

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
CORROSION INHIBITORS FROM CHINA) 701-TA-638 AND 731-TA-1473 (PRELIMINARY)

Pages: 1 - 168
Place: Washington, D.C.
Date: Wednesday, February 26, 2020



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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
CORROSION INHIBITORS FROM CHINA) 701-TA-638 AND
) 731-TA-1473 (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Wednesday, February 26, 2020

The meeting commenced pursuant to notice at 9:30
a.m., before the Investigative Staff of the United States
International Trade Commission, Nannette Christ, Director of
Investigations, presiding.

1 APPEARANCES:

2 Staff:

3 William R. Bishop, Supervisory Hearings and

4 Information Officer

5 Tyrell T. Burch, Management Analyst

6

7 Nannette Christ, Director of Investigations

8 Elizabeth Haines, Supervisory Investigator

9 Lawrence Jones, Investigator

10 Jennifer Catalano, International Trade Analyst

11 Marisa Wright, International Trade Analyst

12 Amelia Preece, Economist

13 Samuel Valera-Molina, Accountant/Auditor

14 Henry SMith, Attorney/Advisor

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1 APPEARANCES:

2 Opening Remarks:

3 In Support of Imposition (Stephen J. Orava, King & Spalding
4 LLP)

5

6 In Support of the Imposition of Antidumping and
7 Countervailing Duty Orders:

8 King & Spalding LLP

9 Washington, DC

10 on behalf of

11 Wincom, Inc.

12 James Milawski, President, Wincom, Inc.

13 Eric Spore, Vice President of Sales, Texmark Chemicals,
14 Inc.

15 Jeter Starnes, Vice President of Technology and
16 Business Development, SantoLubes LLC

17 John Zibrida, President, Zibex, Inc.

18 Richard Lutz, King & Spalding LLP, Consultant to
19 Wincom, Inc.

20 Stephen J. Orava, Neal J. Reynolds and Mercedes C.
21 Morno - Of Counsel

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1 Interested Party in Opposition:

2 Dober Chemical Corp.

3 Woodridge, IL

4 Denise Bode, Partner, Michael Best Strategies

5 Sarah Helton, Principal, Michael Best Strategies

6

7 Closing Remarks:

8 In Support of Imposition (Stephen J. Orava and Neal J.

9 Reynolds, King & Spalding LLP)

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1 P R O C E E D I N G S

2 9:30 a.m.

3 MR. BISHOP: Will the room please come to order?

4 MS. CHRIST: Good morning and welcome to the
5 United States International Trade Commission's Conference in
6 Connection with the Preliminary Phase of Antidumping
7 Countervailing Duty Investigation Nos. 701-TA-638 and
8 731-TA-1473 concerning corrosion inhibitors from China.9 My name is Nanette Christ and I'm the Director of
10 Investigations and I will preside at this Conference. Among
11 those present from the Commission Staff are from my far left
12 Betsy Haines the Supervisory Investigator, Larry Jones the
13 Investigator, Henry Smith the Attorney Advisor, Amelia
14 Preece the Economist, Sam Valera-Molina the Accountant,
15 Marissa Wright the Industry Analyst and Jennifer Catalano
16 the Industry Analyst.17 I understand that the parties are aware of the
18 time allocations. Any questions regarding the time
19 allocations should be addressed with the Secretary. I would
20 remind speakers not to refer in your remarks to business
21 proprietary information and to speak directly into the
22 microphones.23 I also ask that you state your name and
24 affiliation for the record before beginning your
25 presentation or answering questions for the benefit of the

1 court reporter. All witnesses must be sworn in before
2 presenting testimony. Are there any questions? Mr.
3 Secretary, are there any preliminary matters?

4 MR. BISHOP: Madam Chairman, I would note that
5 all witnesses for today's conference have been sworn in.
6 There are no other preliminary matters.

7 MS. CHRIST: Very well, we will begin with
8 opening remarks.

9 MR. BISHOP: Opening remarks on behalf of those
10 in support of imposition will be given by Stephen J. Orava,
11 King and Spaulding. Mr. Orava, you have five minutes.

12 OPENING STATEMENT OF STEPHEN J. ORAVA

13 MR. ORAVA: Thank you. Good morning. My name is
14 Steve Orava and I'm here on behalf of Petitioner Wincom,
15 which is a U.S. Manufacturer of corrosion inhibitors located
16 in Blue Ash, Ohio north of Cincinnati.

17 This investigation is supported by Wincom's toll
18 producers Santo Lube, which is located in Spartanburg, South
19 Carolina and Texmark which is located in Galina Park, Texas
20 just east of Houston. Witnesses from all of these companies
21 and all of their U.S. Customers are here today to provide
22 additional information and answer your questions.

23 This case is a textbook example of why we have
24 the trade laws. Wincom has worked hard to develop
25 innovative technology to manufacture the subject product in

1 the United States more efficiently and with far less damage
2 to the environment. It wants to keep producing the Subject
3 Product in the United States.

4 In fact, Wincom has tried to implement its plans
5 to produce much more of the Subject Product in the United
6 States and put more people in Ohio, South Carolina, and
7 Texas to work in well-paid manufacturing jobs. As a result
8 of unfairly dumped and subsidized imports however, Wincom
9 and its tolling partners are now suffering material injury
10 and are threatened with further injury that could wipe out
11 U.S. Production altogether.

12 Unlike virtually every other sector competing
13 with imports from China, the Subject Imports were not
14 covered by additional duties in the Section 301 process. As
15 a result, the enforcement of the trade laws in this case are
16 especially critical because there is no safety net of other
17 relief. The only option to save this industry from unfair
18 trade is for the Commission to authorize trade relief.

19 The scope of the Commission in this case includes
20 certain corrosion inhibitors defined as all forms and grades
21 of tolyltriazole and benzotriazole. These products share
22 similar characteristics and end-uses, are considered
23 interchangeable in many applications, are produced in the
24 same manufacturing facilities using the same processes, are
25 sold in the same channels of distribution and are sold at

1 similar pricing levels.

2 Accordingly, the Commission should find a single
3 like-product composed of certain corrosion inhibitors
4 commensurate with the scope definition. The Domestic
5 Industry is composed of three producers: Wincom and its two
6 toll producers, Santo Lubes and Texmark. Wincom and its
7 tollers are not aware of any other U.S. Producers of
8 tolytriazole or benzotriazole. And based on submission to
9 Commerce, Respondents have also been unable to find any
10 credible evidence of any such producers. Thus, the Domestic
11 Industry producing the like product consists of Wincom,
12 Santo Lube and Texmark.

13 The conditions of competition make the Domestic
14 Industry especially susceptible to injury from unfairly
15 dumped imports. First, China dominates the global market
16 for corrosion inhibitors and thus it has the ability to
17 aggressively compete on both volume and price in the U.S.
18 Market by leveraging unfair trade.

19 Second, the Subject Product is price sensitive,
20 commodity-like products and Subject Imports and domestically
21 produced tolyltriazole are highly interchangeable. As a
22 result, Wincom must compete primarily based on price in
23 order to maintain sales volumes and ensure sufficient
24 capacity utilization in this capital-intensive
25 manufacturing process.

1 Third, Wincom and its toll producers are
2 relatively new entrants into the market and thus are
3 particularly vulnerable to the impact of the very low prices
4 of dumped and subsidized imports from China. Finally,
5 imports from Countries other than China do not have a
6 significant presence in the U.S. Market.

7 Applying the statutory factors in the context of
8 these conditions of competition there is certainly a
9 reasonable indication that the Domestic Industry is
10 materially injured by reason of Subject Imports. First, the
11 volume of Subject Imports and the increase of volume of
12 imports is significant. Imports from China have
13 historically captured a significant share of the U.S. Market
14 and during the Period of Investigation the volume and value
15 of Subject Imports have increased on an absolute and
16 relative basis.

17 Second, imports from China have had negative
18 price effects. The adverse price effects have had massive
19 underselling and significant declines in pricing over the
20 period. Finally, the Subject Imports' negative volume and
21 price effects have negatively impacted the Domestic
22 Industry's production, capacity utilization, U.S. shipments,
23 gross profit and operating income.

24 Moreover, as a result of the unfairly traded
25 imports, the Domestic Industry is unable to continue with

1 investment plans to expand production of the like product.
2 The financial condition of the industry will deteriorate
3 further in the absence of relief making it very likely that
4 the only U.S. Producer in the United States will be forced
5 to shut down rather than run their operations at an
6 ever-increasing loss.

7 Although we believe the Industry is suffering
8 present material injury, there is also substantial evidence
9 that the industry is threatened with additional injury. The
10 increase in imports, the large margins of underselling, the
11 excess of growing capacity in China and the significant
12 level of government subsidies make clear that future injury
13 is also imminent if duties are not imposed to offset the
14 unfair pricing and illegal subsidies.

15 The Commission should reach an affirmative,
16 preliminary determination in this investigation. That
17 concludes my opening statement.

18 MR. BISHOP: Thank you, Mr. Orava. Madam
19 Chairman, the Panel in support of the Imposition of the
20 Antidumping and Countervailing Duty Orders have been seated.
21 This Panel has 60 minutes for their direct testimony.

22 MS. CHRIST: Thank you very much and welcome to
23 all the Panel members. Please begin when ready.

24 MR. ORAVA: Thank you and good morning again. My
25 name is Steve Orava. I'm with King and Spaulding on behalf

1 of the Petitioner Wincom.

2 I'd like to make just a couple of introductory
3 comments. First, this case is incredibly important to
4 Wincom. We've brought Wincom's president and we've brought
5 two of their tolling producers in Santos Lube and Texmark
6 and we've brought a representative from one of our
7 customers, Zibex and they're all here to answer your
8 questions and they look forward to doing so.

9 Notably today, no company representatives from
10 any of the Respondents Foreign Producers or U.S. Importers
11 are appearing before you today. Despite a wide range of
12 unsubstantiated allegations and even retaliation in various
13 forms against Wincom, none of these companies has come
14 before you to answer your questions and we don't anticipate
15 that they will do so later today.

16 We consider that this failure to appear as well
17 as the failure of many of these parties to respond to your
18 questionnaires means that the Commission must continue these
19 proceedings under the applicable legal standard.

20 Second, as you will hear today, the Domestic
21 Industry is composed of the Petitioner Wincom and its two
22 tollers. In addition to the technology and commercial
23 operations in this highly concentrated industry are highly
24 proprietary and as a result we ask your accommodation as we
25 try to answer your questions to the best of our ability

1 without disclosing any confidential information.

2 We will provide obviously more complete answers
3 in response to your questions in our post-conference
4 submission. So with that I'd like to turn it over to Jim
5 Milawski with Wincom. Thank you.

6 STATEMENT OF JIM MILAWASKI

7 MR. MILAWSKI: Good morning. My name is Jim
8 Milawski, I'm President of Wincom Incorporated, a Domestic
9 Producer of corrosion inhibitors. I have been Wincom's
10 President since April of 2019. Before I took on this role,
11 I was Wincom's Director from 2014 to 2019. Between 2012 and
12 2014 I was the technical director for Wincom.

13 Finally, I was Wincom's technical and quality
14 manager from 2009 to 2012. I have a Bachelor of Science and
15 a Master of Science from the University of Cincinnati. I'm
16 a member of the Society of Tribologist and Lubrication
17 Engineers, The American Chemical Society, The Association of
18 Water Technologies, The Cooling Technology Institute and the
19 Cincinnati Chamber of Commerce.

20 During my years working for Wincom I've been
21 involved in and managed every aspect of our production,
22 sales, marketing operations including those involving the
23 corrosion inhibitors. In my role as President of the
24 Company, I manage our performance and process patents and
25 oversee our innovative manufacturing inventions such as

1 Wincom's environmentally friendly clean technology
2 production process.

3 I also manage all of Wincom's manufacturing
4 activities including its toll manufacturing operations at
5 SantoLubes and Texmark. Given my background and work
6 experience I have strong knowledge of the corrosion
7 inhibitors under investigation. I also have a strong
8 understanding for corrosion inhibitors in the United States
9 and the way competition occurs in the market place.

10 Unfortunately, I am also very familiar with the
11 way the dumped and subsidized imports of corrosion
12 inhibitors from China have increasingly entered the U.S.
13 Market at very low prices to our detriment. Over the past
14 several years these unfairly traded imports have caused a
15 significant deterioration in our sales levels, market share,
16 pricing levels, profitability and we see the situation
17 becoming worse.

18 I will discuss these issues shortly but I would
19 first like to provide more details regarding the corrosion
20 inhibitors covered by this case, including tolyltriazole and
21 benzotriazole in all of their forms. Tolyltriazole and
22 benzotriazole are members of the benzotriazole family of
23 chemicals. They share a similar physical characteristics
24 and are used in the same applications. Both are mild acids
25 with similar chemical formulas.

1 In fact, the only significant chemical difference
2 between tolyltriazole and benzotriazole is the existence of
3 a methyl group on tolyltriazole's benzene ring. Both
4 chemicals are produced in solid and liquid form. When
5 produce in a solid form, tolyltriazole and benzotriazole can
6 be produced as a powder or in the form of a flake, granules
7 or crystals.

8 When produced in a liquid form, tolyltriazole and
9 benzotriazole are both solublized for use in a 40-50 percent
10 concentration. Because of their chemical and physical
11 similarities tolyltriazole and benzotriazole have the same
12 end uses in the market place. They are used to provide
13 corrosion protections from metals and elements in copper,
14 copper alloys, zinc, cobalt, silver, aluminum and steel.

15 Tolyltriazole and benzotriazole provide corrosion
16 protection in the same end-use applications such as
17 industrial water treatment systems, automotive fluids, metal
18 working fluids, aircraft, runway deicers, lubricants,
19 cleaners, circuit boards and some coatings.

20 In fact, the two products are so similar
21 chemically that they are often used interchangeably in
22 blends for applications such as engine coolants, water
23 treatment products and metal working products.

24 Tolyltriazole and benzotriazole also undergo similar
25 production processes. Tolyltriazole is traditionally

1 produced by reacting orthotolidine diamine OTDA and sodium
2 nitrate in a pressure reactor which results in the
3 production of crude tolyltriazole.

4 After being acidified and distilled to produce a
5 clean tolyltriazole the resultant product is further
6 processed to produce a solid form of chemical. The liquid
7 form of the chemical is produced by adding caustic and water
8 to the solid tolyltriazole which results in the creation of
9 tolyltriazole and benzotriazole and its stable aqueous
10 sodium form.

11 Benzotriazole undergoes a very similar process.
12 the only difference is that the production process for
13 benzotriazole uses orthophenyline diamine OPD as an input in
14 place of OTDA. I would add that the production process for
15 both products is sophisticated, requires real technical
16 expertise and is capital intensive.

17 As we explained in the Petition, Wincom produces
18 tolyltriazole in a very similar manner to the Chinese
19 manufacturing process, which has been traditionally used for
20 decades by the U.S. and Chinese manufacturers. However,
21 Wincom's purification process differs from the Chinese
22 process. They use a unique patented process that reduces
23 the amount of chemical waste during the process and lessens
24 its environmental impact.

25 Although this is an important difference,

1 especially for customers who care about the environment, our
2 synthesis process is still similar in most respects to the
3 production process of the Chinese Producers of the corrosion
4 inhibitors. In the end, our customers think of
5 tolyltriazole and benzotriazole as essentially similar
6 interchangeable products and as you can imagine our
7 patented purification process is even more technically
8 sophisticated than the traditional process used by the
9 Chinese industry.

10 Next, I would like to address my biggest concern,
11 the severe impact the imports of tolyltriazole and
12 benzotriazole from China have had on Wincom over the past
13 three years. I want to note that China, with the help of
14 massive subsidies is the dominant producer of corrosion
15 inhibitors and has secured substantial market share in the
16 United States and in the global market.

17 Imports from China have historically held a very
18 large share of the U.S. Market and China continues to be the
19 dominant force and price leader in the United States.
20 Wincom on the other hand is a relatively new entrant into
21 the market. We began domestically producing and selling
22 corrosion inhibitors in 2011. Even though we are a
23 relatively new entrant into the market we have had success
24 with our production and sales efforts for corrosion
25 inhibitors.

1 Over the past 9 years we have managed to develop
2 a significant and loyal customer base and have established a
3 significant presence in the market as a U.S. Manufacturer.
4 We are proud that we have managed to bring back production
5 to the United States especially since we have been able to
6 produce these products using an environmentally friendly
7 process.

8 In the last few years however the Chinese
9 Producers have begun to more aggressively leverage unfair
10 trade to target Wincom. They have significantly reduced the
11 prices they're offering customers for the Subject Products.
12 Since 2017 we have seen the price of Chinese Imports fall
13 significantly with most of these price declines occurring
14 between the middle of 2018 and continuing through 2019 and
15 now beginning in 2020.

16 In fact, the average unit value of Chinese
17 tolyltriazole imports fell by nearly 62 percent between 2017
18 and 2019. Importantly, given that China is the price leader
19 and dominant player in the market we have had to follow
20 China's price downward throughout 2018 and 2019. Even
21 though we have tried to meet China's increasing low prices,
22 the Chinese Imports have taken a significant number of our
23 sales from us and have managed to increase their dominant
24 share of the market.

25 It's difficult to compete with the set of

1 producers who don't seem to care that they are selling their
2 product at prices well below the fair market value. As a
3 result of China's aggressive price competition here in the
4 United States our sales and financial performance has
5 deteriorated significantly. Because we are the sole
6 Domestic Producer of corrosion inhibitors competing head to
7 head against Chinese Imports in the merchant market we
8 cannot describe in detail how these imports have affected
9 our performance over the past several years without
10 disclosing confidential information.

11 Nonetheless, I will say that since 2017 we have
12 lost significant sales volumes and market share to the
13 imports from China. We have also seen our pricing and
14 profitability levels fall dramatically as we have fought to
15 keep our customers. Given the strength of the Chinese
16 Producers and the addition of new subsidized capacity, we
17 expect the situation to become far worse if we are not given
18 relief under the trade laws.

19 Moreover, because of this aggressive competition
20 from low priced imports from China we have not been able to
21 carry out improvements in our production process and product
22 range. Wincom has been planning to expand its corrosion
23 inhibitors production to include the Domestic Production of
24 benzotriazole. Because of the Chinese Imports, Wincom has
25 been unable to carry out these plans which has effected not

1 only our production and our sales levels but those of our
2 tollers as well.

3 We have also struggled to gain the capital to
4 support the increase of tolyltriazole capacity of our
5 tollers. Despite our initial record of success in
6 introducing new products into the market sourced from U.S.
7 Manufacturing, we have been prevented from building on this
8 success by adding benzotriazole to our domestic product line
9 due to the extraordinarily low pricing of imports from China
10 in the market in 2018 and 2019.

11 In sum, the Subject Imports from China are being
12 offered at prices with which we simply cannot compete. No
13 producer operating in a fair market on partial terms could
14 compete with this unfair pricing. The price levels of the
15 Subject Imports are significantly lower than the prices we
16 can afford to offer our customers in the market.

17 Given our cost of production and our need to make
18 a profit we cannot reduce our prices to levels now being
19 offered by the Chinese which reflect dumped and subsidized
20 pricing. In other words, if we cannot obtain relief from
21 the Commission and Commerce the likely consequences for
22 Wincom and for our employees will be severe.

23 Our survival as a producer of corrosion
24 inhibitors is at stake. We really need the help of the
25 Commission and Commerce to ensure that we are competing with

1 imports from China under fair market conditions. We are not
2 looking to exclude Chinese Imports from the market. We only
3 want Subject Imports to be priced at fair levels so we can
4 compete with them on an equal basis.

5 I appreciate the time you have taken to listen to
6 me today. I would ask that the Commission give Wincom, its
7 employees and its tollers the opportunity to compete with
8 the Chinese on a fair and level playing field. I welcome
9 any questions you have. Thank you.

10 STATEMENT OF ERIC SPORE

11 MR. SPORE: Good morning. My name is Eric Spore.
12 I am the Vice President --

13 MR. BISHOP: Would you pull the mike a little
14 closer?

15 MR. SPORE: I am the Vice President of Sales and
16 Marketing at Texmark Chemicals. Texmark is located in
17 Galena Park, Texas, which is near Houston, and it is a
18 family-owned and operated business which has 44 employees.

19 At Texmark we produce a number of chemicals,
20 including dicyclopentadine. Dicyclopentadine is used in the
21 manufacturing process to make fiberglass boat hulls, shower
22 stalls and bath tubs, adhesives, ink, and Corvette bodies.
23 And I would encourage everybody in this room to go out and
24 buy a Corvette to help our business.

25 We also produce things like normal propynol,

1 normal butynol, and some oxybottoms products that go into
2 the mining and chemical business.

3 We also are in startup mode to make renewable jet
4 fuel. And once we start producing, we will be one of two
5 companies in the U.S. making renewable jet fuel, and we are
6 pretty excited about that.

7 I have worked in the chemicals business for 40
8 years and I am very familiar with the way chemicals are
9 produced and sold in the United States.

10 First of all, I want to note that Texmark is
11 committed to producing high quality, reliable chemicals in a
12 safe and environmentally friendly manner. We use
13 state-of-the-art equipment in producing those chemicals, and
14 our staff are highly trained professionals.

15 We monitor our production process from start to
16 finish. We are proud of what we do and how to do it. I am
17 glad that Texmark produces chemicals here in the United
18 States and in the State of Texas.

19 I am also proud to say that Texmark has begun
20 working closely with Wincom to produce tolyltriazole here in
21 the United States. We began producing tolyltriazole for
22 Wincom in 2018. We work closely with Wincom to make sure
23 that Wincom produces the highest quality tolyltriazole
24 products in the market.

25 I also want to emphasize that the production

1 process to make tolyltriazole is not an easy process to
2 undertake. To produce tolyltriazole, we take two main
3 ingredients, orthopolydiamene, or OTDA, with sodium nitrite,
4 and we wrap them in a continuous high-pressure reactor with
5 high sensitives.

6 This produces a true flame of sodium
7 tolyltriazole that we then ship to Wincom who purifies it at
8 a much higher quality level. This process is technically
9 challenging and capital intensive. It is a -- if it is done
10 wrong, our machinery can become damaged, or our workers can
11 become injured.

12 It is not a process that can be undertaken by
13 anyone who happens to purchase resale synergies in the
14 market. The only chemicals that produce tolyltriazole in
15 the United States from start to finish is Texmark,
16 SantoLubes, and Wincom. No one else in the United States
17 can do this.

18
19 Finally, I want to address the
20 very serious situation that Wincom, Texmark, and SantoLubes
21 now face because of low-priced Chinese imports. As an
22 initial matter, I would point out that Texmark is a company
23 that only produces tolyltriazole on a code basis for Wincom.
24 In other words, we do not compete directly with Chinese
25 imports as does Wincom.

1 Therefore, I am not as familiar with Chinese
2 pricing and competition as Jim Milawski is. Therefore, I am
3 not as familiar with -- but I can tell you about my own
4 knowledge and experience. I have had discussion with Jim
5 and others at Wincom and am aware that the prices of
6 imported Chinese tolyltriazole dropped to the floorboard
7 into the cellar into the middle of 2018, and has continued
8 to decline since then.

9 The prices of Chinese imports continues to drop.
10 It will accelerate significant adverse impacts on our
11 profitability levels and our employment levels that we have
12 already experienced.

13 If the Chinese are allowed to continue selling
14 their products at a lower and lower amount from subsidized
15 prices, we will eventually need to stop producing
16 tolyltriazole for Wincom. And we will not be able to expand
17 our workforce.

18 In other words, Texmark can only commit more
19 capital to make more tolyltriazole and hire more employees
20 if we have greater comfort that Wincom will need our
21 product. This is why we so strongly support Wincom's
22 Petition against unfairly traded imports from China.

23 In sum, I respectfully ask the Commission to
24 issue an affirmative determination in this investigation.
25 If you do so, it will help Texmark, Wincom, and SantoLubes

1 to compete in a market that reflects the typical market
2 price environment.

3 Thank you very much for listening to my concerns.
4 I would be happy to answer any questions that you may have.

5 STATEMENT OF JETER STARNES

6 MR. STARNES: Good morning. My name is Jeter
7 Starnes, and I am the Vice President of Technology and
8 Business Development for SantoLubes, LLC.

9 I have worked for SantoLubes or its predecessor
10 for 42 years. I have worked in the chemical business for 48
11 years. SantoLubes is based in Spartanburg, South Carolina,
12 and produces a wide range of industrial products.
13 SantoLubes produces a range of synthetic fluids, lubricants,
14 and greases for various industries which provide solutions
15 for difficult end-use applications.

16 These applications involve high temperature,
17 chemical inertness, radiation resistant, and difficult
18 lubrication problems. SantoLubes' products are used in a
19 number of industries such as aerospace, electronics,
20 aviation, automotive, and power industries.

21 SantoLubes produces a number of products for
22 Wincom, including Tolyltriazole. We have produced
23 Tolyltriazole for Wincom on a tolling basis since 2016.
24 Like Texmark, we believe that we are able to produce a
25 high-quality tolyltriazole product for Wincom that meets the

1 highest standards in the market. And like Texmark, we are
2 proud that we are doing so in the United States with an
3 American workforce. I hope we can continue to do so, but as
4 you have heard, very aggressive price competition from the
5 imports from China have made this increasingly difficult.

6 Jim Milawski and Eric Spore have already
7 addressed many of these concerns that I have about the
8 imports from China, so I won't repeat what they have said.
9 I just want to add that because of the very low prices that
10 Wincom is facing from the unfairly traded imports from
11 China, our production and shipments of tolyltriazole has
12 suffered, and this has significantly impacted our bottom
13 line in 2019.

14 We cannot continue to watch our profits decline
15 as they have in 2019. I will be forced to stop producing
16 tolyltriazole. I also want to talk about our production
17 process for Wincom. We product tolyltriazole by taking its
18 two main raw material inputs, orthotolutriazolediamene,
19 which is known as OPDA, and sodium nitrite, reacting them in
20 a pressure reactor which produces a crude form of sodium
21 Tolyltriazole.

22 We then ship this product to Wincom who purifies
23 it to a high period level. The process is technically
24 challenging and capital intense. If it is done wrong, we
25 may damage our facilities and our workers may be harmed.

1 in the azoles business for more than 30 years.

2 Because of my educational background and my long
3 experience with the azoles business, I think I have a good
4 understanding of the dynamics of the market for
5 Tolyltriazole and benzotriazole in the United States.

6 Today I hope to give you an understanding of the
7 market for corrosion inhibitors and how the Chinese imports
8 have negatively affected Wincom and Zibex over the past few
9 years.

10 My company, Zibex, specializes in the sale and
11 distribution of water treatment products, including
12 corrosion inhibitors, biocides, and scale inhibitors. Zibex
13 sells corrosion inhibitors to water service companies. We
14 serve power plants, firms in the petrochemical industry, and
15 the heating and ventilation and air conditioning industry.

16 Zibex purchases all of its tolyltriazole it sells
17 to its customers from Wincom, who I consider to be one of my
18 strategic suppliers of corrosion inhibitors. I am proud
19 that I purchase my corrosion inhibitors from a U.S. company
20 like Wincom, especially since Wincom is a relatively new
21 company that is working to bring production of these
22 products back to the United States.

23 In fact, if trade relief is granted we anticipate
24 we will begin purchasing benzotriazole domestically, as
25 well. Over the past several years, the Chinese producers

1 and U.S. importers of tolyltriazole and benzotriazole have
2 made it much harder for my company, and Wincom, to compete
3 for and win sales to U.S. purchasers of corrosion
4 inhibitors.

5 In my view, over the past decade the market for
6 corrosion inhibitors has been a very volatile market, which
7 is being disrupted by very aggressive pricing practices of
8 the Chinese industry and their imports here in the United
9 States.

10 As you have already heard, Chinese imports of
11 tolyltriazole and benzotriazole are a dominant factor in the
12 U.S. corrosion inhibitor market. Because of their
13 dominance, they are a clear price leader in the market, and
14 their decisions on price directly influence the prices for
15 tolyltriazole and benzotriazole in the United States.

16 In other words, when the Chinese industry and
17 their U.S. importers decide to reduce their prices in the
18 market, smaller players like Wincom and Zibex have to follow
19 China's lead. If we do not, we will lose sales and it will
20 be a lot of sales.

21 Over the past several years, suppliers of Chinese
22 tolyltriazole and benzotriazole have shown an extraordinary
23 willingness to reduce their prices significantly in the
24 market, especially since the middle of 2018. Since 2018,
25 the prices of imports of corrosion inhibitors from China

1 have dropped considerably. Because the price of imports
2 from China drive pricing in the U.S. market, U.S. companies
3 like Zibex and Wincom have no choice but to follow their
4 prices down, even as they have reached very low levels.

5 The aggressive pricing practices of Chinese
6 producers have had a serious negative impact on our sales
7 and profitability levels. We simply cannot afford to watch
8 Chinese prices drive down pricing in the market as they have
9 over the past year or two.

10 I hope the Commission will help us address this
11 issue.

12 I also want to talk briefly about tolyltriazole
13 and benzotriazole. In my view, despite minor differences in
14 the chemical makeup, these products are considered very
15 similar and very good substitutes for one another in the
16 same uses.

17 Moreover, in my experience a price increase for
18 one may lead to a shift to another, or vice versa. In other
19 words, depending on pricing, purchasers can and have
20 substituted tolyltriazole and benzotriazole for one another.

21 Finally, I would like to note that this is not my
22 first experience with antidumping and countervailing duties.
23 Zibex was involved in the antidumping and countervailing
24 duty investigations on 1 hydroxyethylene -- ethyladene, 1
25 dysphonic acid, HED, from China. It was in this very room,

1 too.

2 As a result, I am familiar with the tremendous
3 adverse effect that low prices of imports from China can
4 have on the U.S. industry, and on supplies in other global
5 markets. In fact, this type of impact is especially
6 significant when the U.S. industry consists of smaller firms
7 like Wincom and purchasers like Zibex.

8 I respectfully request that the Commission help
9 Wincom and Zibex remedy this aggressive Chinese unfair trade
10 issue with an affirmative decision in this investigation.
11 Thank you for your attention. I would be happy to answer
12 any questions you might have.

13 Thank you.

14 MR. REYNOLDS: Director Christ, members of the
15 staff, good morning. Apparently, we had a problem with our
16 microphone over here, so Tyrell has asked me to use this
17 hand-held microphone. I kinda feel like a game-show host,
18 so I beg your indulgence on this --

19 MS. CHRIST: I'd say it becomes you.

20 STATEMENT OF NEAL J. REYNOLDS

21 MR. REYNOLDS: Thanks. I appreciate that very
22 much. As you can tell, it's good to be back here at the
23 Commission and see all of you again. As many of you know,
24 my name is Neal Reynolds. I am with King & Spalding and I
25 represent Wincom, the petitioner in these investigations.

1 I'll be addressing the issues of domestic like product and
2 the domestic industry today. I also want to address certain
3 data issues that are affecting the record here.

4 Let me start with the domestic like product
5 issue. As you know, when the Commission performs its
6 domestic like product analysis, it begins with the scope of
7 the investigation. In this investigation, the scope
8 includes certain corrosion inhibitors that are composed of
9 all grades and forms of tolyltriazole and benzotriazole.
10 And as you've just heard from Mr. Milawski, the subject
11 products are considered to be very similar chemicals by the
12 industry.

13 Both tolyltriazole and benzotriazole have very
14 similar chemical formulas. Moreover, they're both produced
15 using similar production processes and are used in the same
16 end-use applications. In fact, I'd like to emphasize that
17 the two chemicals are so chemically similar that they can
18 actually be used interchangeably in a number of products
19 such as engine coolants, water treatment products and
20 metal-working products.

21 And finally, they're sold in the same channels of
22 trade at reasonably similar prices. In light of all these
23 similarities, the Commission should find that
24 domestically-produced TTA is like the subject imports of
25 tolyltriazole and benzotriazole.

1 Considering that this conclusion is fully in line
2 with Commission's traditional like product analysis, I think
3 the domestic like product issue is relatively
4 straight-forward. But when you review your questionnaires,
5 you may find that some importers are claiming that the
6 products tolyltriazole and benzotriazole are not close
7 substitutes.

8 This is simply not the case. As I just noted and
9 as our witnesses testified, tolyltriazole and benzotriazole
10 are very similar products. They're chemically similar and
11 are often used interchangeably in the same end uses. Given
12 these facts and the other facts supporting this finding, the
13 Commission should find a single like product composed of TTA
14 and BTA.

15 Next I'd like to address the domestic industry.
16 As we've explained in the petition and then in some of our
17 supplemental filings, there are only three domestic
18 producers of corrosion inhibitors, Wincom, Texmark and
19 SantoLubes. In our filings with you and with Commerce, Mr.
20 Milawski has affirmed firmly that no other domestic firms
21 engage in sufficient production-related activities such that
22 they can be considered domestic producers of corrosion
23 inhibitors for purposes of your injury analysis.

24 In fact, as Mr. Milawski has noted, a number of
25 end uses in the U.S. market import corrosion inhibitors in

1 their solid form, and then simply add water and caustic to
2 them to convert them to their liquid form for use in their
3 production processes. This very small additional step of
4 adding water and caustic to the tolyltriazole, benzotriazole
5 imports involves, however, only a very minimum amount of
6 additional costs and additional activity. Moreover, it
7 requires only a minimum level of technical expertise.

8 Given this, in the Commission's traditional
9 six-factor test for assessing whether a firm should be
10 considered a domestic producer, the Commission should find
11 that these purchasers are clearly not members of the
12 industry.

13 Finally, I'd like to address a number of other
14 data-related issues that the Commission should consider when
15 performing its analysis in this case.

16 First, as we explained in the petition, TTA and
17 BTA are imported under three different HTS numbers. Two of
18 those numbers cover imports of TTA and BTA in their solids
19 forms. The third number, HTS2933.99.8290 is the HTS
20 category under which liquid TTA and BTA are imported. This
21 specific HTS number, though, does not only cover imports of
22 liquid TTA and BTA. It also covers a number of other
23 products that aren't within the scope.

24 Given this fact, you cannot and you should not
25 use the import data reported under that HTS number to

1 calculate import volumes for liquid TTA and BTA. Instead,
2 we recommend that you use the calculation methodology that
3 we adopted in the petition to calculate volumes for liquid
4 TTA and BTA. And that analysis, based on a comprehensive
5 analysis and review of the shipping manifest data that is
6 available from customs.

7 Secondly, our second data issue. You haven't yet
8 received what we think is a comprehensive set of imported
9 questionnaires. We'll comment further, of course, in our
10 post-conference brief as we see what happens over the next
11 couple of days. But given a lack of sufficient responses
12 here, we urge you to rely on the approach we took in the
13 petition to calculate import volumes overall.

14 And that approach relies, one, on official
15 customs statistics to calculate the volume of imports of
16 solid TTA and BTA, and two, the shipment manifest data that
17 we obtained from customs to calculate the volume in imports
18 of liquid TTA and BTA. In our view, this is the most
19 accurate way of calculating import volume, given the current
20 information you have on the record.

21 We also note, you don't have a strong record yet
22 for price comparison products. Accordingly, you need to
23 exercise some care when performing your price analysis in
24 this case. We recommend that when you perform this
25 analysis, that you should analysis both the available

1 average unit values for imports and the domestic like
2 product, as well as your quarterly price comparison data,
3 keeping in mind the data limitations of that latter set.

4 Finally, there are issues that could create
5 issues in this preliminary investigation for you. And it
6 might be problematic in any final investigation. As the
7 staff knows, the Commission collected volume and quantity
8 data of producers and importers on a dry weight basis, which
9 means that the producers and importers were required to
10 convert the quantities for liquid forms of TTA and BTA to a
11 dry weight basis.

12 We believe the Commission chose to collect data
13 in this manner because it would facilitate comparable data
14 analysis. And because it placed the least burden on
15 questionnaire respondents in this prelim given the short
16 time frames you provided for responses in a preliminary
17 phase in the investigation.

18 But we want to note, however, that taking such a
19 approach may allow the importers to manipulate the
20 conversion process for liquid to solid to their advantage,
21 especially given that the questionnaires didn't specify a
22 particular conversion factor that should be used to report
23 these volumes, nor did they require the disclosure of the
24 conversion factors that people actually used.

25 In any final phase investigations, we encourage

1 the Commission to collect quantity and pricing data for the
2 liquid forms of these products on both an actual weight
3 basis and a converted dry weight basis. By doing so, all of
4 the parties here will have greater transparency regarding
5 the volume and value of subject imports as actually sold in
6 the market, as well as an insight into the methodology
7 importers and producers and other participants have used to
8 convert to a dry weight basis. This should minimize the
9 opportunities for possible manipulation by subject producers
10 and importers in this proceeding.

11 And so I thank you very much for your attention.
12 I appreciate your indulgence with the microphone. And I
13 welcome any questions you may have. And I'm gonna turn it
14 over to Mr. Lutz.

15 STATEMENT OF RICHARD LUTZ

16 MR. LUTZ: Thanks. Good morning. My name is
17 Richard Lutz. I'm an economic consultant for King &
18 Spalding. I'm here on behalf of petitioner Wincom. I'd
19 like to discuss the pertinent conditions of competition in
20 the market and how subject imports have caused material
21 injury to the domestic industry producing certain corrosion
22 inhibitors. I will start by addressing the pertinent
23 conditions of competition in the United States.

24 First, as you've heard, China is the dominant
25 force in the United States and global markets for corrosion

1 inhibitors. China's dominant position in the United States
2 market means that China has the ability to aggressively
3 compete with the industry on both volume and price, which
4 has had a significant adverse effect on the industry's
5 sales, pricing and profitability.

6 Second, the U.S. market for corrosion inhibitors
7 is extremely price-competitive. The subject imports and
8 domestic products are highly interchangeable, which means
9 that there is a high degree of substitutability between
10 them. Given this high degree of substitutability, the
11 market is highly price-sensitive. Thus, Wincom must compete
12 closely on price with imports from China to maintain its
13 sales volumes and market share in the U.S. market and to
14 preserve the capacity utilization rates required for its
15 capital-intensive manufacturing.

16 Third, Wincom and its toll producers are
17 relatively new entrants into the market. Wincom and its
18 tollers first began production of corrosion inhibitors
19 within the past decade. Although Wincom has had some real
20 success establishing itself as a domestic producer of
21 corrosion inhibitors, it remains a much smaller supplier to
22 the market than China. This means that Wincom and its
23 tollers are more susceptible to the impact of aggressive
24 price competition by imports from China.

25 Finally, nonsubject imports are not as

1 significant a presence in the U.S. market. Nonsubject
2 imports have a very small share of the U.S. market. As a
3 result, the only real competition in this market occurs
4 between China and Wincom.

5 Now I want to address how subject imports are
6 causing material injury to the domestic industry in terms of
7 the significant adverse volume and price effects and the
8 adverse impact on the industry. As you know, the legal
9 standard is whether there is a reasonable indication that
10 the domestic industry is materially injured. When applying
11 the standard, the Commission must continue the
12 investigation, unless there is clear and convincing evidence
13 that there is no material injury and there is no likelihood
14 that the contrary evidence will arise in the final
15 investigation.

16 First, imports from China have historically
17 captured a significant share of the U.S. market. However,
18 during the investigation, they have continued to grow to
19 even more significant levels. In 2017, approximately 10.7
20 million pounds of corrosion inhibitors were imported from
21 China. By 2019, the volume of subject imports had grown to
22 11.2 million pounds, meaning that subject imports grew by
23 approximately 5% over the three-year period. Furthermore,
24 imports from China have continued to take market share from
25 the domestic industry. In other words, the volumes of the

1 subject imports have been massive throughout the
2 investigation period and have continued to grow.

3 Next, I'd like to discuss the adverse price
4 effects from the subject imports. As I mentioned earlier,
5 the subject imports and the domestic like products are
6 highly substitutable. As a result, the U.S. market for
7 corrosion inhibitors is highly price-sensitive, which means
8 that the subject imports and the domestic like product must
9 compete closely on price to win sales. The subject imports
10 have been underselling the domestic like product throughout
11 the period.

12 As we showed in the petition, during each of the
13 three years from 2017 to 2019, the prices of subject imports
14 were lower than the prices of the domestic like product.
15 Moreover, the prices of the subject imports began falling in
16 2018 and continue to fall in 2019, resulting in lower
17 domestic prices.

18 Although you have not yet received a
19 comprehensive set of questionnaire responses from importers,
20 the available data now on the record shows that the subject
21 imports have undersold the domestic like product in every
22 single possible quarterly comparison for price comparisons
23 of Products 1 and 2.

24 Moreover, the available data indicates that this
25 underselling has been accompanied by declines in the

1 industry's pricing. In other words, the available data in
2 the petition and the questionnaires shows that significant
3 underselling by the subject imports has depressed domestic
4 prices.

5 This underselling has also suppressed the
6 industry's prices. Price competition from the subject
7 imports has caused Wincom's cost of goods sold to net sales
8 ratio to increase significantly during the period. Because
9 of this cost-price squeeze, Wincom's operating income
10 margins and its net income margins declined significantly
11 between 2017 and 2019. Moreover, Wincom has lost
12 significant sales and revenues over the past several years,
13 as demonstrated by the lost sales and revenue allegations in
14 the petition.

15 Finally, the significant volumes of these
16 low-priced imports had a serious and adverse impact on
17 Wincom and its tollers. Wincom's production levels have
18 fallen. Its capacity utilization rates have declined. Its
19 U.S. shipment levels and net sales quantities have
20 decreased. Most importantly, its operating income has
21 fallen considerably over the period.

22 Moreover, Wincom's tollers have been experiencing
23 poor profitability levels. This is why Wincom and its
24 tollers are here today. They are hurting because of the
25 extremely low prices of the unfairly-traded imports and they

1 need your help.

2 In sum, significant underselling by imports from
3 China has depressed and suppressed Wincom's prices, causing
4 it to suffer a significant cost-price squeeze and an
5 alarming decline in its profitability level. This situation
6 has also negatively impacted the tollers who are suffering
7 as well. The extraordinary large volumes of very low-priced
8 imports from China have had a major adverse impact on the
9 industry's condition since 2017 and they will continue to do
10 so unless the Commission and Commerce grant the industry
11 trade relief. Thank you very much for your time. I would
12 be happy to answer any of your questions you might have.
13 Ms. Mercedes Morno will now discuss threat.

14 STATEMENT OF MERCEDES C. MORNO

15 MS. MORNO: Good morning. My name is Mercedes
16 Morno with King & Spalding. I am counsel for Wincom, and I
17 am here to discuss the evidence of threat in these
18 investigations. As you just heard, there is overwhelming
19 evidence that subject imports have caused material injury to
20 the domestic industry. Thus, we do not believe that the
21 Commission needs to reach the threat issue. But if it does,
22 there can be no doubt that subject imports threaten further
23 material injury to U.S. producers.

24 Let's start with the general legal standard for
25 threat determination. There are two critical elements.

1 First, are further dumped and subsidized imports imminent?
2 In this case, the record demonstrates that, in the absence
3 of trade relief, subject imports are likely to surge.

4 Second, will material injury by reason of imports
5 occur in the absence of relief? Here, the evidence shows
6 that domestic producers are in a highly vulnerable condition
7 and are certainly in no state to face continued increases in
8 low-priced dumped and subsidized imports from China.

9 Moreover, as we noted previously, the Commission
10 need only find a reasonable indication of threat of material
11 injury in a preliminary phase investigation. Thus, the
12 Commission will reach affirmative determinations on this
13 point unless two conditions are met:

14 First, the record as a whole must contain clear
15 and convincing evidence that there is no threat of material
16 injury. And second, no likelihood exists that contrary
17 evidence will arise in the final investigation.

18 In this case, the evidence does not come close to
19 satisfying either of these conditions. In fact, there can
20 be little doubt that in the absence of trade relief, the
21 likely volume price effects and impact of the subject
22 imports will be significant.

23 Let's start with likely volume. The record
24 contains compelling evidence that if these cases do not move
25 forward, we are likely to see a dramatic increase in imports

1 from China. We have already seen a significant increase
2 from 2017 to 2019 and this increase will likely accelerate
3 as the low pricing of dumped and subsidized imports continue
4 and erode the domestic industry's remaining ability to keep
5 any sales volume.

6 The facts are the same with respect to the
7 domestic industry's market share, which is already declining
8 and will accelerate in the absence of trade relief.
9 Similarly, the unfavorable ratio of subject import volumes
10 compared to domestic production, which also remained high
11 during this period, is likely to escalate even further.

12 Next, the record shows that imports from China
13 have been aggressively underselling the domestic like
14 product and that they will continue to do so. As our
15 witnesses have testified, the subject imports from China
16 have been competing on an increasingly aggressive basis with
17 Wincom in the market.

18 The relevant data from the census indicates that
19 imports are entering the United States market from China at
20 very low prices and are underselling Wincom significantly.
21 Moreover, in this market, Wincom's customers can and will
22 use unfairly-traded imports from China to pressure domestic
23 producers into price concessions during sales discussions.

24 Given these facts, the record shows that imports
25 from China will continue to have a harmful effect on

1 domestic pricing. As you consider the issue of likely
2 future volumes of subject imports, I also want to emphasize
3 several factors.

4 First, Wincom has the ability and specific plans
5 to increase production of tolyltriazole and initiate
6 commercial production of benzotriazole. It has, however,
7 been prevented from doing so by low-priced dumped and
8 subsidized imports from China. The actual and potential
9 negative effects on Wincom's efforts to produce more
10 tolyltriazole and to produce benzotriazole in the future are
11 likely to continue.

12 Second, China has significant excess production
13 capacity that can be used to flood the U.S. market with
14 increased imports. The Chinese industry has at a minimum
15 approximately 62 million pounds of production capacity that
16 is or can be used to produce certain corrosion inhibitors.

17 Moreover, the Chinese industry is highly
18 export-oriented, with approximately 250 million pounds of
19 heterocyclic chemicals exported from China in 2018.
20 Furthermore, as we have shown in our CVD petition, Chinese
21 producers benefit from export subsidies, which of course,
22 will encourage further imports.

23 Finally, the record shows that the likely impact
24 of subject imports will be significant. The record here
25 plainly shows that domestic producers are extremely

1 vulnerable to further material injury. They are already
2 operating at low levels of capacity utilization, which
3 undermines their ability to obtain a health rate of return
4 on their investment, and undermines any future investment.

5 Wincom has lost market share and sales volumes
6 and its profitability levels have fallen. These trends will
7 likely become even worse in the future, unless Wincom
8 obtains relief from the Commission and Commerce.

9 In sum, Wincom is currently at a severe
10 disadvantage in its sales discussions with customers because
11 of Chinese producers and their U.S. importers leveraging
12 unfair trade to drop their prices to levels that are
13 extremely low and commercially unreasonable.

14 Wincom, its tollers and their employees, need
15 trade relief to create a level playing field, and give
16 domestic producers the chance to compete in a fair market.
17 We urge you to give them that chance. Thank you. I welcome
18 any questions you may have.

19 MR. ORAVA: Thank you. That concludes our
20 presentation. We look forward to your questions.

21 MS. CHRIST: Thank you. We'll now turn to staff
22 questions. And we'll begin with Larry Jones, the
23 Investigator.

24 MR. JONES: Good morning. Thanks for your
25 testimony. Lawrence Jones, Office of Investigations. I

1 think the first question that I'd like to start with would
2 be domestic production of benzotriazole. Listening to the
3 testimony this morning, it was mentioned a couple of
4 different times, I believe by SantoLubes, Texmark and Ms.
5 Morno, particularly what Ms. Morno said about the
6 initiation of benzotriazole. So basically, the question is,
7 it's currently not being produced and not being sold?

8 MR. MILAWSKI: That is correct.

9 MR. JONES: Okay, thank you for that. And so,
10 when we look at official import stats, that's the first
11 thing we're looking at here, as far as the three different
12 HTS numbers. The one that comes in under--I'll just,
13 instead of saying the whole number--the one ending in 10,
14 which would be the tolyltriazole comes in under. Then 20
15 would be the one that benzotriazole comes under and then 90
16 which would be both sodium triazole and tolyltriazole and
17 then sodium benzotriazole. So, just looking at the official
18 import stats, what's publicly available, we have kind of an
19 indicator of what's coming in.

20 So, based on the 10 number, the one that
21 benzotriazole comes in under, it's about 15-20% of all
22 imports of TTA and BTA from 2017 to 2019. So that's just
23 15-20% alone, based on official import stats. Then what's
24 indicated is what comes in under the 90, the other HTS
25 number. So it seems like there's a lot more. So basically

1 what I'm getting at is, there's a lot more that comes in
2 under the -- have the most of the three HTS numbers that
3 we're looking at here for tolyltriazole and benzotriazole.
4 That's about 40% of everything that comes in under those.

5 So we don't really know if that's exclusive to
6 tolyltriazole and benzotriazole. When we look at that, how
7 much, just an estimate, or what are we looking at as far as
8 what those comprise? So sodium tolyltriazole, sodium
9 benzotriazole, what percent, if any estimate, was coming in
10 under that HTS number, the 90, the one that's all other?

11 MR. REYNOLDS: Mr. Jones, Neal Reynolds with King
12 & Spalding. I think the best way you can assess that is to
13 take a look at -- by the way, you're correct, that number's
14 a basket category, that's what I mentioned in my testimony.
15 You just simply can't use those numbers to calculate import
16 volume for sodium TTA and BTA. But if you look at the
17 calculations that we did in the petition, which is based on
18 available manifest data from customs, you'll be able to get
19 a sense of how much the actual volume of sodium TTA and BTA
20 are of the overall numbers that are coming in under that
21 particular HTS number. I don't know that we've done the
22 numbers yet and done the calculation, but we can do that in
23 our post-hearing brief.

24 MR. ORAVA: Just to add another point, the amount
25 of the liquid that comes in is quite a small percentage,

1 because, for the most part, exporters are not gonna want to
2 ship water. It just doesn't make much sense. And that's
3 why most of the imports are coming in in solid form, and
4 then they just mix it with water and caustic.

5 So that number is really--as Neal
6 indicated--highly unreliable, because not only is it a
7 basket category, but you know, it's difficult to really get
8 to that percentage. And what we've tried to do through ship
9 manifest data is get you to as close as possible to what we
10 think is coming in under that basket category.

11 MR. JONES: Okay. Thank you for the answer. So
12 I guess the question is though, so it's based on just what
13 we're looking at. This is just for 2019, what's coming in
14 under the three HTS numbers, 15-20% is coming in of the BTA,
15 or the benzotriazole. And these are estimates, they're not
16 exact, obviously. And then about 40% is what we don't know.

17 So up to half of all the imports that are coming
18 in are benzotriazole, something you guys don't make. How do
19 we calculate that? Or how do we look at that? When there's
20 a product that's not being made domestically is being up to
21 50% of the imports, maybe even more are of this
22 benzotriazole.

23 MR. ORAVA: A couple of things there, because I
24 think, as you've heard throughout this testimony, these
25 products are essentially interchangeable. I mean, you need

1 to look at these as corrosion inhibitors that are not just
2 similar to a range of products that can be produced or not
3 produced, depending on the conditions in the market.

4 And in this particular situation, the economics,
5 because of the dumped and subsidized imports, don't permit
6 the domestic producer to increase its range of products in
7 the same way, you know, certain steel producers due to
8 economics, might not make a particular type or range or
9 grade of steel. And so benzotriazole is included in the
10 like product because it's part of that range of products.

11 And the only reason they're not able to produce
12 that product is because of the economics caused by the
13 dumped and subsidized imports. The fact that part of the
14 imports are in that grade or in that range is not
15 necessarily relevant. It's part of the like product that's
16 being brought in, and in addition to that, the detail that
17 we've provided in the petition, allows you to capture with
18 what we believe to be pretty significant detail, what is
19 coming in.

20 And if you add to that the problem with, as we
21 talked about, the coverage associated with the importers'
22 questionnaires, it's, you know, that's where you're supposed
23 to get that information. But that information hasn't been
24 provided and we think the reason that hasn't been provided
25 is 'cuz if that information was provided, it would be

1 adverse to the interest of those who were withholding it
2 from you.

3 MR. REYNOLDS: Just a quick legal answer for you,
4 too, as well, Mr. Jones. The statute's pretty clear on
5 this, and the Commission's practice in this area is very
6 well-established, which is, the statute basically says that
7 when you're looking at the domestic like product and trying
8 to assess what the like product is, you first look at
9 whether there are products that are like the imported
10 product, that is, products that are identical to the
11 products that are being imported into the market.

12 In a situation under the statute and under a very
13 well-established Commission practice, if you have a product
14 that's being brought in that is not produced in the United
15 States, there's a second step of the process, which is the
16 Commission just doesn't simply exclude it from the
17 investigation. It has to look for a product that, while it
18 may not be identical to the imported product, it's most
19 similar in uses and characteristics to that product that is
20 being imported.

21 Now, what the impact that has on this particular
22 investigation is that, even though there is no domestic
23 production of benzotriazole in the United States, you have
24 to assess what the like product in the United States is,
25 that's being produced here, that is most similar in

1 characteristics and uses to the imported benzotriazole.
2 Because that's the product that you're asking about.

3 And that product, as we've established here, as
4 we pointed out in our petition, the product that is most
5 similar in uses and characteristics to the imported
6 benzotriazole is sodium tolyltriazole. And frankly, what
7 you've heard today is that those two products are pretty
8 much used interchangeably in a number of instances. So
9 there really shouldn't be a question of whether it's a like
10 product, I think.

11 MR. JONES: Thank you for that. I think the
12 common topic I've heard so far from, you know, obviously
13 without disclosing business proprietary information, is the
14 common thread is, this isn't even produced in the U.S. So
15 that's the common thread that we heard here about
16 benzotriazole.

17 And I think that's somewhat relevant, because
18 what we're looking at is about 18 million pounds of the
19 three combined coming in of the benzotriazole and the
20 tolyltriazole in 2019 alone. And maybe up to 9 or 10
21 million of those pounds of the benzotriazole is coming in
22 and it's basically, there's no domestic production.

23 So we've commonly heard this -- or I've heard
24 this pretty frequently, just since it started twenty days
25 ago, and if there is no current benzotriazole production,

1 when would it actually start? After this is over, or what's
2 the timeline to that?

3 MR. MILAWSKI: We can definitely provide that
4 with the post-hearing comments. That would be confidential
5 information, but we do have it readily prepared already.

6 MR. LUTZ: Just to add, we disagree with that 18
7 million pound figure. I think it's based on the totals that
8 include the basket category and we've performed a lot of
9 analysis to carve out the portion of that basket category
10 that is related to the sodium forms of BTA and TTA. So we
11 think that the amount coming in under the basket category is
12 much lower.

13 MR. ORAVA: And again, back to my earlier point
14 is, if you also look--and we can't disclose what what's
15 specifically said in those questionnaire responses that you
16 did receive--but there was clearly, you know, statements
17 about the interchangeability of the product. And so, you
18 know, in chemical cases, as you know, there are a range of
19 different grades and types of chemicals that often compete
20 and are interchangeable with one another.

21 The reason we've included benzotriazole is, first
22 and foremost, because they can make it in the U.S. if there
23 wasn't dumped and subsidized imports of the readily
24 interchangeable product, tolyltriazole.

25 But second is, it would just result in relief

1 that's not as effective if we're excluding something that is
2 still readily substitutable with the tolyltriazole. So
3 that's -- I think it's really important and I'm glad you
4 asked that question.

5 MR. REYNOLDS: But you really can't. It's very
6 important for you to understand, I think people of the
7 Commission do understand, you just simply can't look at
8 something that is "not produced in the United States," and
9 decide, "we're going to exclude that." You just can't do
10 that. You have to find a product that's like or more
11 similar in uses and characteristics to that product.

12 And this happens, as Steve said, it happens in a
13 lot of cases where you have particular products within a
14 like product or within the scope that aren't produced by the
15 industry. This just happens to be a little bit of a
16 slightly clearer version of that. But the fact is, you need
17 to find a like product in the United States. And the
18 product that is directly competitive with TTA in the United
19 States is not just the TTA being imported, but it's the BTA
20 being imported. Those are literally interchangeable in a
21 variety of uses. And the benzotriazole and TTA, people can
22 shift between those two in certain end uses. SO you can't
23 exclude it.

24 MR. JONES: Thank you. And I guess this leads to
25 the next question I had, which is basically, if

1 benzotriazole and tolyltriazole are produced on similar
2 equipment with similar employees, what would, or the way
3 would the cost prevent Wincom from producing benzotriazole
4 when you continue to produce tolyltriazole? So this about
5 the cost and the current structure of production.

6 MR. ORAVA: Just to clarify. So you're asking
7 for what are the sort of impediments to them producing?
8 Okay.

9 MR. MILAWSKI: We have spent over the last nine
10 years a lot of money on the production in our purification
11 process of tolyltriazole, so to basically in the market
12 where the prices are right now, for tolyltriazole and
13 benzotriazole, adding further investment to compete against
14 the Chinese right now, and the current price of
15 benzotriazole, it's not financially possible for us.

16 MR. ORAVA: We can address that in a little more
17 detail, obviously, you know, given the concentration and
18 those folks sitting around this table and sitting in the
19 audience, we've got to be careful because we'd really like
20 to be able to expand that production. And that's gonna be
21 very proprietary in what might or might not be impediments
22 to doing so.

23 MR. JONES: Thank you. And just before I try to
24 pronounce these, I'm not gonna pronounce, these are the
25 primary imports for the two products, the benzotriazole and

1 the tolyltriazole. Have there been any changes in the cost
2 of the primary inputs for the TDA and the OPD? Did I get
3 those right? Those are the two that I -- I think they're --
4 maybe I got them backwards as far as which one --

5 MR. MILAWSKI: OPD, ortho phenylene diamine, the
6 raw material for benzotriazole, ortho toluene diamine, OTDA
7 for tolyltriazole. I think we would have to provide that
8 answer, again, in the post-conference comments, sorry to say
9 that, but I can just broadly say that our raw material
10 pricing is more stable than the Chinese.

11 MR. JONES: That actually led right to my next
12 question, which is basically, what advantages that you know
13 of, as far as the Chinese manufacturers have in sourcing
14 their actual primary inputs? Do you know of any?

15 MR. ORAVA: Before Jim goes, if you'll notice
16 from the CVD allegations, one of their big advantages is
17 that they don't actually have to purchase it at fair market
18 value for their inputs, so the fact that that, plus any, you
19 know, the downstream sources for some of this product, those
20 are highly subsidized as well. So there's just simply not a
21 market-based sourcing for their input. So that puts
22 everyone at a disadvantage. I don't know if Jim wants to
23 add to that or maybe after the, in post-hearing.

24 MR. MILAWSKI: No, I'm good.

25 MR. JONES: Thank you. And as far as the product

1 end use, does the specific use of the product by end users
2 influence whether they prefer benzotriazole or
3 tolyltriazole? And particularly, whether they prefer the
4 product in liquid or solid form.

5 MR. MILAWSKI: The primary factor of an end user
6 using tolyltriazole or benzotriazole, the number one factor
7 would be cost. There are very subtle differences when you
8 get into technical conversations between the two, but they
9 are most definitely used interchangeably.

10 An example would be in 2011-2012, there was a
11 shortage of OTDA worldwide. The price of tolyltriazole was
12 extremely high. A lot of formulas at that time were
13 switched to benzotriazole. So like I said, there are
14 differences that can be debatable amongst different
15 technical folk that, maybe one, prefers one over the other,
16 or, you know, a certain formulation is more comfortable with
17 tolyltriazole or benzotriazole, but as we've discussed, the
18 uses are very similar.

19 MR. ORAVA: Just to emphasize as well--and I
20 think you heard it in the testimony--the enormously wide
21 range of places and uses and formulations and products that
22 where this goes into, for the most part, it's, you know,
23 less than 1% or smaller of what goes into those
24 formulations. There are some exceptions to that. But so
25 that, it's not really a material cost to many of these

1 downstream end-users, but in any event, if you look at that
2 wide of a spectrum or landscape of possible end uses, there
3 are some that some would prefer one over the other.

4 MR. JONES: Thank you. And this question is for
5 Texmark. And this is based on just looking at your website.
6 So what percent of your sales or manufacturing is of other
7 products? When I went on the website, it mentioned--and I'm
8 gonna butcher this--but it's DCPD, dicyclopentadiene, if I
9 got that even remotely right, how much of what you guys
10 produce is the DCPD or the CPD, compared to what you guys'
11 toll produce as far as the benzo or the tolyltriazole?

12 MR. SPORE: I would prefer to handle that
13 question in the post reference or conferences. Some of
14 that's confidential.

15 MR. JONES: The question I had though, a
16 follow-up to that is, do any of those products, the DCPD or
17 the CPD, the any of those that are listed on the website, do
18 they fall within the scope of this investigation? Or are
19 they all outside of it?

20 MR. SPORE: It's all outside of the scope.

21 MS. CHRIST: Sorry. I just remind witnesses to
22 state your name for the benefit of the court reporter.
23 Thank you.

24 MR. JONES: Okay. Thank you. Thank you for that
25 answer. And this one's also for SantoLubes. Did I get that

1 right? SantoLubes? This is based on the website as well,
2 and it was indicated on there that their products are also
3 produced, Santovac polyphenyl ether, which is an
4 anti-corrosion connector lubricant, and what I guess the
5 question is, does anything under the Santovac polyphenyl
6 ether, or there's a bunch of -- on the website, there's a
7 bunch of those listed. Do any of those fall within the
8 scope? And if so, because they're listed as anti-corrosion
9 connector lubricants.

10 I'm just trying to figure -- because there's a
11 bunch of different chemicals listed on the website. Which,
12 if any, fall within the scope of these investigations?

13 MR. STARNES: None of these are tolyltriazole and
14 benzotriazole related. Oh, Jeter Starnes, SantoLubes. And
15 none of these are related to benzotriazole or tolyltriazole.
16 That answer your question?

17 MR. JONES: Yes. And to follow up with that, how
18 much of what you guys produce, same question that I had for
19 Texmark--and this can obviously be addressed in
20 post-conference--but how much actually are you producing
21 compared to the tolyltriazole, of the other products, the
22 Santovac and--I can't even pronounce the term properly.

23 MR. STARNES: I'd like to do that after, since it
24 is confidential, but be glad to give it to you.

25 MR. JONES: Thank you. And then, this question

1 is specific to Wincom. It's based on, just in the
2 event--and this is a common thread we've heard also, I've
3 heard also with some of the companies that are importing
4 it--in the event these take effect, orders for this, what,
5 if any of the void that's gonna be left by the Chinese
6 imports, because there's not much else coming in from any
7 other nonsubject countries. It's just based on official
8 imports stats alone. It's definitely less than 5%.

9 Basically, what would the -- can that void be
10 filled and the overall total capacity estimates for the
11 three companies here, would they be able to increase
12 capacity based on that? And how would that look?

13 MR. MILAWSKI: Within the--I think it was within
14 the questionnaires and our petition--we state our current
15 capacity for 2019, that current capacity number is a
16 significant portion. We are not filling, you know, like
17 Mercedes was mentioning, we don't, we're not using our full
18 capability of our current capacity. Beyond that, we can
19 definitely ramp up production, meaning there are other
20 pieces of equipment at one of these toll sites that can
21 easily be put in and we can increase our capacity. We
22 anticipate--or I guess, I'm sorry, I should leave that
23 confidential--but we can provide that.

24 MR. ORAVA: Just to highlight again that, what
25 was said in the earlier testimony was that we're not trying

1 to exclude China from the market. What we're trying to do
2 is ensure that they're pricing fairly. And if they're
3 pricing fairly, there's a huge amount of capacity that China
4 can price at market prices in the U.S. market and in doing
5 so, they can be a responsible supplier. But what Wincom
6 wants to do is develop and do the investment that its
7 economics should permit in the absence of dumped and
8 subsidized imports from China.

9 MR. JONES: Thank you. And I think that leads to
10 another question I had regarding capacity in China,
11 production capacity. Since apparently it is much larger, we
12 don't know that for sure, but we can assume it is. How much
13 of the price differences come from, basically the economics
14 of scale? I mean, for example, the U.S. dollar on the pound
15 basis, compared to what we're looking at the in Chinese
16 market? I can clarify that if needed.

17 MR. MILAWSKI: Can you please? Yeah, try that
18 again. Clarify, please.

19 MR. JONES: So, based on the production in the
20 U.S. and it's your share of the market. And if you were to
21 increase your production, would it lead to lower prices for
22 you guys comparative to the Chinese market with their much
23 greater capacity?

24 MR. MILAWSKI: As anyone increases their capacity
25 in industry chemical industry, you do typically, you have

1 the ability to lower costs by, you know, increasing your
2 output. We mentioned the reactors, we use high-pressure
3 reactors. There's several things that we could provide
4 after the post-hearing that we could explain this.

5 MR. ORAVA: Just to highlight again what the
6 earlier testimony suggested there was, by our best estimate,
7 over 60 million pounds of capacity for a global market that
8 we think is in the 30 million pound. So this is another
9 instance where the Chinese have essentially built, ramped up
10 capacity using state funding and other preferences, to a
11 point where they're able to dominate the global market and
12 it is why the 301 duties were supposed to be put in place,
13 but they--for some various reason that we don't really
14 understand--they missed these particular products. So we
15 missed out on that opportunity to remedy those systemic
16 issues, and now we're trying desperately to use the trade
17 laws to get us back to a fair market.

18 MR. REYNOLDS: Just wanna point out additionally
19 that, whether or not they have efficiencies in China, that
20 still doesn't explain why they're dumping at such large
21 volumes. And the fact that, also, the fact they're being
22 subsidized, which helps them provide product to people in
23 this market at such low prices. They're underselling us
24 tremendously, and if they were more efficient, they could
25 increase their prices significantly and not undersell us and

1 still make a really, a much nicer profit than they're doing.
2 But they're choosing not to do so.

3 MR. JONES: Thank you. And this is shifting
4 gears just slightly. But I think this is applicable to all
5 three firms, Wincom, SantoLubes and Texmark. How would you
6 describe each of your firms' employment trend currently?

7 MR. MILAWSKI: Over what period of time, please?

8 MR. JONES: 2019, period of investigation?
9 Either one.

10 MR. MILAWSKI: I can't speak for the tollers and
11 I think theirs could definitely, would wanna be held
12 confidential and we can report it after. In terms of
13 Wincom, our domestic production is a large portion of our
14 business. Our employees, we've been able to keep around the
15 same level during the review period, because we are able to
16 make a profit on other product lines that we have that are
17 not within the scope of this.

18 MR. JONES: Thank you. And I guess the follow-up
19 to that, specific to Wincom, is how would you describe your
20 current employment trend with respect to the start of
21 Texmark's production of the tolyltriazone?

22 MR. MILAWSKI: SantoLubes was online prior to
23 Texmark starting, and then we had Texmark start up. There
24 was no change on Wincom's side.

25 MR. SPORE: We're ready to add employees, you

1 know, with a company with 44 employees, we're, in terms of
2 people capital, we're somewhat short, and we're prepared and
3 ready to start adding employees. We've identified at least
4 one more employee that we could add that would allow us to
5 reassign some people and allow us in the lab to start
6 working on things like benzotriazole production.

7 MR. JONES: Thank you. And this is my last
8 question for now. And this is applicable to all three
9 companies. How would you describe your current production
10 and capacity utilization between 2017 and 2019? And how far
11 are you from producing at capacity?

12 MR. MILAWSKI: How we are utilizing our capacity
13 is definitely related to the pricing of what comes out
14 China, which dictates the entire U.S. market, so we did have
15 a nice strong push at the beginning of 2017. As everyone in
16 this industry would be aware, the pricing dropped
17 significantly, I believe around June, 2018. So at that
18 point, we pretty much stayed consistent and then beginning
19 to lose business to current, due to the continual price
20 decreases.

21 MR. SPORE: This is a new process for us that
22 we're using on the continuous reactor, and we continue to
23 identify areas that we can debottleneck the unit, but that
24 all requires capital, and if Jim is willing to pay for that
25 capital, we'll expand.

1 MR. ORAVA: We'll answer that in more detail
2 obviously in the post-conference.

3 MR. JONES: Thank you. And this can be addressed
4 obviously in post-conference also, but this is to both
5 SantoLubes and Texmark. Have you switched production to
6 other chemicals such DCPD or the other one, the Santovac
7 polyether? I can't get it, I'm sorry if I got that wrong.

8 MR. ORAVA: We'll answer that in the
9 post-conference. Thank you.

10 MR. JONES: Thank you. I don't have any other
11 questions.

12 MS. CHRIST: Thank you. We'll now turn to Henry
13 Smith, the Attorney.

14 MR. SMITH: Hi, thank you. Thank you all for
15 being here today. My first question's for you, Mr.
16 Milawski. To the extent you can in this public forum,
17 describe the further processing activities that you do with
18 the tolyltriazole that you get from SantoLubes and Texmark.

19 MR. MILAWSKI: We have made some of that
20 information public, so I think I could get a quick idea of
21 it.

22 MR. SMITH: Sure.

23 MR. MILAWSKI: So it is common knowledge that the
24 reaction of either OPD or ortho toluene diamine with sodium
25 nitrate, a pressure reactor, results in a crude sodium

1 triazole form. The traditional process after that, you
2 would deem as all purification-related steps. In China
3 there are three. We have with our process patent, our
4 invention replaces all of those three processes with one.
5 So what our invention was, was definitely it was replacing
6 the entire purification end of what's traditionally done.

7 MR. ORAVA: We'll provide more detail, but it's a
8 highly-proprietary patented process. So there's a lot of
9 nervousness about talking too much about that.

10 MR. SMITH: Okay. And when is that patent
11 expiring?

12 MR. MILAWSKI: We can definitely provide that
13 information to give you an estimate.

14 MR. SMITH: Okay.

15 MR. MILAWSKI: Ten years.

16 MR. SMITH: Okay. So at one point I think it was
17 you, Mr. Reynolds, mentioned that importers are bringing in
18 tolyltriazole and benzotriazole and they're adding water and
19 caustic to it. Are they doing any kind of purification you
20 mentioned? You mentioned that there's like a three-step
21 purification that's not patented. Are they doing that?

22 MR. MILAWSKI: To our knowledge, no. All product
23 that's imported that you see within the review period, 2017,
24 '19, is either tolyltriazole, benzotriazole in their solid
25 form, or I did want to make the point that the HTS code that

1 go to the ten-digit range that ends in 90 that's a basket
2 case. The majority of that is sodium tolyltriazole.
3 There's very little sodium benzotriazole there.

4 MR. SMITH: Okay. I just wanted to add.

5 MR. REYNOLDS: I just want to emphasize that as
6 we said in our filings and I think we mentioned here that
7 there's a big differential, very big differential between
8 what Wincom is doing with its purification process and what
9 happens with caustic and water in terms of cost and we'll
10 address that. We've already addressed that in some of our
11 findings but we'll address that specifically in the post
12 conference brief.

13 Yes, it would be very helpful in the post
14 conference brief if you could address all of the factors
15 that the Commission looks at for sufficient production with
16 respect to Wincom and establish that their activities are --
17

18 MR. REYNOLDS: We will do so Mr. Smith.

19 MR. SMITH: Okay. Are you aware of any other
20 Chinese, maybe not importers that are also purifying
21 tolyltriazole or benzotriazole in the United States?

22 MR. MILAWSKI: Jim Milawski with Wincom. No, I
23 am not.

24 MR. SMITH: Okay.

25 MR. ORAVA: Steve Orava with King and Spaulding.

1 Just a -- the step is significant, what they're doing and
2 what they've developed in order to do what they are doing.
3 He is going to kick me if I go much further than that. It's
4 not the same as, you know, we were talking about it
5 yesterday about how you bring the solid in. You basically
6 grab a tank and put water and caustic in it. I mean, that's
7 it.

8 That's not a purification process and certainly
9 not the capital intensive innovative technology that they've
10 employed in order to do what they do and do it in a much
11 more environmentally sound way.

12 MR. MILAWSKI: Jim Milawski here with Wincom. I
13 might be able to add something that might help the clarity
14 of why one uses the liquid over the solid. To my knowledge
15 working at Wincom I've learned a lot of things about the
16 industry in the past. Prior to 2006, there were Domestic
17 Producers of tolyltriazole in the U.S. I'm pretty sure the
18 estimate would be around 2006 that stopped and the Chinese
19 did the majority of the production and still do.

20 At that time when tolyltriazole was produced
21 domestically the far majority of the information I've seen,
22 it was actually sold as liquid opposed to what you guys are
23 seeing now, a lot of solids coming in. So you know with the
24 shift in manufacturing and the U.S. relying on China,
25 shipping isotainer drums or totes with 50 percent water,

1 it's far less economical.

2 So as the shift to Chinese manufacturers happened
3 it became more standard to import tolyltriazole or
4 benzotriazole in its solid form, you know simply take the
5 solid form out of water and caustic and polytank, simply mix
6 it up and it will still keep metric ratio. It's done.

7 MR. SMITH: Are you aware of any, Mr. Milawski,
8 or Mr. Reynolds, any federal or state environmental
9 regulations perhaps that make it hard to do the three-step
10 purification processing in the United States?

11 MR. MILAWSKI: We're not aware of any.

12 MR. SMITH: Okay. Well to shift gears a little
13 bit, I understand that there is on Domestic Production, at
14 least not currently of benzotriazole. I just want to
15 understand a little better and my colleague asked some
16 questions about this, why is that? We've heard a lot about
17 how the production processes are very similar, the products
18 are very similar so why did you -- why are you making
19 tolyltriazole as opposed to benzotriazole?

20 MR. MILAWSKI: Good question. Jim Milawski,
21 Wincom. The majority of the use in the United States of
22 tolyltriazole and benzotriazole is olyltriazole. For us we
23 can provide more explanation to that after this of why,
24 reasons why we began with tolyltriazole over benzotriazole.

25 There were several favorable reasons to us to

1 doing so which this is why we started with that chemical and
2 as we wrote in our Petition we can in the post-hearing
3 comments, we can explain more about when and how we can
4 begin benzotriazole production.

5 MR. SMITH: Is there a reason why there's more
6 domestic consumption of tolyltriazole as opposed to
7 benzotriazole?

8 MR. MILAWSKI: There's really not a particular
9 reason there. A lot of the standard formulas, for example
10 the engine coolant industry, they had tolyltriazole
11 formulated in and some are to the belief that it could
12 perform slightly better but then I have customers who also
13 inform me that benzotriazole pacifates metal surface and
14 performs better so I think it's kind of, you know these are
15 corrosion inhibitors.

16 Corrosion is, you know, it's a spontaneous
17 process so these chemicals used in a lot of these different
18 industries, they're going to have different reactions to how
19 they work and interact with other chemicals that are
20 formulated in as well as protecting these metals.

21 MR. SMITH: Okay.

22 MR. REYNOLDS: Reynolds with King Spaulding. I
23 want to emphasize that earlier we heard testimony from Mr.
24 Milawski and other witnesses saying that given price changes
25 people switch between tolyltriazole and benzotriazole.

1 For example, Mr. Milawski pointed out in 2011 and
2 2012 there's a very significant spike in PTA prices which
3 caused a lot of people to shift to BTA so pricing is what's
4 driving a lot of these decisions.

5 MR. SMITH: If you could provide more information
6 in your post conference about that pricing shift that you
7 mentioned that would be helpful to see that.

8 MR. ZIBRIDA: John Zibrida from Zibex. There is
9 a price difference between tolyltriazole and benzotriazole.
10 Right now, benzotriazole is higher in price than
11 tolyltriazole so any of the switching would occur on the
12 opinion of a technologist as to what the factor would be
13 between the two products but tolyltriazole is a better value
14 than benzotriazole if that answers your question.

15 MR. SMITH: Okay.

16 MR. ZIBRIDA: At this point.

17 MR. SMITH: Mr. Zibrida, I didn't want to get you
18 involved but one more question for Mr. Milawski. Your
19 patented process for purification, does that work for
20 benzotriazole?

21 MR. MILAWSKI: Jim Milawski with Wincom. That's
22 a very good question. We definitely cannot disclose that
23 here. Very sorry but we can easily tell you that answer.

24 MR. SMITH: Okay. Yes, I mean in the context of
25 whether the production processes are different perhaps for

1 the two chemicals.

2 MR. MILAWSKI: Jim Milawski, Wincom. All post
3 comments will cover that but you know when you talk about
4 like manufacturing processes I mean you could learn this by
5 analyzing how the Chinese are doing the synthesis routes of
6 tolyltriazole and benzotriazole. They are very similar.
7 They are near identical. It's an exothermic reaction that
8 creates water which is why a pressure reactor is used.

9 The entire purification end of tolyltriazole and
10 benzotriazole with the Chinese process and what was possibly
11 used in the U.S. before are also very similar.

12 MR. SMITH: Okay. Mr. Zibrida. Thank you for
13 being here as well. I wanted to get you more involved.
14 Everyone else has been talking except you for so far. So
15 you work for Zibex? It sounds like you're a distributor of
16 tolyltriazole and benzotriazole, is that correct?

17 MR. ZIBRIDA: That is correct, and a technical
18 supporter of the development of the product.

19 MR. SMITH: And you sell both of those products,
20 tolyltriazole and benzotriazole?

21 MR. ZIBRIDA: Yes.

22 MR. SMITH: Okay. Do your customers prefer one
23 over the other?

24 MR. ZIBRIDA: We sell more tolyltriazole than
25 benzotriazole.

1 MR. SMITH: Yes.

2 MR. ZIBRIDA: It's a more cost-effective
3 inhibitor in the market. There are some nuances but we have
4 seen when switching, Jim had mentioned earlier when the
5 price of tolyltriazole went up because of the unavailability
6 of OTDA about ten years ago or so.

7 MR. SMITH: So what kind of customers --
8 end-user customers, what kind of customers do you have?

9 MR. ZIBRIDA: Our customers are water service
10 companies that compound either tolyltriazole, benzotriazole
11 or both into a formulation that is used to be applied to the
12 cooling industry of chillers and buildings like the one we
13 have here or in a refinery or petrochemical plant or for
14 that matter a power plant that's using Admeralty or yellow
15 metallurgy to prevent corrosion and perforation of such heat
16 exchanger tubes. That's the general application of the
17 product.

18 MR. SMITH: Okay. Do any of your customers just
19 say I only buy benzotriazole? It sounds like your customers
20 are similar end use category but do any just say?

21 MR. ZIBRIDA: Under the current economic
22 conditions that we have today there are nuances why you
23 would use BZT or TT and as Jim had mentioned, as an engine
24 coolant by specification but in the cooling industry it's a
25 measure of economics and tolyltriazole is the major, as

1 you've seen in the numbers of importation as well as the
2 majorazole but they can be used interchangeably. I think
3 that the factors would be the cost when those changes occur.

4 MR. SMITH: Okay. Let me see what else I have
5 here. Shifting gears again. I'd like a little more
6 information to the extent as public here as well as in post
7 conference brief but this tolling arrangement, maybe you
8 could speak a little bit publicly but I'm kind of interested
9 how the tolling fee is determined, who decides when to
10 produce tolyltriazole and who purchases the raw materials?

11 MR. MILAWSKI: I'll begin. Jim Milawski with
12 Wincom.

13 MR. SMITH: Sure.

14 MR. MILAWSKI: We are the technical experts in
15 both tolyltriazole and benzotriazole in the United States.
16 Where we are located we can employ our purification patented
17 process. the reactors that are used for this process are
18 not in abundant supply within the U.S. They can be
19 manufactured but there is not many that currently exist.

20 So we have through conferences such as
21 informatics and other places found the right tollers that
22 have the right equipment and this is how we have initiated I
23 guess how we've started with these fellows here but you know
24 how we do pricing and how we determine what the rate we can
25 definitely provide after but we'd be going in a direction we

1 don't want to publicly with that.

2 MR. SMITH: Okay.

3 When did these tolling arrangements begin? Was
4 it at the same time?

5 MR. MILAWSKI: Jim Milawski, Wincom. SantoLubes,
6 I met Jeter at Infomax, actually, and we made a
7 Benzotriazole derivative. We did not start with
8 tolyltriazole with them. We started small. I believe I met
9 Jeter around 2014 or '15, and we began toll production in
10 2016.

11 MR. SMITH: Okay, and Texmark?

12 MR. MILAWSKI: Texmark, we actually, the other
13 owners of Wincom, Incorporated, Bill Matulowitz who is in
14 attendance, and Peter Vode, they talked to Texmark or CXI at
15 the time. I think it was more than about 10 years ago. We
16 did not follow through with that company at the time because
17 of the pricing of the Chinese.

18 We went back to them and initiated interest in
19 2017. They began first production I believe at the full
20 production at the end of 2018.

21 MR. SMITH: Okay. Mr. Reynolds and Mr. Orava,
22 one other issue that I would definitely like to see in a
23 postconference brief is addressing whether any related party
24 domestic producers should be excluded from the domestic
25 industry on the basis of being related to importers,

1 producers.

2 MR. REYNOLDS: It takes a little while for the
3 microphone to turn on, so I apologize, Mr. Smith.

4 MR. SMITH: Sure.

5 MR. REYNOLDS: Wincom does import. That is
6 public. But obviously we do not think they should be
7 excluded as a related party.

8 MR. SMITH: Right.

9 MR. REYNOLDS: Frankly, we don't think there's
10 anybody else who qualifies as a domestic producer here in
11 the United States, aside from the three companies sitting
12 before you right now. Texmark, Wincom, and SantoLubes. So
13 in our view, you probably really don't need to address
14 related parties.

15 To the extent that there is some claim in the
16 importers questionnaires somewhere that they are -- other
17 people are producing, quote/unquote, "TTA producing, TTA or
18 BTA," and they are doing it with imported products, believe
19 me, we think most of their interest is in importation rather
20 than adding a little bit of caustic in water to this, and
21 that they are really benefitting from that importation.

22 So if there are people out there that you are
23 concerned about, those people really should be excluded from
24 the industry because they are not doing the type of
25 sufficient domestic related activities as Wincom, and

1 because their primary interest is in importation.

2 MR. MILAWSKI: Jim Milawski. I have a quick
3 comment to follow up to Mr. Neal's there. We are, to the
4 best of our knowledge, the only folks, myself, the tollers
5 that are represented here, we are the only folks that do not
6 require Tolyltriazole as a raw material before making
7 another form of Tolyltriazole. We are doing this with the
8 raw materials. That is something that we were trying drive
9 that point home I believe in our questionnaire. I just
10 wanted to add that there. Thank you.

11 MR. SMITH: Okay. Okay, so just to be totally
12 clear, you are not aware of any other domestic producers --
13 or, sorry, any other entities in the United States that are
14 purifying Tolyltriazole or Benzotriazole?

15 MR. MILAWSKI: To the best of our knowledge, no.
16 And how am I making that statement? That would be from the
17 customer base that we have. That would be from the
18 conferences that we attend, which is not unique to one
19 industry, it's across several. And kind of the distributors
20 that we have. We service a lot of distributors like Mr.
21 Zibrida here. We have a lot of industry knowledge. Mr.
22 Zibrida is on the Board of CTI. I mean, it is a smaller
23 industry, the water treatment, especially the chemicals that
24 we sell.

25 So, you know, there's a lot of information that's

1 found out at these meetings. So, you know, if there is --
2 or if there are companies out there, I mean we don't run
3 across them in the market. We don't hear about them. And
4 we have a large portion of the U.S. business.

5 MR. SMITH: Are you aware of any companies that
6 are internally consuming perhaps Tolyltriazole in a more
7 purified state? Maybe doing the process for internal
8 consumption? I mean, that is something that you might not
9 encounter if they are doing it internally.

10 MR. MILAWSKI: Yeah, somewhat -- Jim Milawski at
11 Wincom -- as someone is reacting, OPD or OTDA to make
12 Benzotriazole or Tolyltriazole and then internally consuming
13 it?

14 MR. SMITH: Yeah.

15 MR. MILAWSKI: I guess that would be possible.
16 We wouldn't know. But for reasons that -- there's
17 information that we could provide after this that could give
18 you an idea of why we feel comfortable that that does not
19 occur.

20 MR. SMITH: That would be helpful. Thank you.

21 Alright, the last question I have. Mr. Reynolds,
22 this is about what we should use to calculate volumes and
23 demand. As I am sure you are aware, we typically use
24 official import Customs certificates, or typically the
25 alternative would be the questionnaire data. It sounds like

1 we have a pretty good match when it comes to solid
2 Tolyltriazole and Benzotriazole. It is when we get to the
3 liquids. Why should we not use our questionnaire data, and
4 then perhaps refine our questionnaires for the final, if
5 there is a final?

6 MR. REYNOLDS: (Off mike) Again, there is the
7 delay in the microphone. I apologize.

8 MR. SMITH: Sure.

9 MR. REYNOLDS: I think there is a simple reason
10 for that, Mr. Smith, which is when we look at the importer
11 questionnaire, and I don't think this is going to be
12 treading too closely on BPI, but we don't think at this
13 point you have good enough coverage to rely heavily on those
14 importer questionnaires to calculate volumes.

15 In other words, because of the coverage issues,
16 which doesn't represent a -- let's just call it a typically
17 sufficient amount of imports, you really should be very
18 careful about using that to calculate volumes for liquid.

19 What we think is that if you use the type of
20 approach that we used in the Petition, you are going to be
21 much better off doing an estimate.

22 I do want to point out, you are absolutely right,
23 and Mr. Jones is absolutely right, the other categories are
24 a problem because it is a basket category. But I think the
25 best approach here is the one we adopted in the Petition,

1 given your coverage.

2 MR. ORAVA: Stephen Orava, King & Spalding. I
3 think there may be a mix issue, as well, in the
4 questionnaire responses because it is reported on a dry
5 basis. So obviously it is difficult for you to match what
6 we think is the really good data in terms of the import data
7 for solid product with the liquid that you might try to
8 find from the importers questionnaires. We do not think
9 that works because there is, it is just not possible to
10 identify what is liquid versus what is solid.

11 So then the question becomes: Well, what is the
12 best data available? And given what Neal said about
13 importer questionnaire coverage, we think that is in the
14 Petition that we have demonstrated is the much more reliable
15 basis for purposes of this preliminary investigation.

16 MR. SMITH: Okay, and I also think it would be
17 helpful if you could put in your post-conference brief any
18 supporting documentation for a conversion that you propose.
19 Because we are going to have to look at everything probably
20 on a solid basis in order to look at a total number.

21 MR. REYNOLDS: This is Mr. Reynolds. We will do
22 so.

23 MR. SMITH: Okay. Alright, that is all the
24 questions I have.

25 MS. CHRIST: e will now turn to the economist,

1 Amelia Preece.

2 MS. PREECE: Well I hope my microphone works. It
3 sounds like it does, so that is good.

4 Now I am going into a very different area than
5 you have been helping the other people talk about. So I
6 hope you will bear with me. It is my area of expertise as
7 the economist.

8 So I have heard a lot of different uses for this
9 product. And the first question I really want to ask is,
10 maybe it is for Mr. Milawski. What do you think -- in the
11 United States, overall, even people who do buy from you and
12 people who don't buy from you, although you may not know
13 that whole, so to the extent you know it, what are the
14 largest end uses of the toly and toly and benzotrilenes in
15 the United States?

16 MR. MILAWSKI: Tim Milawski, Wincom. To--

17 MS. PREECE: And give me sort of an order of
18 magnitude, okay? It's 10 percent, or 5 percent. You don't
19 have to be really exact, but that would help me.

20 MR. MILAWSKI: The water treatment industry, and
21 the engine cooling industry, using engine coolant using
22 Tolyltriazole or Benzotriazole with an antifreeze would be
23 the two primary industries.

24 The percentage of those compared to the other
25 uses, we have this information. I really do not want to

1 estimate it wrong. I would think you would add both of
2 those together, and that totals at least 50 percent of the
3 total use.

4 MS. PREECE: Okay, that is very helpful.
5 Because, you know, sometimes we can go down trails and we
6 are talking about one percent of the industry, and really?
7 You don't want to spend a lot of time on that.

8 So the next thing is, somebody said that the toly
9 and benzo guys are less than one percent of most end uses.
10 Is that true of all end uses, would you say, the end uses
11 you know?

12 MR. MILAWSKI: Can you please, Jim Milawski, can
13 you please qualify that. I just want to make sure I have
14 the meaning.

15 MS. PREECE: I have written down less than 1
16 percent of end uses, so unfortunately, I can't really -- I
17 got this information from somebody on the panel, and I'm
18 trying to understand it.

19 MR. ORAVA: Steve Orava, from King & Spaulding,
20 I'm just reminding him what I said earlier, so give me one
21 second.

22 MS. PREECE: So, for example, if you're putting
23 in water in a water treatment plant, 99 percent of the stuff
24 is water, or maybe water and other chemicals, and then 1
25 percent is toly, or benzo toly -- or benzo, whatever?

1 MR. MILAWSKI: We could use the water treatment
2 of an example, especially Mr. Zibrida here. I think he
3 could help after I comment on that. So, in the water
4 treatment industry, tolyltriazole, benzotriazole, is usually
5 formulated at around 2 to 5 part per million, so that is a
6 very low level. So, there are folks that we sell to and end
7 users that have formulated treatment packages that contain
8 tolytriazole or benzotriazole, and then they're using those
9 within the cooling tower itself. John, can you elaborate
10 more after that?

11 MR. ZIBRIDA: Yes. Miss Preece, the -- if you
12 buy a product to apply, like you would go to the store and
13 buy something that's over the counter to use as a home
14 product like laundry detergent or something, the
15 concentration of the azole in that product is between 1 to
16 maybe 3 percent in the product itself, but in application --
17 and be mindful, this is not in drinking water, but
18 thermal transfer waters, like power plants or refineries,
19 you would be seeing levels of like Jim said, 1 to 5 percent
20 to prevent copper corrosion, admiralty corrosion to prevent
21 perforation of heat exchanger tubes, so does that answer
22 your question?

23 Like in the formulation it's 1 to 3 percent, but
24 in the application it's in the 1 to 3 -- 1 to 5 parts per
25 million.

1 MS. PREECE: Oh, that's very helpful. Now, and
2 so if I were --

3 MR. ZIBRIDA: In the antifreeze, it's about
4 2/10ths of a percent, so that's like 2,000 parts per
5 million.

6 MS. PREECE: Okay. And if I go and I'm running
7 you know, an industrial water treatment facility where we're
8 using it in the heat exchanges, so that's how we're using
9 it. So, it's not going on to the drinking water, anything
10 like that, no, no, no. So, the cost of this package of
11 stuff that I'm going to throw in the water basically to
12 cool.

13 MR. ZIBRIDA: Yeah.

14 MS. PREECE: How much of the package cost would
15 be the cost of the benzo or the toly? Give me a guess. I
16 mean it's like, you know, 3 percent, 100 percent, 75
17 percent? You're not happy with that question.

18 MR. ZIBRIDA: We'll it's a -- we can respond to
19 that, but that's got a variable response because depending
20 among what formulation. So, if you're doing a formulation
21 for like a power plant it would be completely different than
22 from a chiller in this building, or if it's a closed loop,
23 like whereas the chilled water is going through this
24 building that brings it -- so, there's a variety of answers
25 to that. And we could probably --

1 MS. PREECE: Alright, can you give me a, you
2 know, I mean is it, is it always going to be less than 50
3 percent?

4 MR. ZIBRIDA: Probably so, less than 50 percent.

5 MR. REYNOLDS: Miss Preece, it's Neal Reynolds.
6 I think what you're hearing is that we probably need to go
7 back and look closely at the data, and give you a better and
8 more response to this. You know --

9 MS. PREECE: Yeah, but I'd like to do it in the
10 pre-hearing.

11 MR. ZIBRIDA: So, if you're answering a question
12 like on a percentage of what actives are in a product, such
13 as let's say, dishwashing detergent, how much therfectin is
14 in a bottle of Joy kind of. There's no standard in the
15 industry as to how much it is, but it's going to probably be
16 less than 50 percent, but more than -- not more than 5
17 percent, you know, like a range of 5 to 50 percent.

18 MS. PREECE: Okay, great.

19 MR. ZIBRIDA: But the products will vary.

20 MS. PREECE: Great, that makes perfect sense and
21 thank you very much. That's a very, nice, thoughtful answer
22 because that covers my --

23 MR. ORAVA: Steve Orava, with King & Spaulding,
24 just to highlight that he's talking about those formulations
25 that he's familiar with.

1 MS. PREECE: Yeah.

2 MR. ORAVA: There are other formulations. Like,
3 he mentioned antifreeze, which is going to be, you know,
4 much lower percentage.

5 MS. PREECE: Oh, I have no idea what it's going
6 to be in the antifreeze, but anyway his thing, which is one
7 part of the 50 percent that's the two things, the water and
8 what was the other one, I didn't write it down. Water
9 treatment --

10 MR. ZIBRIDA: An engine.

11 MS. PREECE: Engine cooling, okay, let's go with
12 engine cooling.

13 MR. ZIBRIDA: Right.

14 MS. PREECE: Do you know engine cooling? Are you
15 in that industry?

16 MR. ZIBRIDA: Yeah.

17 MS. PREECE: Okay, great.

18 MR. ZIBRIDA: So, is Jim.

19 MR. PREECE: Thank you, thank you, this is Mr.
20 Zibrida again, great. What does it do in that kind of -- in
21 an engine, whatever it's used in the engine?

22 MR. ZIBRIDA: John Zibrida from Zibex. An engine
23 coolant, the corrosion inhibitor's responsibility is
24 multi-metal. In an engine there's aluminum, copper, cast
25 iron in the block.

1 MS. PREECE: Right.

2 MR. ZIBRIDA: And the coolant has to have an
3 inhibitor for all of those metallurgies, and it operates at
4 above the boiling point of water, usually because your
5 antifreeze is under pressure. And it's as long as 10 years
6 in your engine, if you have one of those fancy cars that has
7 a 10 year antifreeze.

8 So, the levels of the inhibitor is much higher in
9 antifreeze than in say, a heat exchanger application, like
10 we were talking about earlier. And it's on the order of
11 tenths of a percent, or 2,000 to 5,000 ppm, and it's usually
12 more than one inhibitor.

13 The standard of the industry for many years was
14 the General Motors 1825. That's public domain and it has
15 the levels of inhibitors, and we can provide that to you, if
16 you'd like to take a look at a typical antifreeze
17 formulation.

18 MS. PREECE: Okay, so they would use, in addition
19 to benzo or toly, they would use some other inhibitors?

20 MR. ZIBRIDA: Absolutely.

21 MS. PREECE: Okay, and you would be considered
22 that benzo and toly would be more than one that they would
23 be using in one of these things?

24 MR. ZIBRIDA: More than one? It would be
25 specific to the copper and have some minor effect on

1 aluminum, but mostly the copper and brass in the engine.

2 MS. PREECE: Okay, so for copper and brass you
3 need the benzo or the toly?

4 MR. ZIBRIDA: Right.

5 MS. PREECE: But for iron, you have something
6 else?

7 MR. ZIBRIDA: That's correct.

8 MS. PREECE: Okay, and oh, this is very
9 interesting, thank you so much, this is very interesting.
10 So, and then we're talking about -- so, we're going to have
11 a lot of these things and they're in your antifreeze, and
12 the antifreeze is -- what other, you know, many other
13 ingredients in an antifreeze besides corrosion inhibitors?

14 MR. ZIBRIDA: The biggest ingredient is either
15 ethylene glycol, or propylene glycol, and water. So, it's
16 usually a 50-50 blend.

17 MS. PREECE: Okay, and then these are small parts
18 in that?

19 MR. ZIBRIDA: Yes.

20 MS. PREECE: Okay. And as far as cost of the
21 antifreeze, if I'm going to buy a bottle of antifreeze, how
22 much of that is going to be affected by the price of benzo
23 and toly?

24 MR. ZIBRIDA: When you go to the automotive
25 store, or to the dealership to get antifreeze, the majority

1 of the cost is the glycol itself and the entire inhibitor
2 package that goes into the glycol on a cost basis is much
3 less than the glycol itself.

4 MS. PREECE: So, it would be around 10 percent or
5 less, or more?

6 MR. ZIBRIDA: Do you have an idea what the entire
7 inhibitor package is in the antifreeze, about,
8 percentage-wise of the gallon of say antifreeze?

9 MR. MILAWASKI: Jim Milawski with Wincom. The
10 entire inhibitor package. I mean, so going -- I'm a part of
11 D1384, or I'm sorry, D15 Engine Cooling Committee. We have
12 a lot of customers with proprietary formulas.

13 MS. PREECE: Right.

14 MR. MILAWASKI: That my answers would definitely
15 be persuaded by what I know of their formulas. I could
16 provide that confidentially.

17 MS. PREECE: Okay. And a range would be just
18 fine. I mean I don't need to, you know, just to get an idea
19 of the costs. So, this is very helpful. Is this always
20 used in a liquid form? Are there any applications for this
21 in a solid form?

22 MS. PREECE: -- of tolyltriazole is there
23 anybody out there who says, oh, I want the powder and they
24 put it in their breakfast cereal and eat it? I don't know,
25 sorry, that's ridiculous, but you know is there anybody who

1 uses it in the solid form?

2 MR. ZIBRIDA: The majority is liquid. There are
3 some dried delivery systems in the market that they would
4 use a dried material, but probably would be in the salt
5 form, not the acid form.

6 MS. PREECE: It would go --

7 MR. ZIBRIDA: It would be neutralized and dried
8 into a salt form rather than the acid form of the
9 tolylriazole to triazole but there are delivery systems that
10 are dried product. It's a smaller majority of the industry.

11 MS. PREECE: A small minority?

12 MR. ZIBRIDA: Yeah, a small minority, sorry, the
13 other majority.

14 MS. PREECE: Yeah, I understand. You know we
15 don't want these things messed up in the transcript. Okay,
16 so I'm going to just concentrate on those two because they
17 seem to be the largest. And is there anybody else out there
18 that's interesting. I hear de-icing, circuit boards, inks
19 and coatings, metal working fluids. How important are these
20 as far as demand for this product?

21 MR. MILAWSKI: There are a very large range of
22 uses of triazole or benzotriazole. The ones that we have
23 mentioned are some of the uses that have been -- you know
24 existed for a longer period of time or are kind of known
25 more publicly. You know as I've worked for Wincom since

1 2009, I've been a part of picking up a lot of new customers
2 in different industries -- completely different uses and
3 there are many different uses and it all ties back to why
4 are they using our product. They're using it for corrosion
5 inhibitor. And typically, more commonly, it would be for
6 yellow metal production.

7 MS. PREECE: So, the copper and the brass.

8 MR. MILAWSKI: Correct.

9 MS. PREECE: Okay, okay, let me think about
10 this. We're having trouble getting information about China
11 capacity, so in your briefs if you can sort of give us an
12 estimate of China's capacity and why you think that's a
13 reasonable measure or estimate of capacity. Obviously,
14 they're probably dealing with that horrible disease that is
15 going around in China and probably coming here soon. So,
16 we'll wish them the best because we want the best for
17 ourselves too. Okay.

18 MR. REYNOLDS: We'll do so, Ms. Preece.

19 MS. PREECE: Yeah, that'd be very helpful.

20 MR. REYNOLDS: We'll provide you with that
21 information, to the extent we have it.

22 MS. PREECE: Yes, obviously, you can only give
23 us the information you have, but even if it's just like,
24 well, it's got to be higher than "X" because "X" is the
25 amount they export. That's you know a first guess and that

1 would be useful. And then we can say, oh, the people like
2 this number.

3 Okay, we've heard that they're usually, benzo
4 and poly, are usually used interchangeably, but sometimes
5 they're not used interchangeably. Is there any specific
6 reason that you know of why -- I mean I'm not trying to
7 undermine anything over there. You've made your case.
8 That's good. Just are there any cases in which they're not
9 interchangeable that either poly or benzo is just slightly
10 superior because of "X" and can you explain that?

11 MR. MILAWSKI: I can give one direct example
12 that kind of stands out. For benzotriazole, benzotriazole
13 is used as a vapor phase corrosion inhibitor.
14 Tolyltriazole, according to the customers that I've talked
15 to, does not work well in its vapor phase. You know when
16 you look at the way that the entire industry, as a whole,
17 it's a smaller. But talking to anyone, technically, that
18 would stand out for benzotriazole that that's used there.

19 As a point off Mr. Zibrida on the use of
20 tolyltriazole and benzotriazole -- you know like products
21 that they can be formulated together -- I'm not sure if we
22 mentioned within the patent or sorry the petition or our
23 questionnaires that we have grown a fair amount of business
24 with our product that we patented. We have a performance
25 patent, the copper bullet. The copper bullet is a mixture

1 of tolylriazole, benzotriazole in their sodium salt forms
2 and another proprietary benzotriazole derivative. So, it
3 does show that we sell that product across several different
4 industries. And when they're actually used hand-in-hand
5 it's well known that you achieve higher performance.

6 MS. PREECE: Okay, so combining the two can
7 frequently be reinforcing each other.

8 MR. MILAWSKI: A synergistic effect.

9 MS. PREECE: Yeah, that's a good word.

10 MR. MILAWSKI: Yes.

11 MS. PREECE: Thank you. Thank you. Okay,
12 that's all for now. Thank you very much. It's been really
13 helpful and I'm very glad that I can ask questions to the
14 distributor who has been neglected so much by others. Okay,
15 thank you.

16 MS. CHRIST: Yes, we'll now turn to Sam
17 Valera-Molina, the auditor.

18 MR. VALERA-MOLINA: Good morning. Well, my
19 part's actually the easiest one, but you cannot answer most
20 of the financial questions due to BPI, but you can also
21 answer in the post-conference comments. I do, however, have
22 a few questions that should be okay, but you can just answer
23 later.

24 The first one is, is this considered to be a
25 capital-intensive industry and is it more at the Wincom

1 level or more of the tollers level?

2 MR. MILAWSKI: In our opinion, it is a
3 capital-intensive -- our purification process that we employ
4 and what our tollers do, yes.

5 MR. VALERA-MOLINA: Good, thank you. And then I
6 was also ask you now that you mentioned the purification
7 patent, the process, how will your cost-of-goods-sold look
8 like if you didn't have this patented process? Would it be
9 less costly or more costly? I'm just trying to get a sense
10 like how much it is costing your bottom line.

11 MR. MILAWSKI: That would be a question I would
12 definitely answer here. So, our invention of clean
13 technology has enabled us to compete with the Chinese since
14 we have started heavily using that in the purification end.
15 If we did not have that in place, our costs would be much
16 higher, which of course we can't give you that, but we can
17 give you after with cost models that we can provide there.

18 MR. VALERA-MOLINA: I do have more questions,
19 but I will just reach out to counsel and then you can always
20 send me that, but thank you for the ones that you provided
21 to me today. Thank you.

22 MS. CHRIST: We'll now turn to the industry
23 analyst, Marisa Wright.

24 MS. WRIGHT: Good morning. My first question is
25 I know there's a patent for your purification process for

1 tolylriazole. Is there a separate patent for benzotriazole
2 or would that be included in the initial patent?

3 MR. MILAWSKI: To the best of our knowledge, and
4 we have done patents, a fair amount of them over the last
5 decade, which would stumble upon any other ones that were
6 out there. The patents that were in existence to make
7 tolylriazole or benzotriazole are expired on the synthesis
8 end.

9 MS. WRIGHT: And in your post-conference brief
10 can you provide the patent number for this purification
11 process and also the patent number for your copper bullet
12 invention?

13 MR. MILAWSKI: Most definitely, yes. Yes, we
14 can.

15 MS. WRIGHT: My next question is, are there any
16 differences in the physical characteristics of domestic
17 corrosion inhibitors and those from subject countries?

18 MR. MILAWSKI: Difficult to answer again
19 publicly. Chinese quality varies. Our quality could vary
20 slight at times. There are environmental pressures on the
21 Chinese. Over the last year, we've seen quality decrease.
22 We've seen it at times increase, but that would be something
23 that is definitely confidential.

24 MS. WRIGHT: Are you able to elaborate on the
25 impurities that are purified out of the product?

1 MR. MILAWSKI: That's definitely like our bread
2 and butter knowledge that we could after. We can't do that
3 publicly.

4 MS. WRIGHT: Are you aware of any anti-dumping
5 or countervailing duty Orders in third country markets?

6 MR. MILAWSKI: For the in-scope products?

7 MS. WRIGHT: Yes.

8 MR. MILAWSKI: I'm not aware, to the best of my
9 knowledge.

10 MS. WRIGHT: Do you agree, Mr. Reynolds?

11 MR. REYNOLDS: Yes, we're not aware of any
12 anti-dumping or countervailing duty Orders on that, but
13 we'll take a look.

14 MS. WRIGHT: Can crude benzotriazole and
15 tolylriazole be used for anything else, other than the
16 production of corrosion inhibitors?

17 MR. MILAWSKI: Not to our knowledge.

18 MS. WRIGHT: Can crude benzotriazole and
19 tolylriazole be imported and undergo transformation process
20 domestically to make them finished corrosion inhibitors?

21 MR. MILAWSKI: I believe they could. They would
22 be coming in, in a liquid form, though.

23 MS. WRIGHT: Are you aware of that happening?

24 MR. MILAWSKI: No, we are not.

25 MS. WRIGHT: And my last question, can you

1 describe any differences in the production cost of producing
2 corrosion inhibitors domestically versus in subject
3 countries?

4 MR. MILAWSKI: Yes, that's definitely a
5 post-conference comment there. Thank you, I'm sorry.

6 MS. WRIGHT: That's okay. Thank you.

7 MS. CHRIST: We'll now turn to industry analyst
8 Jennifer Catalano.

9 MS. CATALANO: Hi, I want to start with a
10 question for Mr. Eric Spore. And I thought about maybe
11 buying a corvette, but I don't know that I would. And I got
12 to thinking a lot of times now they've started making all
13 these plastic parts to cars, in general. Could you use any
14 of these corrosion inhibitors on corvettes or other parts of
15 cars, other than the engine?

16 MR. SPORE: The subject products would be used
17 in the radiator.

18 MS. CATALANO: In the radiator.

19 MR. SPORE: Radiator of a corvette.

20 MS. CATALANO: Okay. And what is not being not
21 corroded in the radiator?

22 MR. SPORE: It would be the copper. The
23 radiator is made of copper.

24 MS. CATALANO: Okay. And I got to thinking,
25 well, how many corrosion inhibitors are there? Here in the

1 scope we have four. Are there hundreds? Are their
2 millions? Are there billions?

3 MR. SPORE: I'll have to turn that over to the
4 subject expert.

5 MS. CATALANO: Yes, let's ask him. Just even a
6 lot of the scale estimate, I mean I just don't have an idea
7 of how many there are.

8 MR. MILAWSKI: I guess to stay within the scope
9 of what we're talking about here we can talk about yellow
10 metals, in general, triazoles. So tolylriazole,
11 benzotriazole, they're sodium salts. There are
12 benzotriazole derivates that can be used as yellow metal
13 corrosion inhibitors also. The costs are very much higher.
14 They're sparsely used. There is a chemical that maybe in
15 our post-conference comment should also be disclosed that's
16 another yellow metal corrosion inhibitor that's not within
17 the scope. There's a completely different production
18 process, but it could be used where tolylriazole and
19 benzotriazole could be.

20 MS. CATALANO: So, would that be hundreds.

21 MR. MILAWSKI: Yes, sorry.

22 MS. CATALANO: Let's say the benzotriazole and
23 tolylriazole market went away tomorrow. There is no more.
24 What'd I do as a customer? What would I buy?

25 MR. MILAWSKI: I mean I would like to Mr.

1 Zibrida, if you're able to answer that.

2 MS. CATALANO: Wouldn't you say there are
3 hundreds of corrosion inhibitors that I could choose from.

4 MR. ZIBRIDA: I wouldn't say there's hundreds.
5 I'd say there's dozens.

6 MS. CATALANO: Dozens? Okay, that helps.

7 MR. ZIBRIDA: Say, if these two go away, are
8 there alternatives? Yes. Do they work as well? I think
9 our evidence shows they do not work as well and some of
10 these antifreeze formulations have returned back to its old
11 roots by using the same inhibitors that they used to because
12 these other -- and I'm speaking of organic acids rather than
13 azoles have returned back. And the other thing where your
14 corrosion inhibitors may be used in your car is in the
15 manufacturer parts.'

16 There are inhibitors added to those parts so
17 they don't corrode while they're waiting to be to the next
18 component and stuff, so they're used in the metal-working
19 industry as component inhibitors for those parts so they do
20 not corrode before they're used in the next step of the
21 manufacturing. But the yellow metal inhibitors are
22 complemented by silicates, molybdates, phosphates, and other
23 additives, so it becomes a package to stop multi-metal
24 corrosion in your antifreeze. And so there are dozens of
25 players, like an orchestra, working together to form a

1 technology to protect your engine jacket block and most
2 importantly, water pump as well.

3 MR. ORAVA: I know you're expecting me to say
4 this, so I will go ahead and do so, is we are -- again, we
5 are not trying to prevent these products from coming in, so
6 your question commenting that they may disappear the only
7 reason they would disappear is if they're unable to sell
8 them at a fair price and we think they can do so and they
9 would be part of the market. We just need the economics of
10 unfair trade removed from the market.

11 MS. CATALANO: And I was also wondering how many
12 like products there could be in the world. I couldn't help
13 but wonder because they usually ask me, the chemist, to
14 research that type of thing.

15 MR. ORAVA: And I think it's interesting to --
16 you know we're in a bit of a learning process ourselves
17 about all of these different things. And I think your
18 comment makes a lot of sense about how it's an orchestra
19 because this is one -- you know this is the violin in an
20 orchestra that requires a lot of different things that are
21 not part of this case in order to do the job that it needs
22 to do in so many different types of applications, so we're
23 learning that as well.

24 MR. REYNOLDS: And just to add one thing, you
25 know Mr. Zibrida and Mr. Milawski are trying to give you a

1 sense that when you asked the question are there possible
2 products out there that might be substituted, they're trying
3 to give you just a very honest sense of what they think, but
4 the fact is that TTA and BTA are designed and used for
5 specific purposes by their purchasers and it's similar -
6 remember, keep in mind, it's sort of similar to a
7 situation in another set of products that you have here in
8 the Commission often.

9 Stainless is different than cold-rolled steel is
10 different than hot-rolled steel, but if stainless steel
11 didn't exist, you might have to use cold-rolled and
12 hot-rolled. In practical terms, in the reality of the
13 market, given pricing and given the needs and the product
14 characteristics, stainless steel is not really substitutable
15 for hot-rolled or cold-rolled.

16 And here, a lot of these other corrosion
17 inhibitors that John and Jim have talked about they're not
18 practical substitutes for those products. They're a part of
19 the corrosion resistant family -- inhibitor family, but
20 they're not really practical substitutes for TTA and BTA.

21 MS. CATALANO: Thank you. I also started
22 thinking about all those solid form tolylriazole that's
23 coming in from China and I thought, well, what would my own
24 estimate be of what's coming in from China -- and I'm not
25 from the industry, but I thought why would anyone from China

1 want to ship it in a liquid. I mean it seems like it would
2 be 99 percent of what's coming from China would be solid.
3 And I'm not from your industry, so I was wondering, as an
4 industry expert, if you had to estimate what percentage is
5 coming in as a solid versus a liquid that's still something.
6 Your estimate is still valuable. What do you think it would
7 be?

8 MR. MILAWSKI: So, as I mentioned before, the
9 liquid form of sodium benzotriazole is far less common to be
10 imported. There is a lot of 50 percent sodium tolylriazole
11 that's imported. The folks that are importing the liquid
12 opposed to the solid are more confined in their processes
13 that maybe they don't have the ability to have a simple poly
14 tank to mix water and caustic and a solid, so they prefer
15 the use for just -- you know with how they're set up. We
16 have a customer like that. We could actually elaborate
17 more on it after. They take the liquid. They could
18 definitely lower their costs if they made little investment,
19 brought in the solid, add the water and caustic. It's a
20 very complex situation. There are a lot of companies that
21 have different priorities. Where does this chemical fall
22 into their product line in terms of value? If it doesn't
23 have much value, then maybe they would just -- they're fine
24 with importing the liquid.

25 MS. CATALANO: Sure. Would you have a

1 percentage of what do you think is coming in from China,
2 solid versus liquid? I mean I put my potential estimate out
3 there.

4 MR. MILAWSKI: Yes, so the petition is
5 definitely -- what we have in there is the best information.
6 So, we were talking before, someone mention -- I think Mr.
7 Jones he mentioned 2019 a combined triazole within the scope
8 of 18 million. I think estimate of what we provided was
9 about 12. Our numbers -- this helps me give you your
10 answer. So, us going you know how do we come up with 12?
11 How do they come up with 18? So, if you're just taking
12 pound-for-pound and you're not adjusting for the water -- we
13 adjusted for the water. So, if I reported an estimate to
14 the best -- you know while I'm sitting here you know the
15 liquid, as is, without being adjusted for -- you know as
16 acid or as a sodium salt, I would say about 20 percent --
17 for sodium triazole as liquid.

18 MS. CATALANO: That's helpful. In the absence
19 of any information on Google it would be helpful.

20 MR. MILAWSKI: Yes, there's not much out there.

21 MS. CATALANO: I didn't find much out there. Of
22 course, I tried.

23 MR. MILAWSKI: There's not.

24 MS. CATALANO: When I was reading the petition,
25 I read that in your process you're able to have less waste

1 compared to China. And I was wondering what is the waste?
2 Do you have to bury it? Is that something expensive? I
3 mean I imagine China has to bury their waste. What waste
4 are they burying or carting off somewhere else to purify? I
5 just saw the word "waste" and it seemed general.

6 MR. MILAWSKI: So, with our current production
7 what we've done with our clean technology process, we can't
8 publicly disclose what the waste stream or product is, but
9 we can say that the quantity is very substantial. It's
10 almost pound-for-pound. We can provide more detail, but
11 that's kind of general information there. Mr. Zibrida is
12 helping me out here.

13 MS. CATALANO: That's okay. Good thing he's
14 there.

15 MR. MILAWSKI: So, I think you asked,
16 chemically, what the waste was.

17 MS. CATALANO: Yes.

18 MR. MILAWSKI: Okay, so we can disclose that
19 after.

20 MS. CATALANO: Okay.

21 MR. MILAWSKI: The Chinese waste would be the
22 same -- the same chemical.

23 MS. CATALANO: And I'm thinking you know over
24 there in China do they make them be really meticulous about
25 their waste or can they just -- can it just go into the air

1 or groundwater? Are the lax on their environment over there
2 so they don't have the cost of dealing with all this waste?

3 MR. MILAWSKI: We definitely can't disclose much
4 on that, but we can say that we've heard that there's been
5 environmental pressures over the last couple years for the
6 Chinese related to this waste. We do not have specific
7 information on that on the Chinese, though. So, in the
8 post-conference comments we would not be able to provide
9 much there.

10 MS. CATALANO: Sure. I imagine that it's more
11 lax, but that's just my hunch so far.

12 So, my understanding is that the toll producers
13 take the raw materials and mix them together and give them
14 to you, Wincom. Why don't you do that yourself? Why give
15 it to your toll producers?

16 MR. MILAWSKI: Good question. As I mentioned
17 before, were we are located in Cincinnati, Ohio we are able
18 to employ our purification process, but where we are
19 currently located we are not zoned to have a pressure
20 reactor.

21 MS. CATALANO: That they have.

22 MR. MILAWSKI: Which is why we've partnered with
23 folks that, more importantly, have more experience with
24 these pieces of equipment.

25 MS. CATALANO: Okay.

1 MR. MILAWSKI: So, basically, the theory of let
2 the folks that know how to do it do it.

3 MS. CATALANO: Okay. And can I ask the toll
4 producers what's involved in a pressure reactor that is not
5 wanted by some zoning boards? Can it blow up or explode or
6 what?

7 MR. SPORE: So, what you end up doing is you put
8 a lot of pressures, so you create a lot of pressure. We
9 could go into greater detail, but that's kind of information
10 that we'd want to save.

11 MS. CATALANO: Yes.

12 MR. SPORE: As an example, if we're operating a
13 reactor under high pressure and we get a pinhole leak, it'll
14 come out -- the pressure is such that you could literally
15 cut a limb off of an employee.

16 MS. CATALANO: So, it's dangerous.

17 MR. SPORE: Yes, very dangerous.

18 MS. CATALANO: That's why it's probably not
19 zoned in where you live. Okay.

20 MR. STARNES: Also, you have to pressure safety
21 devices on your equipment. Like, say, for your leak valves
22 and they're not cheap and they have to be tested. You have
23 to test the equipment every so often to have it certified to
24 how low the pressure is and numerous things you have to be
25 able to do to run pressure reactors. We're heavy regulated

1 by the government.

2 MS. CATALANO: By EPA or who regulates that?

3 MR. STARNES: The EPA.

4 MS. CATALANO: And who?

5 MR. STARNES: OSHA.

6 MS. CATALANO: OSHA, okay. Do the Chinese have
7 this pressure reactor?

8 MR. SPORE: Excuse me, Ms. Catalano. The other
9 thing is, is that a lot of this requires a lot of capital.
10 And so, Wincom may choose to spend their capital in other
11 areas; whereas, we may have that equipment readily available
12 that we can convert to their process.

13 MS. CATALANO: And when you say capital
14 investment, do you mean on the order of a dollar or a
15 billion? Are we talking hundreds of millions, a billion?

16 MR. SPORE: You're talking millions.

17 MS. CATALANO: Okay, I don't need any more than
18 that. I'm just trying to get an idea.

19 Do the Chinese have this same pressure reactor?
20 Have they blown anyone up? Have you heard of any explosions
21 over in China?

22 MR. MILAWSKI: I've been over to China twice. I
23 visited the majority of the manufacturers. Out of respect
24 of what -- you know our visits, yeah, we definitely can't
25 disclose that publicly, but maybe they've had troubles.

1 MS. CATALANO: Do they have the pressure
2 cookers?

3 MR. MILAWSKI: Yes. Do the Chinese use pressure
4 reactors? Yes.

5 MS. CATALANO: Okay, that was my understanding
6 from reading the petition was that the difference was in the
7 purification of what Wincom does.

8 MR. MILAWSKI: We just haven't been over there
9 in a year or two, so we can't 100 percent say they haven't
10 changed equipment, but to the best of our knowledge, yes,
11 they're using high pressure reactors similar to what these
12 gentlemen use -- tollers.

13 MR. SPORE: Because of the temperatures and the
14 pressures and the PH that we deal with we're always focused
15 on safety. And it is just paramount in our operations that
16 safety is a religion and so we do focus on that kind of
17 stuff. And any time we make a change in our process, we go
18 through a management of change process and then we put it
19 through the process hazard analysis that OSHA requires of
20 any companies like ourselves to go through to make that
21 change.

22 MS. CATALANO: I do like to talk about it
23 because sometimes we do cases where it's not the chemical
24 industry and people don't realize that there are a lot of
25 things that go into making a chemical, one of which is this

1 high pressure temperature reactor.

2 MR. SPORE: OTDA is a material that in order to
3 run it you have to keep it liquid. And if it happens to
4 fall out of the shipping container it freezes at 165 degrees
5 F, so it freezes at a very high temperature. So, in order
6 for us to run that, we have to keep it at a high temp.

7 MS. CATALANO: Thank you.

8 MR. SPORE: When we talk about corrosion and
9 products corroding does everybody understand what that is
10 and what that means?

11 MS. CATALANO: I would love for you to explain
12 it for the record because everyone is going to be reading
13 it.

14 MR. SPORE: Okay, John, you can step in if I'm
15 not doing this right. But if you put steel outside and
16 expose it to air and water, you create ferric oxide;
17 commonly, referred to as rust. So, the same thing that can
18 happen in a copper environment, like in a radiator. So, you
19 add that corrosion inhibitor to protect the metal because in
20 a radiator you've got cold. You've got hot, cold and hot,
21 and pretty soon that copper will corrode. It will have its
22 own version of rust and that, in turn, you try to protect
23 the metal. And if you don't, then you've eventually got a
24 radiator that leaks or if you get enough gunk in the
25 radiator it'll plug it up. So, that's why you put these

1 corrosion inhibitors in this material to protect, in this
2 case, the radiator.

3 MS. CATALANO: Thank you. Do you want to add to
4 that anything?

5 MR. REYNOLDS: I believe is gunk is a highly
6 technical term.

7 MS. CATALANO: Very technical, excellent. I
8 love it. I use the word myself sometimes, so it works when
9 I explain things too.

10 MR. REYNOLDS: I'd love to see that word in the
11 staff report, Ms. Catalano.

12 MR. ZIBRIDA: To further the complement of what
13 Eric just stated is that all metals want to go back to their
14 native ore body. Steel wants to go back to the Mesabi
15 Range. Copper wants to go back to a copper oxide in the
16 ground. And what the alizoles will do is prevent the copper
17 from going to its native ore. And in the case of mild steel
18 or stainless steel inhibitors prevent steel from going back
19 to its origins in Hibbing, Minnesota or wherever the mine
20 is. So, oxidation is an unpreventable episode of all
21 metallurgy, given its druthers, so you want to keep it from
22 going back to ground.

23 Does that help?

24 MS. CATALANO: Yes, it does. Thank you.

25 Okay, I have couple of questions on who are the

1 non-subject countries; can they be named? I know they're
2 small. I heard small and tiny. Do you know who they might
3 be?

4 MR. MILAWSKI: Yes, I forget who mentioned it
5 was less than 5 percent or something.

6 MS. CATALANO: It was small.

7 MR. MILAWSKI: To my estimate, that's about
8 accurate. Europe.

9 MS. CATALANO: Do you know which countries?

10 MR. MILAWSKI: We've seen some shipped out of
11 Germany.

12 MS. CATALANO: Germany?

13 MR. MILAWSKI: -- as a trade of inventory. We
14 don't know.

15 MS. CATALANO: Right.

16 MR. MILAWSKI: I think we've also seen Korea.

17 MS. CATALANO: Korea.

18 MR. MILAWSKI: We have seen India and I think
19 that's about all I can estimate.

20 MS. CATALANO: Okay.

21 MR. MILAWSKI: There wasn't much. I think there
22 was even a few --

23 MS. CATALANO: But that's more helpful.

24 MR. MILAWSKI: There were some very odd, small
25 countries that we were kind of like, what, or what does that

1 mean. I'm sorry. I'm just trying to elaborate more with
2 the information for that.

3 MS. CATALANO: Right.

4 MR. MILAWSKI: Thank.

5 MS. CATALANO: I mean sometimes the countries
6 that come up are surprising, even though they're small. But
7 it's helpful to just put in, okay, these two or three 5
8 percent and we've got your estimate because that's all we
9 have in the absence of any other record. Okay. And are
10 there any packaging differences between the product that is
11 made for corrosion inhibitors in the United States and
12 China? Are they packaged in the same way? I realize the
13 ones from China are coming in through some type of import
14 containers, but when the customer receives them are they in
15 different types of packaging?

16 MR. MILAWSKI: They are very similar types of
17 packages, so from China you can import super sacks. These
18 are 1100 pounds. You can get them in -- it's like a paper
19 or woven bag at 55 pounds. So, we're not currently making
20 solid, but when we do we would provide both these packaging
21 forms. I mean we currently still use these internally. As
22 for the liquid, Wincom, for example, provides our domestic
23 products in tank trucks, totes, and drums.

24 China provides it in -- you know in place of
25 tankers you would have an isotainer that you could import.

1 The totes are pretty similar. There might be differences in
2 the valves on the bottom. The drums are similar. They
3 might be a different makeup of plastic, but that would be
4 about the description of all the types.

5 MS. CATALANO: So, the containers are, by and
6 large, made of plastic rather than any type of metal.

7 MR. MILAWSKI: It matters what, I guess,
8 container. You're talking about drums.

9 MS. CATALANO: Drums.

10 MR. MILAWSKI: Drums can be -- I have heard that
11 you can import sodium triazole in steel drums. You could
12 also do it in poly drums.

13 MS. CATALANO: Okay, thank you. And in terms of
14 global capacity, would you put a number on that for me?
15 What do you think global capacity is?

16 MR. MILAWSKI: I think Mr. Steve mentioned that
17 earlier.

18 MS. CATALANO: I thought he said 30 million.

19 MR. MILAWSKI: Yes, we estimated 30 million.

20 MS. CATALANO: 30 million what, pounds or metric
21 tons?

22 MR. MILAWSKI: Consumption.

23 MS. CATALANO: Consumption -- okay, capacity, so
24 that would be one of those. Do you have your economist over
25 here? Capacity -- global capacity for TTA and BTA, maybe

1 separately.

2 MR. LUTZ: Yes, we're estimating that at, I
3 think, 65.

4 MR. MILAWSKI: Capacity for tolyltriazole,
5 benzotriazole in all forms were 60 million pounds.

6 MS. CATALANO: Pounds?

7 MR. LUTZ: Sorry, pounds, yes. We thought the
8 use we estimated around 30 million worldwide.

9 MS. CATALANO: Okay, that's what I heard. I
10 just wanted to clarify the units on that. It was 60 million
11 pounds.

12 MR. LUTZ: Yes, pounds.

13 MS. CATALANO: And 30 million pounds, okay.

14 MR. LUTZ: Yes, for example, like 2019 we're
15 talking about 12 million pounds or 18 million pounds.

16 MS. CATALANO: Okay.

17 MR. LUTZ: So, that's for the U.S. and then you
18 have the other.

19 MS. CATALANO: And the 60 million pounds is
20 global capacity, which would include China and the U.S. or
21 that's just China?

22 MR. LUTZ: Yes, that was just China when we were
23 talking about that.

24 MS. CATALANO: Okay, I just wanted to clarify
25 like what the number is attached to. Okay, thank you.

1 That's all my questions.

2 MS. CHRIST: Thank you. We will now turn to
3 Betsy Haines, the Supervisor Investigator.

4 MS. HAINES: Hi, thank you. My first question
5 -- I know you discussed the pitfalls of certain conversion
6 factors possibly used in questionnaires, if you could
7 elaborate on that in your post brief or now to the
8 conversion factor that you think is more accurate and then
9 possible pitfalls of other conversion factors that would be
10 helpful.

11 MR. REYNOLDS: Ms. Haines, we'll do that in the
12 post-conference brief. We'll elaborate on it. What my
13 point was is that we don't know exactly how the importers of
14 Chinese product have converted and you guys do a great job
15 always, but maybe in the final we need to specify how they
16 should be converting if you're going to be doing it our way.
17 That's our primary point because of the fact that we don't
18 know what they were converting. We know what we did and we
19 know what they should be doing, but people can manipulate
20 the data. That's my primary point.

21 MS. HAINES: Okay, but just reinforce sort of
22 what you think is a more accurate way to do it. Also, the
23 HTS that is the liquid form if you can give us -- I know you
24 keep referring to the Customs manifest, so if you could give
25 us what you think is a rough estimate for the subject in

1 that. And if you have estimates for maybe an AUV to use for
2 that, that would be helpful.

3 MR. REYNOLDS: Ms. Haines, we'd be happy to do
4 that again.

5 MS. HAINES: Okay, thank you. I have a
6 question. In talking about what you would not consider a
7 part of the domestic industry would be people who are --
8 firms who are importing the solid and adding water and
9 caustic to it. You're saying they should not be part of the
10 domestic industry. Do you have a sense what the value added
11 would be for such firms by adding just the water and the
12 caustic?

13 MR. REYNOLDS: We do. And again, that's going
14 to be confidential, so we'll point that out to you and
15 explain that in a confidential brief post-conference.

16 MS. HAINES: And also, if you have a sense of --
17 I mean if there are firms that you know that are doing that
18 just let us know. Okay.

19 MR. REYNOLDS: We will.

20 MS. HAINES: Okay, thank you. And then my last
21 question is sort of minor. You made one of the -- you made
22 reference to the salt form. Is that a minor part and what
23 would the salt form be used for differently than the other
24 forms. I can't remember the context that that was brought
25 up in.

1 MR. MILAWSKI: So, when we were referring to the
2 salt form, we were referring to liquid forms. So, the
3 triazoles -- tolylriazole and benzotriazole as acids do not
4 have that high of solubility in an aqueous formulation,
5 water, which is why the liquid forms, as a sodium salt, are
6 nearly miscible in aqueous formulations or in water.

7 MS. HAINES: Okay. Okay, thank you. Another
8 question about again the firms that are getting the imports,
9 adding the water and the caustics, so what they're creating
10 is not going through the purification process that your
11 product does. Correct?

12 MR. MILAWSKI: That is correct. They are taking
13 tolylriazole and making a liquid form from already created
14 Chinese tolylriazole.

15 MS. HAINES: So, are there any purchasers that
16 would prefer your product that has gone through the
17 purification product versus what these other firms are
18 doing?

19 MR. ZIBRIDA: Just to clarify, they go through a
20 purification process, but it's this three-step process that
21 is different from Wincom's process, which is the proprietary
22 process. So, the solid has been purified.

23 MS. HAINES: Okay.

24 MR. ZIBRIDA: It's just done through a different

25 --

1 MS. HAINES: Okay, so the end result is
2 comparable.

3 MR. ZIBRIDA: They have to take the solid and
4 put it in water and add caustic in order to get to the
5 liquid form.

6 MS. HAINES: Okay, it's just a different step.

7 MR. ZIBRIDA: So, yes. Correct.

8 MS. HAINES: Okay. Okay, I think that's all I
9 had. Thank you very much for the helpful testimony.

10 MS. CHRIST: Thank you. I'll just circle back
11 and see if we have any follow-up question and I'll start
12 with Lawrence Jones? No? Follow-up questions? Excellent.
13 I want to reiterate everybody's gratitude that you have all
14 come out here to help us understand this industry. I'm sure
15 my industry analyst colleagues will not believe it, but I
16 entered undergrad as a chemistry major and it was a
17 beautiful combination of math and atoms and it's in forums
18 like this that I normally regret not having continued along
19 that path. But yes, it was a long time ago and I did enjoy
20 Chemistry and I maybe made a wrong choice years ago.

21 I do have a couple of follow-up questions,
22 clarifications. Most of the questions have been asked. The
23 first one is -- I'm going to get back. I think this salt
24 versus crystal it might've come up in the conversation of
25 when somebody might not use the liquid form and preferred to

1 use directly the dry form and so there was a vaporization
2 aspect, in which I believe the crystal was more effective or
3 the salt was more effective? I can remember there was a
4 question about end uses that may not use the liquid form,
5 but might use the dry form and we talked about vaporization.

6 So, in post-conference -- I know there were a
7 number of versions -- powder, flake, granular, crystal. If
8 you could just clarify what kinds of end uses those are most
9 appropriate for and why one would want one version versus
10 another that'd be helpful.

11 MR. ORAVA: We'll do so.

12 MS. CHRIST: Also, there's a mention of blends,
13 blending the two subject products and I think you mentioned
14 the bullet as a product. Could you clarify or does
15 everybody sell blends and is there a certain range of mix?
16 I ask because we talked about these two products as being
17 substitutable where you can use one or another, depending on
18 the effectiveness, but we've also discussed them as being in
19 blends. To what extent and what end uses would they be
20 primarily substitutes and in what end uses would that be
21 primarily complements in the end product?

22 MR. MILAWSKI: So, a lot of that kind of
23 discloses our industry knowledge that we don't really want
24 to get into. Yes, I'd prefer to answer that entirely in
25 post-conference, if that's okay.

1 MS. CHRIST: Okay, yes. No, I was just trying
2 to understand when it is that they would be used together is
3 most effective versus when you're trying to decide between
4 the two.

5 MR. MILAWSKI: That we could answer specifically
6 in the post-conference. I can say that there are other
7 firms that take either our domestic product or imported
8 product and they do mix the two, tolylriazole, and
9 benzotriazole, not infringing on our patent by just doing
10 that. If you added one more, you would. So, yes, I think
11 we've kind of said that at one point. Are there others who
12 offer blends? Yes.

13 MS. CHRIST: Thank you. This is just a small
14 follow up on what Ms. Haines mentioned. In providing the
15 follow up on the conversion factors, if you could just
16 explain if there are more than one conversion factor that's
17 used what would drive that choice of a conversion factor.

18 MR. ORAVA: Yes, we'll do so. Thank you.

19 MS. CHRIST: I'm sorry, grad school college
20 dates, I have to take notes. It's the only way I can
21 remember anything. I think my final question, and this may
22 be also post-conference. You've mentioned the difference,
23 demand and the choice between the two corrosion inhibitors
24 as one factor being whether or not it's cost effective. If
25 you could elaborate what you mean by cost effective. We've

1 had other products where it's basically two products can
2 give you the same effect, but you have to use 3 percent in
3 one, but you need to use 1 percent in another. So, what
4 would be -- and you've already mentioned that BTA is
5 relatively more expensive, so it is just that in
6 applications that you could use both of them. You would
7 have to use more -- the same amounts would be less effective
8 or is it a percentage difference in the end use. I'm just
9 trying to understand what you mean by "cost effective" in
10 the use.

11 MR. MILAWSKI: Definitely, the answer would be
12 it's price driven. So, what are the prices of the two
13 relative to each other? As we've noted, there's small
14 chemical differences. There's all these different
15 applications that can be used in the compatibility with
16 other chemicals. I mean cost is the significant driving
17 factor there. So, thank you.

18 MS. CHRIST: Thank you very much. I don't have
19 anything.

20 MR. REYNOLDS: Just to add one final point to
21 that, I think what Jim just said and what you've heard on
22 interchangeability and pricing and the effect between BTA
23 and TTA is important. And I'll tell you why it's important,
24 which is in a world I don't think this Commission is going
25 to inhabit in the next couple of weeks, let's say you

1 decided somehow that BTA and TTA shouldn't be considered
2 like products. If that happened in the scope of the
3 dumping Order only covered TTA what you're going to see
4 happen is a massive shift from Chinese imports from TTA to
5 BTA because they're going to be able to import at the same
6 low prices that they're doing now with TTA and BTA. And
7 that's really what you're going to see happening should you
8 somehow decide these are different like products. I'm very
9 confident that you won't, but I just wanted to point that
10 out.

11 MS. CHRIST: Thank you. I will now turn to the
12 Secretary to see about --

13 MR. BURCH: We release this panel with our
14 thanks.

15 MS. CHRIST: Thank you very much.

16 MR. BURCH: We will call the Interested Party
17 in Opposition. Make their way forward and be seated. I
18 would just like to note the Interested Party in Opposition
19 have ten minutes for their testimony. You may begin when
20 ready.

21 MS. CHRIST: Sorry, we've just going to hold
22 on. We unexpectedly got a couple of people just stretching
23 their legs, so if you could indulge us, I really want to
24 make sure that they're here to hear everything you have to
25 say. So if you don't mind, just a quick --

1 (Off mic comments.)

2 MS. CHRIST: And I just want to make sure.
3 You know, you've come out here and I want to make sure
4 everybody is here to hear what you have to say so --

5 (Pause.)

6 MS. CHRIST: Thank you very much for your
7 patience. We will start where we left off.

8 MS. BODE: Absolutely. I was going to say
9 good morning, but I think good afternoon now right? So
10 anyway --

11 MR. BURCH: Can you pull the mic a little
12 closer please?

13 STATEMENT OF DENISE BODE

14 MS. BODE: Yes, sure. Good afternoon. This
15 is Denise Bode and Sarah Helton of Michael Best, appearing
16 on behalf of Dober Chemical Corporation, and we lead the
17 trade practice there. Dober is a small family-owned
18 specialty chemical company headquartered in Woodridge,
19 Illinois, with two manufacturing plants in Glenwood,
20 Illinois and Hazelton, Pennsylvania. Dober supplies
21 specialty chemicals to U.S. and international businesses
22 since its founding in 1957 by John Dober, Jr. Dober
23 probably employs 135 people at its three U.S. locations.

24 Dober uses the products at issue,
25 tolyltriazole and benzotriazole to produce its antifreeze

1 coolant and water treatment technologies. It has sourced
2 these corrosion inhibitors from its Chinese suppliers for
3 over 12 years. Dober is known for its innovation and
4 reliability. It's invested considerably in its Chinese
5 supplier for over 12 years.

6 It has invested time and money in qualifying
7 these suppliers to ensure that they provide these chemicals
8 to its specifications, including a reliable supply that is
9 of consistent high quality. Dober opposes the petition of
10 Wincom, asking for additional duties to be imposed on these
11 two products because Dober and U.S. importer cannot source
12 these specific products elsewhere.

13 Two, this petition's scope should not include
14 benzotriazole, a product not produced in the U.S. and not
15 interchangeable, and Wincom, also a significant importer of
16 these products from Chinese, fails to demonstrate material
17 injury from imports. They haven't even been doing this for
18 long enough for the petition to be ripe, and in fact we
19 believe this investigation will find that global market
20 forces are really the key drivers in availability and
21 pricing of these products.

22 I'll begin to discuss the first point, and my
23 colleague Sarah Helton will address the second and third
24 points. Dober must source their benzotriazole and
25 tolyltriazole from suppliers in China who can provide a

1 stable and reliable source of consistently high quality
2 demanded by Dober's customers.

3 China is the world's primary and necessary
4 source for these two chemicals. Though little unlimited
5 production that now occurs in the U.S. and in India is not
6 enough to supply the U.S. market. Reliable suppliers who
7 can make Dober's demand is really critical. In 2011 and
8 '16, the global supply of tolyltriazole was limited due to
9 raw materials.

10 Dober is one of the only companies who is able
11 to secure the necessary supply given its established
12 relationships with its suppliers. This is why Dober spends
13 considerable time qualifying its suppliers to ensure its
14 supply needs can always be met. Petitioner Wincom also
15 heavily relies on China for these chemicals, importing them
16 directly into the U.S. from China.

17 According to public import data, the
18 Petitioner imports benzotriazole and tolyltriazole from
19 suppliers in China, including over 218 pounds since January
20 6, 2020 and over two million pounds in 2019. Given this
21 data, we do not find that Petitioner regularly produces
22 enough of these chemicals in the U.S. to meet U.S. demand.

23 Additionally, high quality chemicals are
24 required for Dober to produce its unit corrosion and water
25 treatment technologies for its U.S. customers. The price

1 points of Chinese suppliers fluctuate due to the
2 availability of raw materials and market forces. These
3 factors in the fluctuation of prices are affirmed by Wincom
4 in Volume 1 of its responses to supplemental questions.

5 The availability of OPDA, the raw material and
6 sodium nitrate, the key materials used to make
7 tolyltriazole, largely determine the price point for the
8 chemical. The prices actually fluctuated cyclically, with a
9 period of about three years where it adjusts back and forth.
10 It has fluctuated from 2015 higher than in 2019, back to a
11 similar level as in 2015.

12 So it's gone from 2015 down, up higher and
13 then around 2017, the price for the raw materials started
14 going back down again, similar to the time that the
15 Petitioner started in the business with its other suppliers.
16 Supply and demand are relatively stable and prices are
17 already returning really to a reasonable range.

18 Before Petitioner's recent production of
19 tolyltriazole, there was no U.S. production of this chemical
20 since the early 1990's. The last producer, PNC, shifted
21 production overseas, again due to market forces. As
22 affirmed by Petitioner Wincom in its petition, there still
23 is no U.S. producer of benzotriazole. Almost all the global
24 production of these chemicals occur in China.

25 I wanted to also mention for benzotriazole,

1 it's the availability also of their raw material OPDA that's
2 been discussed. Recently, the price point of tolyltriazole
3 has decreased because of the abundant supply of OPDA after a
4 new Saudi Arabian producer entered the market, Saudi Sadara.
5 In order for Dober to remain competitive as a small family
6 business and ensure its requirements of capacity, quality
7 and price were met, it had begun to source its chemicals for
8 suppliers overseas as of 12 years ago.

9 And now we want to move on to the second issue
10 regarding the scope of the petition, and Sarah Helton will
11 address that.

12 MR. BURCH: You need to speak into the
13 microphone, please.

14 STATEMENT OF SARAH HELTON

15 MS. HELTON: Thank you. Second, the scope of
16 the petition improperly includes benzotriazole. While
17 tolyltriazole and benzotriazole can be used for similar end
18 purposes, they are not interchangeable due to regulatory,
19 industry and customer requirements, as well as chemical
20 makeup. When meeting health, safety and environmental
21 compliance requirements, Dober cannot substitute
22 tolyltriazole for benzotriazole and vice-versa.

23 Dober subscribes to a regulatory database that
24 contains more than 6,000 regulatory lists to assist with the
25 compliance with occupational, environmental, health and

1 safety regulations globally. Based on this database, called
2 the List of Lists, which is managed, maintained by UL, the
3 two chemicals have very different health and environmental
4 safety concerns.

5 The industry must use different data safety
6 sheets, labels and hazards for chemicals. Tolyltriazole
7 hazard statements would be as follows. Harmful if
8 swallowed, causes eye irritation, harmful to aquatic life,
9 harmful to aquatic life with long-lasting effects.
10 Benzotriazole hazard statements would be harmful if
11 swallowed or inhaled, and harmful to aquatic life.

12 If one were to use the benzotriazole
13 statements when manufacturing with tolyltriazole only, the
14 eye irritation is missed as well as the long-term
15 environmental impacts, and instead an inhalation hazard is
16 present, while there would be no actual inhalation concerns.
17 Great challenges are not only felt internally by Dober when
18 changing chemicals, but it impacts Dober's private label
19 customers, their non-private label customers and its global
20 blending partners.

21 For example, some of its private label
22 customers are large global filter companies who brand their
23 products on their labels. Dober could not switch between
24 the two chemicals, as it would require these customers to
25 carry different versions of their labels while driving up

1 costs. Dober's blending partners are located in the
2 European Union, and are under Reach regulations.

3 One small part of this regulation is that the
4 blender needs to report chemical volumes to the agency. To
5 best manage this, each formula is entered to their ERP
6 system used for compliance. Changing a chemical out for
7 another would require this blender to create a new product
8 in their ERP system. Furthermore, tolyltriazole and
9 benzotriazole are not interchangeable due to their chemical
10 make-up. Benzotriazole has a better stability profile when
11 under lower pH conditions.

12 The stability of the chemical is critical to
13 producing Dober's products and meeting its customer
14 requirements. A lack of stability can complicate the
15 chemistry, testing and qualification. Therefore,
16 benzotriazole should not be included in the scope of the
17 petition as the Commission proceeds. Tolyltriazole and
18 benzotriazole are not interchangeable, and there are no U.S.
19 producers of benzotriazole.

20 Last, Petitioner Wincom is unable to
21 demonstrate that a U.S. industry of essentially one company
22 and its tolyltriazole producers that recently entered the
23 market as a producer of tolyltriazole is materially injured
24 because of Chinese imports. Petitioner Wincom argues that
25 it has been materially injured as a U.S. producer of

1 tolyltriazole because of Chinese imports.

2 However as stated earlier, we have found that
3 the Petitioner also imports a significant amount of
4 tolyltriazole and benzotriazole from China, including over
5 218,000 pounds since January 6th of 2020 and two million
6 pounds in 2019. This would be about 20 percent of what
7 Petitioner testified is the overall percentage of the
8 imports coming into the U.S. Their reliance on Chinese
9 suppliers fundamentally undermines the basis of their
10 petition. Petitioner and its tolyltriazole producers,
11 Texmark and SantoLubes have recently attempted to enter the
12 market for tolyltriazole, but have apparently done so
13 unsuccessfully due to market forces.

14 We believe Wincom purchases these chemicals
15 from their Chinese suppliers, and then also resells them to
16 U.S. users at perhaps the same or higher uncompetitive
17 prices. Given Petitioner Wincom's reliance on Chinese
18 suppliers for these corrosion inhibitors, we do not believe
19 that Petitioner can sufficiently demonstrate material harm
20 based on the varying factors of increasing inventories, lost
21 sales, price suppression, low capacity utilization,
22 decreasing shipments or reduced profits due to the lower
23 competitive prices from suppliers in China.

24 Wincom claims lost sales, lost profits and
25 lost market share from the subject imports. But it fails to

1 recognize that it benefits from the competitive costs from
2 its Chinese suppliers, because it is also a significant
3 importer. As Wincom continues to import from China, it
4 demonstrates that the demand is there for their product,
5 making it difficult to prove material injury.

6 It also fails to recognize that market forces
7 it has faced as a recent U.S. producer in a competitive and
8 established market. For example, Petitioner Wincom likely
9 faces challenges in selling its product sodium tolyltriazole
10 50 percent, which is the liquid form of tolyltriazole,
11 because of advancements in technology in the industry. Its
12 potential customers of this chemical, like Dober, now make
13 sodium triazole 50 percent itself, rather than purchasing it
14 from suppliers like Wincom.

15 Additionally, Petitioner Wincom states that
16 Texmark began producing tolyltriazole for Wincom as recently
17 as 2018. We question what reliable market analysis it has
18 to demonstrate an established market share or a potential
19 share for Texmark in just over two years, in a
20 well-established and competitive market that was then
21 impacted by imports since 2017.

22 Now Petitioner Wincom and tolyltriazole
23 producers seek financial relief from the ITC, and for
24 challenges it faces from market forces, but at the expense
25 of small family businesses like Dober. In summary, while

1 Dober is not a party to the investigation, we request that
2 the Commission take Dober's concerns into consideration as
3 you proceed.

4 U.S. importers and users like Dober are unable
5 to source tolyltriazole and benzotriazole outside of China.
6 The scope of the petition improperly includes benzotriazole,
7 and third, Petitioner Wincom is unable to demonstrate a
8 causal nexus between its financial injury and subject
9 imports. Market forces are driving the price. An
10 anti-dumping order would prohibit Dober's ability to source
11 and use tolyltriazole and benzotriazole in its products,
12 resulting in significant and disproportionate economic harm
13 to the U.S. industry, including U.S. importers and U.S.
14 users like Dober's small family business and its customers.

15 MS. CHRIST: Thank you. We'll now to turn to
16 staff questions and we'll start with the Investigator, Larry
17 Jones.

18 MR. JONES: Thank you for your testimony. So
19 the one thing I heard, overheard when you were providing it
20 was advancements in technology in this industry. What
21 exactly are they?

22 MS. HELTON: Sarah Helton. As far as Dober's
23 advancements in technology, we'd be happy to follow up.
24 Some of that information is proprietary to their
25 formulations and to their manufacturing of their products.

1 MR. JONES: Okay, thank you for that. And so
2 as far as how we're -- we submitted the questionnaires. I
3 believe the lost sales, lost revenue survey was complete
4 about Dober, is that correct?

5 MS. HELTON: Sarah Helton, correct.

6 MR. JONES: Are they working on a U.S.
7 producer questionnaire? We didn't send them one, but is
8 that something that they would consider themselves, or is
9 this not at all in their realm, based on what you said?

10 MS. HELTON: Sarah Helton. The products that
11 they produce incorporate benzotriazole and tolyltriazole,
12 but they do not manufacture those two chemicals themselves.

13 MR. JONES: So they're not processing in a way
14 that they would be considered a producer?

15 MS. HELTON: Sarah Helton. We'd be happy to
16 speak with Dober about whether they would be -- can respond
17 to a U.S. producer, but we would have to have more
18 information about the exact products that they produce and
19 incorporate it in.

20 MR. JONES: Okay, and as far as their -- are
21 they working on an importer questionnaire, because they do
22 source from China.

23 MS. HELTON: Sarah Helton, clarification.
24 They don't directly source. They work with a distributor,
25 so they are not importer of record.

1 MR. JONES: Thank you, and as far as -- as far
2 as supply disruptions, is this a recurring theme or -- and
3 how do the U.S. producers factor into this? I think you
4 mentioned, going back you said it's cyclical and 2015 is --
5 or 2019 is a repeat of 2015. Can you clarify that?

6 MS. BODE: Yes, and in fact we'll do more in
7 our written testimony following this. But just in short
8 form, what's happened is that the source chemical for
9 tolyltriazole is basically gets in short supply and then
10 they have more and then they get short supply, and it
11 usually happens --

12 MR. BURCH: Can you please speak into the
13 microphone?

14 MS. BODE: It gets in -- it is basically in a
15 cyclical basis, has been occurring in a cyclical basis, and
16 part of what happened as well is that, you know, from 2015
17 to today, one of the big things that has changed in the
18 Chinese marketplace is there has been a dramatic increase in
19 oversight and regulation for environmental purposes. In
20 fact, it's changed the make-up of the Chinese industry.
21 We'd like to provide you in detail the impact of this,
22 because I think there is a lot of issues addressed by the
23 Petitioner with regard to environmental oversight and
24 safety, and that would be appropriately addressed, we think,
25 in more detailed comments.

1 I would urge also that as you conduct this
2 investigation, you take a deeper dive in this because it has
3 had an impact in terms of availability and sourcing there,
4 and you know, that has also changed also the price point.

5 MR. JONES: Thank you, and you mentioned some
6 of the ^^^^ so as far as customer preference for corrosion
7 inhibitors, the benzotriazole, what role does that play in
8 not just what your customer preferences are in sourcing, but
9 also in driving future trends for imports? How would you --
10 what would you say about that?

11 MS. BODE: Well I think, and Sarah and I can
12 both answer this. But I think what our client has shared
13 with us is that, you know, that they're different and that
14 every time they've really tried to substitute or urge their
15 customers to utilize the benzotriazole, that they really
16 push back because it -- because of the pH factor in
17 particular, that is different and it has less performance
18 than, a lower performance for those purposes that they
19 utilize it for.

20 But again, we'll put all this in -- like we're
21 not the -- we're not the chemists here. We didn't have the
22 benefit of having the whole team. Our guys are a pretty
23 small business and they don't have the ability to fly a
24 bunch of folks in. But we want to respond thoroughly in
25 this area, because we have a lot of expertise in this over

1 the last 15 years.

2 That's what they've shared with us, that
3 they're not interchangeable. Their customers push back, and
4 in fact, you know, the domestic supply that Wincom's talking
5 about, you know, it's different. It's processed
6 differently. The quality of the Chinese tetracycline,
7 tolyltriazole coming in is -- it's purified in a different
8 way.

9 So when it gets to Dober and it treats it for
10 purposes of utilizing it, you know, heat treatment and all
11 the other aspects that go into making it utilize for their
12 purposes. It is already purified and then it's treated, and
13 in that respect it's pretty much the same with all the
14 technology of these companies that are utilizing it in that
15 way.

16 As Wincom said, they have a different
17 manufacturing process that we don't really understand all
18 about. But we do know enough that we do know in talking to
19 other folks like us in the marketplace, that it is --

20 It has different, it has different aspects
21 than the tetracyclithol imported into the U.S. from China,
22 and that it is a different quality. I won't say it's better
23 or worse. I'll just say it's a different quality, and the
24 customers really prefer what they're already getting and is
25 performing.

1 MR. JONES: Thank you, and Dober's mentioned a
2 couple of times about the Chinese industry, and as you
3 probably know this so far, there's not a lot of information
4 currently on the record regarding that. So if you could at
5 least in post-conference provide some of the information you
6 have about the Chinese industry, manufacturing differences
7 and basically whatever you can, that would be very helpful.

8 MS. BODE: Absolutely, yes.

9 MR. JONES: This is my last question, but
10 there is evolving the reliable metric for how we look at the
11 corrosion inhibitors, and there's been a lot of talk. You
12 also mentioned it as well, the official import stats. So I
13 guess the first question is are official import statistics
14 with the three separate HTS numbers for -- the one for
15 benzotriazole, the 11110, I don't want to go through every
16 one of them.

17 But 11110 is benzotriazole. Tolytriazole is
18 11120 and then pretty much the All Other is 11190. Are
19 these reliable measures for corrosion inhibitors, or is this
20 not reliable, particularly the one ending in 90, the All
21 Other or the sodium?

22 MS. BODE: I think that's a good question. We
23 were not aware that there was, in discussing with our client
24 and others in the industry, we were not aware that there was
25 any question about them not being a reliable resource. So

1 we will take away from this conference this morning the
2 mission of going back and really taking a deeper dive on
3 that.

4 So we were all operating under the assumption,
5 including our client, that they're a reliable -- that that
6 was reliable information. So we'll go back and take a
7 deeper dive on that.

8 MR. JONES: Thank you. Yeah, and I would just
9 ask if you can look at the All Other one specifically?

10 MS. BODE: Exactly, yes.

11 MR. JONES: Thank you, appreciate it. I don't
12 have any other questions.

13 MS. CHRIST: Thank you. We'll turn to the
14 attorney Henry Smith.

15 MR. SMITH: Hi, welcome. Thank you for
16 participating in this proceeding. We appreciate that. I
17 just have a few questions. I'm trying to get a better sense
18 of what Dober does, sort of where they fall on the supply
19 chain. It sounds like they get the tolyltriazole and
20 benzotriazole from the distributor, that that would be the
21 importer I assume. Are they incorporating those products
22 into their own products and mixing blends, or are they
23 distributors themselves?

24 MS. HELTON: They incorporate these two chemicals
25 into blends to be used for some of their water treatment

1 technologies, as well as anti-corrosion technologies,
2 exactly.

3 MR. SMITH: So what does Dober do, exactly?

4 Sorry. I didn't have a chance to look it up online.

5 MS. HELTON: They're a chemical manufacturer. So
6 they produce specialty chemicals and use, incorporating
7 chemicals like tolyltriazole, benzotriazole, to produce
8 technologies that they then sell to their customers.

9 MR. SMITH: Okay. So it sounds like they're
10 blending it and then filling those products more or less?

11 MS. HELTON: Yes.

12 MR. SMITH: And then --

13 MS. HELTON: Those are their only products, too.

14 MR. SMITH: Okay. And it sounded like they're
15 doing some -- they're getting from their distributor,
16 they're getting some tolyltriazole, benzotriazole in solid
17 form and mixing it with water and caustic and making it a
18 liquid form; is that correct?

19 MS. HELTON: Correct.

20 MR. SMITH: Okay. I don't know if you could
21 provide any information on sort of the value added of that
22 particular process, the capital investment involved with
23 doing something like that would be helpful. Amount of
24 employees --

25 MS. BODE: We do have 135 employees in those two

1 locations that I mentioned in the beginning.

2 MR. SMITH: Yeah, I'm interested specifically in
3 the process of making the solid into the liquid. And in
4 that regard, too, I'd be curious to know what your client
5 thinks about a proper conversion or a weight conversion to
6 get from liquid back to solid in terms of our analysis.

7 You mentioned at one point that PMC shifted its
8 production overseas, it's production of these two products,
9 or at least tolyltriazole overseas -- when was that?

10 MS. HELTON: To our knowledge, that was back in
11 the early 1990s.

12 MR. SMITH: Okay. You also talked about some
13 differences between tolyltriazole and benzotriazole. The
14 ones I heard were, there's differences in the requirements
15 to keep these chemicals safe for, I guess, and for the
16 processing, the safety requirements when they're using these
17 chemicals. Specifically, it sounded like, if you are
18 selling into Europe, you have use one over the other,
19 perhaps. Can you elaborate on that a little more?

20 MS. HELTON: Yes, thank you for your question.
21 For clarification, we reference in -- there were works with
22 some international global blending partners, and so those
23 partners are required per REACH requirements to register
24 what chemicals they're incorporating in their product. And
25 so every time, for instance, these two chemicals would not

1 be interchangeable, as far as understanding that when one of
2 their partners registers for the use of this product, a
3 chemical in their product, this would require an entirely
4 new registration. So a mere interchangeability between the
5 two products is not available.

6 MR. SMITH: Okay. So there's some European
7 regulations that limit the interchangeability of these two
8 products? What about in the U.S.? Are you aware of
9 anything?

10 MS. HELTON: In the U.S., we don't have specific
11 regulations on hand to reference, but we'd be happy to
12 reference them, but overall, in working with, for instance,
13 occupational safety, health, environmental regulations,
14 these two chemicals, while there are similar end uses, they
15 are different in the chemical make-up, and they are
16 different in the health hazards and environmental hazards as
17 well. And so with that, that's a consideration for why
18 they're not easily interchangeable, especially when, for
19 instance, Dober, when producing its products, to meet its
20 customers' specifications, Dober cannot simply interchange a
21 tolyltriazole for a benzotriazole, and vice versa.

22 MR. SMITH: Okay. So when Dober's making its
23 mixes of its products, it has to use one over the other is
24 what you're saying?

25 MS. HELTON: Whatever its customers' requirements

1 are for it. And they have longstanding relationships with
2 their customers and produce their products to their
3 customers' specifications. And so with that, for the
4 interchangeability between the two, Dober cannot just make a
5 decision to simply interchange one for the other. It
6 requires working with its customers to understand what their
7 needs are, as well as to understanding the quality of the
8 product and availability of it as well.

9 MR. SMITH: Okay. Yeah, I mean it would be
10 helpful, I think, if Dober could fill out a U.S. Imports
11 questionnaire and also maybe talk to -- if there is a final
12 stage, we send out questions to purchasers as well and just
13 make sure we're getting information from these parties that
14 you're talking about. So we can get a sense of how
15 prevalent it is in the market, essentially.

16 MS. HELTON: Mm-hmm.

17 MR. SMITH: Let's see. Last question. You were
18 implying that there were other causes of injury to the
19 domestic industry. I think you said market forces were
20 driving injury. Could you elaborate on that more?

21 MS. HELTON: What we are elaborating on is that
22 Wincom speaks to this act that the pricing of the Chinese
23 imports is the causal nexus between verifying injury. And
24 what we are trying to demonstrate is that there are market
25 forces at hand that could be impacting their financial

1 injury right now. We are not privy to their financial
2 statements and understanding what investments they've made
3 or what their supply chain is or other impacts to it.

4 But we question understanding what we've seen as
5 far as the fluctuation of the prices between tolyltriazone
6 and benzotriazole over a period of years, that it does
7 fluctuate, understanding the availability of the raw
8 material of OTDA and OPDA. And that often is what leads to
9 market forces for the prices of these two chemicals.

10 If Wincom is trying to demonstrate financial
11 harm, what we would like to know more about is the direct
12 causal nexus then between the imports that they bring in of
13 these two chemicals and how they are being harmed then by
14 the prices that they're paying for these two chemicals for
15 the imports they're bringing in, and also to understand what
16 percentage that is of their business and their market versus
17 the rest of their business as well. We question the large
18 impacts from market forces here for their financial injury
19 rather than lower prices of the Chinese imports.

20 MR. SMITH: Okay, yes, so it's -- I'm still not
21 entirely following. It sounds like you might be saying that
22 when benzotriazole is higher priced or lower priced then
23 that could be causing injury to the domestic industry
24 because they only make tolyltriazone and customers would be
25 switching to benzotriazole. I mean the problem with that

1 theory is that there's no domestic production of
2 benzotriazole, so that's no injury from subject imports.

3 MS. BODE: I think what we're talking about is
4 all about tolylriazole. And when you go back and look, this
5 investigation is 2017 to 2019. If you go back to 2015 and
6 look at the numbers and what's going on in the industry, as
7 a whole, the numbers in 2015 are relatively similar to what
8 the numbers are now for the raw material, and I guess that's
9 what we're saying. That is critical, knowing the raw
10 material -- you know the pricing of the raw material that
11 goes in to make the tolylriazole. You know that price is a
12 critical factor and that has been fluctuating and it's not
13 being fluctuating because anybody's dumping. It's because
14 they fluctuating because of availability and it impacts
15 everybody. It's not just the U.S., anybody that uses these
16 products are impacted by it. So, it's really just all that
17 straight line. So, if you go back and look at 2015, which
18 we'd urge you to do, I think you might get some interesting
19 information to give more of a big picture.

20 MR. SMITH: Okay, so it's the fluctuation in raw
21 material costs that you're arguing that may be causing -- if
22 there is injury. Okay, well, that's something we'll
23 certainly look at. We always do. If you have any
24 information you could provide as well, that would be
25 helpful. That's all I have. Thank you.

1 MS. CHRIST: Thank you. We'll now turn to the
2 Economist, Amelia Preece.

3 MS. PREECE: Thank you very much. It's very
4 helpful to have a Respondent's side so we can -- to have a
5 different point of view.

6 My first question is not a question. It's a
7 request. The raw material costs I don't think we have --
8 yes, we do not have a dataset for the raw material costs.
9 It appears that you have some access to that. If you could
10 provide us with that information that would be very helpful
11 because then we can compare that to the price of that will
12 help us understand this industry much better. So, that
13 would be in your brief we would appreciate that and that
14 will be very helpful. Okay, so that's the first one.

15 The second question I have -- let's go from up
16 to the most general. The domestic producer reported the end
17 uses of this product and they reported water treatment and
18 engines as the most important end use. Is that what you see
19 in this market, that those are the two largest end uses of
20 this product of the benzo and poly product?

21 MS. BODE: Yes, we agree with that.

22 MS. PREECE: Okay, so it's always good to have
23 both sides agreeing on something. I'd like to have an idea
24 of how long and how costly it would be to produce a new
25 specification. You say in order to make this substitution

1 we have to produce this new specification and have it
2 approved or whatever. Information about that would be very
3 useful to looking at the substitution between these two
4 products, how much it would cost, even getting rid of the
5 fact that they have a different health possibilities. But
6 just saying, okay, we'll assume that they're the same those
7 ways. How much would it cost just to go through the process
8 of getting a new compound on the market, which in some ways
9 might substitute between these two products?

10 MS. BODE: We will do that.

11 MS. PREECE: Thank you very much. And you're
12 basically what I would call a compounder; is that what you
13 do?

14 MS. HELTON: In very simple terms, we're an end
15 user of the product and using the two chemicals then to
16 produce their own products.

17 MS. PREECE: Okay, okay. And as an end user,
18 it'd be very helpful for me to have an idea of the compounds
19 that you do sell which contained poly and benzo. If you can
20 give me sort of a range -- you don't have to do this hear
21 not, but a range of the cost of that whole compound that is
22 the cost of the benzo or the poly. And if they're
23 different, that'd be great too. You can break them out. If
24 they're the same, you don't need to break them out.

25 You talked about you're purchaser, you're end

1 user. Taking the dry and making a liquid, do you know of
2 any instances where people don't do that process? They just
3 take dry and say sprinkle it on an airplane to prevent
4 rusting or whatever. Is there any use that doesn't -- that
5 they go in with the dry and they use the dry in the final
6 sort of compound. You know it's a dry compound and they use
7 it somewhere. Do you know of any instances where that's a
8 dry compound -- dry material is used in the final product?

9 MS. HELTON: We would be happy to follow up with
10 you with additional information in writing after we learn
11 more from our industry experts.

12 MS. PREECE: Yes, I mean I think that that's all
13 we can hope for, but you know this is a question that I
14 haven't -- it seems to me that it's always used in liquid
15 form, but I'm not sure. So, you know if you can give me an
16 example. It's used in flake form some place for something,
17 then I'll know, okay, it isn't always used in liquid form
18 and that's information -- very helpful. Okay.

19 You know the Petitioners gave us a lot of
20 information which was very helpful. If you have anything
21 you want to either disagree with what the information about
22 how it's used or any of those things, I would love to have
23 it again in your brief. That'd be really helpful. And I
24 think that's basically all of the questions I have, so thank
25 you very much.

1 MS. CHRIST: Alright, before we move onto the
2 Auditor, I have one clarification from the attorney.

3 MR. SMITH: I'm sorry. I just wanted to
4 clarify. Since you're not an importer, we're not requesting
5 importers' questionnaire from you; however, for any final
6 phase you are a purchaser or Dober's purchaser, we would
7 request the purchaser questionnaire.

8 MS. HELTON: Thank you. We will provide that
9 for you.

10 MS. CHRIST: And we will now turn to the
11 Auditor, Sam Valera-Molina.

12 MR. VALERA-MOLINA: Thank you so much for being
13 here today. I actually have no questions, but again, thank
14 you for making it.

15 MS. CHRIST: And now, we'll turn to the Industry
16 Analyst, Marisa Wright.

17 MS. WRIGHT: Good afternoon. Are you aware of
18 any anti-dumping or countervailing duty Orders in third
19 country markets?

20 MS. BODE: We're not aware of any other.

21 MS. WRIGHT: And I know you touched on the PH
22 and safety differences between benzo and tolyltriazole.
23 Could you elaborate on any differences, if there are,
24 between the domestically produced tolyltriazole and the
25 tolyltriazole produced in China?

1 MS. BODE: We don't have, obviously, access to
2 all the aspects of the domestically produced process; but we
3 do understand from our client in industry, other industry
4 participants that are purchasers that it is different and
5 that there are -- that what we buy is already qualified and
6 qualified in the sense of it has been purified in China,
7 comes to the U.S., and then we apply a process -- an
8 exothermic process which is the water and the caustic. Heat
9 is applied to initiate a reaction and the reaction gives off
10 heat and key spec of the solution that results is its PH and
11 that is a critical factor for our customers.

12 And so, what we understand is what Dover does,
13 but we also know that there are piece parts of the
14 purification process that Wincom that is different than what
15 we qualified our suppliers in China and our customers tell
16 us -- they provide the demand for the product and they're
17 very happy with what we have and so changing up to a
18 different process and purification process, in particular,
19 that could possibly come out with something that was not --
20 and not equal to what our customers demand would be a
21 problem. And so, that is really kind of what we're looking
22 to be involved in process to know more about.

23 MS. WRIGHT: Thank you. That's all.

24 MS. CHRIST: Thank you. We'll turn to our
25 Industry Analyst, Jennifer Catalano.

1 MS. CATALANO: Hi, good afternoon. I'm going to
2 follow up with the question on differences -- potential
3 differences between the product from China and the product
4 in the U.S. Do you think that there are any market
5 perceptions of purity differences or is there some kind of
6 standard, like you were saying your customers tell you? Is
7 there an ISO standard or some kind of industry standard that
8 it has to meet?

9 MS. BODE: I'm not aware of an ISO standard
10 either. My understanding, again, not being the chemist, you
11 are. But that there may be differences and we would be glad
12 to follow up in writing on those. And also, there may be
13 others in the industry that may want to follow up on that
14 particular aspect.

15 MS. CATALANO: Okay, thank you. I'm trying to
16 understand the global market and who in the world is selling
17 this product. So, I heard you say that almost all the
18 chemical production occurs in China. I assume that you were
19 referring to tolylriazole and not the benzotriazole; is that
20 correct?

21 MS. HELTON: Correct. We know that China, as
22 Petitioner also affirmed to that they are the primary
23 producer of this chemical. We're also aware there's maybe
24 some -- obviously, with Wincom producing some tolylriazole
25 and there may be some production in India, but it is very

1 limited.

2 MS. CATALANO: When you say very limited, would
3 you say that's 1 percent or less than 1 percent? Do you
4 have any kind of estimate?

5 MS. HELTON: We do not have an estimate, no. We
6 know that as far as the capacity is concerned that it's
7 certainly not equivalent to China's production of it.

8 MS. CATALANO: So, when I had the other side up
9 here, they mentioned possible other countries that might
10 produced this as Germany, India, and Korea, and kind of all
11 those added up would be 5 percent or less. Would you kind
12 of agree with that statement?

13 MS. HELTON: We are not aware of those countries
14 producing it, but we will investigate it further.

15 MS. CATALANO: And really I'm just trying to get
16 a sense of if you added all the non-subject countries
17 together what is their percentage of global capacity?
18 That's kind of where I'm going with that.

19 MS. BODE: Let me just add one point. One of
20 the things that I'd mentioned earlier was -- one of the
21 things that we had discussed earlier was the genesis of the
22 tolylriazole was really the key raw material and the OTDA.
23 And one of the things that I'd mentioned is the supply and
24 demand issue and the cyclical nature. And I'd also
25 mentioned just with regards to other countries that the

1 price point of tolylriazole had recently decreased because
2 of a new Saudi Arabian producer entering the market of that
3 raw material, not of tolylriazole, but the raw material.

4 MS. CATALANO: I was going to ask you about
5 that. I have it on my notes.

6 MS. BODE: I wanted to mention that as well and
7 demonstration of how market forces are changing this
8 process.

9 MS. CATALANO: Sure. But to your knowledge,
10 Saudi Arabia is not producing tolylriazole or benzotriazole
11 or the sodium forms -- liquid forms of them. Correct? It's
12 just the raw material. I just wanted to clarify.

13 MS. BODE: That's our understanding is OTDA is
14 what they come into.

15 MS. CATALANO: Okay, because I'm hunting down
16 the non-subject countries and trying to find out who are
17 they. Okay.

18 In your statement, you mentioned how both
19 benzotriazole and tolylriazole were harmful to aquatic life
20 and there were these standards that exist, so I just wanted
21 to clarify the standards. Where are these standards from;
22 could you just be a little more specific? Are they Reach?
23 Are they EPA? Who is doing this?

24 MS. HELTON: To our knowledge, these industry
25 hazard statements are specified to under the database that's

1 called List of Lists that's maintained by UL, Underwriter
2 Laboratories.

3 MS. CATALANO: Underwriter Laboratories, okay.
4 And is that a European or a United States entity?

5 MS. BODE: It's global.

6 MS. CATALANO: It's global which all countries
7 participate in?

8 MS. HELTON: So, UL, they produce standards.
9 They also do testament certification to our knowledge too
10 and so they are an entity that many in the industry
11 participate in and use as industry experts as well.

12 MS. BODE: Underwriters Laboratories is an
13 independent, accredited lab and it is accredited by ISO
14 standards. And they are the global leader in basically
15 identifying standards that people operate under. I mean
16 every piece of electrical equipment has been met to a
17 specification of UL. When you import electrical and other
18 appliances, for example, into the United States they have to
19 certify that they meet those standards. Just as the U.S.
20 doesn't always certify or accredit everything themselves,
21 they try to depend on these global bodies of accreditation
22 that are independent, not company-owned to basically set
23 standards.

24 MS. CATALANO: Okay, so I want to follow up on
25 that. One of the major end uses it seems is in engine

1 coolants. So, I'm thinking would a customer choose an
2 engine coolant based on these standards if they never ingest
3 the engine coolant? So, you know one of the standards was
4 harmful if swallowed, but I'm trying to think of where would
5 these standards apply in this particular industry as
6 corrosion inhibitors. So, I'm wondering if maybe you could
7 help me understand where -- like which products would this
8 be applied to because I haven't heard anything that sounded
9 like it was ingested or human health ingested, so maybe I'll
10 let you clarify.

11 MS. HELTON: And the reason for our reference to
12 these health and environmental safety concerns is really
13 because these are the hazards that have to be taken into
14 consideration when using the chemicals. But more than
15 anything else too for labeling purposes when you have to
16 label what products are on and understand then the health
17 hazards and environmental hazards that would be encompassed
18 in using that product.

19 MS. CATALANO: So, do I understand it correctly
20 that what you're saying is a customer would choose one
21 product over the other because of the potentially harmful
22 effects; is that correct?

23 MS. BODE: Potentially. You know I think they
24 are obviously going to look at different factors and one
25 factor obviously is how well it works and that'll be one.

1 The other might be that, but you know every time you go to
2 the auto store and you buy your antifreeze you look on the
3 back of the label and think of what has to go on that label
4 about telling kids you know you can't ingest this and
5 there's all those standards on every chemical that really
6 that you sell commercially. And antifreeze certainly is
7 sold commercially and so the labeling has to be accurate.
8 If you can imagine what kind of cost it would be for an end
9 user if you had to change up the ingredients you'd have to
10 change up the label.

11 I mean we've gone round and round in the food
12 industry because you have to change labels for how much
13 sugar, how much calories and all that. And the reason that
14 industries really get upset is because you know lack of
15 uniformity, the cost changing labels can be extraordinary.
16 So, it's not just a simple matter to -- I guess what we're
17 saying it's not just a simple matter change a label. You
18 may have to change a whole brand's label and that could be
19 very cost prohibitive. And we can work on getting you
20 numbers for that. We just wanted to bring that to your
21 attention.

22 MS. CATALANO: Is there any evidence that you
23 have that customers have chosen one compound over the other
24 due to these standards?

25 MS. HELTON: We don't have evidence of that. We

1 were processed over about it, but it is important and
2 critical that the labels are correct. In particular, if
3 something were to happen and the hazards are -- the hazard
4 statements are improper, what that means for the user, the
5 customer, the user, and producers of these customers as
6 well. So it is not easy to interchange them based on what
7 the hazard potentials are. And so it is critical for
8 customers to be aware of it, and to have it right, too, and
9 so a simple changing of labels is not an easy task, nor is
10 it -- you cannot change the chemicals without working
11 directly with the customers and to be sure it includes the
12 hazard statements are met.

13 MS. CATALANO: Thank you. Those are all my
14 questions.

15 MS. CHRIST: Now we will turn to the Supervisor
16 Investigator Betsy Haines.

17 MS. HAINES: I have no questions, but thank you
18 very much for coming in and testifying.

19 MS. CHRIST: Let me circle and see if there are
20 any follow-up questions.

21 Again, thank you very much. I appreciate the
22 turnaround time and for coming out. And I realize you were
23 able to bring everybody in at Grober. And so if any of the
24 follow-up questions that I have are more appropriate for you
25 to bring back to your industry specialists, I certainly

1 appreciate that. And I do appreciate you taking these back
2 and taking the time to come out and give more nuance to the
3 questions that we have to answer. I appreciate it.

4 So I want to just start out, we clarified Saudi
5 Arabia. The raw materials that are used in BTA and TTA, are
6 they used for any other products, to your knowledge?

7 MS. HELTON: This is Sarah Helton. We would be
8 happy to talk to our client about that to understand what
9 other products they are used in.

10 MS. CHRIST: And you did mention in your
11 statement, or in one of the answers that the difference
12 between the Chinese products and the U.S. products is a
13 different quality. You commented that it wasn't necessarily
14 better or worse, but it was a different quality.

15 In that response, were you specifically relating
16 to the three-stage versus the one-stage purification process
17 as providing the difference in quality?

18 MS. BODE: This is Denise Bode. I think the -- I
19 guess what I would say, a little bit more nuanced than the
20 quality is that it is different. And has been seen that
21 there are differences between what is already being utilized
22 by at least Dover and other companies, and what is being
23 provided.

24 I won't say it is, you know, chemically
25 different, but I would just say I believe there are. But I

1 would like to back -- I would like to come back to you with
2 that information in more detail because I don't have like --
3 I need to have a more substantial answer to really give you
4 on
5 that --

6 MS. CHRIST: And the --

7 MS. BODE: -- the difference in purification.

8 MS. CHRIST: Sure. And when you do, just to
9 clarify, whether or not that difference is or is perceived
10 to be driven by the three-stage purification process that is
11 used in China versus the one-stage. And what I am trying to
12 understand is, based on your client and your client's
13 sourcing, whether or not the one-stage process is
14 essentially taking three stages and turning them into one,
15 or if it is essentially a different purification process
16 from their perspective.

17 MS. BODE: And of course we -- this is Denise
18 Bode -- of course we do not have the business confidential
19 to really have all the details on that. We can just share,
20 you know, more what we have seen.

21 MS. CHRIST: And that is certainly appreciated.
22 It is more than we would have otherwise, so thank you.

23 You mentioned the cyclical nature of the pricing.
24 I just wanted to follow up on that statement and on the
25 questions. Are you trying to -- is your argument that the

1 market factors in this case are primarily the role of raw
2 materials and the fluctuation of raw materials in the final
3 price in determining over time, and this three-year cycle
4 where I believe you said it kind of went up from '15 to '17,
5 and then went down, and that this is a function of the raw
6 material price rather than -- or predominantly, rather than
7 anything else. Is that -- I just wanted to clarify if that
8 is what you were saying.

9 MS. BODE: This is Denise Bode, and that is my
10 understanding.

11 MS. CHRIST: Okay. And I am just wondering,
12 sometimes in these kinds of industries where you have a
13 fluctuating or cyclical raw materials, as you mentioned, I
14 believe your words were, in short supply, is there any, to
15 your knowledge, and you can go back to industry experts, is
16 there any long-term contracts in the industry for raw
17 materials as a result of -- to hedge against some of this
18 cyclical nature?

19 MS. HELTON: We do not have knowledge about that,
20 and we can investigate. We may not be privy to that,
21 either. I am assuming that the contracts will be between
22 the producers of the raw materials and the toy cycle.

23 MS. CHRIST: Okay, thank you. Just to the extent
24 that, you know, industry contacts, word-of-mouth, things
25 like that, to help us understand it can impact a little bit

1 how we interpret -- we would interpret the through-put, the
2 cascading of raw material prices into the final goods would
3 kind of depend on whether or not you are in a long-term
4 contract that you got at high prices, or a long-term
5 contract that you got at low prices.

6 So that is the kind of -- to the extent that you
7 can get that information.

8 I think was enough. Thank you, very much. I
9 appreciate you taking the time and -- oh, I think we have
10 one more. I think I spurred some -- one more question from
11 Economist Amelia Preece.

12 MS. PREECE: Thank you very much. You are going
13 to give me the raw material for Tolyltriazole, but I would
14 also like the raw material for the Benzotriazole. If you
15 have that information that would be really appreciated and
16 then we can look at both of them. That would be better.

17 MS. BODE: Denise Bode, yes, ma'am.

18 MR. SMITH: You have talked today a little bit
19 about the differences between Benzotriazole and
20 Tolyltriazole. If you could, tell us -- and go back to your
21 client and tell us is there a domestically produced product
22 that is more similar to Benzotriazole than Tolyltriazole is?
23 Some other product that is more similar, in your opinion?

24 MS. BODE: This is Denise Body. Yes, we will ask
25 that question.

1 MR. SMITH: Okay.

2 MS. CHRIST: Thank you very much.

3 Mr. Secretary, we are ready for closing remarks,
4 please.

5 MR. BURCH: Closing remarks on behalf of those in
6 support of imposition will be given by Neal J. Reynolds of
7 King & Spalding. Mr. Reynolds, you have 10 minutes.

8 CLOSING STATEMENT OF NEAL J. REYNOLDS

9 MR. REYNOLDS: Thanks very much. I don't have my
10 handheld microphone anymore guys so I guess I'm just going
11 to have to get used to this. I want to thank all of you,
12 Ms. Christ and everybody on the Staff for taking the time
13 today and asking such perceptive questions.

14 It shows, as always, the amount of great hard
15 work you guys do on all of these investigations and I'm
16 always kind of proud as a former member of your Staff to see
17 how you get up to speed so quickly on these issues and how
18 you know the facts. It's always been amazing to me how
19 quickly you guys understand things. Even when I was here I
20 didn't do it that fast and I'm very proud of you guys.

21 So in this phase of the investigation as you
22 know, the Commission has to evaluate if there's a reasonable
23 indication of material injury or threat of material injury.
24 In examining the record the standard here is clear and
25 well-established. The Commission and you have to assess

1 whether there is clear and convincing evidence that there is
2 no material injury or threat of material injury that is
3 being presented by the Subject Imports.

4 You also have to assess in making that decision
5 whether there is any likelihood there will be no additional
6 evidence in the final phase showing injury. That's a
7 relatively low standard. The question here is do you have
8 clear and convincing evidence of no injury and the answer is
9 really, no. when you look at the record it's far from it.

10 I think all of the evidence we have shows that
11 there is clear evidence of direct, aggressive pricing
12 competition from the Subject Imports. They have large
13 volumes. They have been increasing and they have had a
14 tremendously bad impact on the industry, both Wincom and its
15 tollers.

16 More importantly, there's been very little
17 cooperation here from Chinese Imports and Foreign Producers.
18 We think the conclusion that I have just summarized for you,
19 our argument about there being injury and threat here would
20 be even more compelling with a full record. We think
21 basically those parties aren't providing you with
22 information because they know that if they do that's going
23 to provide further support for our argument.

24 So, today as we demonstrated and as our witnesses
25 testified, the volume of dumped and subsidized imports from

1 China has very significant volumes throughout the period and
2 they are increasing. As a result of that the industry is
3 suffering significant declines in operating income, sales
4 levels, production levels, market share and various other
5 operational and financial factors.

6 Without trade relief that we know you guys will
7 provide us, the negative impacts on the Domestic Industry
8 will only continue to accelerate and the imports will
9 continue to threaten further injury. The Chinese industry
10 has significant excess capacity on this last point. It is
11 highly export oriented. It will leverage its massive
12 subsidies to wipe out the industry and the only thing that
13 can preserve U.S. Production of these corrosion inhibitors
14 here in the U.S. and it's associated manufacturing jobs in
15 Ohio, South Carolina and Texas is effective enforcement of
16 trade laws and we're confident you will.

17 Let me just very briefly address several of the
18 arguments that have been raised by Ms. Brody and Ms. Hefner.
19 First, they seem to be claiming that raw material costs are
20 what's driving pricing both for Chinese Products and the
21 Domestic Products and that if you see what's happening with
22 pricing, according to them is those prices change in
23 relationship to imports for OPB and OTDA.

24 The problem with that theory is one that you
25 grapple with an awful lot which is that does not explain why

1 they are underselling so significantly in this market. It
2 might explain the pricing trends maybe. I'm not sure it
3 does because our raw material costs have been stable
4 throughout the period.

5 Maybe things are different in China, I'm not sure
6 because we don't really know but the fact of the matter is
7 that if they have low raw material costs and they're
8 producing and selling here in the United States at the
9 levels that they're doing, why wouldn't they just simply
10 price it the same level as Wincom and obtain a higher level
11 of profit.

12 The fact is, they're underselling. They're not
13 obtaining the highest of profit they can and that that's an
14 indication that they're really underselling to cut the
15 industry and frankly to drive Wincom and its tollers out of
16 business. I want to point out in that respect that we think
17 there's going to be massive dumping margins in this case and
18 that takes into account this idea of raw materials.

19 So remember, when you have big dumping margins as
20 I expect the Commerce Department will find, you're not going
21 to have this argument about raw materials' cost driving the
22 pricing here. It isn't particularly compelling.

23 The second argument that they make is BTA and TTA
24 are so different that you really shouldn't include them in
25 the like product. I really just want to point out one

1 thing. Our witnesses today really who know the industry and
2 know these products I would point out that the other side
3 has no industry witnesses here. No market participants.
4 There are just counsel.

5 Our witnesses show you and testified that TTA and
6 BTA are essentially considered very similar products, very
7 similar chemically and in fact, and this is unusual in these
8 types of situations they're actually used for the same
9 end-use product interchangeably. People can choose to
10 decide what, they can choose whether to use BTA versus PTA
11 and vice versa just based on pricing and that's a remarkable
12 situation. You know, usually you have ranges of products
13 but there isn't real interchangeability in these products.

14 The third point that they raise, quickly, is that
15 there might be short supply in this market and they're
16 concerned about having access to BTA and PTA. As Mr.
17 Roberts said several times today in our session, we're not
18 trying to keep the Chinese out of the market. They're going
19 to be here and they're going to stay here even with dumping
20 margins.

21 What we want them to do with dumping margins is
22 to price their product at a fair level, at a level that
23 reflects real costs and real market conditions and real
24 industry demand and that's all we're asking for here.

25 Finally, they point out "well, Wincom's an

1 importer. They import a lot of their products. Doesn't
2 that show that they're really not being injured by the
3 imports here?" Well, I want to point out to you again and
4 emphasize that Mr. Milawski said today and this is true,
5 they really want to shift to Domestic Production. Not just
6 for sodium TTA but for solid TTA and for PTA and they have
7 the ability to do that.

8 All they want to do is be given the opportunity
9 to compete with import pricing on a fair level and if they
10 do that they will be able to enter those markets and provide
11 domestically produced, domestically supplied ETA and TTA and
12 the only reason they are importing right now in many
13 respects is because of their inability to produce these
14 things domestically due to the very low pricing of Chinese
15 Imports.

16 Again, I want to thank you. It's always good to
17 see everybody. Thanks for all your attention.

18 MS. CHRIST: Thank you very much. On behalf of
19 the Commission and the Staff, I would like to thank the
20 witnesses who came here today as well as counsel for helping
21 us to gain a better understanding of the product and the
22 conditions of competition in the corrosion inhibitors
23 industry.

24 Before concluding, please let me mention a few
25 dates to keep in mind. The deadline for submission of

1 corrections to the transcript and for submission of post
2 conference briefs is Monday, March 2, 2020. If briefs
3 contain business proprietary information, a public version
4 is due on Tuesday, March 3, 2020. The Commission has
5 tentatively scheduled its bid on these Investigations for
6 Friday, March 19, 2020 and it will report its
7 determinations to the Secretary of the Department of
8 Commerce on Monday, March 23, 2020. Commissioners' opinions
9 will be issued Monday, March 30, 2020. Thank you all for
10 coming. This conference is adjourned.

11 (Whereupon the hearing was adjourned at 1:36
12 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Corrosion Inhibitors from China

INVESTIGATION NOS.: 701-TA-638 and 731-TA-1473

HEARING DATE: 2-26-20

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 2-26-20

SIGNED: Mark A. Jagan
Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine
Signature of Court Reporter