UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:   
)  
BARIUM CARBONATE FROM CHINA  )  731-TA-1020 (Final)

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Date: July 31, 2003
THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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

Thursday,
July 31, 2003
Room No. 101
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable DEANNA TANNER OKUN, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

DEANNA TANNER OKUN, CHAIRMAN
STEPHEN KOPLAN, COMMISSIONER

Staff:

Marilyn R. Abbott, The Secretary
William R. Bishop, Staff Assistant
Deborah A. Daniels, Legal Documents Assistant
George Deyman, Supervisory Investigator
Raymond Cantrell, Investigator
Charles St. Charles, Attorney
Jack Greenblatt, Industry Analyst
Clark Workman, Economist
Charles Yost, Accountant

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APPEARANCES: (Cont'd.)

In Support of the Imposition of Antidumping Duties:

On behalf of Chemical Products Corporation (CPC):

L. BALLARD MAULDIN, President, CPC
RAYMOND L. MCCAIN, Vice President, Marketing and Sales, CPC
THOMAS S. BOURDON, Manager, Sales and Marketing, CPC
WILLIAM F. EMBERSON, Product Manager, Barium Carbonate, CPC
GARY D. GRAVES, Product Manager, Barium Division, CPC

JOSEPH H. PRICE, Esquire
J. CHRISTOPHER WOOD, Esquire
Gibson, Dunn & Crutcher, LLP
Washington, D.C.

In Opposition to the Imposition of Antidumping Duties:

On behalf of Qingdao Red Star Chemical Group Import & Export Co., Ltd. (Red Star):

BEN GUTMANN, CEO and Managing Director, BassTech International
ALAN CHALUP, Vice President, BassTech International

ADAMS C. LEE, Esquire
White & Case, LLP
Washington, D.C.
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CHAIRMAN OKUN: Good morning. On behalf of the United States International Trade Commission, I welcome you to this hearing on Investigation No. 731-TA-1020 (Final) involving Barium Carbonate From China.

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

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

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

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

Madam Secretary, are there any preliminary matters?

MS. ABBOTT: No, Madam Chairman.

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

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

CHAIRMAN OKUN: Good morning, Mr. Price.

MR. PRICE: Good morning, Madam Chairman.

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

It has taken advantage of its location in Cartersville, Georgia, which is right next to substantial deposits of barite ore, to be an efficient producer of high quality material. Indeed, CPC has outlived much larger rivals, such as FMC Corporation.
and Sherwin-Williams, who used to be producers of barium carbonate.

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

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

What CPC cannot deal with on its own and the reason it filed this antidumping case are the incredibly low-priced imports of barium carbonate from China that have entered the market in the last several years. Those imports have pulled down prices to such an extent that CPC's granular barium carbonate operations, which is a principal part of its barium business, are now suffering significant losses.
Despite its position in recent years as the sole domestic producer of barium carbonate, CPC has faced tough competition from imports. Both the large German company, Solvay, and the major Mexican producer, CMV, have been active in the U.S. market.

You will undoubtedly hear today that Chinese imports have done nothing but replace German and Mexican imports. As with most oversimplifications, however, that argument conveniently overlooks a critical factor, which is pricing.

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

Finally, let me say that the data in this case have been collected in such a way as to provide the Commission with both an easy and effective means of evaluating the impact of Chinese imports. CPC has broken out the financial information it has reported.
to the Commission between its granular barium carbonate operations and its powdered barium carbonate operations.

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

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

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

In sum, while CPC acknowledges that it faces
challenges in today's economic climate, although hardly any more difficult than it faced at its founding in 1933, those challenges are not what has brought CPC to its current crisis. Rather, that crisis is the result of unfairly priced imports from China.

Thank you.

CHAIRMAN OKUN: Thank you.

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

CHAIRMAN OKUN: Good morning, Mr. Lee

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

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

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there was a threat of injury.

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

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

In the preliminary investigation, however, the Commission was limited to just information that was submitted either by CPC or by ourselves and had limited perspective to judge which story made sense. In this final investigation, the Commission
now has compiled a much more comprehensive staff report based on information received from almost all of the key players in this market, including CPC, the main Chinese exporter, the main Chinese importer, the importers of non-subject imports and a comprehensive list of all the key purchasers, especially the TV glass purchasers.

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

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

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

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and our presentation this afternoon.

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

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

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

In terms of pricing, we urge the Commission
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to look at the separate market segments. Petitioners have highlighted that there is a difference between granular barium carbonate and powdered barium carbonate, particularly because in the powdered segment they have a unique Micro-Flo product that does not have any competition from any other sources.

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

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

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

CHAIRMAN OKUN: Thank you.

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

(Witnesses sworn.)

CHAIRMAN OKUN: You may proceed.

MR. PRICE: Good morning. Again, for the record my name is Joe Price. I'm with the law firm of Gibson, Dunn & Crutcher. We are representing the
Petitioner in this investigation, Chemical Products Corporation or CPC. We appreciate the opportunity to appear before you this morning and to discuss the injury being caused by imports of barium carbonate from China.

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

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

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

Finally, my colleague from Gibson, Dunn &
Crutcher, Chris Wood, will provide our concluding testimony. Chris will put the facts in the appropriate legal context and also will discuss the continued threat posed by Chinese imports.

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

CHAIRMAN OKUN: Yes, that's fine.

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

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

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

What I would like to do for the next few minutes is to give you an introduction to our company.
and our industry and try to explain why it is that we are here before you today. I hope that by the end that you will thoroughly understand why relief from low-priced Chinese imports is critically important, even imperative to the survival of CPC.

Let me start, if I may, by telling you a little bit about CPC. We are a small, family-owned business located in Cartersville, Georgia. Cartersville is a small town in northwest Georgia. We have been making barium carbonate in Cartersville since 1933. That's 70 years now. We also produce other barium chemicals. We produce a line of sodium silicates. We also produce some sulfur products as well in Cartersville, but barium carbonate is by far our primary product there.

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

Our Micro-Flo product is another example which you may be familiar with -- you've heard it before -- that has unique physical characteristics.
that are optimized to the needs of the brick and the tile industry.

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

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

The market for barium carbonate in the United States can really be broadly divided, if you
will, into three categories. I'd like to go over those, if I may.

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

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

Right now there are only three television panel glass producers left remaining in the United States. That's Thomson, American Video and Technegas. Until very recently, Corning-Asahi also made television glass in State College, Pennsylvania, but they announced in April -- as a matter of fact, it
was April 15 -- of this year that they would be closing their U.S. facility which employed more than 1,000 people. A thousand people out of work. I'll talk a little more about the reasons for the decision that they made in just a moment.

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

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

The increased formability of glass made with barium carbonate is useful in producing small and
complicated articles, such as laboratory tube glass, test tubes, for instance, and some specialty bottles. These specialty glass producers can use either granular or powdered barium carbonate, depending on their particular function.

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

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

Those are the three categories. First of all, let me review. There's a category of the TV glass industry; secondly, glass that's not TV, but it's the other glass industry; and, thirdly, the brick and tile industry. If you understand the different
end use applications of barium carbonate, it becomes very easy to see the effect that the Chinese imports have had on CPC and the market.

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

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

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

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

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

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

Without going into any detail, it is absolutely sufficient to say that our Micro-Flo sales have not experienced anything like the severe price
declines we have seen in the glass industry accounts, Category 1 and 2. Frankly, we are worried that even for our Micro-Flo sales that it's just a matter of time before we are confronted with the identical lower-priced Chinese product.

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

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

For example, just last month our board of directors announced permanent layoff of 27 persons at Heritage Reporting Corporation (202) 628-4888
our Cartersville plant. I know it's not unusual for all of us to see reports of layoffs in the paper. You see them every day, but it's never been our philosophy of CPC to do that. We have always prided ourselves on running a very lean manufacturing plant and staying absolutely loyal to our employees.

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

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

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either.

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

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

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

You can see that Chinese imports are down this year, but we strongly believe for a number of reasons that that is only exclusively as a result of the preliminary dumping determination made late last year. If those restraints are lifted, I can guarantee
that we will see the same surge of imports at
ruinously low prices that forced us to file this case
in the first place.

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

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

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

MR. MAULDIN: This is not the first time the
U.S. glass manufacturers of television glass market have had price significant challenges. They have always made adjustments necessary to stay competitive and preserve the domestic industry, and we have always partnered with them to improve efficiency and reduce cost.

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

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

Two years ago our principal competition was a company called CMV in Mexico. They were forced out of the barium carbonate business altogether by Chinese import pricing. In fact, they conceded -- they
entered into an agreement with an importer of Chinese products and just shut down their production entirely. They couldn't compete with the prices that just kept dropping with no end in site.

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

If I may just to sum up, I just want to say with absolute sincerity that three years ago I never would have imagined, never would have imagined that I would be here appearing before you asking for relief to offset the effects of unfairly traded barium carbonate imports. But the speed at which these prices have fallen across the market and the continued pressure that we are facing at virtually all of our glass accounts have left us with absolutely no other recourse.
Our barium carbonate business truly is at a crossroads in terms of its prospects for long-term survival. I should add, I should add that a healthy barium carbonate business is critical for us to continue to invest in new research and to develop new products for CPC's future.

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

CHAIRMAN OKUN: Thank you.

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

What we have seen over the last few years is a tremendous change in the type of competition that we face in our barium carbonate business. Until a few years ago, we competed mostly with CMV in Mexico and...
with Solvay, based in Germany. That is no longer the case.

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

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

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

Today that situation has changed completely. You can see from the import statistics that volumes of
barium carbonate from China exploded in 2002. That is consistent with what we observe on a daily basis in visiting and talking with our customers. There has been a tremendous increase in activity by Chinese importers across virtually our entire customer base.

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

The expansion of low-priced Chinese imports has had a huge effect on the market because price -- I repeat -- price is by far the most important factor in selling barium carbonate. Once a producer is able to meet a purchaser's quality standards -- usually relating to the levels of impurities -- there is no differentiation among grades or suppliers of barium carbonate. All of our major barium carbonate producers worldwide, including those in China, are able to meet minimum purity standards set by the
As a result from the perspective of the purchaser choosing among suppliers of ordinary powdered or granular barium carbonate, it makes little difference whether they buy from CPC or imported Chinese products for their needs. The products are interchangeable and interchangeable in a vast majority of cases.

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

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

Our television glass customers, for example, make it very clear to us that if we are unwilling to reduce prices to compete with Chinese imports, they will take steps to qualify the Chinese product. We have to recognize the seriousness of that threat.
because Chinese producers already supply barium carbonate to television glass customers in Asia, Europe, as well as the United States. We know that qualification can be completed very quickly if the customer wants that to happen.

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

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

We have seen the same basic pattern again and again where the customer uses the leverage of discounted Chinese price to force CPC to respond. This is not limited to just the large television glass
accounts, but has reached down to affect pricing even at our smallest specialty glass customers.

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

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

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

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

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

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

The contrast between Micro-Flo and our other barium carbonate products is powerful evidence of what is happening in this market. In Micro-Flo, prices have remained stable for the last two years because of
the lack of direct competition from China.

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

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

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

As Mr. Mauldin described to you, the effects
of Chinese pricing on our barium carbonate operations have been nothing short of ruinous. We have done everything in our power to retain our volume and market share position, but current conditions are just not sustainable. If the current trends continue, I do not see how we can remain viable in barium carbonate business.

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

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

The other thing that is important for you to know is that the market is watching the outcome of this case very closely. So far this year, Chinese imports are down, which we believe is a direct result
of this trade action. Because importers brought a tremendous amount of Chinese barium carbonate at the end of 2002, we have yet to see any improvement in our market conditions.

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

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

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

CHAIRMAN OKUN: Thank you.

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

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

MR. WOOD: Of course. Of course.
CHAIRMAN OKUN: Thank you.

MR. WOOD: I would just like to spend a couple of minutes this morning to address the record that has been gathered in this investigation in terms of the statutory material, injury and threat factors. I think the record, and certainly the testimony of our company representatives this morning leaves little doubt that there has been a tremendous upheaval in the barium carbonate market over the last couple of years. There has been a rapid increase in the penetration of Chinese imports and market prices have fallen dramatically as those imports have increased.

In many ways, this record appears to be a textbook case of what happens when a new disruptive force is introduced into a commodity product market. Prices fall as purchasers use low bids from new entrants to force price reductions on their suppliers. The existing supplier often has the option of meeting the price to retain the business, but as you have heard this morning that also carries a very substantial impact on profitability.

Turning first to volume, I think there is no dispute that there was a tremendous increase in the amount of subject imports from 2001 to 2002.
looking at the official import statistics, you can see that the quantity of barium carbonate from China almost tripled in a single year, rising from around 5,000 tons in 2001 to more than 14,000 tons in 2002.

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

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

As Mr. Bourdon mentioned earlier, until recently the supply of Chinese barium carbonate was not always constant. Customers had to be concerned about relying on the Chinese product for their primary source. But now that the Chinese importers have gained a foothold and demonstrated that their supply chain and product quality is sufficient to supply even the largest television glass purchasers they have become a much more viable option.
Customers have clearly noticed that once the Chinese producers decided to turn on the spigot and began sending large quantities of barium carbonate to the United States, there was really no effective limit on the amount of material that could be shipped.

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

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

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

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

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

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

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

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

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

Now, the Commission's unanimous decision in
the preliminary phase of this investigation was that
the domestic industry faced an imminent threat of
material injury from subject imports. Now, we would
contend that the conditions noted by the Commission in
that decision have now matured into full-blown material injury. But I also want to spend a few moments reviewing the record as it relates to the statutory threat factors.

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

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

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

The same article notes that exports are rising at a rate of 10 percent a year, and that again
to quote, "China's exporting prices were 30 percent lower than that of the international markets."

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

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

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

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

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

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

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

If the purchaser perceives the price
advantage in qualifying a new source and using that
source, qualification can be addressed very quickly
especially in the important TV glass segment. Red
Star and other Chinese producers already supply barium
carbonate to companies such as Asahi Glass, Nippon
Electric Glass, Samsung, all the major producers, at their plants in Europe and Asia. There is no reason why they would not be able to do the same thing here in the United States.

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

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

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

What these developments mean is that CPC has little room to withstand continued underselling and
underbidding by Chinese imports. Restoration of fair
competitive conditions may not solve all of the
challenges facing the domestic barium carbonate
industry, but it is a minimum requirement to have some
hope for a turnaround in this industry.

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

Thank you for your attention.

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

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

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much.

Commissioner Koplan will begin the questioning this morning.

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

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

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

"We do not know what CPC did after it purchased Red Star barium carbonate from us, but it is significant that CPC is not an end user that would consumer barium carbonate production in the production
of some other products. We guess that CPC probably
further processed the Red Star material and/or resold
it to some of its customers as theirs.

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

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

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

COMMISSIONER KOPLAN: Let me just ask you.
MR. MAULDIN: Yes, sir.
COMMISSIONER KOPLAN: Is he lying? Is that
true?
MR. MAULDIN: That is not true the way it
was represented.
COMMISSIONER KOPLAN: Were you a customer?

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

COMMISSIONER KOPLAN: Sure.

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

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

Logistics is a second thing. Can they actually supply material on a routine basis to supply one of the large glass customers such as the TV industry or such as the larger non-TV glass customers as well?
In order to determine that, if they can consistently supply, one must take really a few thousand tons of material. We did at that time. We took a few. We determined that they indeed could move material into the country as well.

COMMISSIONER KOPLAN: When was this?

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

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

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

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

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

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

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

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

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

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

He goes on to say that, "In 1999, CPC and our company, BassTech, discussed and explored the possibility of entering into an agreement whereby CPC would assist the marketing of Red Star barium carbonate in the United States and Red Star would assist its marketing of CPC's barium carbonate in Asia. These discussions were initiated because both sides recognize the natural competitive advantage of the other. Red Star is able to produce high quality
barium carbonate very efficiently because it is
located right near a source of high quality barite 4.

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

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

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

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

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

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

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

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

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

MR. BOURDON: Let me comment.

COMMISSIONER KOPLAN: I'd appreciate that.

MR. BOURDON: It's interesting that the represented this relationship as being, you know, we
needed them to move because they had an advantage on
cost or whatever.

COMMISSIONER KOPLAN: On barite ore.

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

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

And we could not live with that. We could
not live with that kind of a volume. We are a barium
carbonate producer. The pricing situation and the
threat of what they would do if we didn't do business
with them was of great concern to us, but we couldn't
shut our operations down to buy from the Chinese like
CMV did. We wouldn't do it.

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

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

Thank you very much.

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

Let me, if I could, have the industry
witnesses go through a few other things just related
to the market itself, and I appreciate very much, Mr.
Mauldin, your discussion of what this industry looks
like and where you sell to and where you are seeing
the competition. I think that was very helpful in
terms of understanding, you know, what's in the pre-
One thing that I wanted, and I don't know, from anyone from the industry who is most familiar can answer these, but the first thing I want to know is with regard to demand.

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

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

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

CHAIRMAN OKUN: And now looking forward your forecast for those three areas?
MR. BOURDON: Looking forward, I would say the same thing. Obviously, there is going to be a decline in the television glass demand domestically because of the situation at Thompson Consumer Electronics and -- or Thompson Multimedia now -- and Corning Asahi shutting down. So the demand will be affected there.

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

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

CHAIRMAN OKUN: You think steady. Okay.

MR. BOURDON: Yes.

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

When you say that the demand was up and down
during the period, did that relate to, or do you have
a sense from your customers, was it because certain of
those customers either shut down operations or did
something happen during the period that affected
demand other than --

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

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

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

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

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

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

MR. BOURDON: Right.

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

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

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

MR. BOURDON: Yeah, yeah.

CHAIRMAN OKUN: But I look in the stores.
MR. BOURDON: But even though they might see a huge growth rate, the starting point is still very low in terms of percentage of the total market.

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

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

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

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

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

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

MR. BOURDON: Well, you know, glass collet can fluctuate up and down, you know, and a glass producer could probably give you a much better explanation than I could. But from what we understand, that can be affected by how well a
customer runs on any particular month. You know, they
might generate more collet and recycle that collet
back through the process and use, you know. Or
generate it to a raw material or a collet pile and use
that at a later time. So it doesn't -- it's not
always a steady thing.

CHAIRMAN OKUN: Okay.

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

CHAIRMAN OKUN: Okay.

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

CHAIRMAN OKUN: Yes.

MR. MAULDIN: I would like, please, ma'am,
to emphasize that that's a transitory thing, glass
collet. It's a short-term issue. There is only a
finite amount of storage that they would have for
collet, and these glass companies they can go up and
down, up and down, but overall the average if you were
to draw a block around the whole process, there is raw
materials coming in, and then there is finished
product going out in terms of TV sets or TV tubes,
glass tubes. And the collet pile is sitting there and
the relationship between it and the furnace is just a recycle. Sometimes it just back and forth.
I just wanted to make that point. Thank you.

CHAIRMAN OKUN: Okay, that's helpful. Again, just so that I can understanding what these different factors are that are out there.
Then if I could, let me turn to something that you spent some time in your testimony and Respondents have raised, and it's obviously been discussed at length in the brief, but I do want to go back to it, and that is the issue about the non-subjects being displaced by the Chinese product.
And I think both in your opening, Mr. Price, and in all your statements I think what I have heard is that, you know, you can look at the volumes and say, yes, it's Mexican versus Chinese but what that ignores is price, and it's really the price that has been the key there.
And I wondered, I think for post-hearing, because a lot of this is confidential, I would ask you, Mr. Price and Mr. Wood, to focus very carefully on a record of what we would look to in terms saying that when it comes in from China the prices that the purchasers are paying indicates that, but if there is
a difference between the Chinese prices being paid by purchasers as opposed to an importer. I guess I'm trying to -- I just want to make sure that I get my point across that -- I'm trying to make sure that it's actually what the purchasers in the market are paying for Chinese product differs from what they would pay for the non-subject products.

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

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

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

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

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

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

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

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

COMMISSIONER KOPLAN: Thank you, Madam Chairman.

If I could just come back for a second to our discussion earlier, I would like you to provide for the record exactly how much barium carbonate you purchased from Red Star and why, and I would like to
get that for our period of examination with
documentation.

MR. PRICE: Commissioner Koplan.

COMMISSIONER KOPLAN: Okay, with
documentation. Yes.

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

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

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

COMMISSIONER KOPLAN: But it's an input.

MR. PRICE: It is an input.

COMMISSIONER KOPLAN: And it's an issue.

MR. PRICE: Yes, sir.

Could I just, Commissioner, if you would
give me just a -- on your last round of questioning, I
didn't have a chance to respond on the BassTech
arrangements and allegations. You read a lot from the conference here. Because I think we have tried to lay out that story. There is a very different story. Our story is very different.

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

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

And when it came down to that, that's what broke the deal. You know, CPC was looking at this source, trying to see what was going to happen to it, and then it became very clear, and that's why I urge you to look at that correspondence, because it's very clear from that correspondence what their intention was, and the response on CPC's -- at that point they
broke it off and they said we are not talking to you because you want us to shut down our barium carbonate operations.

And then they went to CMV and they found somebody who was willing to do what they wanted to do. So that's our story. We are happy to expand on that, but it is a very different story, and I think we have documentation to support our story.

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

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

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

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

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

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

MR. PRICE: Surely.

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

Is that the brick and tile?

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

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

MR. PRICE: No.

COMMISSIONER KOPLAN: It doesn't?

MR. PRICE: Brick and tile would be products
three and four.

COMMISSIONER KOPLAN: In the powdered category?

MR. PRICE: In the powdered category.

COMMISSIONER KOPLAN: Okay.

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

COMMISSIONER KOPLAN: Right.

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

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

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

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

COMMISSIONER KOPLAN: Okay.

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

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

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

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

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

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

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

COMMISSIONER KOPLAN: Okay.

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

COMMISSIONER KOPLAN: Okay.

MR. PRICE: For all products.

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

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

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

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

    MR. PRICE: Yes. Yes, I do.

    COMMISSIONER KOPLAN: Okay.

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

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

    MR. PRICE: I certainly can.

    COMMISSIONER KOPLAN: Okay. Thank you very
much. I won't start my next round because I see the light is about to come on.

CHAIRMAN OKUN: Thank you.

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

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

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

What happened was that in 2001, late 2001, they started looking at the TV glass accounts, and they started bringing in, and their calsined product for the first time started being accepted. That's a critical point because up to that time there was some
question in the marketplace, you know, how good was
the calsined product, whatever. Even though they had
been selling it in Europe and Asia, they had not been
selling it here.

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

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

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

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

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

CHAIRMAN OKUN: I've had several of those.

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

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

MR. PRICE: I can address that now --

CHAIRMAN OKUN: Okay.

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

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

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

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

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

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

MR. BOURDON:  Sure.  I understand.

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

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

My question just was why weren't those in the lost revenue, what was provided in terms of for
the staff to look at lost revenue? That was my other
question.

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

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

Tom, can you comment on that?

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

MR. BOURDON: Okay. Yes. I'd be glad to.

Bill Emberson, who is behind me, handles barium
carbonate. He's the product manager. I personally
have made many visits with him over especially that
period in the 2002 time frame when it seemed like
there was a huge influx of price quotations to a
number of customers that for many years we never heard
about Chinese material.  

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

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

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

MR. BOURDON: Yes.

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

MR. BOURDON: I believe we had some
communication in writing. A lot of it is verbal, but
obviously we wouldn't react to this kind of pricing.

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

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

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

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

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

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

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

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

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

The troubling portion of that is a lot of

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

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

Commissioner Koplan?

COMMISSIONER KOPLAN: Thank you, Madam Chairman.

At page 2 of their prehearing brief, Respondent Red Star argues that, and I'm quoting: "U.S. TV glass purchases are under intense pressure from downstream U.S. television tube and television set producers who are facing their own competition from imports of televisions from China and Malaysia."

That's an obvious reference to an ongoing investigation that we have that's now in its final phase.

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

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

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

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

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

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

MR. WOOD: Sure. All right. I think at the
outset to me that's a little bit of a naive argument
to say that oh, the TV glass people are suffering
these adverse conditions, and as a result, you know,
somehow out of that either the price comes down.
Well, of course they want price reductions. I don't
think anyone is questioning that.

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

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

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

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

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

MR. WOOD: Sure.
COMMISSIONER KOPLAN: In looking at the first quarter of this year --
MR. WOOD: Yes.
COMMISSIONER KOPLAN: -- when they finally exited the market, I'm wondering if --
MR. WOOD: I'm sorry. When they exited?
COMMISSIONER KOPLAN: The Chinese. Well, what I'm looking at in my tables looks like they basically left in the first quarter of this year.
I'm wondering why you weren't doing better in the first quarter of this year if it's not impacted by this circumstance?
MR. WOOD: Well, I think, Commissioner Koplan, for one it's not hard to envision that once prices do come down it's much harder to lift them back up.
That's really the point that I wanted to make is that even if one grants that yes, the TV glass producers are under pressure and want price reductions, you've got to take the next step and say what is the lever that is being given to them in order to force those price reductions down? What has the change been in the last couple of years that was not present before that allows them to do this?
Some of these producers have been facing
fairly severe conditions for a long time, and they've
gone up and down over time. The point that we've
heard in our testimony this morning and I think we
could certainly give you any data you wanted on is
that there has just never been this degree of price
decline in such a short period. Something brand new
is happening here.

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

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

COMMISSIONER KOPLAN: Sure.

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

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

It's not surprising at all, given the
tremendous quantity of imports that came in in the
last part of 2002, that we would be suffering very
badly in the first quarter of 2003. In fact, it seems
to me almost if we weren't something would be wrong.
I wanted to respond to that, your question about
imports.

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

COMMISSIONER KOPLAN: Thank you.

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

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

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

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

COMMISSIONER KOPLAN: Thank you.

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

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

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

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

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

Mr. Price did characterize the plant. The plant, obviously, in order to utilize capacity, it must run. It must run close to capacity for a number of reasons. Kilns -- I won't go into the depth of that, but one of the heart of the operations is the kiln. The kiln needs to run, uninterrupted, 24 hours a day. Many times, again, I won't get into the
technology of it, many times, it takes, if you've had
a kiln shutdown, it may take the better part of a day
or even in excess of a day to, as the old-timers would
say, "to line it out" in order to bring about steady
state operating conditions on the process. So it's
not a process subject to simply turning off a light or
throwing the switch and turning it back on.

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

MR. MAULDIN: Thank you, sir.

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

They then argue that what they characterize
as the low margins of underselling are significant
because the Commission asked purchasers of imported
barium carbonate how much higher the import price
would have to be before they would have bought U.S.-
produced barium carbonate, and the average response
was 22 percent. The argument is that the margins of
underselling were a very small fraction of that and,
therefore, lacked the potential to displace domestic
sales.

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

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

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

COMMISSIONER KOPLAN: Twenty-two percent,
actually.

MR. PRICE: I would urge you to look at the
number of responses. I would urge you to look at who
they were. I think you will find they were very small
producers. So I think that's basically a red herring.
That won't stand up, and it's just clearly not true.
I think if you actually read the questionnaires, it
seemed to us the people didn't really understand the
question and weren't sure what they were saying
because there were other statements in these
questionnaires, again, there were only a few of them,
and they only represent very small quantities, that
should not be taken as having any significance.

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

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

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

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

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

With regard to looking at the U.S. imports from China, the quantity on the two tables, I would like your response, just generally, your response on
which table we should put a focus on, and then, second, with regard to that, with regard to the issue of what we see of the Chinese product during the interim period, if there is anything you want to say publicly about that, although I think you have responded in talking about where you think the product remains in the market. And I know Commissioner Koplan asked you about that Respondents' argument, which is, if it's in the market, it's under contract, and how does that impact your pricing, and if you could expand on that in post-hearing. But, Mr. Price, it looks like you want to say something here as well.

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

What it does represent, though, is the flexibility the importer has in terms of pricing. In other words, if I'm an importer, I would much rather be buying at $100 FOB than $200 FOB. That gives me a
lot more flexibility in terms of my pricing, going back, particularly in the kinds of negotiations that occur here. And I think, for that reason, we think you have to look at both, but perhaps the Census data were not given appropriate, if not weight, at least appropriate consideration. Chris, would you like to -

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

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

MR. EMBERSON: Yes, ma'am.

CHAIRMAN OKUN: Let me turn, if I could, to Heritage Reporting Corporation (202) 628-4888
one other market question, which is, one of the things that was referenced a few times in the briefs and in the staff report was that TV glass producers purchase both barium carbonate and strontium carbonate as raw materials, and I wondered if you could talk about whether it's important in this market, whether it was important, whether it's important now, that a producer be able to provide both to a customer, and if it is, is that price a package? Do you give a break on one or the other in terms of packaging the two products, if you do?

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

CHAIRMAN OKUN: Okay.

MR. BOURDON: No. They are handled separately. Now, you've got to understand, TV glass people tend to handle their negotiations at the same time, but they buy other raw materials for their glass as well as barium carbonate and strontium carbonate. There is lead, and there is potassium carbonate, other materials. But they handle them separately. They just happen to occur at the same time. And does a supplier have to have both? I think there's cases, even with the Chinese, where they supplied just one item to a customer for some years, of course, not at
the large volume that started in around 2002, but yes.
I mean, you don't have to have both.

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

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

CHAIRMAN OKUN: Negotiate at the same time
pricing --

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

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

MR. BOURDON: Yes.

CHAIRMAN OKUN: Is there anything else with
relation to services that CPC provides that lets you
maintain a premium in any way? And I wonder this most
specifically with regard to Micro Flow, whether you
provide anything, in addition to Micro Flow, any
special equipment or anything else that they need
that's part of that package.

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

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

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

CHAIRMAN OKUN: Mr. Mauldin?

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

CHAIRMAN OKUN: Okay. And then with regard to the testimony that's been given regarding whether the Chinese are trying to compete with Micro Flow, you both, today in your testimony and in Exhibit 5 of your prehearing brief that contained information from 2002,
indicated that the Chinese have begun selling a new formula, and I wondered if there is anything else specific you have with regard to that product since that point, since that's more than a year old, and we haven't really come up with anything else in the record. Is there anything else that you're aware of with regard to the Chinese new product? Mr. Emberson?

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

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

COMMISSIONER KOPLAN: Thank you, Madam Chairman. Seaforth argues, at pages 3 and 4 of their
brief, that CPC's cost relating to key inputs used in
making barium carbonate have been a major factor in
your downward financial performance in recent years.
Initially, they point to barite ore as the primary raw
material used in the production of barium carbonate.

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

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

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

I'm also curious as to what percentage of
the cost of production of barium carbonate is
attributable to this input. Could you comment on
these arguments?
MR. MAULDIN: If I may, let me start off.

COMMISSIONER KOPLAN: Thank you, Mr. Mauldin.

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

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

COMMISSIONER KOPLAN: Certainly.

MR. MAULDIN: Let me take the barite question or comment, if I may, please. It is absolutely true that we have taken some barite from China. This is for two reasons, really. Number one, it extends our reserves. We do have a great quantity of reserve, both in Cartersville, Georgia, and we also have a reserve in Mexico. But nevertheless, we have taken, through the years, some of this material. There has never been a year, and I'm not sure where this comment that you're quoting from Mr. Gutmann, that we have never operated with 100 percent of our
requirement on any given year from China. I have no idea where that came from.

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

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

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

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

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

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

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

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

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

COMMISSIONER KOPLAN: Certainly.

MR. MAULDIN: -- just a little bit, I'll be brief.
First of all, in energy consumption, in our process, in the barium carbonate process, -- let me do it by the finger -- there's actually three areas, basic areas, that I would characterize energy consumption. First of all, there is the kiln area. This is a reduction kiln. You probably will see some reference to it in some of your staff reports. Secondly, there is steam that's required from that in order to do things like leach the material and others. But the point is there is the kiln; secondly, there is steam; and, thirdly, there is the drying or granulation end. These are the three areas of energy.

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

Also, as far as the steam, and I really don't want to go into much detail on this, but just
take it as it's worth, we have a process that we can, through waste-heat recovery and other things, we can make almost enough steam from recovering waste heat to run that plant. Do you understand what I've just said?

COMMISSIONER KOPLAN: Yes.

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

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

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

Back in the 2000 era, natural gas, to some extent, was about 30 cents a therm, or if you want to put it into dollars per MMBTU, about three dollars per MMBTU. Now, on the average, it's up somewhere on the
order of between five and six dollars per MMBTU or,
let's just say, for the benefit of the doubt, let's
say 60 cents per therm. Let's say it's double what it
is right now, and that's pretty close to what we're
running. Our calcination process and our granulation
process, and I'll say this at the risk of telling some
of our trade secret a little bit, operates on the
order of 40 to 50 therms per short ton of material.

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

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

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

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

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

COMMISSIONER KOPLAN: Don't apologize.

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

COMMISSIONER KOPLAN: I'm glad I could help.

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

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

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keep going.

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

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

CHAIRMAN OKUN: It doesn't have any proprietary characteristics in terms of the way --
guess Micro Flow is no longer under patent --

MR. BOURDON: No.

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

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

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

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

MR. MAULDIN: No.

CHAIRMAN OKUN: Okay. Mr. Wood?

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

MR. PRICE: Could I just?

CHAIRMAN OKUN: Yes, Mr. Price.
MR. PRICE: Again, you mentioned the staff report, and one of the purposes here, we can comment on the staff report. We think basically the staff has done a wonderful job. They were down at CPC.

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

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

CHAIRMAN OKUN: Okay. I appreciate those comments. And then, I guess, I would ask, in any post-hearing information that you provide on this, if you would look at Table 3-3 and from that let me know whether the company receives a premium for this type of product, whether that's reflected in Table 3-3 or something else. I'll leave it there on that one.
Another thing, just in terms of the TV glass producers, to make sure I understand the Corning situation. As I understand it, Corning has closed the State College, Pennsylvania, plant but not Mount Pleasant, Pennsylvania. Is that accurate?

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

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

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

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

MR. BOURDON: Yes.

CHAIRMAN OKUN: Okay. And also, just if you could, in doing that, Mr. Price and Mr. Wood, look at whether you think that whatever is said in that is accurately reflected in the data that we have, including some of the tables that were put together with regard to the purchaser, sort of the TV glass purchasers. Okay. That's helpful.
Let me go back to you, Mr. Emberson. One of the things you had also mentioned was the presence of meet-or-release clauses, and there is a mention of this both in the brief and in the staff report. I just wanted to make sure that I understand that what you're saying is not that they -- have they been triggered? I guess that should be my question. During the period of investigation, have you had the meet-or-release clauses triggered?

MR. EMBERSON: Yes.

CHAIRMAN OKUN: You have?

MR. EMBERSON: Yes, ma'am.

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

MR. EMBERSON: Yes.

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

Then, in the instances, again, going back to the information that was provided in the brief regarding price suppression and price renegotiation, which we explored a little bit in the public session, I wondered if you, for post-hearing, could provide details on what percentage of your sales those contracts represent so that I can understand kind of
in order of magnitude and relation to volume what
percent of total sales these would represent.

MR. EMBERSON: Okay.

CHAIRMAN OKUN: I see counsel shaking their
head --

MR. EMBERSON: Good. We can do that.

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

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

I know one of the arguments has been that
with the Asian market growing for TVs, finished TVs,
and we've heard a great deal about that, that those
other producers are selling something slightly
different into that market than what would be coming
into the United States, and I want to make sure that
we've had a complete response from you on the best
information you have on that.

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

The fact of the matter is that just from the
information that is on the record, there appear to be
a number of Chinese producers that are very, very
significant producers, and perhaps the other folks
could comment on this. I'm not sure what the actual
technical difference is between anything they might
produce and what's sold to the TV glass people here
or, conversely, how difficult it would be to set up
that capacity. I'll leave it at that.

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

CHAIRMAN OKUN: Yes. Mr. Price?

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

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

CHAIRMAN OKUN: Okay. I appreciate those
comments.

Oh, yes, Mr. Graves.

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

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

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

Commissioner Koplan?
COMMISSIONER KOPLAN: Thank you, Madam Chairman. I would just like to follow up. I think I understood your response, but you're saying, then, that there are other Chinese producers other than Red Star that are producing the calcined, granular, barium carbonate, what we call Product 1.

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

COMMISSIONER KOPLAN: Okay.

MR. MAULDIN: Yes, there are.

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

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

COMMISSIONER KOPLAN: Has been Red Star.

MR. MAULDIN: Yes.

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

MR. GRAVES: Yes. We do have actually some
quotes. Now, as far as imports, I'll have to go back and look. I don't think that the data that we would pull off the ITC Web site, I don't think it would distinguish between a granular or a powdered barium carbonate form.

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

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

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

MR. WOOD: Well, I mean, the other point to make is that you can look at the demand and say, yes,
there has been a decline there or whatever, but it's
still a very significant sized market relative to
other untapped markets out there for the Chinese
producers, and I think that's the point that we're
making, is that if your capacity grows, and you've
already got a very strong, very heavy presence in
Asia, Japan, places like that, then it would seem
logical to me that another large, untapped market is
somewhere that one would look, and I think that the
import statistics bear us out on that.

COMMISSIONER KOPLAN: Thank you.

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

COMMISSIONER KOPLAN: Thank you.

I'm almost afraid to ask this question, Mr.
Mauldin, of you, but I'm going to come back to
Seaforth, if I could, for just a moment. They allege,
at page 3 of their brief, that demand for barium
carbonate in the U.S. has decreased in part because
U.S. production of ferrite powder and ferrite magnets
has virtually ceased in recent years, -- I see you're
already smiling -- and U.S. producers of these items
had previously been significant purchasers and users
of barium carbonate. Could you explain this to me?
Does it in any way relate to what we've described in
our staff report as Products 3 and 4 in our pricing
analysis?

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

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

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

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

CHAIRMAN OKUN: Just a related question to
Commissioner Koplan's regarding demand in the United
States. Just for post-hearing, when you address that,
if you will focus not just on what you think the
overall demand was but just, in the granular portion,
what the record reflects in terms of apparent
consumption and, again, how that relates to the
attractiveness of the U.S. market and also looking
forward.

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

And I think I'm just left with a few

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

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

Commissioner Koplan, did you have any other

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COMMISSIONER KOPLAN: No, I don't.

CHAIRMAN OKUN: Do staff have questions for this panel?

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

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

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

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

MR. MAULDIN: Coke generation?

MR. CANTRELL: Excuse me. Co-generation,
MR. MAULDIN: Co-gen. No, we do not.

MR. CANTRELL: Okay. Thank you.

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

MR. CANTRELL: Okay. Thank you very much.

The staff have no further questions.

MR. MAULDIN: Yes, sir. Thank you.

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

MR. LEE: We have no questions.

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

This looks like a good time to take a lunch break. Before I bang down the gavel here, we understand that the Department of Commerce is going to announce its margins determinations at noon today, so we will ask counsel to comment on those in your post-hearing brief. And the room is not secure, so be sure you take any confidential business information with you when you leave, and with that, we will take a recess until one-fifteen.
(Whereupon, at 12:12 p.m., a luncheon recess was taken.)
AFTERNOON SESSION

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

Good afternoon, Madam Secretary.

MS. ABBOTT: Good afternoon, Madam Chairman.

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

Have all the witnesses been sworn?

MS. ABBOTT: Yes, Madam Chairman.

CHAIRMAN OKUN: You may proceed.

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

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

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

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

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

First, we agree with CPC that barium
carbonate is principally used in the production of specialty glass, particularly television glass, as well as in the production of structural clay bricks and tiles. We agree that the largest and most important market is the television glass market, which for most of the period of investigation was composed of four producers: Techneglas, Thompson, American Video and Corning Asahi. Thompson, by the way, makes the glass for televisions that go in RCA, Proscan and AVG makes the glass that's used in Sony televisions. We also agree that demand in the United States for barium carbonate will likely decrease in the future. Although the structural clay segment has remained steady, demand from the primary market segment, the U.S. T.V. glass market, is decreasing. This decline in demand has occurred for the primary reasons as follows:

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

Secondly, T.V. glass producers are global, multi-nationals that are shifting their production from high cost production sites to lowest cost production sites globally in order to maximize their
Thirdly, in more economically advanced markets such as the United States and western Europe, consumers are switching their purchasing from traditional CRT T.V.s to next generation type of T.V.s that utilize plasma, LCD, flat screens or projection T.V.s which do not require barium carbonate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   We strongly disagree with CPC that CMB was
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forced out of the U.S. market by this agreement. CMV willingly negotiated this commission marketing agreement with us because they recognized that their strengths were in strontium carbonate and that Red Star's strengths were in barium carbonate and that an agreement combining these two basic strengths would be mutually beneficial.

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

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

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

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

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

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

Techneglas, unlike Corning and Thompson, has
for years sought to maintain a diverse supply base and
has sought barium carbonate from CPC, Solvay, CMV and
Red Star. To the extent Techneglas increased its
purchases of Red Star material, it was to replace
volume previously supplied by CMV. It would be
unreasonable for CPC to claim that it somehow lost
volume that was previously supplied by CMV. CPC is
not entitled to the share of Techneglas volume
requirements that it had not had, in fact, Techneglas
reported to us that they believe that this antidumping
petition was filed by CPC in order to punish
Techneglas for supporting the Bass Tech Red Star CMV
marketing agreement. I believe that even if Red Star
material was restricted from the market as a result of this case, Techneglas will still support other non-subject imports rather than using CPC's material.

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

Unlike the T.V. glass producers, the structural clay manufacturers do not experience any global pricing pressures and thus can charge a
significant premium for their spray dried Microflow product for which no comparable product exists.

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

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

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

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

MR. CHALUP: Is this better?

CHAIRMAN OKUN: Thank you.

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

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

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

Contrary to CPC's claim, quality and qualification process has kept Chinese barium carbonate out for years and is likely to keep it out in the imminent future. Although the commission in the preliminary determination concluded that qualification was not a significant barrier to entry,
the commission now has more detailed responses from
the purchasers to determine how significant
qualification is a barrier to entry.

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

Also, T.V. glass producers prefer to source
their requirements for barium carbonate together with
their requirements for strontium carbonate, which used
roughly in equal proportions in their glass
composition. CPC is a producer of barium carbonate in
Cartersville and strontium carbonate in Mexico and is
able to negotiate a complete package for the T.V.
glass producers. By only being able to offer barium
carbonate, the customer would be concerned about
sourcing a sufficient strontium carbonate allotment
because CPC could withhold the strontium carbonate or offer it at unfavorable prices if it wasn't purchased as a package.

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

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

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

CPC does not produce calcined granular barium carbonate. Red Star is to our knowledge the
only Chinese producer of calcined granular that has exported calcined granular barium carbonate to the United States for T.V. glass production. Techneglas is the only U.S. T.V. glass producer that has actually used Chinese calcined granular product. Red Star is not guaranteed to be qualified by Thompson or Corning in the United States just because Red Star material may be qualified at Thompson or Corning affiliates elsewhere in the world.

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

CPC argues that the margins of underselling for the calcined granular barium carbonate was significant. I don't know the underselling margins identified in the staff report, but I do know that our prices on Red Star calcined granular to Techneglas are in the same range that Techneglas gets for Solvay's product. Given the market power exerted by the T.V. glass producers, no barium carbonate supplier is in a position to demand a significant premium in price over
any other supplier. It is our understanding that
during annual contract negotiations with T.V. glass
producers prices have always been within a nominal
range for CPC and the non-subject imports. Therefore,
since we are all in a nominal range of price, price
was not the determining factor to get T.V. glass
business.

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

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

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

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

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

Other than Red Star, CPC's competitors are Solvay and CMV. To the extent that either Solvay or CMV may have made statements that blame Red Star for price declines, we note that either Solvay or CMV have the most to gain from an antidumping order on Red Star because both Solvay and CMV are lower priced than CPC.
and would gain any volume or market share lost by Red
Star. Therefore, we urge the commission to consider
statements made by Solvay and CMV with caution.

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

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

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

Contrary to CPC's allegations, the decline
in the profitability of CPC's barium carbonate
operations cannot be tied to Chinese imports. As
noted above, we have described the conditions of the
T.V. glass industry that has created significant demand side pressure on CPC. In addition to the demand side pressure exerted by the T.V. glass purchasers on barium carbonate suppliers to reduce prices, the commission should also consider relevant supply factors that also impact CPC, particularly CPC's raw material and energy costs, which are wholly unrelated to Chinese barium carbonate imports.

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

The higher quality Chinese barite ore gives Red Star a considerable advantage over CPC, regardless
of whether CPC uses lower quality barite ore from Cartersville, Georgia which requires bonification or imports higher quality barite ore from China. In fact, in 1999 and 2000, when we were trying to develop business with CPC, they told us that they were purchasing their full annual requirement of barite ore which they told us was about 55,000 short tons from China. In other words, either CPC has to use lower quality barite ore mined locally that requires significant and costly processing or it must import higher quality barite ore from China.

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

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

CPC also admitted that its natural gas costs increased over the POI and that its barium carbonate production costs are highly dependent on a variable energy cost. I don't think that it's reasonable for CPC to claim that it is somehow entitled to pass on these costs regardless of whatever the market will bear. The T.V. glass also uses significant quantities
of natural gas and is similarly dependent on the
variable energy costs. If they cannot pass these
increased costs on to its customers, why should CPC be
entitled to pass their increased costs to them? At
any rate, Red Star imports have nothing to do with
CPC's natural gas costs.

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

Now I want to address a little on lost
sales. We are the only supplier of Chinese calcined
granular barium carbonate in the U.S. T.V. glass
market segment and we are also the dominant supplier
of Chinese material in the structural clay market.
These markets have a small number of customers and it
would be very easy to tell if we took sales away from
CPC. As discussed above, our increased sales of
calcined granular for Techneglas replaced shipments on
a one-for-one basis to CMV, not CPC. CMV's other
business went to CPC and increased CPC's market share.
We have not made any sales to Thompson or Corning for
their American Video Glass or, at that time, the
Corning Asahi Video plant, because we have not been
qualified there. In the structural clay market, we
don't offer a spray dry product comparable to CPC's
Microflow product and CPC does not ship any
significant volume to the West Coast structural clay
customers because of the prohibitively high freight
rates.

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

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

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

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

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

The vast majority of China barium carbonate produced is a compacted granular. There is no demand for compacted granular by any U.S. T.V. glass producer. Thus, there is no threat that compacted granular product can be shifted to the U.S. for T.V. glass production.
Moreover, as discussed above, qualification by an Asian T.V. glass producer is not transferrable to affiliated U.S. T.V. glass producers.

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

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

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

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

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

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

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

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

In the preliminary determination, the commission questioned the accuracy of the Chinese utilization rates and the capacity reported in the
preliminary phase. The record shows now from the final investigation that the reported Chinese utilization rates are indeed reasonable and accurate. This is true because of the strong demand for barium carbonate in China and in other Asian countries, particularly for compacted granular barium carbonate, which is distinguished from calcined granular, which is used only by U.S. T.V. glass manufacturers.

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

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

Contrary to CPC's unrealistic argument, the

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

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

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

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

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

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

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

MR. CHALUP: While the negotiations go on with our customers typically on an annual basis, as we said, we have all always been in the same range of pricing. Typically, within that range a supplier,
say, like Techneglas, would always have two or possibly even three suppliers of barium carbonate and strontium carbonate. Therefore, all of the suppliers were somewhere in the same range so that there was no real benefit or loss between who they purchased from.

The barium carbonate calcined granular that we have been supplying in the United States has not been new, as incorrectly stated by CPC. We have been supplying this to Techneglas for over ten years. They were our one traditional customer in the United States. We always had a very small minority position at Techneglas because we were not able at that time to offer strontium carbonate along with our barium. The barium carbonate and strontium carbonate are used in roughly the same proportions in T.V. glass production. Every other major producer we are discussing now for non-subject imports -- Solvay produces both products. Solvay is a producer of strontium carbonate in Mexico and a producer of barium carbonate in Germany and now has started a barium carbonate production also in Mexico. Solvay, sorry. CMV was a producer of strontium carbonate additionally in Mexico and also had started production of barium carbonate. CPC has production of barium carbonate in Cartersville and strontium carbonate in Mexico. Red Star was a
producer initially of only barium carbonate and therefore we were unable to compete here in that market because we were not able to offer a complete package. When we reached our marketing agreement with CMV, CMV came to the table with their strengths of strontium carbonate production and we came with our strengths in barium carbonate and that's the only reason why we were considered by Techneglas as a viable supplier and why our market share grew with that customer.

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

Petitioners this morning had made the argument that this provides Bass Tech with more leeway to beat CPC in its price negotiations that Mr. Chalup
was describing and I wondered if you could comment on
that in the public session and then also address the
specifics in post-hearing.

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

CHAIRMAN OKUN: And does it become more
oranges to oranges if the other -- I guess the other
thing the petitioners described both today and in
their brief was that it's the flexibility that Bass
Tech has to use -- I guess what it is is a margin
spread, in terms of where they're getting their Chinese product to negotiate prices and that their customers, major customers, are using that information to suppress prices and now I'm going to talk mostly about the T.V. market where most of their allegations were made.

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

CHAIRMAN OKUN: Mr. Chalup, if you wanted to add to that, but let me ask you, one of the follow-up questions I had with regard to that point was what I
think the petitioners had argued with regard to purchasing power of the glass producers is that that's a constant, they've been under price pressure because when you have those few purchasers in a market, they have market power to ask for price decreases all the time and it's really more the ability of the petitioner to withstand the domestic industry, withstand lowering their prices as opposed to getting their price increases. So if you can comment in that context.

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

Traditionally, barium carbonate was shipped in containers from Asia to a port of destination here in the United States. Based on that scenario, the pricing structure that it was usually sold on was on a CIF basis, which means the cost of the material, insurance and freight to get it to its port of
This method for smaller businesses is workable. When we had begun our discussions with CPC, CPC, as I told you, had continued to tell us in order for us to reach an agreement that our pricing had to be lower and lower. CPC when they purchased their barite from China moved their barite on chartered vessels through China to New Orleans, where the material is then transferred in New Orleans to barge to further delivery to a location close to their plant, normally Chattanooga.

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

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

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

MR. CHALUP: Every T.V. glass producer here in the United States is owned by a foreign company. Thompson is a French company. American Video is owned by Sony, a Japanese company. Techneglas is owned by NEG, Nippon Electric Glass, a Japanese company. Solvay sells their barium carbonate on the domestic market and exports it all over the world. Red Star sells their barium carbonate on the domestic market and sells it all over the world. CPC sells their barium carbonate in the United States and that's it. They're not globally competitive on their product. What they've produced now is an artificial market here in the United States where they believe that their prices can be protected. They want a monopoly for their material and they want that monopoly sanctioned.
by the government here and now that's why we're at
this hearing. What's occurring now is that every
buyer -- from NEG in Japan, from Thompson in France,
from Sony in Japan -- know globally what the price of
barium carbonate should be. They come to the table
with a knowledge of what that pricing and their raw
materials are worldwide and they're not willing to pay
a premium or support an artificial market here in the
United States with escalated prices by CPC.

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

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

COMMISSIONER KOPLAN: Thank you, Madam
Chairman.

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

Mr. Lee, let me just start by asking you,
this is business proprietary so I can't get into it,
but the table at page -- it's Chapter 3, page 10 in our staff report, it does not comport with the direct testimony of Mr. Gutmann with regard to CPC purchases of barium carbonate from China during our period under examination and I would ask you for the post-hearing to look at that table and if you could provide me with as much detail as possible as to what you think this should look like, with documentation.

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

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

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

Mr. Chalup?

MR. CHALUP: Yes. Techneglas was fully aware of the discussions. In fact, they were intimate with them because, as you know, for a T.V. glass
plant, any change in either process, raw materials, production, supplier or anything must be approved by them since there's such a large potential for impact. So they had to agree that CMV would withdraw their product and now Red Star or Bass Tech would go from the minority position to a much larger position in their supply. But, yes, they were well aware of it.

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

MR. CHALUP: I don't know that.

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

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

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

MR. CHALUP: It wasn't higher. We believe that the pricing, even though we weren't privy to their original pricing, was about the same. Within a very close proximity. It was not an increase in pricing to Techneglas.
COMMISSIONER KOPLAN: You didn't come in lower than CMV? I don't understand that. What was the incentive for them to switch to you, then?

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

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

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

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

MR. CHALUP: Well, we had discussions with them at what price we could offer, what their commission basis would be and for that nature, but what actually their previous contract directly with
Techneglas was, no, we were not privy to that.

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

MR. CHALUP: No.

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

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

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

Let me ask you this. Did CMV continue to

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

MR. CHALUP: Yes.

COMMISSIONER KOPLAN: They did.

MR. CHALUP: And they continue to.

COMMISSIONER KOPLAN: And they continue to
do that now.

MR. CHALUP: Yes.

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

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

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

MR. CHALUP: Correct.

COMMISSIONER KOPLAN: Okay.
MR. CHALUP: Correct.

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

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

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

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

COMMISSIONER KOPLAN: Thank you, Mr. Gutmann.

Now, this morning you heard that CPC testified that its ore, barite ore, and barium carbonate is superior to that of you all. Yet you continue to claim that CPC's product is inferior, necessitating them to spend additional sums to purify their product. What is your support for these allegations regarding the inferior quality of CPC's product versus Chinese product?
MR. GUTMANN: We know for a fact that they're buying barite from China. If the locally mined barite was cheaper and it was a better quality, why would they be buying from China? And they've told us over the years that they were buying barite from China.

COMMISSIONER KOPLAN: They told you?

MR. GUTMANN: Yes, they did.

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

MR. LEE: Well, a point of clarification. I don't think the barite ore was directly purchased from Red Star. Chinese barite ore can be sourced from other suppliers, not just Red Star. The other point of clarification is that we were reporting what CPC told Bass Tech. We can't vouch for the accuracy of the amount that they told us, we're just reporting back what CPC told us that, you know, they were buying...
COMMISSIONER KOPLAN: If CPC denies that they said that, if they deny that, you have no independent knowledge of CPC purchases of barite ore from Chinese producers?

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

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

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

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

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

COMMISSIONER KOPLAN: Okay. Thank you.

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

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

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

MR. CHALUP: They were existing customers of CMV.

CHAIRMAN OKUN: Okay.

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

CHAIRMAN OKUN: Okay. And then Addendum A
to that, those would be -- that reflects -- those are actual -- well, I guess -- it's very hard to talk about this when you can't talk about anything -- for post-hearing, if you could comment on Addendum A, if those are actual prices that someone was paying.

MR. CHALUP: Okay.

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

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

CHAIRMAN OKUN: Of CMV's.

MR. LEE: Correct.
CHAIRMAN OKUN: Okay.

MR. LEE: Correct.

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

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

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

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

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

MR. CHALUP: And barium both.

CHAIRMAN OKUN: But barium from Red Star.


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

Okay. Well, now I understand that.

Let me ask you a couple of demand questions.
I had raised this with petitioners this morning because they focused a lot on demand in the television glass producers and the petitioners have described demand over the period as up and down. What is your view of what demand was over the period that we were examining?

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

When you produce a T.V. screen, which you heard about, they're very heavy objects and they really -- to ship T.V. glass by itself is not economical, so typically the glass is produced at the point of production, of assembly. A T.V. set is
assembled, you take a whole bunch of components and
you put them together. So traditionally, for a heavy
object like T.V. glass, the panels or something, those
objects are produced near the point of assembly, okay?
And the point of assembly is then normally near your
market.

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

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

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

MR. LEE: I mean, I guess what the
commission has to look at is what is the record
evidence during the period of investigation and then
if you're looking forward for a reasonable inference
as to what is likely to happen in the near future, you'd have to establish some sort of factual basis for that. So it's hard to speculate whether the commission will or will not vote affirmative in the final determination.

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

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

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

CHAIRMAN OKUN: Right. No, I know what you're citing it for, I'm just saying that it could be
cited for the opposite -- or not the opposite, but to support the point that if there were an affirmative ruling and with a preliminary duty in place that the glass producer would be more likely to remain in the U.S. It's the obverse of what you're arguing, it's an interesting point.

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

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

MR. LEE: Yes. I think that we have seen articles -- we've seen articles saying, yes, flat panel displays are coming and the end for CRTs is
near. However, we've seen other articles saying that, no, CRTs are still going to be around for at least five, ten years and that the transition is going to be more gradual.

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

MR. LEE: Exactly. Exactly.

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

Commissioner Koplan?

COMMISSIONER KOPLAN: Thank you, Madam Chairman.

I probably should have asked this this morning, but, if you know, how difficult would it be for producers to shift from compressed barium carbonate to the calcined form? In other words, from product 2 to product 1, I believe that is?
MR. CHALUP: It's a totally different production process. They're not related in any sense. Pressed granular material is basically taking a barium carbonate powder and passing it through two high pressure rollers. What the rollers actually do is they compress the material upon itself under pressure with no additives. What comes out of the bottom looks kind of like peanut brittle and then the peanut brittle is chopped and passed through a screen and the finds go back in and are compressed again, the coarse ones are chopped again and whatever comes out the middle is viable product.

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

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

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

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

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

MR. CHALUP: Okay.

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

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

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

MR. CHALUP: Correct. Correct.

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

MR. CHALUP: You mean at Red Star?

COMMISSIONER KOPLAN: Yes. At Red Star.

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

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

MR. LEE: Because the limiting factors are basically your kiln and how much you can output from that kiln, whatever initial amounts that were being sold to Techneglas were below that output capacity for calcined granular.
Now, Red Star has capacity to produce compacted granular product, but that is, as Alan described, a completely different production process, and so it is not the same capacity that is transferrable to the United States.

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

MR. LEE: Correct.

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

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

COMMISSIONER KOPLAN: Could you provide that post-hearing?

MR. LEE: I will certainly do that.

COMMISSIONER KOPLAN: Thank you.

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

If that is true, would this new margin

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assigned by Commerce cause those purchasers to exit
the market with you all and switch?

MR. LEE: Not necessarily. I mean, I think
because of the arrangement between Red Star and Bass
Tech it is not definitive. I think you have two
separate things. You have the margin of underselling
at the point of competition that is reflected in the
staff report and then you have Commerce's margins
which reflect the margins calculated based on Red
Star's price to Bass Tech and so they are at different
levels so the margins just calculated by Commerce are
not applicable to the underselling margins calculated
by staff.

COMMISSIONER KOPLAN: At what point would
they become applicable?

MR. LEE: It's a far more complicated
equation because you then have to factor in what is
Bass Tech's pricing behavior and then --

COMMISSIONER KOPLAN: Could you do that for
the post-hearing?

MR. LEE: Yes.

COMMISSIONER KOPLAN: Since you've raised
this issue I'm curious as to how you come up with
these new margins.

MR. LEE: Okay.
COMMISSIONER KOPLAN: So I guess you can't do it on the back of your hand, but obviously you ought to be able to do a computation of that.

MR. LEE: Yes. I think we could give an explanation, but my initial reaction is that that it is not necessarily tied -- that the margin calculated by Commerce is not necessarily tied to the margins of underselling because what you're looking at is a margin calculated for both powdered and calcined products by Commerce, but you have different ranges of margins of undersellings calculated by the staff for calcined and powdered product as well.

COMMISSIONER KOPLAN: Thank you, Mr. Lee.

I'd also like petitioners to take a crack at that for me as well for purposes of the post-hearing. And Mr. Wood is nodding in the affirmative that he will do that.

At pages 36 to 39 of CPC's pre-hearing brief, they discussed the outstanding antidumping order in India against imports of barium carbonate from China which the chairman just mentioned to you as well. To assist me in my threat analysis, could you provide a copy of that determination and order for purposes of the post-hearing? And I'd like to know what your total export to India during the period.
examine leading up to that order were and what they are now, when is that order subject to review, have reviews taken place since the order went into effect and, if so, what was the result?

MR. LEE: Okay. I think in our preliminary post-conference brief at Exhibit 22 we've put a copy of the antidumping order issued by the government of India on that case. We can tell you that there was a drop off in the volume of Chinese imports into India after the order was imposed, but since 2000, the volumes of Chinese product has gone up. I do not believe that there have been any reviews in India of the order, so notwithstanding the presence of an order in India the Indian import statistics do show continued increases from the 2000 levels of Chinese barium carbonate into India.

COMMISSIONER KOPLAN: Okay. I appreciate that. When you mentioned the post-conference brief, on the first round, when I asked you about the barite ore shipment, you indicated that there was a post-conference submission that I thought that you said you made that got into that. Did you make a comment like that?

MR. LEE: Yes.

COMMISSIONER KOPLAN: I know you referred to Heritage Reporting Corporation (202) 628-4888
something you submitted post-conference.

MR. LEE: Right. That was Exhibit 3 of our post-conference brief.

COMMISSIONER KOPLAN: Okay. I appreciate that.

I see my yellow light is on, so rather than start another question, I thank you for your answers thus far.

Thank you, Madam Chairman.

CHAIRMAN OKUN: Thank you.

I wanted to ask you just in terms of what we can discuss in this public forum, but your current relationship with CMV.

MR. CHALUP: The agreement that we have with CMV is currently in place because we are continuing to deliver material to Techneglas, so the agreement still stands as is. What the future of it will be will depend on whether or not we can continue to import product from China.

COMMISSIONER KOPLAN: Okay. And you've submitted -- there's information in the brief with regard to the supply agreement. Were there any changes, anything that's not in the brief that happened subsequent that you can provide us in terms of were there any provisos added or --
MR. CHALUP: No.

CHAIRMAN OKUN: No?

MR. CHALUP: No. As is.

CHAIRMAN OKUN: So it's as is.

MR. CHALUP: As is. All terms and conditions remain as is from the original copy that you have.

CHAIRMAN OKUN: Okay. Okay. I appreciate that.

Then let me ask you if -- yes, go ahead.

MR. CHALUP: Just one point that we were going to say is that the one customer we had was Techneglas and we made the mention that the contract is still in place because we continue to deliver. The reason why we continue to deliver is that their consumption is much lower now than they had anticipated since the beginning of the year.

CHAIRMAN OKUN: Their consumption?

MR. CHALUP: Their consumption of barium carbonate, yes. Their production is down almost 50 percent, if not more, and therefore their raw material usage is off about the same percentage.

CHAIRMAN OKUN: Okay. So you're supplying them out of inventory?

MR. CHALUP: Out of inventory. Correct.
CHAIRMAN OKUN: Okay. And so what happens when you run out of inventory is dependent on what happens here?

MR. CHALUP: Correct.

CHAIRMAN OKUN: Fair enough.

Let me go back to the quality question that I think it was you, Mr. Chalup, who discussed it in your testimony in terms of the global market, that it didn't matter if some of these other T.V. glass producers had qualified Chinese product in another market, that you still have to go through the qualification process.

MR. CHALUP: Yes.

CHAIRMAN OKUN: And I just wanted -- you know, I mean, when I heard that, I was thinking, well, I understand that you have different qualifications for a different market, but in terms of this kind of comfort level or comfort that you referenced and I believe the petitioners referenced as well, would you be more -- when you're approaching a new customer, when you were going to the customers that CMV had, do you make that argument, that Chinese product is qualified with this company in X country?

MR. CHALUP: Well, as any good marketing approach, yes, you to try to flout the benefits of the
products as positive to something. Yes, it does help when the product is known to a parent company or say a subsidiary or an affiliate company somewhere else in the world. As far as it's being able to be used specifically for their plant, the answer is it still has to be evaluated. I mean, the best example I can use is that for Thompson, who has two plants in Europe, one in Poland and one in France, they purchase the majority of their material almost exclusively from Solvay, their calcined granular material, whereas their subsidiary here in the United States won't use it, will only use CPC's Microflow or spray dried material. So even though the parent company has two plants in Europe that exclusively use one product, it's not allowed here into the plant here in the United States. So there is no transferability.

CHAIRMAN OKUN: Okay. And then not related to that, but that reminded me when you just said it, when you said the Microflow spray dried, when I asked them this morning, to me, it sounded like they're really not the same product. I mean, the Microflow is something that they're getting a premium in in a different market than the spray dry.

MR. CHALUP: It's our understanding that Microflow is their trade name for their spray dried

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CHAIRMAN OKUN: Okay. But from our -- and, Mr. Lee, you might want to comment -- it's my understanding from what they were saying -- why I was asking my question is I think I had read that in the pre-hearing brief and my understanding is at least for purposes of this record that the spray dried material is showing up in product 1 which is different than Microflow which is showing up as --

MR. LEE: Well, I guess what we're going off is what we're hearing from Thompson as we're going to them to see if they would be willing to initiate a qualification process for us. And one of the things that we're hearing back is, well, we're not really interested in yours because we're actually using a CPC product, you know, we have technical requirements that fit CPC's unique spray dried material. I don't know if it is specifically the same Microflow product that they're selling in the brick tile segment, but in terms of what is being conveyed to us from Thompson, Thompson is noting that there is a technical difference in CPC's product that makes it so distinguishable from other normal calcined granular product that we're not even in the running for consideration for qualification in light of their
custom tailored production process that is set up to fit CPC's product.

CHAIRMAN OKUN: Okay. I understand that.

And then you also referenced the worldwide price for barium carbonate. I'm not sure we have -- sometimes we try to collect this information, do we have information in the record with regard to prices in other countries? And, if not, would you, Mr. Chalup, or you, Mr. Lee, be able to provide that type of information?

MR. LEE: I don't think there is that information in the record and I'm not sure that it is out there in the world. One thing I can note is that with the Asian glass makers primarily using the compacted granular product, it really is not a comparable product to the calcined granular product. Yes, they are both granular, but, as Alan described, there are different processes used to produced compacted as opposed to calcined.

CHAIRMAN OKUN: Is the price lower?

MR. LEE: My sense is that -- and Alan or Ben could confirm -- compacted is much lower because the powdered product is much cheaper to produce and you are basically mechanically compacting as opposed to chemically calcining and the cost differences in

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those operations result in a higher price cost for the calcinedd material.

If you guys want to expand on that?

MR. GUTMANN: Yes, that's correct. The compacted is cheaper than the calcinedd. It costs more to produce the calcinedd.

CHAIRMAN OKUN: Okay. And do you have any sense of prices in other markets? Is there anything specific you could point to or point us to or provide for us?

MR. GUTMANN: No. Red Star typically sells through marketing organizations so even they would not know final prices to their customers in Asia except maybe China, so we wouldn't have access to any of that.

CHAIRMAN OKUN: And you don't have that because you are just United States importers.

MR. GUTMANN: Correct. We might have a little bit of information in the market in Europe which we could maybe present. Would that be helpful?

CHAIRMAN OKUN: Yes.

MR. GUTMANN: Okay.

CHAIRMAN OKUN: Okay. Then the other thing that I guess struck me as I've been reading the record and trying to understand the market, we're talking
about -- let's talk about powder for a while, we haven't talked about that for a while -- that the Chinese have traditionally supplied the -- if I understand this correctly -- the West Coast, that that hasn't been CPC's market for brick and tile and then I've heard the argument about the attenuated competition because of their Microflow product and that they get a premium because of that. I'm trying to figure out what these West Coast guys are doing -- or actually, maybe what the midwest guys are doing. I mean, if it's good enough for the West Coast, why isn't it good enough for the rest of the country?

MR. CHALUP: Chemically, barium carbonate does the same thing, no matter -- you know, when we began these discussions the decision was made that barium carbonate chemically between any party discussed performs the same and all meets the same specification. So what we are discussing now is the variability in its physical characteristics, its particle size, its particle composition, how it actually flows, how it doesn't flow, how it reacts. That's where we're arbitrarily making the designation.

So traditionally, like we said for the T.V. glass industry, they like a hard calcined granular material because the way they move their products

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through the system because of the volume they use is pneumatically, let's say, with air, so they blow their particles all around. The particle has to be very strong, otherwise it disintegrates into a powder and then would clog their tubes and not work well. Also, they try to match the particle size of their other raw materials, mostly which is sand. So you try to get all the particles about the same size so they don't separate.

For the brick industry, they would prefer to use a powder because they want a higher reactive material and they would prefer to use a powder.

The equipment for feeding the powder established by CPC in its geographic area, let's say the midwest to the east, they had designed equipment that worked well with this Microflow product that flowed very well, had a certain additive in it which aided in dispersability and worked well in their composition. For the customers on the West Coast, instead of not maybe having initially availability of this Microflow or because of the cost factor from a distance, they have been able to create handling systems to handle the finer powder. Chemically, both products do exactly the same, it's the ability to handle the material and feed the material that's
different.

You heard Mr. Mauldin say this morning that CPC supplies feeders for their Microflow product. They designed a feeder and supply it to be able to feed their particle sized material. On the West Coast, the brick customers have been able to design feeders that can handle the powder. That's basically the only differential.

CHAIRMAN OKUN: Okay. I appreciate those comments.

Commissioner Koplan?

COMMISSIONER KOPLAN: Thank you, Madam Chairman.

I just want to make sure I heard you correctly before. Did you say that your agreement with CMV is still in place, in response to the chairman?

MR. CHALUP: Yes.

COMMISSIONER KOPLAN: So it is still in effect.

MR. CHALUP: Yes. CMV is still receiving a commission for the shipments that we have to Techneglas.

COMMISSIONER KOPLAN: Okay. All right.

Thank you for that.
For purposes of my threat analysis, I refer you to a discussion at page 38 of CPC's pre-hearing brief regarding evidence in our record that Chinese producers have developed a new free flowing powdered product meant to compete directly with CPC's Microflow and Aquaflow, I guess that's product 3, and that it's now being made available to U.S. customers for testing purposes.

This morning, they said that their understanding is it's being offered at lower prices than CPC's product.

Could you please provide documentation regarding any such offers to potential U.S. customers including any responses received for purposes for the post-hearing and how has that product been received by potential customers? Has it been qualified for sale in the U.S.?

MR. LEE: I think we addressed this in our direct comments. I think Mr. Chalup noted that there is no real new product, new Chinese product, out there and that we are not aware of any Chinese product that is comparable to Microflow in terms of the dispersability and the patented characteristics that Microflow has.

Perhaps Alan can talk a little bit more
about what's happening in the marketplace for this Microflow type product.

MR. CHALUP: As we keep coming back to it, Microflow is a unique product. Originally, as you know, it was under a patent, the method of production and the additives which are in there for dispersability and flowability and reaction. There is no production of spray dried material in China. It doesn't exist. It's not the technology, but the process does not exist.

Instead, the Chinese, along with even other producers, offer varieties of different types of powders, differences in particle size. Some with a very small particle size, some with a very big particle, then from the larger particle size you move to granulars, granular or calcined, so there's a whole range you can have.

So in order to meet customer requirements, because any good supplier tries to meet the requirements of their customers, in where you operate there's a range how you can adjust it. Some material has a slightly larger particle size, so it flows a little bit better.

We offer different ranges of products to our customers, none of which directly, let's say, targets

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as a replacement to Microflow, but the ability to
service a customer with different products somewhat
designed or changed or altered to meet their handling
systems or requirements both chemically and
physically.

MR. LEE: I guess another way of looking at
that is that the customers who are already purchasing
CPC's Microflow products are paying a premium for that
product. They are aware that there is powdered
product out in the marketplace from China, so they
have approached Bass Tech to see, well, what can you
do, you know, and the product that we offer, it's, I
think, been tested but it hasn't proven successful.
So I think this morning CPC did acknowledge that they
haven't seen any more of that product coming in, so it
does seem to suggest that regardless of whatever
attempts may have been made to replace or substitute a
Microflow product, it ultimately was not successful so
these attempts are at best isolated and not a basis
for a long-term threat for the Microflow product.

COMMISSIONER KOPLAN: Thank you.

Petitioner argues at pages 21 and 24 of
their brief that pressure to reduce prices is a
constant condition faced by raw material suppliers to
the television glass industry, but that the ability of

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a raw material supplier to resist that pressure is highly dependent on supply conditions. They are argue that the record shows that supply conditions for barium carbonate changed dramatically in 2002 when a wave of low priced Chinese imports began to enter the U.S. market and that the effect was to establish a new equilibrium point between barium carbonate suppliers and T.V. glass producers. Finally, they argue that the ready availability of dumped Chinese imports as an alternative supply source forced all suppliers to respond to the price reduction demanded by the T.V. glass producers. They cite record evidence to support their claim, but that is business proprietary information so I can't get into it, but I would like to hear Bass Tech's response now and also counsel's response in the post-hearing when he is able to factor in the BPI.

MR. LEE: Yes. If I could start, supply -- if supply is constant and demand decreases, prices will fall. That's a basic economic principle. CPC, I believe, has altered that formula by assuming that supply has increased just because Chinese import volumes increased. If you look at the total import volumes from 2000, 2001, 2002, in particular 2001, 2002, total import volumes basically remained the
same. So in fact supply has remained constant, so notwithstanding the fact that Chinese import volumes increased, dramatically as CPC has noted, it was at a one-for-one replacement to the non-subject imports, so total supply has remained constant so what's really driving this market is that you have a sharp drop off in demand in 2002 and that's what's driving the prices down, it's not an increase in supply because the total import volumes have remained constant.

And I don't know from a marketing perspective if you've seen similar type of arrangements.

COMMISSIONER KOPLAN: Mr. Chalup, Mr. Gutmann, anything you want to add?

MR. LEE: I mean, because you guys are dealing only with Techneglas, have you seen any changes in other T.V. glass producers?

MR. GUTMANN: Well, we're only dealing with Techneglas because one of the other customers told us that they wouldn't even consider our material because there were others offering at lower prices, so we're clearly not the lowest priced barium carbonate on the market, and I think really it's a condition that the market is also in, the situation is very different than it was over the last two years as people are
closing plants and cutting production. I don't see
that the effect of what's going is caused by imports
of our barium carbonate which replaced Mexican barium
carbonate, it's much more obvious that it's a market
situation.

COMMISSIONER KOPLAN: Thank you,
Mr. Gutmann.

This has already been discussed to an
extent, but I just want to revisit it, if I could.
You argue at page 3 that barium carbonate is not a
commodity product sold preliminarily on the basis of
price and you've also discussed that today in both
your direct presentation and in response to questions
of the chairman.

You argued the qualification process is a
significant market entry barrier not only because of
the time to complete the process but because
purchasers are unwilling to initiate the qualification
process regardless of the price offered, given the
significant costs and perceived risks to qualify.

However, CPC provides an affidavit that's Exhibit 6 to
their brief regarding the qualification process used
by television glass producers from an individual who
appears to have extensive experience in the industry.
Most of that statement is business proprietary
information, but not the following:

The qualification of a new supplier for a well known raw material ingredient such as barium carbonate is straightforward and is not a lengthy process. Based on his experience, this person states that the full qualification process would commonly be completed from beginning to end in about 30 days. He notes that it is important to distinguish between (a) qualifying a new supplier for an existing raw material such as barium carbonate and (b) qualifying a supplier for a new raw material to be used in glass production. If the latter, the television glass producer must seek approval from customers for the change, but not for the former. Any minute differences in barium carbonate chemistry among suppliers can be easily adjusted during the production of the glass and that price would be the only reason to qualify a new supplier for the same raw material.

I see my light has come on.

CHAIRMAN OKUN: I have no further questions, so continue on.

COMMISSIONER KOPLAN: Thank you, Madam Chairman.

If you could respond to that?

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MR. CHALUP: Then my business should be much larger because otherwise our experience as we gave with our post-hearing brief in the beginning also from another T.V. glass producer of the approval process necessary for a new vendor, a new supplier, was a pamphlet that was maybe 80 or 90 pages long, everything from approval of their financial condition to their supply and logistics, to the quality production, the quality standards, to their ISO certification, to many different factors. It's not simply saying you take out one pound of X and you put in one pound of Y. The initiation and the qualification stages are much longer than that.

We have taken customers three or four times to China to look at Red Star's production facility and yet have still not gained any business. So the approval process or the commitment of a company to change their raw material source is very large. You never really know what the end result will be when you change a vendor. There are a lot of black box things that occur and a lot of risk. Anything that's done in a T.V. glass tank can take weeks to change, meaning that if for some reason when they started feeding our material it was high in a certain impurity content or something was unexpected, it could take one to two
weeks to clean that tank out from our product to start pulling good glass again. You're talking six figure losses.

So the decision to finally change is a very long decision to make and, in fact, to show that the product is not a commodity, the definition of a commodity is something that is interchangeable very easy. The T.V. glass producers that we discussed with the exception of Thompson, but like the Corning or the American Video Glass, those two T.V. glass plants have separate silos if they would have two vendors. They will not even mix the same identical product, let's say, chemically in the same silo together.

COMMISSIONER KOPLAN: Let me ask you this. You qualified to supply Technegas given it was a small quantity.

MR. CHALUP: Correct.

COMMISSIONER KOPLAN: Ten years ago. That was your direct testimony.

MR. CHALUP: Correct.

COMMISSIONER KOPLAN: I am correct, aren't I, on that? Tell me about that process. How long did it take you to qualify once they agreed to entertain your request? Can you document that for us post-hearing?
MR. GUTMANN: That would be difficult to document because it happened before we started Bass Tech, while we were working at another company. But, actually, what happened to Techneglas is they called us up in a panic one day and said there is a railroad strike, we can't get material from Cartersville or anywhere else, we'll buy all the barium carbonate you have in stock. I don't know if we actually ever technically qualified. It was on an emergency basis, in other words.

COMMISSIONER KOPLAN: And you had no complaints.

MR. GUTMANN: We had none and they had none.

MR. LEE: I think Techneglas also must be viewed in the context of their sourcing practices are slightly different from Corning's and Thompson. Techneglas has a practice of having a diverse supply base for all of their chemicals. In contrast, Thompson and Corning seem more willing and have a stronger preference for exclusive supplier arrangements and for those companies --

COMMISSIONER KOPLAN: So that has nothing to do with the qualification process, that's what you call a comfort level.

MR. LEE: Yes. I mean, but to the extent
that it gets you to a point where you're willing to
initiate a qualification process -- I mean, Techneglas
starts off at a point where they are initially more
comfortable to entertain other suppliers, whereas
Corning and Thompson perhaps are a bit more
traditional, I guess, and so they are more comfortable
with what is already in their system. Given the cost
for what happens if something bad goes wrong in the
test run, you're going to have to have to have enough
financial incentive to actually want to go down that
testing qualification road. So I urge the commission
to actually look at the questionnaire response from
the T.V. glass producers that they submitted to the
commission, not just the affidavits of * * * from
these companies. We don't know exactly * * *, we
don't know if in fact * * * whether they actually did
replace or try barium carbonate from any other
suppliers. So I think it is probably more reliable to
look at what the companies actually submitted in their
questionnaire response rather than this secondhand
affidavit from * * * * * *

COMMISSIONER KOPLAN: All right. Thank you
very much for that.

I have one last question and, actually this
might have already been covered, so I apologize if it

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has. What percentage of the cost of production of barium carbonate is attributable to barite ore?

MR. LEE: I'll have to defer back with Red Star, but I do believe it is the dominant cost overall, the dominant cost of the overall barium carbonate cost, but I'll have to get back to you in our post-hearing brief with a more exact number.

COMMISSIONER KOPLAN: Thank you very much. I appreciate all your answers to my questions.

I thank you, Madam Chairman.

CHAIRMAN OKUN: Does staff have questions of this panel?

MR. GREENBLATT: Hello. I'm Jack Greenblatt. I'm the product analyst on the case.

I just wanted to ask. I think I had asked previously. Any latest information on changes in capacity or in quality changes or improvements? If there's anything that you can provide either for Red Star or for any other company operating in China, I would appreciate that.

MR. LEE: Certainly we'll ask Red Star to see if they can document, but to the best of our knowledge other than what's been reported in our questionnaire response there are no other improvements to capacity.
We wish to iterate that whatever increases in capacity are parallel to the capacity utilization rate and that this reflects the high and increasing rate of consumption in Asia, so that to the extent strong demand in Asia has necessitated an increase in capacity it's all been directed to now increasingly China and other Asian countries.

MR. GREENBLATT: And what about improvements in services or quality or variety of products?

MR. LEE: I don't believe so, but I'll have to ask Red Star to confirm that.

MR. GREENBLATT: Okay. Thank you. I have no further questions.

MR. CANTRELL: Ray Cantrell with staff. I had a question for Mr. Chalup. This is a transportation issue.

Could you discuss the relative economics of containerized shipments versus shipments by charter vessel and your experience in this area?

CHAIRMAN OKUN: Mr. Chalup, if you could just come up to the microphone? You still have to use it. You can look at him, but use your microphone.

MR. CHALUP: In the post-conference brief, we can give you a breakdown of the associated costs of both so you can see a comparison.
MR. CANTRELL: Okay. I mean, you didn't have any just general comment that you could make?

MR. CHALUP: The general comment is that there is an advantage cost-wise, logistic-wise of shipping the material on charter vessels in pads and containers. There is a larger risk by shipping on charter vessels, so obviously that risk has to be offset by the savings that you have.

The advantage of shipping on chartered vessels is that the actual total cost to deliver the product to your warehouse or let's say your final stocking location is less than shipping by containerized vessels. The disadvantage is that in order to do this you must ship larger quantities less frequently during the year.

Charter vessels don't have a normal sailing schedule as you would say a containerized vessel would. You can't say every Monday a vessel is leaving, every Tuesday or something. You always know you can get product on board.

For a charter vessel, the freight is negotiated each and every time, and you must negotiate for a specific vessel calling on a specific port at some future point in time, so the frequency is much less. What you end up doing is you have to bring in
much larger quantities less frequently during the year, and then the material will be stocked and stored in preparation for further delivery to your customers.

CPC was our main reason for getting involved in these bulk shipments. They were the ones who recommended that we try it because of their barite imports from China. The system actually works very well. We thank them for that, but the problem is -- well, not the problem. The difference is that you have to bring in, as I said, much larger quantities less frequently.

When it comes down to an issue of pricing, there is a significant savings, which has allowed us to be more competitive, but in order for it to work we needed a much larger volume in the United States to sell, so we needed to be able to secure a customer like Techneglas with the cooperation of CMV before we could put this plan into reality.

You know, Mr. Mauldin keeps talking about price, price, price, price, price. I think what he really means is volume, volume, volume, volume, volume because he sits here repeatedly in the prehearing and now this meeting that in order for his plant to run profitably he needs a certain volume to put through it. Without reaching that capacity or near capacity,
the plant can't run and the plant can't be profitable.

I mean, all we've heard now is how volumes have gone down. Not replacement by Chinese material, but the volumes are just disappearing due to market conditions. We find it hard to believe how his plant can still be operating at capacity and still be profitable. What he really wants I think is our Technegas volume to get his plant back profitable again, or at least to its capacity again.

It's all coming down to this situation, I think. It's one of the advantages that we had with changing our logistics system to bring material in on charter vessels.

MR. DEYMAN: I'm George Deyman, Office of Investigation.

As a follow-up to Mr. Cantrell's question then would you say that the fact that there have been imports from China in bulk on the charter vessels, is that a major reason for why the unit value of imports from China, according to official statistics, is much lower than the unit values from the other supplying countries?

MR. CHALUP: Yes. We've changed now from buying material on a CIF basis, a CIF port basis here in the United States. CIF, terminology meaning cost
of the material, insurance and freight, ocean freight.

The purchasing material is now on an FOB China basis, which basically means that we handle now all the shipments of the freight on charter vessels from China to the U.S. compared to buying the materials delivered to the U.S. already in containers.

That differential or the difference in the cost of freight, especially for a product like barium carbonate, is significant. That's the differential that you see.

MR. DEYMAN: All right. The staff has no further questions. Thank you.

CHAIRMAN OKUN: Thank you.

Do counsel for Petitioners have questions for this panel?

MR. WOOD: No, we do not.

CHAIRMAN OKUN: Then I want to thank this panel of witnesses very much for your testimony and for your willingness to answer many questions this afternoon.

Let me go over the time remaining for the parties. Petitioners have a total of 18 minutes, which includes five minutes for closing. Respondents have a total of 29 minutes, which includes five minutes for closing.
Are you ready proceed, Mr. Wood and Mr. Price?

MR. WOOD: Yes, I think we're ready, Chairman Okun.

CHAIRMAN OKUN: Okay. If this group of witnesses wants to go to a table behind here, and we'll let the Petitioners come up to present their final comments.

Thank you again.

(Panel excused.)

CHAIRMAN OKUN: You may proceed, Mr. Wood.

MR. WOOD: Good afternoon again. I'm Chris Wood appearing for the Petitioner.

CHAIRMAN OKUN: If you can just pull that microphone a little bit closer?

MR. WOOD: One of these times I'll remember that, and you won't have to tell me. Thank you.

If it's convenient for the Commission, I thought I would just sort of combine the rebuttal and conclusion. There's just a number of points I would like to reiterate and then address a couple of things that we heard during the Respondent panel this afternoon, and so I'll proceed.

CHAIRMAN OKUN: That would be fine.

MR. WOOD: Basically I think there is
agreement on a number of things that are important to this case, although we have very different views on how they arose and what they mean in different situations.

For example, there's no question I think on the record that prices in a number of very important market segments are way down, mostly since 2001. One key question the Commission has to ask itself in making your decision is why is that? We'll talk about that in a moment.

A second significant question I think particularly for the threat analysis is is it likely that Red Star and other Chinese producers, the BassTechs and other importers, have the ability and the desire and the willingness to increase their shipments to the United States in the future?

Let's start with price because I also don't think there's any question that the declining prices that we've observed since 2001 are clearly a very significant cause of the material injury suffered by CPC. I think the data that's in the record is quite clear on that.

If the Commission finds that the low-priced imports from China were a substantial reason for those declining prices, it almost compels an affirmative
determination. Let's look at the facts that bear on that question.

    Now, are prices down all across the barium carbonate market? No, they're not. One of the really striking things on this record is that the price declines are evident only in those market segments where there is direct competition from the Chinese imports.

    We heard a lot from the Respondents this afternoon about TV glass and conditions at the TV glass producers. We'll deal with that in the post-hearing, and I'll address a little bit of it here as well. One thing, though, that I want to point out is that we heard nothing about specialty class accounts.

    There are quite a few users of barium carbonate that are not TV glass producers that use a product that had the option of using CPC's product, Chinese product or, in the past, you know, Mexican or German product, although that's not much of an option anymore.

    You only heard about TV glass this afternoon, but, as you heard from our witnesses this morning, the price declines in those other specialty glass segments have been every bit as bad, if not worse, than what's happened in the TV glass segment.
Let's talk about the TV glass segment for a minute. As we heard this morning, and I think there was generally agreement this afternoon, the demand from individual customers in that area, some have gone up. Some have gone down. It's fluctuated over time. There's no correlation between that fluctuation and the direction of the prices. The prices have gone straight down. Even Mr. Chalup, you know, puts the demand decline toward the end of 2002 and now. You know, we can debate how significant that decline is, but if that's true, if it's the end of 2002 and 2003, how does that explain price declines for the last two years?

The answer, we submit, is very simple, and it's exactly what you heard from Mr. Mauldin and Mr. Bourdon this morning. It's that around in 2001 there was a huge push. There was BassTech, maybe other Chinese importers, going out there trying to take market share very aggressively, doing it through low prices, and CPC has to respond to those prices or lose that volume. They simply have no choice.

Now, we have to also look at whether there are alternative causes that could have been responsible for these declining prices. We've heard this suggestion that well, maybe it wasn't us. Maybe
it wasn't the Red Star material after all. Maybe it was Solvay or CMV that led the prices down. I frankly have a hard time even understanding that argument because it's so hard to square with what has actually happened.

Up until a couple of years ago, you had consistent imports from Solvay into this market. You can look at the imports from Germany. That's Solvay. They're gone. Does it make sense to say that Solvay led the prices in the market down so far that they could no longer even sell here, because that's certainly what the import statistics would imply. You know, we would encourage you to talk to the people. Solvay probably has an opinion on this. Ask them.

The same thing with CMV. Did they just get up one morning and decide well, gosh. We've had a nice run in the barium carbonate business, but we'd really rather just get out of it tomorrow and take a commission on some indeterminant amount of sales.

I think the only plausible explanation is that they were affected by the same declining prices that CPC was, a price decline that began as the Chinese imports came into the market and made the decision that they could no longer compete and that some commission was better than nothing, was better.
than to continue losing money.

I don't think there's any question. Of course, the purchasers wanted price reductions, were overjoyed no doubt when people came calling to offer them increasingly lower prices for Chinese material, but that's the lever. That's the change in conditions that allowed these TV glass purchasers to negotiate down barium carbonate prices.

That's the principal changed condition in this market from three years ago. It's the presence of these unfairly traded imports, which we now know range from margins of 34 to 81 percent. That's very significant in the context of a product that, and we all agree on this too, chemically is an identical product no matter what you use. We've made the point that this is a commodity product market, and we're very comfortable with what the record shows on that.

I would also like to address just very briefly Mr. Lee's point about the equilibrium and the supply and demand condition. I think it's a little bit -- well, I think it's just wrong to say that you can look at the volume consumption and equate that to supply.

Supply is the availability of supply in the market, and, particularly if demand is trending
downward or is flat, if you have a new source of 
 supply that is out there offering what appears to be 
 just unlimited capacity to supply the market, then I 
 think it's no surprise that that's going to drive the 
 prices down.

You know, we heard from Mr. Mauldin before, 
and we heard from Mr. Chalup this afternoon. The TV 
glass industry is cyclical. It goes up and down with 
economic conditions, but they have never, never seen 
prices that have gone down this fast this far. That's 
what is unprecedented, and that's why we're here today 
frankly.

Turning quickly to the threat factors, you 
know, I think again the record here is pretty 
straightforward. You know, capacity continues to rise 
in China, and the United States is in fact still an 
obvious place to look for further market share 
increases.

Mr. Lee described it as ridiculous or 
speculative that Red Star might even be interested in 
selling any barium carbonate here in the future. You 
know, that might be true except for the recent history 
that we see on the record in this case. There was a 
huge jump in these Chinese imports in 2002. There was 
clearly an interest in supplying the market then, and
I think we've supplied on the record in our prehearing brief some fairly compelling evidence of exactly what Red Star was thinking about the U.S. market.

You know, is there any evidence to suggest that that's changed since then? I'm not aware that there is. What that suggests to us is that the reduction in imports this year is only temporary, that it almost certainly has more to do with the pendency of this case than any change in attitude or any declining demand in the U.S. market and that if an order is not put into place we're very likely to see the same pattern reoccur.

I want to turn now just to a few points that were raised in the presentation this afternoon. One is that we've talked a little bit about the CPC purchases from BassTech that occurred a few years ago. We really don't think it's terribly significant for where the case is right now for the record in front of you. There are not very large volumes on the record. The key issue is what has happened to the pricing since all of those relationships were broken off quite some time ago.

I think that the documents that we've given you both in our prehearing brief and in our post-conference submission after the preliminary are fairly
telling about how that relationship went. There is a
definite difference in the perspective that both sides
are bringing to that negotiation and subsequently into
that relationship, and I think I would mostly just
encourage you to look at those documents and read it
for yourself and draw the conclusions that are there
to be drawn.

Not to pick on too many specifics, but I
think Mr. Gutmann's comment that they got tired of the
endless deliberation at CPC. Well, yes. Again, look
at the documents. They are full of we have to know.
You give us your decision today. We have to know
right now what you're going to do. You have to buy
this much volume, that much volume.

As Mr. Mauldin said this morning, they could
see what was coming down the track. They could see
what the intent was of Red Star with respect to this
market. In fact, they were proved right. There was a
giant increase in imports. They entered into a deal
with CMV that put them out of the barium carbonate
market, and I don't think there's any question but
that from CPC's perspective that was not an attractive
business arrangement, and they were actually right to
turn it down.

Turning to that CMV deal for a moment, as we
mentioned, that put them out of the barium carbonate business. It's pretty clear that the CMV customer list -- it's not just Techneglas; it's all their customers that they were quite interested in. You have to ask yourself why CMV would agree to enter into that kind of arrangement. Again, we would suggest that the record indicates that prices had fallen so far that they just probably felt they had no choice.

We've heard a little bit today about the differences in product quality or qualification issues. Again there we do have a fuller record in this final phase investigation. I think what you will find is that yes, purchasers are going to tell you that quality is quite important, but I would encourage you also to look at the record about what purchasers say about the comparability of the U.S. product and the Chinese product.

I mean, obviously if you have products that are perceived to be equivalent in quality and then price is the next most significant factor, then you're really in a situation where you're competing on price, and that's very consistent with what we've mentioned to you.

With respect to qualification, again we do have a fair bit of evidence on the record, both the
purchaser questionnaires and from individuals that are
very familiar with how the qualification process takes
place. The point I'd like to stress is that, you
know, the way this market works the damage is
occurring well before qualification.

If you're the incumbent supplier and someone
comes to you and says if you're not willing to lower
your price we're going to qualify somebody else, you
know, the clear implication there is that you're going
to lose your volume if you don't reduce your price to
match that. That's certainly been an effective tactic
for those purchasers to use. They've been very
fortunate to have the Chinese imports there to allow
them to do that.

Finally, I want to turn to this idea that
CMV and Solvay are the price setters in this market.
I mean, it's odd. I guess we've already dealt with
this. It's odd at the very least to think that they
were price setters to the point that they priced
themselves out of the market. I find it hard to see
that as credible.

Then just as a last point, and this is more
a point of clarification than anything else. The only
point that we're trying to make when we're pointing
you to official import statistics, to Customs values,
is that that's one measure of what the prices are in
China to the United States.

We really are trying to do an apples to
apples comparison here. I understand, you know, that
BassTech may have changed their freight and
transportation arrangements, their logistics or
whatever. That's not what we're getting at. We're
looking at the Customs value. Those are FOB. They
should be at least. Those are FOB China values.

There's an entire different set of statistics
maintained for landed duty paid values.

If you look at what's happening in China,
and that's important because we've given you good
reason to believe that there was a decision made in
China to sell a bunch of barium carbonate in the
United States no matter what. If you look at what
happened in China over the period of investigation,
the fact is the prices go down almost $100 a ton, 30
or 35 percent, which is again fairly consistent with
the margins that we're seeing from Commerce as well.

Clearly, the prices to the purchasers in the
market are also important, but when you're looking at
the ability to go in and offer lower bids than the
incumbent to try to get someone to switch their
purchases to you, you know, obviously the more price
I guess you know we appreciate the attention that you have paid to reviewing the record in this case. We hope very much that you'll take into account the points we've made and the arguments we've raised, and we would be pleased to respond.

We'll obviously respond to the questions that you raised in our post-hearing submission, as well as anything else that you'd like for us to gather for you. Thank you very much.

CHAIRMAN OKUN: Thank you.

We will now hear from Mr. Lee.

MR. LEE: Thank you very much. This has been a very useful hearing because I think the testimony presented today has allowed the Commission to focus on key points of agreement and disagreement.

I think, you know, the facts are not terribly in dispute. I think the significance of those facts, you know, is still subject to debate, but I think the Commission today has seen our respective stories, and I would like to emphasize why we believe certain aspects of Petitioners' story just aren't
credible or reasonable and why our story is more credible and merits a negative determination.

Before getting into the specifics of the conditions of competition and volume, price, impact and threat, I'd like to step back and sort of just get a historical perspective. Mr. Price began today talking about the history of CPC being formed over 70 years ago.

I think with regard to CPC's history of antidumping cases, I think that also is a relevant point because the last time CPC filed a case or actually the first time they filed a case was back in 1981. They filed a case against barium carbonate and staunium carbonate from Germany. The Commission went affirmative for barium carbonate, but negative for staunium carbonate.

The Order on barium carbonate, not coincidentally on barium carbonate from Germany, expired in 2000. The sunset review went negative for Germany, for Solvay, in 1998, but the revocation of that Order was effective in 2000. This is relevant to us because it is a trigger point for what happened in the market subsequently.

Another historical point is the fact that in 1983, CPC filed an antidumping petition against barium carbonate from Germany, which resulted in a positive outcome. The Commission determined that barium carbonate from Germany was dumped at a price below normal value and made an affirmative finding.

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chloride and barium carbonate from China. Although an Order was imposed on barium chloride, none was imposed in this action on barium carbonate because the Department made a negative final determination.

I'm sure back then in the 1980s, CPC was claiming that their survival hinged on the imposition of antidumping relief. Despite the lack of an Order on barium carbonate from China in 1983, CPC managed to survive some 20 some years, and Chinese imports at that time did not flood the market as feared in the 1983 case.

Now, it is helpful to understand what triggered the cases in the 1980s. In the 1980s, the TV industry had a shift in technology. That was when black and white TVs were shifting to color TVs. Because color TVs have an increased need for barium carbonate and stannium carbonate, that affected the barium carbonate industry, and suddenly you have much greater competition, and thus CPC had to file an antidumping case.

Today, we are looking at a similar shift in technology in the TV industry as traditional cathode ray TVs are starting to give way to new technology, such as flat screens, LCDs and plasma screen TVs. Now, this shift is going to result in a longer term
decrease in demand for barium carbonate, but more
immediately there is an internal shift within the
cathode ray TV industry.

Although overall demand for TVs is still
increasing even here in the United States, the
production of those TVs is shifting dramatically from
North America to TV production in China and Malaysia.
If you look at Chung Hong and Funai, in those cases
that is a recent shift. The Commission in the TVs
case noted that the most rapid increase was from 2001
and 2002. That shift in the cathode ray TV industry
is directly relevant to our barium carbonate case.

The Commission should carefully examine the
shift in technology and the shift in production of
cathode ray TVs from North America to Asia because we
feel that the timing of these shifts is critical to
the Commission's analysis in this case.

With regard to volume, again Petitioners
just seem to point to the absolute increase in Red
Star's Chinese barium carbonate import volume. We
urge the Commission to look not just at the absolute
volumes, but at the relative volumes. Compare it to
see how much non-subject imports was being replaced
and was there an increase in total subject and non-
subject imports. We submit that because there was a
one-for-one replacement there is no adverse volume effect caused by this increase of Chinese imports.

With regard to price, I would start and finish by urging the Commission to look at the staff report data on pricing. I can't go into it because it's confidential, but I think it is very striking, and it is relevant to give you a perspective as to which testimony presented today is more reasonable.

The Petitioners have obviously emphasized that price is dropping throughout the POI, and we're trying to explain why the prices are dropping and why those price drops are unrelated to our presence in the marketplace.

We are in agreement that general economic conditions do have an effect on pricing and that from 2000-2001 we could say that, you know, there was the typical fluctuation. Given that we were in a recession at that time, that would explain the minor -- relatively minor -- drop in prices.

What we're seeing from the latter half of 2002 into 2003 is a much more significant drop in demand and prices that cannot be attributed to normal economic considerations. It is not normal when Corning-Asahi Video decides to shut down their entire operation. It is not normal for Thomson to shut down

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two of their picture tube operations and decide not to rebuild one of their glass lines.

That is not a normal drop-off that is going to recover when the economy recovers. There is no up in demand now because CAV is gone. All their assets and all their manufacturing equipment has been sold off to China.

CPC also mentioned today that they were interested in working to restore fair and competitive conditions in the marketplace and that they worked closely to support the TV producers in the United States. We submit that imposing antidumping duties on barium carbonate will do nothing to help improve the U.S. TV industry.

Rather than helping the U.S. TV industry, we submit that the extreme conditions that are facing the domestic TV producers will be further exacerbated by an Order on barium carbonate from China. Indeed, it would seem like it is adding yet another nail to conditions of competition that are facing the domestic TV industry.

With regard to threat, it seems that Petitioners completely ignore the difference between compacted granular product and calcined granular product. Asian TV glass producers do not use calcined
product. They use compacted granular product. Whatever granular product is being shipped to Asian TV glass producers, there's no reason. There's no demand for that product to come to the United States. It is absolutely ludicrous to hypothesize or speculate that just because Red Star ships compacted granular to Asian TV glass producers that there is a threat to the U.S. TV glass market here in the United States.

Fundamentally it seems that CPC just doesn't have any experience in the Asian market. That's why I believe they were trying to negotiate a deal with CPC. Sorry. CPC was trying to negotiate a deal with Red Star and BassTech so that they could get access to that growing Asian market.

While generally I do not doubt the sincerity or the conviction of CPC's belief in the accuracy of their views of the U.S. barium carbonate market, I respectfully request that the Commission consider whether these views are accurate or not and that the relevant benchmark is what is being said by all of the other participants in the marketplace.

We submit that CPC's points are stated from a perspective that is too narrow and isolated because they're focusing only on the United States market.

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They're not aware of what's happening in Europe.
They're not aware of what's happening in Asia.
They're not aware of what Solvay is doing.

I think if you look at Solvay, Solvay has recently begun to shift their barium carbonate production from Germany to Mexico. The valuation of the euro has helped push Solvay to look at Mexico as a new supply option.

To the extent that Germany has dropped off on the import stats, you will still see that Mexico is still there notwithstanding CMV's exit from the Mexico market. What's happening there is that Solvay is definitely still in the marketplace. Petitioners are misleading in suggesting that Solvay is not in the marketplace anymore.

We can understand why CPC would have a different perspective of the barium carbonate market than we do. It seems that they have been in a comfort zone for quite a long period of time. They are still in that comfort zone for their Micro-Flo spray dried product. However, being uncomfortable does not necessarily mean that they are injured or threatened with injury. This is just competition.

We simply ask the Commission to consider the perspective of the purchasers themselves and not just

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CPC's fears of what the purchasers are going to do to
determine CPC's allegations regarding Chinese barium
carbonate imports are reasonable or fair.

We submit that consideration of the volume,
price, impact and threat factors in light of all of
the record evidence that encompasses all perspectives
of the marketplace will lead the Commission to
conclude that a negative injury and threat
determination should be made in this case.

Thank you very much for your time today.

CHAIRMAN OKUN: Thank you.

Before I turn to the closing statement, I
note that it has been brought to my attention that
there may have been a possible release of BPI
information during today's proceeding. Therefore,
parties who have ordered transcripts will not receive
them until we correct the transcripts. We will do
this as quickly as possible.

Post-hearing briefs, statements responsive
to questions and requests of the Commission and
corrections to the transcript must be filed by
August 7, 2003. Closing of the record and final
release of data to parties is August 26, 2003, and
final comments are due August 28, 2003.

With no other business to come before the
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Commission, this hearing is adjourned.

(Whereupon, at 3:38 p.m. the hearing in the above-entitled matter was concluded.)
CERTIFICATION OF TRANSCRIPTION

TITLE: Barium Carbonate From China

INVESTIGATION NO.: 731-TA-1020 (Final)

HEARING DATE: July 31, 2003

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: July 31, 2003

SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

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Signature of Court Reporter