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In Support of the Continuation of the Antidumping Duty  
Order:

On behalf of Calgon Carbon Corporation, Norit Americas  
Inc. and ADA Carbon Solutions:

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BRIAN LEEN, President and Chief Executive Officer,  
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APPEARANCES: (Cont'd.)

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On behalf of Carbon Activated Corporation and Car Go Worldwide, Inc. (collectively CAC):

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P R O C E E D I N G S

(9:30 a.m.)

1  
2  
3 CHAIRMAN WILLIAMSON: Good morning. On  
4 behalf of the U.S. International Trade Commission I  
5 welcome you to this hearing on Investigation No.  
6 731-TA-1103 (Review) involving Certain Activated  
7 Carbon From China.

8 The purpose of this five-year review  
9 investigation is to determine whether revocation of  
10 the antidumping order on certain activated carbon from  
11 China will be likely to lead to continuation or  
12 recurrence of material injury within a reasonable  
13 period of time.

14 Schedules setting forth the presentation of  
15 this hearing, notices of investigation and transcript  
16 order forms are available at the public distribution  
17 table. All prepared testimony should be given to the  
18 Secretary. Please do not place testimony directly on  
19 the public distribution table.

20 All witnesses must be sworn in by the  
21 Secretary before presenting testimony. I understand  
22 that the parties are aware of the time allocations.  
23 Any questions regarding the time allocations should be  
24 directed to the Secretary.

25 Speakers are reminded not to refer to

1 business proprietary information in their remarks or  
2 answers to questions. Please speak clearly into the  
3 microphone and state your name for the record for the  
4 benefit of the court reporter. If you will be  
5 submitting documents that contain information you wish  
6 classified as business confidential, your requests  
7 should comply with Commission Rule 201.6.

8 Madam Secretary, are there any preliminary  
9 matters?

10 MS. BARTON: No, Mr. Chairman.

11 CHAIRMAN WILLIAMSON: Very well. Let us  
12 proceed with opening statements.

13 MS. BARTON: Opening remarks by Petitioner  
14 in support of continuation of order, David A.  
15 Hartquist, Kelley Drye & Warren, LLP.

16 CHAIRMAN WILLIAMSON: Welcome, Mr.  
17 Hartquist.

18 MR. HARTQUIST: Good morning, Mr. Chairman,  
19 members of the Commission and staff. I understand  
20 this is your last hearing of 2012 so we wish you all  
21 the best for the holidays after we're through today.

22 I am David A. Hartquist, a partner in the  
23 law firm of Kelley Drye & Warren and counsel to the  
24 domestic activated carbon industry. We appreciate the  
25 opportunity to appear before you today in this

1 important hearing to urge that you continue the  
2 antidumping order on activated carbon from China.

3 I want to look first at what the situation  
4 was before the order went into effect. When this case  
5 was originally filed in March of 2006, the domestic  
6 industry was in dire straights. It was being hammered  
7 by substantial increases in the volume of low-priced  
8 imports of activated carbon from China. Those subject  
9 imports persistently undersold the domestic like  
10 product at double digit margins as high as 58 percent.

11 The Commission found that the subject  
12 imports prevented the domestic industry from raising  
13 prices during a period of rising cost, despite the  
14 fact that demand for activated carbon was increasing  
15 in the United States. The resulting price suppression  
16 caused the domestic industry's financial indicators to  
17 decline to dismal levels. At least one producer even  
18 considered shutting down its production operations in  
19 favor of importing all of its customers' needs from  
20 China.

21 Now, what happened after the order went into  
22 effect? The April 2007 antidumping order had an  
23 immediate and dramatic effect in helping to restore  
24 fair pricing in the U.S. market. Prices of average  
25 unit values for Chinese activated carbon quickly shot

1 up, allowing domestic producers to raise their prices  
2 significantly. Subject import volumes dropped, and  
3 the domestic industry captured additional volume and  
4 market share.

5 As a result, the financial condition of the  
6 domestic industry improved, and substantial  
7 investments were made between then and now by the two  
8 original Petitioners and a new domestic producer that  
9 did not exist at the time the case was filed.

10 What about today? Today, Chinese producers  
11 and exporters continue to demonstrate a strong  
12 interest in exporting activated carbon to the United  
13 States by their participation in this market. They  
14 also, according to the staff report, persistently  
15 continue to undersell the domestic industry by double  
16 digit margins despite being subject to the pricing  
17 discipline of the order.

18 However, because of the order and only  
19 because of the order, subject import volumes have  
20 remained low enough and their prices have been high  
21 enough to allow the domestic industry to achieve  
22 pricing levels that have provided reasonable levels of  
23 profitability and an ability to invest in new capacity  
24 and jobs.

25 What about tomorrow? The Chinese activated

1 carbon industry still has immense excess capacity,  
2 enough to overwhelm the entire U.S. market, and this  
3 market is the largest and the most attractive export  
4 market for coal-based activated carbon in the world.  
5 Consumption is not expected to rise enough over the  
6 next two years to absorb all of the current domestic  
7 capacity, and demand growth beyond that period remains  
8 speculative.

9 What is not speculative is what will occur  
10 if the order is revoked. That has been demonstrated  
11 in both the preorder and postorder behavior of the  
12 Respondents and in the resulting condition of the  
13 domestic industry. Without continuation of this  
14 order, subject imports will pour back into the market,  
15 driving down prices, profits and other industry  
16 performance indicators.

17 The substantial investments that have been  
18 made by the industry will be in peril and, as you will  
19 hear from our witnesses today, without the order the  
20 dramatic improvement of the domestic industry under  
21 the order will just as dramatically reverse itself.  
22 If that happens, we believe the industry will quickly  
23 return to a state of material injury.

24 And so the domestic industry respectfully  
25 requests that you continue the antidumping order on

1 certain activated carbon from China. Thank you.

2 CHAIRMAN WILLIAMSON: Thank you.

3 MS. BARTON: In support of revocation of  
4 order, Nancy A. Noonan, Arent Fox, LLP.

5 CHAIRMAN WILLIAMSON: Welcome, Ms. Noonan.

6 MS. NOONAN: Thank you, Mr. Chairman. Good  
7 morning, Mr. Chairman, members of the Commission and  
8 staff. I am Nancy Noonan from Arent Fox speaking on  
9 behalf of Carbon Activated Corporation and Car Go  
10 Worldwide, who are significant importers of subject  
11 merchandise as well as purchasers of domestic like  
12 product.

13 We do not believe this order should be  
14 continued. The activated carbon market and industry  
15 today is very different from the market and industry  
16 the Commission investigated five years ago. First,  
17 U.S. demand for certain activated carbon has increased  
18 over the review period, and most questionnaire  
19 responses indicate that demand is expected to continue  
20 to grow in the U.S. due to mercury emission standards  
21 for coal-fired utilities and drinking water  
22 regulations.

23 Second, the domestic industry has made  
24 significant investments to increase production  
25 capacity since the publication of the antidumping

1 order, including the investment of a new producer, ADA  
2 Carbon Solutions, of millions of dollars in integrated  
3 production operations, which shows the industry's  
4 optimism for the future demand of this product.

5 Third, Chinese produced activated carbon is  
6 never or only sometimes interchangeable with U.S.  
7 produced activated carbon according to a majority of  
8 Respondents, which means that for certain customers'  
9 applications there is literally no competition between  
10 the products.

11 Fourth, the domestic industry has increased  
12 its production, shipments, production workers,  
13 operating income and profitability even with the  
14 significant presence of subject and nonsubject imports  
15 in the U.S. market and therefore is not vulnerable.

16 And finally, the current pricing coming from  
17 China is consistent with U.S. pricing. The high  
18 prices in the U.S. market of activated carbon are not  
19 connected to the antidumping duty order, but rather  
20 are due to the supply and demand conditions in the  
21 U.S. and worldwide markets. These conditions will not  
22 change in the foreseeable future.

23 For these reasons, we believe that  
24 revocation of the antidumping duty order would not be  
25 likely to lead to the continuation or recurrence of

1 material injury to the domestic industry. Thank you.

2 CHAIRMAN WILLIAMSON: Thank you. Madam  
3 Secretary, will you please call our first panel?

4 MS. BARTON: Thank you, Mr. Chairman. Will  
5 the first panel please come forward?

6 CHAIRMAN WILLIAMSON: Mr. Hartquist, you may  
7 begin when you're ready.

8 MR. HARTQUIST: Thank you, Mr. Chairman.  
9 I'd like to begin by introducing our witnesses. First  
10 on my left, Mr. Robert O'Brien, Executive Vice  
11 President and Chief Operating Officer of Calgon Carbon  
12 Corporation; on my right, Ronald Thompson, Chief  
13 Executive Officer of Norit Americas, Inc. and Brian  
14 Leen, President and Chief Executive Officer of ADA  
15 Carbon Solutions.

16 Also Peter Hansen behind me, general counsel  
17 of ADA Carbon Solutions; William Aldridge, Business  
18 Analyst for Calgon Carbon; Brad Hudgens, Economist, of  
19 Georgetown Economic Services, and my colleagues, Alan  
20 Luberda, John Herrmann and Ben Caryl.

21 And with that we'll begin this morning with  
22 the testimony of Mr. O'Brien.

23 MR. O'BRIEN: Good morning. My name is Bob  
24 O'Brien, and I am the Executive Vice President and  
25 Chief Operating Officer of Calgon Carbon Corporation.

1 I'm responsible for overseeing the day-to-day  
2 operations of Calgon facilities throughout the world.

3 Next year will be my fortieth year with Calgon,  
4 during which time I've held jobs in a variety of  
5 areas, including technical sales and marketing-related  
6 positions.

7 Calgon is the largest producer of  
8 steam-activated carbon in the United States with  
9 production facilities in Catlettsburg, Kentucky, and  
10 Pearlinton, Mississippi. We also operate production  
11 facilities around the world. Calgon employs  
12 approximately 600 people in the United States who are  
13 involved with the manufacture, distribution, support  
14 and sales of activated carbon and its related  
15 equipment and services. Approximately 450 of those  
16 employees have jobs associated with the manufacture,  
17 sale, distribution and support of virgin  
18 steam-activated carbon in the United States.

19 Though most Americans probably don't know  
20 it, activated carbon is an extremely important product  
21 for the general health and welfare. It is used in the  
22 production and purification of foods, beverages,  
23 chemicals and pharmaceuticals. It's used to purify  
24 much of the water we drink by removing dangerous and  
25 unwanted organic compounds and unwanted taste and

1 odors. It's also used in the treatment of wastewater,  
2 sewage and industrial gases.

3 Activated carbon from China first entered  
4 the U.S. market in the early 1990s and was purchased  
5 primarily by point-of-use water filter manufacturers  
6 and other OEMs. Pricing of the Chinese product was so  
7 far below domestic market prices that it quickly  
8 gained acceptance. That allowed Chinese producers to  
9 develop a more consistent product, build inventories  
10 in the United States in order to bid on contracts and  
11 develop a nationwide distribution system.

12 By the time our industry filed the  
13 antidumping petition in 2006, Chinese producers had  
14 captured sales of more than 80 million pounds a year.

15 The extremely low prices at which the Chinese product  
16 was sold in the United States were often below  
17 Calgon's cost of production. We could not effectively  
18 compete with those prices, and our financial and trade  
19 indicators were suffering.

20 Many of our customers wanted Calgon's  
21 technical support and quality assurance, but they also  
22 wanted the extremely low Chinese pricing. Our  
23 choices, therefore, were to, one, lose more sales to  
24 imports of Chinese activated carbon at extremely low  
25 prices; two, lower our prices to unprofitable levels

1 to maintain sales; or, three, begin importing Chinese  
2 activated carbon ourselves to supply our customers.

3 We already had production facilities in  
4 China to service the Asian markets, so at the  
5 encouragement of our customers we made the difficult  
6 decision to fulfill some of their needs by importing  
7 Chinese carbon. Our hope was to support domestic  
8 production, limiting our imports from China to compete  
9 in only those markets where the Chinese products had  
10 already had a significant presence and by keeping  
11 prices for the imported products as high as possible.

12 Our strategy was unsuccessful, however,  
13 because Chinese activated carbon from other importers  
14 poured in and continuously undercut our prices. The  
15 underselling was so pervasive that it prevented us  
16 from raising our prices despite both increasing demand  
17 and rising costs in the domestic market.

18 By the time the antidumping case was filed  
19 in early 2006, the domestic industry was in a dire  
20 condition. For a time we seriously considered  
21 shuttering Calgon's U.S. production operations and  
22 becoming a trading company by importing and reselling  
23 Chinese produced activated carbon. We instead elected  
24 to bring this case to try to save our U.S. production  
25 facilities and the jobs they support.

1           The injurious effect of the unfairly traded  
2 imports of activated carbon from China can be seen in  
3 the dramatic turnaround in our operations as a result  
4 of the publication of the order in April 2007.  
5 Immediately after publication of the antidumping order  
6 the price of imports from China increased, allowing  
7 domestic producers to raise their prices as well.

8           While prices went up, the volume of imports  
9 from China fell, allowing us to regain market share  
10 with domestic production. The improved pricing  
11 generally has helped Calgon earn a reasonable return  
12 on its sales, enabling our company to reinvest a  
13 portion of its earnings in long-delayed improvements  
14 that we had postponed as a result of unfairly traded  
15 imports. Since publication of the order, Calgon has  
16 also resumed operations on production lines that were  
17 mothballed prior to the original investigation.

18           All of these improvements in price, sales  
19 volume, production and profitability would be reversed  
20 quickly if this order were revoked for the following  
21 reasons:

22           First, China is the largest producer and  
23 exporter of activated carbon in the world. In  
24 Calgon's experience, the available supply of activated  
25 carbon in China is essentially limitless. Chinese

1 producers and exporters would have the ability to  
2 re-enter the U.S. market rapidly and in very large  
3 quantities following the revocation of the order.

4 Second, the growing demand, relative high  
5 U.S. prices and the existence of a large number of  
6 established importers of Chinese activated carbon mean  
7 that imports from China will likely increase  
8 significantly if they are not required to be traded  
9 fairly as a result of the antidumping order.

10 Third, Chinese activated carbon generally  
11 continues to be the low-priced material in the  
12 marketplace and still undersells domestic activated  
13 carbon. Your staff report confirms this, showing an  
14 average underselling margin of 25 percent by the  
15 Chinese during the period of review.

16 Price is a key determinant of sales. If the  
17 order were revoked Chinese producers would likely  
18 price their product even more aggressively in the  
19 United States in order to capture sales and market  
20 share. That would mean falling domestic prices and  
21 falling profitability as well.

22 Fourth, the domestic industry has invested  
23 to meet future demand for activated carbon, and it  
24 will take some time before that new capacity is  
25 absorbed by the market. That makes this a

1 particularly sensitive time for imports that undersell  
2 the domestic industry to come rushing back into the  
3 market.

4 Fifth, the industry's cost of producing  
5 activated carbon are increasing. During the original  
6 investigation, we were unable to pass these costs on  
7 to our customers due to the significant volume of  
8 low-priced imports from China that held prices down in  
9 the U.S. market. Without continuation of this order,  
10 we have every reason to expect that Chinese producers  
11 will resume large shipments of low-priced carbon that  
12 will prevent Calgon from properly reflecting our costs  
13 in our selling prices.

14 In testifying before the Commission during  
15 the original injury investigation, I stressed Calgon's  
16 commitment to continue to manufacture activated carbon  
17 in the United States. The antidumping order has  
18 enabled Calgon to meet that commitment. If the order  
19 were revoked, the market would rapidly deteriorate.  
20 The material injury caused by the dumped imports from  
21 China would return, putting our investments in  
22 jeopardy and forcing us back into the import produced  
23 decision that this order helped us to avoid in 2006  
24 and 2007.

25 Calgon remains committed to producing

1 activated carbon in the United States, and we  
2 respectfully urge the Commission to continue the  
3 antidumping duty order on activated carbon from China.

4 Thank you.

5 MR. HARTQUIST: Thank you, Bob. Our next  
6 witness will be Ron Thompson of Norit.

7 MR. THOMPSON: Good morning. My name is Ron  
8 Thompson. I'm the Chief Executive Officer of Norit  
9 Americas, Inc. Norit Americas operates two facilities  
10 that produce activated carbon in the United States,  
11 one in Marshall, Texas, and a second one in Pryor,  
12 Oklahoma.

13 Our company is owned by Norit B.V., a Dutch  
14 company established in 1918 that is currently one of  
15 the world's leading producers of activated carbon. On  
16 July 31, 2012, Norit B.V. was acquired by Cabot  
17 Corporation, a global specialty chemicals and  
18 performance materials company headquartered in Boston,  
19 Massachusetts.

20 Along with Calgon Carbon, Norit participated  
21 in the Commission's original injury investigation in  
22 2006 and 2007. Before the domestic industry filed its  
23 petition seeking relief, Norit had experienced a  
24 period of poor and declining financial performance due  
25 to a surge in the volume of coal-based,

1 steam-activated carbon imports from China. Those  
2 imports were sold at very low prices that in many  
3 cases undercut Norit's prices and even our cost of  
4 production.

5 The period of investigation was a time of  
6 increasing demand and rising costs in a market where  
7 the domestic industry could not supply volume  
8 sufficient to meet all U.S. demand. Under those  
9 conditions, we should have been able to raise prices  
10 and make reasonable operating profits. Instead, the  
11 presence of large and increasing volumes of dumped  
12 Chinese imports that undersold us prevented us from  
13 raising prices to account for increasing costs. The  
14 injurious impact of these dumped imports was readily  
15 apparent on our bottom line.

16 The accuracy of the Commission's finding  
17 that dumped imports of activated carbon were causing  
18 injury to the domestic industry has been borne out by  
19 the developments since the order was published. The  
20 antidumping order resulted in a rapid improvement in  
21 sales, unit prices, revenues and profitability for  
22 Norit. As the volume of dumped imports from China  
23 fell and prices rose in response to the antidumping  
24 order, Norit was able to raise prices and reclaim  
25 volume in the market.

1           The return of reasonable pricing in the U.S.  
2 market has allowed Norit to increase sales, improve  
3 its profitability and reinvest a portion of those  
4 profits in the company's production facilities. Since  
5 2007, Norit has significantly increased its capital  
6 expenditures, allowing us to increase production and  
7 to lower our cost of production.

8           Activated carbon is used in a variety of  
9 applications. One such application involves using  
10 powdered activated carbon to reduce the emission of  
11 mercury and other heavy metals from coal-fired  
12 electricity generators and other industrial  
13 facilities. Anticipated growth in demand for powdered  
14 activated carbon for mercury abatement has been a  
15 topic of conversation in the industry for some time.  
16 Members of the Commission who participated in the  
17 original injury investigation may remember that it was  
18 discussed at the hearing in February 2007 as well.

19           Unfortunately, the anticipated surge in  
20 demand for activated carbon for mercury abatement has  
21 not yet materialized. Implementation of the EPA's  
22 Mercury and Air Toxic Standards, commonly referred to  
23 as MATS regulations, has been delayed a number of  
24 times. Compliance for coal-fired power plants, the  
25 main focus of these regulations, is currently required

1 by 2015 with extensions allowed into 2016 and 2017.

2 The MATS rules are also currently subject to  
3 extensive legal challenges, which will not be resolved  
4 for some time. Those challenges may further delay or  
5 alter the compliance deadlines. If and when the  
6 compliance deadlines are reached, a large number of  
7 utilities are likely to close coal-fired power plants  
8 in favor of natural gas burning plants, particularly  
9 if natural gas remains low. Nonetheless, we do expect  
10 demand for powdered activated carbon for mercury  
11 abatement to increase. Any significant growth in  
12 demand, however, is not likely to come until at least  
13 2015, and the extent of any such increase remains to  
14 be seen.

15 With the new capacity additions by the  
16 domestic industry, there is more than enough domestic  
17 capacity to handle any increase in demand in the  
18 mercury abatement market over the next two to three  
19 years. Revoking the antidumping order against  
20 activated carbon from China now would threaten any  
21 benefit we are likely to get from any actual demand  
22 increases associated with the mercury abatement market  
23 in the foreseeable future.

24 You should not assume that the demand growth  
25 will insulate the domestic industry from injury due to

1 dumped imports from China. Remember that demand was  
2 increasing before the order was in place, and the  
3 domestic industry was nevertheless injured by the  
4 low-priced imports of Chinese activated carbons.

5 The demand levels we are experiencing today  
6 would not prevent the industry from sliding back into  
7 a position of injury if the order was revoked.  
8 Without the dumping order, we will face the same  
9 situation as we did prior to the order with increased  
10 volumes of Chinese activated carbon entering the  
11 United States at prices that undersell us by large  
12 margins.

13 Chinese producers have a massive capacity to  
14 produce activated carbon, and they have demonstrated  
15 that they can turn on the spigot at will. In fact,  
16 imports from China have never left the market. They  
17 remain significant and they continue to be low-priced.

18 Because the Chinese product competes directly with  
19 Norit's product offerings, if the order were revoked  
20 we would very quickly find ourselves again facing  
21 massive dumping by the Chinese producers. I would  
22 expect to see volumes of imports from China  
23 substantially exceeding the volumes we experienced  
24 before the antidumping order.

25 Even under the discipline of the order,

1 Chinese activated carbon remains the low-price leader  
2 in the market, often underselling Norit by significant  
3 margins. If this behavior is occurring while the  
4 disciplining effect of the antidumping order is in  
5 effect, I don't want to contemplate the pricing  
6 practices that would prevail absent the order.

7 The increase in domestic capacity during the  
8 review period in anticipation of market growth means  
9 the domestic industry currently has significant excess  
10 capacity to produce activated carbon. This condition  
11 is likely to continue for the next two years or more.

12 Any significant influx of low-priced imports from  
13 China that undersell the domestic industry under these  
14 conditions will likely intensify the impact of the  
15 increased volumes of Chinese imports that will  
16 undoubtedly follow revocation of the order. If that  
17 happens, it is very likely that the domestic industry  
18 would quickly find itself in the same conditions that  
19 prevailed in 2004 and 2005.

20 For these reasons, I respectfully urge the  
21 Commission to reach an affirmative determination to  
22 continue the antidumping order for an additional five  
23 years. Thank you.

24 CHAIRMAN WILLIAMSON: Thank you, Ron. Our  
25 next witness is Brian Leen of ADA Carbon Solutions.

1                   MR. LEEN: Good morning, Mr. Chairman,  
2 members of the Commission. My name is Brian Leen.  
3 I'm the President and CEO of ADA Carbon Solutions.  
4 I've held that position since September of 2010 and  
5 have over 20 years of experience in the specialty  
6 chemicals industry.

7                   I greatly appreciate the opportunity to  
8 appear before you to express my concerns about the  
9 severe negative consequences that would confront ADA  
10 Carbon Solutions and our employees if the antidumping  
11 order on certain activated carbon from China were  
12 revoked.

13                   ADA Carbon Solutions has made a substantial  
14 investment to build North America's largest and most  
15 environmentally friendly activated carbon  
16 manufacturing facility in Coushatta, Louisiana. ADA  
17 Carbon Solutions is an integrated producer of  
18 activated carbon in that we own our own source of  
19 coal. We believe we have a cost structure that will  
20 make us competitive with our domestic and fairly  
21 traded imports competitors.

22                   The decision to build this facility was made  
23 after the order on activated carbon from China was put  
24 in place. Our significant investment was premised in  
25 part on a continuation of the level playing field that

1 the antidumping order has created. We could not have  
2 financed and built this plant based on the kind of  
3 pricing that was prevalent in the United States'  
4 activated carbon market before the order.

5 As we work to bring our facility into full  
6 production over the next several years, it's vitally  
7 important that unfairly priced Chinese activated  
8 carbon not undermine market pricing. ADA Carbon  
9 Solutions entered the market based largely on the  
10 opportunity to supply coal-fired power plants with the  
11 powdered activated carbon that they will need to meet  
12 new mercury emission standards.

13 With mercury acknowledged as one of the most  
14 harmful pollutants from coal-fired power plants, there  
15 are sound policy reasons for seeking to reduce these  
16 emissions. The U.S. industry has a chance to take a  
17 leadership role in the development of important and  
18 valuable technologies for this purpose, thereby  
19 driving innovation, domestic growth and jobs.

20 ADA Carbon Solutions is well positioned to  
21 assist our customers in meeting the mercury emissions  
22 requirements in a reliable and economical manner.  
23 Companies like ours, however, will continue to make  
24 investments in the capacity and technology necessary  
25 for these products only if they are protected against

1 unfair competition and have the prospect of earning a  
2 fair return on their investment.

3 The increased demand for mercury  
4 emissions-related products anticipated by our company  
5 depends in significant part on the status of the EPA's  
6 mercury air toxic standard regulations. Those  
7 regulations are currently scheduled to come into  
8 effect in 2015 and '16. The precise amount of demand  
9 that will be generated by these regulations will  
10 depend on the costs of competing alternative solutions  
11 and technologies and the extent to which existing coal  
12 burning power facilities may close or switch from coal  
13 to natural gas power sources.

14 We believe our company is appropriately  
15 sized and cost competitive to compete for that demand  
16 as it develops, and we are building our customer base  
17 to take advantage of that demand. What concerns me  
18 most is what happens in this market if the largest  
19 source of coal-based activated carbon in the world,  
20 China, is again allowed to dump large volumes of  
21 activated carbon into this market.

22 We're anxious to bring our facility into  
23 full production as soon as possible, and we need to be  
24 able to do that at prices that will provide a healthy  
25 return on investment. If Chinese producers are given

1 a green light to undersell without any restraint,  
2 dumped imports of activated carbon from China would  
3 depress prices and take volume that we need to fill  
4 our capacity.

5 Price is an extremely important part of our  
6 customers' purchasing decision, and it is also  
7 critical to our ability to earn a reasonable return on  
8 our investment. Chinese producers are already the  
9 lowest price sources of powdered activated carbon in  
10 the market, underselling domestic producers by a  
11 significant margin. We believe the disciplining  
12 effect of the antidumping order is preventing Chinese  
13 exporters from flooding the U.S. market with even  
14 cheaper activated carbon that would threaten our  
15 ability to earn a reasonable return on the millions of  
16 dollars we have invested in our operations.

17 Our business will be especially susceptible  
18 to harm from a surge in imports of low-priced  
19 activated carbon from China while demand for our  
20 product is still developing and we are still ramping  
21 up our production. The United States is by far the  
22 largest and most attractive activated carbon market in  
23 the world and would be the preferred destination for  
24 the massive and growing activated carbon production  
25 capacity of the Chinese industry.

1           On behalf of ADA Carbon Solutions and its  
2 employees, I respectfully urge you to continue the  
3 antidumping duty order so we can compete with imports  
4 of Chinese activated carbon on a level playing field  
5 at prices that will allow us to continue to invest in  
6 technology development and job growth. Thank you.

7           MR. HARTQUIST: Thank you, Brian. Our last  
8 witness this morning is Alan Luberda of Kelley Drye.

9           MR. LUBERDA: Good morning. For the record,  
10 I'm Alan Luberda from Kelley Drye & Warren, and I'll  
11 conclude our affirmative presentation today by  
12 providing a summary of the record data that support an  
13 affirmative finding in this case. We've provided the  
14 Commission and counsel for the Respondent with both  
15 the public and proprietary packets of information  
16 we'll be discussing this morning.

17           If ever there were a prime example of the  
18 beneficial effects of an antidumping duty order on an  
19 industry it's this case. In the original  
20 investigation, the Commission found a significant and  
21 increasing volume and market share of subject imports  
22 that came at the expense of the domestic industry and  
23 also found significant underselling based on  
24 underselling in 94 percent of pricing comparisons and  
25 predominantly double digit markets that ranged as high

1 as 58 percent.

2 Costs for the industry were rising, but the  
3 domestic industry was unable to raise its prices to  
4 cover those costs due to the significant price  
5 suppression caused by the subject imports. As a  
6 result, industry financial and trade indicators  
7 declined from 2003 to 2005 and operating profits in  
8 particular declined during that period. This decline  
9 occurred despite consistently increasing demand for  
10 certain activated carbon.

11 The Commission unanimously concluded that  
12 the significant and increasing volume and market share  
13 of subject imports at prices that undersold the  
14 domestic industry by substantial margins were a cause  
15 of material injury to the domestic industry.

16 The causal nexus between the subject imports  
17 and the condition of the domestic industry was  
18 strikingly demonstrated immediately after the order  
19 was imposed by steep decline in the volume and market  
20 share of subject imports, the resulting recovery of  
21 domestic prices and the return to financial health of  
22 the domestic industry.

23 In Public Slide 1 that we're projecting on  
24 the screen, you can see the volume of U.S. imports of  
25 activated carbon before and after the order. As a

1 result of the order, the volume of subject imports  
2 immediately fell by more than half in 2006 to 2007 and  
3 it's remained at this lower level during the period of  
4 review.

5 Public Slide 2 shows that the average unit  
6 value of imported Chinese activated carbon immediately  
7 jumped by 57 percent from 33 cents a pound in 2006 to  
8 52 cents a pound in 2007, and the AUVs have generally  
9 continued to rise substantially over the period  
10 because of the price disciplining effects of the  
11 order.

12 The impact of these events can be seen when  
13 subject import volumes and prices are superimposed on  
14 industry profitability. Confidential Chart 1 in the  
15 pink packet we've provided you shows that the volume  
16 of price suppressing imports from China fell in  
17 response to the order, and at the same time domestic  
18 industry's operating profits rose significantly  
19 immediately.

20 Confidential Chart 2 shows a strong causal  
21 nexus between the rising average unit values of the  
22 subject imports that remained in the market and the  
23 improvement in domestic industry operating margins.  
24 As reflected in Tables V-1 through V-3 of the  
25 prehearing report, domestic prices were finally able

1 to rise during this period, permitting the industry to  
2 cover increasing raw material costs, something they  
3 could not do prior to the order.

4 These charts, which depict the benefit of  
5 the antidumping order to the domestic industry, also  
6 graphically demonstrate the likely effect of removing  
7 the order. Low-priced subject imports will again  
8 increase substantially at prices that undersell the  
9 domestic industry, causing price depression and  
10 suppression and leading to the lower domestic prices,  
11 production, net sales and operating profits that  
12 characterized the industry pre-order. Applying the  
13 statutory factors to the record of this review  
14 confirms this conclusion.

15 Let's begin with the likely volume of  
16 subject imports. The Chinese industry, as you have  
17 heard, has an immense capacity to produce certain  
18 activated carbon. There are no published data to show  
19 just how big this capacity is, but as shown in Public  
20 Slide 3, reproduced from page 28 of our prehearing  
21 brief, just 45 of the estimated 300 Chinese producers  
22 of activated carbon are known to account for over a  
23 billion pounds of capacity. Confidential Chart 3 puts  
24 this partial capacity figure into some perspective by  
25 comparing it to U.S. demand. As you can see, capacity

1 for just a fraction of the Chinese industry dwarfs  
2 total U.S. demand.

3 As shown by Public Slide 4, that huge  
4 capacity has been continuing to grow with 450 million  
5 pounds of recent new and planned Chinese capacity that  
6 we know of. Again, even this amount of new and  
7 planned capacity is a significant number when compared  
8 with U.S. consumption, as you can see in Confidential  
9 Chart 4.

10 It's difficult to overemphasize just how  
11 massive Chinese capacity is. As you heard Mr. O'Brien  
12 testify a moment ago, the capacity of the Chinese  
13 industry to supply the U.S. market is essentially  
14 limitless, and subject imports would be likely to very  
15 quickly and significantly exceed the peak preorder  
16 levels if the order were to be revoked at this time.

17 Both the questionnaire response data and the  
18 public data in Table IV-14 of the prehearing report  
19 show that the Chinese industry exports a significant  
20 portion of its huge capacity. Chinese activated  
21 carbon exports were over 531 million pounds in 2011  
22 according to published reports, which is again very  
23 large when compared with U.S. consumption as seen in  
24 Confidential Chart 5.

25 Of its huge and growing capacity, its export

1 orientation, China is predicted to remain a net  
2 exporter of activated carbon for years to come despite  
3 growth in its home and export markets. The existence  
4 of this massive capacity aimed at the export market is  
5 itself evidence of a likely increase in subject  
6 imports if Chinese producers are again given unimpeded  
7 access to the United States market.

8           The strongest evidence of the Chinese  
9 industry's interest in doing that, though, is the  
10 continued significant presence of the subject imports  
11 in the U.S. market even while under the discipline of  
12 the order, which you can see in Public Slide 1.  
13 Further evidence of Chinese producers' continued  
14 interest in the U.S. market is that 15 Respondents,  
15 Chinese producers and exporters, have applied to the  
16 Department of Commerce for separate dumping rates,  
17 although many of them did not respond to the  
18 Commission's questionnaire.

19           China in fact remains the largest single  
20 source of imported activated carbon into the U.S.  
21 market and by far the largest imported source of  
22 coal-based activated carbon, as you can see in Public  
23 Slide 5. Absent the order, the United States is  
24 likely to be a prime target for an increase in imports  
25 from China. Purchasers confirm that they expect an

1 increase in imports from China if the order is  
2 revoked. Indeed, you heard Mr. O'Brien testify the  
3 domestic producer, Calgon, itself would likely be  
4 again put in a make or import situation if the order  
5 were to be revoked.

6 As our witnesses testified, the U.S. market  
7 is price sensitive. Purchasers identified price as a  
8 very important factor in the buying decision, and it  
9 was one of the top three factors identified by most  
10 purchasers. And the lowest priced product in our  
11 experience generally gets the sale.

12 Without the antidumping order, Chinese  
13 producers will once again use low prices to undersell  
14 the domestic industry to gain sales. If you have any  
15 doubt about that look at the level of underselling  
16 that is still going on in the market with the order in  
17 place. Public Slide 6, which is taken directly from  
18 Table IV-5 in the public prehearing report, shows that  
19 even under the discipline of the order the subject  
20 imports continue to undersell the domestic industry in  
21 over 90 percent of comparisons at average underselling  
22 margins of 25 percent.

23 Thus, the subject import pricing remains  
24 very aggressive even with the order in place. The  
25 subject imports are underselling the domestic industry

1 even under the discipline of the order, and they are  
2 certainly very likely to do so if the order is  
3 revoked, only at higher underselling margins and at  
4 significantly larger volumes.

5 Purchasers' questionnaire responses also  
6 confirm that prices will fall if the order is revoked.

7 One importer's comment publicly reported in the  
8 prehearing report is worth noting. That importer  
9 reported to the Commission that it charges the same  
10 prices in the United States as it does in other  
11 markets before the tariffs are taken into account.

12 This provides two interesting pieces of  
13 information. First, it confirms that the antidumping  
14 order is keeping U.S. prices of the subject imports  
15 higher than they would otherwise be if the order was  
16 not in place. Second, it demonstrates the already  
17 significant level of underselling in the market by  
18 subject imports would increase by at least the level  
19 of dumping margins if the order were revoked.

20 Those dumping margins are currently  
21 generally between 44 cents and \$2.42 a kilogram with  
22 most exporters at \$1.04 per kilogram. Therefore, the  
23 price of subject imports is likely to fall, and the  
24 underselling margins are likely to increase  
25 significantly in the United States if the antidumping

1 duty order is revoked.

2           Given the sheer size of the Chinese  
3 industry, its export orientation, its demonstrated  
4 interest in the U.S. market and its continued  
5 aggressive pricing behavior in the market, a large  
6 increase in the volume of low-priced imports from  
7 China is almost certain absent the order.

8           As you heard from our industry witnesses  
9 this morning, the increased volumes of dumped  
10 activated carbon at prices that undersell them  
11 significantly will quickly cause a return to the  
12 material injury the domestic industry felt before the  
13 order. The domestic industry has made significant  
14 investments over the period of review as the record  
15 reflects, and there is a new domestic producer that  
16 has yet to reach full production levels.

17           As you heard from our witnesses this  
18 morning, those investments were predicated on fair  
19 market pricing that the order has brought. Those  
20 investments and the associated jobs that they have  
21 created would be placed at serious risk if the order  
22 were to be revoked. In short, there is a landslide of  
23 Chinese activated carbon poised to reverse all the  
24 gains that this industry has made under the order.

25           The brief filed by the importer here today

1 attempts to refute these conclusions in several  
2 unsupportable ways. It contends that strong domestic  
3 and foreign demand for activated carbon will prevent  
4 the domestic industry from suffering a return to  
5 injury. This assertion is incorrect for several  
6 reasons.

7 As Mr. Thompson testified, demand was  
8 growing during the original period of investigation as  
9 well. That growth did not shield the domestic  
10 industry from material injury caused by the subject  
11 imports. Just as during the original investigation  
12 period, it would not shield the industry now from  
13 significant increases of those imports backed by an  
14 almost unlimited supply that undersell the industry,  
15 take market share, drive down prices and offset the  
16 beneficial effects of increasing demand.

17 The Chinese industry has the capacity to  
18 overwhelm the U.S. market with demand, increasing even  
19 at the current rates, given the huge increases it's  
20 made in its production capacity. Respondents cite to  
21 predictions of huge increases in demand primarily as a  
22 result of new EPA mercury abatement regulations for  
23 coal-fired power plants.

24 As you've heard from our industry witnesses,  
25 however, these regulations do not require compliance

1       until 2015 or '16 and perhaps beyond, depending on  
2       delays or waivers that may be granted. That's beyond  
3       the reasonably foreseeable period the Commission  
4       normally looks to in predicting the likely price and  
5       volume effects of subject imports in sunset decisions.

6               These regulations are also subject to  
7       multiple legal challenges that have delayed  
8       implementation in the past and may well do so again.  
9       The cost of compliance, along with the low cost of  
10      natural gas, has many utilities considering closing  
11      their coal-fired plants in favor of gas-fired plants,  
12      as we documented in our prehearing brief.

13             So the timing and eventual amount of demand  
14      that will be generated remains speculative at this  
15      point if and when compliance becomes mandatory. In  
16      addition, an influx of additional subject imports that  
17      undersell the domestic industry would come now at a  
18      time when the domestic producers are bringing on new  
19      capacity, including a new domestic producer.

20             The industry currently has more capacity  
21      than it's likely to be able to absorb by the increased  
22      demand that we are looking toward over the next two  
23      years. Thus, an increase in low-priced subject  
24      imports will have a greater impact during this period  
25      of underutilized domestic capacity.

1           The importers' claims that subject import  
2 prices would not significantly undersell the like  
3 product and depress domestic prices are based solely  
4 on four examples of bid results for one importer of  
5 Chinese activated carbon that was not the low bidder  
6 on those particular examples.

7           Public Chart 11 in your packet, taken from  
8 the prehearing report, directly disproves the  
9 importers' claims when compared with the strong  
10 evidence of significant and pervasive underselling  
11 across all three pricing products involving millions  
12 of pounds of activated carbon. Even with the order in  
13 place, such arguments by the importer are  
14 unconvincing.

15           Finally, the Respondents have claimed that  
16 the orders should be revoked because the domestic  
17 industry is not in a vulnerable condition during a  
18 period of healthy demand and when the industry has  
19 shown some optimism by investing in the new capacity.

20           Of course, the statute does not require the  
21 Commission to find the industry vulnerable in order to  
22 find that material injury will return, but the  
23 domestic industry's decline in material injury during  
24 the original investigation period, despite the  
25 increasing demand, demonstrates that healthy demand

1 can't shield the industry from return from a material  
2 injury if the order is revoked.

3 The Chinese activated carbon industry has  
4 the capacity to overwhelm the U.S. market even at the  
5 level of demand that we're facing now and over the  
6 reasonably foreseeable period. When they do so, it  
7 will be at aggressively low and lower prices than we  
8 see now, and that combination of increasing dumped  
9 imports at low prices that undersell the market will  
10 prevent the domestic industry from benefitting from  
11 the long-term demand growth for which it has  
12 substantially invested and instead push the industry  
13 back into an injured state.

14 We ask you again to look back at  
15 Confidential Charts 1 and 2 showing the strong causal  
16 nexus between subject imports and the condition of the  
17 domestic industry. Those charts not only tell the  
18 story of what happened when the order was put in  
19 place; they also provide the blueprint of what happens  
20 if the order is removed. Increased volumes of  
21 low-priced subject imports will significantly  
22 undersell the domestic industry at even greater  
23 margins than they do now, cause price depression and  
24 push the domestic industry back to the same injured  
25 condition it was in in 2005.

1                   Thank you for your attention. That  
2 concludes our testimony today, and we're happy to take  
3 questions. Thank you very much.

4                   CHAIRMAN WILLIAMSON: Thank you. I want to  
5 express the Commission's appreciation to all the  
6 witnesses for taking time from their businesses to  
7 come today. We'll begin this morning our questioning  
8 with Commissioner Pinkert.

9                   COMMISSIONER PINKERT: Thank you, Mr.  
10 Chairman, and I join the Chairman in thanking all of  
11 you for taking the time out to be here today and to  
12 help us understand these issues.

13                   I want to begin with some questions for Mr.  
14 Leen about the assumptions that ADA made in  
15 undertaking the investment in domestic production. I  
16 believe I heard you say that the company assumed that  
17 there would be fair market pricing. Did you make  
18 specific assumptions about what import pricing would  
19 be?

20                   MR. LEEN: Brian Leen. We made range  
21 assumptions based on the information that we had  
22 available to us, public studies and those kinds of  
23 things, but we made some range of assumptions based  
24 upon what we were able to get from publicly available  
25 studies on the prevailing market prices at the time.

1                   COMMISSIONER PINKERT: Could you supply any  
2 documentation that reflects the assumptions the  
3 company made at that time?

4                   MR. LEEN: No, we did not.

5                   COMMISSIONER PINKERT: But could you for the  
6 posthearing?

7                   MR. LEEN: That's something that we could do  
8 on the posthearing brief. Sure.

9                   COMMISSIONER PINKERT: Thank you. And in  
10 fact, and perhaps this is directed toward the entire  
11 panel. Has there been fair market pricing since the  
12 order went into effect?

13                   And what I mean by that is has either the  
14 dumping margin been passed through to the pricing in  
15 the U.S. market or have the dumping margins been  
16 eliminated?

17                   MR. LUBERDA: Commissioner Pinkert, this is  
18 Alan Lubberda. The dumping margins certainly have not  
19 been eliminated. They're very substantial, as I  
20 alluded to in my testimony.

21                   There have been affirmative dumping margins  
22 for the vast majority of producers throughout the  
23 period of review, and there was certainly prices  
24 increased substantially after the order so we presume  
25 that there was some pass-through. I couldn't say that

1 there was a complete pass-through. I mean, that would  
2 be something you'd have to ask the importers.

3 But the underselling that's been fueled by  
4 those high dumping margins remains quite high in the  
5 market and is continuing to create some drag on  
6 pricing in the marketplace. I think the witnesses can  
7 further testify to that.

8 MR. O'BRIEN: This is Bob O'Brien. I think  
9 in support of what Alan said, we are not able to  
10 completely discern whether the importers pass along  
11 the antidumping margins to their end users, but  
12 certainly we have seen there has been a positive  
13 effect from the tariff pricing. Pricing has gone up.

14 There's been some ebbs and flows in the  
15 level of tariff that has been set by the  
16 U.S. Department of Commerce over the years, but it has  
17 had a positive effect in the pricing in the general  
18 marketplace in the U.S.

19 COMMISSIONER PINKERT: Any other comments on  
20 the panel on that issue?

21 (No response.)

22 COMMISSIONER PINKERT: Okay. Now I want to  
23 turn to the nonsubject imports. I have a series of  
24 questions about that. Are the nonsubject imports  
25 primarily coconut based rather than the product sold

1 by the subject importers, as well as the domestic  
2 industry?

3 MR. O'BRIEN: This is Bob O'Brien. Let me  
4 answer that. We're one of the world's largest  
5 distributors, Calgon Carbon, of coconut-based  
6 products, so we source coconut products for our  
7 customers worldwide and also customers in the U.S.

8 We sell a considerable amount of products  
9 that are not under the Chinese antidumping order.  
10 Coconut carbons are different from the coal-based in  
11 many aspects, and the general markets that they are  
12 sold in do not overlap with coal-based products.

13 There is some overlap, but generally  
14 speaking the largest markets for coconut carbon are  
15 things like the gold mining industry, the cigarette  
16 industry and the like. So there are specific markets  
17 where those products are targeted for and the specific  
18 customers where those products are sold to.

19 COMMISSIONER PINKERT: Mr. Thompson?

20 MR. THOMPSON: Yes. Mr. Thompson. We also  
21 import, being a Dutch company. We bring in our  
22 products that we produce in the Netherlands, as well  
23 as the U.K., which are different products. They may  
24 be based out of peat, coconut, wood. So they are  
25 various raw materials for specific applications, so

1 they're a very specialized type carbon.

2 MR. LUBERDA: Commissioner Pinkert? This is  
3 Alan Luberda. Just to add, if you look at Public  
4 Slide 5 that we provided you Sri Lanka, India,  
5 Indonesia, the Philippines, so four of the top six  
6 import sources for activated carbon in 2011, were  
7 primarily coconut-based sources.

8 China is really the only extremely large  
9 source of coal-based activated carbon other than the  
10 United States.

11 COMMISSIONER PINKERT: So just to tie the  
12 testimony together, is the panel saying that the  
13 nonsubject imports primarily supply different  
14 customers than the domestic like product and the  
15 subject imports on the other hand?

16 MR. O'BRIEN: This is Bob O'Brien. I would  
17 say generally speaking that's true. That's what we're  
18 saying. Generally the coconut carbon is targeted for  
19 different uses than coal-based. There is some small  
20 amount of overlap, but generally they're targeted at  
21 different applications.

22 COMMISSIONER PINKERT: Mr. Thompson?

23 MR. THOMPSON: Mr. Thompson. We would agree  
24 with that.

25 COMMISSIONER PINKERT: Mr. Hudgens?

1           MR. HUDGENS: I would also point out that if  
2 you look at the confidential table, Table I-1, that  
3 you'll see prior to the imposition of the order the  
4 nonsubject imports were priced significantly higher  
5 than the subject imports so there's definitely a price  
6 difference between the coconut product and the  
7 coal-based product from China.

8           COMMISSIONER PINKERT: Thank you. Now,  
9 there's been some reference to average unit value data  
10 in the testimony and in the briefs. How reliable are  
11 average unit value data in this market, particularly  
12 given some of the difference that you've already  
13 testified about between the different products?

14          MR. LUBERDA: We were talking about this  
15 among ourselves yesterday, and the average unit values  
16 have some reference points. Obviously we used it  
17 today in our presentation because it's the one public  
18 thing that we can show you and show you the  
19 difference, have a discussion. So much of the record  
20 is proprietary so it makes it more difficult to  
21 discuss.

22           But if you look there is I think a general  
23 correlation, but there's clearly a product mix issue  
24 so that you wouldn't rely strictly on that to talk  
25 about price suppression or pricing, but you've got

1 very substantial data on the pricing products, and the  
2 trends you see in AUVs are precisely the trends you  
3 see in the pricing products.

4 I don't know if anybody else on the panel  
5 wants to comment on the general equivalency of the  
6 AUVs, imports and exports, et cetera.

7 MR. O'BRIEN: This is Bob O'Brien. I'm not  
8 sure I can answer the question specifically, but we  
9 make a wide range of products coal-based and the  
10 Chinese make a wide range of products coal-based --  
11 different mesh sizes, different levels of activity --  
12 that go to different markets, so the products they  
13 make basically duplicate what we're capable of making.

14 So depending on the product there will be  
15 different cost basis, different selling prices, but in  
16 general they are able to and willing to price at a  
17 lower amount throughout the product range that we  
18 offer.

19 COMMISSIONER PINKERT: Thank you. Lastly  
20 for this round, why don't we observe, as we do in so  
21 many cases, demand dropping way down during the  
22 2008-2009 period when the recession was at its  
23 deepest?

24 MR. O'BRIEN: Again, this is Bob O'Brien.  
25 Let me answer that. In certain parts of our business

1 we did see big declines. Generally the parts of our  
2 business that service industry we saw a big dropoff  
3 that in fact has not yet come back, so we're still  
4 operating at levels that are less than where we were  
5 selling in 2008.

6 A lot of the products that we sell at Calgon  
7 are going to applications that are for environmental  
8 control and so some of our opportunities are dependent  
9 on regulations set by the EPA. So we saw for our  
10 business as the market went down for our traditional  
11 customers as a result of the general economy we saw  
12 some boosts in markets in water treatment and in part  
13 a little bit from mercury that were set based on EPA  
14 regulations. So for our business we sort of ended up  
15 with that balancing off.

16 MR. THOMPSON: Yes. Mr. Thompson here. I  
17 would agree with Mr. O'Brien. We do see dropoff in  
18 certain segments of the business, but then you see  
19 things like food, water that are more population  
20 driven and market demand for the product itself, so  
21 those tend to ride through a recessionary environment,  
22 which is what we've seen in the activated carbon  
23 industry in the past. So you don't see ours being as  
24 cyclical as you would in other industries.

25 And then in 2008 we had the Illinois market

1 for mercury control come into play, so that provided a  
2 growth in the industry at that specific time that the  
3 recession was happening.

4 COMMISSIONER PINKERT: Thank you very much.  
5 Thank you, Mr. Chairman.

6 CHAIRMAN WILLIAMSON: Okay. Thank you.  
7 Commissioner Johanson?

8 COMMISSIONER JOHANSON: Thank you, Mr.  
9 Chairman, and I would also like to thank the witnesses  
10 for appearing here today.

11 The Respondents describe coal shortages in  
12 their response to the notice of initiation and in  
13 their brief. Has the U.S. industry been constrained  
14 by its ability to obtain coal?

15 MR. THOMPSON: Mr. Thompson here. Speaking  
16 for ourselves at Norit, raw materials is something  
17 that's critical to our business. You need the raw  
18 materials for producing activated carbon, so that's  
19 part of our strategies and plans is to make sure that  
20 we have that source of materials. And so the  
21 availability of the type of coal that we need has not  
22 been a constraint to any of our growth and production  
23 needs.

24 MR. O'BRIEN: This is Bob O'Brien. I would  
25 echo Ron in saying that raw materials are certainly a

1 critical part of our manufacturing, and we have been  
2 able to get raw materials, our coal-based raw  
3 materials. We use, generally speaking, a high grade  
4 metallurgical grade coal that goes into our products.

5 Cost control is not something that has been  
6 easy for us to achieve. In our raw materials we're  
7 subject to seeing the costs vary as mining companies  
8 in the U.S. see markets both for the U.S. and also  
9 outside of the U.S. to sell these products.

10 So we've been able to get raw materials to  
11 make our products, but our costs continued to increase  
12 throughout the period from 2007 until we sit today.  
13 That takes up, frankly, a pretty significant part of  
14 our effort from a manufacturer looking to be able to  
15 control those costs. And it's critical for us that  
16 we're able to pass along those costs to our customers  
17 over the long term. That's something before the order  
18 went in that we were really struggling to do in the  
19 time period of 2005-2006.

20 COMMISSIONER JOHANSON: Is the cost of coal  
21 going down, or has it gone down? I know with the  
22 growing prevalence of using natural gas that I assume  
23 that the prices of coal are softening.

24 MR. O'BRIEN: Again, this is Bob O'Brien  
25 again. There are different types of coals, so the

1 type of coal that is impacted by the price of natural  
2 gas is the coal that would be burned or fuel, what I  
3 would call thermal coal. So that pricing has seen a  
4 decline.

5 Generally the coal that's used to make  
6 activated carbon and the coal that we buy again is a  
7 metallurgical grade coal, and that coal is typically  
8 used in the steel industry to make coke and so that  
9 has different drivers that are driving that cost, and  
10 that has been substantially increasing over the last  
11 five or six years.

12 Now, in the last year or two it's had some  
13 little peaks and valleys, but if you look back at  
14 where it was in 2005, 2006, it has significantly  
15 increased in cost. So in the coal market you sort of  
16 have to separate it. It's not all one product. There  
17 are different types of coals that have different  
18 things influencing their pricing.

19 MR. LUBERDA: Commissioner Johanson, just  
20 one little point there, and that is the premise of the  
21 question that there are coal shortages in China. I'm  
22 not sure we agree with that premise that the  
23 Respondents have posited, and I wonder if, Mr.  
24 O'Brien, you could tell what you know about Chinese  
25 coal supplies based on your experience in China?

1           MR. O'BRIEN: I think China actually has  
2 more coal reserves than the United States, I believe.

3           There is coal in China that is available for the  
4 manufacturers there to be able to make their products.

5           I visited a number of manufacturers because we do  
6 purchase some coal in China that we use to supply our  
7 customers in Asia, and they are able to meet our  
8 demands.

9           In fact, many, many of them that I met with  
10 are also planning on expanding production quite  
11 significantly, as Alan Lubberda had mentioned. So coal  
12 shortages may again be something that sporadically  
13 happens within a given region in China, but long-term  
14 and even in the short-term that's an issue that the  
15 manufacturers there are able to overcome.

16           COMMISSIONER JOHANSON: As a followup to the  
17 question that I just posed to you all, some importers  
18 and purchasers have reported that imported activated  
19 carbon from China often cannot be used interchangeably  
20 with U.S. produced activated carbon. Are there  
21 differences in the physical characteristics of certain  
22 activated carbon produced in the United States and  
23 China as a result of such factors as the type of coal?

24           Mr. O'Brien?

25           MR. O'BRIEN: Again, this is Bob O'Brien.

1 We produce products to a certain set of  
2 specifications, and those specifications generally are  
3 what we would call activity over the surface area  
4 within the activated carbon how much material given  
5 granular or a pound of activated carbon can absorb.  
6 So that's a key parameter. Particle size is a key  
7 parameter. Hardness is a key parameter.

8 So we produce to certain specifications and  
9 we have a variety of products that we offer. I can  
10 tell you that the Chinese manufacturers certainly  
11 market that they can produce products that meet those  
12 specifications.

13 They basically tell our new customers and  
14 our existing customers that they can produce products  
15 that meet those specifications, so my statement would  
16 be that the products made in China are highly  
17 substitutable for the types of products that we can  
18 make in the United States.

19 COMMISSIONER JOHANSON: Does the type of  
20 coal, though, does that impact the product as far as  
21 you are concerned, any of you are concerned, such as  
22 the coal produced in China and the United States?

23 MR. THOMPSON: This is Mr. Thompson here.  
24 My answer to your question is yes, but that's built  
25 into the specification of the product. So the raw

1 materials are an integral part of the activated carbon  
2 specification. The quality of the coals are available  
3 in China to produce what's needed for the quality.

4 MR. LEEN: This is Brian Leen. We have  
5 limited experience with Chinese imported products, but  
6 during the early phase of the development of our  
7 company we needed to import certain products while our  
8 plant was being built, and our experience at that time  
9 was that there's a wide range of products from China  
10 that would have been appropriate for the application  
11 that we intended to put it in.

12 COMMISSIONER JOHANSON: Are there  
13 differences in the market served by domestic and  
14 imported activated carbon and do domestic producers  
15 dominate certain segments of the end user market as  
16 opposed to imported product?

17 MR. O'BRIEN: This is Bob O'Brien.  
18 Generally the imports sell in essentially all the  
19 markets that we participate in.

20 The only market, and it's a market that  
21 Calgon has specifically. We're the manufacturer and  
22 have been for probably 60 years of the carbon that's  
23 used in military gas masks, so we make the carbon to  
24 protect the troops from poisonous gases in warfare,  
25 both personnel with gas masks and also protection for

1 tanks and ships and the like.

2 That actually is the only market that we  
3 have a level of protection from the Chinese imports.  
4 Other than that, we see them in all the other markets  
5 that we sell our product into.

6 COMMISSIONER JOHANSON: All right. Thank  
7 you. And the reason I'm asking that is, as you all  
8 might be aware, the Respondents contend different on  
9 this issue so perhaps I'll hear from them on this same  
10 issue this afternoon.

11 Table III of the prehearing report suggests  
12 that the domestic industry exports are not in  
13 substantial volume of activated carbon with average  
14 unit values that exceed those of its own U.S.  
15 shipments. How is it that the U.S. industry is  
16 capable of competing relatively successfully in the  
17 largely unprotected global market?

18 MR. O'BRIEN: This is Bob O'Brien again.  
19 I'm not sure how the data actually gets presented, but  
20 I'm responsible for our global sales and certainly the  
21 pricing that we see in Europe and Asia is lower than  
22 the pricing for products, like products that we see in  
23 the U.S. as a result of the antidumping action being  
24 in force.

25 So we look to sell our capacity. Some of

1 our capacity goes to those markets of Europe and in  
2 Asia, and where we do sell them there we are selling  
3 generally at significantly lower prices than we sell  
4 in the U.S. There may be a small product mix  
5 differentiation which accounts for the way that the  
6 data is generated, but there is a significant price  
7 difference for our products outside the U.S.

8 COMMISSIONER JOHANSON: And do you know why  
9 that is the case?

10 MR. O'BRIEN: Well, because we're competing  
11 against the Chinese in many instances in Europe and  
12 Asia without the antidumping protection.

13 COMMISSIONER JOHANSON: Okay. Thank you for  
14 your responses. That concludes my time.

15 CHAIRMAN WILLIAMSON: Commissioner  
16 Broadbent?

17 COMMISSIONER BROADBENT: Thank you. I want  
18 to thank the witnesses for all their testimony.

19 Let's see. As I'm looking at the record  
20 here, and you can help me through this a little bit,  
21 but it looks like this industry has been doing  
22 extremely well during this period that the order has  
23 been in effect. Its market share is higher than  
24 during the original period of investigation.  
25 Production and sales revenues have increased over the

1 period of review, and profits are at a -- I have never  
2 seen -- I've been here three months, and we haven't  
3 seen any industries with profits this high at this  
4 point.

5 I think we can talk about demand in a few  
6 more minutes, but in my view it's going to be growing  
7 substantially in the next few years. I mean, at what  
8 point do we start revoking orders? I mean, what is  
9 the level of profitability that you would think would  
10 be a fair result in this industry that would lead us  
11 to not be worried and concerned that the dumping would  
12 reoccur? I mean, this is really an extraordinary  
13 situation in terms of your performance recently.

14 MR. HARTQUIST: Commissioner Broadbent, I  
15 would respond that the evidence that we've presented  
16 and that is in the staff report indicates that the  
17 Chinese are, as we said, continuing to dump their  
18 product in the United States.

19 The antidumping order has undoubtedly helped  
20 the domestic industry. There is a huge overhang of  
21 excess capacity in China, and without the order it  
22 seems quite apparent to us that the Chinese will rush  
23 back in and the conditions under which we originally  
24 brought the case in 2006 will recur.

25 As to what's an appropriate level of

1 possibility --

2 COMMISSIONER BROADBENT: Profitability.

3 MR. HARTQUIST: Of profitability. I think  
4 we'd rather comment on that in the brief because that  
5 really gets to the funds that would be available to  
6 make investments as this industry has made  
7 investments. It relates to their cost structure,  
8 which of course is confidential information and, as  
9 you indicated, to projections of what's going to  
10 happen in terms of demand in the marketplace.

11 But the main point that we're trying to make  
12 here is that despite the fact that things are pretty  
13 good now there's a very uncertain future ahead, and if  
14 this order goes away those imports will come rushing  
15 back in and the industry will soon be in a position of  
16 material injury as they were in 2006.

17 MR. LUBERDA: Commissioner Broadbent, if I  
18 could just add one point? As a legal proposition,  
19 there is no specific profitability level that is a  
20 bright line as to when an industry would continue to  
21 do well or not.

22 The question is not so much how well they're  
23 doing now, though that's an important part of your  
24 discussion. The question is what happens, what are  
25 the conditions of the marketplace now that would allow

1 if the Chinese come back in allow them to stay at this  
2 sort of profitability level, or will it erode quickly?

3 And so you don't have to find vulnerability  
4 to find that this industry would return to injury, but  
5 the question is what happens when the Chinese come  
6 back? Looking at their propensity and where the  
7 pricing is, our very real concern is that what happens  
8 is that prices plummet and all the conditions that  
9 have allowed the industry to make the kind of  
10 profitability they're making now and to do  
11 reinvestment will be gone.

12 COMMISSIONER BROADBENT: But there's been  
13 significant opportunities for investment. You've had  
14 the new entry of ADA into the market.

15 MR. LUBERDA: Yes. That's right. We've had  
16 the new entry of ADA, who is not yet fully using its  
17 capacity. You can look at all of the indicators for  
18 ADA in the staff report.

19 With underutilized capacity, that's going to  
20 make the market all that much more price sensitive to  
21 large volumes of Chinese material coming into the  
22 market that undersell the domestic industry. I don't  
23 know if any of the domestic producers themselves would  
24 like to comment on that.

25 MR. O'BRIEN: As I stated, I've been with

1 Calgon a very long time, and I know what the situation  
2 that we were in in 2005 and 2006, and it was a pretty  
3 desperate situation for our company. Without the  
4 antidumping order, we considered a lot of actions that  
5 we needed to take to frankly stave off bankruptcy,  
6 which we were looking at.

7 I mentioned that we had considered shutting  
8 our facilities, becoming a trader because we did not  
9 think that we could compete and make investments in  
10 our U.S. production over a long-term basis. Certainly  
11 my belief and my fear is that that situation will  
12 return if the antidumping order is in fact revoked.

13 We've been able to achieve a decent level of  
14 profitability; certainly not a level that our  
15 shareholders expect or demand, but we have improved  
16 our operating performance over five years. As a  
17 result of that, we've been able to take some of the  
18 profits that we've generated. We've reinvested it  
19 into our facilities both to increase production and  
20 also to reduce costs.

21 So we recognize that we have a long-term  
22 obligation to try and get our costs in order to be  
23 able to compete on a global basis. At some time this  
24 order is going to be revoked, whenever that is. We  
25 know we have that obligation. We are working hard to

1 do it.

2 We do not think this is the time to in fact  
3 revoke the order, and I can only reiterate that it's  
4 our view at Calgon that without the order in place we  
5 would go back to the times very, very quickly of 2005  
6 and 2006 with the Chinese imports coming in.

7 COMMISSIONER BROADBENT: Okay. Thank you.

8 MR. HARTQUIST: Commissioner Broadbent, if I  
9 can just add very briefly? This is Skip Hartquist.

10 If the record showed that the Chinese  
11 companies were dumping no longer, and this is a tactic  
12 that many Respondents take in these cases. They will  
13 say okay, we've got to clean up the situation here,  
14 and during this period leading up to a sunset review  
15 we've got to behave ourselves in the marketplace and  
16 not dump the products. Then I think the Respondents  
17 would have a different argument.

18 But that is not the case today. They  
19 continue to dump. The record shows significant  
20 dumping even while the order is in effect.

21 COMMISSIONER BROADBENT: Mr. Hartquist, I'm  
22 a little confused about that because I'm trying to get  
23 a sense on what the margins are that we've had after  
24 all these AD reviews and how much is coming in under  
25 these 1 and 2 percent margins and why those, Mr.

1 Luberda, you had indicated were significant margins.  
2 Are there other margins I should be looking at?

3 MR. LUBERDA: Commissioner Broadbent, these  
4 aren't 1 to 2 percent margins. These are margins that  
5 are specific rates, so they're 44 cents a kilogram/20  
6 cents a pound on products that are selling at anywhere  
7 from 80 cents to \$1.50 a pound and they go up to \$2.40  
8 a pound or a kilogram.

9 So you're talking about 20 cents to over \$1  
10 a kilogram. Those are really large margins. The  
11 Chinese have been able to sell into this market with  
12 those margins up and down, depending on the margins go  
13 up sometimes. If their prices go up the margins go  
14 down. If their prices go down, the margins go up.

15 The level of activity they had in the market  
16 they've been able to maintain with this dumping,  
17 continuing to undersell and keep this volume. If they  
18 don't have the discipline of the order then all bets  
19 are off. They can ship as much as they want at  
20 whatever price they want. They're already the low  
21 price in the market.

22 COMMISSIONER BROADBENT: I'm sorry. What is  
23 the sort of approximate percentage rate of that duty?  
24 You said it's a specific duty. I can't do it in my  
25 head here.

1           MR. HERRMANN: Just to clarify, these are  
2 the duty rates from the most recently announced fourth  
3 administrative review that came out after the staff  
4 report.

5           If you're looking at a specific rate of 44  
6 cents a pound, if you assume kind of an average  
7 selling price perhaps of let's say \$1.50 that would be  
8 roughly a, what, 30 percent margin.

9           COMMISSIONER BROADBENT: So the majority of  
10 imports from China are coming in under roughly  
11 ballpark 30 percent margins then, not low 1 to 2  
12 percent margins?

13          MALE VOICE: Absolutely.

14          MR. LUBERDA: The separate rate from the  
15 Commerce Department's recent administrative review was  
16 \$1.04 a kilogram.

17          There were two mandatory Respondents.  
18 Jacobi received a specific rate of 44 cents a  
19 kilogram, Cherishment received a specific rate of  
20 \$2.11 a kilogram, and the separate rate calculated by  
21 the Commerce Department was \$1.04.

22          COMMISSIONER BROADBENT: Okay. Well, I  
23 guess maybe the staff can help me in the posthearing  
24 just to sort of understand the percentage of imports  
25 that are affected by those duties.

1                   Can you talk a little bit about demand and  
2 why you think it's not going to increase?

3                   MR. LEEN: This is Brian Leen with ADA  
4 Carbon Solutions. I think in response to that  
5 question I'll respond also to the previous question  
6 that you asked.

7                   We made our commitment of capital,  
8 significant capital, based on a couple of factors in  
9 building this business, and one was the existence and  
10 expected implementation of the Clean Air Mercury Rule,  
11 which was the predecessor to the current Mercury Air  
12 Toxic Standard.

13                   The rule was actually promulgated in 2005  
14 and was anticipated to go into full effect by 2010.  
15 It was subsequently vacated in 2008 by Court order,  
16 and this happened just after we began making the  
17 commitments to build this additional capacity. We  
18 also made that commitment to build that additional  
19 capacity, as I testified earlier, under the  
20 expectation that the market prices that existed under  
21 this order would continue to prevail.

22                   So the concerns we have about the going  
23 forward demand I think are well justified considering  
24 that our original investment thesis was based on the  
25 implementation of a piece of mercury regulation that

1 was very shortly after we began to commit capital  
2 vacated by the Courts.

3 It was then replaced by the Mercury Air  
4 Toxic Standard, and that order has now been  
5 promulgated as of early 2012 with expectations that it  
6 will go into effect in '15 or '16 if it stands as  
7 written. But once again, it's facing the same legal  
8 challenges that the Clean Air Mercury Rule faced and  
9 so the final content of that rule and the timing of  
10 its implementation are still very much a question  
11 mark.

12 In addition to that, there's a significant  
13 amount of nonactivated carbon technology development  
14 in the market today and development aimed at helping  
15 utilities achieve mercury compliance. So the eventual  
16 again content of the ruling, the timing of that rule,  
17 the industry response to that rule, meaning how much  
18 coal do they shut down in favor of natural gas, and  
19 then finally the success of alternative nonactivated  
20 carbon technologies. All of these things make the  
21 future demand for activated carbon in the area that  
22 we're primarily focused, mercury control, very  
23 uncertain.

24 COMMISSIONER BROADBENT: Okay.

25 CHAIRMAN WILLIAMSON: Thank you. The report

1 marked Business Proprietary at Exhibit 4 of the  
2 Petitioners' prehearing brief has a table on page 130  
3 that shows past and projected demand for activated  
4 carbon by market sector.

5           Either now or posthearing could you tell us  
6 whether you think the historical data in this table is  
7 approximately correct and that the projections are  
8 reasonable? And if you don't think they are  
9 reasonable, you know, can you give us your  
10 projections, estimates of current and future demand by  
11 market segment.

12           MR. LUBERDA: We'll do that posthearing, Mr.  
13 Chairman.

14           CHAIRMAN WILLIAMSON: Okay. Good. You can  
15 also include any evidence you have to support your, if  
16 you are coming up with your own estimates, you know,  
17 what's the basis for those.

18           MR. LUBERDA: Sure. We'll do that, Mr.  
19 Chairman.

20           CHAIRMAN WILLIAMSON: Okay. Thank you.  
21 This is also for ADA. Did ADA use the same technology  
22 and Calgon and Norit to produce its activated carbon?

23           Mr. Leen?

24           MR. LEEN: We're not absolutely certain what  
25 the different technologies are that each company

1 practices. We do practice a thermal activation of  
2 lignite-based coal which we believe is very similar to  
3 what Norit does. We're not certain what exactly the  
4 manufacturing process is that Calgon implements.

5 CHAIRMAN WILLIAMSON: Okay. Do you produce  
6 both powdered and granularly-activated carbon?

7 MR. LEEN: No. We only manufacture powdered-  
8 activated carbon.

9 CHAIRMAN WILLIAMSON: Okay. If you can say  
10 now, do you produce activated carbon exclusively from  
11 coal or do you use other raw materials as well?

12 MR. LEEN: No. We produce activated carbon  
13 exclusively from coal.

14 CHAIRMAN WILLIAMSON: Okay. Thank you for  
15 those answers. Exhibit 2 of the Respondents'  
16 prehearing brief notes that activated carbon products  
17 may have third party certificates, such as NSF, USP,  
18 EPA registration and Kosher, and that these can be  
19 expensive to maintain. I was wondering, how prevalent  
20 are such certifications, and are they required for  
21 particular forms or grades of activated carbon. Mr.  
22 O'Brien?

23 MR. O'BRIEN: This is Bob O'Brien. Usually  
24 those such as NSF certification is required when the  
25 product is being used in water treatment, whether it's

1 large municipal water plants or even home water  
2 filters, and so NSF is the firm that basically does  
3 the testing and certification that the carbon is  
4 manufactured in a manner that would make the finished  
5 product meet those standards. We do have those  
6 certifications, as do many of the manufacturers in  
7 China have those certifications.

8           There are some FDA requirements if the  
9 carbon is used in food purification, and the carbon  
10 has to be certified for that. Again, that type of  
11 certification is available both to domestic  
12 manufacturers and manufacturers based in China.

13           CHAIRMAN WILLIAMSON: Okay. Are these  
14 certifications expensive to obtain? How expensive are  
15 they?

16           MR. O'BRIEN: Relatively speaking, the  
17 actual cost of getting the certification isn't that  
18 high, but you do have to make sure that you're  
19 operating your facilities in a manner that will be  
20 consistent so that you would produce a product that  
21 would consistently meet these standards.  
22 Organizations such as NSF come into plants and  
23 periodically take samples that they test themselves to  
24 ensure that the products are consistent in meeting the  
25 standards and deserving of their certification.

1 CHAIRMAN WILLIAMSON: Okay. Sure.

2 MR. THOMPSON: Mr. Chairman, this is Mr.  
3 Thompson.

4 CHAIRMAN WILLIAMSON: No. Mr. Thompson, I'm  
5 sorry. Go ahead.

6 MR. THOMPSON: I was going to say the  
7 Chinese, if you pull up and look at most of the  
8 manufacturers of the Chinese carbons you'll find those  
9 certifications on their website, so they're readily  
10 available. The cost is varied. Some of them are very  
11 insignificant. Like the Kosher standard is, you know,  
12 basically you pay the fee and get that Kosher  
13 certification. So it ranges, but the point is the  
14 Chinese have all of those as well.

15 CHAIRMAN WILLIAMSON: Okay. So my next  
16 question was going to be, but I think you may have  
17 answered it, whether or not these certifications limit  
18 competition between the domestic product and the  
19 imported product. It seemed like you're saying no.

20 MR. THOMPSON: Yes. Mr. Thompson here.

21 CHAIRMAN WILLIAMSON: Yes.

22 MR. THOMPSON: The answer is no. You need  
23 the certifications as a specification for that  
24 particular customer and so that's a requirement and  
25 the importer will get that requirement, just like we

1 have that in other countries that we sell to. We have  
2 similar standards in Europe and Asia so that you have  
3 to have those certifications if you want to sell to  
4 that particular customer.

5 CHAIRMAN WILLIAMSON: Okay, but it doesn't  
6 seem to be, so it's not really a problem for --

7 MR. THOMPSON: It's not an issue.

8 CHAIRMAN WILLIAMSON: -- producers. Okay.  
9 Thank you. What market segments or industries consume  
10 most of the domestically-produced activated carbon,  
11 and either now or posthearing, can you provide  
12 approximate shares of U.S. production that have gone  
13 to each of these market segments during the period of  
14 review, and has there been a change in these shares?  
15 Some of this you may have alluded to in your  
16 testimony. Anybody can clarify it?

17 MR. HARTQUIST: Yes. We'll certainly  
18 respond to that, Mr. Chairman, but since it involves  
19 confidential estimates of the shares in each market  
20 segment, we'd like to do that in the brief.

21 CHAIRMAN WILLIAMSON: Okay. Thank you.  
22 Apparent consumption of course has grown significantly  
23 and I'm just trying to figure, you know, what are the  
24 reasons for that. How much would you have attributed  
25 to the environmental concerns that you've talked a lot

1 about, the mercury standards and all that, and are  
2 there other demand drivers?

3 MR. THOMPSON: This is Mr. Thompson here.  
4 There has been demand, as we talked about earlier,  
5 demand growth for mercury control, the largest of  
6 which was the State of Illinois which went into effect  
7 in 2008 which drove demand. There's been increased  
8 demand in the water segment which is the disinfection  
9 byproduct rule which has gone into place this year.  
10 So there has been demand growth, but from a regulatory  
11 front.

12 As we talked about earlier, you also then  
13 have the drop from the recession in several of the  
14 segments and so you've got to put all that together.  
15 One other part about Illinois I think it's also  
16 important to note is while there was a demand growth  
17 in 2008, that demand has been declining as recent with  
18 natural gas pricing, as well as efficiency in other  
19 technology uses, which is what Mr. Leen had talked  
20 about earlier, so it's these things, you know. The  
21 two primary growth demands in our industry have been  
22 the water segment and the mercury control.

23 MR. LUBERDA: Chairman Williamson, just to  
24 clarify a little something, and actually, going back  
25 to Commissioner Broadbent's point, too, I want to make

1 clear that we are not saying that demand is not  
2 growing for this product. We recognize demand has  
3 grown throughout, you know, before the order and  
4 during the order. What we are saying is that demand  
5 right now is not growing at a level that could  
6 tolerate a large influx of underselling Chinese  
7 product. They could swallow this market whole and  
8 hardly notice it. So it's not that demand is not  
9 growing, it's simply not growing sufficiently to  
10 prevent the kind of price depression we would see if  
11 the Chinese come into the market.

12 Then in terms of whether, you know, what the  
13 long-term growth is, the sort of big spikes in demand  
14 that have been periodically predicted as a result of  
15 MATS and other environmental controls, what we're  
16 saying is those have been somewhat delayed, as Mr.  
17 Thompson said, they've started to decline a little bit  
18 right now and they've been delayed in terms of what  
19 might happen in the future. That remains speculative.

20 The sort of normal growth has been happening and, you  
21 know, we think will continue on some level, just not  
22 large enough to adjust to the kind of influx of dumped  
23 and underselling Chinese imports.

24 CHAIRMAN WILLIAMSON: Okay. Thank you.  
25 Okay. The Respondents' prehearing brief at Exhibit 3

1 contains a press release detailing a long-term  
2 strategy supply agreement involving ADA. Are such  
3 agreements common in this industry?

4 MR. LEEN: Brian Leen. A good portion of  
5 the contracts that we do in the utilities sector will,  
6 you know, be mid to long-term, meaning they'll be  
7 multiyear contracts. There's still a portion that  
8 are, you know, under a year and even some at will  
9 business that, you know, we do in that industry, but a  
10 good portion of them will be multiyear contracts.

11 CHAIRMAN WILLIAMSON: Okay. What effect do  
12 you think such agreements might have on the volume of  
13 subject imports if the order were revoked?

14 MR. LEEN: Well, I think that in the cases  
15 of the existing agreements, I think that customers  
16 certainly would expect their current supplier to react  
17 to lower priced imports from China, and so I think we  
18 would see, even on our existing contracts, significant  
19 pressure, if we want to retain those relationships  
20 long-term, to respond to those lower price offerings.

21 In addition, I think that the going forward  
22 opportunities would become much more difficult for us  
23 to be able to achieve. That's obviously a particular  
24 concern for us at this stage in the business  
25 development of ADA when, you know, we really are still

1 in the process of bringing our plant to full  
2 operation.

3 CHAIRMAN WILLIAMSON: Good. Okay. thank  
4 you for that answer.

5 MR. O'BRIEN: If I could comment?

6 CHAIRMAN WILLIAMSON: Sure. Okay. My time  
7 has expired.

8 MR. O'BRIEN: This is Bob O'Brien. The  
9 majority of our business is with contracts that are  
10 less than one year, so we have very few contracts that  
11 would go beyond that, so we would be subject to a loss  
12 of business if there was an influx in a very rapid  
13 fashion.

14 CHAIRMAN WILLIAMSON: Okay. Thank you.  
15 Commissioner Pearson?

16 COMMISSIONER PEARSON: Thank you, Mr.  
17 Chairman. Allow me to add my welcome to all of you.  
18 Good to have you here this morning. I was trying to  
19 remember if any of you were here five years ago, other  
20 than Mr. Hartquist, of course. You were. Okay. Both  
21 of you. Good. Okay. Fine. So you're familiar with  
22 the process and not a lot of surprises here then.  
23 We've had a few other hearings since then. My memory  
24 gets fuzzy.

25 The Chairman asked specifically of Mr. Leen

1 whether his plant was capable of making activated  
2 carbon from feed stocks other than coal, and I  
3 understand his plant is a coal only plant. How about  
4 for the other two producers?

5 MR. THOMPSON: This is Ron Thompson with  
6 Norit. We have two facilities in the United States.  
7 Marshall, Texas is coal, predominantly coal-based.  
8 It's like 99.5 percent coal-based. Our Pryor,  
9 Oklahoma is coal-based as well. So we're completely  
10 coal-based.

11 COMMISSIONER PEARSON: Okay.

12 MR. O'BRIEN: Yes. This is Bob O'Brien from  
13 Calgon. Our production facilities are geared to make  
14 products 100 percent from coal.

15 COMMISSIONER PEARSON: Okay. So is there  
16 some production in the United States of CAC from a  
17 feed stock other than coal?

18 MR. O'BRIEN: There is a manufacturer that  
19 makes activated carbon from wood, wood-based material.

20 COMMISSIONER PEARSON: The chemical process.

21 MR. O'BRIEN: Chemical in activating.

22 COMMISSIONER PEARSON: Breaking down the  
23 lignites and then going from there.

24 MR. O'BRIEN: Correct. Yes.

25 COMMISSIONER PEARSON: Mr. Thompson?

1           MR. THOMPSON: This is Ron Thompson.  
2           There's also wood production that is steam activated,  
3           a small producer in the U.S., and there were recently  
4           some macadamia nut shells that were being processed in  
5           Hawaii, so, which is the U.S.

6           COMMISSIONER PEARSON: Yes, yes. We know  
7           that in honor of Senator Inouye who I had the pleasure  
8           of watching him work at close range back in the early,  
9           mid-1980s. He's a true public servant. I'm not a  
10          Democrat, I admired him greatly, and so I just  
11          acknowledge his passage. We appreciate Hawaii.

12          So given that the U.S. industry  
13          fundamentally is coal-based, why does this order cover  
14          activated carbons made from products other than, made  
15          from inputs other than coal? I guess anyone. Mr.  
16          Hartquist? You know how the order was originally  
17          brought and why, and I just was curious.

18          MR. HARTQUIST: Yes. Well, I'll let my  
19          clients answer that since that's a consideration as to  
20          how they run their business.

21          MR. O'BRIEN: Well, I think it applies to  
22          steam-activated carbon, the order, and that basically  
23          is coal-based. It's also coconut-based, but the  
24          Chinese produce very, very, very little coconut  
25          carbon, so, in essence, the antidumping order against

1 the Chinese is an order against coal-based, steam-  
2 activated carbon.

3 COMMISSIONER PEARSON: Okay. You had  
4 indicated earlier, I believe, that the coconut-based  
5 carbon, activated carbon, is harder and it is used in  
6 the refining of gold or in the capture of gold.

7 MR. O'BRIEN: Yes. It has some different  
8 properties in the recovery of gold, which most people  
9 would not understand how activated carbon could  
10 possibly be used for recovering gold, but the ore that  
11 contains the gold is ground to a fine powder,  
12 chemicals are added to extract the gold from the fine  
13 powdered rock, activated carbon is added to this  
14 slurry mixture and the activated carbon absorbs the  
15 extracted gold, and then it is of a size that it's  
16 filtered out from the slurry and then that carbon is  
17 extracted, the gold's extracted off the carbon, so if  
18 the carbon breaks down during that operation, it's  
19 taking gold with it, so if it can't be filtered or  
20 screened out of the slurry, it ends up losing gold.  
21 So that particular market looks for a very, very, very  
22 hard product and coconut carbon best meets that  
23 criteria.

24 COMMISSIONER PEARSON: Okay. Good. Well, I  
25 thank you for those clarifications. Because we have

1 no countries other than China involved in this and  
2 China is not the world's largest producer of coconuts,  
3 at least I don't think so, it really does boil down to  
4 a coal feed stock issue. Okay. Could you speak a bit  
5 about the reasons one would want to use different  
6 types of coal as a feedstock to achieve different  
7 functional properties. I think, Mr. Leen, you had  
8 indicated your plant uses lignite coal.

9 MR. LEEN: Right. So, yeah, we  
10 strategically developed our own coal mine. It's a  
11 lignite-based coal. In our initial development of  
12 products that we felt were specifically tailored for  
13 mercury capture, this raw material feed stock  
14 provided, we thought, some unique characteristics.

15 There's various speculations, and, in fact,  
16 you know, as to why or what the critical contributing  
17 factors are in that respect, and in many cases we  
18 believe we have an understanding for why they drive  
19 the performance characteristics that are so, you know,  
20 desirable in our market. Much of that is proprietary,  
21 of course. In any event, that's why we chose that  
22 particular facility and it was we were in close  
23 proximity to that particular coal source.

24 COMMISSIONER PEARSON: Okay. And your point  
25 is well-taken because your plant, as you indicated, is

1 optimized to produce activated carbons for mercury  
2 capture.

3 MR. LEEN: Correct.

4 COMMISSIONER PEARSON: Okay. How about the  
5 other facilities that may be producing carbons for a  
6 wider variety of uses? Mr. Thompson?

7 MR. THOMPSON: Yes. Ron Thompson. We  
8 produce carbons from a wide range of raw materials  
9 around the world. The coals that we select are, it's  
10 a combination of price/performance balance, so for  
11 different applications you'll use the lowest cost feed  
12 stock that you can to meet the performance so, to keep  
13 costs under control as well as drive the performance  
14 of the materials.

15 So it's, even if you take a facility like a  
16 Pryor, Oklahoma, while that may be predominantly  
17 bituminous coal, it's various types of bituminous coal  
18 going into that facility. So it's, for us, it's a way  
19 of managing the cost for the customer to obtain what  
20 they need at the lowest possible cost.

21 COMMISSIONER PEARSON: Mr. O'Brien?

22 MR. O'BRIEN: I think, similar to Mr.  
23 Thompson, our plants are basically geared to accept  
24 bituminous coal as the raw material. There can be  
25 some various grades of bituminous coal, and we're

1 making decisions on pricing and trying to compare the  
2 coal that would best meet the needs of our customers.

3 We try to make a product that is hard in the finished  
4 product so that it lasts.

5 Part of our business is also reactivation,  
6 which you may have heard that term, where customers  
7 use our activated carbon, and then after it has  
8 absorbed the maximum quantity of contaminants that it  
9 can absorb, we can take it back and reprocess it  
10 through one of our facilities and reactivate it. It's  
11 cost-effective for customers, it's environmentally-  
12 friendly, and having the carbon be a hard product is  
13 important if you're going to recycle it so that the  
14 losses in that process are kept to a minimum, maybe 10  
15 or 15 percent.

16 So we also make products for the food  
17 industry that have certain characteristics or  
18 requirements on ash levels and so we pay more  
19 attention to that constituency of the coal. What's  
20 the ash level, the types of materials that are in the  
21 coal, that becomes important for some of our customers  
22 as well.

23 So we have a little bit of ability to select  
24 our raw material and then tailor it for the finished  
25 product, but in general, it's we use bituminous

1 metallurgical grade coal.

2 COMMISSIONER PEARSON: Okay. In terms of  
3 its feasibility for reprocessing, is powdered product  
4 equivalent to granulated equivalent to -- is it  
5 pelletized? Is that the third type? Are they all  
6 reprocessable?

7 MR. O'BRIEN: In our experience, the  
8 granular and the pellet carbon could be reprocessed or  
9 reactivated. The powdered carbon is almost 100 percent  
10 sent to disposal and is not reprocessed.

11 MR. THOMPSON: Ron Thompson here. Yeah.  
12 Adding to that, the powdered can be reactivated but  
13 because of the yield losses that would occur with the  
14 powder reactivation, the cost is too high for the  
15 customer for reactivation.

16 COMMISSIONER PEARSON: Okay. Well, thank  
17 you very much. My time has expired, so back to you,  
18 Mr. Chairman.

19 CHAIRMAN WILLIAMSON: Commissioner Aranoff?

20 COMMISSIONER ARANOFF: Good morning. Thank  
21 you all for being here today. I want to turn to an  
22 issue that I don't think any of my colleagues has  
23 raised yet, and that's the role of distributors in the  
24 U.S. market. Can you describe just generally what  
25 role distributors play in the U.S. market for

1 activated carbon?

2 MR. THOMPSON: Ron Thompson here. We, and  
3 I'll let the other people speak for their businesses,  
4 we use distributors for small lot quantities where it  
5 may not be efficient to ship in a single pallet, so  
6 it's providing some of the logistics and the service  
7 into an account, or we also use distributors that say,  
8 for example, may have an entire refinery that uses 80  
9 different chemicals, activated carbon is just one  
10 product. So, for us, it's a way of efficiently  
11 servicing an account, normally with small volumes.

12 MR. O'BRIEN: This is Bob O'Brien for  
13 Calgon. We have a variety. We have a lot of direct  
14 salespeople that call on customers, representing  
15 Calgon, and we also use distributors. We would tend  
16 to use distributors in either geographic areas or  
17 markets where it's not economic for us to have our own  
18 salespeople based.

19 So we sell a fair amount of product to  
20 distributors, but it's a combination of geography and  
21 markets, that they would be more efficient in getting  
22 to the end user than we would with our own direct  
23 salespeople.

24 COMMISSIONER ARANOFF: Okay. Mr. Leen?

25 MR. LEEN: I really don't have anything to

1 add. It's the same approach that we take in terms of  
2 the management and use of distributors to reach  
3 certain customer segments.

4 COMMISSIONER ARANOFF: Okay. The  
5 Respondents have argued that in some cases domestic  
6 producers are unwilling to sell to them or to some  
7 distributors, and so I just wanted to ask you if  
8 someone comes to you and says I'd like to buy your  
9 product and I'm not an end user, are you going to sell  
10 to them or are you going to look and see whether, you  
11 know, you would rather sell directly to their end use  
12 customer and then you're going to sell to them, or are  
13 there other limits that you might place on a sale to a  
14 prospective customer who wants to be a distributor?

15 MR. LEEN: I can initially respond to that.

16 At least from our perspective, we see the coal fired  
17 power market is a very important market that we deal  
18 with directly. In just about any other case we would  
19 consider the use of distribution as a way to reach  
20 various customers. At least in the, you know, in  
21 particular, the large coal fired power utilities,  
22 those are customers that we're going to want to deal  
23 with much more directly.

24 MR. O'BRIEN: This is Bob O'Brien. We sell  
25 a fair amount of product through distributors. I'm

1 not aware of cases where we would not sell to a  
2 distributor if they were reasonable in their requests.

3 COMMISSIONER ARANOFF: Reasonable, in what  
4 respect?

5 MR. O'BRIEN: The amount of product they  
6 want, the payment terms, you know, the pricing that  
7 they think is reasonable for the market. So we sell a  
8 lot of product through distribution and we wouldn't  
9 have any specific limits that would stop us from doing  
10 that.

11 COMMISSIONER ARANOFF: Okay. Do any of you  
12 use a different pricing structure when you sell to  
13 distributors versus end users who are probably buying  
14 larger amounts? I mean is there a difference in the  
15 way the product is priced?

16 MR. O'BRIEN: I think it might be reasonable  
17 for us to do that in a brief so that we don't share  
18 any confidential information in answering that  
19 question.

20 COMMISSIONER ARANOFF: Okay. All right.  
21 Are you aware of any situations in which you have  
22 competed for a sale to an end user with a distributor  
23 of your own product or maybe one of your competitor's  
24 products?

25 MR. O'BRIEN: Well, I'm sure that's

1 possible. Again, the benefit of a distributor is, as,  
2 I think as Ron mentioned, they can buy in relatively  
3 large quantities and then distribute the product to  
4 smaller customers more efficiently than we may be able  
5 to do it. So if we had sold product to a distributor  
6 in a certain state or location, their end user may  
7 pick up the phone and call us without us even knowing  
8 that they're buying our product from a distributor  
9 and, you know, we could quote them a price. So I'm  
10 sure there are occasions that we are competing against  
11 our distributors, many times not even knowing that  
12 that's going on.

13 COMMISSIONER ARANOFF: Okay. I just want to  
14 ask a couple of questions to sort of clean up some  
15 things that my colleagues started to ask. Mr. Leen,  
16 you testified that ADA's target market is in mercury  
17 emissions removal, but are you selling exclusively to  
18 that market or are you marketing activated carbon  
19 throughout the full range of end uses?

20 MR. LEEN: Well, certainly not the full  
21 range, but we have, because of the lack of demand in  
22 the mercury market, have had to explore alternative  
23 applications, alternative uses, and so we have looked  
24 at alternative applications, in particular, water  
25 applications, where our product is, you know,

1       suitable.

2                   COMMISSIONER ARANOFF:   Okay.  I understand  
3       from our staff report that Norit recently built a new  
4       production facility in Canada and I wanted to ask you,  
5       I don't believe there's any trade relief against  
6       Chinese imports in effect in Canada so could you maybe  
7       explain some of what went into the decision to build  
8       the facility there rather than in the United States?

9                   MR. THOMPSON:   Ron Thompson here.  We built  
10       the facility in Saskatchewan based on the availability  
11       of raw material, which is coal-based, so it's located  
12       right adjacent to the mine.  It's a joint venture  
13       facility with Prairie Mines, Ltd., which is the coal  
14       company.  We built that facility because of the  
15       access, readily access, to the Canadian market for  
16       coal fired power plants, as well as ready access to  
17       the northern part of the United States.

18                   You're correct as that there is a wide range  
19       of the Chinese carbons in Canada, and, for example, in  
20       Nova Scotia they've used Chinese carbon for that coal  
21       fired market.  Where our plant is, it's ideally  
22       situated because Saskatchewan and Alberta have the  
23       bulk of the coal fired power plants in Canada.

24                   COMMISSIONER ARANOFF:   Okay.  Thank you.  
25       We've talked a lot about the fact that our data show

1 Chinese imports underselling, even during the period  
2 of review subject to the order. The data show that  
3 underselling margins grew in 2011 and 2012, and I  
4 wanted to know whether anyone has an explanation for  
5 why that occurred and whether that why tells us  
6 anything about likely pricing behavior of Chinese  
7 imports if the order were revoked.

8 MR. O'BRIEN: It may be that it's a  
9 reflection of the Chinese adding capacity in China and  
10 then having economic incentive to try and fill that  
11 capacity up, so being more aggressive on pricing to  
12 make sure that they are, you know, again, just as  
13 certainly as we try to do, utilize their facilities to  
14 the fullest extent possible.

15 MR. LUBERDA: Commissioner Aranoff, because  
16 I think the answer to that question may require us to  
17 delve into proprietary information, we'll give you an  
18 answer to that in the posthearing brief.

19 COMMISSIONER ARANOFF: Okay. I'll ask a  
20 short question since I have a minute left. Is anyone  
21 on the panel aware of why the antidumping order in the  
22 European Union is limited to powdered-activated carbon  
23 as opposed to all forms? I'm going to take it from --

24 MR. O'BRIEN: This is Bob O'Brien. Yeah. I  
25 was not actively involved in that, but I think, for

1       whatever reason, that was, the manufacturers in Europe  
2       only applied for powdered-activated carbon. I don't  
3       really know why they didn't go for a wider dumping  
4       margin, but it was specifically aimed at powdered  
5       carbon.

6               MR. THOMPSON: Ron Thompson here. I'm glad  
7       he jogged my memory. It was brought with the Carbon  
8       Association it's going on 15 years ago, which was  
9       CECA, and Norit, which are predominantly powder  
10      producers, and so they elected in the EU to go for the  
11      powder applications, not granular.

12             COMMISSIONER ARANOFF: Okay. Thank you all  
13      very much for those answers. Thank you, Mr. Chairman.

14             CHAIRMAN WILLIAMSON: Thank you.  
15      Commissioner Pinkert?

16             COMMISSIONER PINKERT: Thank you, Mr.  
17      Chairman. Given that there has been a substantial  
18      amount of underselling since the order went into  
19      effect and that the cogs to sales ratio is actually  
20      improved during the period that we're reviewing, why  
21      would we think that in the event of revocation there  
22      would be price suppression?

23             MR. HUDGENS: Brad Hudgens. I might add  
24      that although you have a significant and, margins of  
25      underselling in this period of review, the volumes are

1 substantially less than they were in the original  
2 investigation, so, you know, if you revoke the order,  
3 then you're going to have a significant, you know,  
4 more volume underselling at even larger margins than  
5 what you see in this current review.

6 MR. HARTQUIST: And I think our view is that  
7 would not involve just price suppression, but probably  
8 price depression as well given the huge capacity that  
9 China has.

10 COMMISSIONER PINKERT: Thank you. For the  
11 posthearing, Mr. Hudgens, could you actually try to  
12 show what the relationship is between that volume  
13 increase and the price suppression that you're  
14 alleging?

15 MR. HUDGENS: Yes.

16 COMMISSIONER PINKERT: Thank you. Now, how  
17 is the entry of ADA into the market, and I understand  
18 that it's not fully there, but how has it changed the  
19 market, and how will it change the market?

20 MR. LEEN: From our perspective, you know,  
21 we bring a degree of focus on a particular need in the  
22 activated carbon market, and so, you know, our hope is  
23 that we're able to address that market, you know, need  
24 as it develops. You know, I think that's the primary  
25 focus in our business, our business interest, is to go

1 after and support the development of the activated  
2 carbon required to meet mercury emission standards.  
3 So, from our perspective anyway, we think we bring an  
4 alternative in the market and one that is very focused  
5 on a particular need.

6 MR. THOMPSON: Mr. Thompson here. Speaking  
7 from the other side, which I think you could probably  
8 expect and infer, is that it has led to more  
9 competition, particularly in that mercury control  
10 space in the marketplace, because of the excess  
11 capacity. That's what we've seen at Norit.

12 MR. O'BRIEN: This is Bob O'Brien. I think  
13 we've seen the same thing. Certainly we've seen  
14 increased competition in the U.S. market, but I think  
15 we would all agree that it's fair competition. So  
16 it's fair price competition, and that's what, we're  
17 certainly willing, and able, we think, to compete in  
18 that marketplace.

19 MR. HUDGENS: I might also add in Exhibit 15  
20 of our prehearing brief we show that in light of the  
21 increase of capacity, that China is still the price  
22 leader in driving prices down. So if you look at,  
23 even with new capacity on line and a new entrant, you  
24 see that the price leader and the predominant price  
25 driver is Chinese imports. That's clearly

1 demonstrated in Exhibit 15 of our brief.

2 COMMISSIONER PINKERT: Thank you. Now, in  
3 light of all the other testimony that we've gotten on  
4 this issue, Mr. Leen, I just want to give you a chance  
5 to clarify. Are you saying that ADA is not going to,  
6 and has not, increased the level of competition in the  
7 market, or are you saying that it's somewhat  
8 attenuated?

9 MR. LEEN: No. I think clearly we've  
10 contributed to a competitive, an intensification of  
11 the competitive dynamic in the market. You know, I  
12 believe that there's no question about that. So that  
13 would be my answer to your question.

14 MR. LUBERDA: All three of these companies  
15 are competing for that MATS market and the powdered  
16 market. All three of them compete substantially in  
17 all aspects of the powdered market.

18 COMMISSIONER PINKERT: Thank you. So then a  
19 legal question. Does this increase the vulnerability  
20 of the domestic industry to the impact of unfairly  
21 traded subject imports?

22 MR. LUBERDA: From a legal perspective, yes,  
23 it could increase. It's a factor you could consider  
24 in whether the industry is vulnerable in that it is,  
25 you know, you've got new capacity that's not being

1 absorbed, and remember, before the order, even though  
2 demand was growing, the industry wasn't serving the  
3 entire market.

4 Now we have an excess capacity, a new  
5 producer that needs to use its capacity, so as new  
6 underselling product comes in and holds down prices,  
7 hurts the ability of the producers to cover their  
8 costs, or to keep their prices up, or to fill their  
9 mill with profitable product, it does increase the  
10 vulnerability and the susceptibility of the industry  
11 to material injury.

12 COMMISSIONER PINKERT: So then how should I  
13 weigh the current financial performance of the  
14 domestic industry against the factors that you just  
15 testified to in considering the vulnerability of the  
16 domestic industry?

17 MR. LUBERDA: Well, as we were talking about  
18 a little bit earlier, there's no specific level of  
19 profitability that will immunize a domestic industry  
20 from a return to injury. The fact, anything that  
21 weakens, potentially weakens the performance of the  
22 industry, and you can look at the trend and what this  
23 industry has in its performance of recent, but  
24 anything that weakens the industry is likely to  
25 increase the level of vulnerability.

1           If you add to that scenario an higher level  
2 of subject imports that are underselling at a greater  
3 level, which the record shows that they are likely to  
4 do, that makes the ability of the industry to keep  
5 profitability at the level it is much more difficult.

6       So, I mean it's a condition of the competition in the  
7 U.S. market that there is now greater competition,  
8 there's more capacity that is serving the market, and  
9 so therefore the industry has to use that capacity.  
10 It's a high fixed cost industry as you can see from  
11 the data in the staff report. It makes it more  
12 difficult for the industry to be able to maintain the  
13 kind of profits it's had over the last few years as a  
14 result of the order.

15           MR. HARTQUIST: Commissioner Pinkert, this  
16 is Skip Hartquist. I would add, you know, I think  
17 overall this is a very healthy story as to what's  
18 happened under this antidumping order, that, you know,  
19 from a legal point of view, there's a return to fair  
20 pricing despite all the underselling.

21           From a legal point of view, the tariffs are  
22 in effect and are having an impact on the market. I'm  
23 not going to speak for Mr. Leen, but I doubt that the  
24 ADA investment would have been made without the order.

25       The investment was made recognizing the impact that

1 the order has had and is significantly dependent upon  
2 a continuation of that order.

3 But when you look at the profitability of  
4 the industry today and where it might be tomorrow,  
5 with the uncertainty about the growth in demand,  
6 there's expectations that things may happen that are  
7 going to improve this market in the future, but it's  
8 uncertain and speculative, and with the huge growth in  
9 Chinese capacity that has developed recently during  
10 the pendency of the order, you know, it creates a very  
11 unsettling situation if the order were to be revoked.

12 MR. LEEN: Just -- sorry.

13 COMMISSIONER PINKERT: Please go ahead, Mr.  
14 Leen.

15 MR. LEEN: This is Brian Leen. Just further  
16 speaking on behalf of ADA Carbon Solutions, I can say  
17 with a high degree of confidence that the decision to  
18 implement or build our facility would not have been  
19 made had it not been for the presence of the order,  
20 and I'll go further to say that as a start up  
21 business, a business that's not had the benefit of  
22 establishing a very diverse product portfolio, a  
23 business that is still in, much in growth mode, you  
24 can look at see at the disclosures we've made, at the  
25 heavy capital investment and commitment of resources

1 that we've made and reference the high levels of fixed  
2 cost that are associated with any company that's  
3 manufacturing activated carbon and clearly see that  
4 without this order, if it were to significantly impair  
5 our ability to fill the plant at market prices that  
6 exist under the protection of this order, that the  
7 financial impact to us would be severe.

8 COMMISSIONER PINKERT: Thank you. Did you  
9 wish to add anything to that, Mr. O'Brien?

10 MR. O'BRIEN: No. I think they covered  
11 everything I would say. Thank you.

12 COMMISSIONER PINKERT: Thank you very much.  
13 Thank you, Mr. Chairman.

14 CHAIRMAN WILLIAMSON: Thank you.  
15 Commissioner Johanson?

16 COMMISSIONER JOHANSON: Thank you, Mr.  
17 Chairman. The Petitioners argued, you all argued in  
18 your brief at page 39 that the European Union's  
19 antidumping order covering imports of powder-activated  
20 carbon from Chinese increases our likelihood that  
21 subject imports will be diverted to the United States  
22 if the U.S. order is revoked, but it appears from the  
23 staff report at Tables IV-4 and IV-5 that the EU has  
24 remained a significant importer for Chinese product  
25 despite the AD order.

1           Has the EU order limited the volume of  
2 Chinese imports? If China is able to sell in the  
3 European Union despite the order, how much market  
4 shifting could we expect if the U.S. order is revoked?

5           MR. HUDGENS: I might add that, as we  
6 indicated earlier, the European Union's tariff, or the  
7 antidumping case, it's just on powder-activated  
8 carbon, and the HTS, it covers granulated and also  
9 wood-based activated carbon, so it's a much larger  
10 product category than what was just subject to the  
11 investigation.

12           MR. LUBERDA: This is Mr. Luberda. The  
13 Chinese have shown an ability to ship into both the  
14 United States and Europe while under order. I don't  
15 know what the level of underselling would be in  
16 Europe, but they're certainly able to undersell here.

17           In this market, and I suspect in Europe, the  
18 volume that they're able to sell at the prices they  
19 choose to sell them are limited. If they raise their  
20 price, they become less competitive, they sell less,  
21 so they've lowered their price to the point, for  
22 whatever reasons of balance that they have themselves.  
23 This is what -- they've reached a level, they can sell  
24 it at this level of underselling, and the U.S.  
25 industry has been able to operate at the levels you

1 see.

2 If we assume that the same sort of  
3 restraints are happening in Europe, but, you know, I  
4 don't have the data collected as you do in this  
5 record. What we're very concerned about, though, is  
6 that you take those off and, you take those restraints  
7 off, then the volume goes up and a higher volume --  
8 it's always both volume and price, but higher volume  
9 at those lower prices is more damaging, and a higher  
10 volume at higher margins of underselling is even more  
11 damaging.

12 COMMISSIONER JOHANSON: Thank you. I  
13 appreciate the answer. This is somewhat of a follow-  
14 up to that question. After the order was imposed,  
15 subject imports just decreased but remained in the  
16 U.S. market in quantities that could be characterized  
17 as not insignificant. Given the high dumping margins  
18 calculated by Commerce, what explains the persistent  
19 presence of imports from China? I'm asking this  
20 because there's some of the same situation in the EU  
21 apparently. China has remained a fairly sizable  
22 exporter there. Mr. Hartquist?

23 MR. HARTQUIST: I think, and I'll ask my  
24 colleagues to comment further on this, but I think, in  
25 part, it's an example of the willingness of the

1 Chinese to stay in the market where they're paying  
2 significant antidumping margins in order to be able to  
3 at least partially fill their production facilities.

4           You know, the remarkable thing to me, I  
5 can't quite explain it, is how the Chinese under these  
6 circumstances nevertheless will build huge increases  
7 in their production capacity when they've got dumping  
8 order on powder in Europe and a broader order in the  
9 United States, two very substantial markets for these  
10 products. You know, the statistics, I think, speak  
11 for themselves. They're willing to go in and continue  
12 to undersell despite the fact that there are orders in  
13 effect.

14           MR. HUDGENS: I would also add that the  
15 majority of the capacity that's been added in China  
16 has been for the export market. if you look at just  
17 the companies that we've been able to identify with  
18 published capacity figures, virtually all of those  
19 market on their website that they sell to the United  
20 States and other export markets. So they're  
21 definitely dependent upon the export market for that  
22 new capacity.

23           MR. LUBERDA: China also, I mean I think the  
24 statistic I saw was something like they have to create  
25 25 million new jobs a year just to tread water. They

1 have a lot of coal, so they're looking for things they  
2 can produce with the resources they have. Sitting on  
3 a lot of coal, this is a market that they've been  
4 after, and you can see it. I mean just for the, we  
5 know they've exported a half a billion pounds of this  
6 product and it's been growing, so they're clearly  
7 looking to export more of this. I think, as my  
8 colleagues have said, it's just been a -- this is what  
9 they can sell, and they're willing to do it whether  
10 they're making money on it or not.

11 COMMISSIONER JOHANSON: Thank you. Are you  
12 all aware if there are imports of certain activated  
13 carbon from nonsubject countries that compete for  
14 sales with U.S.-produced product, and, if so, do you  
15 know if any of these nonsubject sources also compete  
16 with imports from China?

17 MR. O'BRIEN: I think -- this is Bob O'Brien  
18 -- the majority of carbon that comes into the U.S.  
19 that is not subject to the antidumping order would be  
20 the coconut carbon. There is a small amount of  
21 overlap in the markets that coconut serves competing  
22 against the domestic production and competing against  
23 the imports of coal-based material from China so that  
24 there is some competition there. Again, the majority  
25 of coconut carbon goes to certain specific markets,

1 but there is some overlap.

2 COMMISSIONER JOHANSON: I'm sorry. Any non?  
3 What about imports from nonsubject countries?

4 MR. O'BRIEN: Well, that would be the  
5 coconut --

6 COMMISSIONER JOHANSON: That's coconut.  
7 Okay.

8 MR. O'BRIEN: Would come from the nonsubject  
9 companies, countries.

10 COMMISSIONER JOHANSON: Okay. Thank you for  
11 the clarification there. Do any of your firms have  
12 plans to develop new facilities for activated carbon  
13 in the foreseeable future? If this is proprietary, if  
14 you could answer it in the posthearing.

15 MR. HARTQUIST: I think we want to do that  
16 for you.

17 COMMISSIONER JOHANSON: All right. I  
18 understand. In looking at the C table which we have,  
19 it appears that nonsubject imports increased in volume  
20 in each year and were higher in interim 2012 than in  
21 interim 2011. Do you all know why that might have  
22 been the case, or why that was the case?

23 MR. O'BRIEN: Well, part of the reason, as I  
24 mentioned, that the coconut carbon, one of the main  
25 uses for coconut carbon is in the gold industry. Over

1 the last five years, as the price of gold has risen,  
2 the number of gold mines operating in the U.S. and the  
3 rate of their operation has increased so a significant  
4 portion of the coconut carbon imports are going to  
5 support the gold industry.

6 COMMISSIONER JOHANSON: Okay. Thank you.  
7 Just out of curiosity, and this might have been  
8 answered previously, and I apologize if it was, in one  
9 of the documents, I understand that coconut is used  
10 largely in cigarette production as well. It's my  
11 understanding that cigarette consumption is down in  
12 the United States. Has that impacted those imports as  
13 far as you all, or consumption of that product as far  
14 as you all are aware?

15 MR. O'BRIEN: There are only certain  
16 cigarettes that actually have activated carbon in  
17 them. Historically, the U.S. has been a producer of  
18 cigarettes with charcoal filters that was exported out  
19 of the U.S., so although cigarette consumption is  
20 declining in the U.S., it's actually not declining in  
21 some of the markets that actually prefer charcoal  
22 filter cigarettes, such as Japan and China.

23 COMMISSIONER JOHANSON: Okay. Well, thank  
24 you for the answer. That concludes my questions.  
25 Thank you all again for appearing.

1                   CHAIRMAN WILLIAMSON: Thank you.

2                   Commissioner Broadbent?

3                   COMMISSIONER BROADBENT: Could you talk to  
4                   me a little bit about your export markets, which ones  
5                   are growing the fastest and which are the biggest?  
6                   I'm thinking, as I see, sort of maybe export a third  
7                   of domestic production. Is that right? Quarter?

8                   MR. O'BRIEN: This is Bob O'Brien. We  
9                   export some of the product that we make in the U.S.  
10                  Probably a little bit less than a third. The markets  
11                  that are growing the fastest are some of the markets  
12                  in southeast Asia. Europe is pretty flat, as one  
13                  would expect from the economic situation in Europe.  
14                  Some of the countries in southeast Asia would be  
15                  growing the fastest.

16                  COMMISSIONER BROADBENT: And then what about  
17                  Brazil and India?

18                  MR. O'BRIEN: We only have small market  
19                  share in Brazil and India, so although those are  
20                  target countries, we have not really seen significant  
21                  ability to penetrate those at this point in time.  
22                  India has a pretty significant domestic carbon  
23                  production business with coconut carbon shells as  
24                  well.

25                  COMMISSIONER BROADBENT: But what would you

1 say sort of the growth rate of those two markets are,  
2 India and Brazil?

3 MR. O'BRIEN: I think we can try and -- I  
4 don't have that information off the top of my head.  
5 We can see if we can answer that for you in the  
6 posthearing brief.

7 COMMISSIONER BROADBENT: Okay. Great.  
8 Thank you. Anybody else have any perspective on the  
9 export situation?

10 MR. THOMPSON: One thing. Ron Thompson  
11 here. One other thing I think that would be important  
12 for you to note as well about say India and Brazil is  
13 the amount of activated carbon that's actually  
14 consumed in those market. On a per capita basis, it's  
15 actually extremely low compared to some of the more  
16 developed portions, so while they may be growing at a  
17 better rate than say Europe or the United States, it's  
18 starting from a very low base.

19 COMMISSIONER BROADBENT: I don't -- how much  
20 are they growing?

21 MR. THOMPSON: Last statistics I saw were in  
22 the seven percent, eight percent range on an annual  
23 basis.

24 COMMISSIONER BROADBENT: Okay. Are you  
25 exporting?

1           MR. LEEN: Yeah. Really, our level of  
2 export activity -- this is Brian Leen -- is very  
3 small. Really, the only market that we are active in  
4 today is Canada, and I would characterize the growth  
5 rate there similar to what it is in the U.S.

6           COMMISSIONER BROADBENT: Okay. The two  
7 companies I think on the end have more experience in  
8 Canada. Are the Chinese underselling in Canada as  
9 well?

10          MR. LEEN: We've seen activity in Canada.  
11 You know, it's not an affirmative, I don't have an  
12 affirmative view on a specific Chinese competitor, but  
13 we have suspicions about certain distributors and  
14 their activity there and the source of those materials  
15 being from China. Yeah, the primary approach is with  
16 lower pricing.

17          MR. THOMPSON: Ron Thompson here.

18          COMMISSIONER BROADBENT: Yes.

19          MR. THOMPSON: There is very low aggressive  
20 prices in Canada, particularly in the water segment,  
21 as well as refining and others, so it's, there's a  
22 broad market in Canada, not just mercury control. I  
23 suspect Calgon may have some, you know, information on  
24 that as well. We do face competition in Canada that's  
25 fairly fierce.

1 COMMISSIONER BROADBENT: Yes?

2 MR. O'BRIEN: This is Bob O'Brien. I would  
3 agree with Ron that the competition in China is, in  
4 Canada, I'm sorry, is significant. The Chinese are  
5 selling at very low prices in Canada.

6 COMMISSIONER BROADBENT: Okay. Can you talk  
7 to me a little bit about the cost structure in China  
8 from your competition? Do you have a sense of what  
9 their comparative cost structures are between the  
10 Chinese and the U.S. industries? Do they have a lower  
11 labor and raw material cost?

12 MR. O'BRIEN: I think that would be  
13 something, if you would allow us, we would prefer to  
14 respond in the, after the, in a posthearing brief.

15 COMMISSIONER BROADBENT: Okay. I know we  
16 had talked about this before and I'm just not quite  
17 clear. The raw material cost on the coal is  
18 increasing significantly right now is what your  
19 testimony is.

20 MR. O'BRIEN: Certainly -- this is Bob  
21 O'Brien -- that is my testimony. Correct.

22 COMMISSIONER BROADBENT: Okay. And you  
23 expect that for the foreseeable future?

24 MR. O'BRIEN: Our expectation is it continue  
25 to go up. It's obviously not an exact science,

1 predicting that, but from all our ability to foresee  
2 the future, we see it continuing to increase for types  
3 of coals that we purchase.

4 COMMISSIONER BROADBENT: And the driver on  
5 that is? I know natural gas is not the driver, of  
6 course.

7 MR. O'BRIEN: The driver is that is where  
8 the alternative uses for the coals that we buy, the  
9 types of coals that we buy, and that tends to be in  
10 the steel industry for coke production or other high  
11 end uses for coal, electrode manufacturing, things  
12 like that.

13 So, again, the coals that we buy are not the  
14 kinds to make activated carbon out of, they're not the  
15 kind of coals that are being burned for fuel in power  
16 plants. So although that coal is seeing competition  
17 from natural gas, the coals that we use and typically  
18 use for the activated carbon are, have different  
19 drivers that are affecting their cost base.

20 COMMISSIONER BROADBENT: Yes. Sorry. Thank  
21 you for saying that again. I appreciate it. It's  
22 helpful. I think that I'm finished for now, Mr.  
23 Chairman. Thanks.

24 CHAIRMAN WILLIAMSON: Thank you. Just had a  
25 few more questions. It's already been noted that, you

1 know, activated carbon is used to reduce mercury  
2 emission in coal power plants, and, you know, there's  
3 this trend towards I guess replacing coal power plants  
4 with natural gas plants. I was wondering, what is the  
5 likely impact of that trend on demand for activated  
6 carbon?

7 MR. THOMPSON: It's Ron Thompson. I think  
8 the best way is to, you can look at the statistics out  
9 of the, you know, energy agency. It's, you know, coal  
10 fire generation has gone from about 45, 46 percent of  
11 the generation to 38 percent, so as that demand has  
12 declined, that has likewise proportionally declined  
13 the use of activated carbon because it's not needed  
14 with the coal fired fleet.

15 As I said earlier, the predominant part of  
16 the market today is Illinois so it's a bit, you know,  
17 skewed because you have to look at the Illinois fleet.  
18 The price of natural gas has dramatically impacted  
19 the marketplace as we speak.

20 Moving ahead, if you look at the statistics,  
21 those are built into the 30 plus year models, is that  
22 you will see the use of shale gas continuing to be  
23 predominant and replacing a big portion of coal, but  
24 coal will continue to be used for generations.

25 MR. LEEN: If I could add a little bit.

1 This is Brian Leen with ADA.

2 CHAIRMAN WILLIAMSON: Okay. Sure.

3 MR. LEEN: Currently, the amount of  
4 installed capacity for coal fired power plants is in  
5 the low 300 gigawatt range. Estimates for retirements  
6 are switching, have ranged as high as close to, you  
7 know, 80 to 90 gigawatts, so we're talking almost a  
8 third of the installed capacity in switching, but  
9 that's not really the full impact of the low gas  
10 prices.

11 As Ron accurately points out, coal, which  
12 had historically been the baseload generation capacity  
13 for our country where gas was used for peaking events  
14 and high demand times of the day or what have you,  
15 it's now reversed where natural gas fired power plants  
16 are the baseload plants and coal fired power plants,  
17 even though they may stay in operation, are now used  
18 as peakers to respond to that demand.

19 The bottom line is it's just more economical  
20 for the utilities to deploy those natural gas fired  
21 units at today's gas prices than it is for them to do  
22 it with their coal fired units.

23 CHAIRMAN WILLIAMSON: Okay. Thank you.

24 MR. HARTQUIST: This is Skip Hartquist, Mr.  
25 -- I'm sorry, Brian. Go ahead.

1           MR. LEEN: Well, I just wanted to point out  
2 that there's a knock on or a double effect of what's  
3 happening and being driven by low gas prices in terms  
4 of the potential market for activated carbon.

5           CHAIRMAN WILLIAMSON: Thank you.

6           MR. HARTQUIST: I was simply going to add  
7 that this is what makes it so difficult to predict  
8 what the future market is going to look like because  
9 you've got this interplay between coal fired plants  
10 and natural gas, you don't know whether there are  
11 going to be environmental regulations that may limit  
12 fracking in the future, you know, it looks very  
13 promising today, but Congress hasn't taken a look at  
14 this, nor has the EPA really yet, so that could have  
15 an impact on the future of coal fired plants, the  
16 mercury regulations are uncertain with the legal  
17 challenges that have been made, and also, we don't  
18 know what the regulations would be if they went ahead.

19           You have a situation like Illinois where  
20 there was an increase in demand for a period of time  
21 and then the users chose a different way to comply  
22 with the regulations which significantly reduced the  
23 demand over a very short period of time.

24           So you have all of these factors in play  
25 and, you know, it may be a wonderful future or it may

1 be a pretty dismal future depending upon how all these  
2 things break. It's just very difficult to predict.

3 CHAIRMAN WILLIAMSON: In terms of demand for  
4 new activated carbon, we're not talking about a cliff  
5 here. We're talking maybe about some kind of slope.  
6 We're just not sure what the angle of it is; is that a  
7 fair?

8 MR. LEEN: Let me make sure I understand  
9 your question.

10 CHAIRMAN WILLIAMSON: I'm trying to figure  
11 how dramatic is this in terms of particularly in the  
12 near term?

13 MR. LEEN: And you're talking about the fall  
14 off and demand?

15 CHAIRMAN WILLIAMSON: Right. Yes.

16 MR. LEEN: Again, I think to reaffirm the  
17 previous commentary, I think it's very difficult to  
18 predict. Nobody predicted natural gas pricing below  
19 \$3.00 and literally overnight it changed the dynamic  
20 of the utility industry completely. Once again as I  
21 mentioned with natural gas fired units becoming the  
22 base-load plants and coal fired units becoming the  
23 peakers.

24 Today, coal fired generation in this part of  
25 the world in the Northeast is operating generally at

1 less than 30 percent capacity factors, you know, in  
2 favor of natural gas generations. So you know, these  
3 kinds of things are very significant in terms of the  
4 kind of impact they can have on demand of activated  
5 carbon.

6 Now, if you layer on top of that the  
7 prospect of additional regulation, then the utilities  
8 face a very difficult decision, a situation or an  
9 environment going forward where natural gas prices are  
10 significantly lower than they have been historically  
11 and the prospect of having to add significant capital  
12 dollars to ensure that their coal-fire plants can stay  
13 compliant with the new rules.

14 So depending upon how all of that plays out,  
15 the final rule, it's timing, and its content, along  
16 with natural gas pricing will have I think a very  
17 significant affect on the coal-fired generation in the  
18 future and it could be it could have a dramatic step  
19 change impact on the demand of activated carbon.

20 CHAIRMAN WILLIAMSON: Okay. Thank you.

21 MR. O'BRIEN: If I could?

22 CHAIRMAN WILLIAMSON: Mr. O'Brien, sure.

23 MR. O'BRIEN: Bob O'Brien. We certainly can  
24 speculate on what the future will be for the use of  
25 carbon in controlling mercury emissions, but I could

1 state that the natural gas has driven down our sales,  
2 Calgon Carbon sales, into the mercury controlled  
3 market significantly in 2012 because our customers  
4 were able to switch their production from coal fired  
5 plants to natural gas plants.

6 So we have seen a significant decline in  
7 that market for us, and we could speculate when that  
8 will recover, how soon it will recover, if it will  
9 recover, but there has been a significant drop in  
10 2012.

11 CHAIRMAN WILLIAMSON: Thank you very much  
12 for the complete answer. I've got a much better  
13 understanding now. Let's see, Respondent's prehearing  
14 brief at Exhibit 2 includes an article by the  
15 president of Carbon Resources in which he states  
16 companies need a relationship and partnership with  
17 activated carbon suppliers in order to maintain  
18 adequate quality supplies and have counsel concerning  
19 the correct or I guess completion of the advice  
20 concerning the correct activated carbon used for their  
21 applications.

22 Do you agree that such relationship is  
23 required or do purchasers tend to buy from the lowest  
24 priced supplier? Does anyone want to comment on that  
25 statement?

1           MR. O'BRIEN: Well, this is Bob O'Brien. We  
2 often talk to our customers about various aspects that  
3 influence a sale, but price is always at the top. So  
4 price is a key. There are obviously some other things  
5 that will affect the customers decision on who they  
6 buy from, but price is in the forefront. That gets  
7 you in the door. If you're not competitive on price,  
8 you don't get that second and third discussion, so I  
9 think price is certainly the issue.

10           CHAIRMAN WILLIAMSON: Okay. Thank you.

11           MR. THOMPSON: Ron Thompson. I think one of  
12 the things you should look back at is what happened  
13 prior to the order that's in place. People talk about  
14 relationships. When I came into the business, one of  
15 the things I had to do was eliminate a large portion  
16 of our technical service staff and R&D and cut those  
17 to be competitive because price is what mattered.

18           So relationship, I agree with Mr. O'Brien is  
19 that relationship is important, the service is  
20 important, but if you don't have the price to start  
21 with, you're not going to be considered any further.

22           MR. LEEN: Let me make another.

23           CHAIRMAN WILLIAMSON: Sure.

24           MR. LEE: Since I was talking about the  
25 impact of natural gas, I'll go to the next kind of

1       implication of that has been the financial pressure  
2       put on our customers. So yesterday or earlier this  
3       week, Edison Electric filed bankruptcy. This is one  
4       of the largest utilities in the Midwest. There's been  
5       a variety as a result of these low natural gas prices,  
6       we've seen the electricity prices and those margins  
7       get squeezed significantly. And as a result, many of  
8       the companies in the coal-fired power industry are  
9       facing financial insolvency.

10               So the pressure being felt by our customer  
11       base to entertain or find cost savings where ever they  
12       can has really never been higher, and the outlook is  
13       that that pressure will continue to rise. So we  
14       believe price is, has been, and will continue to be an  
15       extremely important factor and the decisions to buy  
16       activated carbon or other commodities within the coal-  
17       fired power market.

18               CHAIRMAN WILLIAMSON: Okay. In other words,  
19       this service and all might be frosting but people  
20       still worry about the cake. Thank you.

21               Commissioner Pearson?

22               COMMISSIONER PEARSON: Thank you, Mr.  
23       Chairman. Mr. O'Brien, you indicated that Calgon  
24       produces activated carbon in China as well as in the  
25       United States, so I'm guessing you probably have some

1 reasonable understanding of the production costs in  
2 both countries. What factors allow the Chinese to  
3 export at such low prices, and some of what you know  
4 might be proprietary and I'm not asking you to put  
5 that out in public. But what's going on there that  
6 allows them to sell at such a low price?

7 MR. O'BRIEN: Well, I think the availability  
8 of funds for expansion, a driver perhaps that is not  
9 profit motivated but is employment motivated. Labor  
10 costs again are very low. I think they operate in a  
11 situation again that's difficult I think for the  
12 Westerners to understand.

13 They have just different drivers of what  
14 they constitute success, and you know, that just  
15 changes their scorecard as to what they're trying to  
16 achieve. So they don't have the same environmental  
17 requirements that we do for native producers.

18 So a significant portion of our cost base is  
19 associated with minimizing pollution in the production  
20 of our activated carbon here in the U.S. Chinese  
21 producers in general don't face that same level of  
22 scrutiny.

23 So I think there's just a whole raft of  
24 things that go into making their decisions as to what  
25 constitute a price they'd be willing to sell their

1 product for and it's different than a profit motivated  
2 Western company.

3 COMMISSIONER PEARSON: Okay. When this case  
4 was originally brought, it was prior to when the  
5 Department of Commerce had changed its approach  
6 regarding subsidy cases, counter veiling duty cases  
7 with China. If we were starting from scratch, is it  
8 plausible that this one would have been brought both  
9 as subsidy and dumping?

10 MR. HARTQUIST: It might have been.  
11 Certainly we know from our practical experience that  
12 the Chinese government subsidizes many different  
13 industries in many different ways through the banking  
14 system, and grants, and loans, and all kinds of ways,  
15 a provision of cheap input materials, and so forth.

16 So yes, that might have been a possibility,  
17 and we haven't examined to date whether the new  
18 capacity that's going into China has been the  
19 recipient of subsidies as well, and that is something  
20 that we would look at in any future proceeding,  
21 absolutely.

22 COMMISSIONER PEARSON: Okay. Mr. O'Brien,  
23 does a foreign-invested firm like Calgon receive some  
24 of those same benefits that the government might  
25 provide to national producers or is your cost

1 structure different than some of your domestic  
2 competitors in the Chinese market?

3 MR. O'BRIEN: Generally I would believe our  
4 cost structure is different. We built a reactivation  
5 facility in Suzhou which is outside of Shanghai, and  
6 we received a very slight amount of support from the  
7 local area, but pretty much it was all the money on  
8 our nickel that we put in. So you know, we operate by  
9 a different set of rules than the local Chinese  
10 company.

11 COMMISSIONER PEARSON: In that circumstance,  
12 is Calgon able to be profitable in China, and that may  
13 be a posthearing response, but I'm curious what your  
14 thoughts are on it.

15 MR. O'BRIEN: I think we would like to  
16 submit that answer in a posthearing brief.

17 COMMISSIONER PEARSON: And along with that  
18 then the question of whether Calgon experiences  
19 underselling in the Chinese market of its prices. If  
20 you could tell us a little bit more about that. Are  
21 there quality differences, other differences, just the  
22 nature of the competition that you face within the  
23 Chinese market would be just of some interest to me in  
24 helping to understand better what's going on at that  
25 market.

1 MR. O'BRIEN: Okay.

2 MR. HARTQUIST: We'll do that.

3 COMMISSIONER PEARSON: Is there an optimum  
4 pour size for activated carbon that's used to remove  
5 mercury, Mr. Thompson?

6 MR. THOMPSON: It's a very good question, by  
7 the way. It's yes. There is a more optimal, but most  
8 carbons can be made to work. So it's a function of  
9 the particular application that's being used, the  
10 pollution control, how long that carbon's going to be  
11 in contact with the flue gas, the flue gas contents.  
12 So all of those affect it.

13 You can use Chinese activated carbon in that  
14 application, and one of the competitors was importing  
15 and using Chinese carbon for that application. So  
16 pour size is important, but you can also alter the  
17 carbons and you can also get those carbons from China  
18 and elsewhere.

19 COMMISSIONER PEARSON: Well, Mr. Leen, I'm  
20 guessing that your facility really is focused on  
21 trying to produce a good pour size for mercury  
22 capture, if that's the right term.

23 MR. LEEN: Right. And so we do think that  
24 you can optimize pour structure for mercury capture.  
25 We think you can optimize pour structure for a variety

1 of different removal requirements, you know, depending  
2 up which application the carbon might be sold into.

3 It's also I think just one of several  
4 different things that you can do to try to modify a  
5 particular carbon's performance and a particular  
6 application. So there are many different things that  
7 we are trying to do to continue to enhance and  
8 differentiate our products performance.

9 Having said that, all three of us make  
10 activated carbons for the mercury control market from  
11 different coal sources. You know, each of us are  
12 taking different approaches toward optimizing our  
13 products in that particular application.

14 And to reinforce what Ron said, it's been  
15 our experience that various sources including the  
16 Chinese have been able to adapt to and develop  
17 products that are appropriate for that application. I  
18 mean, obviously our interest and challenge is to  
19 continue to try to stretch that technical gap. And  
20 they've been quite good at developing products that  
21 are perfectly find for the application.

22 COMMISSIONER PEARSON: Okay. I have no  
23 doubt that all three of your firms have pretty well  
24 mastered the chemistry and engineering behind this  
25 process and can very likely tweak your carbons in all

1 sorts of interesting ways that we don't have time to  
2 learn about today, but given that this is a somewhat  
3 complicated process, can the Chinese really do it  
4 consistently? Can they come back shipment after  
5 shipment with a product that really does a good job on  
6 mercury, for instance, or perhaps on some other use if  
7 there's a use that's more astringent than mercury?  
8 Mr. Thompson?

9 MR. THOMPSON: Simple answer to that is yes,  
10 and you know, the thought that the Chinese cannot  
11 produce a high-quality product is a false assumption.

12 So the consistency is available. You know, having  
13 traveled through China and visited many manufacturers  
14 myself, there are some very top notch quality  
15 producers just like you have here in the United  
16 States.

17 COMMISSIONER PEARSON: Okay, well, you  
18 perhaps haven't visited the Calgon plant there in  
19 China, but I'm sure it's one of the best.

20 MR. LEEN: Let me also comment on that.  
21 This is Brian Leen. I was reading a power magazine  
22 article on the way here, and in that power magazine  
23 article the title was China leads clean coal  
24 technology development.

25 So I think it's very naive of us if we think

1 that they can't make the products that are applicable  
2 in our applications and make them consistently. From  
3 personal experience in prior industries, I can suggest  
4 that underestimating their capability in that area  
5 would be a big mistake.

6 In addition to that, you know, in my  
7 experience, to the extent that they are not able to  
8 immediately match the performance of a domestic rate  
9 product, they can quickly make up for that with price  
10 modifications, and they often do. So bottom line, I  
11 do not think that this specialization topic provides a  
12 significant degree of insulation from Chinese  
13 competition.

14 COMMISSIONER PEARSON: Okay. Thank you.

15 Mr. Leen, a final quick question, if I  
16 could. You talked about the shift in the marketplace  
17 so that now coal-fired plants are tending to serve as  
18 peaking capacity. Does it take longer to get a coal-  
19 fired plant to come on line from when you flip the  
20 switch?

21 MR. LEEN: Absolutely.

22 COMMISSIONER PEARSON: Relative to a gas  
23 plant, and so in that sense, are they as good at  
24 peaking as --

25 MR. LEEN: The answer's no. They're not as

1 good at peaking. Those plants were not designed  
2 really to do that, but because natural gas is so cheap  
3 today, the economic equation still favors that  
4 approach. They use natural gas as the primary fuel  
5 and use coal only when the demand for electricity  
6 justifies that capacity to come on line.

7 COMMISSIONER PEARSON: And just one more  
8 clarification. Do the coal-fired plants use a natural  
9 gas flame to get the coal lit, or how do they?

10 MR. LEEN: That's a good question. That's a  
11 better technical -- that's a good technical question  
12 that I don't have an answer for you today. I think  
13 that in a lot of cases they do, but generally speaking  
14 once you get the boiler going, the coal is the fuel.  
15 So I don't believe it's going to have a significant  
16 implication.

17 COMMISSIONER PEARSON: I was just explaining  
18 my grandfather used to have a furnace in the home for  
19 heating the home was a coal furnace, and it always  
20 seemed to me that although coal is supposed to be a  
21 combustible substance, sometimes it didn't read the  
22 memo before getting into the furnace.

23 MR. LEEN: It has to be kick started.

24 COMMISSIONER PEARSON: Yeah. Okay. Thank  
25 you for that, humoring me with that digression. I

1 have no further questions. I appreciate very much  
2 your testimony.

3 CHAIRMAN WILLIAMSON: Okay. Thank you.  
4 Commissioner Aranoff?

5 COMMISSIONER ARANOFF: Just two more  
6 questions. I was asking before about whether or not  
7 difference prices are charged to different kinds of  
8 customers, and in that case I was talking about  
9 distributors versus end users.

10 But I wanted to ask also whether there are  
11 different prices in the market based on end-use  
12 application. You know, does activated carbon that's  
13 used in particular uses go for higher price than for  
14 other particular end uses?

15 MR. THOMPSON: Ron Thompson. I think we can  
16 answer that specifically in the brief, but in general,  
17 the answer to your question is, yes, there are  
18 different prices based on the value added that the  
19 activated carbon employs with the customer, and the  
20 specific applications, and a lot of the technical  
21 know-how and expertise that may go into the individual  
22 products. So there are a wide range of prices in the  
23 industry based on the applications.

24 MR. O'BRIEN: This is Bob O'Brien.  
25 Generally, it would tie to the product specifications,

1       however, so if you have the same product being used in  
2       a water treatment application and a food application,  
3       generally they would go for the same price.  If the  
4       food application required something special in the  
5       carbon that added to the cost base of production, then  
6       it would probably be sold at a higher price.  Where  
7       you have a similar product that's using multiple  
8       applications, it would generally be the same price,  
9       sold at the same price.

10                COMMISSIONER ARANOFF:  Have prices for the  
11       Chinese product shown the same type of differentiation  
12       based on end use?  In other words, even though they're  
13       lower than your prices, do they tend to be higher for  
14       more specialized end uses or are they just not selling  
15       in those more specialized end uses?

16                MR. O'BRIEN:  Again, I wouldn't say end use.  
17       I would say the product specifications, and they do  
18       have some different pricing based on the  
19       specifications of the product.

20                COMMISSIONER ARANOFF:  Okay.  On page 38 of  
21       the domestic industry's brief, you note that non-  
22       subject imports, in addition to the domestic-like  
23       product, have gained market share during the period  
24       that we're reviewing.

25                Does that mean that non-subject imports have

1 partially replaced subject imports in the same end  
2 uses or is that a reflection of growth in these non-  
3 overlapping end uses for coconut based product and so  
4 it's just coincidental?

5 MR. O'BRIEN: This is Bob O'Brien. Again, I  
6 think there is some overlap, so some of the growth in  
7 coconut carbon sales is probably displaced or taking  
8 the place of Chinese imports, but I think the vast  
9 majority of the coconut increase is due to the market  
10 such as the gold market which I mentioned which has  
11 really risen as a result of the increase in the price  
12 for gold and the operational gold mines in the United  
13 States.

14 So I wouldn't say that the coconut has not  
15 increased slightly as a result of the decrease in the  
16 Chinese, but I think it's been more driven by the  
17 demand for coconut product in international areas.

18 COMMISSIONER ARANOFF: Okay. That's  
19 helpful, but I know there's been a number of  
20 references to where there may be areas of overlap  
21 between coconut based and coal based. Does anyone  
22 want to describe what those areas of overlap are?

23 MR. O'BRIEN: There are some applications of  
24 ground water treatment, well water treatment in some  
25 areas where we see overlap. There is some overlap in

1 respirators where carbon is used in gas masks, not for  
2 military applications but personnel protection from  
3 organic vapors. There's a little bit of interchange  
4 there. Those would probably be the two markets that  
5 would come to my mind where there are some  
6 interchangeability.

7 COMMISSIONER ARANOFF: Okay, but not all of  
8 the non-subject imports are coconut based, right?  
9 There are some that are not so. Some of the growth  
10 that we're seeing in non-subject imports could be coal  
11 based or wood based products?

12 MR. O'BRIEN: Well, it could be wood. I  
13 doubt if it's coal based because I think we alluded to  
14 almost all of the coal based products come from China.  
15 So there could be some wood. Probably a majority,  
16 though, is the coconut increase.

17 COMMISSIONER ARANOFF: All right. Well,  
18 thank you very much for those answers. I don't have  
19 any further questions for this panel, but I do want to  
20 thank you all for your testimony today. Thank you,  
21 Mr. Cole.

22 CHAIRMAN WILLIAMSON: Thank you.

23 Commissioner Pinkert?

24 COMMISSIONER PINKERT: I have no further  
25 questions for the panel, and I join Commissioner

1 Aranoff in thanking you for your testimony.

2 CHAIRMAN WILLIAMSON: Commissioner Johanson?  
3 Commissioner Broadbent?

4 COMMISSIONER BROADBENT: I just wanted to  
5 get back to talk about something we had talked about  
6 before where I see a little bit of conflict in the  
7 record related to the price comparison issue. Our  
8 price comparison data shows that they's very  
9 consistent underselling by the subject imports but, as  
10 we said before, the average unit value data show that  
11 Chinese imports were priced above U.S. products  
12 throughout the investigation.

13 And then we've got some other purchasing  
14 surveys that really were split, you know. A third of  
15 it said that the Chinese were lower priced; a third of  
16 them said purchaser said they were higher priced; and  
17 a third said they were comparable.

18 Just to get a better handle on this, I guess  
19 my question is, is there a product mix issue here that  
20 would explain why Chinese imports have a higher AUV  
21 value than U.S. products even though a price  
22 comparison shows underselling.

23 MR. LUBERDA: Let me start by saying you can  
24 use -- when I talked about some sort of parody on  
25 AUVs, talked really referring to looking at trends in

1 AUVs as reflective of trends in pricing in the  
2 industry. You can't compare one AUV to the other as a  
3 substitute for price. I don't think the Commission's  
4 precedent has generally allowed that or the courts  
5 have generally allowed that.

6 Looking at trends is one thing, but the  
7 pricing products actually show the relative prices  
8 between products. So it is, I think, to a substantial  
9 degree, the relationship between AUVs for the U.S. and  
10 Chinese has to do with the product mix.

11 MR. HUDGENS: Can I also add, I think that  
12 it would be instructive for us to do an analysis based  
13 on the importer questionnaires, and we could do that  
14 in a post hearing brief, and it would shed light on  
15 why the AUVs are different from the pricing data that  
16 you see in the later section.

17 COMMISSIONER BROADBENT: Okay. So are we  
18 talking about a product mix issue here at all?

19 MR. HUDGENS: Yes, but also I think it's  
20 importer specific as well, so I think that's something  
21 that we would have to address in a posthearing brief.

22 COMMISSIONER BROADBENT: Okay. Mr.  
23 Chairman, I don't have any further questions for this  
24 panel. I just want to thank them for their time and  
25 effort in putting together their testimony. Thank

1 you.

2 CHAIRMAN WILLIAMSON: Thank you. Just  
3 several quick questions. Are subject imports  
4 available in all of the same forms the domestic  
5 product, i.e., the powder, granular, and pellet?

6 MR. THOMPSON: Ron Thompson. Yes.

7 CHAIRMAN WILLIAMSON: Okay. Thank you. And  
8 are there price competitive substitutes for activated  
9 carbon and applications such as mercury control or  
10 other applications? I know someone talked about the  
11 ground water you may have coconut as use as well as a  
12 carbon.

13 MR. LEEN: I can address a little bit about  
14 activated carbon. As I think I alluded to earlier,  
15 this is a fairly active field by a lot of very large,  
16 well respected specialty chemical companies like BSF,  
17 Dupont, Dow, Ecolab all looking at economically viable  
18 alternative technologies to activated carbon for the  
19 purpose of mercury capture. So it's attracting of a  
20 lot of attention. Some of those various technologies  
21 are at different phases of commercialization, but  
22 there's a high degree of activity in that area.

23 CHAIRMAN WILLIAMSON: Okay. Thank you.  
24 That's helpful. And lastly, what percentage of  
25 activated carbon produced in China would you estimate

1 is within the scope of this review and what percentage  
2 of non-subject activated carbon produced worldwide  
3 would fall within this commerce and scope? And if you  
4 want to do that post hearing, that's okay.

5 MR. LUBERDA: We'll attempt to do that post  
6 hearing so that, rather than guessing, we can be a  
7 little more specific for you.

8 CHAIRMAN WILLIAMSON: Good. Okay. Thank  
9 you. And with that, I have no further questions.

10 Commissioner Pearson? Okay. No other  
11 commissioner has further questions.

12 Does staff have any questions for this  
13 panel?

14 MR. CORKRAN: Douglas Corkran. Office of  
15 Investigations. Thank you, Chairman Williamson.  
16 Staff has no additional questions.

17 CHAIRMAN WILLIAMSON: Thank you. Do  
18 Respondents have any questions for this panel?

19 MS. NOONAN: No, we do not, Mr. Chairman.

20 CHAIRMAN WILLIAMSON: Okay. Thank you.  
21 Then I guess it's time for us to take a lunch break.  
22 Please remember that this room is not secure, so  
23 please take any business proprietary or confidential  
24 information with you.

25 At this time, we'll take a break until 1:30.

1       So we'll reconvene at 1:30. Thank you.

2                   (Whereupon, at 12:25 p.m., the hearing in  
3 the above-entitled matter was recessed, to reconvene  
4 at 1:30 p.m. this same day, Tuesday, December 18,  
5 2012.)

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1 business, I used to work at one of the largest  
2 activated carbon manufacturing plant in Sri Lanka  
3 known as Haycarb BLC. I joined Haycarb BLC in early  
4 1974 as a junior executive and worked there until I  
5 moved to U.S.

6 By the time I left, I was in charge of the  
7 entire production plant in Sri Lanka. The carbon  
8 activated corporation is currently one of the largest  
9 providers of activated carbon and related services  
10 including regeneration in the United States, and we  
11 bring in large quantities of wood, coal activated  
12 carbon, coconut activated carbon from various  
13 countries worldwide. We also buy considerable amount  
14 of domestic product from Norit Americas, Inc.

15 Through my companies, I have been importing  
16 activated carbon from People's Republic of China since  
17 1994. We sell activated carbon to our customers for  
18 water purification, air purification, and process  
19 metal recovery applications.

20 Our main customers are counties, cities, and  
21 municipality that depend on us to supply activated  
22 carbon to beautify water for their residents, other  
23 customers use for environmental applications such as  
24 spill cleanups, volatile organic components captured  
25 from the paint booths, dry cleaning, gasoline

1 dispensing operations, and emission and sulfur on  
2 concentrations in the air, and companies that produce  
3 medical applications such as those using kidney  
4 dialysis.

5 I would like to explain why I believe the  
6 anti-dumping order placed on certain activated carbon  
7 from the People's Republic of China needs to be  
8 removed. There are four points I would like to make  
9 today.

10 The first, the demand for activated carbon  
11 both in U.S. and worldwide is at an all time high.  
12 Ladies and gentlemen, I have been running my business  
13 in U.S. coming 20 years now and I sell to customers  
14 both in U.S. and non-U.S. markets as I have a branch  
15 in Canada and Europe as well.

16 In the past decade, we have seen the demand  
17 for activated carbon rise dramatically because of the  
18 hardship penalties which Environmental Protection  
19 Agencies are imposing on various companies that  
20 release pollutants into the atmosphere.

21 Therefore, many company companies ranging  
22 from military contractors to pharmaceutical companies  
23 have been turning to the activated carbon industry as  
24 activated carbon has been proved over the years to be  
25 one of the best organic filters available.

1           Aside from this, one of the largest growing  
2 areas in this industry has been the supply of  
3 activated carbon developing countries such as China  
4 itself who only now understand the necessity of having  
5 clean water and they are in their own cities and  
6 countries.

7           In addition to that Chinese demand for coal  
8 has been a very increasing due to the hundreds of new  
9 power plants and the Chinese government keeps building  
10 each year. Not only do these same power plants also  
11 need raw coal, they also need coal activated carbon  
12 which then processed a significant constraint in the  
13 availability of raw coal necessary to manufacture  
14 activated carbon for their requirements.

15           Therefore, I hope I have been able to  
16 explain to you how important activated carbon industry  
17 has become in the past decade and that the demand for  
18 activated carbon be coal activated carbon, coconut  
19 activated carbon, or wood activated carbon is at an  
20 all time high and that the demand for CAC will keep  
21 increasing.

22           You will see that graph even though with the  
23 Chinese duties, 2007 to 2011, the Chinese imports  
24 remain the same. Sometimes a little low, sometimes a  
25 little high, but because of actually the Chinese

1 prices are somewhere around 2005, 2006, prices are low  
2 because of the economical situation in China, cheap  
3 labor, and some other cheap like coal also very cheap.

4 But after implementing the dumping, the same  
5 time China also decided to increase their carbon  
6 prices. You will see that graph even though the coal  
7 carbon imports reduced in a significant amount, all  
8 the other types of carbon increased.

9 One of the reasons is that when the coal  
10 carbon price has gone up, actually the coconut, the  
11 prices were remained the same. They are full. A lot  
12 of municipalities, they decided to use coconut carbon.  
13 Sometimes it's interchangeable.

14 You will see that 2007 to 2011, the other  
15 types of carbon increased their volumes significantly.

16 Even 2009, 2010, 2011, the coal carbon prices are  
17 very high and when you take the coal and coconut,  
18 coconut has better properties.

19 Coal can activate up to a certain limit.  
20 For example, like iodine. Coal can go maximum 1,000  
21 because of the structure. The coal is very weak. But  
22 coconut you can go up to 1,200, 1,300. There are so  
23 many advantages, so the people realize that. The  
24 cities and counties, they realized that. The coal  
25 prices are going up, and because of that, they decided

1 to interchange.

2 The second, the raw material used to make  
3 the subject activated carbon is increasingly in short  
4 supply. Many coal mines were closed to safety and  
5 environmental reasons which is currently resulting in  
6 shortage of bituminous coal and subsequent price  
7 increase China coal activated carbon.

8 Around 2007, there were 80 activated carbon  
9 manufacturing plants in China, but with the shortage  
10 of coal and environmental restrictions, today there  
11 are only 40 to 45 manufacturing plants in operation.  
12 For them all domestically here in the U.S., strict  
13 environmental and mining laws are limiting the ability  
14 of U.S. industries to produce necessary quantities of  
15 coal to manufacture activated carbon and anthracite  
16 filter media. Our industry uses anthracite filter  
17 media also. There is a severe shortage of anthracite  
18 filter media too.

19 Number three, I would like to point your  
20 attention to the fact that the carbon that is being  
21 produced domestically in the U.S. and in China are two  
22 different types and subject to two different  
23 production procedures because of the raw material  
24 used. These products are only sometimes  
25 interchangeable.

1           Domestically produced coal activated carbon  
2 goes through a laborious process to get the final  
3 product. This is because the coal founding U.S. mines  
4 are softer and less dense therefore tend to break  
5 easily. Therefore, domestically mined coal is first  
6 powdered and then made into briquettes using a binding  
7 agent.

8           Then these briquettes are broken into  
9 different grades used in the industry such as 12 by 40  
10 and 8 by 30. Those are the two most common grades  
11 Petitioners mainly produce, Calgon filled it for 300,  
12 400, and Norit in 300. Due to the fact that this  
13 process is laborious, the cost of this carbon is far  
14 more expensive than the carbon produced in China.

15           I'm going to give a little idea of the  
16 regular carbon and the reagglomerated carbon. On your  
17 left, China, they have a specific bituminous carbon  
18 with a certain amount of density and actually they are  
19 not that soft. Because of that, that Chinese coal  
20 carbon you can activate direct. What they're doing is  
21 they mine the coal. They're crushed into different  
22 sizes. They're carbonized, and then direct activate.

23       So their cost is much lower than the reagglomerated  
24 carbon.

25           The reagglomerated carbon, for example

1 actually, I hope to add over there, normally we  
2 measure the carbon capacity by either iodine number or  
3 either surface area.

4 So if you take like 900 iodine, you will  
5 see, like for example, these are not actual  
6 structures, but if you take 900 Chinese coal and the  
7 900 domestic mid coal, you will get the same effect.  
8 There are little, little difference, but when you come  
9 to drinking water industry, you can use any type of  
10 carbon.

11 So both has 900 iodine, but the surface, the  
12 regular surface you have in China, but the Chinese  
13 surface is we spent a lot of money to make that  
14 carbon. So therefore, there's a significant but  
15 roughly about 20 to 30 cents pound price difference.  
16 But China also made reagglomerated carbon, very  
17 similar price, very similar to U.S.

18 I forgot to tell you that the binders they  
19 use, it's called petroleum tar, so you are aware of  
20 that the petroleum tar is also expensive and when you,  
21 as I mentioned to you, China also produced the same  
22 carbon, very similar price, but in China also they're  
23 having right now there's severe shortage of petroleum  
24 tar.

25 Furthermore, even though the Petitioners

1 claim that the both domestic product and the China  
2 product is interchangeable, most usually the companies  
3 do not like using carbon that have binders as these  
4 carbons tend to change shape when they backwash the  
5 carbon, a process that is done regularly.

6 That means I have to explain a little bit.  
7 When you load carbon into a carbon filter, time to  
8 time you have to do a backwash to get it off, the  
9 sleet, mud, and other things.

10 So if you have sharp edges of the carbon,  
11 then it will break. So that's why they're saying is  
12 some utilities they don't want to use reagglomerated  
13 because after some time the carbon will, the shape  
14 will change and then the pressure drop is going to get  
15 higher.

16 So because of that, especially in West  
17 Coast, some of the utilities, they don't -- they  
18 especially mention on the big packages they like to  
19 use natural granular carbon. That's why the China  
20 carbon they were using from early nineties.

21 The above line can be further stranded by  
22 describing the forming customer groups that purchase  
23 the coal activated carbon for various applications.  
24 Number one, customers who only require reagglomerated  
25 coal activated carbon made in U.S., customers who

1 required reagglomerated coal activated carbon made  
2 either in U.S. or China. Number three, customers who  
3 only require direct activated carbon without binders.  
4 Number four, customers who only want coal activated  
5 carbon regardless of it being reagglomerated or  
6 direct.

7           There are only a few applications you need  
8 specific carbon when you come to common applications  
9 like drinking water. Drinking water contains very  
10 little amount of chemicals like the velocity . I want  
11 to explain to you that like West Coast, the entire  
12 ground water is contaminated by aerospace companies,  
13 for example, California, 50 percent of the water  
14 coming from Colorado river. The other 50 percent,  
15 they pump from the ground, so that the ground water  
16 contaminated by velocity. It's very, very little  
17 amounts of carbon tetrafluoride, carbon benzene,  
18 perchloroethylene. They are but very small amounts,  
19 therefore, actual speaking you can use coconut shell,  
20 you can use coal-based reagglomerated, you can use  
21 coal-based regular.

22           My final point, the fourth and the final  
23 point is that the price of activated carbon is  
24 significantly higher than the price that we had  
25 building the original period of investigation which

1 shows the strength of demand and the tightness of the  
2 supply. There is no reason to think the price will  
3 change if the order is revoked.

4 You will see that in 2006 China used to sell  
5 \$460.00 per ton and then the same time this order was  
6 implemented. Before that, we used to pay 4.8 percent  
7 duty, but same time in China they change a lot because  
8 they used to pay about 100 to \$200 per month salaries  
9 and plus freely available coal.

10 Well, a lot of coal mines they close due to  
11 environmental safety issues. No matter what the  
12 dumping order, the prices have gone up. So this is  
13 I'm talking about the regular 8 by 30, 12 by 40 carbon  
14 without binders. I will show you all the other sizes  
15 also.

16 So 2006, we used to pay \$460. 2007 even  
17 \$700.00. 2008, \$750. 2009, \$900. 2010, close to  
18 1,200. One time is gone up because there was a severe  
19 shortage of coal in China, so 2011 prices have gone  
20 down a little bit. Now again gone up because there's  
21 a severe demand in China for their own and plus Europe  
22 also. Europe also buying very large quantities.

23 So when you add this 4.8 and initial 67.14,  
24 so if you take 67 percent of 460, it's 308. So  
25 actually, when you add up, you know, you end up with

1 like over here until today until the fourth review  
2 comes, it is about like \$1,480.

3 I forgot to tell you that I have a lease  
4 carbon plant in Sri Lanka so that my cost over here,  
5 CNF, coconut carbon, is \$1,250. So you will see that  
6 over here for the regular carbon. Right now, we were  
7 paying about close to about 1,480.

8 Before we cannot believe how these numbers  
9 came because I think something wrong and we already  
10 appealed and we got injunction because the way the  
11 comma is calculated end up with like a \$1.00 for a kg.

12 So then, if that is the case, one ton of carbon is  
13 going to be \$2,400, \$2,500. Nobody is going to buy  
14 it.

15 Over here, I want to show you something.  
16 Why I'm asking you to reword the order, you will see  
17 over here that no matter what the order, the carbon  
18 prices have gone up. Blue is the carbon prices, and  
19 then the red is the duty.

20 See one time certain people got zero. A  
21 couple of guys got 44 cents a kg. Even Calgon Carbon  
22 Corporation till today, they are red carbon coming  
23 from China is zero. Jacobi also zero to the third  
24 one, but Calgon, even for the fourth review, they  
25 decided not to review themselves. Because of that,

1 they are rated zero. So all the others got point 28.

2 That means \$280 per kilo.

3 Actual speaking, when you're looking at  
4 these prices without antidumping duty, if you leave  
5 the regular duty -- this is a regular duty, carbon  
6 coming from China before the antidumping, so if you  
7 add 4.8 to this, still, this kind of coal prices are  
8 much higher prices but even though people are  
9 consuming U.S., a lot of municipalities and they are,  
10 you know, really upset but they are paying.

11 But again, the demand has gone up and as I  
12 mentioned earlier, we are buying reagglomerated carbon  
13 also for locally, and market is very healthy. Market  
14 is very healthy, but prices have gone up. But looking  
15 at this, that is the main reason we're asking now is  
16 time to remove this order.

17 Okay. I'm going to show you all the other  
18 types of carbon too. This is powder carbon. The  
19 powder carbon also in 2006, this is we are talking  
20 about there are so many types of carbon, different  
21 iodine numbers, different surface area. I'm talking  
22 about this is 500 iodine number carbon. 2006 some are  
23 in 420.

24 The powder carbon is the cheapest because  
25 even over here in some other countries, a lot of

1 companies are making powder from the underside of the  
2 bigger sizes. So it's gone up to 525, 577, 750, and  
3 850, and with the 4.8, actually, before the fourth  
4 results came, if you add \$280, you are talking about  
5 \$900.

6 According to my understanding like domestic  
7 industry, the domestic producers also sitting pretty  
8 close to adding delivered prices close to about 45  
9 cents. So without duty, without antidumping duty, the  
10 Chinese prices also very similar to the domestic  
11 prices.

12 But actual speaking, right now the price is  
13 850 not the 750. What we are paying right now, we  
14 have invoices, we are paying \$850 with this price.  
15 Without this, we are out of the powder carbon market.

16 We don't sell that much. We are not in even mercury  
17 renewal business because we cannot compete with other  
18 companies.

19 This is also a very sad situation because  
20 coal carbon from 2000 till today, majority of the --  
21 this is called pelletized carbon. This is a separate  
22 process. They pulverize. They use a different base  
23 material. They use Antracite coal material to make  
24 this cylindrical pelletized carbon, very similar to  
25 reagglomeration. They pulverize the coal and then

1 they make like pellets and they activate. The reason  
2 the industry use pelletized carbon some -- there are  
3 applications. These are mainly for air purification.

4 And customers, they like pelletized carbon because of  
5 the less pressure drop. If we fuse granular carbon,  
6 granular carbon time to time you will get higher  
7 pressure drop.

8 Because of that, they will use 4 millimeter,  
9 3 millimeter, sometimes people use 2 millimeter or 1.5  
10 for liquid applications. This one, according to my  
11 knowledge, Petitioners make very little about  
12 pelletized carbon even though we have heavy duty and  
13 now customers are paying very high prices for this  
14 carbon.

15 Actually, the Petitioners also bring very  
16 large quantities from China even though because they  
17 don't have production capacity over here. The same  
18 thing happened 2006, 2007. You will see that  
19 significant price increase. So the same time, the  
20 antidumping duty went down, you know, till 2012,  
21 majority of the importers used to pay .28. Jacobi,  
22 zero. Calgon, zero.

23 Now, the 430, there's another company also  
24 got zero. You know, there is a weird calculation. I  
25 don't know how they calculate because even for the

1 fourth, that's why we are appeal the case because they  
2 selected about eight companies. Out of eight  
3 companies, they selected three companies to review.  
4 From those three companies, one company got zero. The  
5 other company got \$2.30. The third one got 44.

6 According to the calculation according to  
7 the rule says you have to remove the zero and then you  
8 have to get average of 242 and to whatever, 242 and  
9 44. So most of the people end up with \$1.04 per kg.  
10 If that is the case, you will see that this duty alone  
11 is 1,040.

12 And then the price, I don't know I'm 100  
13 percent sure about this, if you take this one, say  
14 \$2,000, so you are talking about \$2,600. So that's  
15 why actually my counsel is working on that to appeal  
16 the case. I'm going to go through several slides.  
17 Okay. Thank you for giving me opportunity to speak.  
18 I'm happy to answer any questions you have. Thank  
19 you.

20 MS. NOONAN: Okay. And now we're going to  
21 hear from Mr. Chris Allen.

22 MR. ALLEN: Ladies and Gentlemen of the  
23 Commission. My name is Christopher Allen, and I work  
24 for Carbon Activated Corporation as a Director of the  
25 New York Branch. I've worked within the activated

1 carbon business for over 30 years, firstly in the  
2 United Kingdom as Managing Director of CPL Carbons, a  
3 subsidiary of the British Coal Corporation, and now  
4 for the last 10 years with Carbon Activated  
5 Corporation in Buffalo, New York.

6 I have experienced implementation of anti-  
7 dumping duties on activated carbon from the Peoples  
8 Republic of China in Europe as well as here in the  
9 United States. I'd like to make the following  
10 additional comments in support of those made by our  
11 President, Mr. Lionel Perera. First, I want to make  
12 it clear that purchasing domestically produced  
13 activated carbon is an important aspect of our  
14 business, and we greatly value our relationship with  
15 our U.S. supplier, Norit.

16 We need to purchase domestically produced  
17 activated carbon because of the differences between  
18 reagglomerated carbon and direct-coal activated  
19 carbon. In the eastern states, for example, our  
20 municipality customers specify reagglomerated and,  
21 more often, U.S.-made reagglomerated activated carbon  
22 for their water treatment requirements. For these  
23 customers, we supply domestically manufactured  
24 reagglomerated carbon.

25 This can be because of the requirement for

1 U.S.-made carbon only or because the Chinese  
2 reagglomerated product is more expensive or does not  
3 fully meet the specifications given by the customer.  
4 As example, on publicly available bids for  
5 reagglomerated carbon, Calgon proposed \$1.12 per pound  
6 delivered to site, including overhead and profit, and  
7 \$1.16 for a different city. We have information that  
8 they recently quoted to another company like ours a  
9 price of \$1.50 per pound. What this means to us is  
10 that Calgon is purposely inflating the price to its  
11 competitors in order to control the market.

12 For our other customers, for example, in the  
13 environmental contracting market, who do not require  
14 reagglomerated carbon and specified direct-coal  
15 activated carbon, we cannot use domestic product since  
16 direct-coal activated carbon is not manufactured in  
17 the U.S. In this market, incidently, coal carbons can  
18 be interchanged with coconut carbons on many  
19 applications, and the large increase in coconut  
20 carbons imported over the last five years when the  
21 coals imports have reduced confirm that coal supplied  
22 from China is not affecting the U.S. manufacturers.

23 You can see by the increasing supplies from  
24 alternative sources other than China over the same  
25 period. For these customers, we use imported coal

1 carbon from China, or more recently from Australia,  
2 Germany and in the future Indonesia. We also supply  
3 of course coconut carbon for these applications. From  
4 these facts, it is our position that the Chinese  
5 carbon is not hurting the U.S. industry now since, for  
6 example, Calgon was not able to meet their contractual  
7 requirements with a city in the Midwest under the  
8 locations in 2010, 2011, due to their full capacity  
9 situation.

10 It would be fair to say somewhat reluctantly  
11 these customers had to accept imported Chinese  
12 reagglomerated carbon due to the inability of the U.S.  
13 producer to supply in a timely manner. More recently,  
14 longer lead times of three months plus have been  
15 specified by U.S. suppliers. In summary, due to the  
16 strong demand and a lack of interchangeability for  
17 specific customer applications, revocation of the  
18 anti-dumping duty order would not cause any injury to  
19 the domestic industry.

20 Further, I also want to address Petitioners'  
21 claim that U.S. prices are higher than the world  
22 market and therefore if the order is revoked, prices  
23 in the U.S. would drop. As a direct importer into  
24 Canada and other parts of the world, including the  
25 Middle East and Europe, the price of Chinese carbon is

1 exactly the same whether it is delivered to the U.S.,  
2 Canada or other countries.

3 These other countries have no anti-dumping  
4 duty orders on the types of activated carbon we supply  
5 from China, and therefore this again demonstrates that  
6 the removal of the anti-dumping duty order in the U.S.  
7 would not result in lower prices from China coming to  
8 the U.S. That concludes my statement, and again, I  
9 will be happy to answer any questions.

10 MS. NOONAN: That concludes our direct  
11 testimony.

12 CHAIRMAN WILLIAMSON: Okay. Thank you. I  
13 want to thank the representatives of CAC from taking  
14 time from their business to come to present their  
15 testimony to us today. This afternoon, we'll begin  
16 our questioning with Commissioner Johanson.

17 COMMISSIONER JOHANSON: Thank you, Mr.  
18 Chairman, and I would like to welcome this afternoon's  
19 witnesses to the ITC. Thank you for appearing here  
20 today. In the Respondents' brief at page 4, you  
21 stated that for activated carbon produced from coal,  
22 constraints in the coal supply will limit the amount  
23 of activated carbon that can be produced. Were you  
24 referring to constraints in the United States, China  
25 or in both

1 MS. NOONAN: I believe we were referring to  
2 both, but mostly China. As Mr. Perera testified  
3 earlier, it's been his experience that China has  
4 implemented a lot of new regulations for their own  
5 coal-mining activities, which has resulted in a number  
6 of smaller mines being shut down, and therefore,  
7 there's not as much coal, and then you also have other  
8 demand in China for coal to be used in other  
9 applications rather than to be produced into activated  
10 carbon. I'll let Mr. Perera add anything I might have  
11 missed.

12 MR. PERERA: Sorry. Recently, a lot of  
13 things going on in China other than shipping to other  
14 countries because they have a severe demand other than  
15 that they had a lot of mining accidents, and they  
16 closed so many mines. Very few mines is operating and  
17 also some binders, the shortage of binders do for the  
18 pelletized carbon.

19 COMMISSIONER JOHANSON: Okay. So the main  
20 reason that the mines are closing is for safety, and I  
21 think you mentioned environmental earlier as well?

22 MR. PERERA: Yes.

23 COMMISSIONER JOHANSON: Okay. But China's  
24 still one of the world's major coal-producing  
25 countries. I know that they're importing coal right

1 now, but they have very large reserves. Is that the  
2 case?

3 MR. PERERA: They have large reserves, but  
4 for your information, for activated carbon, you need a  
5 certain type of coal. Now what they're saying is  
6 layer 1, layer 2, layer 3. Now they are saying is  
7 actually in the bottom layers. Therefore, it's very  
8 difficult to take, and type of coal they're trying to  
9 get is they're not 100 percent built for it like, for  
10 example, ash content is getting higher and higher, so  
11 they have to do a lot of testing to select the correct  
12 coal. Therefore, there's a severe shortage, too.

13 COMMISSIONER JOHANSON: Okay. Thank you for  
14 that information. That's helpful. It's a little  
15 confusing for me. One reason I know there's so much  
16 coal in China is because it turns out that probably  
17 once a month or so, every one, two, three months, you  
18 hear on the radio about a mining accident in China,  
19 and so it goes both ways, I guess. They're still  
20 producing a lot, but apparently they still have the  
21 safety issues which might be causing contraction in  
22 the industry through mine closings. Okay.

23 MR. PERERA: Excuse me?

24 COMMISSIONER JOHANSON: Yes.

25 MR. PERERA: Majority of the coal they use

1 for power plants and for heating. Very little coal  
2 used for the activated carbon.

3 COMMISSIONER JOHANSON: Okay. So it's a  
4 different type of coal basically, which we learned  
5 also this morning from --

6 MR. PERERA: Entirely different type of  
7 carbon.

8 COMMISSIONER JOHANSON: Yes, and this  
9 morning's witnesses mentioned the same thing.

10 MR. PERERA: Yes.

11 COMMISSIONER JOHANSON: Okay. Thank you.  
12 Onto another question, I understand that the  
13 Commission in its original investigation found that  
14 immediately after the petition was filed, domestic  
15 prices increased, and the volume of subject imports  
16 declined rapidly. Does the speed of that market  
17 reaction tell us anything about what is likely to  
18 happen in the U.S. market in the event of revocation?

19 Ms. Noonan?

20 MS. NOONAN: Sure. Thank you, Commissioner.

21 In our opinion, no it doesn't. We think that they  
22 were completely unrelated. What was happening in  
23 China is you were starting to see some major changes  
24 in the Chinese business model and industry with more  
25 privatization, more interest in profits over there

1 frankly, and it just so happened to coincide at the  
2 same time. I think what is a more common pattern is  
3 right after a petition is filed to see a surge of  
4 imports, of low-priced imports, which is where we get  
5 our critical circumstances findings, but in this case,  
6 you actually saw a lower volume of imports coming in,  
7 and you saw them coming in at a higher price.

8 COMMISSIONER JOHANSON: Mr. Perera?

9 MR. PERERA: When you see that graph, the  
10 price is going up from \$460 to \$1,200. When we get  
11 quotations from the Chinese export companies,  
12 everybody's price is same. Not only that, the same  
13 carbon going to Europe, also we have a branch in  
14 Europe, we have a branch in Canada, only maybe very  
15 little different to U.S., maybe \$10, \$15 difference  
16 because of the attorney fees and this thing. Other  
17 than that, I don't believe that they are going to  
18 reduce the price.

19 If that is the case, they are going to  
20 reduce at the beginning, 2007, 2008 and 2009, they are  
21 going to reduce to anticipate the increase. You will  
22 see that. No matter what, they increase their prices.

23 MS. NOONAN: And if I may add, Commissioner?

24 What we were trying to show with this chart too is  
25 basically the disconnect between the dumping duties

1 and the prices in the United States, so even when you  
2 see the dumping duties dropping quite low, you still  
3 see the U.S. prices at a very healthy amount, which  
4 is, in our experience, why the prices are not  
5 connected to the anti-dumping order.

6 COMMISSIONER JOHANSON: Okay. And going  
7 back to the original investigation, how is the market  
8 of today different or similar to that of 2007?

9 MR. PERERA: Demand is very high. Demand is  
10 very high. The only difference is because of the  
11 higher prices, some customers tend to change to  
12 coconut.

13 COMMISSIONER JOHANSON: Changed to? I'm  
14 sorry.

15 MR. PERERA: They change to coconut  
16 activated.

17 COMMISSIONER JOHANSON: Coconut. Okay.  
18 Okay. Thank you. Yes, Ms. Noonan?

19 MS. NOONAN: I was just going to add that we  
20 think the staff report does show the increase in  
21 demand, and it actually is one of the areas where the  
22 Petitioners and we do agree that demand has increased  
23 over the period of review, and we do expect it to  
24 increase.

25 COMMISSIONER JOHANSON: Okay. Could you all

1 speak on possible differences in the market, sir, by  
2 domestic and imported activated carbon, and do  
3 domestic producers dominate certain segments of the  
4 end-user market, Mr. Allen?

5 MR. ALLEN: Certainly, Calgon and Norit have  
6 market sectors which they dominate, the food industry,  
7 the pharmaceutical industry, just two major ones that  
8 they supply. Also, within the drinking water  
9 industry, as we tried to highlight here, there are  
10 specific applications where reagglomerated carbon,  
11 which is the one that Norit and Calgon produce, are  
12 specified by the end user because they believe that  
13 that better suits the requirements for their water  
14 treatment application, in other words, that the porous  
15 structure that's associated with the reagglomerated  
16 carbon is more suitable to their particular type of  
17 water.

18 When they specify reagglomerated carbon,  
19 they specify U.S.-made reagglomerated carbon as a  
20 general rule, certainly in the Mid and Eastern states.

21 COMMISSIONER JOHANSON: Given the  
22 differences in the use of the different types of  
23 activated carbon, would you all consider activated  
24 carbon to be a commodity product?

25 MR. ALLEN: I would say that for many

1 applications, it is now a commodity product,  
2 particularly like powder carbon.

3 COMMISSIONER JOHANSON: It is or is not?

4 MR. ALLEN: I would say it is a commodity  
5 product.

6 COMMISSIONER JOHANSON: Okay.

7 MR. ALLEN: For a large number of  
8 applications, not for all applications, but for a  
9 large number which the Chinese carbon is used for.

10 COMMISSIONER JOHANSON: Okay. So you have a  
11 commodity product but with basically different subsets  
12 depending upon the use of the product and the quality  
13 of the product?

14 MR. ALLEN: Exactly, and some carbons are  
15 specially treated to enhance its properties to give it  
16 physiochemical absorption properties, and they're more  
17 specialized, but for general water treatment  
18 applications and environmental applications, he  
19 carbons are now what I would class as a commodity  
20 rather than a specialized chemical demanding high  
21 profit margins, et cetera. That's why I think that  
22 overall, like a lot of industries that were  
23 specialized and had a unique application over the  
24 years on activated carbon has developed into a  
25 commodity.

1                   COMMISSIONER JOHANSON: Well, thank you. My  
2 time's about expired, so I will stop for now, but  
3 thank you for your responses.

4                   CHAIRMAN WILLIAMSON: Commissioner  
5 Broadbent?

6                   COMMISSIONER BROADBENT: Thank you. You  
7 guys don't have page numbers, but this is the page in  
8 your presentation entitled Direct and Reagglomerated  
9 Coal-Based Activated -- yes, that's it. Can you give  
10 me a little more information in terms of who these  
11 groups are? What kind of an industry only wants  
12 reagglomerated, made in the U.S.? Who's falling into  
13 these four categories?

14                  MR. ALLEN: Chris Allen. Certainly, the  
15 food, pharmaceutical industries would fall into that  
16 category.

17                  COMMISSIONER BROADBENT: Number one.

18                  MR. ALLEN: And also certain areas of the  
19 water treatment market demand reagglomerated carbon  
20 for their application within the water treatment  
21 industry like the general removal of taste and odor  
22 compounds, jasmine and MIB. They're in the direct-  
23 coal or the reagglomerated carbon could be used or  
24 purely powder-activated carbon can be used in those  
25 applications.

1                   COMMISSIONER BROADBENT: Okay. And that's  
2                   Number one?

3                   MR. ALLEN: Sorry?

4                   COMMISSIONER BROADBENT: Yes, I'm not  
5                   following this, and I apologize, so if you're only  
6                   going to buy reagglomerated from --

7                   MR. ALLEN: Sorry?

8                   COMMISSIONER BROADBENT: Yes. I'm just  
9                   trying to understand these four different categories  
10                  under two --

11                  MR. ALLEN: So customers only want  
12                  reagglomerated, other ones that I just said, people  
13                  like the food industry where they're removing color  
14                  compounds or purifying a product, removing quite large  
15                  molecules, they're looking for the reagglomerated-type  
16                  activated carbon. Also, certain municipalities  
17                  specify reagglomerated carbon. They've used it for  
18                  many years. They believe that it removes their  
19                  contaminants more efficiently than direct coal, and  
20                  they specify reagglomerated carbon generally made in  
21                  the United States.

22                  COMMISSIONER BROADBENT: I guess my question  
23                  was --

24                  MR. ALLEN: Customers --

25                  COMMISSIONER BROADBENT: Sorry to interrupt.

1 I think Mr. Perera said that if it had sharp edges  
2 after being reagglomerated, and you were doing a  
3 backwash, it would break off, and you wouldn't want to  
4 use it in a water filtration system.

5 MR. ALLEN: Certain water plants, that is  
6 the case.

7 COMMISSIONER BROADBENT: Okay. All right.

8 MR. ALLEN: But the point he was really  
9 making was that the direct coal product is much harder  
10 than the reagglomerated carbon.

11 COMMISSIONER BROADBENT: More stable, it  
12 doesn't break up as much?

13 MR. ALLEN: More stable, so the product will  
14 last for a longer period of time after subsequent  
15 backwashing within the filter.

16 COMMISSIONER BROADBENT: Right. Okay. I  
17 get that.

18 MR. ALLEN: That was the main point.

19 COMMISSIONER BROADBENT: Okay. Okay. So it  
20 is generally that the food use would be just demand  
21 for a U.S. product?

22 MR. ALLEN: We generally don't compete in  
23 the food and the pharmaceutical markets. It's an area  
24 where the U.S. has quite a monopoly.

25 COMMISSIONER BROADBENT: And is that because

1 of certification, or is it because of servicing?

2 MR. ALLEN: It's because of the  
3 reagglomerated-type carbon, which they are specialized  
4 in.

5 COMMISSIONER BROADBENT: The U.S. is?

6 MR. ALLEN: The U.S., yes.

7 COMMISSIONER BROADBENT: Okay. Okay. And  
8 then if you wanted reagglomerated either U.S. or  
9 Chinese and it didn't matter?

10 MR. ALLEN: Well, there are some  
11 municipalities that will specify reagglomerated  
12 because they believe that type of structure, as I  
13 said, is better for the removal of their contaminants,  
14 but they will accept some, not very many actually,  
15 they will accept China or U.S.-made reagglomerated  
16 carbon. As I indicated in my presentation, right now,  
17 we would prefer to supply the U.S.-made reagglomerated  
18 carbon, and we do.

19 COMMISSIONER BROADBENT: Okay.

20 MR. ALLEN: Customers who only want direct  
21 coal, as Mr. Perera said, there are many  
22 municipalities in the West where they found that  
23 direct coal lasts longer due to its hard  
24 characteristics when backwashing and also in the  
25 environmental market where we put in systems to purify

1 contaminated groundwater, contaminated air, direct  
2 activated coal is required by those companies. Then,  
3 customers who only want activated carbon regardless of  
4 reagglomerated or direct customers, within all of  
5 those market places who haven't found any preference  
6 for either reagglomerated or direct coal.

7 COMMISSIONER BROADBENT: Okay. Great.  
8 Thank you very much. That's helpful.

9 MR. PERERA: I have to --

10 COMMISSIONER BROADBENT: Yes, please.

11 MR. PERERA: Several issues now like  
12 Petitioner Calgon Corporation, they make the systems  
13 also for the municipalities. When they supply the  
14 systems, they write the specifications, so they  
15 specifically mention they need reagglomerated carbon,  
16 so when the contract is finished, the purchasing  
17 agents, they don't know a lot of things about carbon,  
18 so they want to continue the requirements, so because  
19 of that, they request reagglomerated carbon.

20 Some other areas like some other areas in  
21 the country ask for U.S. made only, so there's no  
22 choice. We have to supply reagglomerated carbon.

23 COMMISSIONER BROADBENT: Is that a Buy  
24 America requirement under the Water Treatment  
25 Appropriation Bill or something?

1                   MR. PERERA: What do you call that? Buy  
2 America?

3                   COMMISSIONER BROADBENT: Buy America.

4                   MR. PERERA: Yes. Most of the cities and  
5 counties in Eastern states asking for domestic-only,  
6 U.S. made.

7                   COMMISSIONER BROADBENT: Okay. Okay.

8                   MR. PERERA: So the regular carbon has  
9 another advantage, no binders. Because of that,  
10 easily you can regenerate. The binded carbon has a  
11 petroleum tar, so you have to very carefully monitor  
12 their temperatures, otherwise carbon ignite. Thank  
13 you.

14                   COMMISSIONER BROADBENT: Okay. Thank you.  
15 Can you all talk about demand in this market as you  
16 expect it to be in the next two or three years, and  
17 which areas of the business will be growing in demand  
18 for activated carbon?

19                   MR. PERERA: Especially like California.  
20 California use 50 percent of the water from Colorado  
21 River. The other 50 percent they use from the ground  
22 water. You are all the way off the Colorado River,  
23 limits are going down, and they are trying to get more  
24 ground water, so most of the cities in West Coast,  
25 several cities, they pump water, and then they clean,

1 and then they're selling to the other cities, so  
2 there's a very high demand right now for the drinking  
3 water, mainly for the drinking water industry and also  
4 for air purification like petroleum refineries.

5 They actually release a lot gas, VOCs, and  
6 now also the ground water cleanups. When you go to a  
7 construction site, when you dig a whole and then water  
8 comes from the ground is contaminated with gas, VOCs,  
9 so you need more and more carbon, and also gas  
10 stations. The gas stations before, they had like a  
11 lot of leaks, and then the water table is  
12 contaminated, so the EPA is so really worried about  
13 that gases, so people are using a lot of carbon right  
14 now.

15 COMMISSIONER BROADBENT: Okay. Can either  
16 of you gentlemen tell me a little bit about where the  
17 markets are growing fastest for this product globally,  
18 which countries do you expect the greatest demand  
19 growth in the next three or four years?

20 MR. PERERA: Right now it's China. China,  
21 they've never used, for example, like carbon-activated  
22 manufacturing process like coal-burning. Before, they  
23 never used. Now most of the developing countries are  
24 giving much pressure like U.S. because their  
25 contaminated air is actually flowing through this

1 area. Because of that, they have a lot of rules and  
2 regulations, so because of that, China is using a lot  
3 right now, and sometimes we cannot get enough carbon  
4 for us. They have their own demand, and plus Europe  
5 also and also India. India also developing very well,  
6 and plus Japan. Japan produces a lot of electronic  
7 industry, and therefore, they also use a lot.

8 COMMISSIONER BROADBENT: Is Brazil, for  
9 example, growing? Do you have any sense of that  
10 market?

11 MR. PERERA: Brazil is not that much.  
12 Brazil also produce a little bit of coconut carbon and  
13 wood-based carbon.

14 COMMISSIONER BROADBENT: Wood based, yes.  
15 Okay. Mr. Allen, did you have anything to add on  
16 that?

17 MR. ALLEN: In addition to the growth in the  
18 U.S., we see much more carbon now being used in point-  
19 of-use filter manufacturers, also in the environmental  
20 market.

21 COMMISSIONER BROADBENT: I'm sorry? I  
22 couldn't hear what you said.

23 MR. ALLEN: Sorry. We see a continued  
24 growth in the point-of-use --

25 COMMISSIONER BROADBENT: Point of use?

1           MR. ALLEN: These are filters that are used  
2 on commercial and domestic households. There's a  
3 great deal of manufacturing going on with those types  
4 of filters for installation in houses and commercial  
5 premises.

6           COMMISSIONER BROADBENT: I mean, is it like  
7 the Brita water filtration systems?

8           MR. ALLEN: Exactly, yes.

9           COMMISSIONER BROADBENT: Okay.

10          MR. ALLEN: And then the environmental  
11 market is continuing to grow for the treatment of  
12 polluted groundwater and air.

13          COMMISSIONER BROADBENT: Okay. My time's  
14 expired. I'll get you on the next round. Thank you.

15          CHAIRMAN WILLIAMSON: Okay. Thank you.  
16 Just so I can get a better understanding, what's the  
17 difference, sort of briefly, not getting too  
18 technical, between direct and reagglomerated carbon?

19          MR. PERERA: As I mentioned to you, there  
20 are different type of coal getting in different  
21 countries geographically, so the U.S., what we are  
22 getting is less dense and --

23          CHAIRMAN WILLIAMSON: So is the  
24 reagglomerated just produced predominantly in the  
25 U.S.?

1 MR. PERERA: Mainly in U.S.

2 CHAIRMAN WILLIAMSON: Okay. Does China  
3 produce it?

4 MR. PERERA: China also produce because some  
5 companies over here, some agencies over here, they're  
6 not asking U.S. made. They're asking reagglomerated,  
7 so because for that market but Chinese reagglomerated  
8 is not that good because their density is different.  
9 The binders, they're different because that mainly for  
10 reagglomerated business, we use domestic carbon.

11 CHAIRMAN WILLIAMSON: Okay.

12 MR. PERERA: And as I mentioned to you, so  
13 several countries like China, fortunately or  
14 unfortunately, their coal is hard, and you can  
15 activate direct, so you crush and then carbonize and  
16 activate, so you don't need binders, but actually  
17 speaking, natural coal carbon now much better because  
18 no binders. There's no blockage on the course. It's  
19 environmentally friendly.

20 MS. NOONAN: Mr. Chairman, from a  
21 layperson's perspective, the way I understand it is  
22 the coal, because it's so soft in the United States,  
23 it has to be kind of reconnected, bound together, and  
24 they use this petroleum tar, which then can have some  
25 other unwanted side effects, so actually the Chinese

1 (1) a less-expensive production process because you  
2 don't have to rebind it so to speak, and (2) it's  
3 actually more environmentally friendly, and therefore  
4 more appealing to certain customers.

5 MR. PERERA: I have to tell you that some  
6 U.S. carbon, they don't use binders, but they actually  
7 compress the coal to make briquettes, and then they  
8 crush and make. Still, they call it reagglomerated  
9 carbon.

10 CHAIRMAN WILLIAMSON: Okay. Posthearing,  
11 could you give us an indication of what is the size of  
12 the U.S. market for these different categories because  
13 I don't think we have it in the staff report.

14 MR. PERERA: Yes. Geographically, actually  
15 state to state is different. Like West Coast, the  
16 majority of the West Coast, California, Nevada,  
17 Arizona and New Mexico, the my branch is scouring.

18 CHAIRMAN WILLIAMSON: Excuse me? Which is  
19 coming?

20 MR. PERERA: From my branch.

21 CHAIRMAN WILLIAMSON: Okay. Yes.

22 MR. PERERA: So East Coast, Mr. Christopher  
23 Allen is controlling. The majority of the East Coast  
24 customers, they're surface water filters. The surface  
25 water filter people mainly asking for reagglomerated

1 carbon. The West Coast, mainly we use 20,000- or  
2 30,000- pound steel tanks pumping ground water, so I  
3 don't know what is the main reason, but majority of  
4 the West Coast side asking regular non-binded carbon.

5 CHAIRMAN WILLIAMSON: Okay.

6 MS. NOONAN: We will try to address that in  
7 the post-conference brief, but we don't think it rises  
8 to the level of a separate like-product argument  
9 because there is competition between and  
10 interchangeability to some extent, but for those  
11 particular customers with their specific uses, there  
12 is no interchangeability. I mean, for a customer who  
13 a requirement reagglomerated from the United States,  
14 you cannot bid for the direct carbon, and you also  
15 cannot provide the Chinese reagglomerated, so that was  
16 kind of the point we were trying to make.

17 CHAIRMAN WILLIAMSON: So you're saying you  
18 have to get the Chinese direct because you're not  
19 going to be able to get a source in the U.S.?

20 MS. NOONAN: Absolutely, and then also just  
21 the different characteristics really limits the  
22 interchangeability, but again, perhaps not enough to  
23 have two separate like products, but enough that we  
24 think it's an important condition of competition that  
25 we're trying to call the Commission's attention.

1           CHAIRMAN WILLIAMSON: Okay. Okay. Well, it  
2 would be helpful then if post hearing you could give  
3 us some numbers, some estimates, the basis for those  
4 numbers, how significant, and what should we make of  
5 it in the context of this investigation.

6           MS. NOONAN: Understood. We will do so.

7           CHAIRMAN WILLIAMSON: Okay. Because I think  
8 it would be a little bit easier than my trying to  
9 guess on it. Thank you. In your testimony, you noted  
10 that during the original investigation subject imports  
11 from China supplied a very significant share of the  
12 U.S. market, staff report on page 3. Doesn't the  
13 Chinese market share during the original investigation  
14 suggest a high-level of interchangeability between the  
15 two products, and what has changed? I mean, to the  
16 extent you're making an argument that they're not  
17 interchangeable, they're different, and yet if we look  
18 at market shares at an earlier period, it would seem  
19 to suggest that there was quite a bit of  
20 interchangeability.

21           MS. NOONAN: Right. I think I understand  
22 your question. Well, we think that a lot of the  
23 market share that the Chinese industry had, first of  
24 all, we still have very significant volumes from  
25 China.

1                   CHAIRMAN WILLIAMSON: Yes.

2                   MS. NOONAN: Which we think is important  
3 because we think it really shows that China can  
4 participate actively in this market at a time when the  
5 U.S. producers are still optimistic enough to be  
6 making investments and having profitability, but we  
7 also think that you see non-subject imports coming in  
8 and that the U.S. market share actually stays fairly  
9 steady, so we think it's the non-subject that have  
10 come in as well to sort of augment what's still coming  
11 from China, but yes, there absolutely is some  
12 interchangeability.

13                   It's not always interchangeable, and I guess  
14 that's the point that we were taking issue with, that  
15 the Petitioners had said in the staff report. We  
16 think that the majority of purchasers are saying that  
17 it's never only sometimes because perhaps there's been  
18 this break into these niche markets that did not exist  
19 during the original investigation, and you also have  
20 all this new coconut carbon supply coming into the  
21 U.S.

22                   CHAIRMAN WILLIAMSON: Okay.

23                   MR. PERERA: You see that chart. I can  
24 explain to you. After 2007, the Chinese exports  
25 reduced. The other activated carbon goes up, but the

1 U.S.-produced carbon also going up because of the  
2 requirement of the market.

3 CHAIRMAN WILLIAMSON: Yes.

4 MR. PERERA: Mainly, the other market  
5 grabbed the Chinese business because China prices have  
6 gone up close to the coconut carbon, and coconut  
7 carbon is much better. They replaced the coconut  
8 carbon.

9 CHAIRMAN WILLIAMSON: So the non-subjects  
10 supplying the coconut carbon have taken some of the  
11 market share that China had?

12 MR. PERERA: Yes, because of the price.

13 CHAIRMAN WILLIAMSON: Okay.

14 MR. PERERA: Early days, coconut is the most  
15 expensive carbon because it's coming from natural  
16 nuts. You need about 20,000 coconuts to make one ton  
17 of carbon, and then three tons of carbonized material  
18 to make one ton of carbon, so coconut carbon, \$1,200,  
19 \$1,300 was the high price.

20 CHAIRMAN WILLIAMSON: Okay.

21 MR. PERERA: That's before the coal prices  
22 are lower. Now coal is high, coconut is low.

23 CHAIRMAN WILLIAMSON: Okay. I think I  
24 understand that. Thank you, and I'm sure Petitioners  
25 will comment on that if they disagree with your

1 analysis there. In your prehearing brief, page 5, you  
2 discuss proprietary grades that are difficult for  
3 Chinese producers to match, such as those used to  
4 produce ultra-pure water and corn syrup. What share  
5 of U.S. production do these proprietary grades account  
6 for, and are these applications in which U.S. demand  
7 is most likely to grow rapidly?

8 Then, lastly, is the Chinese product widely  
9 accepted for mercury removal needs in the United  
10 States where there's a lot of talk about the demand  
11 and potential volume as likely being high?

12 MR. ALLEN: I would just like to make a  
13 comment on the mercury removal market?

14 CHAIRMAN WILLIAMSON: Sure.

15 MR. ALLEN: I don't think there's one power  
16 station in the United States where Chinese powder is  
17 used. I think it's too expensive, and for the future,  
18 the largest potential threat to the U.S. is outside of  
19 China, probably from Germany. They have a specialized  
20 product for this particular market, which is much more  
21 cost effective than the Chinese carbon.

22 CHAIRMAN WILLIAMSON: Okay. When you say  
23 future, how far out?

24 MR. ALLEN: I'm saying right now. Right now  
25 the competition is mainly coming from Germany.

1                   CHAIRMAN WILLIAMSON: Okay. Okay. Thank  
2 you.

3                   MS. NOONAN: And, Mr. Chairman?

4                   CHAIRMAN WILLIAMSON: Sure.

5                   MS. NOONAN: Regarding your question  
6 about --

7                   CHAIRMAN WILLIAMSON: Proprietary grades?

8                   MS. NOONAN: The amount of production from  
9 the U.S. products that's in those specifications, I  
10 actually don't think we would have any of that  
11 information because we're not producing to those  
12 specifications, so we're not trying to sell directly  
13 into those. That's for like the kidney dialysis and  
14 really pure water, but perhaps that's some information  
15 that Petitioners might be able to provide.

16                   CHAIRMAN WILLIAMSON: Okay. Is it a  
17 significant volume are we talking about do you think?

18                   Well, okay. I understand, and if there's anything  
19 you can provide post hearing, fine, and Petitioners  
20 are invited to do the same.

21                   MS. NOONAN: Okay. I apologize. Mr. Perera  
22 might have some comments to make. The question is for  
23 the specifications that are not made in China, that  
24 are only made in the U.S., like that might go into say  
25 kidney dialysis or really pure water, do you have any

1 sense of how big that market is in the United States?

2 MS. NOONAN: We're going to answer this post  
3 hearing.

4 CHAIRMAN WILLIAMSON: My time is expiring.  
5 Post hearing is fine.

6 MS. NOONAN: Okay.

7 CHAIRMAN WILLIAMSON: Good. Okay.  
8 Commissioner Pearson.

9 COMMISSIONER PEARSON: Thank you, Mr.  
10 Chairman. I extend my welcome to all of you this  
11 afternoon. Thank you for being with us. Mr. Perera,  
12 in your slides, you had one that indicated that almost  
13 50 percent of activated carbon manufacturers in China  
14 have shut down. Over what time period did those  
15 closings occur?

16 MR. PERERA: In early 2000s they started.  
17 Actually, 1994, 1995, that time period they started  
18 factories. They thought it's a very profitable  
19 industry. The Province called Dartoon, they started a  
20 lot of factories, and then they realized that shortage  
21 of coal and also the Chinese economy, even those days,  
22 they used to pay about \$50 to \$100 per person per  
23 month. Today, no more, so they had a lot of problems,  
24 and also binders.

25 There's a severe shortage of petroleum tar

1 there, so because of that, they were closing down, and  
2 also plus several other issues other, so mainly for  
3 environmental like, for example, like Olympic season,  
4 they decided to close everything because developing  
5 countries, they make sure they are environmental, like  
6 pollution conditions, and they forced them to control.

7 The majority of the pollutions came from the carbon  
8 factories like carbonization process, so they forced  
9 to close down.

10 COMMISSIONER PEARSON: Okay. So some plants  
11 were closed by the Chinese government because of  
12 excessive pollution?

13 MR. PERERA: Pollution.

14 COMMISSIONER PEARSON: And did some close  
15 because the coal mine with which they were associated  
16 had closed down?

17 MR. PERERA: Like shortage. You will see  
18 those charts, the prices have gone up very badly  
19 because it used to be like \$450 for bid price going to  
20 about \$1,200, so because of that severe shortage of  
21 coal, and they were running out of coal, and because  
22 of that, they closed the factories. Plus, mainly from  
23 the activated carbon plants, you had to have scrubbers  
24 to capture the gases, so a lot of the pollutions  
25 coming, so the Chinese government forced them to

1 close.

2 COMMISSIONER PEARSON: Okay. Can you  
3 provide information in the post hearing about these  
4 closings, particularly those might have occurred  
5 during our period of investigation just the last few  
6 years? Although, if you have information on the  
7 longer-term trend, that also could be helpful.

8 MR. PERERA: Lately, I can supply that, yes.

9 COMMISSIONER PEARSON: Okay. In that same  
10 vein, do you have any knowledge whether the production  
11 capacity to manufacturer activated carbon in China,  
12 has that also decreased as plants have closed, or has  
13 that increased because of the establishment of larger  
14 factors?

15 MR. PERERA: Several things happened.  
16 Several things happened mainly because of the shortage  
17 of charcoal and also the environmental  
18 implementations. Plus, there's another issue because  
19 of the prices have gone up. They cannot cough up, so  
20 because of that, they close down.

21 COMMISSIONER PEARSON: Okay. Well, you  
22 won't have had access to the confidential part of our  
23 record. I understand that, but what I'm trying to  
24 come to grips with is that from the record as it  
25 stands now, I get the impression that the production

1 of activated carbon in China has risen quite a bit in  
2 recent years, and also the capacity to produce has  
3 risen, and there seems, based on our information, to  
4 be more capacity to produce than is actually being  
5 utilized.

6 I'm just trying to understand if there's  
7 another way to look at that marketplace that would  
8 suggest that capacity is not rising, it would be  
9 helpful to us to have it.

10 MR. PERERA: We will do that. We will  
11 supply that information.

12 COMMISSIONER PEARSON: Now, the next of your  
13 slides, Slide 3, indicates that coal activated carbon  
14 manufactured domestically here in the U.S. and in  
15 China are two different types and subject to different  
16 manufacturing procedures due to the original state of  
17 the raw material. Could you clarify that? Is that  
18 the reagglomeration issue you're talking about?

19 MR. PERERA: Yes. None of the Petitioners  
20 or the producers over here, they don't produce the  
21 direct carbon because of the type of coal we are  
22 getting in the U.S. Definitely, you have to have the  
23 binders, so that's the main reason either Norit  
24 Americas or Calgon, they use binders. There are three  
25 types of coal. One called anthracite, the other one

1 called bituminous, the third one called lignite, so  
2 there's another one called subbituminous , so each has  
3 different properties.

4 U.S., you have to have binders, either  
5 binders or nonbinders, you have to make the  
6 briquettes, very similar to the barbecue briquettes  
7 you use. They use barbecue briquettes, and then  
8 they're crushed into granular, and then they  
9 carbonize, and then they make activated carbon.

10 COMMISSIONER PEARSON: Okay. I think I  
11 understand that distinction now, the two different  
12 production processes. Those of you who market  
13 activated carbon in the United States would have some  
14 idea of the percentage of U.S. consumption that  
15 functionally could use either reagglomerated or direct  
16 production.

17 MR. PERERA: As I mentioned to you, some  
18 majority of the applications like drinking water  
19 contains very low contaminations of VOCs or other  
20 chemicals. Because of that, you can use either direct  
21 or reagglomerated, but because from the history,  
22 certain cities and counties, actually majority of the  
23 systems supplied by Petitioner Calgon or either U.S.  
24 filter Siemens, and when they install systems, they  
25 write a booklet about the system and the carbon

1 requirement.

2 COMMISSIONER PEARSON: Okay. Okay. And so  
3 if you own such a system and wish to operate it  
4 consistent with the warranty on the system, then you  
5 must use whichever type of carbon is specified?

6 MR. PERERA: Correct. Sometimes, purchasing  
7 agents they are very scared to change.

8 COMMISSIONER PEARSON: Yes.

9 MR. PERERA: So it will take time. Some  
10 people, maybe sometimes they are having problems,  
11 their like pressure drop or something like that.  
12 Then, they call companies to discuss, and then  
13 sometimes people are saying okay, the reason is either  
14 reagglomerated or you have to use reagglomerated, so  
15 then they change.

16 COMMISSIONER PEARSON: Okay.

17 MR. PERERA: Otherwise, majority of the  
18 carbon most of the time for drinking water is  
19 interchangeable.

20 COMMISSIONER PEARSON: Okay. Well, it's not  
21 unusual that we look at cases where there is some  
22 segmentation of competition in the marketplace, and  
23 the competition between imported product and domestic  
24 product may not be head to head, but rather there's  
25 only a partial degree of substitutability of one

1 product for another.

2 What would be helpful to me is if in the  
3 post hearing you could give a better explanation of  
4 the percentage of the market that cannot reasonably  
5 shift from one source of production in the United  
6 States to production in China, and the reasons for  
7 that because obviously you know that marketplace quite  
8 well, so you have an understanding of it.

9 Which countries, in addition to China, are  
10 major producers and exporters of activated carbon  
11 produced from coal?

12 MR. PERERA: Right now, Germany is producing  
13 coal activated carbon. They have a plant in Cologne,  
14 and now they are selling to U.S. also, and again  
15 Indonesia started, and Australia already started, very  
16 large quantities coming to U.S.

17 COMMISSIONER PEARSON: Okay. South Africa  
18 has coal reserves. Do they --

19 MR. PERERA: Even Vietnam also talking about  
20 it, but as I mentioned to you, you need specific type  
21 of coal to produce, and not only that, you need a  
22 certain amount of capital too, so because of that, a  
23 lot of people are now trying to build factors,  
24 especially Indonesia. Vietnam also trying to do that.

25 COMMISSIONER PEARSON: Well, which countries

1 that currently produce activated carbon made from coal  
2 are viable competitors to China in terms of the amount  
3 of product that they produce and have available for  
4 export and perhaps also in terms of the pricing?

5 MR. PERERA: Germany and Australia.

6 COMMISSIONER PEARSON: Okay. And for  
7 purposes of the post hearing, if you have some numbers  
8 to back that up, that would be great.

9 MR. PERERA: We are also getting from  
10 Australia. I can give you information.

11 COMMISSIONER PEARSON: Okay. Okay. Good.  
12 Well, thank you very much. Mr. Chairman, my time has  
13 expired.

14 CHAIRMAN WILLIAMSON: Thank you.  
15 Commissioner Aranoff?

16 COMMISSIONER ARANOFF: Thank you, Mr.  
17 Chairman. Welcome to the afternoon panel. In your  
18 brief, you claim that domestic producers are not  
19 always willing to supply distributors, such as  
20 yourself, but you heard this morning that Calgon  
21 testified that it does sell to distributors so did  
22 ADA, and of course you indicated that you do buy from  
23 Norit, so where does that argument come from?

24 MR. PERERA: Actually, the distributors and  
25 the company like us different. The Petitioners and us

1 doing the same thing, bringing carbon, selling carbon  
2 as is or do this complete change outs. Like, cities  
3 and counties, they have big, huge filters, so when we  
4 compete, sometimes we compete together. Several  
5 times, we noticed that their price, we got pricing  
6 through other people, their prices, for example, \$1.50  
7 a pound to a company like us, but the carbon and  
8 including the change out, their price is \$1.26, \$1.24,  
9 so definitely we are out of the market, but luckily,  
10 we are buying from Norit. Norit is giving a fair  
11 price to us.

12 COMMISSIONER ARANOFF: Okay. So what you're  
13 telling me is that you sometimes compete for sales  
14 with domestic producers?

15 MR. PERERA: Services, mainly services,  
16 change outs, complete change outs.

17 COMMISSIONER ARANOFF: Okay. So the change  
18 out involves the service of performing the change out,  
19 plus supplying the fresh carbon?

20 MR. PERERA: Yes. I'll explain a little  
21 bit. Like, huge surface water filters or 20,000 to  
22 40,000 pound carbon tanks, so every six to nine  
23 months, the carbon is going to break through, and then  
24 because of the health department requirements or  
25 either their requirements, they shut down the plant,

1 and they call us to take all the carbon out. We take  
2 out the queue machines to take all the carbon out, and  
3 then we put new carbon in.

4 COMMISSIONER ARANOFF: Right. Which  
5 probably takes longer than when I change the water  
6 filter in my refrigerator.

7 MR. PERERA: Definitely. It'll take about  
8 one week to three or four months.

9 COMMISSIONER ARANOFF: Okay. But let me go  
10 back to my original question because your comment was  
11 when I asked you whether the domestic industry is  
12 selling to distributors, and I think your answer to me  
13 was well, I'm not really a distributor. That's not my  
14 business.

15 MR. PERERA: Yes.

16 COMMISSIONER ARANOFF: So can you just go  
17 back and explain what you meant by that?

18 MR. PERERA: Right. Distributors means  
19 there are some companies, they buy carbon from us or  
20 either Petitioners, and with their names or either  
21 Petitioners' name or our name, and we appoint them as  
22 distributors. They are the people selling one bag,  
23 two bag to the aquarium people, or there's a majority  
24 of companies over here that make household water  
25 filters, like two- to three-cubic feet water filters,

1 and then they actually installing their systems.

2 We call them mass distributors, like little,  
3 little people go to distributor and buy one bag, two  
4 bag and one pallet, like small quantities. We call  
5 them mass distributors, but majority, the Petitioners  
6 has their own distributing --

7 COMMISSIONER ARANOFF: Okay. Well, I  
8 understand what you're saying. I'm just not sure how  
9 it's consistent with the argument in your brief the  
10 domestic industry is unwilling to supply distributors,  
11 which --

12 MR. PERERA: Not the distributors. We are  
13 mainly talking about the servicing industry. Like  
14 companies like us. There are so companies like us,  
15 not only us. There are about 20, 30 companies in  
16 whole U.S., so when the customer is asking for  
17 domestic products, so actually the municipalities,  
18 they are waiting for at least for three --

19 COMMISSIONER ARANOFF: Okay. So your  
20 argument is they're not willing to supply domestic  
21 companies that compete with them in the services part  
22 of the market?

23 MR. PERERA: But they're trying to supply,  
24 but for very high price.

25 COMMISSIONER ARANOFF: Okay.

1 MS. NOONAN: And just to add, Commissioner,  
2 I think it's actually coming from the Petitioners'  
3 brief where they were making the argument that they  
4 are willing to supply distributors. It wasn't our  
5 brief characterizing it in that way, just as a  
6 clarification. Our point in our brief was sometimes  
7 we're underbid even though we're using imported  
8 product. We're undersold by our competitors here in  
9 the United States.

10 COMMISSIONER ARANOFF: Okay. Let me go to  
11 that then as skipping out of order of what I was going  
12 to ask, but since it's come up, in your brief, you  
13 refer to average unit values for four specific bid  
14 examples where you argue that you were underbid by the  
15 domestic industry, and I want to ask you why you  
16 believe the Commission should rely on these data as  
17 opposed to the quarterly pricing data in the staff  
18 report, which obviously cover more products and over a  
19 longer period of time? How do you respond to the  
20 domestic industry's assertion that these data, even if  
21 true, are not representative?

22 MS. NOONAN: Well, first we want to point  
23 out that the products that are in the staff report are  
24 actually quite broad products, so where the domestic  
25 industry is providing their U.S. sales price of U.S.-

1 manufactured product, they are referencing the  
2 reagglomerated product, which has a more expensive  
3 production process versus the Chinese product, which  
4 is the direct carbon, which we believe is perhaps  
5 priced a little bit lower, but it's because it's a  
6 cheaper production process.

7 That's the way the economics work, so we  
8 want to make that point, and too, this was just trying  
9 to give an illustrative example that there are  
10 situations where we are trying to get the business,  
11 bidding a higher price for the product we're trying to  
12 sell, and we are being underbid by the U.S. Whether  
13 that's the U.S.'s Chinese product that they're trying  
14 to sell or their U.S.-produced product, I don't know  
15 that, but the point is simply that there's two sides  
16 to every story, and we think we're a responsible  
17 player in the market.

18 MR. PERERA: I have a comment for that.  
19 Now, for example, several of the third results showing  
20 that Calgon is getting zero, carbon getting from  
21 China. For example, in West Coast, several bids,  
22 actually they were lower than us for the Chinese  
23 carbon because our price is higher than their carbon  
24 prices because they are getting zero.

25 MS. NOONAN: What Mr. Perera's referring to,

1 I think, is Calgon was able to go through an  
2 administrative review, get a zero margin for their  
3 exporter from China, and then because they have the  
4 ability to either request a review of that entity or  
5 not, they have not requested a review, so therefore  
6 they've been able to hang onto that zero margin,  
7 whereas other producers are dealing with this  
8 fluctuation in the market where due to no fault of  
9 their own, they're being assigned the weighted average  
10 margin of the Respondents that had been examined.

11 The other point I wanted to make about that  
12 underselling analysis for the quarterly data that's in  
13 the staff report is that only represents 19 percent of  
14 U.S. imports, although it represents 59 percent of the  
15 U.S. producers sales, if I'm understanding the  
16 language in the staff report correctly, so I guess our  
17 point is there's still another 80 percent of imports  
18 in the U.S. market that aren't falling within those  
19 three product categories, and we think those are  
20 priced very fairly and actually quite high for the  
21 market.

22 COMMISSIONER ARANOFF: Okay. Mr. Perera, I  
23 just want to make sure I understood. When you were  
24 talking about the various end uses in the U.S. to  
25 which you're selling your product, you are not in the

1 mercury removal portion of the market?

2 MR. PERERA: No, not at all. We are not  
3 active for that market mainly because you need tankers  
4 to fill the powder carbon, and then you have to send  
5 it to the plant to pump the powder carbon to their  
6 systems, so it's by a lengthy process, so not only  
7 that, the carbon we are getting is not competitive to  
8 go into that business.

9 COMMISSIONER ARANOFF: So is that because  
10 the product that you're dealing in is not powdered, or  
11 because you just need all this additional  
12 infrastructure to service the mercury abatement  
13 market?

14 MR. PERERA: We are also getting powder  
15 carbon. The powder carbon we are getting from China  
16 is very high price.

17 COMMISSIONER ARANOFF: Okay.

18 MS. NOONAN: In other words, we're finding  
19 that we can't compete with the U.S. product. The U.S.  
20 product is being priced lower than the price we're  
21 getting quoted out of China.

22 COMMISSIONER ARANOFF: All right. And  
23 that's while the order's been in effect, or that was  
24 also true before because your business has obviously  
25 been around for a while?

1 MR. PERERA: At the beginning, yes, about  
2 2006, 2007. Because of the economical situation in  
3 China, the prices were low. You will see that 2006,  
4 this is the common carbon like for drinking water, and  
5 drinking water or either mercury removal carbon is the  
6 same. Carbon coming from China, they need very low-  
7 activity carbon like 500 iodine carbon, so you will  
8 see that 2006, about \$420 with 67 percent is \$349, but  
9 even though the prices have gone up today.

10 It's about \$850, plus 4.8 and plus freight  
11 charges of \$160 per ton, so you end up about \$1,000,  
12 so it's about like 50, 52 cents a pound, so you can  
13 buy the powdered carbon here much lower than that.

14 COMMISSIONER ARANOFF: Okay. Thank you very  
15 much. I appreciate those answers. Thank you, Mr.  
16 Chairman.

17 CHAIRMAN WILLIAMSON: Commissioner Pinkert?

18 COMMISSIONER PINKERT: Thank you, Mr.  
19 Chairman, and I do thank all of you for being here  
20 today to help us to understand these issues.

21 If you go back to that chart that you had  
22 saying pricing for eight times thirty and twelve times  
23 forty coal base, regular activated carbon. I  
24 understood the point you were trying to make, or at  
25 least as Ms. Noonan summarized it, was that the

1 pricing doesn't reflect the antidumping duty.

2 So my question for you is, as a practical  
3 matter, who actually pays the antidumping duty in this  
4 market?

5 MR. PERERA: U.S. importer is paying the  
6 antidumping duty, and also U.S. importer is  
7 responsible for further duty applied later date.

8 COMMISSIONER PINKERT: Does the U.S.  
9 importer then pass that duty on to the customer?

10 MR. PERERA: Yes.

11 COMMISSIONER PINKERT: So as a practical  
12 matter, who's paying the duty?

13 MR. PERERA: On, the consumer.

14 MS. NOONAN: As a technicality, it's the  
15 U.S. importer of record who's responsible for paying  
16 the duty. So when we say that the consumer is  
17 ultimately paying it, it's, if Mr. Perera has done his  
18 job right he's sold it at a price that's going to  
19 capture his cost for the antidumping duty as well as  
20 his cost of purchasing the product as well as a  
21 profit.

22 MR. PERERA: Most of the contracts is about  
23 one year to three years. So when we calculate our  
24 cost we take everything into account. And when the  
25 price has gone up for the next bid, we increase the

1 prices so everybody increase the prices.

2 MR. ALLEN: Just to further answer your  
3 question, what the customer doesn't pay, the ultimate  
4 user does not pay, is where we get a retrospective  
5 rebate after a further review.

6 So like the latest review has imposed an  
7 antidumping duty of \$1040 per metric ton, we have sold  
8 that carbon with a duty of \$280 per metric ton. The  
9 difference between the two is something that is now  
10 the liability for our company. It cannot be recovered  
11 from the end user.

12 MS. NOONAN: What Mr. Allen is referring to  
13 is in the United States we have a retrospective system  
14 where we've deposited in anticipation of what we think  
15 the duties are going to be, but then Commerce does a  
16 final calculation and they look back and they either  
17 send us a bill saying no, you didn't pay enough, or we  
18 get a refund. What Mr. Allen is referring to is when  
19 we get that bill, when there's a big jump in the rate,  
20 that we had no reason to expect, we the U.S. importer  
21 is definitely on the line for that. You're not going  
22 to be able to go to your U.S. customer and say oh by  
23 the way, I need another \$1.04 per kilogram. That's  
24 one of the reasons also why we're appealing the case,  
25 because we think there was an error in that

1 calculation and we're hoping not to ever get those  
2 bills.

3 COMMISSIONER PINKERT: So then your  
4 testimony is that the pricing to the ultimate customer  
5 reflects the duty deposit. Is that what you're  
6 saying?

7 MR. PERERA: I will explain to you.

8 What's really going to happen now today,  
9 today what we are going to sell. We add all the duty  
10 to the price. But the way the antidumping works, the  
11 2012, 2013 review is going to be for another one and a  
12 half to two years. So after they review if the price  
13 has gone up we get a huge bill, we have to pay that  
14 part. It happened several times.

15 Now for example, 2013, if that one  
16 implemented, a company like us to close down because  
17 it's close to about \$600,000, \$700,000.

18 COMMISSIONER PINKERT: Thank you.

19 In the Petitioner's presentation they  
20 provided data in Slide 3 suggesting there is at least  
21 one billion pounds of activated carbon capacity in  
22 China. Do you agree with that estimation?

23 MR. PERERA: They have capacities, but the  
24 problem is because of the way they are going to mine  
25 their coal and also the regulations, so actually it's

1 a very complicated process if you are going to produce  
2 activated carbon in correct way. You need scrubbers,  
3 you need after-burners. So because of that, now the  
4 present Chinese in one situation, a lot of people they  
5 don't have money to start factories. They are having  
6 a lot of problems. And even though the capacity is  
7 there, they are not going to do that.

8 COMMISSIONER PINKERT: Thank you.

9 Another contention of the Petitioners is  
10 that U.S. prices are higher than those in Asia or  
11 Europe because of the order. Do you have any response  
12 to that?

13 MR. PERERA: Not at all, because we have a  
14 company in Europe and also we have a company in  
15 Canada. All the carbon coming from China is the same  
16 price. There is no difference between carbon coming  
17 to U.S. or carbon coming to other countries from  
18 China.

19 COMMISSIONER PINKERT: Now I'm getting  
20 confused. Because I thought we just agreed that the  
21 pricing in the U.S. incorporated the duty deposit, the  
22 antidumping duty deposit.

23 MR. PERERA: That's the selling price. The  
24 carbon coming FOB price is same. Selling price to  
25 customers is different than the other countries.

1 Sorry.

2 COMMISSIONER PINKERT: When the Petitioners  
3 say that U.S. prices are higher than those in Asia or  
4 Europe because of the order, could that be correct in  
5 your view if you're looking at the actual selling  
6 prices in the marketplace?

7 MR. ALLEN: I can quote specifically Canada.  
8 There is no antidumping duty in Canada, so the landed  
9 price of carbon from China is the same as the FOB or  
10 CIF price to the United States before duties.

11 So in that regard the price in Canada is  
12 lower by the amount of the duty that the U.S. imposed.  
13 Does that answer the question, sir?

14 COMMISSIONER PINKERT: Yes, it does.

15 Mr. Perera? Do you have any comment on  
16 that?

17 MR. PERERA: What Mr. Chris Allen is saying  
18 is correct, because carbon coming over here, selling  
19 price to customers is higher because of the duty. A  
20 lot of the countries, they don't have duty at all, but  
21 before there is a duty for 4.8 carbon coming from  
22 China, but all the carbon coming from Asian countries  
23 is zero.

24 COMMISSIONER PINKERT: Thank you.

25 Concerning another order, what has the

1 impact been of the EU order on powdered activated  
2 carbon? The impact of that order on the global  
3 activated carbon market. So not the impact in Europe,  
4 but the impact globally of that order in the European  
5 Union.

6 MR. ALLEN: As you know, the European  
7 antidumping law was implemented I think 15, 16 years  
8 ago. So any ramification that had on the world supply  
9 would have been experienced already. So the situation  
10 that you see now in the U.S. and in Canada and the  
11 other parts of the world are the results of or the  
12 effect of the European Union decision to implement the  
13 duty is already being felt, and I can't really say  
14 whether there's more carbon in the last few years  
15 being delivered to other parts of the world in  
16 response to the EU duty. But certainly it's not  
17 affected any supply situation here in the U.S.

18 COMMISSIONER PINKERT: Thank you.

19 MR. ALLEN: By that I mean there's been no  
20 transfer of powder from the European Union to the U.S.  
21 or to Canada or to South America.

22 COMMISSIONER PINKERT: Thank you.

23 Another thing we heard this morning was that  
24 the entry of ADA into the U.S. market makes it a more  
25 competitive market. Would you agree with that?

1           MR. ALLEN: Obviously their business  
2 decisions are ADA's, but one would question the  
3 financial decisions that were made to build an  
4 activated carbon plant at this time.

5           And as regards the competitive situation,  
6 they are by themselves creating more competition  
7 within the U.S. market than any imported carbon from  
8 either Germany or China at this time.

9           COMMISSIONER PINKERT: For the posthearing  
10 could you actually put some numbers on that for us?

11          MR. ALLEN: We will, yes.

12          COMMISSIONER PINKERT: And a statement that  
13 it's creating more competition than the imports from  
14 Germany or China.

15          MR. ALLEN: We have seen prices in --  
16 Obviously we're not active in that market place, but  
17 we know the pricing that's occurring in that market  
18 place and we've seen substantial reductions in the  
19 selling price into that particular market. That's  
20 come about because of ADA.

21          COMMISSIONER PINKERT: Thank you. I'd  
22 appreciate that in the posthearing submission.

23          Thank you, Mr. Chairman.

24          CHAIRMAN WILLIAMSON: Thank you.

25          Commissioner Johanson?

1                   COMMISSIONER JOHANSON: Thank you, Mr.  
2 Chairman.

3                   I understand that Chinese produced activated  
4 carbon is sold primarily on the spot market while most  
5 sales of U.S. produced activated carbon occur through  
6 short term and long term contracts.

7                   Why is this the case? And do U.S.  
8 purchasers see Chinese product as a means of  
9 satisfying residual demand?

10                  MR. PERERA: In my experience there is no  
11 such a thing called spot market for activated carbon.

12                  COMMISSIONER JOHANSON: Ms. Noonan?

13                  MS. NOONAN: Maybe the issue is the lead  
14 times and selling from inventory, perhaps. Like does  
15 anyone ever call you to say hey, we need new carbon  
16 tomorrow? What can we get?

17                  MR. PERERA: We maintain a fairly large  
18 inventory because cities and counties mainly they go  
19 for bids and for large quantities. If the bid is  
20 awarded, then right away we have supply. So company  
21 like us keep close to \$1 to \$2 million of carbon all  
22 the time in their inventories.

23                  COMMISSIONER JOHANSON: Do you have  
24 contracts like short or long term contracts?

25                  MR. PERERA: We have a lot of contracts for

1 domestic carbon and imported carbon.

2 COMMISSIONER JOHANSON: Mr. Allen, did you  
3 want to say something?

4 MR. ALLEN: We have three major suppliers of  
5 activated carbon from China and it's depending on the  
6 type of carbon that we're purchasing as to who is the  
7 major supplier of that product. We have long term  
8 agreements with them and they're certainly not the  
9 spot market.

10 COMMISSIONER JOHANSON: So not in the spot  
11 market then.

12 MR. ALLEN: Not a spot market.

13 COMMISSIONER JOHANSON: The reason I'm  
14 asking this is because on page 5-2 of the staff  
15 report, the report mentions that prices are commonly  
16 made on the short term -- I'm sorry. Let me take a  
17 look.

18 It was my impression they're primarily made  
19 in the spot market. Perhaps I'm incorrect there, but  
20 I'll have to look a bit further into the staff report.  
21 I apologize.

22 MS. NOONAN: No problem, and it might just  
23 be our experience is different from some of the other  
24 respondents.

25 COMMISSIONER JOHANSON: Okay. We have to

1 read a lot of materials, and sometimes it's hard to  
2 keep it all straight. I apologize.

3 I'd like to move on to something else.

4 Mr. Perera, you explained earlier that  
5 prices for activated carbon from China rose after 2007  
6 not because of the antidumping duty order but because  
7 of changes in China, including higher wage rates.  
8 Could you possibly provide more information to support  
9 this point and to document these changes?

10 MR. PERERA: In the same time when the  
11 antidumping implemented, China, actually the governing  
12 structure was changed. All the carbon companies, all  
13 the carbon manufacturing plants used to own by the  
14 state. So they realize that actually each city they  
15 used to control the manufacturing facilities. But  
16 2007, 2008 they decided to privatize and also they  
17 decided to, and also the Chinese government also came,  
18 I'm sure you realize that there are so many, the  
19 mining accidents every year 200 to 300 people usually  
20 die. So because of that the Chinese government  
21 implemented very strict rules for the mining, so a lot  
22 of mines are closed.

23 Also the type of coal they need for  
24 activated carbon and the availability and as I  
25 mentioned to you, they had to go more deeper because

1 of layer one, layer two, layer three. So they had so  
2 many issues. And because of that and also  
3 transportation issues, they used to bring, they used  
4 to use different trucks, and they see a lot of  
5 accidents on the road. So everything together, the  
6 cost of production gone up.

7 COMMISSIONER JOHANSON: All right.

8 MS. NOONAN: We're trying to get some  
9 information on that and provide it posthearing.

10 COMMISSIONER JOHANSON: That would be  
11 helpful. I'd appreciate it.

12 Also, Mr. Perera, for your slides that show  
13 FOB pricing, what is the source for those prices?

14 MR. PERERA: These are the prices we paid.  
15 From our invoices.

16 COMMISSIONER JOHANSON: Thank you.

17 This is a question for Mr. Allen. Mr.  
18 Allen, you said earlier that prices for activated  
19 carbon from China into the United States, the European  
20 Union and Canada are very similar. Are the prices  
21 similar before the antidumping duty margin is applied?

22 MR. ALLEN: What I meant by that was the FOB  
23 or the CIF price is the same. So the delivered price  
24 to the U.S. border compared to the price delivered to  
25 the Canadian border are the same until you apply the

1 duties that the U.S. apply.

2 COMMISSIONER JOHANSON: So basically what  
3 Mr. Perera was saying a few moments ago.

4 MR. ALLEN: Right.

5 COMMISSIONER JOHANSON: Thank you.

6 At page five of the prehearing brief of the  
7 Respondents, you all point to proprietary grades,  
8 ultra pure water and corn syrup as applications in  
9 which end users might not accept activated carbon from  
10 China. Do you all know how large are the end markets  
11 for activated carbon for these purposes?

12 MR. ALLEN: We can provide that information  
13 for you.

14 COMMISSIONER JOHANSON: Thank you.

15 I have I think just one more question.  
16 Exhibit 2 of your prehearing brief mentions the impact  
17 of the tsunami that hit Japan in March 2011 on  
18 activated carbon stocks, particularly in Asia. In  
19 your view, have those stocks been replenished?

20 MR. PERERA: Yes, mainly because of the  
21 tsunami they had a lot of problems like radiation  
22 issues, and impacting --

23 COMMISSIONER JOHANSON: The supply of carbon  
24 or the use of carbon?

25 MR. PERERA: Use of carbon and supply of the

1 carbon. And they were buying very large amount of  
2 carbon coconut and coal from China. So we had a  
3 shortage because everybody shipping to Japan.

4 COMMISSIONER JOHANSON: Has that been filled  
5 now as far as you --

6 MR. PERERA: It's already filled. Yes.

7 COMMISSIONER JOHANSON: Okay. Thank you for  
8 your responses. That concludes my questions, at least  
9 for now.

10 CHAIRMAN WILLIAMSON: Thank you.

11 Commissioner Broadbent?

12 COMMISSIONER BROADBENT: Thank you.

13 I want to talk a little bit about capacity  
14 in China. In our staff report we've had only a small  
15 percentage of the Chinese producers that responded to  
16 the foreign producer questionnaires. One of the  
17 statutory factors for us to consider in a sunset  
18 review, as you know, is whether there's existing  
19 unused capacity in China and whether it's likely to  
20 increase. That would indicate a likelihood of  
21 significant volumes of imports after revocation.

22 How do we go about assessing this issue  
23 which is an important one, if we don't have complete  
24 data of what's happening in China? Are there other  
25 sources that we should be looking at?

1 MS. NOONAN: We're going to try to address  
2 the capacity issue in China in our posthearing brief.

3 However, Commissioner, if I may add, what we  
4 do have on the record is, if I understood the staff  
5 report correctly, at least for 2011 the importers'  
6 responses represent 100 percent of the imports coming  
7 into the United States. So I do think we have a good,  
8 at least that half of the picture of the pull into the  
9 U.S. of product, even if we would like to nail down a  
10 little bit more what's going on in China.

11 COMMISSIONER BROADBENT: Okay.

12 Ms. Noonan, basically in your brief you talk  
13 about imports having a significant presence in the  
14 U.S. market. If it's already a significant presence  
15 and demand for activated carbon is anticipated to  
16 increase as it seems to be from your testimony you  
17 believe it will, how can we look at post-revocation  
18 volumes, and how can they not be significant if we  
19 revoke this order?

20 MS. NOONAN: I think significant is relative  
21 to what else is going on in the market. So if demand  
22 does continue to increase as we all expect that it  
23 will, then even if there is more volume coming in, so  
24 long as that volume is priced at a reasonable level  
25 like what we've been seeing the past few years, it

1 would not be causing any injury to the domestic  
2 industry.

3 We already are looking at the capacity  
4 utilization rates of the domestic industry and  
5 comparing that to their operating profits, and they  
6 still look pretty healthy.

7 COMMISSIONER BROADBENT: Kind of stepping  
8 back a little bit, the Chinese volumes have dropped  
9 considerably, and Chinese prices have increased and  
10 the industry has been doing much better in every  
11 respect. Wouldn't it suggest that as the Petitioners  
12 are asserting that the orders had a disciplining  
13 effect on the volumes and prices of dumped imports and  
14 that the order is therefore needed to keep Chinese  
15 imports in check?

16 MS. NOONAN: It's our position that there  
17 was not a connection between the order and the raising  
18 of prices due to the other factors that Mr. Perera  
19 explained regarding changes in China itself. China is  
20 pricing more, their costs are rising and they're  
21 passing on those rising costs to their customers in  
22 the U.S. and they're finding that the market is  
23 bearing those costs. So there's no reason to think  
24 that the price is going to go down.

25 At the same time, the significant volumes

1 that are currently in the market, we think they're  
2 meeting a real need. Again, certainly the domestic  
3 industry is not being injured at all by the current  
4 volumes of imports, both subject and non-subject, in  
5 the U.S. market.

6 MR. PERERA: Actually at presence we are  
7 having a shortage of Chinese carbon. Some cities and  
8 counties, sometimes we need some carbon but we have to  
9 order at least about 60 to 120 days ahead. They don't  
10 have anything on hand. There is a demand for other  
11 countries, their domestic usage, and also recently  
12 they implemented testing procedures. All the carbon  
13 going to other countries, they are testing for metals,  
14 heavy metals. So each container is holding at the  
15 ports until the testing is finished. So there is a  
16 severe shortage of coal right now.

17 COMMISSIONER BROADBENT: But assuming at  
18 some point the market gets over the shortage, how do  
19 we know that they're not going to revert to their  
20 typical aggressive competitive patterns?

21 MR. PERERA: Even though looking at the  
22 charts you will see that even everything is going  
23 smooth over there, the price is very high, so they are  
24 full, and I don't think, they are not going to reduce  
25 price because they are complaining today that they are

1 not making money because of the restrictions. Like  
2 over here they implemented like EPA, over there a lot  
3 of regulations. Time to time the people, the  
4 factories, a lot of huge penalties, and because of  
5 that we are trying to ask for lower price. They don't  
6 produce at all. We have that experience because we  
7 are buying the same carbon to Europe and also to  
8 Canada and also some of the Middle East countries we  
9 sell direct.

10 COMMISSIONER BROADBENT: Thank you very  
11 much.

12 CHAIRMAN WILLIAMSON: Thank you.

13 Ms. Noonan, this is probably for you.  
14 Exhibit 4 of Petitioner's prehearing brief is a report  
15 which has been treated as business proprietary. Page  
16 130 of that report presents a table which shows  
17 activated carbon demand by market sector. So either  
18 now or in posthearing could you tell us why you have  
19 reason to think their historical data in this table is  
20 approximately correct and other projections  
21 reasonable?

22 MS. NOONAN: I'll definitely give it a shot,  
23 but the problem is I can't discuss that with my  
24 client. They got that report from their client, so I  
25 think they're in a bit of a different situation. But

1 I'll do my best.

2 CHAIRMAN WILLIAMSON: I understand. I  
3 realize you're operating under constraints there.  
4 Thank you.

5 Mr. Allen, price competitive substitutes for  
6 activated carbon and activations such as mercury  
7 control or other applications, you mentioned product  
8 from Germany and I guess you're saying that is a  
9 substitute for activated carbon? Or --

10 MR. ALLEN: Yes. We know of a large source  
11 of lignite based activated carbon that's produced in  
12 Germany which has the porosity suitable for this  
13 market, for the mercury removal market. And China  
14 does not have that kind of a product at this time. To  
15 be quite frank, the German product is much more  
16 competitive than the Chinese carbon that's available  
17 today.

18 CHAIRMAN WILLIAMSON: Are the other price  
19 competitive -- you would consider that a price  
20 competitive substitute then?

21 MR. ALLEN: The German product?

22 CHAIRMAN WILLIAMSON: Yes.

23 MR. ALLEN: Yes, I would say that's going to  
24 be competitive, yes.

25 CHAIRMAN WILLIAMSON: Are there others for

1 other applications?

2 MR. ALLEN: From Germany?

3 CHAIRMAN WILLIAMSON: Not necessarily from  
4 Germany.

5 MR. ALLEN: Well, right now we're looking at  
6 sources of coal from Australia and Indonesia.

7 CHAIRMAN WILLIAMSON: You did mention that.  
8 Thank you. That would be -- Okay. The same product  
9 but different sources.

10 MR. ALLEN: Similar specifications and  
11 similar pricing to the Chinese.

12 CHAIRMAN WILLIAMSON: Okay. Thank you.

13 Do activated carbon producers in China  
14 typically rely on export companies to facilitate  
15 shipments outside of China? In other words, given  
16 that there are so many individual producers in China,  
17 do some of them, do they tend to rely on like an  
18 export trading company to facilitate their shipments  
19 outside of China?

20 MR. PERERA: Very few manufacturers has  
21 export license. From the beginning the trading  
22 companies used to do the exports, but even after  
23 dumping happened, only a few, maybe ten or twelve  
24 people has low rates to ship to U.S. Only specific  
25 people can ship to U.S. unless otherwise they will get

1 the PRC-wide rate. So they are all we call trading  
2 companies.

3 CHAIRMAN WILLIAMSON: The Petitioners have  
4 stated in their prehearing brief that it's not  
5 uncommon for Chinese exporters that have received a  
6 separate rate from Commerce to act as a funnel for  
7 multiple Chinese producers. Would you care to comment  
8 on the statement?

9 (Pause.)

10 CHAIRMAN WILLIAMSON: If you want to make it  
11 posthearing -- Go on, Ms. Noonan?

12 MS. NOONAN: Thank you, Mr. Chairman.

13 It is kind of strange that Commerce only  
14 assigns the rate to the exporter. So there is no,  
15 once you get into a review situation there are no  
16 combined producer/exporter combined rates.

17 So as Mr. Perera said, because most  
18 producers don't export on their own, they use a  
19 trading company, their company gets a higher rate it  
20 would be perfectly reasonable and within the bounds of  
21 the law for them to start using a new exporter to be  
22 able to ship to the United States. So we personally  
23 use a variety of companies instead of relying on any  
24 one exporter. But for example Calgon Tiajin, our  
25 understanding of their business model just from Mr.

1 Perera's own information of the industry, is that they  
2 likely source from a variety of producers in China and  
3 then they can use their zero rate to bring it in  
4 without the importer having to pay any duties.

5 MR. PERERA: For example like Jacobi,  
6 Tiajin. They don't have processing, they don't produce  
7 carbon but the purchase ex furnace material. Now  
8 activated carbon, when coming out from the furnace,  
9 it's a long range, big particle to small particles.  
10 What these people are doing, they buy for lower price  
11 and they are bringing to Tiajin and they screen and  
12 they use their own bags and they pack.

13 CHAIRMAN WILLIAMSON: Thank you.

14 I have no further questions.

15 Commissioner Pearson?

16 COMMISSIONER PEARSON: Thank you, Mr.  
17 Chairman.

18 Are there countries in addition to China  
19 that produce direct coal activated carbon rather than  
20 using the reagglomeration method?

21 MR. PERERA: Yes. Australia. Right now  
22 Australia is producing and they are shipping large  
23 amounts to U.S.

24 COMMISSIONER PEARSON: So if we were to look  
25 at what's happening in the world market, the most

1 similar product to the Chinese activated carbon would  
2 be coming from Australia?

3 MR. PERERA: At present it's Australia.  
4 Right now Indonesia also producing, and they are  
5 planning to ship to U.S. too. Also in Vietnam also.

6 COMMISSIONER PEARSON: That also would be  
7 direct activated?

8 MR. PERERA: Yes.

9 COMMISSIONER PEARSON: Okay.  
10 Is it possible to provide any comparative  
11 cost of production data that would illustrate the cost  
12 of the direct production process in Australia with the  
13 cost of the reagglomerated process in the United  
14 States? I'm just kind of interested in a developed  
15 country to developed country comparison.

16 MR. PERERA: We can do that in our  
17 posthearing.

18 COMMISSIONER PEARSON: Because if there's  
19 some fundamental cost advantage from the direct  
20 production methodology it would be interesting to see  
21 that, and maybe, it might be easier to understand it  
22 in a comparison among developed countries rather than  
23 a comparison with China. However, if you have cost of  
24 production data regarding China, I also would be  
25 pleased to see that in the posthearing.

1           MR. PERERA: Actually speaking, right now we  
2 are getting from Australia very similar to regular  
3 carbon coming from China.

4           COMMISSIONER PEARSON: And as you're putting  
5 this together, of course, be mindful that on this, in  
6 the confidential record we have fairly good cost of  
7 production data for the U.S. industry already. So if  
8 there's anything published that you would want to  
9 compare it to, that's fine. Otherwise Ms. Noonan  
10 would have the ability to make a confidential  
11 comparison.

12           MR. PERERA: We will.

13           COMMISSIONER PEARSON: Thank you.

14           Mr. Chairman, I believe I have no further  
15 questions. I would like to thank this panel very  
16 much. I've learned an awful lot about activated  
17 carbon today and I thank you.

18           CHAIRMAN WILLIAMSON: Thank you.

19           Commissioner Aranoff?

20           COMMISSIONER ARANOFF: Thank you, Mr.  
21 Chairman.

22           As you know, at the time of the original  
23 investigation in its determination the Commission  
24 found that Chinese and U.S.-produced activated carbon  
25 were generally substitutable. Our determination in

1 this case has to be based on our assessment of what  
2 the conditions of competition are likely to be in the  
3 reasonably foreseeable future. The Commission would  
4 frequently find that nothing has changed, and  
5 therefore we would make the same finding, that there's  
6 likely to be general substitutability.

7 Some of the arguments that you've made today  
8 were that that substitutability is more limited. Is  
9 that based on something that's changed in the  
10 marketplace since the original investigation? Or are  
11 you arguing that there were facts that the Commission  
12 overlooked or gave insufficient weight when it made  
13 its determination at the time of the original  
14 investigation?

15 MR. PERERA: Actually speaking as we  
16 mentioned to the committee, there are four types of  
17 applications. Certain applications people need  
18 reagglomerated U.S. only. The others, just  
19 reagglomerated no matter what, either China or U.S.

20 Certain applications you can use either  
21 reagglomerated or regular direct activated carbon.  
22 But majority, certain applications you need  
23 reagglomerated, you cannot use regular activated  
24 carbon. Sometimes the regular activated carbon is  
25 having some problems, also little problems. Because

1 of that certain applications I don't know how the  
2 Commerce didn't mind that because when you see the  
3 number one chart, you don't see even with the price  
4 increase or either for the 2010-2011, the prices are  
5 very close. But still, the Chinese imports are same  
6 because there are certain applications for Chinese  
7 direct carbon.

8 It's not change. That's how it was from the  
9 beginning to now.

10 COMMISSIONER ARANOFF: But in that slide  
11 you're talking about Chinese product versus non-  
12 subject imports of coconut-based product. I'm asking  
13 you about Chinese product of coal-based versus  
14 domestic coal-based and whether they're generally  
15 substitutable with each other.

16 MR. PERERA: I'm not going to take the other  
17 type of activated carbon. From this chart I'm trying  
18 to get the top line only for the Chinese imports.  
19 From 2000 to 2011 you don't see that much of  
20 significant increase even though there's a huge demand  
21 for U.S. over here for the carbon. Because there are  
22 specific applications only.

23 COMMISSIONER ARANOFF: I think this will  
24 have to wait posthearing in your answer to some of my  
25 colleagues' questions about exactly how large these

1 segments of the market are.

2 MR. ALLEN: That's correct. We've been  
3 asked to provide the information on the specific  
4 markets where reagglomerated carbon has its own niche.

5 COMMISSIONER ARANOFF: I know my colleagues  
6 have also asked you with respect to the web site  
7 information that the domestic industry put up about  
8 how many Chinese producers there are and what they  
9 advertise their capacity to be. My understanding is  
10 that the testimony that you gave was that sort of  
11 theoretical capacity that can't really be used either  
12 because of cost or export license access or for other  
13 reasons.

14 I guess what I want to ask you to do is find  
15 objective documentation of that. Because while your  
16 testimony is under oath and entitled to some weight,  
17 we've got this objective evidence on the record of  
18 companies that are advertising that they can in fact  
19 produce and sell this product. So we need to find  
20 something to weigh against that if we want to give  
21 weight to your argument.

22 With that, I don't think I have any further  
23 questions for this panel, but I do want to thank you  
24 for all of your answers.

25 Thank you, Mr. Chairman.

1                   CHAIRMAN WILLIAMSON: Thank you.

2                   Commissioner Pinkert?

3                   COMMISSIONER PINKERT: I just have one or  
4 two follow-up questions.

5                   Mr. Allen, in my last round of questioning I  
6 asked about the entry of ADA into the market and  
7 whether it made the industry more competitive.

8                   My follow-up question is, does that entry  
9 into the market make the domestic industry more  
10 vulnerable to the potential impact of subject imports?

11                  MR. ALLEN: I would say no. A competitive  
12 domestic industry is fine, and I don't see why that  
13 would in any way encourage the importation of the  
14 products of some other countries into that market. If  
15 anything it would maybe dissuade people from trying  
16 because it is more competitive.

17                  COMMISSIONER PINKERT: I don't mean that it  
18 would encourage more imports but if you just think  
19 about this hypothetically. Suppose that we concluded  
20 that if we take the order off that there will be more  
21 volume of subject imports. If there's more volume of  
22 subject imports and the industry is already undergoing  
23 this process of becoming more competitive that you  
24 talked about in your answer earlier, then would the  
25 industry be more vulnerable to the impact of that

1 increase in imports?

2 MR. ALLEN: By that you mean it would be  
3 more detrimentally affected?

4 COMMISSIONER PINKERT: Yes. Rather than  
5 encouraging the imports, I'm saying assume that there  
6 would be more imports. Would the industry be more  
7 vulnerable in light of the increased competition that  
8 you talked about in your earlier answer?

9 MR. ALLEN: What I was referring to in my  
10 previous answer was that the effect of that particular  
11 market sector is not from China. But there will be  
12 imports, I have no doubt, in fact they're already here  
13 in the U.S. from other countries which have specific  
14 products for that particular market. Those are the  
15 threats that the domestic industry will face in that  
16 particular market sector. And they are not from  
17 China.

18 MS. NOONAN: Commissioner, may I add  
19 something?

20 COMMISSIONER PINKERT: Certainly.

21 MS. NOONAN: ADA obviously went through a  
22 very sophisticated process before making this  
23 investment. Chinese imports were in the market before  
24 and when they were making their decision to move  
25 forward. So we have every reason to think that

1 they've got the newest, most modern technology, they  
2 are integrated, they've got their own coal source, so  
3 I don't see that ADA being part of the market is  
4 making the U.S. industry more vulnerable.

5 MR. PERERA: Also by looking at the chart,  
6 the Chinese coal prices are very high. Even if revoke  
7 the order, they are not going to reduce the price  
8 because the cost of production and availability of  
9 powder. Powder very difficult to produce. You have  
10 to pulverize and bag and over there everything is  
11 manual. Over here, like Petitioners, fully automated  
12 and over there everything is 100 percent manual.

13 So I have a good understanding that \$850 is  
14 not going to reduce.

15 COMMISSIONER PINKERT: Thank you.

16 Ms. Noonan, as you know, I did ask for  
17 information about the assumptions that ADA made in the  
18 context of that investment decision, and perhaps when  
19 you have a chance to look at the posthearing  
20 submission from the Petitioners you'll have a desire  
21 to comment on that issue as well.

22 MS. NOONAN: Thank you, Commissioner.

23 COMMISSIONER PINKERT: Thank you.

24 Thank you, Mr. Chairman.

25 CHAIRMAN WILLIAMSON: Commissioner Johanson?

1           COMMISSIONER JOHANSON: Yes, Mr. Chairman, I  
2 just wanted to follow up on one matter.

3           In one of my earlier questions I stated that  
4 it was my understanding that sales of Chinese produced  
5 activated carbon is sold primarily on the spot market.

6           My basis for this question is found at page 5-2 of  
7 the staff report which provides that the majority of  
8 responding importers stated that they sell entirely on  
9 a spot basis.

10           I realize that you all per your earlier  
11 responses do not sell on a spot basis, but getting  
12 back to my earlier question, do you all happen to know  
13 why other importers might sell on a spot basis? And  
14 once again, do you think that some purchasers see  
15 Chinese product as a means of satisfying residual  
16 demand in the U.S. market?

17           MR. ALLEN: I personally have no experience  
18 with people selling on the spot market.

19           COMMISSIONER JOHANSON: So you don't know  
20 from talking to other importers what the case might  
21 be?

22           MR. ALLEN: Our business is selling, not  
23 spot either buying or selling.

24           COMMISSIONER JOHANSON: Okay.

25           MR. ALLEN: We have contractual agreements

1 with both buyers and with our customers.

2 COMMISSIONER JOHANSON: You all might be  
3 larger importers. Perhaps that's the reason. I don't  
4 know.

5 Mr. Perera?

6 MR. PERERA: We also, time to time we have  
7 some very urgent requirements but we cannot find any  
8 spot market carbon. Because we have to order in  
9 specifications, because activated carbon has a lot of  
10 specifications and also packaging and everything. So  
11 nothing available over there to ship.

12 COMMISSIONER JOHANSON: Thank you. That  
13 concludes my questions. And thank you all again for  
14 appearing here today.

15 CHAIRMAN WILLIAMSON: Commissioner  
16 Broadbent?

17 COMMISSIONER BROADBENT: I just had one more  
18 question.

19 Is the direct activated carbon of higher  
20 quality coming from China versus the U.S. product  
21 which is agglomerated? Would you say, how would you  
22 characterize the quality issue under the concept of  
23 substitutability?

24 MR. PERERA: China is not a big producer of  
25 reagglomerated. Only few people produce the carbon.

1 I think Petitioner Calgon also getting some raw  
2 material from them. Their base material is different  
3 than U.S. The U.S., the reagglomerated carbon has the  
4 density of buying five two to point five grams per cc.  
5 The Chinese reagglomerated is less than that, about  
6 .48, point some density problem.

7 Also there are sizes. Because a lot of  
8 people think activated carbon is like black, like  
9 regular product, but has a lot of physical and  
10 chemical specifications. Each size has their own size  
11 distribution, standard size distribution including  
12 effective size and efficiency. Otherwise the  
13 filters is going to get clogged. And when you put  
14 into the surface filters with the sand there is a  
15 ratio, there is a calculation.

16 If you don't select the correct carbon, as I  
17 mentioned to you while they were using, every one to  
18 two weeks they do a backwash to clean the bed.

19 So when they do the backwash, the carbon  
20 actually and sand goes up and then it settles again.

21 So if the middle size distribution is not  
22 correct, the carbon and sand will mix. Then the  
23 filter is not going to work perfect. So the Chinese  
24 reagglomerated is not perfect. So therefore we are  
25 not using that much Chinese reagglomerated, but their

1 price are same. But some applications you don't need  
2 that much of specifications. So that kind of things  
3 we bring a little bit of reagglomerated from China.

4 CHAIRMAN WILLIAMSON: Does any other  
5 Commissioner have any questions?

6 Thank you.

7 Does staff have any questions for this  
8 panel?

9 MR. CORKRAN: Douglas Corkran, Office of  
10 Investigations.

11 Thank you, Chairman Williamson. Staff has  
12 no additional questions.

13 CHAIRMAN WILLIAMSON: Do Petitioners have  
14 any questions for this panel?

15 MR. HARTQUIST: No questions, Mr. Chairman,  
16 but one request. That is that Respondents leave the  
17 chart up on the pricing for the 8x30 and 12x40 coal-  
18 base. Thank you.

19 CHAIRMAN WILLIAMSON: Thank you.

20 With that we can dismiss this panel.

21 Thank you all for your time in coming to  
22 testify today.

23 It's time for closing statements.

24 Petitioners have 20 minutes in their direct  
25 testimony and five minutes for closing for a total of

1 25 minutes.

2 Respondents have 35 minutes left on direct  
3 and five minutes for closing, a total of 40 minutes.

4 We usually combine those times if without  
5 objection. Of course people do not have to use all  
6 their time.

7 So please take your seat and then we'll have  
8 closing statements.

9 (Whereupon, a brief recess was taken.)

10 CHAIRMAN WILLIAMSON: You may begin when  
11 you're ready, Mr. Hartquist. Thank you.

12 MR. HARTQUIST: Thank you, Mr. Chairman. I  
13 assure you, I'm not going to use all of the 25 or 30  
14 minutes that we have available to us.

15 First I'm going to make a number of brief  
16 points and then I want to talk a little bit about the  
17 chart, a very interesting chart indeed.

18 First, although CSC asserts that the U.S.  
19 and Chinese activated carbon are not interchangeable,  
20 we certainly believe that the activated carbon that is  
21 produced by the U.S. companies and imported by the  
22 Chinese companies are interchangeable and competitive  
23 essentially on the basis of price.

24 Mr. Perera and Mr. Allen admit that the  
25 prices in the United States are higher than the rest

1 of the world because of the duty, and as the staff  
2 report indicates, the Chinese material is already  
3 underselling the U.S. producers by an average of 25  
4 percent. If you remove the order and prices fall,  
5 underselling will increase and that's our concern  
6 about what may happen to the domestic industry.

7 The point that they've made about there  
8 being a constraint in the supply of coal to provide  
9 the Chinese producers the raw material that they need,  
10 we have no indication that that is the case. They  
11 haven't put anything on the record to indicate that is  
12 the case. There's no evidence whatsoever that we know  
13 of that China has a shortage of coal. As a matter of  
14 fact they've been exporting over a half billion pounds  
15 a year and have been increasing their exports of coal  
16 annually.

17 Mr. Perera says he has trouble buying  
18 activated carbon. Mr. O'Brien testified that he's  
19 here to take an order right after the hearing if Mr.  
20 Perera is interested in doing that.

21 As I said earlier, we believe that the  
22 carbon that our companies produce competes across the  
23 board in all areas. The direct activated product is  
24 produced by U.S. companies and sold in the U.S. market  
25 as well as the reagglomerated product. So it's not a

1 matter of being able to buy one or the other, you can  
2 buy both in the United States and you can buy both  
3 from Chinese sources.

4 The issue is rally price.

5 I would comment too, just sort of broadly,  
6 that Mr. Perera is in certain markets in the United  
7 States, I think that's understood by his testimony.  
8 He's not in other markets and you don't have any  
9 testimony from Respondents today, unfortunately, as to  
10 what's going on in those other segments of the U.S.  
11 market.

12 There was some discussion about the  
13 specifications for carbon and the equipment that's  
14 used, for example, in the municipal wastewater  
15 industry. I would just point out for the record that  
16 those specs are not set by the carbon producers,  
17 they're set by consulting engineers in that industry.

18 So our companies really have no control over those  
19 specs. They produce to those specs. And if they can,  
20 they can sell our product. If they can't, they don't.

21 But both U.S. companies and the Chinese suppliers are  
22 able to fill those markets, to service those markets.

23 The question about why Calgon is not  
24 importing from China despite the fact that they have a  
25 zero duty right now based upon the last review. They

1 don't want to import from China. They want it  
2 produced from the United States and the order has  
3 allowed them to do that and to increase their capacity  
4 in the United States to serve this market.

5 A few comments about these very interesting  
6 charts that Mr. Perera has used to make his  
7 presentation.

8 I would note the pricing series begins in  
9 2006, that's when the case was filed, and frequently  
10 these cases begin to have an impact in the year that  
11 they're filed even before an order is issued.

12 But if you go back to prices earlier you  
13 would see a quite different picture in terms of the  
14 pricing of the Chinese companies.

15 Secondly, the pricing column, the coal FOB  
16 pricing column shows of course prices without the  
17 antidumping duties. And the column on the right shows  
18 the additional duty that must be paid under the orders  
19 as they have moved, as the rates have moved from time  
20 to time during the various reviews. That's the  
21 additional amount of antidumping duty that must be  
22 paid.

23 So to assert that the prices in the market  
24 in the United States have not increased because of the  
25 antidumping order I think just isn't credible.

1           Look, in 2006 an FOB price of 460 and an  
2           antidumping duty rate for that period of \$309, how can  
3           you possibly assert that that antidumping duty isn't  
4           having an effect on pricing? Particularly when they  
5           testified that Chinese prices are pretty much the same  
6           to the United States, to Europe, to Canada, global  
7           prices. But here they've got to pay the dumping duty  
8           and that's why prices in the United States are higher  
9           typically than the rest of the world.

10           So we just don't really find that argument  
11           to be credible.

12           I would also note that the antidumping  
13           margins from the most recent review came out after the  
14           staff report was available and they remain very  
15           significant. So we think that this pattern, for  
16           example, shown in 2013 is going to continue with very  
17           substantial margins. Despite the pricing in the  
18           United States the Chinese continue to dump their  
19           product at very substantial margins and there's no  
20           reason to think that they would not continue to do  
21           that if the order were terminated.

22           We appreciate your time and courtesy today.

23           Thank you very much.

24           CHAIRMAN WILLIAMSON: Thank you.

25           Ms. Noonan, are you ready?

1 MS. NOONAN: Thank you, Mr. Chairman and  
2 Commissioners, and I'd also like to thank the staff  
3 for the hard work on the staff report. I know it's a  
4 lot of data and we really appreciate the attention  
5 they gave to it.

6 Regarding this chart that's still up, I just  
7 want to make sure that we're explaining it right.

8 The FOB price is the price coming out of  
9 China that we're paying regardless of what market we  
10 sell it to.

11 Then just for illustration purposes, we were  
12 showing the antidumping duty to show that even when  
13 you had that 67.14 percent rate, which actually held  
14 steady for four years just due to the process, you  
15 still saw those tremendous increases in the FOB  
16 pricing.

17 Then even when you saw the rate go down from  
18 67.14 to 16.34, you still saw a tremendous increase in  
19 the FOB price. That's the point we were trying to  
20 make with this chart here. I hope that helps explain  
21 it a little bit.

22 I also want to make clear that we're not  
23 saying that the domestic product and the Chinese  
24 product is never interchangeable under any  
25 circumstances. What we were pointing out was in the

1 staff's own report, the majority of respondents said  
2 it was never or sometimes interchangeable for certain  
3 applications. I think the market segmentation is  
4 important and we look forward to providing you with  
5 some more information on that in our posthearing  
6 brief.

7           Regarding the issue of underselling, we feel  
8 that the prices of the Chinese product are well above  
9 the cost of the Chinese product and are being fairly  
10 sold in the United States. But regardless, you still  
11 have a record of really tremendous increases in  
12 investments and profitability from the domestic  
13 industry, even with this alleged underselling, which  
14 again, I think just goes to the strength of the demand  
15 in the market and the health of the industry.

16           Finally, regarding the POR-4 results, that  
17 dollar four yeah, that's a big blow. We're really  
18 upset about that too. We want to point out that in  
19 that review we were not a mandatory respondent. We're  
20 getting stuck with the separate rate that is an  
21 average of the two respondents that were independently  
22 reviewed who had above zero margins. You also have a  
23 third respondent who had a zero.

24           So again, you have a lot of product coming  
25 into the United States that even under the Department

1 of Commerce's dumping methodology is being fairly  
2 priced because it has a zero margin and both the other  
3 two mandatory respondents and ourselves are  
4 challenging that 104 margin and we feel really good  
5 that it's going to be knocked down by the Court of  
6 International Trade.

7 That concludes my comments. Thank you for  
8 your time.

9 CHAIRMAN WILLIAMSON: Thank you.

10 Again, I want to thank all of the  
11 participants in today's hearing for providing  
12 information in their testimony.

13 Posthearing briefs, statements responsive to  
14 questions and requests of the Commission and  
15 corrections to the transcript must be filed by  
16 January 4, 2013. Closing of the record and final  
17 release of data to parties by January 31, 2013. Final  
18 comments are due on February 4, 2013.

19 With that, this hearing is adjourned. Thank  
20 you very much.

21 (Whereupon, at 4:02 p.m., the hearing in the  
22 above-entitled matter was adjourned.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Certain Activated Carbon From China  
**INVESTIGATION NO.:** 731-TA-1103  
**HEARING DATE:** December 18, 2012  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Hearing

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

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