quarter, and so you're basically, and at least  
11 from OCC's standpoint, you're setting prices that are  
12 in principle firm for the year, so when you roll into  
13 a new season, you're setting the prices, and most of  
14 those prices are confirmed throughout that particular  
15 year, so it's more of a step down.

16 Now, the fluctuations in some of those bar  
17 graphs, that could be product mix. Dichlor sells a  
18 little bit at a higher price than Trichlor, for  
19 example. There might have been some pre-buy  
20 negotiations going on in the fourth quarter as well  
21 because that's the low point in the year, and  
22 sometimes you're trying to move inventory on a pre buy  
23 in the fourth quarter, so there are some anomalies  
24 that go on. In principal, you're setting a price.

25 MS. DEFILIPPO: Sorry.

1           MR. CANNON: Just to flesh that out a little  
2 bit. If you go back a slide? So in the trough, the  
3 product mix is going to be different, correct? That's  
4 what you were saying? So what are you selling in  
5 September to December or July, August September?  
6 What's that baseline product?

7           MR. WILLIAMS: Well, a lot of the product  
8 goes into some of the specialty grades that we were  
9 talking about, a lot proprietary stuff that we sell  
10 like Towerchlor and Towerbrom.

11          MR. CANNON: Industrial?

12          MR. WILLIAMS: Industrial markets.

13          MR. CANNON: And how about the product. Is  
14 it more Dichlor or Trichlor?

15          MR. WILLIAMS: It's probably more Trichlor,  
16 you will. In principal, you sell more Trichlor than  
17 you do Dichlor. At least from an OCC standpoint, it's  
18 probably like 2X of Trichlor sales versus Dichlor  
19 sales per year.

20          MS. DEFILIPPO: Okay. Thank you. This may  
21 already be in your questionnaire response. I  
22 typically don't get into the questionnaire responses  
23 that carefully. I leave that to staff, but in your  
24 post-conference brief if you can make any estimation  
25 of the percentage of -- I'm trying to think how to ask

1 this, the number of times or the percentage of times  
2 where you've had the meet or release clause invoked  
3 over the period?

4 Has that increased? Have you seen more  
5 customers coming back and trying to utilize the meet  
6 or release contract provisions in 2012 and '13 versus  
7 2010? Any information on sort of the frequency with  
8 which that has occurred over the period would be  
9 helpful.

10 MR. CANNON: Wow, so he picks that up on the  
11 request.

12 MR. WILLIAMS: The answer to your question  
13 is yes, we'll provide that.

14 MS. DEFILIPPO: Thank you, and I think I was  
15 a bad host of ceremonies here that I usually go  
16 through all of the staff first and then jump in, and  
17 I'm sitting in a different seat, so I'm going to blame  
18 it on that today, so, Ms. Haines, I'm sorry that I  
19 didn't go to you before I jumped and asked questions,  
20 so do you have any questions that I didn't steal?

21 MS. HAINES: Just two very minor questions  
22 because everything I had was already asked. Before  
23 this case was even filed, I remember seeing some  
24 article that some facility was touting their new salt  
25 pool. Is this a new trendy thing, and do these



1 saltwater pools, excuse me, so they don't use Dichlor  
2 or Trichlor? I don't know. Is this something --

3 MR. HELMSTETTER: I'll answer that for you,  
4 so the salt pools are not really new. They've been  
5 around for 20 years.

6 MS. HAINES: Okay.

7 MR. HELMSTETTER: What has happened is that  
8 the builders of swimming pools, when the big 2008  
9 recession, or whatever you want to call it, came, they  
10 needed more money in their pockets, so they took these  
11 things called salt chlorinators, and when you got a  
12 pool at your house, for another \$2,500 or \$5,000,  
13 whatever the thing is, they go you put this on, and  
14 they say no chemicals. You just add salt. Well, what  
15 that sale chlorinator is, it's just like a chloralkali  
16 manufacturing plant in your swimming pool.

17 You take sodium chloride. You run  
18 electricity into it through an anode and a cathode,  
19 and you make chlorine in your swimming pool, and you  
20 mix caustic soda in your swimming pool. They react  
21 together in your swimming pool and make sodium  
22 hydrochloride, and there's also some hydrogen gas  
23 that's going off the top of your pool.

24 MS. HAINES: That sounds more harsh to the  
25 human body than what you do.

1           MR. HELMSTETTER: Nothing like that. They  
2 tell them it's salt, and people, we found in our  
3 marketing research, that the country's actually split,  
4 or the human race is split, that half the people like  
5 to swim in the ocean, and half the people hate to swim  
6 in the ocean. You take two people, and if one likes  
7 it, the other one hates it. There's no mixing, so a  
8 lot of people say well, we like the salt because you  
9 get that feeling, so our response to that is, go buy  
10 500 pounds of salt, dump it in your pool, and you'll  
11 have the same feeling, and it's the exact same  
12 feeling, but the builders are trying to push these  
13 things.

14           We see they get their money. There's a  
15 problem with the unit. They call the builder. He's  
16 gone. They go to a dealer. The dealer charges them a  
17 bunch of money. We see 50 to 60 percent of the people  
18 that buy these things right back on the chemicals  
19 after their anodes die.

20           MS. HAINES: Okay.

21           MR. JOHNSON: Can I also add in addition to  
22 what Dave stated? Even though you got this salt  
23 reaction that's taking place in these chlorinators,  
24 most of these people still have to go and add  
25 additional shock chlorine to their pools to address

1 the surges of swimming loading or if any impurities  
2 have gotten into the pool, so the salt chlorinator  
3 kind of provides a steady level amount of chlorine  
4 being generated. these folks are using Dichlor shock  
5 still to do a shock process to their pools, so they  
6 are used even those the chlorine generators are there.

7 You still got the shock that's being used from our  
8 products.

9 MS. HAINES: Yes, and I know you said  
10 earlier, but I'm just double checking that the shock  
11 treatment lasts about a week? Is that what you said  
12 earlier?

13 MR. HELMSTETTER: It all comes down to if  
14 you have a bunch of swimmers in your pool.

15 MS. HAINES: Right. Okay.

16 MR. HELMSTETTER: If you have a big party,  
17 you're going to want to shock it after they leave.

18 MS. HAINES: Okay. Okay.

19 MR. HELMSTETTER: If you have a big  
20 rainstorm and a bunch of debris gets in your yard, you  
21 want to shock it.

22 MS. HAINES: Yes.

23 MR. HELMSTETTER: Now, if your pool's just  
24 sitting there, and nobody's using it, you probably  
25 don't have to shock it for a month.

1 MS. HAINES: Okay. Okay.

2 MR. HELMSTETTER: So it all depends what  
3 gets into your pool water.

4 MS. HAINES: And my other question is how do  
5 you dispose of this because when we bought our house a  
6 couple of years ago, the previous owners left behind a  
7 ton of this stuff in our basement, and it's been  
8 sitting there, and how do you get rid of it?

9 MR. HELMSTETTER: It's pool chemicals?

10 MS. HAINES: Yes.

11 MR. HELMSTETTER: Okay. There's all types  
12 of pool chemicals. First thing you do, you don't want  
13 to mix them together at all because you'll have a bad  
14 reaction.

15 MS. HAINES: Yes.

16 MR. HELMSTETTER: That's fact, so what you  
17 do is when your community has there --

18 MS. HAINES: HAZMAT?

19 MR. HELMSTETTER: HAZMAT thing, you take it  
20 down there because you don't want to throw it in the  
21 garbage.

22 MS. HAINES: That's why it's been sitting  
23 there that long, yes.

24 MR. HELMSTETTER: But you want to take it  
25 down and let them deal with it. It's probably not a

1 real problem at all depends on what you have. It's  
2 probably just some --

3 MS. HAINES: Yes, it looks very familiar to  
4 the smaller containers there.

5 MR. HELMSTETTER: And so it's very stable as  
6 it is. There's no big issue with it, but if you were  
7 to somehow get it mixed with an organic compound like  
8 gasoline or something like that, that would not be a  
9 good thing.

10 MS. HAINES: Yes. Okay. Thank you. I have  
11 no further questions. Thanks.

12 MS. DEFILIPPO: Thank you, Ms. Haines. Any  
13 other questions? Ms. Lo?

14 MS. LO: Sorry. I know this question's  
15 probably most suited for tollers or other tableters  
16 other than folks like you guys who make the chemicals,  
17 but I'm trying to understand how best to do our  
18 analysis on the tableting process, particularly their  
19 capacity and production, so tableters, they have to  
20 get their granular from either you guys, purchase from  
21 you guys, or from imports, correct? And then so do  
22 they ever -- because it seems like tableters can also  
23 toll and also tablet for themselves, correct?

24 MR. WILLIAMS: Yes. A lot of tableters have  
25 their own product line, so they're buying bulk,

1       tableting products and putting it into their own line,  
2       their own product line, or they can tablet for a  
3       company like OCC, and tablet for Occidental customers.

4               MS. LO:   So there's no restriction?  You  
5       don't place any restrictions on your tableters or  
6       tollers that say if you toll for OCC, you can only  
7       toll for OCC and not buy or import this product and  
8       then make money on the side for yourself?  You don't  
9       place those kinds of restrictions?

10              MR. WILLIAMS:  I'm not sure I'm going to  
11       answer your question correctly.

12              MS. LO:   Like an exclusive relationship.

13              MR. WILLIAMS:  No.

14              MS. LO:   No?  Okay.  So that's not --

15              MR. WILLIAMS:  Tollers can buy product from  
16       anybody.  The one thing we do ask though is if they're  
17       obviously making product for us and selling it to our  
18       customers that they use our product, that they don't  
19       substitute Chinese or Japanese product.

20              MS. LO:   And do you find that tollers always  
21       have capacity?  What is their incentive to keep  
22       tolling versus owning the product themselves and  
23       selling it?  Do they always have capacity to toll your  
24       products, I guess?

25              MR. WILLIAMS:  I guess the simple answer to

1 that question is I've never been turned down.

2 MS. LO: Yes. I'm just trying to get my  
3 head around the way we have to analyze the tableting  
4 process and how their capacity works because the way  
5 we've asked the question, I understand, is not because  
6 the tableters were considered as part of the domestic  
7 industry as Mr. Cannon understands, which doesn't make  
8 sense to you guys, but how we can best represent their  
9 capacity along with the tolling issue wrapped in that.

10 MR. CANNON: So essentially, to be  
11 conservative --

12 MS. LO: It's also to avoid double counting.

13 MR. CANNON: Right. I was thinking first of  
14 production rights, so if we produce tons of pounds of  
15 granular, and the same granular gets tableted, then  
16 you don't want to could all that as production because  
17 you count on the same counts twice, so my approach  
18 would be the same for capacity. If it's our capacity,  
19 that's the constraint, and our capacity's relevant to  
20 the ITC for figuring out utilization, and in fact, it  
21 doesn't make sense because the tableters' capacity is  
22 not a constraint. In other words, they're not the  
23 bottleneck here.

24 MS. LO: Right.

25 MR. CANNON: They could tablet far more

1 double or something what we can put out, right? I  
2 mean, that's not the choke point in terms of capacity,  
3 and we ourselves could have higher capacity numbers  
4 than we do. We've given you practical capacity. It  
5 is substantially below our theoretical or even what  
6 our what we could do if we ran full speed with all of  
7 our employees. We're weren't at the state we are  
8 today, and so if you want to do that, you'd have this  
9 huge capacity number, lots of unused capacity, but in  
10 being realistic, even being conservative, I think  
11 there's injury either way, however we want to slice  
12 and dice this.

13 MS. LO: Thank you.

14 MS. DEFILIPPO: Thank you, and again, I'd  
15 like to thank the panel for both their direct  
16 testimony and for taking the time to answer all of our  
17 questions including how to dispose of the chemical.  
18 It will show up in another part, but it's useful  
19 information for Betsy, so again, thank you very much.

20 Well take a break just to stretch our legs for about  
21 10 minutes until Noon, and then we will start with  
22 Respondents.

23 (Whereupon, a short recess was taken.)

24 MS. DEFILIPPO: Welcome, Mr. Janzen, and  
25 others on this panel. Please proceed when you're



1 ready.

2 MR. JANZEN: Thank you, very much. Before I  
3 turn it over to Mr. Pettoruto, I would just like to  
4 thank the staff again for accommodating the late start  
5 this morning. People are probably starting to get a  
6 little bit hungry. We don't expect to be using the  
7 full amount of the time allotted to us. With that  
8 I'll turn it over to Mr. Pettoruto.

9 MR. PETTORUTO: Thank you. Voice okay?  
10 Voice okay?

11 MS. DEFILIPPO: Yes, thank you.

12 MR. PETTORUTO: Okay, good. My opening  
13 remark was going to start with good morning, but I  
14 guess it's good afternoon. My name is Nick Pettoruto  
15 and I am the president of Del Cal. Strange as it  
16 might seem, my degree is in pharmacy, so I don't know  
17 where that fits in. I appreciate the opportunity to  
18 be here today and to hope my testimony will be useful  
19 to the Commission.

20 Del Cal is a U.S. marketing arm for Shikoku  
21 Chemicals Corporation, a Japanese manufacturer of  
22 chlorinated isocyanurates and Shikoku International,  
23 its U.S. importer. I have participated in the U.S.  
24 ISO market as president of Del Cal for nearly for  
25 nearly 30 years. Prior to that I worked for Imperial

1 Chemical Industries, otherwise known as ICI, which  
2 imported Shikoku's ISO's as well. In all I have  
3 worked in this industry for nearly 40 years. As a  
4 result, I am very familiar with the ISO industry, as  
5 well as the nature of competition in this industry. I  
6 would like to offer a few comments today about the  
7 market conditions in this industry and how it came to  
8 be that Shikoku obtained a significant role in the  
9 U.S. market for ISOs.

10 Petitioners are pointing to a supposed  
11 influx of imports to explain their problems in the  
12 U.S. market, but that is not at all what I see from my  
13 perspective. The picture that Petitioners paint  
14 ignores the fact that the domestic producers have  
15 actually stepped back from a large segment of the U.S.  
16 market for ISOs, in particular the tableters. As a  
17 result, the U.S. tableters have long been looking to  
18 foreign products to meet their needs and Shikoku has  
19 consistently been there to meet their needs with a  
20 reliable supply of high quality products. In my  
21 opinion the value of the tableters is extremely  
22 underrated.

23 I therefore think that this case is not a  
24 typical dumping case in which importers rush in and  
25 grab market share with the domestic producers. This

1 case is very different and we, our team, have been  
2 there for a very long time filling a large gap that  
3 simply has not been served by the domestic producers.

4 Before I get to the details, I'd like to  
5 start with a brief description of Shikoku's role in  
6 the U.S. market for ISOs. Shikoku Chemicals has been  
7 supplying the U.S. market since the late 1960s. At  
8 that time Shikoku supplied the U.S. market through  
9 ICI, where I used to work. In 1985 Shikoku  
10 established Shikoku International. In 1987 I formed  
11 Del Cal Incorporated and Shikoku International in turn  
12 contracted me as their marketing agent.

13 The transition from ICI to Del Cal was  
14 virtually seamless. For the past 30 years, Shikoku  
15 and Del Cal have cultivated a strong relationship with  
16 our U.S. customers founded on trust and a reliable  
17 supply of the highest quality products. Shikoku  
18 International imports only bulk ISOs, which we market  
19 and sell to producers of tablets for use in swimming  
20 pool sanitizing and water treatment. Over the years  
21 our customer base has broadened considerably.

22 There are approximately 11 tableters  
23 currently operating in the United States. We serve  
24 seven of these 11. This is about 64 percent of the  
25 tableters. I'd like to emphasize that we are the

1 major supplier to these seven tableters and have been  
2 for many years.

3           The tableters in turn generally market and  
4 sell their final products under their own brands to  
5 distributors, as well as to retailers, that directly  
6 service pool owners. In this way our channel of  
7 distribution differs from Clearon and Biolab, the two  
8 fully integrated producers in the U.S. Clearon and  
9 Biolab captively consume their ISOs in order to  
10 produce finished products, which they sell directly  
11 downstream to distributors and retailers. In other  
12 words Clearon and Biolab directly compete with the  
13 tableters and the repackagers. We, on the other hand,  
14 supply the tableters with the bulk product we import  
15 from Japan or purchase from U.S. producers. And allow  
16 me to explain that next.

17           Occidental Chemical, or Oxy for short, is  
18 the third and the largest domestic producer. Oxy,  
19 like Shikoku, produces and sells ISOs in bulk form to  
20 U.S. tableters. Over the past several years, Shikoku  
21 International and Oxy entered into a co-producer  
22 arrangement, under which Oxy sells to Shikoku large  
23 quantities of granular, which Shikoku then resells to  
24 tableters across the U.S. This is a win-win  
25 arrangement for both companies that plays to our

1       respective strengths.

2               Shikoku's production in Japan is operating  
3       at its full capacity, that's an important note, making  
4       it logical for us to turn to a U.S. supplier whom we  
5       know and we trust. As a result, we know Oxy's  
6       consistent highest quality for one and on the other  
7       hand Oxy benefits from our many years of marketing  
8       experience and very broad base of loyal customers.

9               I would now like to describe some of the  
10       major shifts that have occurred in the U.S. market  
11       that open the door to a more prominent role for  
12       Shikoku. The first major shift occurred in about 2005  
13       when Clearon decided to fundamentally change its sales  
14       strategy and business model. At that time Clearon  
15       chose to compete directly with its former tableter  
16       customers by self-producing tablets and selling them  
17       downstream to distributors and retailers under  
18       Clearon's own brand names. This decision left many  
19       U.S. tableters without their main supply source and so  
20       they began to search for other suppliers.

21               Shikoku, along with some other suppliers,  
22       stepped in to fill this huge gap. Now between '05 and  
23       '07, our sales rose accordingly, increasing from the  
24       low 21 million pound range, up to around 30 million  
25       pounds in 2007. Roughly we're at that same level or

1 slightly above right now

2 the second important shift came a few years  
3 later in 2005. At that time Biolab, the other  
4 vertically-integrated producer withdrew some of its  
5 major brands from the distribution market on a  
6 national scale. This gave tableter an opportunity to  
7 fill the distributor demand abandoned by Biolab and  
8 Shikoku in turn stepped in to meet the new demand from  
9 these tableters. Furthermore, Biolab's position in  
10 the U.S. market was also damaged by the bankruptcy of  
11 its parent company Chemtura in 2009. Chemtura's  
12 bankruptcy caused Biolab to significantly curb its  
13 production and ultimately lose a substantial portion  
14 of its U.S. market share.

15 In both cases, it's important to note that  
16 Japanese imports did not push the domestic producers  
17 out of the market. The opposite happened, that is the  
18 domestic producers actually stepped back, leaving  
19 demand to be filled by Shikoku and other supplies.  
20 Even in the case of Oxy, it's a similar situation  
21 because Oxy has chosen to focus on a small group of  
22 major customers that you heard earlier, Leslie's  
23 Poolmart, PoolCorp, and Biolab. Now we are supplying  
24 many of the U.S. tableters outside of Oxy's core  
25 customer base, including in some cases supplying Oxy's

1 own product.

2 Finally, it is also surprising that  
3 Petitioners have not acknowledged the fact that U.S.  
4 demand for ISOs has recently dampened by a number of  
5 other events in the market. These recent events are  
6 entirely unrelated to competition from foreign  
7 imports. First, as the Commission acknowledged in its  
8 recent sunset review of the antidumping orders on  
9 China and Spain, the financial and housing crisis that  
10 started about five, six years ago causing housing  
11 starts to drop significant and, obviously with them,  
12 new pool installations. There has been some recent  
13 recovery in housing starts and new pool installations,  
14 but we're nowhere near the level seen during the  
15 middle of last decade.

16 Secondly, we are also seeing the customers  
17 are in many cases choosing to divert discretionary  
18 dollars that would have gone to swimming pools in  
19 years past to other projects, such as outdoor  
20 kitchens, decks, home theaters, that sort of thing.

21 And third, the demand for ISOs is linked to  
22 weather conditions that's for sure and during the last  
23 pool year, weather conditions were far from ideal.  
24 Because of an unusual wet and cool spring, pool  
25 openings were delayed and fewer pools were ultimately

1 opened.

2 Another factor in our market has been the  
3 advent of salt chlorine generators, which compete with  
4 chlorinated ISOs for swimming pool sanitation.  
5 Shikoku and del Cal have been active in promoting  
6 recognition of some of the long-term maintenance  
7 problems posed by salt generators, as well as their  
8 higher energy footprint. As well, we are taking the  
9 lead to seek appropriate EPA regulations of this  
10 emerging technology. This is an investment that would  
11 benefit all U.S. suppliers of ISOs.

12 Our engagement on this issue is consistent  
13 with our long-standing work on behalf of the whole  
14 ISO's industry. In fact Shikoku is the only remaining  
15 original member of an ad hoc industry group which was  
16 formed in 1979 to cooperate on safety, environmental,  
17 and regulatory issues.

18 In my 30 years representing Shikoku ISOs to  
19 the U.S. market, I am confident that our participation  
20 has been in a manner that could not have caused injury  
21 to the U.S. industry. I believe your data will  
22 confirm this. Thank you. Any questions?

23 MR. JANZEN: I think we can move on to you,  
24 Jim.

25 MR. EISCH: Sure. Again, good afternoon.



1 My name is Jim Eisch and I'm the chief operating  
2 officer of a group of companies that include Suncoast  
3 Chemicals, a producer of tablet chlorinated ISOs. We  
4 produce our tablets in Clearwater, Florida, and sell  
5 them nationally to unaffiliated dealers, distributors,  
6 and through our franchises. We are a significant  
7 player in the U.S. tableting industry, with the  
8 capacity to produce more than 10 million pounds  
9 annually. We produce tablets for an array of  
10 customers, from dealers, to distributors, with over 20  
11 regional and national brands. I have worked for  
12 Suncoast Chemicals and its related companies for more  
13 than 20 years and have served as chief operating  
14 officer for the last 12 of those years.

15 From my perspective, it makes no sense for  
16 Japan to be in this case. The biggest domestic  
17 producers of bulk chlorinated ISOs claim that Japanese  
18 product is being dumped in the U.S. market, causing  
19 injury to those domestic producers. But what I see is  
20 quite the opposite. From my vantage point, as a  
21 purchaser of millions of pounds of bulk product  
22 annually, I know I am paying a premium for the  
23 Japanese product. I also have no choice but to rely  
24 heavily on imports, as the domestic producers have  
25 adopted business models that actually make it harder

1 for me, if not impossible to purchase their product.  
2 Their financial and supply problems are their own  
3 making and are not certainly caused by Japanese  
4 imports.

5 Allow me to explain my basis for my views by  
6 addressing four issues that I hope will be of interest  
7 to the Commission. The first issue is the roller  
8 tableters in the U.S. market for chlorinated ISOs and  
9 how changes in the market compelled us to turn to  
10 imports. The second issue I want to address is a  
11 longstanding position of Shikoku in the market and why  
12 Suncoast values its relationship with Shikoku and its  
13 sales team. Third, I'd like to describe very briefly  
14 how pricing works in this market from the prospective  
15 of the tableter. And finally I'd like to address and  
16 discuss some of the differences I have personally  
17 observed over the years and the quality of Shikoku  
18 product and that of other suppliers, particularly  
19 those sources in China. When you consider all of  
20 these factors, I think you will understand why from my  
21 perspective it makes no sense for Japan to be in this  
22 case.

23 Before discussing how the market has evolved  
24 in recent years, I'd like to share some information  
25 about our tableting production facility in Clearwater.

1 We operate in a very challenging environment, with  
2 temperatures often in the 90s with relative humidity  
3 over 90 percent. Despite these challenges, we have  
4 had been able to develop a highly technical  
5 proprietary process for effectively controlling  
6 moisture, the enemy of chlorinated ISOs in our plant.

7 We have also created a work environment in  
8 which we control these caustic gases or the caustic  
9 gases released by tableting so effective and cleanly,  
10 that our associates are not required to wear  
11 protective respirators. Product quality is essential  
12 with our process to achieve this workforce friendly  
13 result. We are proud of our success in creating this  
14 efficient and safe environment for our associates.

15 But regardless of the unique characteristics  
16 of our production process, we are in the same boat as  
17 the 10 or so other tableters in the U.S. and that we  
18 all must go to the market to purchase bulk chlorinated  
19 ISOs. In recent years we have had an increasingly  
20 hard time finding suppliers, particularly with U.S.  
21 production.

22 I'll start by explaining what happened to  
23 Clearon. For many years, Clearon was a major supplier  
24 of bulk product to tableters, including us. They  
25 provided the overwhelming portion of our needs. But

1 then Clearon decided to change its business model,  
2 choosing to produce tablets that competed with the  
3 tableters, rather than supply the tableters with  
4 granular material. By becoming our competitor,  
5 Clearon eliminated itself from our pool of suppliers.

6 And like Clearon, Biolab chose to internally consume  
7 all of their bulk of chlorinated ISO it produces and  
8 they are also unavailable as a supplier to us.

9 That only leaves one U.S. producer of bulk  
10 chlorinated ISOs, Oxy Chem. Their situation is  
11 different from Clearon and Biolab because they remain  
12 theoretically available as a supplier. But somewhat  
13 oddly, they do not appear to be making any real  
14 efforts to cultivate the U.S. consumers. I have, our  
15 customers. As far as I know, Oxy Chem has not  
16 developed a real sales force and supplying only a  
17 small number of major downstream customers they have  
18 had for some time. Clearly, they have not been making  
19 offers to my company. I have not seen or heard from  
20 Oxy Chem sales representative for years.

21 Given these facts, I don't see how the  
22 Petitioners in this case can credibly claim that  
23 imports, especially from Japan, are hurting them. As  
24 I see it, it's their own actions or inactions that are  
25 to blame.

1           For about the last 15 years, almost as long  
2           as I've been with Suncoast Chemical, I've been  
3           purchasing bulk ISOs from Shikoku through their sales  
4           agent, Nick Pettoruto. In fact I purchase as much  
5           from Shikoku as I can for two main reasons. One  
6           reason is the quality. Shikoku's quality is by far  
7           the best and consistently slow. I'll come back to the  
8           quality in a minute.

9           The second reason for my reliance on Shikoku  
10          is that they have a proven track record of rock solid  
11          reliability. They are always there when I need them.

12          In fact they did not even miss a beat in the  
13          aftermath of the devastating tsunami that hit Japan  
14          two years ago. This record of dependability  
15          distinguishes Shikoku from many of its competitors  
16          regardless of the country or origin of the product.

17          There are also reasons why Shikoku product  
18          demands a premium over the market and that's why I'm  
19          willing to pay it. To me this looks like the opposite  
20          of dumping. The important point here is that Shikoku  
21          has been a predominant supplier of bulk chlorinated  
22          ISOs to the U.S. tableting market for a very long  
23          time. This is not a new development and certainly not  
24          one which has hurt the U.S. producers, who effectively  
25          chose not to supply my company.

1           Let me explain to you how pricing works in  
2 the market from my perspective as a tableter. Clearon  
3 and Biolab are the giants and they effectively  
4 determine prices at the mass merchant retailer.  
5 Clearon at Sams with the Pool brand over there and  
6 Biolab at Home Depot. We have no choice but to follow  
7 their prices. And let me make it clear that they are  
8 selling their products at the lowest level I have seen  
9 in decades.

10           They are not doing so because of import  
11 competition and because -- they are, but -- I'm sorry  
12 -- but because I believe they are trying to squeeze  
13 out the independent tableters, their competitors. Not  
14 only have they stopped supplying bulk ISOs to us, they  
15 are now leading prices down and reducing our margins.

16           The two main differences, quality, different  
17 characteristics of the chlorinated ISOs, what I would  
18 just like to describe. First, it involves a  
19 consistency and the size of granulars. This is an  
20 important consideration from a production process  
21 perspective because the more uniformed the size of the  
22 granular, the more efficient we can press it into a  
23 tablet. To explain the difference between Shikoku's  
24 product and the typical Chinese material I've seen,  
25 I'd like to compare it to salt. Imagine a handful of

1 table salt in your hand. You will see that the grains  
2 are of small and uniformed size. This is invariably  
3 what you see when you examine Shikoku's product.

4 Now imagine a handful of rock salt. You  
5 will see some grains of many different sizes, some  
6 like chunks, others close to powder, and absolutely no  
7 uniformity. This is what I have come to expect from  
8 the Chinese product. This is a real physical  
9 difference with real implications in our tableting  
10 production process, which operates much more smoothly  
11 with uniform size granules.

12 The second quality attribute I would like to  
13 describe avoids moisture content. As I mentioned,  
14 moisture is the enemy of chlorinated ISOs. The higher  
15 the moisture content of the material coming into the  
16 plant, the higher level of off gassing and associated  
17 challenges. The gas released by chlorinated ISOs is  
18 caustic and can destroy packaging materials and metal.

19 There are many stories in the industry of off-gassing  
20 ISOs destroying roofs and other metal-based equipment.

21 The off gassing also of course poses potential health  
22 risk and triggers a need for workers to wear  
23 protective gear.

24 Nobody in this industry can control moisture  
25 content in the chlorinated ISOs better than Shukoku,

1 making it a preferred choice of operation for us and  
2 our associates. That concludes my remarks. Thank  
3 you.

4 MR. JANZEN: Thanks, Jim. That concludes  
5 the affirmative testimony in support of Shikoku. I'll  
6 just note that we heard a lot of questions this  
7 morning about the role of tableters, what are they  
8 really doing, how significant is that process, how do  
9 they fit into the market, and what is their position  
10 vis-a-vis the large integrated producers who are here  
11 today. To the extent that Mr. Eisch's testimony  
12 didn't really get at all of your questions, I think  
13 it's safe to say we would welcome the opportunity to  
14 address them today. And with that, I'll turn it over  
15 to you, Kevin.

16 MR. HORGAN: Hello. This is Kevin Horgan.  
17 I'm here on behalf of Kangtai Chemical Company and  
18 Heze Huayi Chemical Company, Chinese exporters of  
19 chlor ISOs. Mr. Cannon started this proceeding by  
20 suggesting that this Chinese case is a sequel. And we  
21 movie fans all know, sequels rarely live up to the  
22 original. In fact they're usually quite bad and  
23 that's the case here.

24 And the reason this is bad is because  
25 there's a serious causation issue, which they'd rather



1 have you not think about, and that has to do with the  
2 fact that under Article XV of the SEM agreement  
3 subsidies and countervailing measure agreement, the  
4 Commission has to find injury from the effect of the  
5 subsidies. So this isn't a case where your cumulating  
6 the Chinese dumping and Chinese subsidies. You have  
7 to find injury from subsidization in this case.  
8 That's what the international agreement requires. And  
9 you have to take into account all the other factors  
10 that are out there.

11 So for one thing, Japanese dumping or  
12 possible dumping of this product doesn't say anything  
13 about Chinese subsidization of this product. So you  
14 can discount all of that information. So anything to  
15 do with the Japanese dumping has nothing to do with  
16 Chinese subsidization.

17 But the important factor that's out there is  
18 that there is a Chinese antidumping order out there.  
19 And the margins calculated by the Commerce Department  
20 for the period of time covered by this investigation,  
21 2010 through 2012, are substantial, as the petition  
22 said 30 percent and up. And I think you have to, as  
23 the Commission is required to do under its causation  
24 analysis, you cannot attribute to subsidies or  
25 subsidization injury caused by other factors. And

1 here we definitely have a finding by the Commission  
2 that dumping of Chinese chlor ISOs is a cause of  
3 material injury. So there is a causal relationship.  
4 So you have to consider the impact of the Chinese  
5 dumping order on this matter, on this case.

6 So how do you do that? How do you avoid  
7 attributing the injury caused by dumping to any  
8 potential injury or possible injury caused by  
9 subsidies? And I think the obvious way to do that is  
10 that you have to look at the dumping margins, add  
11 those to the prices that are being charged out there  
12 or reported by the parties, and seeing if a margin of  
13 underselling that they're using to demonstrate  
14 causation still exists. And I think the best way to  
15 look at this is with a couple of examples.

16 And Mr. Helmstetter of Clearon provided one  
17 today. He said that the first few years after the  
18 dumping order was published, we were selling Trichlor  
19 tablets at \$1.74 a pound. Today by comparison the  
20 same customer will report that Arch quoted \$1.40 a  
21 pound. So that's a 30 cent difference. But if you  
22 look at the last dumping margin calculated for Arch  
23 Chemical Companies by the Commerce Department, it's 51  
24 percent.

25 So that means Arch has a 51 percent dumping

1 margin. So if you add 51 percent to the price of the  
2 Arch Chemical, it comes up, you know, that's about 70  
3 cents. It comes up to like 210. And the reason I'm  
4 pointing this out is that that means this injury, this  
5 evidence of underselling is entirely attributable to  
6 dumping. More than the margin of underselling is  
7 entirely attributable to dumping. So you have to  
8 somehow take into account the fact that this injury is  
9 definitely being caused by dumping. So is there any  
10 other injury, any other evidence of injury showing  
11 that subsidies are causing injury? And the truth is  
12 there isn't any.

13 Another example will show you how this will  
14 happen because suppose the dumping margins were zero  
15 and there was a 10 percent margin of underselling?  
16 Jim Cannon would be up here pounding the table telling  
17 you, look, there's evidence, that's evidence that  
18 subsidies are causing this margin of underselling.  
19 But that's not what's happening here. The margin of  
20 underselling is entirely attributable to the dumping  
21 margins that have been calculated by the Commerce  
22 Department for this period.

23 So there's nothing in the record that you  
24 could use that would show that subsidies are causing  
25 injury. And, you know, I've looked at the record and

1 I've looked -- there is other evidence I think that  
2 the dumping is the problem here and not subsidization,  
3 because if you look at what has happened to Chinese  
4 imports in the first half of 2013 when these dumping  
5 margins were published by the Commerce Department,  
6 you'll see that importers have started to walk away  
7 from Chinese products. So Chinese products are  
8 falling off, they're leaving the market, and that's  
9 because of these dumping margins that have been  
10 calculated by the Commerce Department.

11 So I think when you look around, there's no  
12 other evidence out there. There's nothing in the  
13 record apart from these allegations of underselling  
14 that would indicate that subsidization was a cause of  
15 injury. But if that margin of underselling is  
16 entirely attributable to dumping, and we have positive  
17 evidence in the record that that's true because we  
18 have these margins, 30 percent and 50 percent, 60  
19 percent, and if you use the -- if you look at the  
20 import data that was in the petition, you'll see a 78  
21 cent number, compared to a dollar. Again if you add  
22 the dumping margin to that number you're going to find  
23 that no margin of underselling is there that's  
24 attributable to subsidization.

25 So in this case, I think when you look at

1 the evidence, there's no evidence except underselling  
2 that you can rely on for causation. And I think  
3 Commissioner Williamson asked this question, is there  
4 any -- in the warm water shrimp case this has come up.

5 I think Commissioner Williamson asked this question  
6 about was there any discipline from the order. It  
7 might have been a different Commissioner. And I think  
8 you are seeing discipline from the dumping order  
9 because you're seeing Chinese product leave the market  
10 in the first half of 2013 once these margins were  
11 announced.

12 So the antidumping -- it is the dumping  
13 that's causing the problem, there is a remedy, and  
14 it's imposing discipline on the market. So when you  
15 discount all that underselling or take out all that  
16 underselling attributable to dumping, there's nothing  
17 left to show injury from subsidies. There's no other  
18 evidence in the record to show injury from subsidies.

19 So basically, you know, I know that the  
20 Commission had some questions about this in the warm  
21 water shrimp investigation. They haven't issued their  
22 final determination yet. So I think this is an  
23 important issue, particularly in this case, which may  
24 be different because the margins are so high. With  
25 that I'll conclude and I'll be happy to entertain

1 questions. Thank you.

2 MS. DEFILIPPO: Are you both done? Okay,  
3 sorry. Thank you very much and thank you for the  
4 panel for being here today. I also appreciate you  
5 coming and taking time from your businesses to help us  
6 see both sides of the story and collect a set of data  
7 that incorporates the whole picture. That's what  
8 we're trying to do here, so I appreciate you being  
9 here with us.

10 Ms. Lo, questions for this panel?

11 MS. LO: Thank you all for being here. My  
12 question is similar to this morning. I'm trying to  
13 still understand the tableters in this industry. So  
14 for both Mr. Horgan and Mr. Janzen's clients, do you  
15 believe that tableters should be considered as part of  
16 the domestic industry, as a producer?

17 MR. JANZEN: Maybe I can start. We are not  
18 taking a position on that question today, but we are  
19 grateful that the staff is taking a careful look at  
20 this question. We know that this has been a tough  
21 issue and a close call in the earlier case.

22 What you heard from the Petitioners this  
23 morning is that the tableting function is almost  
24 trivial, that operators can get in and out of the  
25 business. We don't think that that's right and I

1 would invite Jim actually to address that question.

2 MR. EISCH: Yes, it was disheartening to  
3 hear some of that as a tableter, because it's not an  
4 easy process and we don't look at it as being trivial  
5 at all. The tableter itself provides a -- it's not  
6 highly technical, but at the same time it's just not -  
7 - you don't go in and out of it.

8 I mean the product is a hazardous material.  
9 It does have off gas. With us, we have a respirator-  
10 free environment. We have to control humidity. We  
11 have to control the off gas. So it's not -- the  
12 equipment is very expensive. It does degrade. It  
13 does require maintenance. My only comment was that I  
14 don't know of any new tableter in this business for a  
15 very long time, five, 10 years, if not longer, so that  
16 it's not an industry that everybody can just jump  
17 into. Because if it was, then anybody would be in it  
18 and there's no one -- there hasn't been anyone new to  
19 my knowledge.

20 MS. LO: I just want to expand on that  
21 answer. So they give the estimate to 80 to 120,000 to  
22 start up a tableting plant; is that correct in your  
23 estimation?

24 MR. EISCH: Absolutely not. I think -- I  
25 don't know for sure. I'd have to go back to read. I

1 think he was describing what one machine would cost to  
2 rebuild the machine.

3 MS. LO: Give us an estimate on what you  
4 think would cost to build a plant from scratch, a  
5 tableting plant, cost and time.

6 MR. JANZEN: I think that it would be  
7 appropriate for us to address that confidentially,  
8 post-conference.

9 MS. LO: Great, thank you. And Mr. Eisch, I  
10 wanted to ask you a little bit about your capacity  
11 constraints. So for your tableting operation, can you  
12 give me a little bit more on what kind of constraints  
13 you have on your capacity. Is it just the machines?  
14 Do you have more than enough capacity to cover all the  
15 demand possible to meet your customer's need? A  
16 little bit more on your capacity and production.

17 MR. EISCH: We have a capacity today to do  
18 all of our demands that we have and more. Capacity is  
19 really driven by two issues. One is shifts, okay,  
20 because, you know, you have to decide at some point,  
21 we are seasonal business. There are ramp-ups, ramp-  
22 down. So you know, if we need additional capacity  
23 that we got today, we can put additional shifts on to  
24 increase the capacity.

25 MS. LO: And in your history of Suncoast,



1 you mentioned that you've been in business for 20  
2 years. So about 1993 you became a tableter, is that  
3 correct?

4 MR. EISCH: To my knowledge, I think we  
5 became a tableter around 1995 when the divestiture of  
6 Owen Chemical and all of that occurred.

7 MS. LO: And do you only work exclusively  
8 with Shikoku since the period of investigation, which  
9 is 2010? Or you can talk a little bit about the  
10 history too.

11 MR. EISCH: Since 2010 Shikoku has been our  
12 primary if not majority of our supplier.

13 MS. LO: So do you use other suppliers?

14 MR. EISCH: We do use other suppliers.

15 MS. LO: And do you purchase -- well, sorry,  
16 that's okay, we'll leave it at that. That's all my  
17 questions for now. Thanks.

18 MS. DEFILIPPO: Thank you, Ms. Lo. Mr.  
19 Goldfine, questions from you for this panel?

20 MR. GOLDFINE: Good afternoon and thank you  
21 all for your testimony today. I think you touched  
22 upon this briefly with Ms. Lo, Mr. Janzen, but is it  
23 going to be your position or is it your position in  
24 this preliminary investigation that you're not  
25 contesting the proposed definition of one domestic-

1 like product that the Petitioners have put forward?

2 MR. JANZEN: We're not taking a position on  
3 that issue today. We may address it post-conference.

4 But we know that many different dividing lines have  
5 been proposed within, you know, the broader like  
6 product that has been put forward and we're not  
7 arguing that you should draw the line in any specific  
8 place. We're not taking a position on that today.

9 MR. GOLDFINE: Okay. And if you do take a  
10 different position in your post-conference brief, I  
11 would just ask you to go through all the six factors  
12 that the Commission looks at.

13 MR. JANZEN: Absolutely.

14 MR. GOLDFINE: On whether the tableters --  
15 is it your position that the tableters, are you taking  
16 a position on that today, whether the tableters should  
17 be in or out of the domestic industry?

18 MR. JANZEN: We are not taking a legal  
19 position on that today. For today, we simply wish to  
20 clarify that there are significant costs and  
21 operations involved in the tableting function. So we  
22 are trying to correct and supplement what you heard  
23 earlier today about the significance and the cost and  
24 burdens and challenges associated with the tableting  
25 function. But we're not today taking a legal position

1 as to the inclusion of tableters in the domestic  
2 industry.

3 MR. GOLDFINE: And again in the post-  
4 conference brief, if you do take a different position  
5 or you take a position, I would again ask you, you  
6 know, go through the factors the Commission --

7 MR. JANZEN: Absolutely. We would be remiss  
8 if we would not do that.

9 MR. GOLDFINE: And I don't know if any of  
10 the witnesses want to shed any more light on the issue  
11 you were discussing earlier, but in terms of the value  
12 added to the product by the tableters, maybe that's  
13 confidential, maybe that's for post-conference brief,  
14 but, I mean, we heard this morning and I think an  
15 estimate was given of less than 10 percent. Do you  
16 want to say anything now or you can say something in  
17 your post-conference brief?

18 MR. JANZEN: Let me just ask Jim, if that is  
19 something you feel you can address publicly. We can  
20 certainly address it post-conference, if that would be  
21 your preference.

22 MR. EISCH: I mean, post-conference, I can  
23 give you the number, what it is. I mean whether --  
24 but I guess the question, what you're trying to also  
25 do or make sure -- there's more to value than just the

1 monetary aspect of tableting.

2 I mean our customers and our whole customer  
3 base is built on reliability of product to them on a  
4 timely basis. We're very weather driven. You can  
5 have a -- you guys know, you can have a 90 degree day  
6 in two weeks and then all of a sudden, you know, the  
7 demand is done and then they need to refill. The  
8 water producers don't do that. I mean we do that. We  
9 also provide them with their own brands. We provide  
10 them -- and there are quality differences and they do  
11 know that we're buying a quality product coming from  
12 tableters. They do ask where the product comes from  
13 and the product of entry -- of origin.

14 And so our customers -- there's more than  
15 just the monetary value of saying, okay, it takes x  
16 percent or x cents to pound a tablet because we have  
17 the people out there. We have the sales force behind  
18 them. We're the one constantly talking to them and  
19 making sure that the product is going through the  
20 distribution chain right. We're helping them with the  
21 chemical aspect of it, what's going on and what's  
22 behind all of that.

23 So I guess the hard part for me is, yes, I  
24 can give you the monetary, but you can't monetize what  
25 that means to a customer.

1                   MR. GOLDFINE:  What's the nature of the  
2                   training given to your employees in terms of working  
3                   with the hazardous material or just in general?  I  
4                   mean, do they go through some kind of training  
5                   program?

6                   MR. EISCH:  Absolutely.  I mean you're  
7                   trained.  You have to go through hazmat training.  You  
8                   have to go through understanding of the chemical  
9                   process.  I mean the product itself is a class one  
10                  oxidizer, so that in itself is a hazard.  I mean if  
11                  you took -- if you've never seen one, if you took the  
12                  wrong oil and put it on a little trichlor, the smoke  
13                  would fill this room in a matter of no time flat.  I  
14                  mean it's a very black cloud that scares the crud out  
15                  of everybody, just what you said.  So you make sure  
16                  that you don't have impurities into the room, that you  
17                  don't -- there's a lot of stuff that from a safety  
18                  aspect of handling the product that you do.

19                  Flow grades, having the product, make sure  
20                  it goes through the presses correctly.  It has to go  
21                  through there in a uniform rate to get the nice,  
22                  pretty tablet that they had described earlier.  That's  
23                  our goal.  Our goal is the quality of the product.  
24                  That's why I think it diminishes the value when you  
25                  say, okay, I can just sell them any tablet because

1 it's 90 percent or 99 percent ISO and 90 percent  
2 available chlorine. If that were the case, then we  
3 don't need anybody. We just need someone just to  
4 pound a hockey puck.

5 But that's not true. Our customers do care  
6 that the flow rate. When you talked about the home  
7 and being able to -- you know, it's a base of a  
8 chlorine, how to get the base into the pool. Well,  
9 that table dissolve rate is -- that's how you get that  
10 base. If you have a tablet that's not put together  
11 well, then it's going to dissolve. It's going to fall  
12 apart faster than it would if it was. So --

13 MR. GOLDFINE: Okay, thank you. Do  
14 tableters rely on -- for the raw materials, is it  
15 mainly imported chlorinated ISOs or domestically-  
16 produced chlorinated ISOs? Maybe that's --

17 MR. EISCH: Well, for us, I mean we have to  
18 rely on imports. The domestics don't sell to us.

19 MR. JANZEN: If I could just supplement that  
20 answer and maybe Nick can help me out with it. As  
21 Nick explained before, as Mr. Pettoruto explained  
22 before, it is not simply a case of supplying Japanese  
23 imports. His sales, Del Cal's sales are supplemented  
24 with volume acquired from Oxy.

25 If you feel I have mischaracterized that or

1 if there's more to say, please, please go ahead.

2 MR. PETTORUTO: I can expand this way. As I  
3 indicated in my presentation, we have been in a sold  
4 out position and we found it necessary to continue to  
5 service our tableters and the best way to do that was  
6 to enter into a co-producer arrangement. And this has  
7 been taking place for the past two years with Oxy. We  
8 searched and we looked for the best alternative for us  
9 and it kind of wound out to be a win-win situation  
10 where we were able to negotiate for a certain amount  
11 of volume, and it was a sizable volume, for the past  
12 two years.

13 MR. GOLDFINE: Okay. I think this was in  
14 Mr. Eisch's testimony. There was testimony about  
15 Clearon eliminating itself as a supplier. Can you  
16 just expand on that? I didn't quite get the  
17 circumstances there. And then also in your answer,  
18 you made reference to another producer, Biolab,  
19 choosing to internally consume, if you can help me  
20 understand exactly what that means, internally  
21 consume?

22 MR. EISCH: Clearon, in I think Nick's  
23 testimony and mine, Clearon became -- went downstream.  
24 They began tableter and tablet on their own, as you  
25 can tell from their characteristics of a tableter.

1 It's very hard to work with someone who thinks of you  
2 that way. So they looked at being a -- competing  
3 against us downstream because when they got into  
4 tableting, they became a tableter, a competitor to us  
5 at our dealer and distributor levels in that time  
6 period. Recently, they've gone to the mass merchant.

7 But during that time period earlier, they had  
8 tableted against us and became a competitor.

9 Biolab has always been consumed internally,  
10 meaning they've never -- to my knowledge, they've  
11 never sold us bulk tablets. They use it for their own  
12 brands at Home Depot and Walmart and some of the mass  
13 merchants.

14 MR. KLETT: Mr. Goldfine, this is Dan Klett.

15 I think also it's important, one of the Clearon  
16 representative testified earlier that they actually  
17 would welcome getting into the granular market and had  
18 attempts to do so. But I think you have to understand  
19 that the companies that they would be selling to  
20 granular, they also compete with downstream because  
21 they sell the tablet. And Mr. Eisch can probably tell  
22 you, in terms of his decision if he were to be  
23 approached by Clearon to purchase granular, whether he  
24 would want to do so, given that he's also competing  
25 with Clearon downstream. So it's not a matter of



1 Clearon just jumping back and forth into the granular  
2 market. When they do so, there's probably some  
3 reluctance on the part of customers they approach to  
4 actually consider their product because Clearon is a  
5 competitor of theirs for tablets.

6 MR. EISCH: We've been in business 38 years  
7 and, you know, strategic partners and making sure that  
8 we don't come in and out -- we have a strategic  
9 partner with us, who is ultimately not going to decide  
10 to compete with us one day and not compete with us the  
11 next day is very important and that's why Shikoku'  
12 business.

13 MR. GOLDFINE: So is it your testimony, if  
14 Clearon hadn't have decided to become a tableter, they  
15 would still be a supplier to you? Is that basically  
16 what you're saying?

17 MR. EISCH: I think if Clearon wouldn't have  
18 gone into the tableting, it would have changed the  
19 relationship, that we could have possibly continued to  
20 go forward.

21 MR. GOLDFINE: Okay. And this might be for  
22 the post-conference brief, is there a captive  
23 production issue under the statute in this case? And  
24 that would go for the Petitioners, too. I'm hearing  
25 all this stuff about internally consumed. We don't

1 deal with --

2 MR. JANZEN: Yeah, we'll address that in  
3 post-hearing.

4 MR. GOLDFINE: Okay.

5 MR. KLETT: But I think also, Mr. Goldfine,  
6 in terms of captive production provision, the captive  
7 production by the integrated producer is ultimately  
8 sold as tablets and kind of gets to the double  
9 counting issue, but that's another element that in  
10 this case that you might not have, in other cases with  
11 the captive production, where the captive production  
12 goes into a product that's not subject to the  
13 investigation.

14 MR. GOLDFINE: And Mr. Janzen, this might be  
15 for the post-conference brief. But with respect to  
16 cumulation, what is your -- are you arguing that Japan  
17 not be cumulated?

18 MR. JANZEN: Yes. That's the position we're  
19 taking. You've heard from Petitioners that this is an  
20 easy and direct path to cumulation in this case. We  
21 don't think that is so for a number of reasons.

22 Under the test that the Commission has  
23 applied for a long time, the fundamental question is,  
24 is there head-to-head competition between the imports  
25 from the different countries. And we think that there

1 are a number of very important distinctions that do  
2 not permit the conclusion that the Japanese and  
3 Chinese origin imports are competing head-to-head in  
4 the U.S. market.

5 There are a number of factors and we'll  
6 elaborate on them in our post-conference brief. Some  
7 of the details and the facts are confidential. But  
8 just to give you the categories of issues, we see that  
9 there is a substantial quality difference. You've  
10 heard testimony to that effect this morning. And it's  
11 not just quality per se; it is also form of the  
12 product, as we understand it. Imports from China in  
13 tableted form have been increasing. Shikoku, which  
14 represents the vast majority of the Japanese imports  
15 is importing exclusively in bulk form. That's yet  
16 another difference.

17 The customers for the Japanese and the  
18 Chinese product are not the same. There are  
19 differences there. Also when you look at the Japanese  
20 and the Chinese imports separately, what you see is a  
21 picture of relative stasis for Japan. And in here, we  
22 also are concerned that the Census data might be  
23 wrong, but we can address this based on confidential  
24 data in the record. But the bottom line here is that  
25 we see that the import volumes from Japan have really

1       been quite steady, quite flat over the POI.

2                   And we'll also go into pricing as well. We  
3 think that there's a distinction to be drawn in terms  
4 of pricing. As you've heard this morning from Mr.  
5 Pettoruto and also from Mr. Eisch, the Shikoku product  
6 commands a premium and we certainly don't believe that  
7 there has been underselling of that product. And we  
8 can point to the record as well in elaborating on that  
9 post-conference.

10                   MR. GOLDFINE: Okay, thank you. And Mr.  
11 Horgan, just so I understand your argument, is it  
12 basically in a nutshell that the injury here, any  
13 injury, to the extent there is an injury, it's caused  
14 by dumped imports and this is a subsidy case and  
15 therefore you can't attribute any injury -- because  
16 the only injury is caused by the dumping, you can't  
17 attribute that injury to the subsidy behavior that --

18                   MR. HORGAN: That's it in a nutshell. I  
19 think you've got it.

20                   MR. GOLDFINE: Okay. If the Commission were  
21 to cumulate --

22                   MR. HORGAN: I still think whether you  
23 cumulate or not, you still under the agreement have to  
24 find injury from the effects of the subsidies. So you  
25 still have to look beyond cumulation. You can't just

1 look at the products that are in the market at the  
2 same time.

3 MR. GOLDFINE: And the agreement you're  
4 referencing?

5 MR. HORGAN: Subsidies and countervailing  
6 measures agreement, the GAAT agreement.

7 MR. GOLDFINE: Has the Commission ever  
8 applied that in a subsidy case?

9 MR. HORGAN: No, but it is under  
10 consideration I believe in the warm water shrimp,  
11 which is going to final pretty soon.

12 MR. GOLDFINE: Under consideration? What --

13 MR. HORGAN: Meaning this issue of whether -  
14 - when you have a separate -- when you have an  
15 existing dumping order and you have a new CVD case,  
16 what impact does the AD order have on the Commission's  
17 analysis in the CVD case. And that case is ongoing I  
18 believe sometime soon.

19 MR. GOLDFINE: Does that case, did that  
20 involve cumulation, import cumulation?

21 MR. HORGAN: There were several countries  
22 involved. But I do think it was just a CVD case as to  
23 all countries.

24 MR. GOLDFINE: Okay. Well to the extent you  
25 have any -- you can point to any Commission

1 determinations other than shrimp that have adopted the  
2 argument you're presenting here --

3 MR. HORGAN: Well, it's only come up a  
4 couple of times.

5 MR. GOLDFINE: Okay.

6 MR. HORGAN: And I don't think there's been  
7 a real clear decision by the Commission on this issue  
8 that I've found yet.

9 MR. GOLDFINE: Okay. That's all I have.

10 MS. DEFILIPPO: Thank you, Mr. Goldfine.  
11 I'm actually just going to jump in because this was  
12 what was on my mind on your argument, Mr. Horgan. But  
13 wouldn't the actual imposition of an antidumping duty  
14 order, isn't that supposed to deal with the issue of  
15 dumping? So if you are putting a margin on, is that  
16 not then supposed to be adjusting the price to a fair  
17 market price and thus --

18 MR. HORGAN: It is and that's exactly what  
19 I'm asking you to do. If you add the dumping margin  
20 to the prices that have been reported in the petition,  
21 that you're going to get to a fair market price and  
22 that fair market price is going to eliminate the  
23 margin of dumping or the margin of underselling. And  
24 as a consequence, there's no underselling to indicate  
25 subsidies are having an effect.

1 MS. DEFILIPPO: Okay.

2 MR. HORGAN: That's exactly what I'm asking  
3 you to do.

4 MS. DEFILIPPO: What we'll see in our  
5 questionnaire, just as a clarification, are prices in  
6 the U.S. market. So when we do our underselling  
7 analysis, we will look at prices from U.S. producers  
8 and U.S. importers down to the next level of trade,  
9 which presumably is a U.S. -- it's a price for the  
10 product in the U.S. market after it has already  
11 cleared Customs, which should, I believe, include the  
12 dumping margin. That's the underselling on an injury  
13 prospective.

14 MR. HORGAN: Well, let me correct you on  
15 that because our dumping law is retroactive. The  
16 import prices are not going to include dumping duties  
17 in this case because the dumping margins were much  
18 lower prior to the period of investigation. It was  
19 only in January of this year that Commerce announced  
20 the final results for 2010, 2011, roughly the first  
21 part of this period of investigation, and that set the  
22 30 percent and up margins. So the imports made during  
23 that time period don't include those dumping duties  
24 because the deposit rate was much lower than the  
25 actual dumping margin.

1 MS. DEFILIPPO: Okay. Do you know what the  
2 deposit rates were prior?

3 MR. HORGAN: I believe they were in the  
4 single digits, like two to three percent, and they  
5 varied from importer to importer.

6 MS. DEFILIPPO: Okay. I'll turn to Mr.  
7 Benedetto for questions.

8 MR. BENEDETTO: Thank you all very much for  
9 coming here today. I may ask some sensitive  
10 questions. If I do, please feel free to just say so  
11 and answer in the post-conference brief.

12 Mr. Pettoruto, in your testimony, you said  
13 that Shikoku International and Oxy entered into a co-  
14 producer arrangement under which Oxy sells to Shikoku  
15 large quantities of granular and powdered ISOs, which  
16 Shikoku then resells to tableters. When you say  
17 Shikoku, you mean Del Cal?

18 MR. PETTORUTO: I mean SIC, Shikoku  
19 International Corporation.

20 MR. BENEDETTO: And that's a U.S. tableter?  
21 It's not going to Japan and --

22 MR. PETTORUTO: No, no, no. Shikoku  
23 International Corporation is the importer of Shikoku  
24 Chemicals Corporation product.

25 MR. BENEDETTO: And they also -- so Oxy Chem



1 sells to SIC --

2 MR. PETTORUTO: Technically sells to SIC and  
3 it's my responsibility to do the marketing of that  
4 particular product.

5 MR. BENEDETTO: Okay, so marketing, but not  
6 tableting?

7 MR. PETTORUTO: No, no, no, not tableting.

8 MR. BENEDETTO: Okay, okay. So this morning  
9 they said that tableters ought to be called repackers  
10 and tableters. For Mr. Eisch and Mr. Pettoruto, is  
11 most of what you do relative to chlorinated ISOs  
12 tableting or is there also some repacking do or a  
13 substantial amount of repacking or just kind of just  
14 marketing?

15 MR. PETTORUTO: Maybe I can answer the  
16 question this way. Tableters, virtually all tableter,  
17 every tableter is a repackager, but a repackager is  
18 not necessarily a tableter.

19 MR. BENEDETTO: I guess by repackager, what  
20 I'm imagining is somebody who gets like say a bulk  
21 granular and puts it in smaller bags.

22 MR. PETTORUTO: Yes, maybe put it in a 25  
23 pound, a granular in a 25-pound pail or perhaps in a  
24 one-pound pouch.

25 MR. BENEDETTO: And you may want to answer

1 this later, but how much tableting activity do you do  
2 versus how much repacking activity do you do? Do you  
3 do both and do most tableters do both?

4 MR. PETTORUTO: Virtually 100 percent is the  
5 tableters.

6 MR. BENEDETTO: Okay. And then Mr.  
7 Pettoruto, you also said this morning that there were  
8 -- because of the housing market, that there were  
9 fewer pool installations. This morning the  
10 Petitioners said that because there's such a large  
11 installed capacity, that sort of new capacity doesn't  
12 have -- you know, whether there's new installations or  
13 not, doesn't make as large a difference as just sort  
14 of maintaining the older capacity. Do you agree with  
15 that or disagree with that?

16 MR. PETTORUTO: I think it's safe to say  
17 that based on our market intelligence, market  
18 information that we try to stay active on, it appears  
19 that the swimming installations are relatively flat.

20 MR. BENEDETTO: For say the last three years  
21 or the last five years?

22 MR. PETTORUTO: Yeah, the last three years  
23 or so, maybe even four years, they've been relatively  
24 flat.

25 MR. BENEDETTO: And do you agree that the

1 installations are a small part of the overall market?

2 MR. PETTORUTO: The installations would  
3 obviously be for the new installations for the new  
4 pools.

5 MR. BENEDETTO: Okay. And then again you  
6 may want to answer this in post-conference, but is all  
7 the material that Shikoku imports as bulk, is it meant  
8 to be tableted or some of it meant to be sold as  
9 granular? You can answer in that in --

10 MR. PETTORUTO: I can.

11 MR. BENEDETTO: Okay.

12 MR. PETTORUTO: Basically they're a family  
13 of chlorinated isocyanurate derivatives made up of  
14 twins, of two. One is the trichlor, which is the  
15 insoluble, that's the acid, that's the low ph that is  
16 made into tablets, one-inch tablets, three-inch  
17 tablets, and sticks. And the dichlor, the sodium  
18 dichloroisocyanurate is the granular form and that's  
19 used for in some instance maintenance or for the most  
20 part shock products. So the dichlor, there's no  
21 reason to tablet dichlor.

22 MR. BENEDETTO: Okay.

23 MR. PETTORUTO: But there is obviously a  
24 reason to tablet trichlor. It's a solubility,  
25 basically a solubility. It's like a long acting

1 Tylenol versus a short acting Tylenol.

2 MR. BENEDETTO: Actually that brings up  
3 something else. In our past public report, we had  
4 something that said that both trichlor and dichlor are  
5 tableted. Is there some dichlor tableting?

6 MR. PETTORUTO: No.

7 MR. BENEDETTO: Mr. Eisch, when did big box  
8 stores start becoming major players in the chlorinated  
9 ISOs market? Has that been something that's been the  
10 case for 10 years or five years or more recently than  
11 that?

12 MR. EISCH: I think the big box stores have  
13 been there for as long as I've been with the company.  
14 I think that the big box stores have a tendency to go  
15 in and out of it more. With pricing sometimes,  
16 they're more competitive than not. The last few years  
17 they've been way more competitive.

18 MR. BENEDETTO: And do most tableters sell  
19 to the big box stores or is that -- you sort of said  
20 that, you listed one Petitioner each sort of selling  
21 to one large big box stores. Are the tableters also  
22 trying to sell to those purchasers?

23 MR. EISCH: No, I think I said that Clearon  
24 sells to the big box. We don't sell to the big box  
25 stores. That market is pretty much the Biolabs and

1 the Clearons --

2 MR. BENEDETTO: Okay.

3 MR. EISCH: -- and the Lawrences of the  
4 world.

5 MR. BENEDETTO: Okay. And then Mr. Horgan,  
6 sort of following on Ms. DeFilippo's question, if we  
7 have lost sales, lost revenues say from the last year,  
8 from 2013, those prices would presumably take into  
9 account the AD duties or --

10 MR. HORGAN: No, I don't believe they would  
11 because the duties were just announced on January 13th  
12 for --

13 MR. BENEDETTO: Let's say from 2013, so lost  
14 sale, lost revenue allegation from then, would that  
15 include that?

16 MR. HORGAN: It could, but as I said, you're  
17 going to have to -- I think you need to adjust the  
18 price to reflect the fact that they didn't know about  
19 that. So if they set the price in 2012 and it was  
20 delivered in 2013, they didn't know what the dumping  
21 margin was at that time. So that price isn't going to  
22 reflect this dumping margin, so you'll have to adjust  
23 it upward to reflect the dumping margin.

24 MR. BENEDETTO: So do you think that  
25 contracts won't be completed as a result of the price

1 rising or anything like that?

2 MR. HORGAN: No, I didn't have a chance to  
3 study it, but I did peruse the questionnaire responses  
4 yesterday and I think if you look through the importer  
5 questionnaire responses, you'll see that there's a big  
6 drop off in Chinese imports after these decisions were  
7 announced. And I think also you have to look at  
8 projections. I think some of the projections were  
9 based on contracts, which may not be fulfilled as a  
10 result of the dumping order or dumping determinations.

11 MR. BENEDETTO: Okay.

12 MR. HORGAN: And also I think you need to  
13 look at the planned shipments. There's a question in  
14 the questionnaires about planned shipments and I think  
15 you'll see a lot of zeros there as well in the  
16 importer questionnaires for China.

17 MR. BENEDETTO: Okay. And then back to Mr.  
18 Eisch and Mr. Pettoruto, do tableters mix material  
19 from different countries? I mean, do you like mix  
20 U.S. material, say bulk material from U.S. with bulk  
21 material from Japan and China into one tablet or does  
22 it tend to be that you only use it from --

23 MR. PETTORUTO: I'll answer from the bulk  
24 side, we hope not.

25 MR. EISCH: I'll answer from our side,

1 absolutely not.

2 MR. BENEDETTO: Okay. And I guess if I  
3 could ask, I mean, again you can answer this  
4 confidential if you want, I mean why not? Are you  
5 worried about -- what are you worried about there? Is  
6 it --

7 MR. EISCH: The granulation is different.  
8 It just created a whole different -- so you don't swap  
9 bags in and out because the granulation is too  
10 different. That's why with Shikoku -- I mean, with a  
11 manufacturer, if you bought a container from somebody  
12 else, you normally would run through that container in  
13 a row.

14 MR. BENEDETTO: Okay. So it's even by  
15 manufacturer and not just by country?

16 MR. EISCH: Absolutely.

17 MR. BENEDETTO: Okay.

18 MR. KLETT: Mr. Benedetto, I think you heard  
19 testimony this morning from an Oxy witness that when  
20 they had product toll produced for them, that they  
21 wanted to be sure that the toller used their product.

22 I mean if this were clearly fungible and it was just  
23 the chlorine that people worried about, why would  
24 there be that concern? So I think some of the  
25 testimony you heard earlier in their direct, that this

1 is just all fungible and consumers don't care who it's  
2 from, is not the case.

3 MR. BENEDETTO: And I think this is my last  
4 question. Mr. Eisch and Mr. Pettoruto, do you follow  
5 the same sort of -- so we heard this morning about  
6 sort of a cycle where manufacturers go through an  
7 inventory buildup and in the pool off season and then  
8 they sell off that inventory during the busier part of  
9 the season. They draw down that inventory. Is that  
10 similar for tableters? Do tableters follow that same  
11 kind of cycle, where you maybe tablet more during one  
12 part of the year and keep that in inventory?

13 MR. PETTORUTO: Yes, because of our size and  
14 because of the variety of our tableters, we do run on  
15 a 12-month cycle. Clearly there's no one single month  
16 that we don't deliver any particular product. But the  
17 surge is basically from January through about March,  
18 April is the highest peak, so the tableters have  
19 enough time to process the material, package the  
20 material, and get the material to their customers.

21 MS. HAINES: We probably run our business a  
22 little bit differently. We're into more of the  
23 consistency of the time periods. Clearly, we have  
24 ramp up, but we don't have a significant ramp up. We  
25 produce normally 12 months a year. We bring product



1 in, and because of the shelf life, we'll go ahead and  
2 advance produce it so that we can keep our employment  
3 base consistent so we don't have the fluctuations in  
4 people, and then during some time period in the  
5 season, if we do have orders, then we can do a ramp  
6 up, but it's not a significant ramp up or ramp down.

7 MR. BENEDETTO: Okay. Mr. Eisch and Mr.  
8 Pettoruto, you've answered all my questions publicly,  
9 and I appreciate that. I think this one is sensitive,  
10 and I think this one is my last one too. Do you  
11 tablet other material on your tableting lines besides  
12 chlorinated isos, and if so, how much of your  
13 tableting lines is about chlorinated isos versus  
14 something else?

15 MR. EISCH: We only produce isos. You can't  
16 mix the products, the chemicals together. It's not  
17 easy that you just take another product and throw it  
18 on a press and start pounding it. The compatibility  
19 of the products is not there, so on our presses, we  
20 only tablet isos.

21 MR. BENEDETTO: And, Mr. Pettoruto, if you  
22 could answer that, too? If you want to answer it  
23 confidentially, that's fine.

24 MR. PETTORUTO: No. I think Mr. Eisch's  
25 response is very accurate. We just cannot lose sight

1 of the fact that we're dealing with oxidizers and  
2 highly reactive chemicals, and that's why they work in  
3 a pool is because they're so active.

4 MR. KLETT: Mr. Benedetto, this is Dan  
5 Klett. Just to clarify, Mr. Pettoruto's company, he's  
6 not a tableter. His customer base is tableters, so he  
7 has a lot of knowledge about tableting through his  
8 interaction with his customer base, but his company  
9 itself is not a tableter.

10 MR. BENEDETTO: Okay. Thank you all very  
11 much for coming here today and answering my questions.  
12 Thank you all.

13 MS. DEFILIPPO: Thank you, Mr. Benedetto.  
14 Mr. Robinson?

15 MR. ROBINSON: Okay. Yes, thank you very  
16 much for coming out today and also for the  
17 submissions. Just a few questions around the edges to  
18 fill in a few things. Mr. Eisch, thank you very much  
19 for the discussion about sort of the handling of  
20 hazardous materials in the tableting process. I just  
21 wanted to check. There's a term off-gassing. That's  
22 the chlorine reacting with moisture and other  
23 components of air and releasing various chlorine  
24 gases. Is that what that is?

25 MR. EISCH: You're just asking what the off-

1 gassing is?

2 MR. ROBINSON: Yes, just to get an idea of  
3 off-gassing.

4 MR. EISCH: I think when you get the  
5 moisture around chlorine, if you have a bucket or if  
6 you open a bucket up, the moisture and the chlorine  
7 reacts it, and it fumes, so there's good things and  
8 bad about chlorine. One of the good things about  
9 chlorine is at very low levels you smell it, so at a  
10 very low level, you'll actually smell the chlorine  
11 off-gassing, so it just take a little bit of humidity  
12 into it to create a very gaseous environment that you  
13 can't stand in and breath without respirators.

14 MR. ROBINSON: Thank you. Also, Mr. Eisch,  
15 if I have this correct you were discussing the merits  
16 of the Shikoku product in terms of quality and  
17 dependability of supply, and that's relative to U.S.  
18 suppliers, Chinese suppliers or just all kinds of  
19 other suppliers?

20 MR. EISCH: Their quality? I'm sorry?

21 MR. ROBINSON: So you're saying that Shikoku  
22 has a higher quality?

23 MR. EISCH: Yes, they're higher. When we  
24 bring Shikoku in, their quality, the granulation is  
25 very consistent. When you open a bag to put our bag

1 into it, they come in super sacks, 2,200 super sacks,  
2 2,200 five-pound super sacks. When you put that in  
3 the production process itself is by opening the bags.

4 Here, again, humidity, moisture, grinds, I mean, is  
5 there powder in it? It introduces all that  
6 particulate and gas into the air that you have to  
7 capture.

8 So with Shikoku, we don't have a significant  
9 issue with us when we use Shikoku products when we  
10 release that bag into produce whereas if we have other  
11 manufacturers, it creates significant issues for us.

12 MR. ROBINSON: Thank you, and actually,  
13 that's sort of what I was asking when we talk about  
14 other manufacturers whom you're saying this is higher  
15 quality, higher dependability?

16 MR. EISCH: Absolutely, than other  
17 manufacturers out there.

18 MR. ROBINSON: Other Chinese, American or  
19 not specific to country?

20 MR. EISCH: Well, it's better than, I mean,  
21 Shikoku's better than all of them.

22 MR. ROBINSON: Okay.

23 MR. EISCH: The U.S. producers are better  
24 than the Chinese producers, but Shikoku is better than  
25 all of them.

1           MR. ROBINSON: So likewise when you're  
2 talking about paying a premium for Shikoku, was that  
3 in comparison to a specific country?

4           MR. EISCH: Over the years, when we get  
5 quotes from other suppliers and manufacturers, Shikoku  
6 is always higher. My arguments with him is always I  
7 need to be lower, and he's always higher, and they  
8 don't normally go.

9           MR. ROBINSON: Capitalism at its finest.  
10 Good. That's all the questions I have. Thank you all  
11 for coming down today.

12           MS. DEFILIPPO: Thank you. Now I'll turn to  
13 Ms. Haines.

14           MS. HAINES: I have no questions. Thank you  
15 so much for the helpful information.

16           MS. DEFILIPPO: Thank you. I my questions  
17 I've crossed out, so I think everyone covered them,  
18 and just in your direct testimony, you answered a lot  
19 that I had scribbled, so I appreciate that, and I  
20 thank this panel very much for presenting the  
21 information and for coming today and answering our  
22 questions. It's very helpful. We'll come back at  
23 1:20 for closing remarks. That way, you can have a  
24 few minutes to talk with your clients or counsel and  
25 determine what you want to say for those. Thank you.

1 (Whereupon, a short recess was taken.)

2 MS. DEFILIPPO: I recognize you as Mr.  
3 Cannon, not Mr. Janzen, the name in front of you, but  
4 please proceed when you're ready.

5 MR. CANNON: Thank you. For organization  
6 sake, I'm going to sort of walk through again just the  
7 flow a little bit, so first thing, like product. We  
8 didn't particularly here anything that would  
9 distinguish the products from the Respondents' panel.  
10 In fact, we heard Mr. Pettoruto refer to them as a  
11 family or product, and indeed, that's accurate.  
12 Dichlor and Trichlor are in the same family and should  
13 be again found to be the same product.

14 In terms of the tableting operation, the  
15 data will show what the tableters pay their workers,  
16 what the size of the investment is. When you look at  
17 the scale, and, for example, putting up a new plant  
18 and things like that, don't be fooled by someone who  
19 imagines a plant in which there are just thousands and  
20 thousands of presses because the real issue here is  
21 how much is the value you add in terms of the process  
22 and what is the real economic business that these  
23 repackers are in.

24 We heard the testimony. All of the  
25 repackers tablet, and so it's simply for them a

1 different form of the product that they're putting  
2 into when they break that big bulk down into smaller  
3 sizes. Turning then to cumulation, cumulation we  
4 heard some interesting new factors that we don't  
5 usually hear about. In cumulation, of course, you  
6 file a petition on the same day. The statute says do  
7 imports compete with each other and with a domestic  
8 like product.

9           The Commission looks at fungibility and  
10 geographic markets, common channels of distribution,  
11 whether they're simultaneously present, reasonable  
12 overlap is the terminology that is throughout every  
13 Commission decision, not head to head quality or  
14 price, so the factors that they're talking about,  
15 while where the standard might be different in say  
16 sunset cases, are not the standards for cumulation in  
17 an original investigation.

18           Next, we sort of spent a lot of time talking  
19 essentially about interchangeability. This is an old  
20 argument. The argument that the Japanese quality is  
21 higher than the Chinese is really no different than  
22 the argument that the domestic quality is totally  
23 different from the Chinese. That was the argument in  
24 2005, and as you heard testimony, the Chinese rapidly  
25 improved, and indeed the numbers tell you that. The

1 market share of the Chinese is double what it was in  
2 2005, and it's not because they make a poor-quality  
3 product.

4 Now turning specifically then to the  
5 testimony, not only is this a replay this argument,  
6 but it's a replay on multiple levels. The next sort  
7 of replay of the past we're hearing about is Clearon  
8 abandoned its market selling to tableters and now  
9 competes with them, all right? So Mr. Pettoruto  
10 testified to this and Mr. Eisch testified to this.  
11 Why would they abandon their customer base? Well,  
12 this was the same argument they made in 2005. The  
13 Commission understood and dealt with the argument.  
14 They abandoned losses.

15 They were losing money when they sold to  
16 these companies because these companies had access to  
17 imports to make their tablets or buying dumped  
18 imports, and we were losing money, so to survive, they  
19 had to bring the tableting in house. Now, you heard  
20 testimony from Suncoast that Clearon simply has  
21 abandoned them. Well, in isos where Suncoast has  
22 access to low-priced Japanese product, they don't buy  
23 from Clearon.

24 But in the case of sodium bromide, another  
25 product made by Clearon where there is not, at least



1 so far, I haven't yet filed the Dumby case on sodium  
2 bromide, in sodium bromide, Suncoast is one of  
3 Clearon's biggest customers, and Clearon also competes  
4 with Suncoast downstream, but they both survive, and  
5 indeed, that was the isos market before China entered  
6 in the market and drove the prices to the levels they  
7 are today.

8 Now, we have sympathy for U.S. companies.  
9 We want U.S. investment and jobs, but we understand  
10 that when dumped imports enter, we still need to  
11 survive, and we all struggle to sell to the big box  
12 retail stores who want take every cent out and squeeze  
13 the middle. In as-is conditions, you cannot say it's  
14 Clearon leaving or abandoning its customer base. It  
15 is imports, in truth, that force them out.

16 Next, we heard about a co-producer agreement  
17 between Shikoku and OCC. First, the co-producer  
18 agreement, it's a great thing. I love this because I  
19 don't think of these terms, and this is a good lawyer  
20 term, right? They thought of this, and it's smart, so  
21 look at the exhibits, okay? You can see in Exhibit 2  
22 in the customer list, No. 7, so look at the percentage  
23 of sales, and we'll tell you in post hearing, but  
24 that's not a whole lot of volume, and Shikoku is a  
25 pretty darn big importer, so what we're talking about,

1 this co-producer agreement, which we call a spot sale,  
2 this is the magnitude. They're making a mountain out  
3 of a mole hill.

4 Next, looking at the same exhibit while  
5 we're here, you heard that, from Suncoast, the  
6 domestic industry, focusing on Clearon, doesn't sell  
7 to tableters. They focused on Clearon because,  
8 looking at the same page, OCC does sell to tableters,  
9 so Customer No. 3, Customer No. 4, Customer No. 5, who  
10 buys and tolls, in other words the customer has it  
11 tolled, not OCC, Customer No. 6 and Customer No. 10.  
12 They are all tableters. OCC is still supplying  
13 tableters. Tableters in the U.S. market are still  
14 capable of obtaining a source of chemicals.

15 Now lastly, Mr. Horgan, I have to give him  
16 credit, he figured out how to argue the WTO agreement,  
17 and if you don't have the U.S. law on your side,  
18 that's a great idea, so he can't point to anything in  
19 the statute about this novel theory, and it makes me  
20 think of a lot of things, so first, apart from the  
21 fact that it's not U.S. law, on a sort of very basic  
22 level, he told you the new 30 percent dumping margin  
23 didn't go into effect until January, so in your prices  
24 from 2010, 2011, 2012, it doesn't matter.

25 What he didn't tell you is that his client,

1 Heze, was not covered by the administrative review.  
2 Their margin is still 2.6 percent, not 30 percent. He  
3 also said that the quantity from China was going down  
4 in 2013. Well, assume if we get data from the  
5 Chinese, and we have a complete record, and it's in  
6 pounds and not kilograms, what we'll see is that there  
7 is a big surge in imports right in the fourth quarter  
8 of 2012, and the reason imports are down in 2013 is  
9 not because of the dumping margin.

10 It's because demand is down, (1) this year.

11 Spring was cold, and (2) that big inventory, they  
12 brought it in the fourth quarter, it's hitting the  
13 market in 2013, and that's why this year prices are  
14 down. The domestic industry is headed for a deeper  
15 loss than in 2012, and on a three-year or four-year  
16 track, the profitability it steadily declining, and on  
17 the same trend, the market share is declining. Now,  
18 the Japanese argued that their sales were stable, all  
19 right? In a declining market, the Japanese are  
20 holding that share by dumping. That is injury. We  
21 are losing share.

22 Finally, who wasn't here? So where was  
23 Arch? Where were the Chinese? Where were any  
24 witnesses from the Chinese? They are still in the  
25 market. You've heard the testimony. The dumping

1 order has been unable to stop the flood, and so  
2 however we look at this, Japan, China are  
3 simultaneously in the market. They are depressing  
4 U.S. prices, which are going down at the time costs  
5 are rising, and that is an impact. I submit that's  
6 sufficient to find material injury, and I see my time  
7 is up. Thank you.

8 MS. DEFILIPPO: Thank you very much, Mr.  
9 Cannon. Mr. Janzen, are you doing closing remarks for  
10 Respondents? Excellent. Please join us and begin  
11 when you're ready.

12 MR. JANZEN: I'll put my name back, if you  
13 don't mind, and I should also say thank you, Mr.  
14 Haines, for reminding me of the things I should have  
15 cleaned out of my basement years ago but haven't yet.  
16 I'll be very brief. One of the overarching themes  
17 that you've heard from Petitioners today is that this  
18 case is a replay of what you have seen before in the  
19 existing case. That is certainly not true for  
20 Shikoku, which is new to these allegations of dumping,  
21 which we believe to be completely unfounded, so this  
22 is certainly not a reply for us.

23 Now, one of the points I wanted to address  
24 quickly is the issue of cumulation. We already talked  
25 about that in response to Mr. Goldfine's questions,

1 and much of what I was planning to say now I had  
2 already said in response to your question, but I'd  
3 like to just emphasize a few points on cumulation.  
4 Cumulation happens often. It happens almost always in  
5 prelims as you very well know, but it's not automatic.

6 You should not race to the conclusion that cumulation  
7 is warranted in this case, and there have even been  
8 some cases, a few years back admittedly, in which the  
9 Commission has not cumulated in the preliminary phase  
10 investigation.

11 We think that this case presents a lot of  
12 facts that warrant a very careful look at whether  
13 there really is direct head-to-head competition  
14 between the Chinese and the Japanese-origin imports  
15 that would warrant cumulation here. We see a lot of  
16 differences, and we're going to be elaborating on  
17 those post conference, but just to highlight a few,  
18 again, just very briefly, you see very different  
19 import volume trends for the two countries.

20 You happen to have before you thanks to all  
21 the responses, questionnaire responses that have been  
22 filed, a rather complete data set that will permit you  
23 to look closely at that issue. we have a very  
24 different pricing picture also for the imports from  
25 the two countries. Now, if this were a pure commodity

1 product, then it would be a different discussion, but  
2 we do have more than just a slight spectrum of  
3 quality.

4 We have some real quality differences that  
5 make a big difference for the tableters who are using  
6 this product. There are differences in the granules.

7 There are differences in off-gassing. These are real  
8 quality differences that have meaning for the process  
9 that that tableters have to engage in, so we will  
10 elaborate on this post conference, but we will be  
11 talking about those very significant quality  
12 differences between the imports from the two  
13 countries.

14 We'll also be talking about some of the  
15 different trends that you see in the imports from the  
16 two countries including the role of tablets in the  
17 Chinese imports. That's not true for Shikoku at all.

18 Shikoku is only producing bulk product for export to  
19 the U.S., and SIC, through Del Cal, is marketing only  
20 that bulk product, so we hope that you will look  
21 closely at the question of cumulation and we'll put  
22 forward this evidence pursuant to the test that you  
23 have to apply in looking at this issue.

24 We also posit that once you disentangle the  
25 Japanese and the Chinese imports, what you will see is

1 a picture for Japan that shows basically a static  
2 picture throughout the POI, and why is that? Well,  
3 for one, the import volumes just have not changed all  
4 that much over the course of the POI. There were some  
5 rather dramatic changes in Shikoku's engagement with  
6 the U.S. market that occurred long before the POI, and  
7 those are the reasons Shikoku obtained the significant  
8 position that it has had in the U.S. market for some  
9 time and which already existed before the POI,  
10 entering into the POI.

11 Also, what we will be showing you in greater  
12 detailed, based on the record before you, is a pricing  
13 picture that is inconsistent with what you have heard  
14 from Petitioners this morning. We will show that  
15 Shikoku, if anything, has been overselling and able to  
16 maintain a premium in light of the quality of its  
17 product, which is widely recognized by the purchasers  
18 and the tableters of that product.

19 So given the volume effects and given the  
20 pricing that we're seeing, we have a picture here in  
21 which Shikoku, which, once again, accounts for the  
22 overwhelming majority of the Japan-origin imports, did  
23 not and could not have really materially impacted the  
24 financial condition of the U.S. industry, so we  
25 maintain that what you have before you is a picture in

1 which there just is not a reasonable indication of  
2 these imports causing injury to the U.S. producers.  
3 Thank you.

4 MS. DEFILIPPO: Thank you very much, Mr.  
5 Janzen. On behalf of the Commission and the staff, I  
6 would like to thank the witnesses who came here today  
7 as well as counsel for helping us gain a better  
8 understanding of the product and the conditions of  
9 competition in the chlorinated isocyanurate industry.  
10 Before concluding, please let me mention a few dates  
11 to keep in mind. The deadline for submission of  
12 corrections to the transcript and for submission of  
13 post-conference briefs is Tuesday, September 24. If  
14 briefs contain business proprietary information, a  
15 public version is due on Wednesday, September 25.

16 The Commission has tentatively scheduled its  
17 vote on these investigations for Friday, October 11,  
18 and it will report its determination to the Secretary  
19 of the Department of Commerce on Tuesday, October 15.

20 Commissioner's opinions will be transmitted to  
21 Commerce on Tuesday, October 22. Again, thank you all  
22 for coming. This conference is adjourned.

23 (Whereupon, at 1:40 p.m., the preliminary  
24 conference in the above-entitled matter was  
25 concluded.)



**CERTIFICATION OF TRANSCRIPTION****TITLE:** Chlorinated Isocyanurates from China and Japan**INVESTIGATION NO.:** 701-TA-501 and 731-TA-1226**HEARING DATE:** September 19, 2013**LOCATION:** Washington, D.C.**NATURE OF HEARING:** Preliminary Conference

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: September 19, 2013

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: Rebecca McCrary  
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: Edwin Wesley  
Signature of Court Reporter