

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)	
)	
CERTAIN COLORED SYNTHETIC)	Investigation No.:
ORGANIC OLEORESINOUS PIGMENT)	701-TA-436 (Preliminary)
DISPERSIONS FROM INDIA)	731-TA-1042 (Preliminary)

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Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888

APPEARANCES: (Continued)

In support of the Imposition of
Countervailing and Antidumping Duties:

On behalf of Apollo Colors Incorporated, Sun Chemical
Corporation's Colors Group and General Press Colors:

GREGORY C. DORRIS, ESQUIRE
Pepper Hamilton LLP
Washington, D.C.

THOMAS WILLIAM ROGERS
President and CEO
Apollo Colors, Inc.

V. WALTER ZAMEROVSKY
Vice President of Sales and Marketing
Magruder Color Company
Sun Chemical Corporation's Color Group

BRAD BERGEY
Corporate Vice President of Canada and Mexico
Sun Chemical Corporation

MICHAEL LEWIS
Vice President, Supply Chain
Sun Chemical Corporation

RICHARD J. KUEBEL
President
General Press Colors, Ltd.

MARK W. LOVE
Senior Vice President
Economic Consulting Services, LLC

On behalf of Flint Ink Corporation:

JAMES R. CANNON, JR., ESQUIRE
Williams Mullen
Washington, D.C.

W. RUCKER WICKLINE
President
CDR Pigments and Dispersions

APPEARANCES: (Continued)

In Opposition to the Imposition of Countervailing
and Antidumping Duties:

On behalf of Hindustan Inks and
Resins, Ltd. and Micro Inks Corporation:

LIZBETH LEVINSON, ESQUIRE
RON WISLA, ESQUIRE
Garvey Schubert Barer
Washington, D.C.

VENAI PANDYO
Chief Financial Officer
Hindustan Inks and Resins, Ltd.

PRASHANT DESAI
Member of the Board
Hindustan Inks and Resins, Ltd.

FRANK MOREVEC
President and CEO
Micro Inks Corp.

LINDA DUPRIS
Switchboard Operator
Micro Inks Corporation

MARK McDERMOTT
Shipping Department
Micro Inks

RICHARD BOLTUCK
Charles River Associates

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P R O C E E D I N G S

(9:30 a.m.)

1
2
3 MR. CARPENTER: Good morning and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 antidumping investigations numbers 701-TA-436 and
7 731-TA-1042 concerning imports of certain colored
8 synthetic organic oleoresinous pigment dispersions
9 from India.

10 My name is Robert Carpenter. I am the
11 Commission's Director of Investigations and I will
12 preside at this conference. Among those present from
13 the commission staff are, from my far right:

14 Fred Ruggles, the investigator;

15 Jim McClure, the supervisory investigator;

16 On my left, Gracemary Roth-Roffy, the
17 attorney/advisor;

18 Catherine DeFilippo, just coming to the
19 table is the Chief of the Applied Economics Division;

20 David Boyland, the accountant; and

21 Stephen Wanser, the industry analyst.

22 The purpose of this conference is to allow
23 you to present your views with respect to the subject
24 matter of the investigation in order to assist the
25 commission in determining whether there is a

1 reasonable indication that a U.S. industry is
2 materially injured or threatened with material injury
3 by reason of imports of the subject merchandise.

4 We will start the conference with a
5 five-minute opening statement from each side,
6 beginning with the petitioners. Following the opening
7 statements, each side will be given one hour for their
8 direct testimony. The staff will ask questions of
9 each panel after their presentation, but no questions
10 from opposing parties will be permitted. At the
11 conclusion of the statements from both sides, each
12 side will be given ten minutes to rebut opposing
13 statements and make concluding remarks.

14 Speakers will not be sworn in. However, you
15 are reminded of the applicability of 18 U.S.C. 1001 to
16 false or misleading statements and to the fact that
17 the record of this proceeding may be subject to court
18 review if there is an appeal. Additionally, speakers
19 are reminded not to refer in their remarks to business
20 proprietary information and to speak directly into the
21 microphones. Finally, we ask you to state your name
22 and affiliation for the record before beginning your
23 presentation.

24 Are there any questions?

25 (No response.)

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1 MR. CARPENTER: If not, welcome, Mr. Dorris.
2 Please proceed with your opening statement.

3 MR. DORRIS: Good morning, Mr. Carpenter and
4 commission staff. I am Greg Dorris, counsel to the
5 petitioners, Sun Chemical Corporation, Apollo Colors,
6 General Press Colors and Magruder Color Company. As
7 the last three company names imply, this case today is
8 about colors, the yellows, blues, reds and greens of
9 the azo and phthalocyanine chemical classes, to be
10 precise.

11 You will learn a lot today about the use of
12 pigments to make these colors, but you will learn even
13 more about pigment preparation, specifically, pigment
14 dispersion. Most importantly, you will hear today how
15 the Indian imports have injured and threaten to injure
16 the U.S. industry producing the subject pigment
17 dispersions or flush colors, as they refer to them.

18 You will see from today's testimony that you
19 have all of the elements for a finding of reasonable
20 indication of material injury and threat of material
21 injury from the unfairly traded imports of subject
22 merchandise from India and that the production is down
23 significantly during the POI. Total domestic
24 shipments, inclusive of internal consumption, are down
25 significantly during the POI. Domestic commercial

1 shipments are also down.

2 Employment is down significantly during the
3 POI, capacity utilization is down significantly during
4 the POI, prices have declined since 2001. These price
5 declines accelerated in the latter half of 2002 and
6 into the first quarter of this year. These price
7 trends correlate with the increasing volume and
8 presence of imports from India in the U.S. markets in
9 2002 and in 2003. Product costs of production have
10 increased this year, creating a squeeze between import
11 induced price depression and increasing costs.
12 Profits and profitability have climbed significantly
13 for the petitioning companies.

14 I will explain in more detail today how the
15 threat of material injury will injure the industry in
16 the future. We expect that after you have heard all
17 the testimony today that you will decide to continue
18 these investigations to a final conclusion for the
19 good of the U.S. industry.

20 Thank you.

21 MR. CARPENTER: Thank you, Mr. Dorris.

22 Ms. Levinson, would you like to come
23 forward, please?

24 MS. LEVINSON: Good morning, Mr. Carpenter
25 and members of the commission staff. My name is

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1 Lizbeth Levinson and I'm a partner with Garvey
2 Schubert Barer. I'm here with my colleague Ron Wisla.
3 We represent Hindustan Inks & Resins, Ltd., the sole
4 exporter of pigment dispersions from India, and Micro
5 Inks Corporation, a U.S. producer of ink that imports
6 an ink concentrate from Hindustan Inks, its corporate
7 parent.

8 As a preliminary matter, I want to address
9 petitioners' unfounded allegations that Micro Inks has
10 been misclassifying its imports from India for customs
11 purposes. This allegation is totally false. Micro's
12 imports have been classified in accordance with a
13 binding ruling that we received from the U.S. Customs
14 Service.

15 MR. CARPENTER: Thank you, Ms. Levinson.

16 Mr. Dorris

17 MR. DORRIS: Thank you, Mr. Carpenter,
18 commission staff. Good morning. I am Greg Dorris
19 with the law firm of Pepper Hamilton, counsel to the
20 petitioners, Apollo Colors, General Press Colors,
21 Magruder Color Company, and Sun Chemical Corporation.

22 I also would like to say welcome to counsel and
23 Rucker Wickline, the representative from Flint Ink,
24 who join us here today to speak in favor of the
25 petition.

1 These antidumping and countervailing duty
2 investigations concern imports from India of colored
3 synthetic organic pigment dispersions containing
4 pigments classified in either the azo or
5 phthalocyanine chemical classes that have been
6 dispersed in an oleoresinous organic vehicle system
7 comprising assorted combinations of various solvents,
8 oils and resins. I know this is a mouthful, but the
9 witnesses are here today to explain both what these
10 imports are and what the corresponding like product is
11 in the U.S.

12 The commission investigated synthetic
13 organic pigments in a February 1997 industry and trade
14 summary, but has never confronted a pigment or pigment
15 preparation subsidy or dumping case. Accordingly, our
16 first witness, Tom Rogers, the President and CEO of
17 Apollo Colors, will explain to you what pigments are
18 and how they are made, as well as what the subject
19 pigment dispersions are, how they are made, and why
20 they are more and different from pigments.

21 Mike Lewis, the Vice President, Supply Chain
22 for Sun Chemical Corporation's Colors Group, will then
23 provide some basic information on printing inks and,
24 in particular, the paste inks used in letterpress and
25 lithographic printing that are the predominate,

1 perhaps exclusive, use for the subject oleoresinous
2 pigment dispersions.

3 With this background information, we hope
4 that you can better understand the testimony of Walt
5 Zamerovsky, the Vice President of Sales and Marketing
6 for Magruder Color Company, who will explain to you
7 the sudden increase in Indian imports of the subject
8 pigment dispersions from India and how damaging those
9 unfairly low priced imports have been on the U.S.
10 merchant market for the competing domestic flushes and
11 bases.

12 Almost all of the subject imports were
13 exported from India by Hindustan Inks and Resins to
14 Micro Inks, Hindustan's related ink producer in the
15 United States. With the benefit of subsidies and an
16 intent to dump these imports, Micro Inks has
17 aggressively penetrated both the U.S. merchant market
18 for the subject flushes and bases as well as the U.S.
19 printing ink market.

20 Walt's testimony will be complemented,
21 therefore, by that of Brad Bergey, the Corporate Vice
22 President of Customer Value Systems for Sun Chemical
23 Corporation, who will discuss the impact of the Indian
24 imports on the U.S. printing ink market and how that
25 injury down stream has caused additional volume and

1 pricing injury up stream to the domestic flushes and
2 bases, both those sold in the merchant market and that
3 captively consumed by integrated producers such as Sun
4 and Flint.

5 Rucker Wickline, President of DR Pigments
6 and Dispersions, a division of Flint Ink Corporation,
7 will speak next on the severe impact of the Indian
8 imports on Flint's operations in the merchant market,
9 as well as down stream in the printing ink market.

10 I will conclude our direct testimony with a
11 brief but very critical discussion of the real and
12 imminent threat of more unfairly priced imports from
13 India. Though I will conclude petitioners' direct
14 testimony, I would also like to introduce to you now
15 both Rick Kuebel, the President for General Press
16 Colors, and Mark Love, Senior Vice President for
17 Economic Consulting Services, who are here at the
18 table with us today to assist in answering any
19 questions you may have.

20 With that elaborate introduction, let us
21 start with Mr. Rogers.

22 Tom?

23 MR. ROGERS: Good morning. My name is Tom
24 Rogers. I am the President and CEO of Apollo Colors
25 Incorporated.

1 While this is my current position, you
2 should also know that I have been in the printing ink
3 and pigments businesses for over 47 years. Most of
4 those years were focused on the pigment dispersions
5 market and, in particular, flushed colors.

6 As you can imagine, I have seen a lot of
7 changes in the pigments and pigment dispersions
8 industries over these many years. I can remember when
9 almost all pigments consumed in the United States were
10 produced here. I can even remember when the crude and
11 intermediates to produce pigments were manufactured in
12 the United States.

13 Unfortunately, I have been witness to the
14 movement offshore of first intermediates and crude
15 production. Then the production of classic azo and
16 phthalo pigments -- that's your yellows, reds, blues
17 and greens -- started to migrate to Korea, China,
18 India and other Asian countries. China and India have
19 targeted the U.S. market through subsidization
20 schemes. I am seeing the same trend with respect to
21 pigment dispersions, especially the colored synthetic
22 organic oleoresinous pigment dispersions that are the
23 subject of these antidumping and countervailing duty
24 investigations.

25 If Indian producers, especially Hindustan

1 Inks and Resins and its related U.S. subsidiary Micro
2 Inks, are allowed to continue to flood the U.S. market
3 with the unfairly subsidized and dumped pigment
4 dispersions, it is inevitable that most of the
5 production of this product too will move to India at
6 the expense of the U.S. industry.

7 While still in high school, I started
8 working for a printing ink manufacturer in Cincinnati,
9 Ohio. This is how I paid for my education at the
10 University of Cincinnati. My fear is with movement of
11 the manufacturing sector to Asia, we will eliminate a
12 major core of jobs for future generations of
13 Americans. Since July of 2000, the U.S. manufacturing
14 sector as a whole has lost 2.3 million jobs. I'm not
15 an economist, but no economist I've ever asked has
16 been able to explain how you build wealth in a
17 national economy without a strong, dynamic
18 manufacturing base.

19 But let me now familiarize you with the
20 production processes and products that are the subject
21 of these investigations, so that you can better
22 understand this pigment dispersions industry and my
23 own fears for its future in the United States.

24 What are the certain colored synthetic
25 organic oleoresinous pigment dispersions commonly

1 called flushed color at issue? Perhaps it would be
2 best to define what a synthetic organic pigment is. A
3 pigment is insoluble, meaning it can't be dissolved in
4 water or solvent. It must be ground into a resin
5 system in order to gain maximum tinctorial value. It
6 is a combination of separate elements or carbon
7 compounds to produce a color. Most inorganic pigments
8 are not suitable for lithographic applications because
9 of press performance issues, heavy metal composition,
10 and strength and brilliance issues. The most common
11 classes of synthetic organic pigment for
12 offset/lithographic printing are azos and
13 phthalocyanine pigments -- again, primarily the
14 yellows, reds, blues, and greens -- which are strong,
15 perform well on a press, don't bleed and are a good
16 money value. The pigments identified in this petition
17 are used worldwide without exception in this printing
18 process.

19 While both pigments and dyes are colorants,
20 they are different products. Dyes are soluble, they
21 do dissolve during their application, and in the
22 process lose their crystal structure. Since they
23 dissolve, they are unsuitable for utilization in the
24 lithographic process, whose underlying principle is
25 water and oil don't mix.

1 To give you a better idea of how pigments
2 are created, I would like to show you a short
3 description of the azo pigment production process
4 prepared some time ago by Apollo. What you will see
5 is that the pigment slurry can be made into a press
6 cake which in turn can be sold as is or dried and
7 ground to produce dry pigment. You also will see that
8 the pigment press cake or slurry can be processed into
9 finished flushed color and sold to printing ink
10 manufacturers.

11 (Videotape presentation.)

12 MR. ROGERS: So now you have a basic
13 understanding of what pigments are and the pigment and
14 flushing production process. We broadly call these
15 products pigment dispersions because the pigment is
16 dispersed or ground into a resin system called
17 vehicle. The pigment dispersions at issue are
18 dispersed in an oleoresinous vehicle that is made up
19 of various combinations of resins, oils and solvents.

20 Most oleoresinous pigment dispersions, more
21 than 90 percent by estimate, are produced using the
22 special manufacturing process called flushing that you
23 saw on the video presentation. As you saw, flushing
24 is a particular, specialized manufacturing process
25 using pigment press cakes or a pigment slurry and

1 carefully measured amounts of various resins, oils and
2 solvents. In some cases, other additives such as
3 wetting agents and surfactants or antioxidants or
4 driers may be added, though usually these are in small
5 amounts totally less than 10 percent of the finished
6 pigment dispersion.

7 Although by far most oleoresinous pigment
8 dispersions are made using the flushing process, the
9 same product can be produced using a different
10 manufacturing process we call a base process. The
11 base process involves first blending dry pigments with
12 the resin or resin solution called varnish and then
13 grinding the mix on media or three roll mills until
14 the desired particle size and consistency are
15 achieved. I might be biased and claim that a flush
16 pigment dispersion is better than a base dispersion,
17 but to be honest there can be just minor differences
18 between the two, detectable only on close inspection
19 and comparison and not necessarily with any impact on
20 their use in the same applications.

21 Virtually all the colored synthetic organic
22 oleoresinous pigment dispersions under investigation
23 are used for the same purpose: to produce printing
24 inks for letter press and lithographic printing.

25 Thank you for your attention. Since I've

1 already taken so much of your time, I'm going to turn
2 now to Mike Lewis of Sun to explain to you the
3 different printing processes and how they shape and
4 define the subject pigment dispersions.

5 MR. LEWIS: My name is Michael Lewis, Vice
6 President of the supply chain for Sun Chemical's
7 Colors Group. Good morning.

8 I am currently Vice President, Supply Chain,
9 for Sun Chemical's Color Group, but I have worked for
10 Sun for 26 years in both the printing ink and the
11 pigment preparation divisions. I have co-authored
12 more than two dozen patents and major process
13 developments in ink and pigment preparation
14 technology. Because of my different responsibilities
15 at Sun, I hope to be able to describe the use of the
16 subject pigment dispersions in lithographic and
17 letterpress printing. I can also explain why other
18 pigment dispersions used in other printing processes
19 are not like the subject oleoresinous pigment
20 dispersions.

21 Printing inks are used to give color and
22 visual impact to many items of everyday life, such as
23 magazines, newspapers, books, catalogs, a whole range
24 of food packaging, and many unique products like
25 wallpaper, banners, outdoor advertising, quite a range

1 of color in our lives. A printing ink is a grain of
2 color distributed in a resinous glue which holds the
3 color eventually to the printed surface. Those
4 surfaces include paper, aluminum cans, polyester
5 films, mylar, a whole range. A solvent system, such
6 as oils, water, alcohol, toluene, keeps the pigment
7 and resin mixture fluid enough to move through the
8 printing production process.

9 During the printing process, the printing
10 ink is spread over an image area on a printing plate.
11 The colored image is then transferred to the printed
12 surface. The image area on the plate can be one
13 raised above the plate surface in letterpress printing
14 like a rubber stamp or the image can be in the same
15 plane as the plate as in lithographic printing or that
16 image can be engraved below the plate surface as in
17 gravure printing.

18 The printing ink sets or hardens on the
19 printed surface by many different techniques, often in
20 combination, such as by evaporation in heatset
21 lithography or solvent-based gravure, or by solvent
22 penetration, such as in coldset news ink and
23 water-based corrugated, or by oxidation of the resin
24 system, such as in quickset and heatset inks.

25 As a broad generalization across many

1 systems, printing inks contain 10 to 15 percent
2 pigment. Individual inks and specialty systems can
3 run higher or lower. The subject pigment dispersions
4 usually contain 35 to 45 percent pigment, but, again,
5 specialty applications can range lower or higher.

6 There are three main types of pigment
7 dispersions commercially available. The first type,
8 oil-based dispersions, are the subject flushes and
9 bases that brought us here today. The second type are
10 water-based pigment dispersions and the third type
11 solvent or flammable solvent-based pigment
12 dispersions.

13 The subject merchandise is an oil-based
14 pigment dispersion used in lithographic and letter
15 press printing. The tie that binds these two printing
16 processes together is the type of ink used. Both the
17 letter press and lithographic use what we in the
18 industry call paste inks.

19 Let's discuss these printing methods in more
20 detail. The oldest form of printing is called
21 letterpress. Letterpress printing is the process that
22 uses raised type, like the Gutenberg Bible or rubber
23 stamps.

24 But letterpress printing is not much used
25 these days. Instead, the predominant printing method

1 is lithographic. Lithographic printing uses oil based
2 inks and a printing plate surface that is divided into
3 an oil-loving image area and an oil-resisting
4 non-image area.

5 Aluminum plates are etched with the image
6 and then treated to accept or reject ink. Offset
7 lithography printing is the most common. Offset
8 printing transfers the ink from the image area of the
9 plate first to a rubber cylinder called a blanket and
10 then to the printed surface, thereby extending the
11 life of the plate. Paper moves through high-speed
12 modern presses at 3000 feet per minute or 15 meters
13 per second. Pretty fast.

14 Now let's discuss these paste inks that bind
15 the two printing methods together. Paste inks are
16 high viscosity, oil-based inks designed to print
17 lithographically. The other main ingredients include
18 rheology modifiers using gel varnishes and/or
19 additives, viscosity and yield stress stabilizers for
20 the ink, slip aids to help print processing, waxes to
21 give gloss and rub resistance, filler compounds to
22 help the print sit up higher on lighter weight papers,
23 like newsprint. Water control agents to maintain
24 lithographic water balance on press and other
25 materials specific to a particular end use or press

1 configuration. For example, sheetfed inks also
2 contain driers to promote rapid setting and oxidation
3 of the ink film. Sheet-fed, by the way, just means
4 that the paper for printing is used from stacks of
5 single sheets of paper rather than a continuous roll
6 of paper.

7 The best way to truly understand paste inks
8 is to contrast them with what they are not, which is
9 liquid inks. Liquid inks, as the name implies, are
10 low viscosity inks designed to print by flowing freely
11 to the image areas of gravure or flexo printing. The
12 first type of liquid ink is gravure. The gravure
13 printing image on the plate consists of many thousands
14 of tiny engraved recessed cells per square inch. Ink
15 must flow quickly into and then out of these little
16 cells onto the printed surface also at 3000 feet per
17 minute.

18 The second type of printing process that
19 uses liquid inks is flexographic. Flexographic
20 printing is a form of rotary letterpress printing
21 which uses rubber plates and fluid inks.

22 These different printing processes and
23 different printing inks lead to different uses and
24 consequently different end users. There is some
25 overlap, of course, but there are clear distinctions.

1 Lithographic printing is used primarily to produce
2 magazines, catalogs and newspapers with press runs up
3 to a million copies. In contrast, solvent-based
4 publication gravure printing is used to print long
5 run, greater than a million copies of magazines,
6 newspaper inserts and catalogs. Gravure and flexo
7 printing with liquid inks are used for printing on a
8 wide variety of packaging substrates, everything you
9 see in the grocery store such films, foils,
10 paperboard, corrugated boxes, and specialty
11 applications such as wallpaper, room paneling,
12 flooring, at slower press speeds from 500 to 1500 feet
13 per minute.

14 Why am I telling you all this information
15 about printing processes and printing inks?

16 These facts help explain what these pigment
17 dispersions are and why some pigment dispersions are
18 different from others.

19 Tom has explained that the subject
20 oleoresinous pigment dispersions are synthetic and
21 organic. I would like to elaborate on what
22 oleoresinous means and contrast that with water-based
23 and flammable solvent-based pigment dispersions.

24 Oleoresinous here means that the resins and
25 solvents used contain oil and oil-friendly resin

1 systems, either from trees or hydrocarbon feedstocks.
2 The oleoresinous pigment dispersions at issue are used
3 to make the paste inks mentioned earlier. The
4 oleoresinous varnishes in these systems are very
5 different and distinct from water or flammable
6 solvent-based varnishes and systems, making the
7 subject pigment dispersions very different from the
8 water-based and flammable solvent-based pigment
9 dispersions.

10 Water-based pigment dispersions use water
11 friendly resin systems, are low viscosity and could
12 never make inks to print on a lithographic press. The
13 water-based pigment dispersions are used to make
14 liquid inks.

15 Similar to the water-based pigment
16 dispersions, the flammable solvent-based pigment
17 dispersions are also low viscosity and use solvents to
18 dissolve the resin needed to glue the pigment particle
19 to the desired printed surface. Flammable
20 solvent-based pigment dispersions, again, could never
21 be run on a lithographic press because those
22 pressrooms are not explosion proof. The flammable
23 solvent-based pigment dispersions are used to make
24 liquid inks for packaging or publication gravure
25 printing whose plants are explosion proof.

1 I want to make one thing very clear: the
2 subject oleoresinous pigment dispersions, which are
3 primarily flushes, are not a concentrated ink. They
4 are, as U.S. Customs determined, a pigment
5 preparation. They may contain some additives that
6 help them be converted to inks, but they are not yet
7 inks. For example, a concentrated ink only requires
8 the addition of less than 5 percent oil to be ready to
9 run on press. A concentrated ink already contains the
10 needed selection of materials discussed above:
11 rheology modifiers, gel varnishes, viscosity and yield
12 stress stabilizers, slip aids, waxes, filler
13 compounds, water control agents, driers and other
14 additives. A flush needs to have all these materials
15 added and be carefully quality controlled into an ink
16 to accurately predict press performance.

17 The selection of the proper lithographic ink
18 depends on many factors. The diversity of appears
19 today plays a major role. There are literally
20 hundreds of different paper weights, coated or
21 uncoated paper types, and different optical
22 characteristics. Other factors include press speeds,
23 equipment age, oven configuration for drying and
24 setting the ink, bindery options, printing plates,
25 fountain solutions, blankets and pressroom

1 temperatures and humidity. Only about 30 percent of
2 paper is actually purchased by the printer themselves.
3 Most paper is provided either by the publisher or
4 final print customer. Printers, therefore, must react
5 quickly to ever changing paper deliveries, paper
6 qualities and performance characteristics.

7 To satisfy this market, many ink systems are
8 required and rapid ink modifications are essential to
9 keep pace with rapidly changing customer needs and
10 challenges.

11 The large printers today receive ink
12 deliveries either in bulk trucks, 42000 pounds per
13 delivery, or tote bins containing 3000 pounds of
14 finished ink. These tanker trucks and tote bins cycle
15 back to the ink manufacturing plant and are checked,
16 any residual ink removed, then they are cleaned and
17 refilled. We have investigated shipping major
18 quantities of finished inks long distances and we do
19 indeed ship some finished ink to Latin America, but
20 product degradation from heat and time on long
21 distance runs causes inks to thicken out of our narrow
22 local specifications. Inks sometimes must then be
23 reprocessed to be acceptable.

24 Customers want local tote bin deliveries of
25 all the various ink systems as they change paper

1 stocks and press conditions. Long distance tote bin
2 recycling would more than triple the number of bins
3 and in-process inventory required. Fast local
4 customer service is mandatory to modify inks and keep
5 pace with customer innovations. We can't wait for
6 extended foreign communications, product developments
7 and shipping delays to hamper our customers, so we
8 early on realized that ink production should be local,
9 even if pigment dispersion production need not be.

10 Well, I've spoken too long and it's time to
11 turn to Walt Zamerovsky to explain to you the
12 injurious impact of the imported Indian pigment
13 dispersions.

14 Thank you.

15 MR. ZAMEROVSKY: Good morning. My name is
16 Walt Zamerovsky. I am Vice President of Sales and
17 Marketing for Magruder Color Company.

18 I have worked at Magruder for three years,
19 but, like Tom Rogers, I have been in the pigment and
20 pigment preparation businesses for 35 years. I am
21 therefore very familiar with the U.S. market and the
22 ink flushes and in bases at issue today.

23 Magruder and other U.S. producers have never
24 feared fair competition, but this unfair competition
25 from India that benefits from subsidies and dumping

1 practices to gain market share is another matter
2 entirely. I cannot say that I was surprised when
3 I saw both Hilton Davis and Daicolor-Pope exit the
4 U.S. flush market. These companies, like Magruder and
5 others, are struggling to compete at the very low
6 price levels being set by the Indian producers,
7 particularly Hindustan through Micro Inks.

8 When I flush market, I mean the market for
9 subject ink flushes and ink bases at issue here today.
10 Magruder, General Press Color, and some of the other
11 U.S. producers sell flushes only to printing ink
12 manufacturers because we are not ink producers.

13 I am speaking primarily of flush products.
14 Over 90 percent of the products at issue are flushes,
15 since our customers, the ink producers, use that
16 product for producing their paste inks. Of course,
17 two of our customers are sitting here today. Both Sun
18 and Flint, who are ink producers, buy the subject
19 flushes in the U.S. merchant market.

20 In all my years in the flush business,
21 I must say that I have never seen a single foreign
22 company, or U.S. company for that matter, gain market
23 share so rapidly using unfair pricing as have
24 Hindustan and Micro Inks. My company and the U.S.
25 industry generally have viewed with great trepidation

1 Hindustan's targeting of the U.S. market of rinks
2 National Appeals Division pigment preparations. The
3 establishment and growth of Micro Inks and its impact
4 on the U.S. market is unprecedented.

5 What confounds me is that in the past while
6 price was an important factor, quality and service
7 were given equal weight, but over the last two or
8 three years, as long as the quality and service are at
9 least roughly comparable, price has become by far the
10 single most important factor in deciding a flush
11 supplier. The reasons are both simple and obvious.
12 U.S. ink producers have been struggling with Micro
13 Inks as an ink competitor and thus have put
14 considerable pressure on companies like Magruder to
15 lower their flush prices. In turn, the low prices
16 from Micro Inks for the flushes and bases it sells
17 directly to ink producers have compounded that price
18 pressure.

19 I should point out two key facts, however,
20 that better explain why this has happened. First, we
21 are not talking about only minor differences in price.
22 We are talking about a very large gap between the
23 prices of the U.S. producers and the prices of the
24 competing Indian products, especially the prices at
25 which Micro Inks is offering and selling the Hindustan

1 flushes and bases. These Hindustan prices are not
2 just low, they are well below both Magruder's fixed
3 and variable costs of production.

4 Second, to be sure, Hindustan and Micro Inks
5 did not just show up one day and start stealing the
6 U.S. market. Back in 2000, before Hindustan had
7 completed it's 100 percent export-oriented unit, or
8 EOU facility, which it commissioned in October 2001,
9 Hindustan and Micro Inks began to target the U.S.
10 market. They brought product in from their existing
11 flush plant, provided samples and made offers to our
12 ink customers.

13 While at the beginning our customers pressed
14 Hindustan and Micro Inks to show that their products
15 were as good as the U.S. products, our customers still
16 used the mere presence of these Indian products to
17 force us into significant price concessions.

18 Hindustan and Micro Inks' strategy of what
19 I'll call priming the pump really worked. By the time
20 Hindustan was producing the subject flushes and bases
21 at its 100 percent EOU facility in late 2001 and 2002,
22 it had already established Micro Inks as a viable
23 supplier and was taking flush sales and even accounts
24 away from Magruder and other U.S. producers. When
25 I saw in early 2003 that ink producers like Handschy

1 and Alden & Ott were shifting a very substantial
2 portion of their flush purchases to Micro Inks, I knew
3 that there was nothing to prevent Hindustan from using
4 its unfairly low priced flush products to soon become
5 the dominant supplier in the U.S. market.

6 The subject Indian flush products are now
7 making serious inroads into every customer and account
8 we have. Heatset, coldset and sheetfed. They are
9 significantly penetrating the whole U.S. market at a
10 time when demand is off due to the general state of
11 the economy. This double hit of lost market share and
12 stagnant demand has taken its toll on Magruder's
13 bottom line.

14 I am normally an optimistic person, but
15 I see no real hope of ever overcoming the rising
16 Indian imports as long as they are permitted to be
17 sold at such unfairly low prices. Magruder has been
18 forced to lay off several employees and I know that a
19 significant number of jobs have been lost at other
20 U.S. producers' facilities from this combined volume
21 and price impact.

22 Finally, I would note that Magruder saw that
23 a couple of other U.S. producers attempted price
24 increases for flush products late last year, based on
25 the rise in some raw material costs, but none of these

1 attempts succeeded. Instead, they highlighted the
2 attractiveness of the unfairly low priced Indian
3 imports. We at Magruder are doing all we can just to
4 stay afloat. To suggest that we might actually return
5 to profitability on our sales of the subject flushes
6 and bases without some form of import relief would be
7 to ignore the harsh realities that we now face.

8 Thank you.

9 MR. BERGEY: Good morning. My name is Brad
10 Bergey. I'm currently Corporate Vice President of
11 Customer Value Systems for Sun Chemical Corporation.
12 I say currently only because recently I was promoted
13 to this position. Prior to this, I was Vice President
14 of Canada and Mexico. Mike Lewis beats me, I only
15 have 25 years, he has 26 years at Sun Chemical.

16 My primary responsibilities over these many
17 years has been in GPI, the North American ink division
18 of Sun Chemical, in various positions, including
19 operations, sales and corporate staff. AS such,
20 I feel qualified to comment on the U.S. printing ink
21 market, its relationship to the U.S. oleoresinous
22 pigment dispersion market, and the impact that the
23 Indian imports of Hindustan through Micro have had on
24 both markets.

25 I agree with Walt in that I, too, have never

1 seen a foreign or domestic printing producer move so
2 quickly in gaining such substantial market share.
3 Micro has captured a significant and growing share of
4 the paste ink market for lithographic printing. It
5 did so not through superior service or better product,
6 but solely on the basis of unfairly low prices.

7 Don't get me wrong, Micro Inks' printing
8 inks are comparable in most cases to Sun's products
9 and they apparently have been providing decent
10 service. But when quality and service are comparable,
11 the deciding factor is always price.

12 In early 2001, Sun attempted a much needed
13 printing ink price increase in the printing ink
14 market. That attempt simply was snuffed out as Micro
15 continued to offer more and more printers its unfairly
16 low priced ink products. No one expects any ink price
17 increase to succeed today in the atmosphere of price
18 undercutting created by Micro.

19 Micro has now become the price leader for
20 printing ink prices in a very short time. I would
21 agree again with Walt, however, in that Micro has also
22 clearly primed the pump, beginning in 2000, and more
23 so in 2001, by providing test inks and working hard
24 for acceptance. During this time, after the failed
25 price increase attempt, Sun lowered its prices to

1 retain some business, but as Micro has become more and
2 more aggressive, we at Sun have begun to refuse to
3 lower our prices to make sales that are below our
4 fixed and variable costs. Of course, our refusal
5 results in us losing ink sales to Micro.

6 As noted in some of the articles, Micro's
7 big break was to convince R.R. Donnelly & Company, the
8 largest printer in the United States, to use their
9 unfairly priced ink. Just as a point of reference,
10 R.R. Donnelly prints magazines, catalogs, books,
11 directories lithographically, some of them such as
12 Time Magazine, Sports, various directories for
13 different phone companies, plus things such as coupons
14 in the Sunday newspapers.

15 I say unfairly priced because as Sun
16 understands, Micro is importing a flush product that
17 benefits from subsidies to make the printing ink it
18 sells in the U.S. market.

19 Additionally, flush and base products are
20 the single most important raw material in the
21 production of printing inks. While they make up only
22 around one-third of the volume of the finished ink,
23 they typically are close to two-thirds or more of the
24 cost. What this means is you can make three pounds of
25 ink with one pound of flush, but the cost of the flush

1 represents approximately 65 cents of every dollar of
2 ink cost.

3 Hindustan through Micro has been dumping the
4 imported flush used to make the printing ink in the
5 U.S. market by selling that printing ink well below
6 its total combined cost of production.

7 Also, for every pound of flush used to make
8 ink, Micro is able to take three pounds of printing
9 ink sales from Sun and other integrated flush and ink
10 producers.

11 Sun, Flint, INX, who produce printing ink
12 from flush, cannot compete with the unfairly priced
13 printing ink. As we lose ink sales, we necessarily
14 must cut back on our flush purchases. When Sun first
15 chooses to retrench and use much of its own internally
16 produced flush as is possible, the impact from
17 Hindustan and Micro has been so great of late that we
18 have to now significantly reduce our consumption of
19 internally produced flush.

20 This loss in volume is only part of the
21 injury story, the other part being that the unfairly
22 low priced ink is used by ink manufacturers to drive
23 down the overall use of U.S. prices for flushes and
24 bases. This downward price pressure in turn forces
25 Sun to lower the value of its internally consumed

1 flushes, as well as the prices of flushes Sun and
2 other U.S. producers sell interview he open flush
3 market.

4 The impact of Micro's sales is not always
5 readily apparent in our printing ink accounts.
6 R.R. Donnelly and other large printers often have more
7 than one source for their paste inks. The supply
8 contracts agreed on are tied to the printers' needs.
9 If we see volume begin to slip away at a particular
10 printer, we may not immediately realize it is because
11 the printer has elected to enjoy more unfairly priced
12 ink purchased from Micro.

13 Finally, I would agree again with Walt in
14 that as with flush, the depressed economy had a
15 negative impact on print sales and therefore printing
16 ink demand, but it has been in this period of market
17 decline that Micro has made its biggest strides in
18 capturing U.S. market share. We cannot continue to
19 lose significant market sales and substantial sums of
20 money to Micro, nor should Micro be allowed to use its
21 unfair platform to penetrate the U.S. printing ink
22 market.

23 At this fast pace, if left unchecked, Micro
24 will have a strangle hold on the U.S. ink market in
25 the near future that even should the economy pick up

1 steam it will be too late to help Sun and the rest of
2 the U.S. industry producing the flushes and bases that
3 go into the printing inks sold in the market.

4 Thank you for your attention. I believe
5 it's Rucker Wickline from Flint Ink who speaks next.

6 Rucker?

7 MR. WICKLINE: Good morning. I'm Rucker
8 Wickline, President of CDR Pigments and Dispersions,
9 and we're a division of Flint Ink Corporation. Flint
10 Ink corporation and my division, CDR, strongly support
11 the antidumping and countervailing duty petitions that
12 have been filed in these investigations. We join the
13 petitioners in their assessment that imports of these
14 pigment dispersions from India are causing material
15 injury to the domestic industry and are threatening
16 even more significant injury.

17 Let me start a bit with my background. I
18 have been in the business for 41 years. The last 23
19 have been with CDR Pigments, which I started in 1980,
20 with the backing of Flint Ink. Prior to that time, I
21 was with a company called Chemetron. In fact, Tom
22 Rogers and I worked together for many years.

23 Twenty-three years ago, Flint Ink was only a
24 printing ink manufacturer. When I joined and started
25 CDR, we started the dispersion business to supply the

1 ink business. Since that time, Flint Ink has been
2 both our parent company and our largest customer.
3 However, we operate as a profit center and
4 approximately one-third of our sales go to the
5 merchant market.

6 CDR's headquarters and one of our plants are
7 in Elizabethtown, Kentucky. We also have plants in
8 Cincinnati, Ohio, Holland, Michigan and Beaufort,
9 South Carolina. Our Beaufort plant manufactures only
10 water-based dispersions. It does not manufacture the
11 oleoresinous dispersions that are the subject of this
12 investigation.

13 Turning to the conditions in the market, I
14 agree with the other witnesses that the entrance of
15 the Indian imports has had a significant impact on our
16 business. Four years ago, there were no imports of
17 dispersions from India. Since 2000, we have seen a 20
18 percent decline in our sales volumes in the merchant
19 market. We have seen a similar, albeit smaller,
20 decline in our sales to Flint Ink Corporation.

21 There are two reasons for this decline.
22 First, the Indian producer, Hindustan, and its U.S.
23 subsidiary, Micro Inks, have offered to sell pigment
24 dispersions at prices at prices far below the market
25 prices. In an effort to gain market share, Hindustan

1 has aggressively undersold our prices. In our
2 questionnaire response, we identify specific, major
3 customers where we have lost revenues as a result of
4 these low price imports.

5 Second, the Indian imports have also had a
6 major impact downstream in the ink business. Micro
7 Inks, Hindustan's subsidiary, has used the dumped and
8 subsidized dispersions to produce various types of
9 ink. Entry of this ink into the U.S. market has
10 caused our customers -- who are themselves ink
11 producers -- to cut back their production and reduce
12 their purchases of dispersions. Hence, we have not
13 only lost market share directly to the market for
14 dispersions, but our customers are themselves losing
15 market share in the ink market.

16 Our customers in this market will typically
17 buy from several suppliers. In part, our customers
18 desire a secure supply of dispersion and thus require
19 multiple sources in case of a plant shutdown or some
20 other event. Also, in part, our customers realize
21 that CDR sells some two-thirds of its production to
22 Flint Ink.

23 Flint Ink then competes with them in the
24 merchant market. Hence, our merchant market customers
25 will buy from several sources and use those

1 alternative suppliers in order to leverage our prices.
2 Without a doubt, the unfairly traded imports from
3 India have been quoted by virtually all of our
4 customers in order to force us to reduce prices.

5 In addition to depressing prices, these
6 imports also prevent price increases. For example,
7 last December, after experiencing three years of
8 falling prices, we attempted to increase prices by 18
9 cents a pound. This price increase was sought because
10 we had three specific raw material intermediates
11 derived from naphthalene, and there was a worldwide
12 shortage and continues to be a worldwide shortage of
13 naphthalene.

14 This shortage drove up prices for
15 intermediate chemicals for the reds, and in particular
16 the red dye pigment and flush color. So to address
17 these rising costs we attempted a price increase in
18 December. And with the Indian imports in the market
19 at very low prices, we were unsuccessful.

20 On page 24 of our questionnaire response,
21 you can see that the magnitude of our lost revenues at
22 various large merchant market accounts.

23 Generally speaking, we have seen this
24 pricing strategy by Hindustan throughout the market.
25 They have gone into most customers and offered

1 products at extremely low prices as an entree or an at
2 attempted entree into the marketplace, and they have
3 had some successes at certain accounts. But even when
4 we are able to retain the account, our customers will
5 quote the Indian price and force us to reduce.

6 Fortunately, for our business we have been
7 able to reduce our costs. We have reduced our
8 workforce. We have added larger and more efficient
9 equipment, we have become more automated, and we have
10 not had as serious an erosion of our bottom line as we
11 have our top line. That is, our sales have dropped
12 far more than our operating profit or pretax profit,
13 but at a cost of jobs and spent capital.
14 Nevertheless, with our total revenues shrinking year
15 by year, and given that our capacity is underutilized,
16 we will inevitably continue to experience a
17 diminishing return on our investment.

18 In this regard, the Commission should also
19 consider the injury that has occurred to Flint Ink in
20 the downstream market. Hindustan has imported the
21 subsidized and dumped dispersions to its U.S. ink
22 plant -- Micro Inks. Micro Inks compounds the
23 dispersions with various other substances to produce
24 ink. When you make ink, about two-thirds of the cost
25 is in the dispersions. So when Micro Inks obtained

1 unfairly traded dispersions, it can also sell ink at
2 deeply distressed prices.

3 In the ink market, Micro Inks has had a
4 substantial impact, depressing sales prices for ink
5 and capturing market share at our expense.

6 For example, at R.R. Donnelly, one of the
7 largest printers in the world, Flint Ink has lost
8 substantial sales volumes to Hindustan and Micro Inks.
9 And we have seen a tremendous amount of price erosion
10 at almost every significant account as a result of the
11 widespread offers at extremely low prices that have
12 been made by Micro Inks.

13 In the dispersion market, this new source of
14 subsidized and dumped dispersions inevitably displaces
15 U.S. producers. That is, the printing ink business is
16 a mature business with few, if any, substitutes.
17 Demand for ink is not affected by changes in price.
18 When the subsidized and dumped imports are converted
19 to ink and are offered at below market prices, there
20 is no change in the total quantity consumed by the
21 printing ink industry. It is a zero-sum game in which
22 increased sales by Hindustan or Micro Inks can only be
23 made at the expense of some other producer.

24 At the same time, the demand for dispersions
25 depends directly upon the demand for ink. If U.S. ink

1 producers -- our customers -- suffer reduced sales,
2 then we suffer also.

3 As you have heard already, some producers
4 have been driven out of business. When I started in
5 this business in 1962 Hilton Davis was the largest
6 flush color manufacturer in the United States, or
7 oleoresinous pigment producer, dispersion producer.
8 They held the original patents for the manufacture of
9 flush color.

10 And while I'm sure they can point to many
11 events in the life of their company that contributed
12 to their demise, I submit the single biggest event
13 contributing to them going out of business and the
14 loss of hundreds of jobs was the Hindustan entrance
15 into our market and their pricing strategy based on
16 dumped and subsidized dispersions.

17 Even my company, which is somewhat insulated
18 because of our relationship with Flint Ink, has
19 suffered declining sales volume and revenue. Our
20 average realized prices are similarly declining over
21 the period since Hindustan and Micro Inks entered the
22 U.S. market.

23 But for the Indian subsidies, and the
24 dumping of the Indian dispersions, I have no doubt
25 that U.S. prices would be higher, our output would be

1 greater, our employment would higher, our revenues
2 would likewise be improved. For these reasons, we
3 sincerely urge the Commission to issue an affirmative
4 determination.

5 MR. DORRIS: Thank you, Rucker.

6 Again, for the record, I am Greg Dorris from
7 the law firm of Pepper Hamilton, counsel to
8 petitioners.

9 I will conclude petitioners' presentation
10 with a short, but important discussion of the serious
11 threat that the Indian imports pose to the future
12 health of the U.S. industry.

13 You have heard here today from Walt, Brad
14 and Rucker that the Indian imports, or specifically
15 the flush products from Hindustan and the flush and
16 ink products from Micro Ink, have moved to capture
17 significant moved to capture significant market share
18 at an unprecedented pace for this industry. >From
19 essentially zero in 1999, the unfairly priced imports
20 have surged into the U.S. scene,, reeking early damage
21 on prices that offers to sell, and then increasingly
22 stealing volume from U.S. industry and driving prices
23 lowers, both for direct sales into the merchant market
24 and through sales of very low priced ink made from the
25 subject imports.

1 Both Hindustan and Micro Inks have touted
2 their intent to target the U.S. market and flatter
3 their growing success in that market. Clearly, from
4 their public statements they do not intend to abandon
5 this market or slow down their aggressive penetration
6 of its reuse of the unfairly subsidized and dumped
7 merchandise.

8 But their statements also are being
9 supported by their actions. The Commission should
10 take particular note of the great increase in the
11 subject imports in the first quarter of 2003.
12 February alone appears to be the highest month of the
13 subject imports since those imports began to rise.
14 First quarter 2003 is almost half the total for the
15 entire year of 2002.

16 Why the big increase? Because Hindustan and
17 Micro Inks has succeeded in using their unfairly low-
18 priced product to capture an even greater share of the
19 U.S. market, especially as they have demonstrated the
20 viability of their supply chain by capturing such
21 large flush accounts as Handschy Industries and Alden
22 & Ott, as well as large printing accounts such as R.R.
23 Donnelly and Spencer Press.

24 This rapid increase is why petitioners could
25 wait no longer to act. Petitioners could not continue

1 to lose more customer accounts, more market share,
2 more employees or more money. These investigations
3 are their best hope to slow down the Indian imports
4 and force fair competition on the subject flush, as
5 well as the ink made from those products.

6 Should petitioners fail, the U.S. industry
7 will continue to decline that is now evidenced in the
8 questionnaire responses. They also will not continue
9 to invest in what is fast becoming an unprofitable
10 industry and be forced to write off large parts of
11 their existing investments in plant and equipment.

12 As Tom noted at the outset, eventually these
13 manufacturing jobs also will move offshore. It has
14 happened already with a vast amount of crude
15 intermediates and pigments.

16 I am talking here only about the jobs for
17 the subject flushes and bases because that is what the
18 Commission focuses on, but certainly jobs also will be
19 lost, and are being lost in the domestic industry
20 producing the press cakes to make the flushes and the
21 domestic industry producing the printing inks made
22 from the flushes.

23 There certainly is sufficient production
24 capacity to back up the big expansion plans of
25 Hindustan and Micro Inks. Alone, Hindustan has 40,000

1 metric tons of capacity, or roughly 88 million pounds,
2 66 million pounds of which is in 100 percent export-
3 oriented unit, meaning it must be exported.

4 But that leaves the other 22 million pounds
5 of older existing capacity. Hindustan was able to use
6 that in 2000 and 2001 to supply Micro Inks with
7 subject merchandise, at least until the new EOU
8 facility was commissioned in October 2001.
9 Petitioners strongly suspect that this older existing
10 capacity is still used to produce some of the subject
11 merchandise currently exported to the United States,
12 and all indications are that Hindustan will use its
13 substantial export capacity to move its flush products
14 through Micro Inks at prices that will continue to
15 have a significant depressing and suppressing effect
16 and stimulate demand for even more such unfairly
17 traded imports.

18 The prices for the subject flush and the
19 bases sold by the U.S. producer in the United States
20 have dropped even more dramatically in the first
21 quarter of 2003 now that the Indian imports have
22 established themselves in the U.S. market.

23 The U.S. Department of Commerce initiated
24 these countervailing duty and antidumping cases
25 yesterday, and confirmed petitioners' well-supported

1 allegations that the direct flush sales are dumped by
2 Micro Inks at the extremely high dumping margins,
3 ranging from 138 to 677 percent. Likewise, the
4 department confirmed the dumping allegations of flush
5 for the manufactured and the ink as being dumped at
6 margins ranging from 189 percent to 685 percent.

7 Finally, I would note that we recognize that
8 Hindustan as looking to other countries to sell its
9 products, but as of yet it has not made much real
10 progress, especially with the subject pigment
11 dispersions.

12 Hindustan's main target remains the United
13 States, especially given its huge investment in Micro
14 Inks that is now yet duplicated in any other country.
15 It is precisely because of that substantial investment
16 in Micro Inks and the new 100 percent EU facility that
17 Hindustan will continue to export to the United States
18 and continue to be desperate to gain market share in
19 the United States through its fairly low-priced
20 imports.

21 We thank you for your attention. That
22 concludes petitioners' opening remarks, but before I
23 go, I would note that we have some samples on the
24 table over here of draw product, press cake, the
25 flushes that are actually at issue, and also a liquid

1 flush that you can see the differences between it and
2 the flushes that are at issue. Thank you for your
3 time.

4 MR. CARPENTER: Thank you to the panel for
5 your presentation. We appreciate it, and we will
6 begin questions with Ms.

7 MS. ROTH-ROFFEY: Good morning.

8 Mr. Rogers, something you said caught my
9 attention, basically that the slurries and press cake
10 which are made on the same production lines compete
11 with the domestic like product.

12 Why would customers use press cakes or
13 slurries rather than the flush dispersions or the
14 basis versions?

15 MR. ROGERS: Well, when you sell the press
16 cake, when you sell the press cake, you're selling it
17 for primarily a water application for conversion into
18 water flexographic inks. They are made on entirely
19 different equipment.

20 As you saw, the press cake manufacturing
21 process is discrete and distinct from manufacturing
22 flush color.

23 MS. ROTH-ROFFEY: So it doesn't use the same
24 employees, is that what you are saying, to make it?

25 MR. ROGERS: No, ma'am, it's different

1 departments.

2 MS. ROTH-ROFFEY: Okay. I might get back to
3 this later, but I would like all parties to address in
4 their briefs the statutory threat factors, and thank
5 you for now.

6 MR. CARPENTER: Thank you. Ms. DeFilippo.

7 MS. DeFILIPPO: Thank you to everyone on the
8 panel for your presentation. It was actually very
9 helpful.

10 I guess I wanted to start with some of the
11 comments that you all made and compare it to some of
12 the information that Ms. Levinson gave in her opening
13 statement.

14 In her opening statement, she talked about a
15 large amount of product being captively consumed by
16 Micro Inks, and I can't remember the exact number, but
17 I think it was one or two percent that was actually in
18 the merchant market. Yet listening to this panel
19 here, several of you talked about competition in the
20 flush market. So those two statements seem not to be
21 consistent.

22 So I guess I wanted to clarify because I
23 kind of got a lost a little bit between ink or flush,
24 so I apologize.

25 But I guess just to reiterate, are you

1 seeing a significant competition in the flush market
2 directly with Micro Inks, or is it more downstream in
3 the competition for the inks?

4 MR. DORRIS: I just want to make one
5 preparatory remark, I guess.

6 We are a bit handicapped, at least under the
7 administrative protective order information, because
8 we have not been properly served with any
9 questionnaire responses by the other party. They
10 entered an appearance a long time ago.

11 In any event, I would note that the data she
12 -- the way she gave the data was a bit misleading
13 because obviously they have a significant volume of
14 imports total, and she was talking about their
15 percentage of their imports that was going into the
16 merchant market. That percentage, I think you will
17 find, is a fairly significant amount, especially in
18 terms of import penetration into the merchant market.

19 I would love to be able to be a little more
20 specific but since I don't have that confidential data
21 I can't really -- but not that I can talk about it
22 specifically, but at least I could be a little more
23 elaborate about it.

24 But I will let the witness here testify
25 about how the impact has been in the merchant market.

1 MS. DeFILIPPO: Just to jump in before they
2 do, if you want to touch on that in your post-
3 conference brief.

4 MR. DORRIS: Oh, certainly we will.

5 MS. DeFILIPPO: Okay.

6 MR. ZAMEROVSKY: If I understand your
7 question, only flush concerns me.

8 MS. DeFILIPPO: Okay.

9 MR. ZAMEROVSKY: Because unlike CDR and with
10 Sun, I don't sell ink. I sell nothing but flush. I
11 do sell press cake, but 90 percent of the sales of my
12 company are flush.

13 MS. DeFILIPPO: Okay.

14 MR. ZAMEROVSKY: That's where I'm --

15 MS. DeFILIPPO: So you are directly
16 competing with Micro Inks for sales of flush?

17 MR. ZAMEROVSKY: Correct.

18 MS. DeFILIPPO: Okay.

19 MS. DeFILIPPO: Any?

20 MR. ROGERS: We also only sell flush color.
21 We don't sell permeate.

22 MS. DeFILIPPO: And you are again
23 experiencing --

24 MR. ROGERS: Right.

25 MS. DeFILIPPO: -- competition for sales of

1 the --

2 MR. ROGERS: The flush color, yes.

3 MS. DeFILIPPO: Okay. Then perhaps just to
4 you two again, something else that came out of the
5 opening remarks. I believe Ms. Levinson referred to
6 the flush being a proprietary product that was
7 somewhat different than the other flush produced by
8 U.S. producers, and I guess any comments you had on
9 that, whether or not you believe the flush produced by
10 your respective firms is the same or if there are
11 differences.

12 MR. ROGERS: In the flush color samples that
13 we have seen from customers who have given us samples
14 of Micro's products, we don't see much difference
15 between theirs and ours.

16 MR. ZAMEROVSKY: The same. Generally, the
17 strengths are about the same. There are very minor
18 differences in other qualities. Generally they are
19 the same.

20 MS. DeFILIPPO: If the strengths were
21 different, is there modifications that a particular
22 purchaser could use to make them the same? I don't
23 have a chemical background, or are there not
24 significant enough that they would have to do anything
25 different?

1 MR. WICKLINE: The attending strength of a
2 flush color has to do with how much pigment is in it.

3 MS. DeFILIPPO: Okay.

4 MR. WICKLINE: Because that is what the
5 strength is derived from, and that's the money value
6 because the expensive component of an ink or a flush
7 color is the pigment itself, and these products, we
8 have seen samples of these products and they are
9 identical in general terms to what is sold every day
10 in the U.S. market by U.S. producers. In fact, just
11 last week we got a set of samples from the field. I
12 saw the results of the evaluation before I left the
13 office this week, and they are identical to our
14 product.

15 Generally speaking, where the impact has
16 come is in the pricing. We have had to lower our
17 prices to retain our share --

18 MS. DeFILIPPO: Of flush.

19 MR. WICKLINE: -- of flush business. Yes,
20 ma'am. The aggressive pricing have been the real
21 impacts. I have no idea and no way of knowing how
22 much they have actually sold, and I can't dispute her
23 figures, but the impact has been there. I have lived
24 it.

25 MR. DORRIS: Just one other clarification

1 too on this. I mean, she suggested in her testimony
2 that they are bringing in a little different product
3 perhaps when they are making the ink in the U.S., and
4 that maybe that's not the same flush product that they
5 are seeing in the merchant market.

6 Now, I would first question whether or not
7 they classified these products the same. I assume
8 they have and brought it in as an ink because that's
9 their position; that the concentrated ink, although
10 you heard testimony today that this clearly is not a
11 concentrated ink. But at the same time I think it is
12 still within the scope of this investigation. I mean,
13 the investigation is very -- Commerce, when the
14 initiated, was very clear about what the scope is. It
15 goes down to even below 20 percent pigment level, if
16 that's the product that is coming in, because that
17 product is not yet an ink because it doesn't have all
18 the elements that an ink needs to have. It is not a
19 concentrated ink.

20 She says she has a bonding ruling from
21 Customs. You know, the only comment we have about
22 that is garbage in/garbage out. Customs only knows
23 what they were told, and they weren't told probably
24 all the facts in the sense that we now have a ruling
25 from Customs saying clearly in that ruling that even

1 20 percent or higher is still a flush product and not
2 a concentrated ink.

3 So those are the only points I would like to
4 make.

5 MS. DeFILIPPO: Thank you.

6 MR. LEWIS: Well, one other comment on your
7 question. It is correct that if today a person is
8 buying a flush from say CDR with 40 percent pigment in
9 it, and they are offered a different flush at 35
10 percent pigment, sure, they adjust their end formula
11 because what they are selling is a finished ink in the
12 10 to 15 percent pigment range based on the varnishes
13 and resins and however else they like to put the ink
14 together.

15 So yes, it's identical in use as a finished
16 ink, but to Rucker's point, if they are selling
17 identical strength products, then it's almost -- a
18 drop in would be the phrase. If they are not
19 identical strength, then the ink makers sees the value
20 when he does his own lab evaluation because he is
21 paying so many cents per pound of color in order to
22 get the ink to the right color strength for his
23 printing customer.

24 MS. DeFILIPPO: So there may be differences
25 in price, depending on?

1 MR. LEWIS: Strength.

2 MS. DeFILIPPO: Strength. Okay.

3 MR. LEWIS: Correct. If they have a really
4 weak flush, they could be selling it at a lower price,
5 but they you have got to use proportionately more of
6 that particular product in order to get the strength
7 in the finished ink.

8 MS. DeFILIPPO: Okay. That's helpful.
9 Thank you.

10 Mr. Bergey, It think you made a comment that
11 Micro Inks' products was comparable in most cases, and
12 I just wanted to clarify. Are there any cases in
13 which there are not end uses or particular printing
14 applications where the U.S. and the subject product or
15 the ink from the subject product are not used
16 interchangeably?

17 MR. BERGEY: Typically in this process, as
18 Mike explained, we create ink formulations based on
19 the end use, such as the type of paper they are using,
20 the type of presses, the type of speeds that a press
21 is running. So you know, I use the word "comparable"
22 because we create the same type of comparable formulas
23 that Micro does.

24 So it's our experience that typically they
25 are basically -- they are very similar.

1 MS. DeFILIPPO: Okay. So that's anyone who
2 wants to jump in and answer.

3 Are there any qualification procedures that
4 you have with your purchasers and either in a post-
5 conference would be fine, just a little discussion on
6 what that entails and how long it would take.

7 I think that's all I have right now. Oh,
8 please.

9 MR. BERGEY: Can you ask that question
10 again? I'm not sure I understood.

11 MS. DeFILIPPO: Sure. With your customers,
12 and are there any qualification procedures that a
13 supplier would need to meet before they could sell to
14 the customer?

15 MR. WICKLINE: Well, the answer to that
16 question is yes.

17 MS. DeFILIPPO: Okay.

18 MR. WICKLINE: We do go through
19 qualification, and I'm speaking here of flush color --

20 MS. DeFILIPPO: Okay.

21 MR. WICKLINE: -- to a printing ink
22 manufacturer. In each case, when you are calling on a
23 customer, he is using a product and in most cases they
24 would prefer not to make a lot of changes themselves,
25 so they would like an identical product if they can

1 get it.

2 The one thing they are after is price, and
3 that, in general, becomes the determining factor. If
4 the products are similar, they will make the necessary
5 small adjustments in their use if the price incentive
6 is there.

7 MS. DeFILIPPO: Okay.

8 MR. BERGEY: And the answer from an ink
9 standpoint is yes.

10 MS. DeFILIPPO: Okay.

11 MR. BERGEY: Because when you are running --
12 again, as you're running the particular jobs, for
13 example, an insert for a coupon has a much thinner
14 piece of paper than a book, so there are
15 specifications which are required for tack, for
16 strength, for runability, things of that nature.

17 MS. DeFILIPPO: Okay. Mr. Dorris, are there
18 imports from other countries that are in the market
19 for the flush.

20 MR. DORRIS: The only country that we're
21 aware of is China, and we believe those volumes will
22 be fairly small.

23 MS. DeFILIPPO: Okay.

24 MR. DORRIS: Especially in comparison to the
25 Indian volume.

1 MS. DeFILIPPO: Have any of the participants
2 saw competition from China or has it mostly just been
3 from India?

4 MR. WICKLINE: I have from China, but again,
5 it's very small, one account.

6 MS. DeFILIPPO: Okay.

7 MR. ROGERS: The same is true of Appollo.

8 MR. KUEBEL: General Press has mainly been
9 Indian ink. We have found any from China.

10 MS. DeFILIPPO: Okay, thank you very much.

11 MR. CARPENTER: Mr. Boyland?

12 MR. BOYLAND: Thank you for your testimony.

13 With respect to raw material prices, there
14 was a statement that there was an increase, and I
15 wasn't sure at what point, the end of 2002?

16 MR. DORRIS: Rucker, you have to speak up.
17 He nodded yes.

18 MR. WICKLINE: The fourth quarter of 2002
19 was a spike in the worldwide naphthalene prices which
20 drove -- beta naphthal, which is a major raw material,
21 and some of the beta naphthal derivatives, drove them
22 up double. They went up 100 percent.

23 MR. BOYLAND: Was that during the period
24 that we're looking at the only raw material cost
25 increase that, you know, we would see in our data?

1 MR. WICKLINE: Yes, generally speaking, that
2 was the only raw material that spiked, yes.

3 MR. BOYLAND: Okay.

4 MR. WICKLINE: There is always some
5 movement, but you know, it's nothing like what we saw
6 with respect to naphthalene derivatives.

7 MR. BOYLAND: Okay.

8 MR. LEWIS: In late 2002 and 2003, of
9 course, with the impending Iraq situation, there was a
10 spike in oil prices, and there were some people that
11 took advantage of that and attempted to announce
12 significant price increases for oils and oil-derived
13 products, some of which stuck, some of which are in
14 the process of happening.

15 MR. BOYLAND: Okay. So the first quarter of
16 2003 some of what I am seeing is going to be impacted
17 by the Iraq conflict or, you know, whatever prices
18 were trying to be increased, marginal, somewhat?

19 MR. LEWIS: Yes. Because of our inventories
20 and supply contractors, it was more an impending
21 situation.

22 MR. BOYLAND: Okay. With respect to the
23 comparative change that we're looking at in terms of
24 transfers and internal consumption, should I interpret
25 that to be meaning that the end product that was being

1 produced with the transfers declined so there was a
2 corresponding reduction in transfers and internal
3 consumption, or was there substitution by expensive
4 input or --

5 MR. LEWIS: In Sun's case, it was directly a
6 result of the loss of ink business on -- I'll say our
7 ink division. Since I am representing, as Rucker for
8 his company, the color flush producing side of Sun, it
9 was clear.

10 MR. BOYLAND: For the other companies?

11 MR. WICKLINE: I would agree with that
12 statement.

13 MR. DORRIS: And Brad, was that -- I think
14 your testimony earlier, you could clarify it a bit,
15 that that decline was no so much demand in terms of
16 economic downturn, but the loss of sales of ink to the
17 Indiana.

18 MR. BERGEY: Well, it's Both, you know.
19 Over the last number of years, with the recession that
20 we have had in the economy, obviously the printing ink
21 volume going into the print sales volume has gone
22 down, but the pricing has gone down faster than the
23 volume has gone down from current 2003 as well as 2002
24 over 2001.

25 MR. BOYLAND: I think that's all the

1 questions I have. Thank you.

2 MR. CARPENTER: Mr. Wanser.

3 MR. WANSER: Good morning. Thank you for
4 your testimony.

5 A couple of quick thing. This Customs
6 decision determining or differentiating ink from
7 resin, do you think it's basically just based on the
8 amount of resin or is there more to it?

9 MR. ROGERS: I think you mean the amount of
10 pigment in the preparation?

11 MR. WANSER: No, in the resin versus, or the
12 -- versus the ink. Maybe I do have it wrong. I
13 thought it was a --

14 MR. ROGERS: The flush.

15 MR. WANSER: Yes, okay, the flush.

16 MR. ROGERS: The flush dispersion versus the
17 ink?

18 MR. WANSER: Yeah.

19 MR. ROGERS: No, it's not just pigment
20 concentration. It really isn't.

21 MR. WANSER: More to the decision --

22 MR. ROGERS: I believe there is more to the
23 decision than that.

24 MR. WANSER: Okay, we can look into it.

25 MR. ROGERS: That's an opinion.

1 MR. WANSER: Okay, that's fine.

2 And Mr. Dorris, at the very end of your
3 testimony you were saying that you thought -- I think
4 I heard you right -- that the ink makers may lose out
5 in the future. I would have thought that they would
6 have been insulated just because of the cost of
7 transferring or shipping a lot of extra weight. I can
8 see where U.S. pigment producers would be hurt.

9 Did I hear you correctly or not?

10 MR. DORRIS: I mean, obviously, U.S. ink
11 producers are going to be hurt if other countries --
12 well, not other countries, if Indian producers are
13 allowed to bring in the flush at a cheap subsidized
14 cost and allowed to dump the product, that flush goes
15 into the ink end, which will force out the U.S. ink
16 producers.

17 MR. WANSER: Okay.

18 MR. DORRIS: Which then, in turn, will
19 decrease the demand for the flush that these guys
20 produce.

21 MR. WANSER: Right. Are there submarkets
22 for the inks, like specialty versus commodity inks
23 maybe, and that you people may be supplying different
24 commodities or subgroups? Not commodities, I
25 misspoke.

1 MR. BERGEY: Well, first of all, I'm not
2 sure what your definition of commodity ink is.

3 MR. WANSER: It would be more like to be
4 just price sensitive, as something that might require
5 more service by the supplier. That would be a
6 specialty product.

7 MR. BERGEY: Typically, in the business that
8 we serve today, the needs of our printers include not
9 only the ink that we provide, but we provide technical
10 service. We provide, you know, support from a product
11 development standpoint. So in a lot of cases the ink
12 that is supplied is supplied at a certain price.

13 Now, what has happened recently is basically
14 the price has just been dropped on the similar types
15 of inks. I'm not sure if that answers your question.

16 MR. WANSER: Okay. And then the one other
17 question was when you are back at the press cake, what
18 percent of it actually goes to printing and what goes
19 off to other paints? I mean if you --

20 MR. ROGERS: In the case of Appollo Colors,
21 everything that we manufacture goes into the printing
22 ink industry.

23 MR. WANSER: Would there be other markets?
24 Could you move the press cake --

25 MR. ROGERS: Not on the types of azos and

1 pathalocyanines that we manufacture. There may be a
2 small percentage that would go into a coating, for
3 example, drum enamels or some low-cost type coating
4 that would use products of this type, but it would be
5 very, very small.

6 MR. WANSER: So these pigments then really
7 just go to the printing, printing inks?

8 MR. ROGERS: The products that we
9 manufacture go to the printing ink industry.

10 MR. WANSER: The pathalos and the azos?

11 MR. DORRIS: I think that Rucker can
12 probably talk a little bit more about how it goes in
13 the drying process.

14 MR. WICKLINE: Generally speaking, the
15 pigment industry is segmented into different end use
16 markets. Now, while pathaline pigments are used in
17 all types of markets -- plastics, paints -- they are
18 also used in the printing ink market. Generally
19 speaking, azos are concentrated primarily in printing
20 ink. In paint, they are looking for light fasteners.
21 In printing ink, you don't care if your USA Today
22 fades tomorrow or not.

23 The only one area of requirement for fade
24 resistance in printing ink is National Geographics.
25 They do not want the cover to fade, so we use a higher

1 grade pigment when we are selling to that market.

2 In plastics, they need pigments that will
3 withstand heat in the processing.

4 So while most of us here at this table
5 produce printing inks primarily for the printing ink
6 trade, other companies produce pigments for paints,
7 plastics, textile printing, and you know, we sell some
8 specialty applications like latex balloons and colored
9 mulch.

10 Again, industries that don't require a lot
11 of light fastness because there is different chemistry
12 used to produce pigments that require these specialty
13 characteristics that printing ink does not require.

14 MR. WANSER: Thank you.

15 MR. CARPENTER: Mr. Ruggles.

16 MR. RUGGLES: Fred Ruggles, investigations.

17 On imports, okay, you said there is one
18 importer of the subject merchandise that you know of?

19 MR. DORRIS: Well, apparently we learned
20 that today. We thought there might be a couple others
21 that have been offering to sell, and we had no
22 indication that they actually had sold to the U.S. I
23 think those are identified in the petition. But
24 according to respondents, they may be the only one.

25 MR. RUGGLES: Okay. What I'm going to ask

1 is if you -- you have given what you have in the
2 petition, but if you go back and talk to the rest of
3 your people, I have responses on importer
4 questionnaires from any of the producers, so it would
5 be nice to have that in writing. Okay.

6 Now, the other is, and I will ask this of
7 the respondents as well, if they knew of any
8 importers, but if there is only the one, what is the
9 one HTS number they are bringing it in under, and
10 we'll go from there. Okay?

11 MR. CARPENTER: Jim McClure.

12 MR. McCLURE: Jim McClure, Office of
13 Investigations. And if Kathy DeFilippo already
14 covered this, I apologize. Just everybody you said
15 you were looking at a price increase and a price
16 rollback when it wouldn't hold, you mentioned the
17 increase in naphthalene.

18 And we seem to move back and forth from inks
19 to pigments, and I just wanted to make sure that when
20 everybody was referring to an attempt at a price
21 increase, were you talking pigment dispersions or were
22 you talking inks or both?

23 MR. WICKLINE: I was talking pigments
24 dispersions.

25 MR. McCLURE: Okay.

1 MR. BERGEY: I was talking ink.

2 MR. ROGERS: I was talking pigment
3 dispersions.

4 MR. WICKLINE: Pigment dispersions.

5 MR. KUEBEL: Pigment dispersions also.

6 MR. McCLURE: Okay, thank you. That takes
7 care of my questions. Everybody has covered most of
8 what I had.

9 MR. CARPENTER: Thank you.

10 I guess the first question is, I believe it
11 was Mr. Lewis who said that the lower concentrated
12 pigments tend to sell for a lower price, but would
13 require a higher volume to produce the same amount of
14 ink. And I guess I don't have a copy of the
15 questionnaires in front of me that we sent out, but I
16 think we may not have asked in the price information
17 for the, or may not have specified a level of
18 concentration of pigment dispersions.

19 And I was wondering if all the producers who
20 are represented here, as well as the importer, could -
21 - if you haven't already provided that information, in
22 your post-conference brief if you could -- for the
23 price data that you provided, if you could provide the
24 amounts or level of concentration that your prices
25 were based on, and also, if you have any kind of ideas

1 as to how to make pigments of different concentrations
2 equivalent in terms of price.

3 I'm not sure of that concept makes sense or
4 not, but if you could give some thought to that. For
5 example, you know, what would be the expected price
6 difference between a 20 percent concentration versus
7 40 percent concentration. That's probably one that's
8 best left for the brief, but if you have any comments
9 now, that's okay too.

10 MR. DORRIS: We will deal with that in the
11 post-conference brief.

12 MR. CARPENTER: Okay, thank you.

13 Again, Ms. Levinson said in her statement, I
14 think, that 98 percent of the imports are captively
15 consumed and only two percent of the imports are sold
16 commercially, which is equivalent to about one-half of
17 one percent of consumption. Of course, we will be
18 tabulating the numbers and we will see what the actual
19 numbers are.

20 But assuming that is correct in the
21 ballpark, and a number of you have indicated that most
22 of your sales of pigment dispersions have been in the
23 commercial market where others of you have indicated
24 that most of them have been captively consumed in the
25 production or printing ink.

1 And I guess what I am interested in is if --
2 for those of you who have lost sales in the -- have
3 lost commercial sales in the pigment dispersion
4 market, and a couple of you have indicated that you
5 have, I'm just wondering how -- if in fact only about
6 two percent of the imports are sold in the commercial
7 market, how can there be a significant cause of
8 material injury to sales in the commercial market of
9 pigment dispersions?

10 Or is the principle argument here that
11 because most of the imported product is captively
12 consumed in the production of printing ink, then
13 basically Micro Inks becomes a U.S. producer of
14 printing inks, and so maybe that was what Ms. Levinson
15 was alluding to in her statement that what you have
16 here really is a loss of sales to domestic competitors
17 of printing inks.

18 And what I am getting at here is if you
19 could, and again this might be one more for the post-
20 conference brief, but if you could examine some past
21 cases and give us some guidance as to whether the
22 commissioners has handled a similar product to this in
23 the past, and found that imports of an upstream
24 product have caused injury to the downstream product,
25 and then that has also caused sort of a backward

1 injury back to the upstream product, if you could
2 follow that.

3 MR. DORRIS: I think I understand, and we
4 will obviously do more within the post-hearing brief
5 to deconstruct it, but I'll make a few comments.

6 One it's a bit curious from the opening
7 statement. On one hand she says that they are
8 importing a concentrated ink, and then she says they
9 are a U.S. ink producer. So which is it? Is what
10 they are bringing in an ink so that it doesn't have to
11 be produced in the U.S.? Are they bringing in pigment
12 dispersion and making that into an ink in the U.S.?

13 That's our position, that they are bringing
14 in a pigment dispersion, and making it into an ink in
15 the U.S.

16 Now, in terms of your point about where is
17 the competition, it's in both places. The merchant
18 market, I think you will find once you get all the
19 final numbers, their import share of that is a lot
20 larger.

21 And more importantly, two things. One, they
22 came into the market with the low prices and were
23 offering those low prices, so that offering to sell
24 drive prices down in the merchant market even though
25 the volumes weren't there yet. But I think you will

1 see those volumes have been radically increasing,
2 especially when they took over accounts like Handschey
3 and Alden and Ott, and these other accounts we talked
4 about. So they are increasing fairly significantly in
5 the merchant market, and yet they also are very
6 substantial in the merchant market.

7 But our point is that when they take that
8 pigment dispersion and make it into an ink in the
9 U.S., because of the unique fact that it is such a
10 large volume, I mean it's such a large share of the
11 cost of the final ink product, that when they dump
12 that product, which Commerce will look at because they
13 are looking at further manufactured product, they are
14 going to say that the imported product is the one
15 that's being dumped in the U.S. market. That impact
16 on the ink does have a very significant impact
17 upstream.

18 Perhaps this case is unique. You know, I
19 have looked for other cases already in the sense of
20 the unique combination. Not only do you have that
21 part of it being such a large cost of the finished
22 product, but you also have the unique situation of the
23 related importer being the one who is bringing the
24 product in, in a sense. The exporter bringing it into
25 the U.S., and then turning -- you know, we don't even

1 think it's manufacturing in the U.S.

2 They just, you know, do they blend it and
3 make it into ink in the U.S. and then they sell it in,
4 but you know, the cost is in the pigment dispersion
5 that they are importing, and that's what is being
6 dumped in the U.S.

7 And when they take those inks sold in the
8 U.S., they take our volume of the flush product too
9 because they take our ink sales, and other ink sales
10 when it someone like Walter Zamerovsky or Appollo, or
11 Rick Kuebel from General Press Color, because they are
12 selling just into that flush market.

13 So that is the answer and we will, of
14 course, flush that out in our brief. Thank you.

15 MR. CARPENTER: No pun intended. Thank you
16 very much.

17 Mr. Wickline, I believe you alluded to
18 reduced cost and employment reductions, and some lost
19 sales but not necessarily lost profit. And I guess I
20 wanted to get a little bit into the profitability
21 picture for the industry, and maybe if I could start
22 by asking a somewhat hypothetical question for each of
23 the producers here.

24 What do you consider to be a healthy
25 operating income margin for your company in this

1 product line? In other words, a profit market that
2 would allow your company to be viable in the long run,
3 or net income margin before taxes if that's more
4 relevant to you.

5 Would anyone like to comment on that in this
6 setting?

7 MR. CANNON: Mr. Carpenter, you will
8 appreciate we would prefer to answer that
9 confidentially.

10 MR. CARPENTER: Okay.

11 MR. CANNON: And I will say that for our
12 company it's complicated because it's a division of a
13 larger corporation, and so given that we only recently
14 have joined this effort, we are examining what's in
15 our questionnaire, and something that may change.

16 MR. CARPENTER: Okay. But in that sense if
17 you could in your response limit it to however you
18 have allocated your cost to the product line, or the
19 pigment dispersions that we are looking at.

20 And I guess, Mr. Love, maybe I could ask you
21 to in your -- this would again be more for the post-
22 conference brief, but you have had a lot of experience
23 here, and I was just wondering if you could look at
24 the profitability picture of the industry once you
25 have had a chance to analyze the proprietary

1 information that you will receive under a protective
2 order or have already received; if you could analyze
3 the profitability picture in terms both of the
4 magnitude of the operating and income margins for the
5 industry as a whole and a trend in profits over the
6 period examined in the context of past Commission
7 decision. And if there is anything unique about this
8 industry where profit margins, for example, would be
9 expected to be higher or lower than in other
10 industries, if you could look at that for us.

11 MR. LOVE: Yes, certainly. We would be
12 happy to do that and we will address that in more
13 detail in the post-hearing -- post-conference brief.

14 I think I would say that for the petitioning
15 group I think the data that are available to you are
16 within the ranges of both absolute operating profit
17 and trends that would be ones that you would see
18 typically in these types of cases, but I make that
19 comment with respect to the petitioning group, but we
20 can elaborate on that further once we get all the
21 data, including any revisions that may be made between
22 now and that time.

23 MR. CARPENTER: Okay. Also, as a general
24 question, do you see the primary impact on the
25 domestic industry in terms of loss of volume, or in

1 terms of lower prices, or is it a combination of the
2 two?

3 MR. LOVE: It's really a combination. It's
4 kind of a unique industry, and it's a commodity
5 industry, but as you have heard from Mr. Lewis's
6 statement, it's in a way a kind of specialized custom
7 product and market as well. It's a combination of the
8 two, and I think that factoring out the consumption,
9 overall demand trends over the POI, and there was some
10 reduction in demand, I think, in 2001 from the 2000
11 level as a result of the recession, but since then
12 demand has been pretty stable, I think that volume
13 injury has been pretty clear.

14 You just simply add up the quantity of
15 imports from India -- whenever we get those, we have
16 our estimates but hopefully we will get those soon --
17 and compare that to a fairly modest decline in demand,
18 and you will see a significant volume impact that we
19 can relate to the imports.

20 Pricing is also obviously important. All of
21 the gentlemen here have spoken at some length about
22 that. And we observe from the pricing data both in
23 the aggregate and disaggregate that there have been
24 price effects as well, which we think can be tied to
25 the imports from India, I think especially in the

1 latter half of 2000 and this year where we understand
2 that the presence of Hindustan product both on the ink
3 side and on the flush side has become more pervasive.

4 You heard discussions about priming the pump
5 in 2001, and that was a process through which Micro
6 Inks and Hindustan basically went to all these
7 customer saying we have this flush, we have this
8 flush, we have this flush, and it gradually, as the
9 volumes of direct flush sales have increased, and we
10 don't know the exact magnitude, and we will look
11 carefully at what numbers are provided, but also as
12 their presence with ink customers also grew in 2000,
13 and this year the price impact has become more and
14 more important. So I would say initially volume and
15 now more pricing.

16 MR. CARPENTER: Thank you.

17 MR. DORRIS: I'm sorry, but the only thing I
18 would add to that is there is considerable evidence on
19 the record, I think, in the questionnaire responses
20 and in the petition of direct lost sales of flush to
21 the Indians, which I am assuming you are confirming.

22 MR. CARPENTER: We will look into this.

23 Any other questions? Mr. Boyland?

24 MR. BOYLAND: David Boyland, investigations.

25 With respect to any revisions, we would like

1 a clear explanation as to what is accounting for any
2 chances in --

3 MR. CANNON: I'll take the opportunity to
4 State this. You sent us three questions, and those
5 will come in today after the conference, and page 8,
6 the top half dealing with ink, I think, Fred, that I
7 said to you we did that on a pound of pigment basis
8 instead of on a pound of material basis, so it doesn't
9 tie to page 6, and that's coming in today too. I got
10 that this morning by e-mail.

11 And on any other revisions the ideal is to
12 try to get it into you this afternoon, and as soon as
13 possible. We understand the need to get it into the
14 staff report.

15 MR. BOYLAND: And just as a general matter,
16 the other companies that I sent follow-up questions to
17 that requested an explanation as to what accounts for
18 the differences and the different classes of revenue,
19 commercial sales, internal consumption versus
20 transfers, that's important too, so I am hoping we
21 will get some explanation on that as well.

22 MR. DORRIS: Yes, I think some of that has
23 already been provided. But the others that have not,
24 because they are here, it will be provided as soon as
25 we can. We understand.

1 MR. BOYLAND: Got you. Thank you.

2 MS. DeFILIPPO: I would like to ask to
3 address the issue of captive consumption as defined by
4 the statute in your briefs. Thank you.

5 MR. DORRIS: Certainly we will, but I think
6 you will see that the third criterion is not
7 satisfied.

8 MR. CARPENTER: Okay, thank you very much
9 for your testimony and your responses to our
10 questions. We appreciate it. It has been most
11 helpful.

12 We will take a short break until 11:30 by
13 the clock in the back, after which the respondents
14 will come up to the table and prepare for their
15 testimony. Thank you.

16 (Whereupon, a recess was taken.)

17 MS. LEVINSON: Good morning again. I'm
18 Lisbeth Levinson here on behalf of the respondents.

19 I have with me several employees from Micro
20 Inks and Hindustan Inks, and in fact employees at all
21 levels because these companies feel very strongly
22 about defending their company against the allegations
23 in the petition.

24 First, we're going to hear from Frank
25 Morevec who is the President and CEO of Micro Inks.

1 He is immediately to my right. We are then going to
2 hear from Prashant Desai who is to Mr. Morevec's
3 right, and he will be discussing marketing efforts in
4 countries other than the United States that Hindustan
5 Inks is undertaking. Beside Mr. prashant Desai is Mr.
6 Venai Pandyo, who is the CFO of Hindustan Inks and is
7 available for questions.

8 Finally, to the far right we have two
9 employees from Micro Inks, two very valued employees
10 who have taken their time from their schedule to come
11 join us today to tell you a little bit about how Micro
12 Inks has benefitted their community and why their jobs
13 at Micro Inks are very important.

14 With that, I will let Mr. Morevec begin.

15 MR. MOREVEC: Thank you, Liz.

16 Good morning. My name is Frank Morevec, and
17 I am the President and CEO of Micro Inks. Micro is a
18 U.S. producer of industrial printing inks with its
19 corporate office in Shambourg, Illinois, and
20 manufacturing facilities in Kankikey, Illinois.

21 Although Micro was established in 2000, I
22 personally have been involved with this industry for
23 38 years. Prior to assuming my position at Micro, I
24 was the President and CEO of Inks International, the
25 third largest producer of inks in the United States.

1 In the course of my career, I have been
2 involved in all facets of the ink industry, including
3 technology, sales, marketing and upper management.

4 Micro was incorporated in 2000 as a wholly
5 owned subsidiary of Hindustan Inks and Resins,
6 Limited. Hindustan is the largest manufacturer of
7 inks and ink raw materials in India, and sells its
8 product to over 50 countries.

9 Unlike the petitioners, Hindustan has a
10 complete vertically integrated supply chain. In fact,
11 Hindustan is the only company in the world that
12 produces inks in the full range of ink raw materials,
13 including pigments, pigment dispersions, which we
14 refer to as flush, press cake, resin, varnish and wax
15 compound at a single location in a seamless manner.

16 Since the inception of Micro, Hindustan has
17 invested over \$70 million in equipment and operating
18 assets in the United States operations.

19 Micro currently has 167 employees located
20 mainly in Kankikey, but also in other parts of the
21 United States. Over 95 percent of our business is the
22 production, sales and marketing of industrial inks.
23 In addition, we sell a small quantity of ink raw
24 materials, such as resins, varnishes, flush, and
25 alalide blue.

1 We are in all respects a U.S. producer of
2 inks, which is evidenced from the investments we have
3 made in the United States both in people and assets.

4 We import certain ink concentrates and
5 precursors to ink, but so does every other U.S.
6 producer of ink, including the petitioners. We import
7 the subject products for reasons that I will explain
8 while petitioners import percussor to the subject
9 products. We are as much a U.S. producers of inks as
10 petitioners are of either inks or flush.

11 Let me explain why we import flush for our
12 captive use exclusively from our parent company rather
13 that purchasing the same from U.S. producers.

14 Hindustan has specifically formulated a
15 customized flush for Micro that incorporates many
16 technological advantages resulting in superior ink
17 performance. Prior to the creation of Micro, the
18 industry standard for flush was and remains today
19 between 36 and 42 percent pigment concentration.

20 All the flush produced by the petitioners
21 are in this 36 to 42 percent range. Hindustan's
22 product, however, is 22 to 28 pigment concentration,
23 which can either be called an inconcentrate or a
24 customized flush. For ease of reference today, I will
25 refer to it as a customized flush.

1 This customized flush constitutes 98 percent
2 of our imports of flush from India and none of these
3 imports which are used captively competes with any
4 flush produced by the petitioners.

5 Apart from the 22 to 28 pigment
6 concentration, there are other key elements of
7 technology and manufacturing that impart superior
8 quality to the customized flush. Hindustan has
9 incorporated a number of innovations, such as in-house
10 resin and varnish system, unique filtration processes,
11 and seamless manufacturing technology. As a result,
12 the Hindustan manufacture of flush has better
13 consistency, stability, color strength and flow
14 properties. The superiority of the flush then
15 transfers directly into the superiority of the
16 printing ink.

17 Hindustan is the sole producer of this
18 customized flush in the world. We could not obtain
19 this product from any source in the United States even
20 if we wanted to. Petitioners have never offered to
21 produce or sell us this customized flush. In fact,
22 Micro, like all U.S. producers, would prefer to have
23 multiple sources so that we were covered if supply
24 from India should be curtailed or hampered for one
25 reason or another.

1 We therefore engaged in discussion with
2 Magruder, one of the petitioners, about its producing
3 the customized flush for our use with our proprietary
4 varnish system. While they tried to meet our supply
5 needs, we soon discovered that they did not have an
6 adequate infrastructure to meet our volume
7 requirements.

8 We also purchased the 36 percent flush from
9 other U.S. flush producers to blend and produce small
10 batches of ink for low volume customers. In fact, in
11 every year since our inception we have actually
12 purchased more than double the quantity of flush from
13 the U.S. producers than we have sold in the open
14 market.

15 In addition to our customized flush, Micro
16 does import a 36 percent concentration flush which it
17 sells in the U.S. merchant market. Only about two
18 percent of Micro's imports of flush are sold in the
19 merchant market. We estimate that our sales of this
20 product constitute less than one-half of one percent
21 of total sales in the merchant market. In the
22 merchant market for flush, Micro is indeed a small
23 player. We are virtually insignificant.

24 Having been involved in the ink business for
25 38 years, I can tell you with certainty that the sale

1 of inks involve significant up-front investments both
2 by printers and suppliers. These investments, all of
3 which precede discussion of price, include: the
4 process of qualifying print quality and conducting
5 research and development to perfect performance. Due
6 to the time-consuming qualification process, a large
7 printer may take anywhere between six and 12 months
8 before allowing price bids to be submitted.

9 For example, R.R. Donnelly, a printing
10 industry leader, studied our product and processes for
11 many months and even traveled to India to evaluate
12 Hindustan's facilities before purchasing our inks.
13 The qualification period exists because all inks are
14 different and each producer create its own
15 formulation. Even the same ink company will have
16 different ink formulations to suit the needs of
17 various customers, presses and applications.

18 The cost of ink constitutes less than three
19 percent of the overall cost of printing. But in terms
20 of the impact on the total product, it is of the
21 utmost significance, after all, if the ink doesn't
22 print well, the printer has no product to sell.

23 In addition, poor quality ink also
24 contributes significantly to increased cost for the
25 printer because he is likely to experience machine

1 down time, paper waste, high ink consumption and other
2 productivity losses.

3 Quality and reliability are so important to
4 printers that they would not accept inexpensive or
5 even free ink since these inexpensive inks can
6 increase their overall costs. We have reports from
7 laboratories and results from trial runs at major
8 printing companies that indicate that Micro's product
9 has superior performance based on improved print
10 sharpness, better ink/water balance, and increased
11 trap values.

12 In addition, Micro offers a viable
13 alternative to major printers who for so long have had
14 no choice but to buy from the dominant U.S. suppliers.
15 Large printers have had limited choice so far in terms
16 of meeting their volume and quality requirements. In
17 fact, Micro offers both which customers acknowledge.

18 The superior quality of our flush is also
19 important in the merchant market. Micro sells flush
20 mostly to small and medium-sized ink companies who
21 have more local and branded sales. These companies
22 are extremely concerned about the quality of their ink
23 sold under their brand. The same up-front investments
24 that is required to sell ink also applies in selling
25 flush to these companies.

1 The reason for the alleged poor financial
2 performance of the petitioners lies directly in the
3 deep recession in the printing business which seems to
4 have affected much more than the economy as a whole.
5 In fact, the ink volumes have been decreasing
6 continuously over the last three years as evidence in
7 the National Association of Printing Ink Manufacturers
8 state of the industry report for year 2000, 2001, and
9 2002, which we have submitted to the Commission as an
10 attachment to our importer's questionnaire response.

11 The prices began declining long before Micro
12 even started its operations in the U.S. In fact, some
13 reports indicate that most of the printing ink and
14 flush producers have experienced financial improvement
15 during the last quarter of 2002, and the first quarter
16 of 2003, suggesting that recovery appears to have
17 begun.

18 Industry leaders and key senior executives
19 from petitioners have recognized this recovery. For
20 example, Ed Faulkner, Director of Communications and
21 Regulatory Affairs at Sun Chemicals Color Group is
22 quoted in the March 2002 issue of Ink World Magazine
23 as saying, "2002 was an exciting year for Sun's
24 pigment business in general, and very rewarding with
25 respect to the ink industry in North America.

1 In a declining ink market, our pigment business grew
2 both in volume and market share."

3 Andy Grubbeki, Vice President of Sales for
4 General Press Colors, Limited stated, "We were flat
5 for 2002. However, we did have a nick pick up toward
6 the end of the year, which has carried us through
7 January 2003."

8 Tom Ash, Vice President of Marketing and
9 Sales of the Pigment and Dispersions Divisions of
10 Flint, Inc. stated, "2002 started slowly because of
11 the continuing advertising slump in the aftermath of
12 9/11. However, advertising started to come back in
13 the second half, and the year finished with an upward
14 trend."

15 I believe that the use of the AD and CDV
16 laws in the context of this case is just another
17 attempt by the petitioners to stifle the introduction
18 of long-needed changes and innovation in the printing
19 ink business which Micro is trying to bring about.

20 Innovative thinking has not broadly
21 characterized the ink industry over the past decade or
22 more, but we are trying to change that, and believe
23 that is our role as a U.S. producer of inks. We are
24 well situated to succeed.

25 If petitioners were to achieve their

1 objective of having us fail, customers will use an
2 alternative source with superior product. Micro was
3 brave to invest large amounts of money in recessionary
4 times and create employment for nearly 168 U.S.
5 citizens.

6 If the petitioners were to succeed, our
7 investment not only will suffer and the livelihood of
8 our dedicated employees will be at stake. You will
9 hear from two of our valued employees that are here
10 with us today.

11 Thank you for this opportunity to appear
12 before you today. I am available along with other
13 employees of the company to respond to any questions
14 that you might have. Thank you.

15 MS. LEVINSON: Prashant.

16 MR. DESAI: Good morning. My name is
17 Prashant Desai. I am a member of the Board of
18 Hindustan Inks and Resins, Limited. I am responsible
19 for global business development strategies.

20 While Frank has already covered our
21 operations in the United States, I would like to give
22 you a brief account of the vision behind our
23 international strategies and the status of our
24 business in the non-U.S. markets.

25 In less than a decade, we achieved

1 leadership in India to rapid new product introductions
2 with in-house research and development. We then made
3 plans to expand our business globally. We made a
4 detailed survey of the ink market, talked to potential
5 customers, and understood their needs. We evaluated
6 competitors' products in the market and studied the
7 quality and supply chain requirements.

8 Our study of the industry structure revealed
9 that in certain segments, such as heat set, news ink
10 and publication revenue, there was a virtual oligopoly
11 in the U.S. It also seemed that other major markets
12 for inks were also moving in this direction. Large
13 printers had limited choices in terms of meeting their
14 volume and quality requirements.

15 We created an innovative business model and
16 developed core competencies in each area of
17 manufacturing, formulation, application, marketing,
18 and distribution. In our written submission, we will
19 explain the uniqueness of our business model and
20 manufacturing technology that ensures superior product
21 offerings to our customers.

22 Based on this unique business model, we
23 started our globalization with a large investment in
24 the U.S. Today, however, we are experiencing faster
25 growth in non-U.S. markets than in the U.S. We are

1 now present in more than 50 countries and five
2 continents. Our export sales to non-U.S. destinations
3 was negligible two years ago. In the first year of
4 our business development, we achieved sales of \$3.5
5 million.

6 The establishment of quality and supply
7 chain takes some time, as explained by Frank. While
8 we are still in the process in many markets, we
9 achieved sales of nearly \$50 million in the third
10 country markets in the recently ended fiscal year,
11 growing by 269 percent.

12 In addition, we are likely to reach sales
13 between 6 to 7 million dollars in the first quarter
14 ended June 2003, and expect to exceed \$35 million in
15 the current fiscal year in the third country markets.
16 We plan to invest in selected markets to increase our
17 presence.

18 This demonstrates that we are not merely
19 focused in the U.S. market alone, but are emerging as
20 a true global company with innovative products and
21 technologies.

22 It's our belief that our products have
23 achieved a high degree of customer confidence across
24 the world due to better quality and technology. Our
25 company now enjoys a good brand image and recognition.

1 Based on this, we have already launched several new
2 products in the tolerance business such as plastic
3 dispersions, dry pigments and dispersions for packing
4 inks. The initial trial phase has already begun in
5 some markets, and we expect to increase the share of
6 these products in the total sales to significant
7 levels.

8 Our business in India continues to grow on a
9 significant base, and our growth rate outperforms the
10 competition by several times. We continue to add new
11 products in our portfolio. Last year we launched two
12 new type of inks, inks used in CDs compact disk, and
13 laminated tubes for the first time in the country.
14 Our research plan is full with innovative products and
15 technologies that will continue to benefit our
16 customers.

17 I thank you for this opportunity to appear
18 before you today. Thank you.

19 MS. LEVINSON: Linda?

20 MS. DUPRIS: Good morning. My name is Linda
21 Dupris. I'm a switchboard receptionist at Micro Inks.
22 I have been with Micro Inks for two and a half years
23 and I'm here to tell my story. I'm here to tell the
24 Commission of how thankful I am to be employed with
25 Micro Inc. I am a lifetime resident of Kankakee,

1 Illinois. Kankakee is located 60 miles south of
2 Chicago. Since the early 1980s we have experienced
3 difficult economic times in Kankakee as established
4 manufacturing and jobs have disappeared.

5 In my own experience I have had to change
6 jobs several times due to plant closings. I was
7 employed at Craylers a furniture manufacturer for
8 eight years. I worked in the Accounting Department as
9 a Coupon Clerk. They closed their operations in 1982.
10 After three months I was able to find another job at
11 Tenny Sales a food distributor where I was a
12 switchboard receptionist. That job lasted four years
13 until 1986 when Tenny Sales filed for bankruptcy and
14 closed their operations. It took me eight months to
15 find a new position at United Codings where I was a
16 switchboard receptionist.

17 In 1996 the company was purchased by Sherwin
18 Williams which closed the Kankakee facility in 1998.
19 I took a new position at Gauge Marketing where I was
20 an Inventory Clerk. I had to take a substantial
21 reduction in salary and the working conditions were
22 poor. I was happy to take a new position in December
23 2000 when Micro Inks opened its operations in
24 Kankakee. I enjoy my job at Micro Inks. The working
25 conditions are wonderful.

1 I work in a totally remodeled building. The
2 pay scale is at or above the standard in the area.
3 Full benefits are provided and management is on good
4 terms with its employees. Moreover as a new and
5 growing company there are many opportunities for
6 advancement within the company. When I first started
7 there were only about 35 employees now there are about
8 170 employees. I feel part of a growing company not
9 just an employee.

10 Micro Inks has had a very positive impact on
11 Kankakee. The company has made a major investment in
12 our community and is seen as one of the best
13 employers. After working at many jobs for over a long
14 career it is my desire to retire from Micro Inks.
15 After seeing so many businesses decline in our
16 community it is encouraging to be working for a
17 company with a bright future. I want to thank the
18 Commission for allowing me to make this statement and
19 I would be pleased to answer any questions you might
20 ask.

21 MR. McDERMOTT: Good morning. My name is
22 Mark McDermott. I'm a Shipping Lead Man and
23 Supervisor in the Shipping Department at Micro Inks.
24 I've been with the company for 16 months and like
25 Linda previous companies I've worked for have closed

1 down. First I worked for International Harvester for
2 nine years as a Machinist. They filed bankruptcy and
3 closed their operations. After that I worked for 15
4 years at Midwest Fastery as a Shipping Manager.
5 They were eventually bought out by Alcoa Corporation.
6 Alcoa downsized by combining three area locations and
7 eliminated most of the middle management assistants.

8 Working at Micro Inks has been very
9 different than earlier experiences. First I believe
10 the job provides security. Working for a growing
11 company we are expanding our production capabilities
12 and planning to build a new and larger shipping
13 facility. This is unusual for Kankakee. For years
14 Kankakee has experienced employment declines, not
15 growth. Now there's opportunity for advancement.
16 Second, the management at Micro Inks makes it a
17 priority to involve all its employees.

18 Frank personally holds orderly meetings open
19 to all employees. When these meetings are held
20 production is halted so all employees can attend. At
21 these meetings he explains where the company stands in
22 respect to its operations, its financial performances,
23 the business climate, competition in the industry and
24 further plans and initiatives. We leave these
25 meetings feeling part of the company. We are kept up

1 to date. The company encourages employment input and
2 ideas or suggestions are actually explored.

3 Trust that management has in its employees
4 is reflected in high morale and loyalty from the
5 employees in our company. I personally would like to
6 retire from this company. I know that several other
7 employees in the Shipping Division feel the same way.
8 I thank you for listening to my statement and would be
9 pleased to answer any questions. Thank you.

10 MS. LEVINSON: Our presentation will
11 conclude with Richard Boltuck's economic analysis.

12 MR. BOLTUCK: Thank you. Good morning. I
13 am Richard Boltuck, Vice President, Charles River
14 Associates. I appear today on behalf of Respondent's
15 Hindustan Inc.'s and Resin's Limited and its U.S.
16 manufacturing subsidiary Micro Inks. I have been
17 asked to provide an overview of the economic issues at
18 dispute in this investigation focusing particularly on
19 the Petitioner's unusual theory of causation.

20 Pigment dispersions otherwise known as
21 flushes are an intermediate product used exclusively
22 in the production of paste inks which in turn are used
23 principally in lithographic printing. Petitioners
24 manufacture pigment dispersions with 36 percent
25 pigment concentration which they use either captively

1 to produce inks themselves or sell in the merchant
2 market. Hindustan Inc. produces two products that
3 fall within the scope of this investigation. The
4 first is a concentrated ink which we refer to as a
5 customized flush and which contains 22 to 28 percent
6 pigment concentration or dispersions.

7 Micro Inks imports this product to use
8 captively in its production of inks. The second
9 product is a 36 percent flush which Micro Inks imports
10 in much smaller quantities for sale in the merchant
11 market. Hindustan is the sole exporter of pigment
12 dispersions from India and 100 percent of the subject
13 imports from India are imported by Micro Inks. In the
14 vast majority of Title 7 cases the theory of causation
15 is straightforward. Subject imports compete directly
16 with the U.S.-like product, take market share, reduce
17 price and thereby cause injury.

18 In the present investigation however that
19 theory fails dramatically as 98 percent of the subject
20 imports from India consist of a customized flush that
21 is captively consumed and is not sold in the merchant
22 market. Now there are three channels through which
23 imported flushes might conceivably theoretically
24 materially injure U.S. flush producers and I've listed
25 them on this poster. The first channel is direct

1 competition between imported flushes and U.S. produced
2 flushes in the merchant market for the sale of 36
3 percent flushes, number one.

4 The second channel is competition among U.S.
5 producers to sell the customized flushes to Micro Inks
6 for use in its ink production process and the third
7 channel is indirect downstream competition among U.S.-
8 produced inks. Unlike in the typical AD/CVD case the
9 subject imports here do not compete directly with the
10 U.S.-like product. In this case 98 percent of the
11 imports are the customized flushes destined
12 exclusively for captive use. Therefore Petitioners
13 have been forced to give exceptional emphasis to the
14 third channel namely downstream competition. This
15 reliance however is misplaced.

16 I will now discuss each of the these
17 channels. First direct competition is trivial and not
18 based on price. Last year in 2002 a mere two percent
19 of all flushes imported from India were sold in direct
20 competition with flushes produced by the U.S.
21 producers. These sales accounted for about one half
22 of one percent of the U.S. market. In fact Micro Inks
23 purchased more 36 percent flushes from one of the
24 petitioning companies, Frank explained that in greater
25 detail, for blending purposes than it sold

1 commercially. Therefore Micro Inks contributed to net
2 demand rather than to net supply.

3 As Frank Morevec explained competition for
4 the sales of 36 percent flushes is based on a lengthy
5 qualification process with each prospective purchaser
6 generally small ink producers who do not manufacture
7 their own flush feed stock. Sales are based
8 dominately on quality in the properties of the flush
9 rather than on price although price must be within a
10 competitive range. Micro Inks' 2002 share of the
11 merchant flush market was so negligible that it could
12 increase its sales of flushes several times over
13 within the merchant market and still account for such
14 a small share that its sales would not cause material
15 injury.

16 Now second competition by U.S. flush
17 producers to sell to Micro Inks is essentially non-
18 existent. As Mr. Morevec explained only one U.S.
19 producer has even attempted to supply Micro Inks with
20 a customized flush but failed. The reason is simple
21 Micro Inks believes Petitioners or other U.S. flush
22 producers could not manufacture a product suitable for
23 use in its vertically integrated ink manufacturing
24 process. So instead of aggressively offering to sell
25 Micro Inks this product in the marketplace the

1 Petitioners filed this petition.

2 It is highly unusual to file a petition
3 where 98 percent of the import volume does not compete
4 directly with the domestic-like product. Moreover as
5 Mr. Morevec has explained Micro Inks' customized
6 flushes were designed exclusively for its use in its
7 unique vertically integrated production process and
8 they have no commercial acceptance. Similarly a huge
9 share of U.S.-produced flushes are used captively and
10 are therefore insulated from competition and Micro
11 Inks in Hindustan did not compete for this portion of
12 the market.

13 Third, number three, downstream competition
14 between U.S.-produced inks does not convey material
15 injury to U.S. flush producers. Petitioners rely on a
16 peculiar theory that injury is transmitted directly
17 through downstream competition between products not
18 under investigation namely between U.S.-produced ink
19 made by Micro Inks on the one hand and other U.S.-
20 produced inks on the other hand. The Commission has
21 never embraced such a theory particularly whereas here
22 it must do so as essentially the sole source of
23 causation.

24 The U.S. ink market has been a cozy
25 oligopoly for many years with Sun and Flint enjoying

1 combined market shares of up to 80 percent depending
2 on market segment. With just a small share of the U.S.
3 ink market Micro Inks is an innovative new entrant
4 bringing creative technology to the market and
5 competing on the basis of quality and the desire of
6 large printers to have third suppliers not on the
7 basis of price. Sun and Flint hope this case impedes
8 Micro Inks' success as a U.S. producer of ink thus
9 preserving the static relationships that have long
10 characterized this market.

11 Micro Inks estimates that its manufacturing
12 process in the United States accounts for
13 approximately 60 to 65 percent of the value added in
14 its final paste ink product. Hindustan has invested
15 approximately \$70 million directly into a 44 acre
16 production facility and other capital in Kankakee,
17 Illinois. This facility and Micro Inks' headquarters
18 office in Chomburg, Illinois together employ 176 U.S.
19 workers reflecting one of the largest direct
20 manufacturing investments in the United States by any
21 Indian firm.

22 This case is proof that no good deed goes
23 unpunished. Any price affects of imported flushes
24 upstream are highly diluted and reduced in the
25 finished paste ink produced by Micro Inks. It would

1 take a several percent reduction in the cost of
2 flushes to generate even a one percent cost reduction
3 in the manufacture of the finished ink product.
4 Moreover competition downstream in the U.S.-produced
5 ink market is highly attenuated and cannot convey
6 injury.

7 First Micro Inks has a very modest share of
8 that market; (2) competition for the sale of inks is
9 not principally based on price. The paste ink market
10 is comprised of several segments such as heat set,
11 cold set and sheet fed and each segment is comprised
12 of subsegments. You heard about the complex array of
13 printing applications in the Petitioner's presentation
14 this morning. Micro Inks participates very unevenly
15 in these segments and subsegments with a minimal
16 presence in several of them thus further limiting
17 direct competition with U.S.-produced ink.

18 Competition in the sale of inks is based on
19 product quality and personal relationships since
20 printers must be convinced that the inks they purchase
21 will be supplied in consistent quality over time and
22 will result in smooth production runs and lower
23 frequencies of shut downs. Inks account for less than
24 three percent of the cost of printing but unnecessary
25 roller cleanings can delay production and cause costs

1 to mushroom. So printers are willing to pay more for
2 inks that help control production costs.

3 Multiple sourcing is another important
4 feature of this market. Large printers might for
5 example decide to buy U.S.-produced ink from Micro
6 Inks because it seeks to supply security from a third
7 source after Sun and Flint. In short the ink market
8 is not one in which price competition could convey
9 injury to the upstream-like product; (3) the
10 Petitioners have not told you that even if their
11 theory were correct and hypothetically higher flush
12 import prices resulted in higher ink prices. This
13 would simply attract ink imports from around the
14 world. Greater ink imports would assure the U.S. ink
15 prices were limited by world ink prices thereby
16 preventing any upstream price increases in the U.S.
17 produced flushes. Economists refer to this type of
18 market adjustment as the factor price equalization
19 theorem.

20 Allowing the theory that injury is
21 transmitted almost entirely through downstream
22 competition to prevail in this investigation will
23 simply open the flood gates for an unwelcome torrent
24 of similar claims that pit U.S. producers of
25 downstream products against other such U.S. producers

1 protecting cozy historical oligopolies from new
2 entrance as in the ink industry or protecting less
3 efficient U.S. producers from more efficient ones
4 simultaneously threatening U.S. employment, investment
5 and end users of the U.S. products.

6 The reality of this petition is that it is
7 about inks and not flushes. The ink market is where
8 the money is. Look at how much emphasis the
9 Petitioners placed on discussing inks this morning and
10 final applications in printing. The Petitioners
11 obviously could not have brought an AD/CVD case
12 against a U.S. producers of inks like Micro Inks.
13 Petitioners are therefore attempting to impermissably
14 expand the law beyond its scope by filing this case
15 against an upstream product where hardly any import
16 competition takes place, even so their theory of
17 injury fails on the facts.

18 In reality this is a case between U.S. ink
19 producers. However if one chooses to regard Micro
20 Inks as an Indian company despite its production
21 operations in Illinois then one must similarly
22 recognize that Sun the industry leader among the
23 petitioning companies is really a Japanese company
24 that repatriates its profits to its shareholders and
25 like other U.S. producers Sun depends on imported

1 precursors that often account for most of the value
2 added in the flushes it produces in the United States.
3 Viewed as such this is a case principally between two
4 foreign companies. Either way this is not a case that
5 reflects properly the purpose of the AD/CVD laws.

6 To the extent the domestic industry is being
7 injured such injury would not be attributable to
8 imports from India. Since the tragic events of 9/11
9 and the recent recession ink demand, consumption and
10 pricing have all declined as the volume of printed
11 advertising has fallen steadily. We are submitting
12 data on these trends as well as analysis by NAPI, the
13 U.S. ink trade association, in which both Sun and
14 Flint actively participate. Subject imports cannot be
15 responsible for the sharply declining volumes of ink
16 consumed in the United States during the POI.

17 Significantly declining U.S. price transfer
18 inks extend back to the mid-'90s well before Micro
19 Inks entered the U.S. market in 2000. Another factor
20 that has hurt prices is the direct import of dry
21 pigments from China at increasingly competitive
22 prices. Ink producers such as Central Ink have found
23 it more economical to purchase dry pigments rather
24 than flushes and use them as part of a continuous
25 process to manufacture ink.

1 Naturally the expanding use of dry inks has
2 reduced the demand for flushes. In addition since dry
3 pigments are a technical substitute for flushes demand
4 for flushes is more elastic than would otherwise be
5 the case given the limited cost share of flushes in
6 ink production and eventually in printing. A final
7 factor that helps explain the record data a market
8 leader's son has in recent years embarked on an
9 aggressive program of acquisition of competitors
10 fueled by low-cost Japanese financing.

11 Many industry observers have asserted that
12 Sun was exceptionally slow in rationalizing its newly
13 acquired capacity and integrating it into a sensible
14 production and marketing system. Sun apparently
15 agreed with this criticism firing its top executives a
16 short time ago and embarking on facility
17 rationalization. Clearly these events have generated
18 significant non-recurring costs, capacity reductions
19 and other indicators often associated with stresses in
20 an industry none of these symptoms however are
21 attributable to Micro Inks.

22 The Petitioners also claim to be threatened
23 by future imports citing for instance excess capacity
24 in India but this excess production capacity in India
25 is irrelevant for several reasons; (1) as Mr. Desai

1 has explained sales to non-U.S. markets are increasing
2 rapidly far faster than the U.S. market; (2) given
3 Hindustan's investment in the United States in ink
4 production it is obvious that any increase in
5 production will serve mostly the captive market that
6 is insulated from competition with Petitioners; (3)
7 Micro Inks has a limited ability to expand production
8 limiting potential increases in its use of customized
9 flushes which of course constitute the overwhelming
10 share of all flush imports from India.

11 As a share of the full U.S. flush market
12 including of course all captively used flushes in the
13 United States any such increase in imports of Micro
14 Inks' customized flushes would be small. Thank you.
15 I welcome any questions at the appropriate time.

16 MS. LEVINSON: That concludes our
17 presentation.

18 MR. CARPENTER: Thanks very much for the
19 entire panel for your testimony. We appreciate it and
20 we'll begin the questions with Ms. Roffy.

21 MS. ROFFY: Thank you for your testimony.
22 Ms. Levinson, I take it by your silence as to the
23 domestic-like product definition that you're not
24 raising any issues as to the domestic-like product
25 definition?

1 MS. LEVINSON: Not at this time because we
2 believe we win even if we accept the like product
3 definition of the Petitioners. However we reserve the
4 right to analyze that issue further if the
5 investigation should proceed.

6 MR. ROFFY: Thank you. I just want to
7 remind you to please address the statutory threat
8 factors in your post-conference brief and the issue of
9 captive consumption. Thank you.

10 MR. CARPENTER: Ms. DeFilippo?

11 MS. DeFILIPPO: I, too, thank you for your
12 presentation. I do have a couple of questions.

13 Mr. Desai, you were talking about global
14 markets and other markets that Hindustan is selling
15 and competing in. What level of concentration is sold
16 in those non-U.S. markets? Is it the 22 to 28 or the
17 36 to 42?

18 MR. DESAI: No. It's always 36 to 42.

19 MS. DeFILIPPO: Okay.

20 MR. DESAI: This product that we have here
21 in the U.S. is exclusively, you know, made for Micro
22 Inks.

23 MS. DeFILIPPO: Okay. You also I think in
24 your testimony mentioned that there was faster growth
25 in non-U.S. markets and there are you referring to

1 pigment dispersions or ink sales.

2 MR. DESAI: No. It's all products.

3 MS. DeFILIPPO: All products.

4 MR. DESAI: It's all the products, the full
5 range of the products that we have.

6 MS. DeFILIPPO: Okay. In terms of the
7 production you talk about the two different products
8 that you have, the proprietary one that Micro Inks
9 uses. At what point in that production process is the
10 decision made to either make the 22 to 28 or the 36 to
11 42? Is that early on or is that something that's
12 later in the process?

13 MR. DESAI: Basically our production process
14 of making the flushes is completely different from
15 what was just described here.

16 MS. DeFILIPPO: Okay.

17 MR. DESAI: That's where, you know, when we
18 say unique technology that's where the technology
19 comes in and what has happened in these products the
20 pigments are so sensitive, you know, that how you
21 handle the pigment during your manufacturing stage
22 will define the molecular structure of the pigment and
23 it's rheology and what we have done is the unique
24 inventions, the basic technology, derives out of that
25 and what we are going to do is in our post, you know,

1 submission we are going to present a detailed -- you
2 know, we'll give you all the details of how we are
3 different than the others and why our products are
4 superior. You know, I'm not talking about it today
5 because it is obviously, you know, our trade secrets
6 and --

7 MS. DeFiLIPPO: Sure.

8 MR. DESAI: I wouldn't like to talk about it
9 now but we are going to cover it in very detailed in
10 our submission.

11 MS. DeFiLIPPO: Okay. In that submission if
12 you could give a little more information on I guess
13 when you make the decision do you sit down and do
14 corporate planning saying X amount is going to go to
15 the U.S. and we're going to make, you know, the 28 to
16 22 at this level X percent or is there some ability
17 within the production process to react to changes in
18 demand and shift from 22 to 28 to the 36 to 42?

19 MS. LEVINSON: Sure, we'll do that.

20 MS. DeFiLIPPO: Thank you.

21 MR. DESAI: Yes.

22 MS. DeFiLIPPO: Okay. I think I know the
23 answer to this but I'll just ask it to make sure.
24 There's no other U.S. ink producers that use that
25 22/28 percent? Micro Inks is the only one?

1 MR. DESAI: That's right.

2 MS. DeFiLIPPO: Is that correct?

3 MR. DESAI: That's right.

4 MS. DeFiLIPPO: In terms of this is
5 something that Mr. Carpenter discussed earlier this
6 morning in regards to something I had started with in
7 terms of pricing and how pricing may differ depending
8 on the concentration and he was referring to he has
9 asked them to put some information in the petition and
10 I don't believe that the pricing products specify.
11 However if listening to your testimony I think that
12 it's not an issue in that any arm's length transaction
13 sales that Micro Inks would have and would report in
14 the pricing would be only that 36 to 42, correct?

15 MS. LEVINSON: That's correct.

16 MS. DeFiLIPPO: Okay.

17 Mr. Morevec?

18 MR. MOREVEC: Morevec.

19 MS. DeFiLIPPO: Thank you. Just a request.
20 You had referred to several articles and discussed
21 some quotations from there. If you haven't already
22 done so could you submit those with your --

23 MR. MOREVEC: Absolutely.

24 MS. DeFiLIPPO: -- post-conference brief?
25 That would be helpful.

1 Mr. Boltuck, one last question and I will
2 direct it to you. At the end of your testimony you
3 talked about higher flush prices would lead to higher
4 ink prices which would then attract potentially more
5 ink suppliers to the U.S. market. This morning Mr.
6 Dorris noted that there were some transportation
7 issues which potentially are limitations in the
8 ability of ink producers to go --

9 MR. BOLTUCK: Right.

10 MS. DeFiLIPPO: -- and I didn't know if that
11 would play into whether or not you would see
12 additional suppliers in ink market?

13 MR. BOLTUCK: Well, it does. Micro Inks
14 believes it has the ideal business model which
15 involves the production of finished paste inks
16 customized for customers closer to the customer base
17 in the United States and that does have a lot of
18 advantages there's no doubt about it. However the
19 Petitioner's theory is that if the flush prices,
20 import prices, were higher than in the U.S. market the
21 ink prices would be higher.

22 They also would be higher in relation to ink
23 prices elsewhere in the world and so even though there
24 are certainly advantages to producing ink in the U.S.
25 or producing closer to the customer base those

1 advantages could be overcome with a sufficient
2 incentive or inducement. There certainly are ink
3 producers everywhere in the world.

4 MS. DeFiLIPPO: Actually I did have one last
5 question I found on another piece of paper. This
6 morning the Petitioners talked about a worldwide
7 shortage of naphthalene and I guess I wanted to get
8 information on whether or not Hindustan experienced
9 that and whether it affects your cost production and
10 prices?

11 Mr. DESAI: Not -- because see again we are
12 not only making our own pigments, you know, we make
13 this critical rheology, you know, what they are using
14 like 33 DCB and, you know, AAA. There are certain
15 rheologies and we have exclusive converters for us and
16 we have long-term contracts and we are covering them
17 and even in some products, you know, we have developed
18 the technologies in-house, given them and have them to
19 put up these plants, you know. So it's like we are
20 completely well covered as far as even the raw
21 materials of pigments are concerned.

22 MS. DeFiLIPPO: Okay.

23 MR. DESAI: These are the areas where we
24 derive our strengths, you know.

25 MS. DeFiLIPPO: Thank you very much. I

1 appreciate your responses.

2 MR. CARPENTER: Mr. Boyland?

3 MR. BOYLAND; Good afternoon. Thank you for
4 your testimony. Just one quick question. Hopefully I
5 can articulate it. Is Hindustan competing in other
6 markets against U.S.-produced pigment dispersions?

7 MR. DESAI: You see in other markets there
8 are very few flush users and only the users are
9 mainly, you know, Sun and Flint maybe shipping to
10 their companies and the rest of the markets and there
11 are some very, very small users so if you say the
12 Europe market, you know, most of the producers are on
13 the dry pigment. So you see in the ink there are as
14 they already explained, you know, in their statements
15 that there are three options by which you can make
16 ink. You can make it by dry pigment, you can make it
17 by flushes, or you can make it by dispersants made
18 from dry pigments.

19 So the ink manufacturer has these three
20 options and the flush use, you know, is something
21 which is really unique for the U.S. market, you know,
22 and that's because, you know, the advantage of the
23 flush apart from other things is that you can really
24 handle a large volume of ink production but
25 traditionally, you know, everybody was in Europe and

1 most of the markets, you know, people are still on the
2 dry pigment.

3 MR. BOYLAND: Thank you. I have no further
4 questions.

5 MR. CARPENTER: Mr. Wanser?

6 MR. WANSER: Yes. Thank you very much. Two
7 questions and maybe I'm getting it wrong also. In
8 your post-hearing brief would you discuss what part of
9 your process can't the domestic producer duplicate? I
10 think along the lines you were saying that it was --

11 MR. DESAI: Yes.

12 MR. WANSER -- it's a superior customized
13 flush --

14 MR. DESAI: Yes.

15 MR. WANSER: -- and that you approached
16 somebody and they were unable to meet your
17 qualifications?

18 MR. DESAI: Yes. We definitely will cover
19 but you see basically as Frank, you know, mentioned
20 that we are the only company in the world which is
21 completely backward integrated and in terms of ink
22 also we have the full range of the inks. So if you
23 say the length and breadth and depth of the product I
24 don't think there is any other company in the world
25 that can match Hindustan.

1 So the advantages for example resins or, you
2 know, these wax compounds we make everything in-house
3 and we have made a plan which is seamless. You just
4 make it and you use it and that's what we are going to
5 cover that what are the advantages of all that and we
6 are definitely going to cover it, you know.

7 MR. WANSER: There's something specific that
8 they can't --

9 MR. DESAI: Definitely.

10 MR. WANSER: -- duplicate?

11 MR. MOREVEC: I'd like to add to that. When
12 you look at a printing ink basically you have three
13 components.

14 (Mic confusion.)

15 Oh, sure.

16 MR. MOREVEC: Oh, okay. Richard.

17 I just wanted to elaborate on it a little
18 bit. If you look at an ink formulation you basically
19 have the colorant, the pigment, if you want to call it
20 the flush which is described by Apollo there taking
21 the water our, putting the vehicle system back in,
22 that's the first component so just call it colorant.
23 You need a vehicle system. Vehicle simply means that
24 it carries the pigment where it needs to go. You
25 can't put dry pigment in a press fountain and expect

1 it to transfer.

2 It has to have a sticky substance to do that
3 and that's where you get the varnish or the resin.
4 Basically the varnish is produced from a resin. A
5 good example of that would be wood resin from a tree.
6 If you put your fingers on the tree you're basically
7 going to have a sticky substance. If you had some
8 powder and you mixed it together you would be able to
9 transfer it to this piece of paper like a fingerprint
10 ink, okay. Then solvent is the other addition that's
11 necessary to control the thickness and thinness much
12 like paint.

13 So basically we are the only company I
14 should say I'm speaking for Hindustan now not Micro,
15 they make the material, that produce resins. The
16 reason that that is so important is that that is the
17 workhouse of the formulation. If you do not have the
18 capability to control that particular product you
19 don't control press performance. Now they can go to
20 resin manufacturers but they have to ask for certain
21 things. We don't. We formulate based upon what the
22 customer needs and requires.

23 This is why there's so much talk about the
24 quality here. When I think it was mentioned R.R.
25 Donnelly certainly from one of the Petitioners but

1 certainly I mentioned it it's an incorrect statement
2 to say that we achieved the R.R. Donnelly account by
3 simply offering a good price. The truth of the matter
4 is it's a competitive price. The second truth of the
5 matter is Donnelly is a sophisticated printer. It's
6 the number two printer, probably the most
7 sophisticated even though it's not the largest printer
8 by about a billion dollars.

9 Their staff corporately now exists of people
10 from General Electric, from Motorola, from Allied
11 Signal. So these types of people who adhere to a six
12 sigma process meaning zero defects, first run
13 capability, these kinds of concepts are too
14 sophisticated to consider just a price. This is why I
15 said they took the time to go to India to qualify what
16 we were saying was true. So what Mr. Desai is saying
17 is simply that we have a revolutionary new process
18 that nobody has at the present time. Can someone
19 duplicate it? Yes, but they must. So they must
20 endure the cost. So this is why this is such an
21 unusual and unique process. Does that explain a little
22 more?

23 MR. WANSER: Yes. It will be nice.

24 MS. LEVINSON: If I could just add to that.
25 I know you were asking in particular with regard to

1 the one U.S. company that we actually did approach and
2 discussed with them the possibility of making the 22
3 to 28 percent flush. When we did that we provided
4 them with our proprietary varnish because they could
5 only do that with the proprietary varnish. Although
6 they were able to produce they actually did produce
7 some small quantities but in the end the deal fell
8 apart because they weren't able to meet the large
9 quantities that we required and in our post-hearing
10 brief we will give you all kinds of details about
11 exactly what happened and why that fell apart.

12 MR. WANSER: Okay. Another question. Maybe
13 I heard it wrong but you're saying you've purchased
14 more is it flush domestically than you've imported?
15 Can you say how much or what is it that you've --

16 MS. LEVINSON: Yes.

17 Mr. WANSER: -- than you sell?

18 MS. LEVINSON: We have purchased --

19 Mr. WANSER: You don't have the data?

20 MS. LEVINSON: -- more pigment dispersions
21 the 36 percent from the U.S. producers --

22 MR. WANSER: Right.

23 MS. LEVINSON: -- than we have sold to them.

24 MR. DESAI: In 2002 we have provided in the
25 questionnaire requested but we sold about less than

1 half a million dollars worth of flush in the market
2 but we purchased more than maybe close to \$2 million
3 or even more than that from the 36 percent flush from
4 the local producers who are part of the petitions.

5 MR. WANSER: Did you sell any of this to the
6 Sun or Flint?

7 MR. DESAI: No. In fact as Frank would
8 agree when we entered the U.S. market both myself and
9 Frank we went to the Chief Executive's of Sun and
10 Flint and we told them that, look, they are actually
11 today in the industry what is happening that both Sun
12 and Flint are producing but they are also buying
13 substantial from Apollo, from Magruder. You know, is
14 there with all the industry. They're buying from each
15 other and if you see the last five year purchasing,
16 you know, you'll see that the major hit, you know, is
17 because their own purchases have gone down. So both
18 myself and Frank we went and met the Chief Executives
19 but they did not want to support because they thought
20 that we will also compete with them maybe in the ink
21 industry. I don't know what was their thought but
22 they didn't buy from us.

23 MR. WANSER: Okay. That's fine. Thank you.

24 MR. CARPENTER: Mr. Ruggles?

25 MR. RUGGLES: When I look at your importer

1 questionnaire this is Micro Inks. When I look at the
2 commercial sales is that all 36 percent?

3 MR. DESAI: Yes. It's all commercial sales
4 are only 36 to 42 percent, it's mainly 36 percent.

5 MR. RUGGLES: So all internal are the 22 to
6 28 percent?

7 MR. DESAI: Yes.

8 MR. RUGGLES: Okay.

9 MR. DESAI: We have also, you know,
10 utilized, you know, our 36 percent for blending
11 purpose capitively so what we import 36, you know, we
12 sell entirely in the market and in past we have also
13 utilized some 36 percent for our captive blending
14 purpose.

15 MS. LEVINSON: In other words I think his
16 point is that the 36 is not interchangeable with the
17 22. Our process is made to use the 22 to 28. We
18 can't therefore just use a 36 percent flush so what we
19 have done is blended it to get some intermediary
20 pigment concentration that is usable in our process.
21 Is that correct?

22 MR. RUGGLES: What I was looking for is if I
23 could have a definitive what is gone commercial is
24 that all just 36?

25 MR. DESAI: Yes. That's right.

1 MS. LEVINSON: That's absolutely correct.

2 MR. RUGGLES: Then if you could tell me how
3 much what percentage maybe of how much of the internal
4 is 36 and how much is the 22 to 28?

5 MS. LEVINSON: Sure. We can do that.

6 MR. RUGGLES: Okay. All right. You talk
7 about a seamless production line I assume this is
8 strictly in India?

9 MR. DESAI: Yes.

10 MR. RUGGLES: Where does Micro start? You
11 say they have a seamless production line as well.

12 MR. DESAI: No. Micro starts with this 28
13 percent, 22 to 28 percent. That is their starting
14 material what we call is a concentrate.

15 MR. RUGGLES: Then they go all the way to
16 the end as well?

17 MR. DESAI: To the ink, that's right.

18 MR. RUGGLES: Okay. So the only difference
19 between the Hindustan plant and the Micro plant is you
20 make all the raw materials to get to the flush and
21 then they pick up from there?

22 MR. DESAI: That's right. That's right.

23 MR. RUGGLES: Okay. You do produce ink
24 though in the Hindustan --

25 MR. DESAI: Yes.

1 MR. RUGGLES: Okay.

2 MR. DESAI: For India and for exporting to
3 the rest of the world, yes.

4 MR. RUGGLES: All right. No further
5 questions. Thank you.

6 MR. CARPENTER: Just wanted to clarify a
7 couple of things. These have already been addressed
8 but again, Mr. Morevec, I guess in terms of apparently
9 your production process set up to use a 22 to 28
10 percent --

11 MR. MOREVEC: That's correct.

12 MR. CARPENTER: -- but you have purchased
13 from U.S. producers with pigment dispersions a fair
14 amount of the 36 percent which as you said you blended
15 so that it's usable in your process. I guess what I'm
16 getting at is if your process is set up for the 22 to
17 28 percent why would you even buy any of the 36
18 percent?

19 MR. MOREVEC: It's not necessarily the
20 process, we can handle both, but the quality that we
21 get from the 22 to 28 percent which is captive
22 delivers the end result to the customer and the
23 Petitioners are saying it's all on price and we're
24 saying it's on quality. Certainly price has a role to
25 play and I think the Petitioners said that. If you

1 have an equal product, well, then all you need is a
2 better price and you get the business. In our case
3 what we're trying to say is that we're going to
4 deliver a package of values over the price of matrix
5 and give them better product. So you can only achieve
6 that with the 22 to 28 percent flush.

7 MS. LEVINSON: Frank, I think what he wants
8 to know is if that's true why do you bother buying 36?

9 MR. MOREVEC: Oh. We don't use it any
10 longer. It was just for a period of time for special
11 application.

12 MR. CARPENTER: Oh, okay.

13 MR. MOREVEC: No. We do not use 36 percent
14 flush any longer in our operation.

15 MR. CARPENTER: Okay. It's just the one
16 customer it worked okay for them but generally you
17 would not be selling that product?

18 MR. MOREVEC: What we did is we went to a
19 higher plateau. We raised the bar in terms of ink
20 performance. These are some of the technologies that
21 we'd be delighted to explain in the post-conference
22 brief.

23 MR. CARPENTER: Okay. Thank you.

24 MR. MOREVEC: Maybe one last statement for
25 the Magruder individual. The distinguished colleague

1 made a mistake, there wasn't only two customers he had
2 in the room there were three. We were the third.

3 MR. CARPENTER: Okay.

4 MS. LEVINSON: What was the context of that?

5 MR. MOREVEC: We were the third.

6 MS. LEVINSON: The third customer for what?

7 MR. MOREVEC: For his flush.

8 MS. LEVINSON: For his flush. Okay.

9 MR. MOREVEC: He just mentioned that there
10 were only two customers in the room. We were the
11 third.

12 MS. LEVINSON: Okay.

13 MR. MOREVEC: Okay. That's who we bought
14 the 36 percent flush from.

15 MR. CARPENTER: Okay. Thank you.

16 Mr. Desai, just to clarify one thing. When
17 you were giving in your presentation sales on export
18 figures I think you said you exported something over
19 50 countries and your sales had increased to many of
20 these third country markets. Were you talking about
21 just the subject pigment dispersions or were you
22 talking about your entire product line?

23 MR. DESAI: It's the entire product line.

24 MR. CARPENTER: Okay.

25 MR. DESAI: As a company, you know,

1 Hindustan, Inc. is a company, but the majority of our
2 exports are lithographic inks and flushes, you know.
3 We are still not that active in the liquid ink, the
4 packaging ink sector, but again there we have come out
5 with a very new concept, very innovative technology,
6 and what I call is a packaging dispersants. So, you
7 know, we are working on this technology by which the
8 small ink producers, you know, can just buy a
9 refinished kind of a dispersant and they just have to
10 add solvent and they get their packaging ink. So this
11 is a product which we are now trialing in some of the
12 markets.

13 MR. CARPENTER: Okay. I assume that we do
14 have a form producer questionnaire response from you
15 which deals only with subject pigment dispersions, is
16 that correct?

17 MS. LEVINSON: That's correct.

18 MR. CARPENTER: Okay. Thank you.

19 Again, Mr. Desai, I believe you said you
20 were the only producer in India of the subject pigment
21 dispersions or at least for export. Are there other
22 producers in India that produce for just the home
23 market or exports to other countries? Are you the
24 only --

25 MR. DESAI: We don't have confirmed reports

1 but we have for example, you know, this thing called
2 Ucotech which is basically a German company and
3 they're a presence in India? They're also a presence
4 in the U.S. and they were trying to make it. Now I
5 really don't know whether they made it. There's also
6 a company called Modern, you know, which makes flushes
7 in the U.S. and they have another company in India and
8 we have also heard to the best of our knowledge, you
9 know, even if they have done it it's completely
10 insignificant. I would say 99.9 percent will be
11 Hindustan inks, you know.

12 MR. CARPENTER: Okay. Thank you very much.
13 That completes my questions.

14 Any others?

15 (No response.)

16 MR. CARPENTER: Okay. Mr. Dorris, would you
17 be ready to begin your ten minute rebuttal segment or
18 would you like a few minutes to get your thoughts
19 together? Okay. Sure. We'll recess for a few
20 minutes and thank you.

21 (Whereupon, a short recess was taken.)

22 MR. DORRIS: Thank you, Mr. Carpenter, I
23 guess now I can say good afternoon instead of good
24 morning. Let me just say at the outset that actually
25 I was impressed with the presentation by Micro Inks,

1 especially, their focus on the jobs they've created in
2 the United States. And understand that we're not
3 opposed to Micro Inks and its existence in the United
4 States. We're happy to see new jobs being created in
5 some instances, but I think you need to focus on this
6 case and the products that we're talking about in this
7 case.

8 I think there's been a problem with some
9 sweeping statements that are very misleading. In
10 particular, it struck me when they're reading quotes
11 from Sun Chemical Corporation executives and other
12 people about how there has been improvements in the
13 pigments industry and the ink industry. That maybe
14 true. The entire pigments industry maybe improving.
15 Parts of the ink industry maybe improving. Those are
16 the products we're talking about. We're talking about
17 pigment dispersions. And in the ink industry we're
18 only talking about the paste inks and not all inks.

19 So when they give sweeping statements or
20 refer to other comments that are generalized like
21 that, I think you have to take it with a grain of salt
22 and realize you've got to look at the data on the
23 record, which I think will show, as I indicated from
24 our opening remarks that there is injury to this
25 industry.

1 Another sweeping type of statement is with
2 Mr. Desais where he talks about we have all these
3 different products that we make. You know, they've
4 tried to imply that we're going to put Micro Inks out
5 of business if they can't bring this product in that
6 they're bringing in. Well, understand, of course, as
7 always with these cases, we're not trying to keep the
8 product out. We're trying to have the product not be
9 subsidized or benefit from the subsidiaries and not be
10 dumped in the United States. But certainly, they'll
11 still be allowed to bring that product in.

12 He pointed out that they make all these
13 other products. They can make all the profit they
14 want on all those other products, at least, as long as
15 they do it legitimately. We're focusing on the
16 imports that are coming in and those imports being
17 subsidized and dumped and that's what this case is
18 about. And the sweeping comments about -- you know,
19 they make all these other products have to be taken in
20 context to show they're not going to put these people
21 out of business. These jobs are not going to be lost.
22 They're still be able to fund them, and they'll still
23 be able to do it if they're successfully in this
24 dumping case as long as they bring the product and
25 price it accordingly and compete fairly, which is all

1 we're asking.

2 And the third kind of sweeping statement, I
3 thought, was, you know, we're going to sell everything
4 to third countries. We're really growing there.
5 Well, it was quite interesting just to see the
6 immediate contradiction. We don't sell flushes to
7 third countries. We only sell flushes to the United
8 States because other countries aren't really involved
9 in using flushes that much.

10 Yes, they're imports are up, but that's
11 probably because they're selling more solvents because
12 they are. They product a lot of other products that
13 they sell to third countries. So when they make these
14 kind of statements about how well they're doing in
15 third countries, it's not about this product. And
16 that capacity that they talk about of the flushing
17 capacity, that capacity will be directed to the United
18 States.

19 And I think it's interesting that we have
20 many points that we do agree on. I agree this is a
21 unique business model. I agree that they're probably
22 the only ones that have these types of subsidiaries
23 that are able to dump this product the way they do and
24 bring it in. So I agree it's a unique business model
25 in that sense. But realize that we also agree that

1 this product is a flush. That they've now conceded,
2 at least, said openly that this product is a flush
3 product. So therefore I think we also agree that this
4 product is within the scope and that the like product,
5 which they've agreed on is the products that we've
6 produced, the flushes.

7 So where do we disagree then? I think we
8 disagree, obviously, on the impact of the products
9 that they're bringing in, in two places. First, I
10 think you'll see that there is a bigger impact on the
11 merchant market than they're claiming. I think when
12 you actually get the volume data, you're going to see
13 that their volumes have been significant, but they've
14 also been increasing greatly, especially, towards the
15 end of 2002 and the last quarter of 2003. And that
16 volume impact has had an impact, but also, as we
17 pointed out from the beginning, when they go in and
18 they make offers to sell, even if they're not selling
19 that product at that time, they're having an impact on
20 the prices and driving the prices down and hurting the
21 merchant market.

22 So I think when you see the way they've
23 established themselves in the merchant market have
24 created some inroads into certain accounts. It's
25 clear that they're going to continue to do that and

1 there's nothing to prevent them from bringing that
2 flush product in. But then, of course, they say they
3 have this customized product. That that's the one
4 they used.

5 And I think Mr. Love will talk a little bit
6 more about that, but the only thing I wanted to say is
7 that we all agree there is some internal consumption
8 here. We've never hidden that fact. This case does
9 deal with internal consumption. But understand that
10 the captive production provision was created to deal
11 with cases where you were going to limit the case to
12 look at the merchant market. When you do limit the
13 case to look at the merchant market, you take the
14 market as it is. You look at the merchant market and
15 you look at the internal consumption and captive
16 production. That's what we have. The question is
17 just the degree of injury and how you look at that.
18 And that I agree can be debated. And I think we'll
19 win that debate as we go forward into this
20 investigation to the final. But I think you can see
21 that there's clear injury in the way they've been
22 selling the product at such large decreases in price.

23 It's interesting. You never really heard
24 them talk about price and the actual competition in
25 the market between either the flushes or the ink

1 products. Our ink is superior. Our ink is better.
2 Then why do you sell it cheaper? Why? Because
3 they're getting it subsidized. The main raw material
4 input they're getting subsidized, and they're also
5 able to dump that product because they have a lot of
6 production capacity. They've got to gain market share
7 and get into this market because they have made this
8 huge investment in the U.S., which we support in some
9 sense except not if they're going to use that unfair
10 competition to compete us. But I think I'll turn it
11 over to Mr. Love now to talk a little more about the
12 product.

13 MR. LOVE: Thank you, Greg, and just to
14 reinforce a couple of comments he made. We have a
15 classic case here, of course, of the superior
16 customized product, both at the flush and ink level,
17 which, however, requires a very large subsidiary and
18 dumping in order to be successful in the U.S. market.
19 And we note that with some irony.

20 As to the production process in India, I
21 think you should know that the domestic producers,
22 Petitioners here, are very familiar with that process.
23 They've had presentation made to them by Hindustan as
24 to that process. There's nothing unique. It's not
25 even particularly sophisticated a process as we

1 understand it. As a matter of fact, as you'd expect
2 the domestic producers consider their process to be
3 much more sophisticated and much more efficient in
4 being able to deliver a product to the customer. So
5 we dispute that characterization as a superior
6 process. But what's important here is that there is
7 no magic distinction between the production of the 36
8 to 42 percent versus the 22 to 28 percent on their
9 process. I think that it's clear they can readily
10 produce at whatever level they want, whatever the
11 market requires. And if they chose in the U.S. market
12 to go more heavily into the merchant market, they can
13 readily and easily do that. That's not an issue at
14 all.

15 As to the issue of the causation, the
16 specific forms of causation in the market, I want to
17 first turn to demand and address that again quickly.
18 It was mentioned that you'd been given some
19 information from the National Association of Printing
20 Ink Manufacturers, and we have that data here as well.
21 It simply confirms what we told you in our affirmative
22 presentation earlier that there was some decline in
23 pounds of ink consumed between 2000 and 2001 to the
24 tune of roughly about 10 percent or so, and we think
25 your numbers will confirm that.

1 The specific number for lithographic ink was
2 11.6 percent decline between those two periods, and
3 your data should confirm that. What's interesting is
4 that the dollars didn't decline as much as the pounds
5 between 2000 and 2001. However, in 2002, demand was
6 essentially stable. Lithographic inks production was
7 approximately down 2.4 percent. We think it's
8 probably more like a zero change. Whereas, the price
9 went down, the value of those inks was down 5.4
10 percent. And in the specific area of publication
11 heat-set web ink, which is the centerpiece of the
12 competition here, pounds demand was down 2 percent
13 where the value was down 10 percent. And it's that
14 phenomenon, right there that we're talking about in
15 this case. And we're saying that differential between
16 pounds down and dollars down is exactly what Hindustan
17 has been causing in the market in 2002 and we think in
18 2003.

19 Further, I just want to touch again on the
20 competition through the merchant market. We don't
21 know what the volumes are. Again, we still haven't
22 seen the data, but I'm sure that you will that the
23 pricing of the flush products sold in the merchant
24 market here from India is well under the domestic
25 price. And I don't care if it's a fairly small market

1 share. We can debate that, but the price effect is
2 definitely there.

3 As to the more important downstream
4 competition at the ink level, I think Dr. Boltuck gave
5 you more of a legal argument than an economic
6 argument. As far as we're concerned, every pound of
7 ink that Micro Inks sells that contains Indian flush
8 is taking ink away from a domestic producer that's
9 using domestic flush, and that's pretty clear. And
10 the higher those volumes are, the more impact there is
11 going to be at the flush level. And again, once we
12 see the volumes, we'll be able to comment more
13 authoritatively on that. But we think that there's
14 definitely both a price and volume effect downstream
15 as well as in the merchant market. That concludes my
16 comments.

17 MR. DORRIS: Yes, and I just want to maybe
18 clarify a procedural issue that's been going back and
19 forth. And why we don't understand the different way,
20 and I understand that it's not a huge problem because
21 we obviously have a chance in the post-hearing brief
22 to deal with all of the information. It was our
23 understanding that when someone is a party in the case
24 and another party has an HPO that part is required to
25 serve them with their confidential information because

1 they have an administrative protective order, which
2 we've had for a long time.

3 I do recognize that we were called at some
4 point late yesterday afternoon to come and pick up an
5 APO release from the Commission which probably would
6 have given us the data that we're talking about. And
7 we apologize because we were not able to pick that up
8 in time to deal with. So at this point, it's not a
9 huge issue in the case. It will be dealt in the post-
10 hearing brief. I want you to understand it's not a
11 concern for us. Thank you.

12 MR. CARPENTER: Okay, thank you, gentlemen.
13 Ms. Levinson?

14 MS. LEVINSON: With regard to Mr. Dorris'
15 remarks on the APO release, I appreciate him
16 acknowledging that he was called yesterday. We also
17 were called yesterday and we did pick up the data and
18 that's the only reason we have the data. We were
19 never served by Petitioners either. We learned that
20 they were on the APO the day before yesterday. And I
21 believe, although, I don't have the rule in front of
22 me, but I believe it does give you two days to serve,
23 and that means we would have had to serve by today,
24 but we, yet, understood the Commission was directly it
25 directly to the Petitioners.

1 You know, like Mr. Dorris, I would like to
2 emphasize the things that we do agree on. And in case
3 there's any doubt about this case, we fully
4 acknowledge that the customized flushes that we're
5 bringing in from India are within the scope of this
6 investigation. If they weren't, we wouldn't be here.
7 So I'm a little at loss to understand why they have
8 harped so strongly on tariff classifications and what
9 the product is called. We call it an ink
10 concentrator. We have a customs ruling that refers to
11 it as an ink concentrate. Call it Product A, it's
12 subject to this investigation and that's why we're
13 here.

14 Moreover, how something is classified for
15 tariff purposes has nothing to do with the economic
16 issues that are here and the legal issues that are
17 here, which you have to struggle with, which is, do
18 these products compete? Does our customized product
19 compete with their more standard 36 percent product.
20 In our view, there is no competition, and tariff
21 classifications are not relevant to that analysis.

22 With regard to pricing, Mr. Dorris stated
23 several times that the imports from Hindustan Inks are
24 being sold at lower prices on the merchant market.
25 Given that he hasn't seen the data, I'm not sure how

1 he knows that, but we would contest that for a couple
2 of reasons.

3 One is the Petitioners have been remarkably
4 silent about what I regard as a very important
5 condition of competition in this case. And that is,
6 that they give what they call "prebates," not rebates.
7 I've never heard of the term before, but they call it
8 -- in this industry it's "prebates." They pay their
9 customers an up front sum of money in return for a
10 contract that permits them to charge a higher price
11 over a long period of time. So when you're analyzing
12 the pricing information, you really need to ask them
13 what was the prebate that you provided the customer.
14 Because that prebate is extremely important in the
15 analyzing the price information, which I think Mr.
16 Boltuck will give more details on.

17 Several of their witnesses stated that they
18 are concerned about American jobs. We are concerned
19 about American jobs just as well as Mr. Dorris
20 acknowledged. It's not true that Micro Inks produces
21 a whole range of products. I think he may have been
22 confused. Hindustan Inks in India produces a whole
23 range of products, but Micro Inks in the United States
24 is set up to receive the customized product from India
25 and produce the ink from that product.

1 Ironically, the witness from McGruder
2 claimed that injury is caused by Hindustan Inks. And
3 yet, Hindustan Inks has purchased large quantities of
4 pigment dispersions from McGruder, and I don't believe
5 McGruder has ever purchase anything from Micro Inks.
6 So it seems a little ironic that he would be looking
7 to Hindustan Inks as a source of injury.

8 Finally, on the R.R. Donnelly business, they
9 made the blanket statement that it was loss because of
10 price. I hope that Mr. Morevec has put that to rest
11 in your mind. R.R. Donnelly spent months, 6 to 12
12 months, analyzing the Hindustan Ink product, and
13 actually traveled to India to see the facility to make
14 sure that the product would be within its
15 requirements.

16 And just one comment I'd like to make
17 directed at Mr. Wanzer. You asked a question at the
18 beginning regarding "commodity inks." I think the
19 response to that is there's no such thing as a
20 commodity ink, and I hope that Mr. Morevec's testimony
21 has been helpful to you in understanding how complex
22 inks are from one another.

23 MR. BOLTUCK: I think I'd just like to
24 amplify a few of the comments that Liz made. I think
25 the Petitioners themselves have not described, either

1 the flushes or the downstream inks as commodity
2 products and it doesn't sound like any commodity
3 product you've ever heard of before where all the
4 service components and lengthy demonstration process,
5 qualification process and so on accompanies products
6 at both the flush stage and then, the downstream
7 stage, of course, with different kinds of end users.

8 Now Liz mentioned the prebates, and of
9 course, they have an important implication on making
10 fair price comparisons. There's not doubt about it.
11 If you buy your way into a 100 percent requirements
12 contract, you're then in a position to charge a higher
13 price, and that's actually part of the terms of the
14 deal. It's what economists call two-part pricing.

15 The other point that you need to understand
16 about these contracts is that 100 percent requirements
17 contracts, however procured, here they're bought, are
18 classic tool in concentrated industries, oligopolies,
19 in terms of deterring new entrance. Now why is that
20 relevant for the ITC? Well, what deterring new
21 entrance means is limiting direct competition, and of
22 course, that is relevant. And they are very common in
23 this industry. They're an exclusionary tactic. They
24 can be pro-competitive in a very competitive market,
25 but not in a market with the kind of concentrations we

1 see here. And I'm not referring to pigment
2 concentrations.

3 Now Mr. Love, actually, the reason I wanted
4 to speak with you just briefly, made what I regard as
5 sort of the first economic argument I heard from them
6 today in their rebuttal, and that was that we've posed
7 something of a dilemma for ourselves. We're saying we
8 have a high quality product, but allegedly we have
9 these lower prices. Of course, that is yet to be
10 determined on a fair basis. But I will say this, that
11 the notion of quality, no one is denying that
12 Petitioners produce quality products, also. But the
13 notion of quality is that it's an individualized
14 customer perception in their application, and they
15 don't even know the answer to that until they've gone
16 through an extensive demonstration and testing
17 process.

18 So for a particular customer, for the
19 handful of customers we have, those customers believe
20 our product works best. That might not be true for
21 other customers. Some other potential customers they
22 might conclude the opposition. So in each case, the
23 sale really is based on a perception of quality. It's
24 just that not all customers with different
25 applications will come to the same conclusion. You

1 know, obviously, Micro Inks hopes to continue to
2 improve the quality of its product in certain
3 dimensions, continue its marketing efforts and
4 continue to demonstrate its superiority and persuade
5 customers on the basis of quality, not price. That's
6 the business they're in, in the ink market. But that
7 doesn't describe the state of play today that the
8 market shares are very modest in the ink market and
9 they're extremely small in the upstream flushes
10 market, which isn't even their principal business.

11 MS. LEVINSON: I just have one final comment
12 that I wanted to correct. Mr. Dorris referred to
13 Hindustan Inks as existing in what's called an
14 "exported-oriented unit," which in India is called an
15 EOU. I think he made the statement that an EOU, an
16 Indian company, is required to export 100 percent of
17 its production. That's factually inaccurate. An EOU
18 is allowed to sale 50 percent of its production in its
19 home market. Thank you very much for your attention
20 today.

21 MR. CARPENTER: Thank you very much for your
22 testimony. One thing that was, I believe, just raised
23 recently was this issue of prebates. And I would just
24 ask the Petitioners if you could address that in your
25 post-conference brief.

1 A few concluding remarks, the deadline for
2 both the submission of corrections to the transcript
3 and for briefs in the investigation is Wednesday, July
4 2nd. If briefs contain business proprietary
5 information, the non-propriety version is due on July
6 3rd. The Commission has not yet scheduled its vote on
7 the investigation. It will report its determinations
8 to the Secretary of Commerce on July 21st, and
9 Commissioners opinions will be transmitted to Commerce
10 a week later on July 28th. Thank you for coming.
11 This conference is adjourned.

12 (Whereupon, the above-referenced conference
13 was concluded at 1:04 p.m.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Colored Synthetic Organic
Oleoresinous Pigment Dispersions

INVESTIGATION NO.: 701-TA-436 (Preliminary)

HEARING DATE: June 27, 2003

LOCATION: Washington, DC

NATURE OF HEARING: Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: June 27, 2003

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Gabriel Rosenstein
Signature of Court Reporter