

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
MELAMINE FROM CHINA AND  
TRINIDAD AND TOBAGO

) Investigation Nos.:  
) 701-TA-526-527 AND  
) 731-TA-1262-1263 (PRELIMINARY)

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INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:                    ) Investigation Nos.:  
MELAMINE FROM CHINA AND        ) 701-TA-526-527 AND  
TRINIDAD AND TOBAGO               ) 731-TA-1262-1263 (PRELIMINARY)

Wednesday, December 3, 2014  
Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC

The meeting commenced pursuant to notice at 9:30  
a.m., before the USITC Investigative Staff, Catherine  
DeFilippo, Director of Investigations, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Staff:

4 William R. Bishop, Supervisory Hearings and Information  
5 Officer

6 Sharon Bellamy, Program Support Specialist

7

8 Catherine DeFilippo, Director of Investigations

9 Elizabeth Haines, Supervisory Investigator

10 Amy Sherman, Investigator

11 Philip Stone, International Trade Analyst

12 Lauren Gamache, Economist

13 Justin Jee, Accountant/Auditor

14 Nataline Viray-Fung, Attorney/Advisor

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1 In Support of the Imposition of Antidumping and  
2 Countervailing Duty Orders:  
3 King & Spalding LLP, Washington, DC on behalf of Cornerstone  
4 Chemical Company:

5 Greg Zoglio, Chief Executive Officer, Cornerstone  
6 Chemical Company

7 Paul Mikesell, Chief Operating Officer, Cornerstone  
8 Chemical Company

9 Mike Driscoll, Global Business Manager of Melamine,  
10 Cornerstone Chemical Company

11 Eifion Jones, Chief Financial Officer, Cornerstone  
12 Chemical Company

13 Brent Petit, USW Staff Representative

14 Joseph W. Dorn and Clinton R. Long, King & Spalding LLP

15

16 In Opposition to the Imposition of Antidumping and  
17 Countervailing Duty Orders:

18 Baker & McKenzie LLP, Washington, DC on behalf of Southern  
19 Chemical Corporation ("Southern Chemical"), Methanol  
20 Holdings (Trinidad) Limited (MHTL"):

21 Adrian Spencer, Vice President, Sales, Southern  
22 Chemical

23 Thomas Rogers, Economic Consultant, Capital Trade, Inc.

24 Kevin M. O'Brien and Christine M. Streatfeild, Baker &  
25 McKenzie LLP

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Baker & McKenzie LLP

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1 PROCEEDINGS

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

3 MS. DeFILIPPO: Good morning, and welcome to the  
4 United States International Trade Commission's conference in  
5 connection with the preliminary phase of Anti-Dumping and  
6 Countervailing Duty Investigation Nos. 701-TA-526 and 527,  
7 and 731-TA-1262 and 1263, concerning Melamine from China and  
8 Trinidad and Tobago.

9 My name is Catherine DeFilippo. I'm the Director  
10 of the Office of Investigations, and I will preside at this  
11 conference. Among those present from the Commission staff  
12 are, from my far right, Elizabeth Haines, the Supervisory  
13 Investigator; Amy Sherman, the Investigator. To my left,  
14 Nataline Viray-Fung, the Attorney/Advisory; Lauren Gamache,  
15 the Economist; Justin Jee, the Accountant/Auditor; and  
16 Philip Stone, the Industry Analyst.

17 I understand the parties are aware of the time  
18 allocations. All witnesses must be sworn in before  
19 presenting testimony. Any questions regarding time  
20 allocations should be addressed with the Secretary. I would  
21 remind speakers not to refer in your remarks to business  
22 proprietary information, and to speak directly into the  
23 microphones.

24 We also ask that you state your name and  
25 affiliation for the record before beginning your

1 presentation or answering questions for the benefit of the  
2 court reporter. Are there any questions?

3 (No response.)

4 MS. DeFILIPPO: Hearing, seeing none, Mr.  
5 Secretary, good morning. Are there any preliminary matters?

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

9 MS. DeFILIPPO: Thank very much. We will proceed  
10 with opening statements. Welcome, Mr. Dorn. Please proceed  
11 when you're ready.

12 OPENING STATEMENT OF JOSEPH W. DORN

13 MR. DORN: Good morning, Madam Director and  
14 Commission staff. Joe Dorn on behalf of the Petitioner.  
15 This case is about unfairly-priced imports of melamine from  
16 China and Trinidad and Tobago. The subject foreign  
17 producers have dumped melamine into the U.S. market, and the  
18 governments of China and Trinidad have subsidized their  
19 melamine producers.

20 The dumped and subsidized imports have  
21 aggressively undersold the domestic-like product, driving  
22 down market prices and taking sales and market share from  
23 the U.S. industry. The proposed scope of the investigation  
24 is melamine, as defined in the petition. The domestic  
25 product that is like the imported article subject to



1 investigation is melamine in all forms.

2 Cornerstone Chemical Company is the only U.S.  
3 producer of the domestic like product. It produces melamine  
4 at its facility in Waggaman, Louisiana. Based on the  
5 confidential data supplied in its questionnaire response,  
6 there is no question that Cornerstone's melamine operations  
7 are materially injured.

8 That is clear, for example, from its weak and  
9 declining financial condition. Thus, the only question in  
10 this preliminary investigation is whether there is a  
11 reasonable indication that the subject imports are more than  
12 a minimal or tangential cause of that injury.

13 Because there is a reasonable overlap of  
14 competition among the subject imports from both countries  
15 and the domestic-like product, the Commission must consider  
16 the cumulative impact of subject imports in assessing  
17 material injury by reason of subject imports from China.

18 Under U.S. law, the Commission must make its  
19 determination regarding imports from Trinidad without  
20 cumulating imports from China, because Trinidad is a  
21 beneficiary country under the Caribbean Basin Economic  
22 Recovery Act.

23 Applying the statutory factors, it is clear that  
24 subject imports are the primary cause of the injury suffered  
25 by Cornerstone. First, the volume of subject imports is

1 significant and the increase in the volume of subject  
2 imports is significant. Imports from the subject countries  
3 represented over 60 percent of U.S. imports of melamine from  
4 all countries in 2013, and over 68 percent during  
5 January-September 2014.

6 Trinidad, which represented over 32 percent of  
7 U.S. imports in 2013, and over 37 percent during  
8 January-September 2014, was the leading foreign supplier of  
9 melamine during the Period of Investigation. Subject  
10 imports also held a large share of U.S. consumption and  
11 production during the entire POI.

12 Subject imports increased 14 percent from 2012 to  
13 2013, and another 16 percent from January-September 2013 to  
14 January-September 2014. They also increased relative to  
15 U.S. consumption and U.S. production. Imports from Trinidad  
16 first entered the U.S. market in 2010, and then accelerated  
17 to large volumes throughout the POI.

18 The increase in imports from Trinidad would have  
19 been far greater had Cornerstone not reduced its prices  
20 substantially to avoid additional lost sales. Such imports  
21 would also have been more significant had the Trinidad  
22 exporter not had production outages during October and  
23 November 2013.

24 Instead, the Trinidad exporter purchased product  
25 from a third country to maintain its U.S. market position

1       during those months, before resuming shipments of its own  
2       dumped and subsidized product in 2014.

3               Second, the subject imports have adversely  
4       affected the domestic industry's prices. Melamine is a  
5       commodity product that is produced to standard industry  
6       specifications, and is highly interchangeable regardless of  
7       source. Thus, price is the primary factor in purchasing  
8       decisions.

9               Our witnesses will explain that Cornerstone has  
10      lost substantial sales to lower-priced imports, and has had  
11      to lower its prices to avoid losing even more sales. The  
12      subject imports have also prevented Cornerstone from fully  
13      realizing price increases needed to cover increasing costs  
14      of production.

15              The end result is that Cornerstone's capacity  
16      utilization is too low, its fixed costs are spread over too  
17      few pounds, and its prices are too low to sustain its  
18      melamine operations. We believe the record will show that  
19      subject imports are underselling Cornerstone by substantial  
20      margins, and that the under-selling is resulting in lost  
21      sales, lost revenues and a cost price squeeze. The subject  
22      imports are grabbing market share for the sole reason that  
23      they are the cheapest available in the market.

24              Third, the subject imports have had an adverse  
25      impact on the domestic industry. The record will show that

1 Cornerstone has suffered declines in U.S. shipments, market  
2 share, production and capacity utilization by reason of the  
3 dumped imports.

4 In particular, the adverse volume and price  
5 effects have delivered a devastating blow to Cornerstone's  
6 financial results for melamine as is clear in its  
7 questionnaire response. Given the clear indication of  
8 material injury, the Commission need not address threat of  
9 injury, but the threat of additional injury is even more  
10 alarming, as we will explain during the remainder of this  
11 conference and in our post-conference brief.

12 In conclusion, we ask the Commission for  
13 affirmative preliminary determinations with respect to both  
14 countries. Thank you for your attention to this case. I  
15 hope we're not interfering with your holidays. We  
16 appreciate your hard work. Thank you.

17 MS. DeFILIPPO: Thank you, Mr. Dorn. Good  
18 morning, Mr. O'Brien. Welcome. Please proceed.

19 OPENING STATEMENT BY KEVIN O'BRIEN

20 MR. O'BRIEN: Good morning Madam Director and  
21 Commission staff. I'm Kevin O'Brien. I'm with the law firm  
22 of Baker and McKenzie. We represent Methanol Holdings  
23 Trinidad Limited and Southern Chemical Corporation. We  
24 appreciate your time and attention this morning. Our hope  
25 is to provide you with a complete record with respect to

1 imports from Trinidad and Tobago, to permit a carefully  
2 considered preliminary determination.

3 We believe that when the complete record is  
4 reviewed by the Commission, a negative preliminary  
5 determination as to injury and threat of injury by reason of  
6 imports from Trinidad and Tobago should be issued. It is  
7 fundamental to understand the importance of the Caribbean  
8 Basin Economic Recovery Act.

9 You will hear, I imagine, much said today about  
10 imports, imports from China, imports generally. That's not  
11 what is at issue in front of the Commission, as far as  
12 Trinidad and Tobago is concerned. Imports cannot be  
13 assessed cumulatively with Chinese imports for making an  
14 injury determination as to Trinidad and Tobago. The outcome  
15 must rise and fall solely on Trinidad and Tobago's own  
16 activity.

17 This is particularly so -- now when you look just  
18 at our imports, you will find no evidence of injury, whether  
19 you look at the volume effects, price effects, impact on the  
20 domestic industry or threat of future injury.

21 There are several interesting aspects to this  
22 case which we would like to flag at the beginning. One is  
23 why are the Netherlands and German producers not here today?  
24 Why have they not been included in this case? Imports from  
25 Holland and from Germany are coming in in large volumes, and

1 the publicly available data indicates at prices lower than  
2 the imports from Trinidad and Tobago.

3 These companies are well-established in the U.S.  
4 market. They have a long history of sales in the U.S.  
5 market. Indeed, one of them in a prior corporate  
6 relationship was related to a predecessor of Cornerstone.  
7 Why is it that those third countries are not included in  
8 this case? By the same token, we'll ask the Commission to  
9 look very hard at the import data and the sales data from  
10 Trinidad and Tobago.

11 Since 2012, imports have dropped significantly  
12 from 2012 to 2013, and then again from 2013 to 2014. You  
13 will also hear that Southern Chemical Corporation, SCC, the  
14 U.S. seller, has walked away from sales and it has refused  
15 to lower its price to meet other pricing offers from third  
16 countries.

17 It's quite clear when you look at the market  
18 share, either volume or the pricing levels, or SCC's own  
19 actions, that the imports from Trinidad and Tobago are not a  
20 cause for injury or threat to the domestic industry. In  
21 this preliminary determination, the Commission will be asked  
22 whether or not there's a reasonable likelihood that such  
23 information will be determined or found in a final  
24 determination.

25 That does not mean, that does not constitute a

1 reason to keep on looking. The case has to be made now that  
2 there is a reasonable likelihood of injury or threat, and  
3 when you look at Trinidad and Tobago's own data, we believe  
4 that the proper result is a negative determination. Thank  
5 you very much. We'll have more to say when it's our turn.

6 MS. DeFILIPPO: Thank you, Mr. O'Brien.

7 MR. BISHOP: Would the panel in support of the  
8 imposition of anti-dumping and countervailing duty orders  
9 please come forward and be seated?

10 (Pause.)

11 MS. DeFILIPPO: Welcome back, Mr. Dorn, and  
12 welcome to the members of your panel. Please proceed  
13 whenever you guys are settled in and ready to go.

14 MR. DORN: Thank you. Joe Dorn again for  
15 Petitioner. Mr. Zoglio will be our first witness.

16 STATEMENT OF GREG ZOGLIO

17 MR. ZOGLIO: Good morning. My name is Greg  
18 Zoglio. I'm the CEO of Cornerstone Chemical Company. I've  
19 been in my current position since 2011. Prior to that, I  
20 was the Vice President of our predecessor company, where  
21 since the beginning of 2008, I was responsible for the  
22 sales, marketing and operations of Building Block Chemicals  
23 Division, which included among other business groups our  
24 melamine business.

25 I began my career in the chemical industry in

1       1992. I've been involved in several different industry  
2       segments at manufacturing facilities located in Idaho, Texas  
3       and Louisiana. This case is of critical importance to our  
4       company and to the preservation of our melamine operations.

5               In 2010, we were utilizing nearly all of our  
6       melamine capacity. U.S. market prices were reasonable and  
7       the company was profitable. That all changed in 2011, when  
8       imports from Trinidad severely undercut U.S. market prices  
9       in order to grab a large share of the U.S. market.

10              During the period of your investigations, imports  
11       from China and Trinidad have undersold our melamine by  
12       significant margins, and have held a large share of the U.S.  
13       market. Cornerstone has had to lower its prices sharply to  
14       avoid further loss of market share in order to have enough  
15       volume to keep our plant running on a 24 hour, seven day  
16       schedule, which it is designed to do and it is imperative to  
17       do in order to maintain the economics to justify continued  
18       operation.

19              We have lost tens of millions of dollars in sales  
20       and revenue to the unfairly priced imports. These  
21       significant volume and price effects have had a devastating  
22       impact on our bottom line. As you will see from our  
23       confidential data, we have suffered very substantial  
24       declines in profitability from 2011 to 2014, and this year  
25       we expect to close our financial books with a negative cash



1 flow.

2           Given our weak and declining financial condition,  
3 we are unable to justify any further investment in the  
4 melamine business and have shelved growth plans despite the  
5 improving economic picture for the downstream industries  
6 that we serve.

7           Our team will highlight these aspects of our case  
8 in more detail today. I would just like to provide some  
9 additional background on our company and explain the  
10 importance of our melamine operations to Cornerstone, our  
11 employees, and the community in which we operate.  
12 Cornerstone Chemical Company is the sole manufacturer of  
13 melamine in North America.

14           We are also a leading U.S. manufacturer of  
15 acrylonitrile and a top supplier of sulfuric acid to the  
16 Gulf of Mexico region. Located on an 820 acre site just  
17 outside of New Orleans, Cornerstone safely operates a world  
18 class highly synergistic manufacturing facility adjacent to  
19 the Mississippi River.

20           Known for its high quality products, Cornerstone  
21 is recognized worldwide for its reliability as a critical  
22 global supplier of intermediate chemicals. Our facility was  
23 constructed by our predecessor company American Cyanamid,  
24 and has been in operation since 1952.

25           Today, we operate three major manufacturing units

1 and provide infrastructure support for two other major  
2 chemical producers that share our site and share synergies  
3 with the Cornerstone manufacturing units.

4 Cornerstone's melamine facility supplies  
5 primarily U.S. and European resin producers. These resins  
6 are used in the production of paints and coatings for the  
7 automotive and coil coatings industries and in the  
8 production of decorative paper for cabinetry, counter top,  
9 and flooring production.

10 Melamine is also used directly by both low and  
11 high pressure laminate producers in the counter top and  
12 flooring markets, where melamine resin imparts hardness to  
13 the clear coat surface preparations, providing a lower-cost  
14 alternative to carpet, hardwood, and stone solutions to the  
15 ultimate consumer.

16 Finally, melamine resins are used in new  
17 residential and commercial construction as it is added to  
18 phenolic and urea formaldehyde resins, where it acts as a  
19 scavenger to reduce formaldehyde emissions and wood resin  
20 applications such as oriented strandboard, medium density  
21 fiberboard, and hardwood plywood.

22 Our acrylonitrile plant primary serves customers  
23 within the United States and Canada for oil field and water  
24 treatment applications and carbon fiber for lightweight  
25 composite application, including next generation aircraft

1       such as the Joint Strikefighter, Boeing 787, and Airbus  
2       A-350.

3               Our sulfuric acid plant supports many fertilizer,  
4       chemical, and pulp and paper producers in the U.S. Gulf  
5       Coast. Our two onsite tenants rely on various Cornerstone  
6       raw materials, utilities, and services for their output.  
7       Evonik, a German company, produces certain materials for the  
8       plastics and paints market. Kemira, a Finish company,  
9       produces acrylate for water treatment.

10              The melamine operations are an essential  
11       component of Cornerstone's overall operations. The loss of  
12       these operations would undermine the synergy of all of the  
13       operating units at the site. This synergy is achieved  
14       through energy transfer, raw material relationships, shared  
15       utilities and services, and the leverage of expertise.

16              For example, melamine consumes heat generated in  
17       the production of other chemicals that would otherwise be  
18       vented into the atmosphere. In turn, the chemical producers  
19       generating heat rely on melamine as an economic consumer of  
20       their excess energy.

21              In addition to the energy balance, melamine is a  
22       significant consumer of site utilities and services.  
23       Without melamine, the cost of utilities, services, and  
24       logistic systems on the site would be substantially higher  
25       for Cornerstone and our other on-site tenant business units.

1           Thus a curtailment or closure of the melamine  
2     unit as a result of unfair trade would substantially  
3     increase the cost to manufacture all products at the site  
4     and place the entire facility at risk of closure.

5           As I mentioned, Cornerstone has a long history.  
6     Our initial plant operations were established to manufacture  
7     products pioneered in support of the war effort in the  
8     1940's. The initial plant structure was designed to upgrade  
9     and commercialize natural gas discoveries in the South  
10    Louisiana marshes.

11           The facility was operated by American Cyanamid  
12    until 1993, when it was spun off as part of a new company,  
13    Cytec Industries. The facility was most recently sold in  
14    2011 to a private company and has operated independently  
15    since that time as Cornerstone Chemical Company.

16           As indicated by our mission statement, we  
17    consider ourselves experts at converting energy into  
18    industrial chemicals on a large scale, and our vision is to  
19    do this safely and efficiently to minimize our environmental  
20    footprint. We pride ourselves on being a key part of our  
21    employees' lives and a valuable member of our community.  
22    We strive to treat these critical stakeholders with the  
23    utmost trust and respect, while generating economic value in  
24    return for individual investment and community support.

25           We recognize it is our customers who enable our

1       existence, and we relentlessly pursue innovation to exceed  
2       their expectations in terms of quality, service, support and  
3       delivery, nurtured by a culture that fosters commitment to  
4       excellence and the unwavering passion of our employees.

5               The Cornerstone plant has an enormous impact on  
6       the local community and local economy. We currently employ  
7       over 430 direct employees. Our onsite tenants employ  
8       approximately 70 more personnel on site. In addition,  
9       approximately 150 regular contract employees support these  
10      operations, and many more on a temporary basis.

11             The Louisiana Department of Economic Development  
12      estimates to our onsite head count supports over 3,000  
13      additional and direct jobs offsite. In conclusion, while  
14      Cornerstone welcomes fair competition, we cannot continue to  
15      compete with imports that are subsidized by foreign  
16      governments and dumped by foreign producers.

17             Before the flood of dumped and subsidized  
18      imports, our melamine plant successfully competed in the  
19      global marketplace. We can do so again if duties are  
20      imposed to offset the subsidies and dumping to restore a  
21      level playing field in the U.S. market.

22             On behalf of our management team, our employees  
23      and our local community, we respectfully request that the  
24      Commission make affirmative preliminary determinations with  
25      respect to both China and Trinidad. Thank you.

1 STATEMENT OF PAUL MIKESELL

2 MR. MIKESELL: Good morning. My name is Paul  
3 Mikesell. I am chief operating officer at Cornerstone  
4 Chemical Company. I have worked for Cornerstone and its  
5 predecessor companies for 28 years. I have over 25 years of  
6 experience in business development and manufacturing  
7 operations.

8 At Cornerstone, I have overall responsibility for  
9 manufacturing, turnarounds, new business development and  
10 technical support. Prior to Cornerstone, I worked for Cytec  
11 Industries, Cornerstone's predecessor company, in a variety  
12 of technical and manufacturing leadership roles, including  
13 the implementation of Six-Sigma across the chemicals  
14 business.

15 At a basic level, melamine is produced by first  
16 reacting ammonia and carbon dioxide under heat and extreme  
17 pressure to produce urea in a water solution. This urea is  
18 then concentrated and heated via molten salt circulation to  
19 produce melamine.

20 World scale producers rely on one of two  
21 processes to manufacture melamine: a high pressure,  
22 non-catalytic process, and a low pressure gaseous phase  
23 catalytic process. Regardless of the production process  
24 used, the end product has the same characteristics,  
25 specifications and uses.

1           Although trace byproducts may vary slightly,  
2           depending on the production process, all melamine has the  
3           same chemical composition, is highly interchangeable and is  
4           sold through the same channels of trade, regardless of  
5           particle size.

6           Cornerstone uses a low pressure, gaseous phase  
7           catalytic process. A picture of our melamine plant is  
8           provided here in Exhibit A.

9           This process was initially selected for  
10          Cornerstone's facility when it was a joint venture between  
11          American Cyanamid and DSM. That process was based on DSM  
12          technology, which was installed with a complete overhaul of  
13          the plant and production equipment in 1989.

14          Given its direct interest in the venture, DSM  
15          designed Cornerstone's plant based on the best technology  
16          available, to achieve the lowest production cost for  
17          melamine. Subsequent to the start-up of the revamped plant,  
18          American Cyanamid and DSM continued to invest in process  
19          improvements, culminating in a major expansion and overhaul  
20          of the plant again in 1999. Following the dismantlement of  
21          the joint venture in 2006, Cytec maintained this strategy  
22          and invested in a further capacity expansion and a new  
23          computer control system in 2009. These investments to  
24          continue to expand the plant and meet U.S. customer demand  
25          totaled almost \$30 million.

1           As the dumping by Chinese and Trinidadian  
2 melamine producers continued, we sought other avenues to at  
3 least partially offset the adverse cost impact. Cornerstone  
4 is backward integrated into urea, which provided an  
5 opportunity to enter the merchant urea solution market, to  
6 enable us to at least operate the urea plant at capacity, by  
7 selling urea into the growing diesel exhaust fluid market.

8           Moreover, although we source the primary raw  
9 materials, ammonia and CO2 from the merchant market,  
10 Cornerstone benefits from extensive energy integration  
11 within the Cornerstone site. This includes the offtake of a  
12 substantial amount of its energy requirements in the form of  
13 steam from other exothermic processes at our site, resulting  
14 in a relatively low proportion of on-purpose steam derived  
15 from purchased natural gas.

16           For these reasons, Cornerstone continues today to  
17 be one of the lowest cost producers of melamine in the  
18 world. Our melamine facility was designed, built and  
19 licensed specifically for the production of melamine. It  
20 cannot be modified to manufacture any other products.

21           At our manufacturing complex, we have developed  
22 less than 25 percent of the property owned by Cornerstone.  
23 Further, the underlying infrastructure, primarily the steam  
24 system and associated utilities, operates below its capacity  
25 as a result of efficiency improvements we have made over the



1       years to reduce energy consumption across the site.

2               As a result, in addition to having more than  
3       ample space to expand, we also have the necessary  
4       infrastructure to enable cost-effective, brownfield  
5       expansion for the production of melamine. A picture of our  
6       Fortier manufacturing complex is provided here in Exhibit B.

7               As we operated the plant at near-full capacity in  
8       2010, we engaged Stamicarbon and Casale, two chemical  
9       engineering design firms, to develop expansion proposals for  
10      the melamine plant. With their help, we identified a  
11      bottleneck in the quench system of the plant, where melamine  
12      and the reactor effluent is separated from other off gases  
13      prior to purification.

14              By addressing this bottleneck, we could easily  
15      make a substantial addition to existing capacity. We had to  
16      place these expansion plans on hold, however, once we began  
17      to experience the adverse impact of melamine imported from  
18      China and Trinidad, which made any reinvestment to expand  
19      capacity financially unattractive.

20              Our melamine facility was also designed to  
21      produce melamine 24 hours per day, seven days per week. The  
22      melamine plant is designed to produce most efficiently in  
23      continuous operation and at full capacity. Violating either  
24      of these tenets results in suboptimal performance.

25              When the melamine plant operates at less than

1 full capacity, we experience higher per unit fixed costs.  
2 In addition, operating the plant at less than full capacity  
3 upsets the internal water balance of the plant. That is,  
4 rather than recovering all of the unreacted ammonia, we must  
5 send excess water, which contains ammonia and soluble  
6 melamine, to the waste treatment facility.

7 While we could theoretically operate the plant in  
8 a batch mode, it would be cost-prohibitive to do so.  
9 Periodically shutting down the plant would require us to  
10 remove ammonia from the processing equipment, to permit a  
11 safe-hold condition.

12 This would involve both the venting of ammonia to  
13 the flare and the steam flushing of equipment, which would  
14 cost in excess of \$200,000 for each shutdown. Although we  
15 continue to operate the plant on a continuous basis,  
16 unfairly-traded imports have caused us to scale back our  
17 production rates. This has negatively impacted our output  
18 and capacity utilization.

19 Because melamine production is highly capital  
20 intensive, any reduction of production below full capacity  
21 utilization has a direct and significant effect on our per  
22 unit fixed costs and profitability. In fact, melamine  
23 production has a much higher fixed cost structure relative  
24 to raw materials and energy than other commodity chemical  
25 products.

1           Thus, any declines in capital utilization result  
2     in an even more significant impact on our cost structure, as  
3     compared to these chemicals. Our capacity utilization has  
4     been negatively impacted by a large increase in subject  
5     imports. We operated at near-full capacity in 2010, when  
6     subject imports were 26.5 million pounds.

7           But our capacity utilization fell sharply in  
8     2011, when subject imports increased to 57.9 million pounds.  
9     Our capacity utilization has remained very low during the  
10    entire Period of Investigation. Based on official import  
11    data through September, subject imports in 2014 are on pace  
12    to reach 60.8 million pounds, higher than any other portion  
13    of the Period of Investigation.

14           Given the loss of further sales to these  
15    increasing subject imports, we have had to reduce our  
16    production rates to avoid excess inventories. As a result,  
17    our capacity utilization reached a low point during January  
18    through September 2014. Bottom line, we need more output to  
19    optimize the intended operation of our plant and to achieve  
20    a reasonable profit.

21           We should be increasing production and expanding  
22    capacity, as the economy continues to improve. Instead, we  
23    are reducing output as we lose sales to dumped and  
24    subsidized imports. Thus, we are suffering injury from the  
25    volume of the imports alone, without even considering the

1 adverse price effects. Thank you for your attention.

2 STATEMENT OF MIKE DRISCOLL

3 MR. DRISCOLL: Good morning. My name is Mike  
4 Driscoll. I am Global Business Manager of melamine at  
5 Cornerstone Chemical Company. I have worked with  
6 Cornerstone for 6 years and I have over 20 years of  
7 experience in chemical sales and marketing. At Cornerstone  
8 I have overall responsibility for the global sales and  
9 marketing of melamine.

10 Prior to joining Cornerstone I worked for  
11 Mitsubishi International Corporation as Marketing Manager of  
12 commodity chemicals. As discussed in the Petition, most  
13 melamine consumed in the United States is used in the  
14 production of melamine resins predominantly melamine  
15 formaldehyde resins or MF resins. Melamine resins are  
16 typically used in laminates, surface coatings, adhesives,  
17 molding compounds, paper treatment and other applications.

18 Typical laminate products include flooring,  
19 countertops, tabletops, doors and cabinets. Surface  
20 coatings are used in appliance finishes, automotive  
21 topcoats, metal furniture finishes and coil coatings. Other  
22 uses of melamine include wood adhesives, molding compounds,  
23 paper treatment, textile treatment and other applications in  
24 the automotive, furniture, appliance and other industries.

25 There are several conditions of competition that

1       make the U.S. melamine industry highly susceptible to injury  
2       from unfairly traded imports. First melamine is a commodity  
3       product that is highly interchangeable from all sources.  
4       All melamine has the same chemical composition. The  
5       physical characteristics of melamine sold in the U.S. market  
6       are the same whether produced by Cornerstone or imported  
7       from subject countries.

8               Subject producers in both China and Trinidad  
9       employ production technologies and processes comparable to  
10      those used by Cornerstone and the quality of subject imports  
11      is comparable to that of Cornerstone. Melamine sold in the  
12      United States regardless of source, is produced to meet  
13      common industry specifications thus imports from each  
14      subject country can be easily substituted for Cornerstone's  
15      melamine.

16             Second, price is the key purchasing factor.  
17      Quality and reliability are important of course, but China  
18      and Trinidad have demonstrated to U.S. customers that they  
19      are comparable to Cornerstone to those respects. Because  
20      subject imports and Cornerstone's melamine are highly  
21      interchangeable, there is no way to differentiate our  
22      products from imports from China or Trinidad.

23             Cornerstone and subject foreign producers compete  
24      for sales to relatively few customers and negotiate  
25      simultaneously with multiple suppliers. Our customers

1 typically receive offers from foreign suppliers and then ask  
2 me whether Cornerstone can match the low prices of the  
3 imports.

4 Thus, customers use prices of subject imports to  
5 force Cornerstone to lower its prices. If we do not lower  
6 our prices we lose the sale.

7 Third, demand is highly price and inelastic.  
8 Melamine is typically used to make resins that are used in  
9 laminates, surface coatings, molding compounds and other end  
10 uses. There are no direct substitutes for melamine in the  
11 production of these products. Demand for melamine is  
12 derived from demand for these products which is primarily  
13 used in housing and automobiles.

14 Melamine represents a very small portion of the  
15 cost of a new car or a house. Consumers do not decide to  
16 purchase a house or an automobile or renovate a kitchen or  
17 bathroom when prices for melamine decrease. Thus, the lower  
18 prices of subject imports do not increase demand for  
19 melamine. Instead low priced subject imports take sales  
20 from Cornerstone and force Cornerstone to significantly  
21 reduce prices on the sales that it does make.

22 The harmful impact of these low prices is evident  
23 in the many instances of lost sales and lost revenues that  
24 we have listed in the Petition. The melamine industry in  
25 Trinidad is relatively new. Methanol Holdings Trinidad

1 Limited or MHTL was formed in 1999 as one of the world's  
2 largest methanol producers.

3 In the late 2000's MHTL constructed the only  
4 melamine plant in Trinidad which was commissioned in 2010.  
5 MHTL received significant support from the government of  
6 Trinidad including a 4 billion dollar bail out for its  
7 parent company and company specific legislation to exempt  
8 MHTL from corporate tax and other obligations. Given the  
9 absence of a local melamine market, MHTL allocates its  
10 production to affiliates for exclusive distribution in  
11 export markets, Southern Chemical for sales to North  
12 American and Helm for sales in Europe and South America.

13 Imports of melamine from Trinidad began entering  
14 the U.S. market in June of 2010. By 2011 Cornerstone was  
15 facing significant pressure from low-priced imports. One of  
16 our key customers started receiving offers for low-priced  
17 melamine from Trinidad in 2011. Our customer first wanted  
18 to divert 50% of its volume from Cornerstone to imports from  
19 Trinidad.

20 By lowering our price however, we were able to  
21 sustain our volume with this customer for a short period. A  
22 few quarters later, the prices of imports from Trinidad were  
23 too low for our customer to ignore. Our customer then  
24 switched 100% of its supply to Trinidad when we declined to  
25 meet such low prices. We later tried to win back some of

1       this business by lowering our prices, our customer told us  
2       that our prices were still too high, thus we lost this key  
3       customer due to unfairly prices imports from Trinidad.

4               Competition with lower-priced subject imports  
5       also forced us to lose significant revenues from the sales  
6       that we did make. In negotiations with another key  
7       customer, low prices of imports from China forced us to  
8       substantially reduce our prices in order to maintain a  
9       minority share of their requirements. Even with these price  
10      reductions, we still lost sales of volume to this customer  
11      solely due to the lower prices of imports from China.

12             In 2014 as we attempted to regain share and  
13      increase sales volume however the customer told us that our  
14      price level expectations kept us from regaining our 2013  
15      volumes. We reduced our prices as much as we could in order  
16      to keep this customer and regain at least some lost volumes.  
17      We had similar negotiations of this same type with many of  
18      our customers which caused us to lose significant revenues.

19             The lost revenue allegations provided with our  
20      Petition however, do not demonstrate the full extent of the  
21      injury that Cornerstone has suffered. Pricing is typically  
22      negotiated on a quarterly basis and before we even make an  
23      initial offer to a customer we must assess the temperament  
24      of the market and adjust our opening offer accordingly.

25             Therefore in a market already impacted by



1 aggressive offshore producers, subject imports had already  
2 forced our initial offer prices to decrease significantly.  
3 Measured in relation to the prices we would have offered  
4 absent unfair import competition, our lost revenues are far  
5 more substantial than indicated in the Petition.

6 As indicated in our response to the  
7 questionnaire, subject imports have depressed our prices.  
8 We were forced to drop our prices throughout the period of  
9 investigation in order to compete with subject imports. As  
10 explained by Mr. Mikesell, it is imperative that we maintain  
11 enough sales volume to keep our melamine plant running 24  
12 hours a day, 7 days a week.

13 We do not have the option of stopping and  
14 starting the plant to control inventories. We can only  
15 reduce the run rate which in itself, increases our per unit  
16 fixed costs. Thus we have had to lower our prices to avoid  
17 further lost sales and lost market share. In addition we  
18 have been forced to look to the export market to maintain  
19 economic rates.

20 In 2014 with subject imports at record levels, we  
21 have been forced to drop our prices to the lowest level in  
22 the period of investigation. In addition we have been  
23 forced to export some quantities of material just to  
24 maintain economic production levels.  
25 Had we not lowered prices, subject imports would have

1       increased even more and had we not exported product, we  
2       would have been forced to reduce our volume of production to  
3       a level that would not permit us to run our plant on a  
4       continuous basis.

5               Even after sharply reducing our prices however,  
6       we continue to be undercut by subject imports. Subject  
7       imports have also suppressed our prices. As you can see  
8       from our questionnaire response, our prices have not been  
9       adequate in relation to our cost of goods sold. Although we  
10      have attempted to raise our prices to improve our  
11      deteriorating financial condition, particularly in the face  
12      of rising input cost in 2014, we have been unsuccessful in  
13      recovering these cost increases.

14             In fact, in three of the four quarters in 2014,  
15      we were forced to reduce prices despite rising costs. Given  
16      the lower-priced subject imports, our price increase  
17      announcements have not been successful citing specific  
18      quarter data, prices actually declined after our September,  
19      2013 price increase announcement because of the low  
20      competing prices of subject imports.

21             We also announced a price increase in September  
22      of 2014 due to escalating ammonia costs, but we were forced  
23      to reduce the price increase because our customers had lower  
24      priced offers from subject imports. We still lost  
25      significant sales volumes.

1           While Cornerstone has tried to counter the  
2       lower-priced imports by emphasizing the quality and service  
3       we offer, the fact is that our customers are becoming  
4       increasingly comfortable substituting subject imports for  
5       our melamine. They have readily switched from our melamine  
6       to the subject imports where we have not met the lower  
7       import prices.

8           They can switch supply source with little or no  
9       disruption to their plant operations. Moreover, while we  
10      have tried to emphasize to customers that we are closer to  
11      the market, the fact is that melamine from Trinidad is  
12      warehoused by its affiliate, Southern Chemical in Newark,  
13      New Jersey, Charleston, South Carolina, Houston, Texas and  
14      Portland, Oregon. These warehouse locations are shown on  
15      hearing exhibit C taken from Southern Chemical's website.

16           Melamine from China is delivered on a continuous  
17      basis through all of these port cities and is then directly  
18      delivered to customers. Given their lower pricing, logistic  
19      capabilities, quality acceptance, subject imports have  
20      severely impacted our U.S. sales. This has forced us to  
21      export more in order to maintain sufficient volume to allow  
22      our plant to operate continuously.

23           These exports are typically sold in the 4 markets  
24      that have lower prices than our U.S. market. Thus subject  
25      imports have also caused us financial harm by forcing us to

1       increase exports to replace lost U.S. sales. As I have  
2       previously mentioned, the customer base does not discern  
3       between imports from China and imports from Trinidad. The  
4       product from each source is easily interchangeable.

5               China capacity continues to massively outgrow by  
6       a factor that is many multiples of the growth of Chinese  
7       domestic demand. In fact in just the next few years,  
8       Chinese capacity is expected to increase by almost 3 billion  
9       pounds. As the confidential data shows, U.S. demand is only  
10      a very tiny fraction of this capacity increase. This  
11      capacity is expected to further erode pricing in the United  
12      States as these producers are forced by the absence of  
13      sufficient demand in China to aggressively seek to market  
14      their recent investments in production capacity offshore.

15             In addition, if duties were to be imposed on the  
16      imports from China, but not on imports from Trinidad, we  
17      would expect dumped and subsidized imports from Trinidad to  
18      replace imports from China. MHTL has ample excess capacity  
19      and can easily replace and exceed the current level of  
20      imports from China.

21             Therefore, without relief from both subject  
22      countries, the pricing strategies we have seen from the  
23      subject imports will continue. Thank you for your time.

24                       STATEMENT OF EIFION JONES

25             MR. JONES: Good morning. My name is Eifion

1 Jones I am Chief Financial Officer of Cornerstone Chemical  
2 Company. I have worked for Cornerstone for over 3 years.  
3 Prior to joining Cornerstone I worked for Akzo Nobel and  
4 Courtaulds PLC, both here in the United States and overseas.

5 I have over 24 years of experience in the fibers  
6 and chemical industries. I have spent most of my career  
7 working on large scale, multi-product chemical manufacturing  
8 sites in various financial corporate management roles. With  
9 Cornerstone I have overall responsibility for all financial  
10 reporting of the business and cost management strategies  
11 and I serve as the primary interface with banking  
12 institutions.

13 Dumped and subsidized imports of melamine have  
14 caused severe harm to Cornerstone and they threaten the  
15 closure of our melamine manufacturing operations if  
16 anti-dumping and countervailing duties are not imposed  
17 against Trinidad and China. If we are forced to shut down  
18 there will be a domino effect across other businesses  
19 operating in our chemical complex, let me explain.

20 Our melamine plant is part of a highly  
21 synergistic 820 acre manufacturing complex. With a business  
22 model based on the sharing of overhead, energy, raw  
23 materials, logistics and other common site infrastructure  
24 costs. The melamine business pays market value for its raw  
25 materials, primarily ammonia and CO2. It utilizes the

1 shared energy across the site which is priced, at prevailing  
2 market prices, to avoid the subsidization of a business by  
3 another.

4 Each business on our site will stand on its own  
5 financial merit. Currently there are 5 discrete  
6 manufacturing plants making other chemicals operating on our  
7 site, 3 of which are Cornerstone plants and 2 of which are  
8 tenant plants owned by other companies. In addition, a  
9 third party plant is under construction and another third  
10 party plant is considering a decision for construction to  
11 start in 2015.

12 The combined asset value of all of these plants  
13 is over 3 billion U.S. dollars. All of these plants are  
14 co-dependent upon each other. We have the land space and  
15 infrastructure to support at least 6 more plants of a  
16 similar size to our melamine plant. The financial synergies  
17 created at this common site is a primary reason why we were  
18 able to remain historically competitive as other U.S.  
19 producers of base chemicals went off shore and why we were  
20 able to weather the Great Recession without any layoffs.

21 Since 2011 however, these synergies have not been  
22 sufficient to compensate for the sharp and rapid decline in  
23 the financial results of our melamine business caused by  
24 dumped and subsidized imports from China and Trinidad. If  
25 the dumping and subsidies are not offset with duties, our

1 melamine business will likely be forced to close. Our  
2 entire manufacturing complex will be destabilized and all  
3 operations on the site will suffer higher operating costs  
4 and be placed at risk.

5 This would affect not only Cornerstone's other  
6 plants, but also the plants of the third party tenants we  
7 have on our site. Following very tough recessionary years  
8 in 2008 and 2009, Cornerstone recovered in 2010 and was able  
9 to return the melamine plant to nearly full capacity.  
10 Moreover, we achieved a reasonable price that allowed us to  
11 earn a profit in 2010.

12 This improving trend continued into the first  
13 quarter of 2011. By mid-2011 however, imports from Trinidad  
14 followed by imports from China started to flood the market  
15 at sharply reduced prices. In response Cornerstone was  
16 forced to dramatically reduce our prices to avoid the loss  
17 of additional market share and to keep our plant running on  
18 a continuous basis.

19 Our efforts were not successful. Not only did  
20 our prices decline from the beginning of 2011, our U.S.  
21 shipments declined substantially from 2010 to 2011 as well.  
22 This decline in performance occurred in the context of an  
23 improving U.S. economy, particularly in the residential and  
24 automotive sectors that drive the demand for melamine.  
25 Based on public data, we believe the U.S. consumption of

1 melamine grew from 2010 to 2011.

2 But rather than increasing our production we were  
3 increasing our inventories. In 2012 our U.S. sales price  
4 continued to decline from the already injured price of the  
5 second half of 2011 and our U.S. shipments continued to  
6 decrease. In response we had to further reduce production  
7 to conserve cash and avoid excessive inventories.

8 The decline in production adversely affected our  
9 capacity utilization and in turn our per unit fixed costs.  
10 Melamine production is capital intensive. The cost of a  
11 new plant exceeds 300 million dollars in order to be safe,  
12 reliable and conform to the environmental standards of the  
13 EPA and other regulatory requirements.

14 Fixed costs are high relative to variable costs  
15 because among other things, we have a large depreciation  
16 charge and our direct labor costs are fixed. Unlike a batch  
17 manufacturing operation which can reduce the number of days  
18 and shifts worked, our continuously operating melamine plant  
19 requires a fixed number of employees to run the facility.  
20 For these reasons our decline in production over 2011 and  
21 2012 quickly drove up our per-unit fixed costs and profits  
22 fell dramatically.

23 As noted by Mr. Mikesell this declining output  
24 and financial result in 2012 forced us to cancel our planned  
25 plant expansion. We had no choice but to suspend capital



1 expenditures to grow our business, and we reverted to a  
2 short-term maintenance and repair tactic rather than  
3 replacing aged assets.

4 This was a tremendously frustrating decision.  
5 Cornerstone had weathered the recession and U.S. demand for  
6 melamine was increasing in tandem with improving residential  
7 construction and auto sales. Moreover, environmental  
8 regulation calling for greater use of melamine and resins to  
9 reduce formaldehyde emissions was also spurring demand.

10 Following our plant expansion in 2009,  
11 Cornerstone's U.S. sales of melamine should have been  
12 growing in step with the recovering U.S. economy. Instead,  
13 we were forced to abdicate this growth opportunity to  
14 unfairly priced imports from China and Trinidad and instead  
15 focus on our survival.

16 In the space of 18 months from the time Trinidad  
17 started shipping dumped and subsidized product into the U.S.  
18 market in mid-2011 our production, our U.S. prices and our  
19 profits had all fallen sharply.

20 The lost sales adversely impacted our plant's  
21 efficiency. Our equipment is designed to run continuously.  
22 The financial paradox of a chemical plant like ours is that  
23 a reduction in capacity utilization will lead to increased  
24 absolute costs because of the monitoring and the mechanical  
25 issues that arise from running the plant at oscillating or

1 reduced speeds. It is expensive and stressful to turn the  
2 plants operating rate up and down to balance production with  
3 sales.

4 Adjusting the operating rate of a melamine plant  
5 led to excessive mechanical wear and increased wastage of  
6 raw materials. Given our rapidly declining financial  
7 performance, we made an attempt to raise prices in 2013.  
8 Although we were able to achieve a temporary price increase,  
9 we lost sales volume and market share in most of our  
10 customer accounts, as Chinese and Trinidadians continued to  
11 blanket our customers with lower priced offers.

12 Our U.S. sales volume fell from 2012 to 2013 and  
13 our financial results continue to suffer. In 2014 the  
14 situation has become critical. Unfairly priced imports from  
15 Trinidad and China are being sold in the U.S. at prices that  
16 are below our cost of goods sold. Cornerstone has been  
17 forced to reduce prices in a last attempt effort to keep the  
18 plant running on a continuous basis and to make at least  
19 some contribution to fixed overhead and avoid destabilizing  
20 the whole site.

21 Despite our price reductions, we continue to lose  
22 sales volumes to Trinidad and China. Our U.S. shipments for  
23 the 9 months year to date are down significantly from the  
24 comparable period in 2013. Pricing in the third quarter of  
25 2014 was down sharply from the comparable quarter in 2013.

1           It's critically important for the Commission to  
2     understand that the instances of lost revenue presented in  
3     the Petition do not represent the full lost revenue impact  
4     of Cornerstone. The prices we have been quoting to our  
5     customers since the subject imports drove down market prices  
6     had already been discounted as a first step to compete with  
7     these imports.

8           For example, the initial price quotes we made  
9     during July to September 2014 reflected the cumulative price  
10    depression that we have suffered since the beginning of the  
11    period of investigation. Thus the difference between our  
12    initial price quote and the lower price quote which we made  
13    the sale in 2014, reflects only a small sliver of the  
14    revenue we lost on that sale. Compared to mid-2011 prices,  
15    the lost revenue was far greater. We trust that the  
16    Commission will keep in mind as it reviews the magnitude of  
17    lost revenues we reported in the Petition.

18          To summarize, since the beginning of 2011  
19    Cornerstone has suffered substantial declines in U.S.  
20    shipments, production, capacity utilization, U.S. prices and  
21    profitability. We can no longer justify any capital  
22    expenditures beyond the minimum required to keep our plant  
23    running.

24          Cornerstone is a lean organization. We operate  
25    on a continuous improvement program to lower our cost of

1 goods sold while insuring the quality of our product,  
2 reliability of supply as well as the safety of our  
3 operations. Additionally, all senior management salaries  
4 have been frozen and their bonuses have been eliminated.  
5 Capital expenditures are being replaced by short-term  
6 maintenance and repair. Our only choice if the tide of  
7 unfairly priced imports from Trinidad and China is not  
8 stopped is to close the melamine unit.

9 We have no other opportunity to reduce costs  
10 given our already lean position. Supported by government  
11 subsidies, melamine producers in China and Trinidad are able  
12 to keep lowering their prices to undercut our prices and  
13 increase their U.S. sales. As a U.S. producer operating  
14 with no government support in a market economy, we have no  
15 way to compete successfully with dumped and subsidized  
16 imports.

17 Cornerstone requests the Commission to level the  
18 playing field, to provide Cornerstone and our workers a  
19 chance to compete in a U.S. market that is no longer  
20 distorted by dumping and foreign government subsidies.

21 Thank you.

22 STATEMENT OF BRENT PETIT

23 MR. PETIT: Good morning. My name is Brent  
24 Petit. I'm the international staff representative for the  
25 United Steel Workers, Local 13-447.

1       The USW is the largest industrial union in North America  
2       with approximately 650,000 active members.

3               My primary responsibilities are to negotiate and  
4       oversee labor contracts and represent employees in the  
5       grievance and arbitration process. I oversee 21 different  
6       labor contracts, one of which is Cornerstone's, and I am  
7       responsible for approximately 3400 employees in South  
8       Louisiana.

9               I have worked in various roles with Cornerstone  
10      Chemical Company and its predecessors for 33 years. I began  
11      working at Cornerstone's facility in 1979 when it was owned  
12      by the American Cyamamide Company. I continued working at  
13      the facility after Cytec Industries was spun off from  
14      American Cyamamide in 1993.

15              Around the time that Cytec Industries became  
16      Cornerstone in 2011, I left my position at Cornerstone to  
17      assume a full-time role with the USW. While working at  
18      Cornerstone's facility, I was the president of Pace, Local  
19      4-447, which covered approximately a dozen businesses. I  
20      also served as chair to the Cytec Group at that time.

21              Over my 35-year career in the chemical industry,  
22      I have seen a number of tremendous changes. The chemical  
23      industry is very competitive and the business climate is  
24      constantly changing. This has forced the workforce to  
25      evolve along with technology and market forces.

1           I was involved with major changes at our facility  
2     driven by an increase in natural gas prices in the 1980s.  
3     This caused the site to close five units. We negotiated  
4     huge concessions in our labor agreement, which not only  
5     allowed us to remain viable, but also allowed us to return  
6     to profitability at that time.

7           We made these changes in response to an increase  
8     in natural gas prices. Now, we are facing a challenge that  
9     is being created by an unlevel playing field. The lone  
10    domestic manufacturer of melamine is threatened by unfair  
11    trade practices.

12          Today, our facility in Louisiana is a shining  
13    example of advanced manufacturing where melamine is produced  
14    in a flexible, self-directed, and high-performance workplace  
15    that focuses on lean manufacturing.

16          As the largest manufacturing facility in  
17    Jefferson Parish, the economic impact of Cornerstone  
18    Chemical is not only felt locally, but reaches far beyond  
19    the parish borders.

20          Cornerstone employees and contract workers are  
21    drawn from the immediate area as well as a large region  
22    around the plant. Cornerstone currently has approximately  
23    130 employees for its melamine manufacturing operations with  
24    over 330 represented employees and over 500 total employees,  
25    plus many temporary contractors.

1           In addition, Cornerstone's operations make a  
2           significant contribution to the economy of the immediate  
3           Gulf Coast economy. We have taken a number of measures to  
4           respond to changes in the industry and improve productivity  
5           at our facility. Specifically, we have improved our  
6           maintenance and operations training programs to expand  
7           skills and reduce overall training costs.

8           We set baselines and targets for maintenance  
9           skill sets and invite vendors to come to our facility to  
10          work with our hourly trainers to provide the most current  
11          training available. Our hiring standards are more stringent  
12          than ever. We have upgraded our distributed control  
13          systems, and operations works with maintenance to make  
14          adjustments to continuously improve productivity.

15          Our workers are skilled problem-solvers, have  
16          extensive decision-making responsibilities, and have  
17          expanded duties over safety and the operation of the  
18          facility. Many of these improvements were made to reduce  
19          costs in response to the lower-priced imports. Despite our  
20          efficient operations, however, unfairly priced imports from  
21          China and Trinidad and Tobago are taking market share from  
22          Cornerstone; thus, we are losing sales to imports.

23          Although we always look for opportunities to make  
24          adjustments and become more efficient, our operations are  
25          not sustainable if these imports continue to enter at such

1 low prices. Without relief, we are certain to suffer more  
2 lost sales and lost revenues to subject imports.

3 Melamine producers in China and Trinidad are  
4 highly export oriented. They also have enormous excess  
5 capacity. Solely with excess capacity these producers could  
6 flood the U.S. market many times over with low-priced  
7 melamine. These dumps and subsidized imports pose a  
8 significant threat to the preservation of the highly skilled  
9 and well paid U.S. manufacturing jobs that support the sole  
10 U.S. melamine producer.

11 Thank you for your attention.

12 STATEMENT OF JOSEPH W. DORN

13 MR. DORN: Joe Dorn for Petitioner. I will now  
14 summarize why the domestic industry's materially injured by  
15 reason of imports from China and Trinidad and Tobago.

16 In it's determinations of material injury  
17 concerning China, the Commission must cumulatively assess  
18 the volume and effect of subject imports from China and  
19 Trinidad because the petitions were filed against both  
20 countries on the same day and there was a reasonable overlap  
21 of competition among imports from both countries and the  
22 domestic-like product during the POI.

23 Applying the Commission's cumulation factors, the  
24 reasonable overlap in competition is clear. First, as you  
25 have heard from the industry witness, melamine is a



1 commodity product. Imports of melamine from the subject  
2 countries are highly interchangeable with each other and  
3 with the domestic-like product.

4 Second, subject imports and the domestic-like  
5 product serve the same geographic markets. As shown by  
6 official import data, subject imports entered at multiple  
7 ports of entry throughout the United States during the POI;  
8 thus, subject imports compete against each other and the  
9 domestic-like product throughout the United States.

10 Third, all melamine is sold through the same  
11 channels of distribution. That was a finding the Commission  
12 made in Melamine from Japan.

13 Fourth, melamine from both subject countries was  
14 simultaneously present in the United States market during  
15 the POI. Imports from China entered every month during the  
16 POI. Imports from Trinidad entered in every month but two,  
17 and that was in October and November of 2013 when it had its  
18 production outage.

19 Thus, cumulation is mandatory for the  
20 Commission's analysis of material injury by reasons of  
21 imports from China. Application of the statutory factors  
22 for material injury demonstrates that the domestic industry  
23 is materially injured by reason of cumulated imports from  
24 China and Trinidad.

25 As shown on Hearing Exhibit D, cumulated imports

1 increased by 14 percent from 2012 to 2013. They also  
2 increased by over 16 percent from January/September 2013 to  
3 January/September 2014.

4 As shown on Hearing Exhibit E, the average unit  
5 value of cumulated imports declined sharply from the  
6 beginning of the POI to the end of the POI. As explained in  
7 the petition, and as we will further demonstrate in our  
8 post-conference brief, the volume of cumulated imports is  
9 significant, the increase in the volume of cumulated imports  
10 is significant and cumulated imports have had negative price  
11 effects. As a result, the cumulated imports have had an  
12 adverse impact on the domestic industry.

13 In addition, the responses of the Chinese  
14 industry to the foreign producers' questionnaire are grossly  
15 inadequate, as are the responses to the U.S. 'importers'  
16 questionnaire with respect to China. Thus, applying the  
17 American Lamb standard, the Commission lacks any basis for  
18 concluding that the record, as a whole, contains clear and  
19 convincing evidence that there is no material injury or  
20 threat of injury by reason of imports from China.

21 In addition, no party has entered an appearance  
22 to argue the domestic industry is not injured by reason of  
23 imports from China, and no witness is appearing on behalf of  
24 China today. Thus, I will focus the remainder of my  
25 material injury testimony on imports from Trinidad.

1           Because Trinidad is a beneficiary country under  
2           the Caribbean Basin on Economic Recovery Act, the Commission  
3           cannot cumulate imports from China with imports from  
4           Trinidad in its determination with respect to Trinidad.

5           The record is clear, however, that the domestic  
6           industry is materially injured by reason of imports from  
7           Trinidad alone.

8           First, the volume of imports from Trinidad is  
9           significant and the increase in the volume of such imports  
10          is significant. In 2013, imports from Trinidad were equal  
11          to 32 percent of imports from all countries, were higher  
12          than imports from any other country, and were very  
13          significant in relation to U.S. consumption and U.S.  
14          production. During January - September 2014, imports from  
15          Trinidad accounted for over 37 percent of imports from all  
16          countries, were again higher than imports from any other  
17          country, and again were very significant in relation to U.S.  
18          consumption and U.S. production. Accordingly, imports from  
19          Trinidad are significant within the meaning of the statute.

20          The increase in imports from Trinidad is also  
21          significant. As shown on Hearing Exhibit F, imports from  
22          Trinidad first entered the U.S. market in 2010. They  
23          increased from zero pounds in 2009 to 9 million pounds in  
24          2010 and to 35 million pounds in 2011.

25          From 2011 to 2012, imports from Trinidad

1       increased another 2.6 million pounds. This was a shock to  
2       the U.S. market. Yes, there'd been imports from Netherlands  
3       and Germany, as opposing counsel stated, for many years.  
4       That's not what caused the injury. What caused the injury  
5       here was the shock effect of the introduction of imports  
6       from Trinidad on such a large scale from zero. Although  
7       imports from Trinidad declined from calendar year 2012 to  
8       2013, that decline was solely due to production outages in  
9       the fourth quarter of 2013 in Trinidad.

10               In any event, imports in 2013 were still nearly  
11       190 percent higher than in 2010. Moreover, based on  
12       official data through September of this year, imports from  
13       Trinidad are on pace to increase 7 million pounds, or 27  
14       percent, from 2013 to 2014. Another way of looking at it is  
15       that imports in January - September 2014 are equal to  
16       imports for all of calendar year 2013. And again, that  
17       relates to the aberration in 2013 when MHTL had production  
18       outages in October and November.

19               Imports from Trinidad also increased relative to  
20       U.S. consumption and U.S. production from 2011 to 2012, and  
21       they are on track to increase relative to U.S. consumption  
22       and U.S. production from full calendar year 2013 to full  
23       calendar year 2014. These increases in absolute volume and  
24       relative U.S. consumption and U.S. production are  
25       significant within the meaning of the statute.

1                   Moreover, and this is important, the increases  
2                   would have been far higher had Cornerstone not reduced its  
3                   prices aggressively to meet the lower prices of imports from  
4                   Trinidad.

5                   Second, imports from Trinidad had very negative  
6                   price effects. Imports from Trinidad and the domestic-like  
7                   product are commercially interchangeable and very good  
8                   substitutes. Because melamine is a commodity product, sales  
9                   negotiations are focused on price. Southern Chemical and  
10                  Cornerstone compete for business from relatively few  
11                  customers who negotiate simultaneously with both suppliers.

12                  Customers use the low import prices offered by  
13                  Southern Chemical from its four U.S. warehouses to force  
14                  Cornerstone to lower its prices. This underselling forces  
15                  Cornerstone either to lower its prices or lose sales volume.

16                  As demonstrated in the petition, and as testified  
17                  by industry witnesses, imports from Trinidad undersold the  
18                  domestic-like product by significant margins throughout the  
19                  POI. Based on official import data, the average unit value  
20                  of imports from Trinidad was lower than that of imports from  
21                  China during each calendar year of the POI. These low  
22                  prices depressed Cornerstone's prices. As shown on Hearing  
23                  Exhibit G, the average unit value of imports from Trinidad  
24                  dropped sharply from the beginning to the end of the POI.

25                  The substantial price decline during 2011 to 2012

1       allowed Trinidad to grab a large share of the U.S. market.  
2       Trinidad has sharply dropped its prices again in 2014 to  
3       regain the market share it lost in the last quarter of 2013  
4       when it had its production outage. These low prices have  
5       forced Cornerstone to reduce its prices.

6               The record also indicates price suppression. As  
7       you'll see from Cornerstone's questionnaire response,  
8       Cornerstone was unable to achieve a price level during the  
9       POI sufficient to generate adequate financial results. In  
10      effect, Cornerstone's prices have been suppressed since at  
11      least the second half of 2011. Moreover, Cornerstone's  
12      ratio of cost of goods sold to sales increased throughout  
13      the POI.

14             In addition, Cornerstone could not fully realize  
15      necessary price increases because customers were receiving  
16      lower offers from Trinidad. In some cases Cornerstone's  
17      prices actually declined after a price announcement due to  
18      underselling by Trinidad. Due to pervasive underselling by  
19      Trinidad, Cornerstone has suffered tremendous lost sales and  
20      revenues. The underselling would've been even higher,  
21      particularly during January to September 2014, had  
22      Cornerstone not substantially reduced its prices to avoid  
23      additional lost sales.

24             Third, imports from Trinidad have had a severe  
25      adverse impact on the domestic industry. As you've heard

1 from our industry witnesses, in 2010, Cornerstone operated  
2 near full capacity and enjoyed reasonable U.S. prices. When  
3 imports from Trinidad surged into the U.S. market in 2011,  
4 Cornerstone's production declined and its prices fell.  
5 Those were not imports from Germany. They were not imports  
6 from the Netherlands in 2011 that forced that to happen. It  
7 was solely imports from Trinidad.

8 Imports from Trinidad also have adversely  
9 affected Cornerstone's financial performance and impeded its  
10 capital investments on melamine. Cornerstone's weak and  
11 declining financial performance during the POI stands in  
12 stark contrast to its performance in 2010 before the surge  
13 of low-priced imports from Trinidad. Thus, there is no  
14 doubt that Cornerstone is materially injured by reason of  
15 dumped and subsidized imports from Trinidad alone.

16 Now, I'm going to turn to threat. Because  
17 imports from Trinidad and China have caused material injury,  
18 the Commission need not examine threat of material injury,  
19 but the record will show, however, that Cornerstone also  
20 faces a real, imminent threat of additional material injury.  
21 The four cumulation criteria evaluated in the context of  
22 present material injury -- fungibility, channels of trade,  
23 geographic overlap and simultaneous market presence --  
24 likewise strongly support exercise of the Commission's  
25 discretion to cumulate subject imports in evaluating threat

1 of material injury by reason of imports from China. The  
2 factors applicable to the Commission's determination of  
3 threat of material injury demonstrate that the domestic  
4 industry is facing a clearly foreseen and imminent threat of  
5 material injury by reason of cumulated imports from China  
6 and Trinidad, and also looking solely at Trinidad.

7 The volume of subject imports is likely to  
8 increase. First, subject imports are rapidly increasing.  
9 They increased by 16 percent from interim 2013 to interim  
10 2014, and also increased relative to U.S. consumption and  
11 U.S. production. Imports from Trinidad alone are on track  
12 to increase 27 percent from calendar year 2013 to calendar  
13 year 2014. In addition, MHTL's affiliated U.S. importer,  
14 Southern Chemical, has established warehouses for melamine  
15 in New Jersey, South Carolina, Texas, and Oregon. Thus,  
16 Southern Chemical has the ability to quickly respond to  
17 changes in demand in the U.S. market.

18 Second, the volume of subject imports is likely  
19 to increase because such imports are increasing at prices  
20 that are likely to increase demand for further imports.  
21 Subject imports gained sales in market share during the POI  
22 by lowering their prices by underselling. On a cumulated  
23 basis, the AUV for subject imports were significantly lower  
24 than the AUV for Cornerstone's U.S. commercial shipments.  
25 The AUV of imports from Trinidad was generally lower than



1 the AUV of imports from China, and that was certainly true  
2 for each full calendar year of the POI. The AUV of imports  
3 from Trinidad was also much lower than the AUV of  
4 Cornerstone's U.S. commercial shipments.

5 The declining AUVs of cumulated subject imports  
6 and imports from Trinidad alone are shown in Hearing  
7 Exhibits E and G. Such low prices are likely to increase  
8 demand for further imports from China and Trinidad.

9 Third, the volume of subject imports is likely to  
10 increase because the subject producers receive significant  
11 countervailable subsidies. The Government of China and  
12 the Government of Trinidad have encouraged the establishment  
13 and growth of capacity by providing subsidies to their  
14 melamine producers. The countervailable subsidies  
15 create a significant likelihood that low-priced subsidized  
16 imports from China and Trinidad will continue their rapid  
17 penetration of the U.S. market.

18 Fourth, the subject producers are export  
19 oriented and have substantial excess capacity. The Chinese  
20 melamine capacity was over 4 billion, with a "B", pounds in  
21 2013. The available information indicates that Chinese  
22 producers utilized less than 60 percent of that capacity.  
23 Moreover, despite the massive over supply in China, melamine  
24 capacity continues to expand rapidly with the support of the  
25 Chinese government. As you will see on Hearing Exhibit H,

1 Chinese producers are currently adding about 3 billion  
2 pounds of melamine production capacity.

3 MHTL, the only melamine producer in Trinidad,  
4 also has substantial and growing excess capacity.  
5 Information in our petition indicates that MHTL only used  
6 half of its 132 million pound melamine capacity in 2013.  
7 MHTL has allocated 66 million pounds of its current capacity  
8 to Southern Chemical, its affiliated distributor in North  
9 America. Thus, MHTL can use half of this allocated capacity  
10 to increase melamine production and target the U.S. market.

11 In addition, as you can see on Hearing Exhibits I  
12 and J, MHTL has announced plans to expand its annual  
13 melamine capacity by at least 88 million pounds. With  
14 expanding excess capacity, MHTL can increase its exports of  
15 melamine to the U.S. market many times over.

16 And a final point I would make now that my time  
17 has expired is that there is no home market for melamine in  
18 Trinidad, so it's entirely dependent on exports.

19 And that concludes our presentation. Thank you.

20 MS. DeFILIPPO: Thank you very much, Mr. Dorn.  
21 And I'd like to take this time to thank all of the witnesses  
22 for coming today. I know it's difficult getting away from  
23 your business and coming to D.C., but it's very helpful for  
24 us to have you here to present testimony and allow us to ask  
25 questions to be understand the melamine industry.

1                   We will start staff questions first with Ms.  
2                   Sherman.

3                   MS. SHERMAN: Thank you all for being here this  
4                   morning. I appreciate all of your testimony. It's actually  
5                   answered quite a few questions I've had already. So, the  
6                   first one that I have is regarding the product. You talked  
7                   about melamine is a commodity product; however, looking  
8                   through the petition and the previous publication melamine  
9                   from 1999, I had a question on some of the differences in  
10                  physical form, purity, and particle size. Can you first  
11                  comment on how the difference between crystalline powder and  
12                  granular form and what applications those two forms would be  
13                  used in?

14                 MR. MIKESELL: We don't differentiate between  
15                 crystal melamine or granular form. When we look at the  
16                 industry sales spec that we sell into, they're  
17                 interchangeable.

18                 MS. SHERMAN: Do you know why a customer would  
19                 buy one versus the other?

20                 MR. MIKESELL: No. I know back in 1999 in I  
21                 think that period of when that petition was brought forth  
22                 there was prior melamine producer in the United States.  
23                 They did grind melamine, and it was very small market that  
24                 they targeted.

25                 MR. DORN: And Ms. Sherman, to answer the

1 question, I think you're discussing ground melamine, not  
2 granular melamine; is that the question?

3 MS. SHERMAN: You would probably know better than  
4 I would.

5 MR. DRISCOLL: Just as a bit of a follow up, yes,  
6 the ground melamine market is extremely small, essentially  
7 nonexistent any more in the U.S. Typically, some melamine  
8 is bought in a regular form and it is grounded into  
9 essentially a fine powder, sold very small quantity into  
10 specialty things such as very specialty flame-retardant  
11 industry. Essentially, that market has been dissipated  
12 since the 1999 petition that you were looking at.

13 We don't know anybody from China or Trinidad  
14 that sends in the ground product into the U.S. If anything,  
15 we had one distributor that would purchase, from time to  
16 time, over the years from us very small quantities to grind,  
17 sell off in much smaller packaging. So, again, it's a very  
18 small market place, if any at all these days.

19 MR. DORN: I think the key point is that neither  
20 Cornerstone, MHTL, nor the Chinese producers are selling  
21 ground melamine in the U.S. market.

22 MS. SHERMAN: Okay. Thank you. That's helpful.  
23 And can you also comment on different purity levels? Are  
24 there different purity levels of melamine being sold in the  
25 U.S. market?

1                   MR. MIKESELL: No, the general industry  
2                   specification is a purity greater than 99.8 percent and all  
3                   the manufacturers, at least the ones that we compete with  
4                   certainly are in that range, from China and MHTL.

5                   MS. SHERMAN: Thank you. And particle size is  
6                   that an issue?

7                   MR. MIKESELL: No, that's not an issue either.

8                   MS. SHERMAN: An additional question I had  
9                   regarding the product was concerning the scope. You  
10                  modified the scope language to cover melamine that is  
11                  blended -- has been blended with other products. Is this  
12                  fairly common, and can you give an example of a specific  
13                  product, a blend of melamine?

14                  MR. DORN: Let me explain how that came about.  
15                  It came about from discussions with the Department of  
16                  Commerce in which they wanted to know, given their  
17                  experience with other chemical cases and other products,  
18                  they wanted to know whether there was a possibility of  
19                  circumvention if we did not include blends. We're not aware  
20                  of any imports from China, Trinidad, or anywhere else of  
21                  blended product today, but we're concerned about an  
22                  inventive foreign producer adding 5 percent of some other  
23                  material and calling it something new and different and  
24                  avoiding the duties.

25                  I think it's also important to recognize that the

1 way the scope was written, to the extent there is a mixture  
2 that contains melamine and other constituent materials, the  
3 duties only apply to the melamine, so the scope is specific  
4 to melamine. I think that's significant. So, we're not  
5 talking about the creation of some new product that's a  
6 blend being subject to scope, and likewise, with respect to  
7 domestic-like product. We're not suggesting there are any  
8 blends that should be considered U.S. production.

9 MS. SHERMAN: Thank you. My next question is  
10 concerning the production process. Mr. Mikesell, you  
11 explained a lot about the question I had about the two  
12 processes used to produce melamine, and you explained that  
13 Cornerstone uses the low pressure process. That's correct,  
14 right?

15 MR. MIKESELL: That's correct.

16 MS. SHERMAN: Do you know what's being used in  
17 other countries?

18 MR. MIKESELL: I know in Trinidad they use the  
19 high pressure process. In China, it is very dependent on  
20 the specific company. They use a range of low and/or high  
21 pressure processes.

22 MS. SHERMAN: And if both processes produce the  
23 same melamine, same chemical composition, what would be the  
24 advantage to using one over the other? Are there any cost  
25 advantages or why would you chose one over the other?

1                   MR. MIKESELL: One deals with the availability of  
2                   a license, both the low and high pressure processes are  
3                   licensed technology. Historically, the owners of the low  
4                   press technology granted or issued very few licenses. The  
5                   high pressure process is licensed by an Italian design firm  
6                   called Eurotecnica. They are not in the melamine business,  
7                   so consequently, their business model was around licensing  
8                   and building plants.

9                   MS. SHERMAN: Thank you. Another question for  
10                  you, Mr. Mikesell, you mentioned a de-bottlenecking process  
11                  that you put on hold that if you were to continue would  
12                  expand capacity. Do you know by how much this would expand  
13                  capacity?

14                 MR. MIKESELL: We would consider that  
15                 confidential. We'll include it in our brief.

16                 MS. SHERMAN: Could you include it in your brief?

17                 MR. MIKESELL: Yes.

18                 MS. SHERMAN: Thank you. And then my final  
19                 question is concerning -- actually, I have two final  
20                 questions.

21                 The volume of imports -- when I'm looking at what  
22                 happened over the period of investigation, imports from  
23                 Trinidad and Tobago decreased in 2013, and I think the  
24                 reason you've all explained is production outages. But if  
25                 we look at China in 2012, it decreased from 22.6 million to

1       5.9 million. Were there production outages in China as  
2       well? Do you know why it decreased so much in 2012?

3               MR. ZOGLIO: We looked at the data, Ms. Sherman,  
4       our view of what happened in that period of time was that  
5       literally Trinidad caught the Chinese off guard by the fact  
6       that they actually brought their new production process in  
7       at a very low price to try to gain market share very  
8       quickly.

9               As we explained, when you bring these plants on  
10      they're rather large facilities, and their plant would  
11      operate like ours where there's a minimum turndown. And so  
12      as you bring product in, you all of a sudden produce a lot  
13      and you have to place it very, very quickly. And the only  
14      real way to do that in a market that's not growing is to  
15      price it accordingly, given the fact that they split their  
16      product 50/50 between Europe, Helm marketing material, 50  
17      percent in the U.S., Southern marketing that material.

18              They had to develop a strategy to quickly place  
19      the product. And it was really the Chinese with a six week  
20      plus lead time to get their product from China into the U.S.  
21      they were effectively left out in the cold, so to speak,  
22      because they didn't expect, nor did they foresee this sudden  
23      and aggressive tactic by Trinidad into the U.S.

24              MR. DORN: If I could add to that, just look at  
25      the unit values of the imports in connection with the



1 volumes I think is telling. Trinidad and Tobago undersold  
2 China by a large margin in 2012. The unit value from  
3 Trinidad was 61 cents per pound and China was 79 cents per  
4 pound. So, I think that Trinidad having a new plant.  
5 You've heard they've got to operate that plant continuously.  
6 So, what are they going to do? They've got to get sales to  
7 the U.S. market. They can't get the sales because they've  
8 got a different product or a better product. There are no  
9 bells and whistles attached to melamine. So, the only  
10 vehicle for getting quick market entry in order to ramp up  
11 their production was to use lower prices, and they clearly  
12 did that.

13 And then it's interesting, if you look at what  
14 happened in 2013, China goes from 79 cents a pound to 68  
15 cents a pound on its unit value. So, China is desperately  
16 trying to get back in the game in 2013. And then, as we've  
17 said before, the aberration in the data for 2013 relates to  
18 this production outage in Trinidad in October and November.

19 If you look at the pace of their imports through  
20 September of that year, you'll see that they were still a  
21 very big player in the U.S. market, but then the calendar  
22 year data gets distorted by that production outage in those  
23 two months.

24 MS. SHERMAN: Okay, thank you, and my final  
25 question is regarding non-subject imports. Respondent's

1       counsel Mr. O'Brien, in the opening statements, mentioned  
2       imports from Germany and Netherlands being significant in  
3       the market, and Mr. Dorn, you mentioned in your testimony  
4       that it's not an issue.

5               But I'd like to hear from some of the other  
6       witnesses. How have those imports from non-subject  
7       countries affected your business?

8               MR. JONES: I'll take that question. We view the  
9       Netherlands and the German producers to be long-term fair  
10      suppliers to the U.S. market. They're not the cause of the  
11      injury that we've had during the Period of Investigation.  
12      As I said, we consider them to be fair suppliers. We  
13      compete with them here in the U.S., and we compete with them  
14      in Europe.

15              If they were to lower their prices in the U.S.,  
16      we have the capability to compete back in their home  
17      markets, which are open, transparent marketplaces. We do  
18      not have that ability with Trinidad. They have no home  
19      market in which we can compete, and we don't have the  
20      transparency capability and the methods to compete within  
21      China.

22              Those are not open, or at least China is not an  
23      open market economy in which we can compete. The injury is  
24      clearly from Trinidad and China. That would be the reason  
25      why.

1 MS. SHERMAN: All right.

2 MR. DORN: I might also add that we do have  
3 evidence of substantial subsidies in China and Trinidad. We  
4 do not have that with respect to Germany and the  
5 Netherlands, and they're both market economies and they've  
6 got to make money over time, without the help of their  
7 government.

8 MS. SHERMAN: Thank you all. I have no other  
9 questions.

10 MS. DeFILIPPO: Thank you, Ms. Sherman. We'll  
11 now turn to Ms. Viray-Fung.

12 MS. VIRAY-FUNG: Good morning, and thank you for  
13 being here. I have a couple of follow-up questions. Mr.  
14 Driscoll, you mentioned melamine in its regular form. When  
15 you said "regular form," did you mean granular, and is that  
16 different from crystalline? I'm just trying to pin what we  
17 mean --

18 MR. DRISCOLL: All I meant by that is in its  
19 general spec form.

20 MS. VIRAY-FUNG: I'm sorry, "in its general?"

21 MR. DRISCOLL: Meaning the melamine general spec  
22 that's in the industry.

23 MS. VIRAY-FUNG: I don't understand what that  
24 means. Does that mean granular?

25 MR. DRISCOLL: No.

1 MS. VIRAY-FUNG: No?

2 MR. DRISCOLL: No.

3 MS. VIRAY-FUNG: Okay. Can you --

4 MR. DORN: When you say granular, do you mean  
5 ground?

6 MS. VIRAY-FUNG: I'm not too sure. Are we  
7 getting granular, crystalline, coated?

8 MR. DORN: I mean because I thought that regular  
9 melamine could be considered either granular or crystalline.  
10 Is that right?

11 MR. DRISCOLL: Exactly.

12 MR. DORN: So the distinction is between ground  
13 and unground, I think is what we're talking about. I think  
14 what the -- the industry spec is for unground, and that's  
15 what Cornerstone sells, MHTL sells, the Chinese sell is  
16 unground. There is no ground being made by manufacturers of  
17 melamine.

18 MS. VIRAY-FUNG: And is unground the same thing  
19 as granular?

20 MR. DRISCOLL: Yes.

21 MR. DORN: Yes.

22 MS. VIRAY-FUNG: Okay, thank you. That's what I  
23 wanted to know.

24 MR. DORN: I was confused as well.

25 MS. VIRAY-FUNG: Okay. Let me see. Regarding

1 melamine in a blend, what I heard was that nothing is  
2 entering currently in a blend. This is purely in  
3 anticipation of possible circumvention. So that means that  
4 nobody domestically is producing melamine in a blend either?

5 MR. ZOGLIO: We're only aware of one customer  
6 that does blend melamine with other product components, to  
7 make a third product and sell it downstream into the  
8 flooring, commercial flooring industry. Very, very small  
9 quantity consumer, on the order of 40,000, 45,000 pounds a  
10 month. So very small single end use, and really when you  
11 think about the possibilities, what we are trying to guard  
12 against, melamine in the U.S. is typically reacted to make  
13 resin.

14 So it's reacted with the heat and formaldehyde in  
15 a reactor to make melamine formaldehyde resin or melanine  
16 urea formaldehyde resin. So one thought process is does an  
17 inventive third party importer or exporter into the U.S.  
18 market say well gee, I'll just take urea, five percent,  
19 melamine 95 percent and pre-package these two products, urea  
20 typically in a granular or solid form as well, and call it  
21 something different.

22 What we just wanted -- as we go through this  
23 process, we certainly don't want to leave a back door open  
24 for an inventive type of individual to come in and say well,  
25 I've got a way around that. These guys did a lot of hard

1 work, spent a lot of our time and money to go through the  
2 process, and we've got this new melamine urea product that  
3 we're going to sell.

4 This is really solely what we were after in that  
5 scope change, as we put that detail together, to make it  
6 very clear that melanine is melamine, and any melanine  
7 brought in in any form as crystalline, and I'll use the word  
8 "crystalline" when I describe melamine. I don't use ground,  
9 unground or granular. As melamine crystal comes into the  
10 U.S., there is no combination with any other product that  
11 can take place.

12 MR. DORN: And if I could just add to that, in  
13 terms of the like product issue, keep in mind, this scope's  
14 a little different from some you've seen in the past. There  
15 are some precedents for it. But the scope only applies to  
16 the melamine content of a blend.

17 So if you had 50 percent melamine and some other  
18 constituent part, the duties would only be applied to the  
19 melamine portion.

20 MS. VIRAY-FUNG: Okay.

21 MR. DORN: So it wouldn't be applied to a new  
22 blend. So it's not like you have to find out which -- is  
23 there a like product in the United States to some potential  
24 blend, because it's -- the only thing that's covered is the  
25 melamine itself, and so the like product is only melamine.

1 MS. VIRAY-FUNG: Okay, thank you. On the  
2 domestic industry side of things, given that there is one  
3 other party you say does blend melamine, should they be  
4 included then in the domestic industry?

5 MR. DORN: No. I think you need to match up the  
6 domestic like product with the imports subject to  
7 investigation. The non-melamine constituent part is not  
8 subject merchandise. It's the only melamine content of  
9 that, the way the scope is written.

10 MS. VIRAY-FUNG: Okay.

11 MR. DORN: Do you see what I'm saying? So and  
12 there's no, you know, if you -- we're only aware of one  
13 company that does blending on a very minor basis, and  
14 they're not creating a product where melamine chemically  
15 reacts to form some new chemical or new product. It's just  
16 a mixture of melamine and another product.

17 So that's not -- it's not -- it doesn't match up  
18 with the melamine that's subject to investigation, so it's  
19 not like that, and even theoretically if you consider it to  
20 be like, it wouldn't be U.S. production, because all it is  
21 it's just mixing. It's like the melt shops in your recent  
22 sugar investigation, if any of you are familiar with that.

23 MS. VIRAY-FUNG: Okay, thank you. Let me see.  
24 Is there any seasonal aspect to melamine sales, production  
25 or imports?

1 MR. DRISCOLL: No, there is not.

2 MS. VIRAY-FUNG: Okay. Thank you, Mr. Driscoll.  
3 Mr. Jones, you touched briefly on demand, and you mentioned  
4 that in 2008 and 2009, there was a recession from which the  
5 industry began recovering from. Can you speak to when  
6 demand began increasing?

7 MR. JONES: During the 2010 period, we saw demand  
8 start to recover earnestly. Towards the back end of 2009,  
9 once the domestic industries that use melamine started to  
10 recover, we saw the demand pull through at that point. But  
11 2010 was reflective of the real recovery.

12 MS. VIRAY-FUNG: Okay. Has it -- what has demand  
13 being doing since?

14 MR. JONES: It's been accretively developing. If  
15 you look at the beginning of the Period of Investigation to  
16 now, approximately five percent growth in the demand profile  
17 for melamine.

18 MS. VIRAY-FUNG: Thank you. Regarding channels  
19 of distribution, do I have that right, channels of trade, is  
20 it your position that channels of trade have not changed  
21 then since 1999? This is cumulation question.

22 MR. DRISCOLL: No, no.

23 MS. VIRAY-FUNG: No, they have not?

24 MR. DRISCOLL: No, they have not.

25 MS. VIRAY-FUNG: Okay, thank you, and one --



1                   MR. DRISCOLL: Well, except for the fact that  
2 we've added Trinidad coming into the country.

3                   MS. VIRAY-FUNG: Okay, all right. One final  
4 question, and this is probably going to be for the  
5 post-conference brief. Could you please provide us with  
6 your thoughts regarding how the Commission should consider  
7 the effects of imports from China, for the purposes of our  
8 non-attribution analysis, when assessing imports from  
9 Trinidad and Tobago?

10                  MR. DORN: We're pleased to do that. I think it  
11 would be helpful to use the confidential record. I think  
12 it's best done in a post-conference brief. Thank you.

13                  MS. VIRAY-FUNG: Thank you. All right, thank you  
14 Mr. Dorn. That completes my questions.

15                  MS. DeFILIPPO: Thank you. I'll now turn to Ms.  
16 Gamache for questions of this panel.

17                  MS. GAMACHE: Hi everyone. Thank you for coming.  
18 I'd like to start off by asking some raw materials  
19 questions. I just want to make sure that I understand the  
20 imports that are involved. First of all, I guess this is  
21 probably a chemistry one on one question, but urea and  
22 ammonia. Are those the same thing?

23                  MR. MIKESELL: No. Urea is produced from ammonia  
24 and CO2, carbon dioxide.

25                  MS. GAMACHE: Okay. So then the inputs being

1       used are ammonia and CO2, exclusively?

2               MR. MIKESELL:   The ammonia and CO2 are inputs  
3       into the urea plant, and then the urea is an input into the  
4       melamine plant.

5               MS. GAMACHE:   Okay.   So then this would be a  
6       two-stage production process for melamine, first going  
7       through the urea plant and then going on to the melamine  
8       plant?

9               MR. MIKESELL:   Yes, yes, although urea itself is  
10      a product that we feel is commercially available.

11              MS. GAMACHE:   Okay, and you mentioned that for  
12      melamine, you reuse basically energy that's created through  
13      another production process.   What share of energy use is  
14      used from that energy, and do you have any other energy  
15      input that's necessary for melamine production?

16              MR. MIKESELL:   We'll address that in the  
17      post-conference brief.

18              MS. GAMACHE:   Okay.   Earlier in someone's  
19      testimony, an increase in ammonia cost was mentioned.   Is  
20      that a steady increase that's been seen or does the price of  
21      ammonia fluctuate?

22              MR. ZOGLIO:   Over the period of investigation, in  
23      fact ammonia price has fluctuated, and it really is  
24      range-bound between a \$400 per metric ton and we think of  
25      ammonia as a Tampa metric ton basis, as the market price for

1 ammonia in the U.S.

2 So it's range-bound between 400 and about 700  
3 dollars a ton, and it oscillated throughout the period  
4 between those price points. Just if I can use this  
5 opportunity to say the melamine price has been completely  
6 independent of any movements in that ammonia price, and  
7 you'll actually see that in some of the data that we  
8 provide.

9 MS. GAMACHE: In the future is there -- go ahead.

10 MR. DORN: No. I was just going to add that one  
11 data point I think we'll add in the post-conference brief is  
12 the fact that it's interesting to look at the trend in  
13 melamine -- I mean sorry, the trend in melamine prices and  
14 the trend in ammonia cost in the January-September 2014 time  
15 period, because we've got ammonia cost increasing and  
16 melamine prices going down.

17 MS. GAMACHE: Are ammonia costs expected to  
18 continue increasing or do you expect fluctuation to  
19 continue?

20 MR. ZOGLIO: What we would expect is really, as  
21 we project forward from where we are today, more of the same  
22 is still what we've seen over the period of the next several  
23 years.

24 MS. GAMACHE: I understand there are many end  
25 uses for ammonia. Could you talk a little bit more about

1 downstream manufacturing, maybe a little bit about your  
2 direct customers? For example, do direct customers  
3 exclusively make the formaldehyde resin, or do you sell to  
4 customers who use melamine both to make the resin and then  
5 to make, you know, the laminate or whatever else?

6 MR. DRISCOLL: It's kind of across the board.  
7 The majority of melamine is sold into those that make the  
8 resin and then sell it further downstream to end users in  
9 the United States.

10 MS. GAMACHE: Do you have an idea of shares?  
11 Like when you say majority, is that vast majority or --

12 MR. DRISCOLL: Again, that's something that we  
13 can answer in our post-conference brief.

14 MS. GAMACHE: Great. I guess that leads me into  
15 my next question about importers. I'm not sure if you'll be  
16 able to really address this. But the importers of melamine,  
17 do they import to distribute, or are they importing  
18 primarily to use melamine in their own production process  
19 for another end use?

20 MR. DRISCOLL: It's just of a broad spectrum on  
21 that again, is that there are some that import through  
22 trader or distributor companies that will hold product and  
23 then sell it into end users, and then there are occasions  
24 where they also will buy directly from foreign producers and  
25 will bring directly into end user plants.

1                   Yeah. In terms of the product coming from  
2                   Trinidad, it's solely going through Southern Chemical,  
3                   through the distribution sites that I mentioned in my  
4                   testimony.

5                   MS. GAMACHE: Other than price, are there other  
6                   factors that purchasers consider when making their  
7                   decisions?

8                   MR. DRISCOLL: Certainly. In you know, product  
9                   availability, quality obviously go into the market  
10                  discussions with the customers. But ultimately, price has  
11                  overtaken all of those items in terms of the negotiation  
12                  process with melamine over the years, since the subject  
13                  imports have been coming into the extent that they have.

14                  MR. ZOGLIO: And Ms. Gamache, what we'll show in  
15                  the post-conference brief too is that if you go earlier in  
16                  the POI, there certainly was more of a premium that was  
17                  ascribed to the U.S. producer of product than you'll see  
18                  late in the POI.

19                  So clearly, the customer base has gotten quite  
20                  comfortable with product from China and from Trinidad both,  
21                  and that premium they're willing to pay for the U.S.-based  
22                  product has diminished significantly, and again we'll show  
23                  that specifically in the form of data and we put together  
24                  our post-conference brief.

25                  MS. GAMACHE: Are there differences between the

1 purchasers that choose to purchase via contract versus  
2 purchasers purchasing via spot sales?

3 MR. DRISCOLL: Again, it depends. The majority  
4 of contracts in the U.S. are short-term contracts, and many  
5 of them are on a quarterly basis. Even though there are  
6 longer-term contracts inside of those, price is negotiated  
7 on a quarterly basis. In terms of more detail of that,  
8 that's something also we can address in the post-conference  
9 brief.

10 MS. GAMACHE: Great. If you could include in  
11 post-conference brief how you come about where the contract  
12 price is, that would good.

13 MR. DRISCOLL: Absolutely.

14 MS. GAMACHE: Thank you. You mentioned that  
15 there is no home market in Trinidad and Tobago. I'm  
16 assuming that the Chinese market has huge applications for  
17 melamine in their own market. To what extent do you think  
18 that their own demand sort of absorbs their capacity to  
19 export here?

20 MR. ZOGLIO: Being that it's a non-market  
21 economy, it's very difficult to get what I would term  
22 reliable data out of China. We struggle as an organization  
23 to try to understand what's happening in China. One thing  
24 is clear. They're building out capacity. In these new  
25 plants, some of them are 100,000 tons alone as one single

1 facility. Our U.S. demand is 75,000 tons.

2 So they're building plants that are bigger than  
3 the entire U.S. demand. When you look at one new 100,000  
4 ton plant, and we used the Trinidad example of a 60,000 ton  
5 plant that's being run at 50 percent capacity coming into  
6 the market, and the impact it's had in our marketplace.

7 When you have 100,000 ton Chinese plant come on  
8 into a market where there's already significant capacity,  
9 and it's quite clear that the growth rate in China is  
10 decelerating; although it's still growing, it's growing at a  
11 slower rate than it has in the past, and given the fact that  
12 there's significant subsidies to the Chinese producers to  
13 continue to develop these products downstream.

14 What we've seen is a significant number of plants  
15 come on and as you look at the data, and we've provided some  
16 of the data and we will provide that data in the  
17 post-conference brief, there is no growth rate that  
18 justifies the investment that's happening.

19 So it leads one down the path to assume that  
20 there's significant overhang of capacity that's got to go  
21 somewhere. Knowing the producers as we've seen them behave,  
22 they're going to look to the closest markets.

23 MR. DORN: And of course Europe's a very large  
24 market, but you have anti-dumping measures in Europe, as  
25 well as in India. So the United States becomes the logical

1 target for that excess capacity.

2 MS. GAMACHE: You mentioned the production outage  
3 in Trinidad and Tobago. Have there been any other  
4 disruptions to the melamine market in the recent past, or  
5 any availability issues?

6 MR. ZOGLIO: So there's been no availability  
7 issues with respect to product. But I will disclose that we  
8 as Cornerstone did declare in 2013 a force majeure event.  
9 So when we declare a force majeure event, what that does is  
10 it effectively puts our contract customers on notice that  
11 there may be difficulty in supplying.

12 We declared that force majeure event on April  
13 1st. So we had already negotiated the second quarter  
14 contracts with respect to both volume and with respect to  
15 price. The reason we declared that force majeure event is  
16 we had a process equipment failure, and we reverted to our  
17 backup piece of equipment.

18 Our backup piece of equipment ran fine, but we  
19 had no experience in running it in over the last three  
20 years. So we, with a low inventory level, were very  
21 concerned about that reliability of that piece of equipment  
22 while the main compressor was out for repair. Ultimately,  
23 the backup performed fine. We were able to supply our  
24 customer in every instance over the period of the force  
25 majeure.



1           We lifted the force majeure when the new piece of  
2       equipment was back in service and operating, so we now had  
3       redundancy, and that was on June 1st of 2013, prior to the  
4       third quarter price and volume negotiations.

5           So there are kind of two ways I look at this, is  
6       one, did we have an impact on the customer? No. We  
7       declared force majeure. That by the way, from a contract  
8       perspective, gave them the rights, should they choose to  
9       exercise it, to purchase product from other third parties.

10          Two, and did we rearrange shipments? Yes. We  
11       worked -- our customers worked with us, but they too carry  
12       inventory. But did we miss any shipments? No. And then  
13       ultimately did that impact our customer supply/demand, if  
14       you will, volume price negotiations in either quarter, no,  
15       because the timing of that force majeure was outside both  
16       negotiation and agreement periods.

17          So I just put that out there. It was not an  
18       issue for us with respect to supply, but obviously it's  
19       public information that's out there and available, and you  
20       guys should certainly hear from us that that was there.

21          MS. GAMACHE: Okay. You had mentioned  
22       under-selling. Is something we can expect to see in our  
23       questionnaire data?

24          MR. JONES: Yes indeed. We cover more of that in  
25       the post-conference brief. But I think again, the important

1 point, and you've heard this several times in some of the  
2 testimonies, the lost revenue to Cornerstone has been far  
3 more egregious than the under-selling calculations. The  
4 initial prices that we've been offering our customers has  
5 already been discounted sharply from the price points that  
6 we were achieving prior to the beginning of the Period of  
7 Investigation. But the details will be covered in the  
8 post-conference brief.

9 MR. DORN: I think really there are two points,  
10 and I think we've made this clear. But just to be sure, at  
11 a point with respect to -- I've never had a client actually  
12 feel so strongly about this issue. But they kept pointing  
13 out to me that the form that's used by the Commission to  
14 collect information on instances of lost revenues grossly  
15 understates the actual loss of revenue, if you look at the  
16 cumulative impact of the price reductions over the POI. If  
17 you're in the second quarter of 2014, you've been reducing  
18 your prices steadily, and you've made price offers for a new  
19 contract for second quarter, and obviously you're not going  
20 to offer the price you offered back in the first quarter of  
21 2011, because prices have come down substantially.

22 So you're offering actually the current depressed  
23 pricing levels, and then in relation to that, you still have  
24 to reduce your price. So you're showing only a small  
25 reduction in price relative to the current market. But that

1 doesn't take into account the cumulative impact of the price  
2 depression.

3           The other point that's with regard to  
4 under-selling is that the under-selling margins would  
5 obviously be a lot higher had Cornerstone not reduced its  
6 prices substantially to avoid loss of further sales, which  
7 would have prevented it from running its plant continuously.

8           MS. GAMACHE: I have one final question for Mr.  
9 Jones. You had mentioned on the highlight of depreciation,  
10 I think I may have missed what that was relative to. Is  
11 that speaking to the machines?

12           MR. JONES: Yes. When you look at the capital  
13 cost to build a melamine unit, as I mentioned in my  
14 testimony, in current dollars it's over 300 million to build  
15 a new chemical plant like a melamine unit. The  
16 depreciation, ranging between 10 and 15 years, would range  
17 between 20 million and 30 million dollars a year on that  
18 type of chemical asset.

19           So depreciation costs in a melamine business are  
20 high, relative to the raw material costs.

21           MS. GAMACHE: All right, thank you. Those are my  
22 questions.

23           MR. ZOGLIO: I also should state that when I  
24 think of depreciation too from an accounting perspective, it  
25 really becomes a proxy for what return you expect on that

1       \$300 million dollar investment.

2                   And that's certainly one of the issues when we're  
3       selling below cash costs to begin with. You're certainly  
4       not making a fair return on that initial investment that's  
5       in place.

6                   MS. DeFILIPPO: Thank you, Ms. Gamache. We'll  
7       turn to Mr. Jee for any questions of this panel.

8                   MR. JEE: I do not have any questions.

9                   MS. DeFILIPPO: Thank you, Justin. Mr. Stone,  
10      questions?

11                  MR. STONE: I do not have any questions.

12                  MS. DeFILIPPO: Thank you, Mr. Stone. Let me  
13      look at my notes here. I think most of mine Ms. Sherman  
14      mentioned, answered in your direct testimony and/or by  
15      staff; but I think I have a couple of quick follow ups.

16                  Mr. Jones, you had made a statement that there  
17      had been some growth in demand, about 5 percent over time.  
18      Was that growth due to growth in the industries that were  
19      using melamine or growth due to new end uses that were being  
20      -- using melamine?

21                  MR. JONES: I wouldn't be able to give you the  
22      full detail. While I'm aware of the demand for melamine has  
23      been increasing accretively as the U.S. economy has  
24      recovered coming after the recession, I would fully expect  
25      it to be a combination of the reasons you just stated.

1 MS. DeFILIPPO: Okay. Have there been any new  
2 uses or are there any other new uses that you anticipate  
3 that would serve to help grow demand for melamine?

4 MR. JONES: One of the things to be aware of  
5 there has been a regulation change from the California Air  
6 Resources Board, which has required reduced emissions of  
7 formaldehyde in the resin, and that would require a greater  
8 formula component of melamine. So, to the extent that you  
9 call that a new use, I would say it's a regulatory change  
10 that's driving an increased demand for melamine.

11 MR. ZOGLIO: And just to be clear, that's not all  
12 resin. That's only resin that's used in oriented  
13 strandboard, medium density fiber board, hardwood, plywood,  
14 call it 4x8 sheets of stuff, the glue that sticks it  
15 together, historically, did not have a melamine content.  
16 So, it'd be phenol formaldehyde or phenol urea formaldehyde  
17 type components that would be used in that glue. It didn't  
18 appropriately lock up the formaldehyde, so you had  
19 emissions.

20 Being from Louisiana, we're quite familiar with  
21 Katrina trailers. And you guys are probably familiar with  
22 some of the issues that came out of that high formaldehyde  
23 levels in those trailers. That really started to spur on  
24 the U.S. to catch up with the rest of world who already has  
25 very low formaldehyde emission standards.

1                   Melamine is one way to reduce formaldehyde  
2                   emissions in the resin when it's used as a constituent part  
3                   of the formula to make that phenolic resin for use in ornate  
4                   strandboard or medium density fiber board or hardwood or  
5                   plywood. Albeit, it's a very, very small portion of the  
6                   total it is a nice, neat new use that we like to talk about;  
7                   but it isn't really moving the needle significantly in the  
8                   end market.

9                   MS. DeFILIPPO: We have talked about the  
10                  different ultimate end uses, going through the production of  
11                  the resin, then down to a bunch of different end uses. Are  
12                  there any that are dominant or more significant than others,  
13                  or is it fairly spread out among the different end uses?

14                 MR. DRISCOLL: As I said in my testimony, the  
15                  major uses for making melamine formaldehyde resin or MUF  
16                  resin melamine urea formaldehyde resin that then go into all  
17                  the end users that I'd mentioned in my testimony.

18                 MS. DeFILIPPO: And of those end users are there  
19                  any that more significant than others?

20                 MR. DRISCOLL: A lot of things that go into  
21                  housing. Primarily, flooring is a big one. Yes.

22                 MS. DeFILIPPO: Mr. Dorn, you had mentioned, I  
23                  think, a minute or so ago about existing orders on melamine;  
24                  is that correct, in Europe? Was it Chinese product?

25                 MR. DORN: Yes, China only. Correct.

1 MS. DeFILIPPO: And that was in Europe and?

2 MR. DORN: India.

3 MS. DeFILIPPO: India. Thank you. I think those  
4 are all my questions. I'm going to look around the table  
5 and see if anyone else has any follow up.

6 Seeing, hearing none, we will thank you again  
7 very much for your presentation and answering all of our  
8 questions. And we'll take 10-minute break just to let  
9 everyone stretch their legs. We'll come back at 11:35 for  
10 Respondents. Thank you.

11 (Whereupon, a 10-minute recess was taken.)

12 MS. DeFILIPPO: Welcome back everyone. And  
13 welcome to Mr. O'Brien and his panel. Please proceed when  
14 you're ready.

15 MR. O'BRIEN: Thank you, Madam Director. Just a  
16 very brief introduction, to my immediate right is Adrian  
17 Spencer, the Vice President of Sales for Southern Chemical  
18 Corporation. To Mr. Spencer's right is Christine  
19 Streatfeild, my colleague at Baker & McKenzie, and to my  
20 left is -- without a name card, Tom Rogers is from Capital  
21 Trade and will be giving our consulting/accounting  
22 presentation.

23 STATEMENT OF ADRIAN SPENCER

24 MR. SPENCER: Good morning Madam Chairman and  
25 Commission staff. I'm Adrian Spencer, the Vice President of

1 Sales for Southern Chemical Corporation or SCC.

2 We sell chemical products in the U.S. that are  
3 produced by MHTL, which produces melamine and other products  
4 in Trinidad and Tobago. SCC has been selling chemicals in  
5 the U.S. market since 1998. I personally have been involved  
6 in the melamine market since 2011, and I've been with SCC  
7 since 2010.

8 I would like to cover a number of topics today  
9 regarding the U.S. market for melamine. First, I would like  
10 to describe SCC and MHTL's relationship regarding U.S.  
11 melamine sales with Cytec, the predecessor to Cornerstone.  
12 Next, I would like to address Cornerstone's injury  
13 allegations as they relate to SCC and MHTL. Finally, I  
14 would like to discuss the product definition and the manner  
15 in which melamine is sold in the United States.

16 MHTL was formed in 1998 primarily as a methanol  
17 producer. The location was chosen, in part, due to ready  
18 supplies of natural gas. By 2010, MHTL had added ammonia,  
19 Urea Ammonium Nitrate capabilities, and in 2010, MHTL began  
20 to add melamine to its production output.

21 MHTL supplies the U.S. market and other third  
22 country markets with all of these chemicals. Also, in  
23 2010/2011, while MHTL continued in its attempts to optimize  
24 product quality, SCC had extended business discussions with  
25 Cytec about supplying SCC with melamine for sale in the U.S.



1 We will provide further details in post-conference  
2 submission.

3 We raise this issue today, in part, as an example  
4 of the peculiar positioning of some of the major suppliers  
5 in this case. DSM, now OCI Melamine was a 50 percent  
6 partner of Cytec before being bought out by Cornerstone's  
7 present owners. OCI Melamine produces chemicals in Holland  
8 and ships large volumes of melamine product to the U.S., yet  
9 OCI is not named in the petition for reasons that are  
10 unclear. Similar questions could be asked as to why the  
11 major German supplier, Borealis, is also not included in  
12 this petition.

13 I would now like to take up the injury and  
14 threat allegation against Trinidad and Tobago. In  
15 particular, I refer to Exhibit 2 of the public version of  
16 Cornerstone's submission of November 24. Exhibit 2 notes  
17 that from 2011 to 2013, imports of melamine from Trinidad  
18 and Tobago decreased by 25 percent, and that in 2014 imports  
19 decreased by another roughly 1 percent.

20 This chart does not take into account that  
21 roughly 10 percent of SCC's imports are then exported to  
22 Canada, which further reduces SCC's product sales in the  
23 United States. Cornerstone's exhibit show that during this  
24 same period imports from China increased significantly by  
25 almost 50 percent between 2013 and 2014, and imports from

1 other countries, such as Germany and the Netherlands, also  
2 increased substantially by almost 48 percent from 2011 to  
3 2013.

4           These numbers are consistent with SCC's own  
5 experience in the market. We have seen a significant rise  
6 in Chinese product, in my view, caused largely by the  
7 slowdown in China's domestic market. We've also see a  
8 continual large presence of product from the Netherlands by  
9 OCI and also from Germany. Interestingly, the German  
10 product from Borealis is now marketed through Star Asia,  
11 which handles primarily Chinese product.

12           So, what jumps out from these figures to me is  
13 that SCC is decreasing import volumes while other countries  
14 are increasing sales during the time period in which  
15 Cornerstone is complaining of injury.

16           Referring to Question 3-16 on the U.S. importer  
17 questionnaire, we have shown how our customer base has  
18 dropped of considerably. Let me give you an example behind  
19 these numbers.

20           One of our very good customers, a customer of  
21 more than two years came to me in late 2013 after a business  
22 trip that he had taken to China. He'd been made an offer  
23 for melamine supply for his full volume for substantially  
24 less than my quote at that time, and told me that he was  
25 going to take a break from buying from SCC, as he could

1 source for 9 cents per pound cheaper from the Chinese  
2 source.

3 I was told that if I wanted to share the  
4 business then I could meet that price. SCC chose not to  
5 match that price, and as a result, has had very little  
6 business with this customer, other than briefly in Quarter 2  
7 of 2014, when supply from China was delayed. SCC did not  
8 reduce its prices for those 2014 sales to meet the China  
9 prices. We have not had any business with customer since  
10 July of 2014 this year, and we understand that Chinese  
11 prices to this customer have dropped even further.

12 My next point is that it is apparent from SCC's  
13 questionnaire response that SCC's presence in the market is  
14 declining and that we have had to substitute in other third  
15 country products due to supply issues. MHTL has contractual  
16 obligations and supply chain allocations with respect to  
17 particular markets that it needs to supply. SCC is simply  
18 not entitled to MHTL's total melamine production. The  
19 quantities shipped by MHTL were consistent with these  
20 obligations and had nothing to do with Cornerstone's  
21 lowering of its prices. Moreover, Cornerstone's allegation  
22 that SCC would have imported more product if it had not  
23 lowered its prices is simply not true.

24 Finally, again referring to Cornerstone's  
25 Exhibit 2, SCC's average unit value of 67 cent per pound in

1       2014 is above the average value for China and the other  
2       third countries. Indeed, during 2011 to 2013, SCC's AUV  
3       decreased by only 4 percent and then increased 7 percent in  
4       2014. Contrast that with Chinese product, which decreased  
5       by 14.5 percent from 2011 to 2013 and then by another 14.3  
6       percent in 2014. And contrast SCC's AUV with the rest of  
7       the world prices, which decreased by 15. 2 percent between  
8       2011 and 2013, and then by another 6.5 percent in 2014.

9               So, Cornerstone's own submission makes clear  
10       that SCC's imports are declining in volume and prices did  
11       not decline over the period and increased in 2014.  
12       Meanwhile, China and the rest of the world have sharply  
13       increased shipments to the U.S. and have dramatically  
14       lowered prices to below that of SCC. This latter point goes  
15       directly to the claim that Cornerstone would have lost more  
16       sales had it not lowered its prices.

17              That is just not right. In every situation that  
18       I am aware of where SCC and Cornerstone are at the same  
19       customer, and there are not many, the customer also has the  
20       option of purchasing Chinese, Dutch, German, or other  
21       product. As is apparent from Exhibit 2, if SCC was not in  
22       the market the Chinese and the other producers would be.  
23       Cornerstone has included in the petition the very large  
24       production capacity of China which dwarfs the production  
25       capacity in Trinidad and Tobago. In SCC's experience, the

1 majority of customers choose not to rely on a single source  
2 of supply and want multiple suppliers.

3 A further and important point that I want to  
4 mention regarding Exhibit 2, Cornerstone seems to be  
5 alleging that our actual price to the customers is below our  
6 entered values. That is not the case. We've given the  
7 Commission the actual prices by quarters since January 2011.  
8 The Commission can compare these prices to Exhibit 2 and can  
9 see that the prices are higher, not lower.

10 I would again note that for 2011 SCC was a  
11 repeated customer of Cornerstone, and I believe that the  
12 Commission should view the injury allegations with a high  
13 level of skepticism. And since 2012, SCC's imports from  
14 Trinidad and Tobago have dropped significantly at the same  
15 time Cornerstone is claiming injury, and the industry press  
16 reported that Cornerstone had experienced significant  
17 production problems in 2013 and placed its customers on  
18 allocation. I would encourage the Commission to further  
19 inquire.

20 As a final note on this subject, the import data  
21 shows that SCC's imports from MHTL are declining. And  
22 Cornerstone's claim that MHTL is a threat to the U.S.  
23 industry by expanding its melamine production capacity is  
24 not correct.

25 Cornerstone cites a February 2013 article

1       indicating that MHTL is considering a plant expansion that  
2       could include additional melamine capacity. That plant is  
3       no longer under consideration. What we're left with is a  
4       history of melamine production disruptions and supply  
5       shortages experienced by MHTL on an almost continual basis  
6       since 2011. Contrast this to the capacity quoted by the  
7       Petitioners.

8               As to the form in which melamine is sold, as  
9       noted in the Commission's questionnaire, melamine generally  
10      is sold in bulk, meaning railcars or equivalent volumes, in  
11      bags ranging from about 1,000 to 3,000 pounds and in small  
12      bags of 50 to 60 pounds. SCC sells in 1,000 to 3,000 pound  
13      bags at least 95 percent of the time. One of the reasons  
14      that SCC almost never sells MHTL product in bulk is that the  
15      process that MHTL uses to produce melamine differs from that  
16      used by Cornerstone and some other producers.

17             MHTL uses a high pressure process that results  
18      in certain levels of clumping and fines that makes the  
19      product challenging to handle when shipped to customers in  
20      large volumes. For these reasons, MHTL and SCC market this  
21      product in bags of 1,000 to 3,000 pounds, or so.  
22      Cornerstone, on the other hand, uses a low pressure process  
23      that does not have the same level of clumping or fines, and  
24      as a result has the option to ship in railcars or equivalent  
25      volumes to high volume customers.

1           The differences in production process also  
2     affect the interchangeability of the product. In our view,  
3     melamine made under low pressure processes, such as the  
4     process used by Cornerstone and OCI are generally  
5     interchangeable. However, product made through the high  
6     pressure process, such as that used by MHTL, is sometimes  
7     interchangeable and sometimes not. The high pressure  
8     process may introduce impurities into the product that make  
9     it unusable for certain customers. And SCC has, at times,  
10    failed to qualify its product on that basis. As such, I  
11    believe it is fair to say that products are sometimes, but  
12    not always interchangeable.

13           In conclusion, SCC's perspective on the U.S.  
14    melamine market can be summarized by a few key points. In  
15    2011, Cornerstone was supplying SCC for resale in the U.S.  
16    market the very product that is the subject of its present  
17    action. Since 2012, SCC's sales volumes, number of  
18    customers, and market share have dropped significantly. SCC  
19    has walked away from some customers rather than match  
20    pricing offered by Chinese suppliers.

21           As to pricing, the Commission has the quarterly  
22    data since 2011, and I understand that we will be submitting  
23    some revisions later today, this SCC data show quarterly  
24    movements, but the price decline over this extended period  
25    has not been large, particularly compared to the price

1 decline of other supplies. And as to impact, we're aware of  
2 no customer in which Cornerstone and SCC are the only  
3 potential suppliers. The remaining SCC customers source  
4 from other supplies, primarily, from Borealis and OCI.

5 Stated differently, we believe that if SCC left  
6 the U.S. market tomorrow the vacuum would be filled by the  
7 large Chinese capacity or by Dutch, German, or other third  
8 country product.

9 This concludes my statement.

10 MR. O'BRIEN: Thank you, Mr. Spencer. We'll now  
11 hear from Tom Rogers of Capital Trade.

12 STATEMENT OF THOMAS ROGERS

13 MR. ROGERS: Good morning. I'm Thomas Rogers of  
14 Capital Trade, Inc., appearing here today on behalf of MHTL  
15 and Southern Chemical.

16 As the Commission knows, there's only one U.S.  
17 producer, and therefore, virtually all of the financial,  
18 pricing, and market share data on the record is business  
19 proprietary information. Accordingly, I'm just going to  
20 make a couple of points on trends evident in the census  
21 import data and will provide a more complete discussion of  
22 the data in the post-conference brief.

23 As noted in the petition, current information  
24 indicates that melamine is generally imported under a  
25 single, specific HTS category, 2933.61.0000. Thus, just



1 from this category we can get a pretty good picture of total  
2 imports and POI trends by simply pulling up data from the  
3 Commission's data website.

4 Most of the numbers are in the petition, and Mr.  
5 Spencer did a great job of highlighting the trends on a  
6 percentage basis. As he described, imports from Trinidad  
7 and Tobago declined over the latter half of the period and  
8 they moved in the opposite direction from imports from China  
9 and all other countries.

10 Sometimes a simple picture can tell a pretty  
11 complete story. So, I'd like you to refer to the first  
12 chart in our handout, and this compares import trends on a  
13 volume basis from 2011 to 2013 and then again in the two  
14 interim periods. And I stress that these are the two  
15 interim periods, so it's an apples-to-apples comparison of  
16 nine months in 2013 to nine months in 2014.

17 And as you see, there's been a significant drop  
18 in imports from Trinidad and Tobago from 2011 to 2014. That  
19 drop was nearly 9 million pounds. Over the same period,  
20 imports from China increased by more than 700,000 pounds and  
21 imports from non-subject countries here in green shot up  
22 over 10 million pounds. The trend during the interim period  
23 is also striking. Imports from Trinidad and Tobago continue  
24 to decline while the volume from China, the lowest price  
25 supplier, increased by more than 6 million pounds.

1                   Since imports from Trinidad and Tobago, as was  
2                   discussed this morning, should not be cumulated with imports  
3                   from China, we've prepared a second chart contrasting the  
4                   trend of imports from Trinidad and Tobago versus all other  
5                   countries. I draw your attention to the second chart. This  
6                   is the same data. It's just simplified and China and all  
7                   other countries are combined, and you'll see the opposite  
8                   trends of the import volume from these two sources. Again,  
9                   there's this distinct contrast.

10                  Now, Petitioners stated in their petition -- I  
11                  think it was at page 15 -- that the domestic industry market  
12                  share was at its lowest point in interim 2014. As we can  
13                  see, imports from Trinidad and Tobago have declined. So, if  
14                  there is any volume-based injury during the period, then  
15                  that injury was not caused by imports from Trinidad and  
16                  Tobago.

17                  Now, on the pricing side, the pricing data is  
18                  all BPI, so I'm going to refer our discussion of that to the  
19                  post-conference brief. I'd just like to draw attention to  
20                  Petitioner's Exhibit G when they listed AUVs for melamine  
21                  from Trinidad and Tobago by quarter. What they don't show  
22                  on that chart are prices from other sources. And I think if  
23                  you look at that data, particularly, in the last four to six  
24                  months of the period you'll see that all other sources are  
25                  priced below Trinidad and Tobago.

1                   Thank you.

2                   MR. O'BRIEN: I'll now make a few brief  
3                   comments.

4                   As we've mentioned, one of the major issues in  
5                   the current investigation is the effect of the Caribbean  
6                   Basin Economic Recovery Act. Imports from Trinidad and  
7                   Tobago cannot be cumulated with Chinese or other third  
8                   country imports for making any kind of a material injury or  
9                   threat determination with respect to Trinidad and Tobago.

10                  This has major consequences for the preliminary  
11                  determination. For example, Cornerstone makes much of  
12                  Chinese capacity and underselling. Yet, the more  
13                  Cornerstone emphasizes the injury caused or threatened by  
14                  Chinese shipments the more it makes our point. It would be  
15                  unlawful for the Commission to cumulate the effect of  
16                  China's shipments to the U.S. when assessing imports due to  
17                  Trinidad and Tobago. That's not what the statute allows.  
18                  And we again ask that the Commission be very conscious of  
19                  isolating those imports.

20                  Secondly, where are Germany and the Netherlands?  
21                  What we have heard -- and I don't want to misstate  
22                  testimony, but I know that it was touched on earlier today.  
23                  What I will say is that these are major suppliers. These  
24                  are world class, large companies that use the same exact  
25                  process that Cornerstone uses, which process is different

1       than the process that MHTL uses.

2               These companies know the U.S. market inside and  
3       out. They are very, very formidable competitors. And as at  
4       least some of the public data already shows their prices are  
5       low. Now, the conclusion is inescapable that some injury --  
6       if there is injury, some of that injury is attributable to  
7       shipments from third countries. And there's every reason to  
8       believe that those third countries' shipments, OCI and  
9       Borealis, are, in fact, a major factor in the current  
10      financial difficulties of which we heard Cornerstone  
11      testify.

12             Turning now to the material injury factors,  
13      stated very generally, SCC's questionnaire importer response  
14      will show declining sales. That import information will  
15      also show that price has not been a major factor in terms of  
16      decline over the entire period of investigation. So,  
17      looking at Trinidad and Tobago, and not including the third  
18      country imports or the Chinese imports, it is not  
19      reasonable, in our opinion, to find that there's a  
20      reasonable likelihood of injury or threat.

21             One point that should not be lost is that some  
22      U.S. importers market both Chinese product and, in  
23      particular, Borealis products from Germany. So, if you buy  
24      from certain importers, you may get Chinese product. You  
25      may get German product. What you're going to get is a low

1 price, in our opinion. So, it further emphasizes the fact  
2 that you cannot simply buy products from those countries.  
3 They are very, very deeply in the market.

4 I would also like the Commission to pay close  
5 attention to Mr. Spencer's example which he relayed about a  
6 long-term customer of SCC who went to China, came back, and  
7 said if you want to keep the business you have to lower your  
8 price by 9 cents. SCC walked away. The customer dropped  
9 SCC because SCC would not lower its price, and except for  
10 very small sales since, that customer has been gone. That  
11 is very consistent with SCC's experience during the period  
12 of investigation.

13 If you look at the number of customers, the  
14 market share, the sales on a relative or absolute volume you  
15 will see that that example is very consistent with the  
16 approach SCC has taken to the market.

17 I'd like to now turn to the threat case. One  
18 major portion of Petitioner's threat case is a supposed  
19 plant expansion at MHTL. What you've heard from Mr. Spencer  
20 is that that plant expansion is not on the table. It is  
21 not. There were reports in 2013, but that plant expansion  
22 is no longer under consideration. We'll supply more details  
23 of that in the post-conference brief.

24 So, what you're left with is the existing  
25 capacity, the capacity that has existed since the plant was

1 built and turned on I believe in 2010. Out of that  
2 capacity, as has been noted, there are contractual  
3 arrangements so that a large portion is allocated outside  
4 the United States. And also, as can be very -- is very  
5 clear from our questionnaire responses, the plant has not  
6 produced to that capacity over any significant period of  
7 time since it was turned on.

8 And just to make a very clear note, there isn't  
9 any possibility of product shifting. These units are built  
10 and designed for particular purposes and you can't take  
11 other capacity for other -- for example, urea or ammonia or  
12 something like that and somehow use those facilities to  
13 increase melamine.

14 One final point I'll make on the scope  
15 definition and the like product definition. If you look at  
16 the Japanese case, it's melamine crystal from Japan. It's  
17 rather simple. And I think both the Petitioners and we  
18 would agree that melamine of a purity of 99.8 percent is  
19 what customers buy.

20 Now, what we heard this morning and in the prior  
21 submission is that the Petitioners would like to include  
22 blends. And we are not aware of any such blends that are  
23 being imported, but if that is the scope of the case, then  
24 that does inform the like product definition. You can't  
25 have one or the other. You can't say the scope includes

1 blends, but the like product doesn't include blends. It's  
2 either one or the other, but you can't have it both ways.

3 So, if it is truly to be blended melamine, then  
4 you have to look at the domestic industry that's blending  
5 melamine. I don't know any other way for you to carry out  
6 the statutory mandate to find under the definition of what  
7 the like product is.

8 That concludes our testimony, Madam Director.  
9 We're happy to answer questions.

10 MS. DeFILIPPO: Thank you Mr. O'Brien and thank  
11 you to the panel members for being here to help us  
12 understand the melamine industry. I know it is as I  
13 mentioned earlier, difficult to take a day away and we do  
14 very much appreciate it. I will turn first to Miss Sherman  
15 for questions.

16 MS. SHERMAN: Okay thank you all for being here  
17 this morning. My first question well it's while I'm  
18 thinking of it, it's directed to you Mr. O'Brien what you  
19 just said about the -- that we must look at the domestic  
20 industry that's blending melamine but do you know of any  
21 firms that are doing this or could you provide a list of  
22 that to us? How could we collect that data if we don't know  
23 who is doing it?

24 MR. O'BRIEN: Miss Sherman we do not know and  
25 just to reiterate we don't know of any importer bringing

1       blended melamine into the country either.    To me or to us  
2       it's a strange definition but it is in a sense it is what it  
3       is but we are not aware of any domestic producers of blended  
4       melamine.

5                MS. SHERMAN:   Okay thank you.   My next question  
6       is regarding the production process again Mr. Spencer you  
7       provided a lot of additional information that I had  
8       questions on but I'm still trying to understand the  
9       differences between the two processes, the high pressure and  
10      the low pressure.    This morning the Petitioners indicated  
11      that the two processes produce essentially the same product,  
12      the same melamine.

13               But you are indicating that there are other  
14      factors, there's clumping and impurities that are --

15               MR. SPENCER:   Yeah I'll try to explain our  
16      position.    You have to forgive me I'm not technical but I  
17      will do my best to explain it.

18               MS. SHERMAN:   I'm not either.

19               MR. SPENCER:   The -- as I understand it, and I've  
20      been in the industry now for 2 1/2 - 3 years in the melamine  
21      industry specifically.   As I understand it, the low  
22      pressure process that Cytec and OCI utilize creates on a  
23      particle size level, creates a larger particle size, we have  
24      a lot more fines in our mixture of product and using the  
25      high pressure catalytic process so just to repeat -- to get



1       that right, they have a low pressure catalytic process, we  
2       have high pressure and because it's a lot of pressure  
3       there's no requirement for catalyst.

4               But it produces a different physical product.  
5       It looks the same but if you inspect it you can see that the  
6       Eurotechnica is the actual licensee of the technology. The  
7       process produces a finer particle and that producing in the  
8       tropics potentially introduces moisture into the product so  
9       we for a period of 4 years have had issues with our  
10      material clumping so much so that we set up in our warehouse  
11      de-clumping facilities to actually you know, make the  
12      material flow when it reaches the customer because being in  
13      transit for as long as it is from Trinidad could create  
14      clumping particularly when this material is double stacked.

15             On the chemical side, we are of the  
16      understanding, and this is coming mainly from our customer  
17      base in analyzing our material, that yes we are 99.8% pure  
18      melamine but in that -- in the impurities our process  
19      creates more acidic impurities or different proportions of  
20      acidic impurities that are called oxy amino triazines,  
21      OAT's, and the Amalene, amalide and cyanuric acid, the  
22      process also creates Melem and melam as part of its process  
23      and again the proportions of melam and melem are different  
24      in our crystal than they are in the process that Cornerstone  
25      uses.

1           This caused us a myriad of issues in introducing  
2     our product into the marketplace in North America.    So we  
3     wanted our customers to have a product qualified and the  
4     resins it just took a long time so you know, we dispute ever  
5     so slightly that the material is fundamentally absolutely  
6     interchangeable.

7           MS. SHERMAN:   But didn't you say earlier that you  
8     are not able to ship in bulk or --

9           MR. SPENCER:   We don't ship in bulk.    What we do  
10    is in Trinidad the material is put into one metric ton  
11    super-sacks, it's then put into a 20 foot container, 20 at a  
12    time so you have 20 tons stacked one on top of the other but  
13    when you retrieve it at the U.S. end and you put it into  
14    your warehouse, the bags that have sat on the bottom,  
15    because they are compacted by the bag on the top tend to get  
16    more flow issues than the bags on the top.

17           We do have the occasional issue with the bags on  
18    the top merely by virtue of the finds & the moisture but we  
19    don't ship in bulk, we had too many issues, we shipped once  
20    in bulk and then had to retrieve the railcar in order to get  
21    the material out.

22           MS. SHERMAN:   So if you didn't have these issues  
23    with clumping would you want to ship in bulk, would it be  
24    more cost effective?

25           MR. SPENCER:   Well we would never ship from

1       Trinidad in bulk truck I think we would always put it in  
2       super sacks I think that's the way to do it because when you  
3       store it at your warehouse you store it in super sacks.  
4       The actual delivery to the customer from the warehouse, if  
5       the customer -- if it was a deal breaker with the customer  
6       and they wanted material in a rail car or in a boat truck,  
7       they we would you know, we would take that into  
8       consideration.

9               MS. SHERMAN:   And since this is a new plant that  
10       was built in 2010 what was -- why did MHTL decide to use the  
11       high pressure process rather than installing the low  
12       pressure one where you wouldn't have these issues?

13              MR. SPENCER:   Again we have no idea.

14              MS. SHERMAN:   I mean is there a cost advantage or  
15       we heard about the licenses this morning, do you know and  
16       could you provide that information in the post-conference?

17              MR. SPENCER:   Yes.

18              MS. SHERMAN:   Okay, thank you.   Cornerstone  
19       indicates that their plant operates 24/7 does your plant  
20       also operate?

21              MR. SPENCER:   It's supposed to.

22              MS. SHERMAN:   Okay that gets into my next  
23       question about the 2013 production disruptions can you  
24       explain that and what that's all about to us?

25              MR. SPENCER:   I can explain some of it but I

1 would rather for confidential reasons give you the detail,  
2 some of this information is public domain, but again I don't  
3 know what is and what isn't so my preference is to give you  
4 some detail in the post-conference brief.

5 In a nutshell, its common knowledge within the  
6 industry that recently Trinidad has been suffering from gas  
7 curtailments issues and subsequently that reduces your gas  
8 supply to your facility. What you will find with the  
9 melamine plant, it's at the tail end of the larger plant, as  
10 an natural gas plant, as an ammonia plant as you hear, so  
11 subsequently you know, small reductions in gas can  
12 ultimately result in slightly larger decreases in production  
13 at their end but I would prefer to -- if you need any more  
14 detail to provide it.

15 MS. SHERMAN: For the post-conference brief could  
16 you also, to the extent that you know, explain the  
17 likelihood of these shortages in the future. I mean is it  
18 a common issue and finally I think you mentioned that you  
19 would talk about this in your post-conference as well but  
20 additional information about the plant that you have -- that  
21 you are no longer under consideration, just details about  
22 what happened there and that's it, thank you.

23 MR. SPENCER: Will do.

24 MS. DeFILIPPO: Thank you Miss Sherman, Miss  
25 Viray-Fung?

1 MS. VIRAY-FUNG: Good afternoon thanks for being  
2 here. Let me see where do I start? Mr. Spencer you have  
3 been using the word finds, I am assuming that is an industry  
4 word for contaminants?

5 MR. SPENCER: No it's not. It's just melamine is  
6 a crystal.

7 MS. VIRAY-FUNG: Okay.

8 MR. SPENCER: When you I'll give you an example  
9 if you were to take a sample of melamine crystal and if you  
10 were to shake it through various micro-fine sifts, you would  
11 see some of the -- it's the distribution of the particle  
12 size. So some of the proportionate the crystal will be a  
13 certain micrometer in size and then a certain proportion  
14 will be between that and the smaller size so it's the  
15 particle size distribution essentially.

16 Our process produces a finer crystal so a higher  
17 proportion of the finer crystals.

18 MS. VIRAY-FUNG: Okay and you mentioned that your  
19 product has more acidic, possibly a greater proportion of  
20 acidic impurities so you have been unable to sell to certain  
21 -- is that --

22 MR. SPENCER: What happened was some of the  
23 customers we started to deal with were not used to using a  
24 melamine produced under high pressure.

25 MS. VIRAY-FUNG: Um-hum.

1                   MR. SPENCER: So the spread of these oxy amino  
2 triazines in our material caused some of the end users of  
3 melamine crystal in the manufacturer of the melamine  
4 formaldehyde at resins and it caused them difficulty. As I  
5 understand it and again not being technical you have to  
6 forgive me if this is incorrect but they were having to use  
7 buffers in order to ensure the stability of the resin that  
8 was created over a period of time so they had to learn how  
9 to use our crystal essentially.

10                  MS. VIRAY-FUNG: Okay, do you have -- are you  
11 able to tell us what uses these were for? Where they were  
12 having difficulties?

13                  MR. SPENCER: It's very similar to what was  
14 outlined earlier on, I mean you know the melamine resin  
15 industry which is what I am referring to specifically,  
16 melamine formaldehyde resins which are essentially used in  
17 the decorative surfaces industry, surfacing for panels and  
18 for tabletops and for floors.

19                  And then also the U.S. resins with the spray of  
20 melamine in that to reduce formaldehyde emissions but  
21 primarily the issues occurred in the laminate industry  
22 because what you are working towards in creating a laminate  
23 resin is clarity in the resin so with these acidics if you  
24 don't cook the resin in the correct fashion you could end up  
25 with a resin that's not clear which is clearly no use for a

1 decorative surface for a panel of or even for laminate  
2 floor.

3 MS. VIRAY-FUNG: And so I think you may have just  
4 answered my question, so this is primarily in the housing  
5 industry?

6 MR. SPENCER: Yeah.

7 MS. VIRAY-FUNG: Okay thank you. Mr. O'Brien  
8 could you be sure to cover in your post-conference brief  
9 what are your thoughts on domestic-like product, domestic  
10 industry, cumulation and also as I asked the Petitioner, how  
11 the Commission should consider the effects of imports from  
12 China on assessing imports from Trinidad Tobago.

13 MR. O'BRIEN: Certainly we will do that.

14 MS. VIRAY-FUNG: That maybe -- I have one final  
15 question. Do you know where else besides the United States  
16 MHTL exports to?

17 MS. SPENCER: Yeah primarily to Europe.

18 MS. VIRAY-FUNG: Okay, thank you.

19 MR. O'BRIEN: And also a significant portion of  
20 the product that is shipped to the U.S. is sold to Canada,  
21 that point should not be lost.

22 MS. VIRAY-FUNG: Okay would you please expand on  
23 that in the post-conference brief?

24 MR. SPENCER: Yeah.

25 MS. VIRAY-FUNG: Now?

1           MR. SPENCER: We use the U.S. as our entry point  
2           to U.S. and Canada. I should point out that we bring the  
3           material in to our various points within the United States  
4           but then when we deliver to customers in Canada we ship them  
5           from the warehousing that we have in New Jersey or the  
6           warehouse that we have in Oregon.

7           So they are imported into the U.S. but they are  
8           exported to -- because we don't have warehousing in Canada.

9           MS. VIRAY-FUNG: Okay thank you.

10          MS. DeFILIPPO: Thank you I will turn now to Miss  
11          Gamache for questions.

12          MS. GAMACHE: Hello thank you everybody for  
13          coming. I would like to return to the interchangeability  
14          issue Mr. Spencer. Were you saying that the problems with  
15          interchangeability were basically just coming from purchaser  
16          or your customer's learning how to process?

17          MR. SPENCER: I think and my understanding and my  
18          recollection of what we went through in 2010, '11, and '12  
19          in particular were that initially the plant was producing  
20          levels of these OAT's that were causing the consumers a  
21          little issue. So they worked at their end to make it alter  
22          their formulations in cooking resin, both at the same time  
23          we worked hard in Trinidad to try to optimize our process to  
24          keep the levels of these OAT's as low as possible.

25          MS. GAMACHE: Okay. So would it be fair to say



1       that once these learning curves sort of surmounted that both  
2       the high pressure and the low pressure processes are  
3       interchangeable?

4               MR. SPENCER: More so than before. I would say  
5       that we still have based on the chemical nature of our  
6       product, we still have some issues with certain locations  
7       with certain customers, we are not qualified.

8               MS. GAMACHE: Okay and those are based on like  
9       the acidic, the acidity issues?

10              MR. SPENCER: It's been a while since the  
11       customers have even entertained the discussion on this and  
12       so it goes back to what happened in 2012 and perhaps early  
13       2013 in that we are still blocked from entry with those  
14       products because they weren't able to qualify our melamine  
15       at the time and haven't tried since.

16              MS. GAMACHE: Okay thank you. Could you talk a  
17       little bit about energy usage and sort of the cost share  
18       that's devoted to energy? I understand that it's a very  
19       energy intensive process?

20              MR. SPENCER: That's a really good question but  
21       none of us work for MHTL so you know my knowledge of  
22       production process is very, very limited as is everybody on  
23       the panel so it's a question that the producer would need  
24       to answer.

25              MR. O'BRIEN: So we'll cover that in the

1 post-conference brief.

2 MS. GAMACHE: Okay great. Would you say that the  
3 profile of your customer in general matches those of  
4 Cornerstone? Do you market to the same consumer base?

5 MR. SPENCER: The customer base -- the melamine  
6 customer base in North America and in the U.S. by default is  
7 there aren't a lot of customers. There is a lot of  
8 customer locations, but it is a relatively small industry as  
9 resin producers there's board manufacturers, there is foam  
10 producers, there is molding compound producers. I don't  
11 know their customer base I would have to say I don't come  
12 across them on an enormously regular basis in the  
13 marketplace. I don't hear their name mentioned regularly.

14 But if I had to take a guess I would assume that  
15 like us, I can assume that they have hedged their business  
16 with some panel board manufacturers with some resin  
17 producers, so you know you try to when you set your business  
18 up you don't want to overly supply one industry in case that  
19 industry suffers from issues, so that is a difficult  
20 question to answer, not really knowing.

21 MS. GAMACHE: Okay. And then your opinion other  
22 than price what are some factors that your customers like to  
23 look at aside from --

24 MR. SPENCER: Customer service, reliability which  
25 sounds ironic given our production issues but we do

1 warehouse, when we set the business up, you know the plan  
2 was to actually warehouse in the United States unlike some  
3 of the suppliers who if a shipment comes in from China and  
4 it goes straight to a customer and there's an issue on the  
5 ocean, well then that shipment is probably going to be  
6 delayed for the customer who might need that shipment, by  
7 shipping from a warehouse based on main land U.S.A. I think  
8 our supply chain is very efficient so I think that accounts  
9 for a huge amount.

10 MS. GAMACHE: Okay, also I'm not sure if you can  
11 speak to this now or maybe in your post-conference but could  
12 you talk a little bit about your contract versus spot sale  
13 pricing, is there any particular discounts that you like to  
14 include in your contracts?

15 MR. SPENCER: We can perhaps elaborate in the  
16 post-conference brief. In a nutshell it is pretty similar  
17 to the way Cornerstone described it, it's totally  
18 negotiations on price and volume, discussions with customers  
19 based on their requirements and based on the market so it  
20 really is a one on one negotiation with the buyer.

21 I think the difference for us is having you know,  
22 for over four years not cemented ourselves firmly, you know,  
23 we don't have long-term contracts, so and there are no sort  
24 of year contracts in place with our customers, it's very  
25 much done on a quarterly basis.

1 MS. GAMACHE: Okay. Aside from the issues that  
2 have already been mentioned, have you noticed any shocks in  
3 the melamine market or any other availability issues?

4 MR. SPENCER: Similar to what the Petitioner  
5 mentioned in 2013 and combined with I have to say you know  
6 our production issues have been on and off. It's not like  
7 there was a period in 2013 but there was a period in 2013  
8 where we had some major down time but yeah I mean you know  
9 for me the market really, the pricing globally is determined  
10 by supply and demand dislocations. You know if a plant  
11 goes down in Europe it can affect the global price.

12 MS. GAMACHE: Okay.

13 MR. ROGERS: Excuse me this is Tom Rogers I don't  
14 have the information in front of me but I recall reading an  
15 article suggesting that the market went through periodic ups  
16 and downs and that's it's almost routine that companies  
17 experience turn-arounds or occasional shut-downs whether  
18 they are located in the U.S., Trinidad or Tobago or in  
19 Europe or even in China so I think that's more of a normal  
20 market situation as opposed to a one-off production  
21 disruption.

22 MR. SPENCER: I think it should also be noted  
23 that see how demand fluctuates, I mean this is a  
24 construction product, you know, it goes into coatings for  
25 the auto industry and most of the products end up in the

1       housing industry so it's a signal, demand really does get  
2       strong during the summer in the northern hemisphere and it  
3       waned in the winter.

4               MS. GAMACHE: I think that's all of my questions  
5       for now thank you.

6               MS. DeFILIPPO: Thank you Miss Gamache, Mr. Jee?

7               MR. JEE: I have no questions.

8               MS. DeFILIPPO: Mr. Stone?

9               MR. STONE: I have no questions.

10              MS. DeFILIPPO: I just have one sort of  
11       tag-along, follow-up request to what Miss Sherman was asking  
12       about for information on the production disruption. I think  
13       at some point today I think I heard that when there was that  
14       disruption with the Trinidad production that product from  
15       other sources was used to satisfy customer's needs so if you  
16       could just provide any information on what source those --  
17       that -- what is the source of that product that would be  
18       helpful. Anything else?

19              MR. O'BRIEN: Certainly.

20              MS. DeFILIPPO: Thank you very much and I see no  
21       more questions from the table here so again thank you very  
22       much for taking the time to be with us and provide direct  
23       testimony and answer all of our questions. I am going to  
24       look to both counsel and say a five minute break to do  
25       closing or yes? Or none, would you be ready five? All

1 right, we will take five minutes and we will then start up  
2 with the closing statements.

3 MR. O'BRIEN: Thank you very much.

4 (Whereupon a 5 minute break was taken.)

5 MS. DeFILIPPO: Mr. Dorn are you ready and  
6 rearing to go?

7 CLOSING STATEMENT OF JOSEPH W. DORN

8 MR. DORN: All of the above. First of all with  
9 regard to Respondent's comments on the scope I think it's  
10 just very important as I have mentioned before that although  
11 blends are included within scope, only the melamine  
12 component of the mixture is covered by the scope of these  
13 investigations. So even if there were somebody that were  
14 mixing, I don't think that implicates the like-product  
15 definition. In any event, Respondent's counsel cannot  
16 identify any U.S. blender. So I think it's very clear that  
17 the only reason we did this, changed the scope to add blends  
18 was at the suggestion of the Commerce Department to avoid  
19 them having to deal with an anti-circumvention petition a  
20 year from now and that was our intent.

21 Turning to the arguments with regard to import  
22 trends, I would like to refer you again to our exhibit F.  
23 If you compare that with Mr. Roger's charts 1 and 2 you will  
24 notice a big difference in that he would have the Commission  
25 put on blinders and ignore anything that happened prior to

1 January of 2011.

2 And we are not asking the Commission to expand  
3 the period of investigation to include 2009 or 2010, but  
4 what we are telling the Commission is you have to look at  
5 the import volume during the POI in context. And so 2009  
6 and 2010 provide a lot of context here. And as shown on  
7 exhibit F, imports from Trinidad were zero in 2009, 9  
8 million pounds in 2010, and then they jumped to 35 million  
9 pounds in 2011.

10 You asked this question about interchangeability.  
11 They said at the beginning they were having some problems  
12 with the production process and so forth, although he admits  
13 he's not a technical person, so I assume this is hearsay  
14 testimony. But even with the initial problems they were  
15 having, they were able to go from that 9 million pounds in  
16 2010 to 35 million pounds in 2011, which suggests the high  
17 degree of interchangeability to be able to penetrate the  
18 market that quickly.

19 And as was admitted, the profile of the customers  
20 served by SCC and served by Cornerstone are the same. They  
21 are the same industries. It was admitted that you have  
22 relatively few customers, so in this industry the customers  
23 know the competing suppliers and they are able to compare  
24 the prices of one supplier against the prices of another  
25 supplier.

1           Also I thought it was interesting to hear the  
2       responses about non-price factors and there was reference to  
3       service and reliability. But the witness was quick to admit  
4       that SCC has warehouses in the United States in order to  
5       address those issues. So it's able to provide better  
6       service and better reliability than China for example, and  
7       better with respect to non-subject imports. So you have  
8       the most direct competition from a service and reliability  
9       standpoint between Cornerstone and SCC.

10           Now also looking at exhibit F, yes they make a  
11       good point that imports decreased from 2011 to 2013 but they  
12       also admit that there was a production outage in the fourth  
13       quarter of 2013 and that production outage explains the drop  
14       from 2012 to 2013.

15           And what we have done on exhibit F is compare  
16       calendar year 2013 with projected imports for calendar year  
17       2014, just assuming the monthly average for January through  
18       September would be maintained in October, November and  
19       December. That shows that they are on track to increase 27%  
20       from 2013 to 2014.

21           An alternative way to look at it is that imports  
22       in the first 9 months of 2014 from Trinidad are equal to  
23       imports during 12 months of 2013, so definitely on the  
24       uptake. Now if you look at exhibit G I think it's important  
25       to look at these price trends, and look at it in relation to



1 volume. So they are increasing imports radically in the  
2 United States in 2011 and 2012 relative to 2010 and how are  
3 they doing that -- by lowering their prices. That's showing  
4 a downward trend from the first quarter of 2011 to the  
5 fourth quarter of 2012.

6 Then prices do go up and you will see the price  
7 is the highest during the quarter of the production outage  
8 where they were short on supply of product from Trinidad so  
9 their price is higher. But what do they do in 2014 to  
10 regain that lost volume, that lost market share that  
11 resulted from their outage? They lowered prices  
12 significantly from the fourth quarter of 2013 to the third  
13 quarter of 2014.

14 We had a very similar situation in the recent  
15 case on non-oriented electrical steel where the volume of  
16 imports decreased from the beginning to the end of the 3  
17 year POI, but we were able to show shifts in volume that  
18 were related to changes in prices of the subject imports.  
19 You have this same causal relationship between volume and  
20 price when you look at imports from Trinidad which I think  
21 are very, very telling.

22 And so you really had no engagement from the  
23 other side in terms of our description of the import trends.  
24 They came in here with their story and they stuck to it and  
25 they really didn't respond to the points that we made

1       regarding the impact of the outage in the 4th quarter of  
2       2013 making those data abherrational in conducting your  
3       trend analysis.

4               In terms of conditions of competition one other  
5       point that was admitted during the questioning was that SCC  
6       generally engages in quarterly negotiations, no long-term  
7       contracts. That matches up exactly with what Cornerstone  
8       does. So they are competing head-to-head in a very similar  
9       format. Now with regard to bulk sales, we will deal with  
10      this in our post-conference brief, but there are very, very  
11      few customers of melamine who could even receive bulk  
12      product, they are not set up to receive bulk carriers.

13             So by far the predominant mode of shipping is in  
14      the super sacks, and that's where Cornerstone and SCC again  
15      match up directly. With regard to the clumping issue which  
16      was briefly alluded to, I thought it was interesting to hear  
17      that if there is a problem with regard to moisture say  
18      coming from the moist Caribbean climate while shipping to  
19      the United States, they have de-clumping operations in the  
20      United States. So that eliminates that problem. As I  
21      heard the testimony, the clumping is really only an issue  
22      with respect to bulk carrier sales, not with respect to  
23      super sack sales. Again, the focus of competition in the  
24      United States is with respect to super sack sales.

25             So you know I am kind of running out of things to

1 say here because there is not a lot of disagreement on the  
2 key issues here. We don't really have an attenuated  
3 competition argument, that's for sure. There's no question  
4 that imports from Trinidad were at a high volume during the  
5 POI, especially if you are looking at the contrast between  
6 2010 and the POI. There's no question that Cornerstone is  
7 injured, and the only question is whether imports from  
8 Trinidad had more than a tangential or minimal impact on  
9 Cornerstone's volume and prices and thus materially  
10 contributed to that injury.

11 So we would ask the Commission to reach an  
12 affirmative determination with respect to Trinidad alone and  
13 of course an affirmative determination with respect to  
14 cumulated imports from China and Trinidad when making the  
15 determination with respect to China. Thank you again for  
16 your time and attention.

17 MS. DeFILIPPO: Thank you Mr. Dorn. We will now  
18 turn to closing remarks by Respondents.

19 CLOSING STATEMENT OF KEVIN M. O'BRIEN

20 MR. O'BRIEN: Thank you Madam Director. A couple  
21 of points I would like to hit on and that is there were a  
22 number of statements made today and again if I don't have  
23 the quotes right I will apologize but to the effect by  
24 Cornerstone witnesses of customers are unable to discern the  
25 difference between Chinese product and Trinidad and Tobago

1 product.

2           Trinidad and Tobago product and Chinese product  
3 are blanketing the market or blanketing the customer's words  
4 to those affect. You take those statements and then you  
5 look at Petitioner's exhibit H of production capacity in  
6 China and it is quite clear that if SCC and Trinidad and  
7 Tobago product were not in the market, that market would be  
8 served by China.

9           Now the only -- as to the extent there is any  
10 doubt about that then it is the third country issue. OCI  
11 and Borealis which product is sold through a Chinese company  
12 are major players and they are not in this room. Now one  
13 case that I hope the Commission focuses on is Mittal v. U.S.  
14 which dealt with the issue of Trinidad and Tobago and how do  
15 you handle cumulation. And the Appellate Court said the  
16 Commission must give consideration to the issue of but for  
17 causation by considering would the domestic industry had  
18 been better off if the dumped goods, meaning the Trinidad  
19 and Tobago good were absent from the market?

20           I believe if the Commission takes that approach  
21 which it should, it cannot be concluded that Cornerstone  
22 would fill that vacuum. There are no facts on the record  
23 that point to Cornerstone taking that business. Indeed all  
24 the facts point to the other suppliers taking the business  
25 and what facts do those -- the fact that the other suppliers

1 are coming in at lower prices than SCC, that's Petitioner's  
2 own exhibit.

3 If you look at the entered values for 2014  
4 certainly a period under which Cornerstone is claiming  
5 injury, you have Trinidad and Tobago higher than China,  
6 higher than rest of world, very significant effects by these  
7 non-Trinidad and Tobago shipments and very, very strong  
8 capacity. There really hasn't been any explanation as to  
9 any -- satisfactory explanation in my opinion, as to why  
10 Germany and Holland are not in this case from what again, I  
11 apologize if I am paraphrasing but the essence of it I got  
12 was well they compete fairly, we compete fairly with them in  
13 the United States and we compete fairly with them in Europe,  
14 well that's no explanation.

15 That just tells me that those companies would  
16 step right into any vacuum. They have the technology, they  
17 have the customer contacts, they have the lower pricing and  
18 they have decades of experience in the U.S. market. The  
19 notion that Cornerstone is going to take the very small  
20 number of customers that SCC actually has is unsupported by  
21 any of the facts in the record.

22 Now just to make sure that I am hitting the  
23 import issue head on, imports are interesting. It's  
24 important to know that there is a significant amount of the  
25 product that goes to Canada and it's also important to know

1       that not everything imported is sold, that's why the  
2       Commission's questionnaire asks for import data and sales  
3       data and in this case there's a very big difference between  
4       those numbers.

5               So you can look at import trends and if you look  
6       at exhibit F of Petitioner's charts you will see that it  
7       begins when the plant wasn't even operating so frankly not  
8       surprisingly you are going to have a ramp up period, but you  
9       are going to see import trends that are declining from 2011  
10      they went up 2012 and down '13 and 2014 projected are still  
11      lower than 2011 but that's not the sales volume.

12             And it's the sales that matter when you have the  
13      Petitioner arguing that they are being injured by reason of,  
14      but they are clearly not being injured by reason of because  
15      the sales are nothing like what this chart suggests.

16             The final point is that one of the advantages of  
17      this particular case is that there is a very limited  
18      customer base serviced by SCC. The Commission really can  
19      look one by one and it doesn't take very long to take a look  
20      one by one at what happened with respect to SCC's customers  
21      and who is competing for that business and more often than  
22      anything -- first of all there will be multiple suppliers  
23      competing for the business and it will be suppliers that  
24      include the Chinese suppliers OCI and Borealis, that's what  
25      the Commission will find more often than anything else.

1           And we all understand that this is a preliminary  
2     determination, but the legal -- but this is not, the  
3     analysis is not can we hope to develop more information for  
4     a final determination that may be affirmative. The case has  
5     to be made here and today on this record if there is  
6     reasonable likelihood of material injury or threat, full  
7     stop. And on this record, and the record that will be  
8     supplied for the rest of this initial phase, we submit that  
9     there simply is not a factual basis to say that any injury  
10    is by reason of Trinidad and Tobago imports. Thank you very  
11    much.

12           MS. DeFILIPPO: Thank you Mr. O'Brien. On behalf  
13    of the Commission and the staff I would like to thank the  
14    witnesses who came here today as well as counsel for helping  
15    us gain a better understanding of the product and the  
16    conditions of competition in the melamine industry. Before  
17    concluding please let me mention a few dates to keep in  
18    mind.

19           The deadline for submission of corrections to the  
20    transcript and for submission of post-conference briefs is  
21    Monday, December 8th. If briefs contained the business  
22    proprietary information, a public version is due on Tuesday,  
23    December 9th. The Commission has tentatively scheduled its  
24    vote on these investigations for Friday, December 26th and  
25    will report its determinations to the Secretary of the

1 Department of Commerce on Monday, December 29th.

2 Commissioner's opinions will be issued on  
3 Tuesday, January 6th. Thank you all for coming, this  
4 conference is adjourned.

5 (Whereupon the meeting was adjourned at 12:44 p.m.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Melamine from China and Trinidad and Tobago

INVESTIGATION NOS.: 701-TA-526-527 and 731-TA-1262-1263 (Preliminary)

HEARING DATE: 12-3-2014

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

DATE: 12-3-2014

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

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

SIGNED: Gregory Johnson  
Signature of Proofreader

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

SIGNED: Gaynell Catherine  
Signature of Court Reporter

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