

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
STRONTIUM CHROMATE FROM) 731-TA-1422-1423
AUSTRIA AND FRANCE) (FINAL)

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
STRONTIUM CHROMATE FROM) 731-TA-1422-1423
AUSTRIA AND FRANCE) (FINAL)

Thursday, October 3, 2019
Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC

The meeting commenced pursuant to notice at 9:32
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable David S.
Johanson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman David S. Johanson (presiding)

5 Commissioner Rhonda K. Schmidtlein

6 Commissioner Jason E. Kearns

7 Commissioner Randolph J. Stayin

8 Commissioner Amy A. Karpel

9

10

11

12 Staff:

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20 Carlos Payan, International Economist

21 Henry Smith, Attorney/Advisor

22 Douglas Corkran, Supervisory Investigator

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24

25

1 Opening Remarks:

2 Petitioner (Jeffrey S. Neeley, Husch Blackwell, LLP)

3

4 In Support of the Imposition of Antidumping and Duty Orders:

5 Husch Blackwell LLP

6 Washington, DC

7 on behalf of

8 WPC Technologies

9 Brent St. John, Chairman and Chief Executive Officer,

10 WPC Technologies

11 Laura Klein, Sales Director, WPC Technologies

12 Gary Krall, Consultant, WPC Technologies, Retired Chief

13 Financial Officer, WPC Technologies

14 Sam Rumfola, Chief Executive Officer, TCR Industries

15 Kevin Downing, Senior Account Executive, Peninsula

16 Polymers

17 Jeffrey S. Neeley and Stephen W. Brophy - Of Counsel

18

19 Rebuttal/Closing Remarks:

20 Petitioner (Jeffrey S. Neeley, Husch Blackwell, LLP)

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I N D E X

1		
2		Page
3	Opening Remarks	
4	Petitioner (Jeffrey S. Neeley, Husch Blackwell, LLP)	6
5		
6	Brent St. John, Chairman and Chief Executive Officer,	
7	WPC Technologies	9
8		
9	Laura Klein, Sales Director, WPC Technologies	15
10		
11	Kevin Downing, Senior Account Executive, Peninsula	
12	Polymers	19
13		
14	Sam Rumfola, Chief Executive Officer, TCR Industries	21
15		
16	Rebuttal/Closing Remarks:	
17	Petitioner (Jeffrey S. Neeley, Husch Blackwell, LLP)	92
18		
19		
20		
21		
22		
23		
24		
25		

P R O C E E D I N G S

(09:32 a.m.)

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

CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on the final phase of Investigation Numbers 731-TA-1422 and 1423 involving strontium chromate from Austria and France. The purpose of these final investigations is to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an injury in the United States is materially retarded by reason of imports of Strontium chromate from Austria and France.

Schedule setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information. Please speak clearly into

1 the microphones and state your name for the record for the
2 benefit of the court reporter and for those seated in the
3 back of the room.

4 If you will be submitting documents that contain
5 the information you wish to be classified as business
6 confidential, your request should comply with Commission
7 Rule 201.6. And before we move on to preliminary matters,
8 I'd like to welcome a group here today. I understand a
9 group is here today from the Shenzhen Lawyers Association
10 who are affiliated with the International Law Institute. We
11 would like to welcome you here today and you're certainly
12 welcome to observe our proceedings.

13 Mr. Secretary, are there any preliminary matters?

14 MR. BISHOP: Mr. Chairman, I would note that all
15 witnesses for today's hearing have been sworn in. There are
16 no other preliminary matters.

17 CHAIRMAN JOHANSON: Very well. Let us begin with
18 opening remarks.

19 MR. BISHOP: Opening remarks on behalf of
20 petitioner will be given by Jeffrey S. Neeley of Husch
21 Blackwell. Mr. Neeley, you have five minutes.

22 OPENING REMARKS OF JEFFREY S. NEELEY

23 MR. NEELEY: Good morning, Commissioners. We are
24 here this morning with what we think is really a very
25 classic dumping case. We'll try to be brief. Clearly, we

1 don't have any opposition here today from the other side,
2 from France and Austria, and we'd like to get to questions
3 as soon as we can because I think that's the most important
4 thing for this morning.

5 But to just sort of summarize in a general way
6 what you're gonna hear this morning, what I would say is
7 that, both for the Austrians and for the French, and there's
8 only producer in each country, they saw an opportunity in
9 the U.S. market because of a transition from one facility to
10 another by our client, WPC Technologies. And that was back
11 in 2016 when that transition ended, so we're talking about
12 three and a half years ago that that whole process ended.

13 But what they did was to, once they got more of a
14 foothold in the U.S. market, is to undercut prices very
15 substantially and sell it well below fair value. They had a
16 big incentive to do that. The main reason we believe--and
17 there may be others--but the main reason we think is the
18 REACH regulations in Europe. Their home market, the
19 European market has shrunk very substantially over the last
20 few years due to the REACH regulations. They needed to do
21 something with their capacity. And what they decided to do
22 was unload the product in the United States. Kind of a
23 classic dumping case, as I said.

24 It's a little bit hard to get into a lot of the
25 details. Obviously you've got a one-company industry in the

1 United States. We've got one company in France and one
2 company in Austria. But I think when you look at the data
3 and we talk about it in general, you can see that trend. It
4 was really only after the filing of this case, which was in
5 September of last year, that we began to see a little bit of
6 a turnaround. Not as much as we often would see, due to the
7 fact that the preliminary determination by the Commerce
8 Department only saw a 2.5% dumping margin calculated for
9 the Austrians. That changed two days ago, by the way, which
10 I'm sure you've seen, and it's now at 29.5%. So the
11 Commerce Department recognized that our arguments with
12 regard to the way they were doing the calculation were
13 correct.

14 So with that, I'll just say that we've got, I
15 think, a good witness list for you this morning. We've got
16 two people, Brent St. John, who's the CEO of WPC and Laura
17 Klein, the Sales Director from the company. Gary Krall
18 won't testify directly, but he's here for questions. He now
19 is a consultant for WPC and he was the Chief Financial
20 Officer formally, so he knows a lot about the history of the
21 company and the industry. We've got Sam Rumfola. Sam is
22 the CEO of a company in California that is a distributor for
23 the West Coast and the Western states. And Kevin Downing
24 from Illinois, who is with Peninsula Polymers, who is a
25 distributor covering the Midwest and a lot of the East. So

1 it gives you a pretty board sense of what's going on the
2 marketplace and I think we ought to just get started. Thank
3 you.

4 MR. BISHOP: Thank you, Mr. Neeley. Mr.
5 Chairman, the panel in support of the imposition of the
6 antidumping duty orders have been seated. This panel has
7 sixty minutes for their direct testimony.

8 CHAIRMAN JOHANSON: You may proceed.

9 STATEMENT OF BRENT ST. JOHN

10 MR. ST. JOHN: Good morning. My name is Brent
11 St. John. I'm the Chairman and CEO of Lumimove, Inc., which
12 does business as WPC Technologies. I have been Chairman
13 since May of 2000. We are located in Oak Creek, Wisconsin,
14 which is a suburb just south of the airport in Milwaukee.
15 In many ways, I think we feel, as we've talked to Jeff,
16 we're just the typical U.S. manufacturer, high-priced jobs,
17 trying to compete on a global basis. The company and its
18 predecessors have been in operation since 1975, and we are
19 the only major producer of strontium chromate in the United
20 States.

21 Until the last few years, WPC competed with our
22 two competitors in the U.S. market, both SNCZ of France and
23 Habich of Austria, and we've always perceived our
24 competitors' pricing and activities to be fair. That
25 changed in 2016, as I will explain in a moment, and the

1 effects have been devastating to our company.

2 Strontium chromate is our core product. Unlike
3 larger companies such as SNCZ or Habich, who have a wide
4 range of products, strontium chromate is our livelihood.
5 The product is a yellow powder or granular solid that's
6 insoluble in water. The chemical formula is SrCro4. There
7 are two main forms of strontium chromate. The first is
8 granular powder, which is the main product. The second
9 product is referred to as dispersions or pastes, which
10 basically takes the granular product and dissolves it in a
11 solvent. Customers prefer to use one product or the other
12 in their process and we need to supply both types. The
13 advantage of the dispersion product, the one in the solvent,
14 is that it can be used with fewer precautions being taken
15 regarding worker safety at our customers, so many customers
16 prefer that format.

17 Whether the product is in powder or dispersion
18 form, it performs exactly the same function for the
19 customer. Strontium chromate is a very effective corrosion
20 inhibitor, and customers see it as the most effective
21 product for corrosion inhibition for coil, aircraft and
22 general primer coatings. For military and commercial
23 aircraft, strontium chromate is extremely important, to
24 ensure that the critical parts do not corrode. And again,
25 we are the only U.S. producer of this product.

1 With that information as background, I now want
2 to talk to you about what happened in 2016 that led us to
3 file this case. Filing this case, especially for a small
4 company, was a last resort for us when it became obvious
5 that there was no other way to stop the unfairly low pricing
6 that we were seeing in the market and they were really
7 impacting us significantly financially.

8 As part of our business plan, we intentionally
9 began a move from an outdated old facility near downtown
10 Milwaukee to the suburbs in Oak Creek. The new facility and
11 all the investment done along with it has a better and more
12 efficient production layout, improved product storage and
13 handling facilities, and enhanced worker safety standards.
14 When we made the move to the new facility in 2015 built up
15 substantial inventories to take care of our customers in
16 anticipation of the move. And our goal was to serve our
17 customers without interruption.

18 Unfortunately, the shutdown lasted about ninety
19 days longer than we had expected due to a delay in obtaining
20 permits from the Department of Natural Resources in the
21 State of Wisconsin. During that time our Austrian
22 competitor, Habich, sold us product, and we imported in
23 order to ensure our customers had sufficient supply.
24 Naturally Habich charged a bit of a premium for that
25 product, and we lost money on those purchases and resales,

1 but serving the U.S. customers was the most important goal.

2 By the second quarter of 2016, we were up and
3 running in the new facility. We expected that there might
4 be a short period during which our customers would need to
5 be assured that the new facility was fully operational, and
6 we assumed that competition would soon return to normal
7 levels. But that did not happen and in hindsight we can see
8 why.

9 Habich and SNCZ plainly saw an opportunity to
10 sell more to our customers during the time of our shutdown
11 and we are not complaining about that. But the opportunity
12 for them created by the shutdown led them to realize that
13 selling even at below fair value prices in the U.S. was a
14 way for them to maintain production. This in turn allowed
15 them to use their excess capacity at a time when the REACH
16 regulations in Europe was leading to a substantial
17 elimination of markets except for the exemption they had for
18 aerospace. When we talked to our attorneys about this, they
19 told us that it was "classic dumping".

20 After our new plant was up and running in the
21 second quarter of 2016, instead of a return to normal
22 pricing we saw both Habich and SNCZ continue to sell well
23 below our prices, in order to gain market share. At the
24 same time, we began to hear that some of our customers were
25 being told by one of our competitors that WPC could not

1 continue in business for long. This may have been the most
2 infuriating thing that Laura and I encountered -- I mean to
3 have a competitor price unfairly and then tell our customers
4 that we were an unstable supplier due to the harm that they
5 had caused us.

6 It's no wonder that our customers took the low
7 prices from Austria and France being offered to them for
8 this commodity product. The customers were just getting the
9 best deal for their companies. This includes customers as
10 little as 41 miles from our plant and 142 miles from our
11 plant, at a time when our plant had excess capacity
12 available to supply them. But the fault lies completely
13 with the Austrian and French producers who clearly figured
14 out that unloading their excess capacity in the U.S. was a
15 way to cover their fixed costs at our expense. In the
16 chemical industry, as you all know, high fixed costs mean
17 that a company will want to run its plants at the highest
18 capacity utilization possible.

19 This case has been a major undertaking for a
20 small company like ours. We appreciate your attention to
21 our concerns and also the attention that the Commerce
22 Department has given us as well. We have provided
23 information to the Commission showing the devastating
24 effects that the unfairly traded imports have had on WPC.
25 The information on our shipments shows a major drop in

1 quantities shipped from 2016 to 2017 to 2018, despite the
2 fact that 2016 was a year where we only produced for three
3 quarters of the year, due to the move to the new facility.
4 The sole reason for this movement is price. We can see this
5 in the overall average for U.S. sales, and we also can see
6 it clearly in what the Commission calls Pricing Products 1
7 and 2. It is also interesting for the Commission to
8 contrast our overall prices for export shipments, which
9 increased from 2016 to 2018, in comparison to our overall
10 U.S. prices, which were falling in the same period. The
11 reason was the dumping of the product by the French and
12 Austrians in the U.S. market.

13 The Commission has the information, in addition,
14 that shows that our operating and net profits were poor in
15 2017 and 2018. When profits should have been recovering
16 from our 2016 move, when there was still a shutdown in the
17 first quarter, instead profits were going down. This
18 decline in profitability is tied directly to the decline in
19 prices and volumes due to unfair pricing by our competitors.
20 While we did see some recovery in 2019, this was purely
21 because of the filing of this case and the fact that some
22 customers started to hedge their bets in case the case went
23 our way. But if this investigation were to result in a
24 negative determination, we are certain that things would go
25 immediately back to where they were in 2017 and 2018.

1 As the CEO, I've had to decide whether to compete
2 on price and volume. And Laura and I have had many
3 conversations on this. Of course, to some extent we did try
4 to compete both ways. We have held on with regard to price
5 to some extent, but still have seen our price levels fall.
6 The volume effects have been devastating as well. As our
7 volumes fall, our underused capacity has driven up our fixed
8 cost per unit per product. Filing this case was our last
9 resort. We were pleased that the Commerce Department in its
10 final determination recognized that the dumping margin it
11 had calculated for Habich, Austrian producer, in the
12 preliminary had been understated and calculated a dumping
13 margin of 25.9% while slightly increasing the even higher
14 dumping margin for the French producer, SNCZ. These dumping
15 margins are indicative of how both of these companies are
16 using the U.S. market to dump their products that they can
17 no longer sell in Europe in substantial quantities.

18 Thank you for your attention and I will be glad
19 to answer any questions that you have.

20 STATEMENT OF LAURA KLEIN

21 MS. KLEIN: Good morning. My name is Laura Klein
22 and I have been the Sales Director at WPC since 2016. Prior
23 to starting my current position, I was the Business Support
24 Assistant at WPC starting in 2014. Our sales force sells
25 strontium chromate mainly to paint producers throughout the

1 United States, and also to our network of distributors.
2 Generally, we sell directly to our largest customers and our
3 distributors sell to smaller customers.

4 WPC sells both powder and dispersion forms of
5 strontium chromate, but most of our customers demand the
6 strontium chromate powder. A customer will choose either
7 the powder or the dispersion form of the product depending
8 on their own production process. The dispersion product is
9 easier to handle for the customer and has less risk to the
10 worker who uses it, but it is more expensive on average.
11 But all strontium chromate serves exactly the same purpose
12 as a corrosion inhibitor. Because strontium chromate has
13 been used for many years and customers consider it to be a
14 commodity product, it is sold mainly based on price.

15 There are of course instances where availability
16 is an issue also. Over the last three years, availability
17 may be an issue where a customer has come to us because the
18 low-priced products from Austria and France were temporarily
19 unavailable because the imports were delayed at the ports
20 or for other similar reasons. But those instances are rare,
21 and certainly availability has not been an issue for
22 delivery from WPC during that three-year period, and the
23 Commission will see that we had a lot of excess capacity.

24 Because of the low pricing of Austrian and French
25 producers, WPC has become only a backup supplier for some

1 major accounts. But as long as the Austrian or French
2 products are available, they have been taking most of the
3 market share with their lower prices.

4 Clearly, at one time availability was an issue
5 with regard to the WPC product. That was for a short period
6 during the shutdown as we moved to a new, more modern plant.
7 But that shutdown ended and we resumed normal production in
8 the second quarter of 2016. Since that time, there has been
9 no problem of availability of the WPC product.

10 I took over the sales director position in 2016
11 and the aggressive price behavior by the Europeans has been
12 consistent since then. In 2016 we were selling strontium
13 chromate at \$1.69 to \$1.79 per pound. By 2018, before this
14 case was filed, we were selling to the same customers at
15 \$1.55 to \$1.60 per pound and still losing to imports due to
16 price.

17 For our largest dispersion customer, prices fell
18 from \$2.65 per pound in 2016 to \$2.20 per pound in 2018.
19 WPC has become the secondary supplier for many of our former
20 customers. It is not because of quality, and it is not
21 because of availability. It is because of low prices from
22 Austria and France.

23 Sales are generally made on a spot basis and
24 negotiated mostly transaction-by-transaction. Longer term
25 contracts are rare.

1 Both Austria and France compete against WPC.
2 While Habich has been the most aggressive over the past
3 three years, SNCZ has the same issues as Habich, with REACH
4 regulations in Europe and has been willing to use low prices
5 in the U.S. just as Habich has.

6 As an example of this price-based competition,
7 SNCZ took business from WPC at one large customer by
8 undercutting our prices. Habich then took the same business
9 from SNCZ by offering an even lower price.

10 Most recently, when SNCZ received a higher
11 dumping margin in the preliminary determination at Commerce,
12 Habich immediately swept in and quoted a lower price at a
13 major account in an attempt to take that business from SNCZ.

14 Again, SNCZ had previously taken some of that
15 business from us. Based on the information we received,
16 Habich's quoted price was significantly less than our price
17 which would prevent us from gaining back any of that
18 business. If the opposite were the case and SNCZ had the
19 advantage regarding the level of dumping margins, I have no
20 doubt that SNCZ would be taking market share based on price.

21 Before 2016, we had always competed with SNCZ and
22 Habich but we had not seen this level of unfair pricing. I
23 think that only an affirmative determination of injury here
24 can help to restore the market to fair and rational pricing,
25 and I hope that the Commission will see it the same way.

1 Thank you, and I will be happy to answer any
2 questions.

3 MR. NEELEY: Kevin?

4 STATEMENT OF KEVIN DOWNING

5 MR. DOWNING: Good morning, Commissioners and
6 staff. My name is Kevin Downing, and I am a Senior Account
7 Manager at Peninsula Polymers. The company's headquarters
8 is in Kansas, but I live and work in the Chicago
9 metropolitan area. Peninsula Polymers has been a
10 distributor of WPC products for over seven years.

11 I was a chemistry major in college and have been
12 working in the chemical industry since 1990. I started out
13 as a lab chemist with Cargill and then later moved to
14 Reichhold, one of the leading suppliers for the composites
15 and coatings market. That position was in Illinois. In
16 2006, I took my current position with Peninsula Polymers.
17 So I am quite familiar with strontium chromate performance
18 as well as their sales.

19 WPC is one of the 15 product lines that my
20 company distributes. Strontium chromate is a relatively
21 small product category for my company, but it is important
22 to the customers who need it. While my company is a
23 nationwide distributor, my territory I solely in the
24 Midwest. However, the Midwest is the center of much of the
25 competition in the strontium chromate market because that's

1 where many of the coating manufacturers are located.

2 It is clear to me that strontium chromate is a
3 commodity product. While there are small distinctions
4 between products in manufacturing processes based both on
5 product codes and on small differences among different
6 manufacturers, it is important not to be misled by the
7 significance of these differences.

8 The key to the product working is the strontium
9 chromate content. Users will choose either a powder product
10 or a dispersion based on their paint manufacturing process,
11 but after that they are able to substitute among different
12 strontium chromate products. While users may slightly
13 prefer one strontium chromate product over another, they
14 will readily switch from one product to another if the price
15 is right.

16 A second aspect of the strontium chromate
17 industry is that it is stable but really rises and falls
18 with the overall economy. There are very few new customers.
19 In fact, there are fewer every year, due to consolidation in
20 the customer base. Building new paint plants is difficult
21 due to environmental regulations.

22 The largest accounts for strontium chromate are
23 handled directly by WPC, while distributors generally sell
24 to the smaller accounts. Most of my sales are dispersions,
25 and SNCZ does not sell into the dispersion market in the

1 United States.

2 So the company that compete with the most is
3 Habich. What is apparent about Habich is that they have
4 undercut the prices in the U.S. market at every opportunity
5 over the last two to three years.

6 It may claim to the Commission now that has
7 better quality or better service, but if that is the case
8 then why do their strontium chromate prices not reflect
9 that? The reality is that Habich markets only one way:
10 Price.

11 One example of the aggressive pricing of Habich
12 is their pricing strategy for one of my formerly larger
13 strontium chromate customers. Habich came in through their
14 distributor with a product that was similar to the WPC
15 product. But what caught the attention of the customer and
16 ultimately led to the approval of the Habich product was the
17 price. The Habich product, we understand, was priced over
18 20 percent below what we were already offering.

19 I thank you for your attention, and I will be
20 glad to answer any questions that you may have.

21 STATEMENT OF SAM RUMFOLA

22 MR. RUMFOLA: Good morning, Commissioners and
23 staff. My name is Sam Rumfola, and I am the CEO of TCR
24 Industries of La Palma, California in the Los Angeles
25 Metropolitan Area.

1 TCR is an ESOP and family-owned business that was
2 founded by my father in 1975, and I have been with the
3 company since early 1988. TCR is a distributor of many
4 chemicals in several markets, and strontium chromate is just
5 one small part of our business.

6 The distribution network of our company covers 11
7 Western states and the Southwest, although we also do
8 business in a few other states. The bulk of our sales are
9 in Southern California due simply to the population and the
10 number of industries there.

11 Because I have been in strontium chromate
12 business for about 32 years, I think that I have a good idea
13 of the market. Strontium chromate is mainly used in coil
14 coatings, aerospace coatings, and industrial coatings.

15 One important aspects the strontium chromate
16 market is the consolidation of the customer base. In the
17 1960s there were 60 to 70 paint companies in the City of San
18 Francisco and south San Francisco. Now there is one.

19 In addition, there are no new paint plants that I
20 know of in the State of California. One reason for this is
21 that environmental regulations make the opening of new paint
22 plants very difficult, and thus as consolidation occurs
23 companies simply stick with their already operating plants.

24 A second important aspects of the market is that
25 this is a commodity product. While it is true that a

1 customer may slightly prefer one company's product over
2 another because of slightly different chemistries or
3 perceived differences in other factors, price is the
4 overwhelming factor in determining whether a sale is made or
5 not.

6 For example, WPC has wide-mouthed drums, while
7 Europeans generally have drums that are tall and narrow. We
8 find that most of our customers prefer the WPC drums, but
9 certainly not enough to buy from us when offered lower
10 prices.

11 One thing to keep in mind is that many customers
12 will require a new supplier to be spec'd in and approved.
13 Almost all customers have spec'd in more than one supplier.

14 Even if a supplier has not been spec'd in, there
15 is always the threat that a supplier who is aggressive on
16 price will be able to get spec'd in by customers if the
17 prices are attractive enough.

18 Thus, with only three players in the market, WPC,
19 Habich, and SNCZ, the pricing of each one of them affects
20 the entire market because the strontium chromate world is a
21 small one and all producers and customers are aware of the
22 pricing.

23 We sometimes can make sales at higher prices than
24 offered by our foreign competitors because we have
25 availability of products, but if both products are available

1 it will be price that drives the buying decision.

2 The year 2018, before this case was filed, was an
3 all-time low for strontium chromate pricing. Even in cases
4 where we did not have head-to-head competition with the
5 French and Austrian producers, they still affected the
6 market because there are a small number of buyers and they
7 know when prices are dropping.

8 We have seen much of the adverse effect on the
9 volumes of WPC product that we sell. We have tried to hold
10 the line on prices, but in doing so we have lost sales
11 volume. Price levels overall for strontium chromate used
12 for coil products have been severely affected, with a
13 significant drop from 2016 to 2018.

14 As a result of the aggressive pricing for coil,
15 we lost business of the West Coast plant of a major client
16 to Habich. So far the aerospace market has not been as
17 severely affected because there have only been two companies
18 spec'd in for the West Coast--WPC and SNCZ.

19 However, Habich has recently been aggressively
20 pursuing the aerospace market and there is a threat of lower
21 prices as SNCZ and Habich fight for volume.

22 So without the relief of a dumping order, I am
23 concerned that aerospace prices also will be severely
24 affected on the West Coast very soon.

25 I hope this helps give you an idea of how this

1 market works, and I am glad to answer any questions. Thank
2 you.

3 MR. NEELEY: That ends our main presentation, and
4 we will be glad to take questions from the Commission.

5 CHAIRMAN JOHANSON: Alright, we will now begin
6 questions of Commissioners. I will start off the questions
7 today.

8 First of all I would like to thank you all for
9 coming here today. We appreciate you informing us about
10 strontium chromate.

11 I had a basic question for you. I was in
12 Mukilteo, Washington, this summer and I visited the Boeing
13 plant. You don't have to tell me if you sell products to
14 Boeing or not, but I've been told by my staff that this is
15 the green coating put on aircraft before they are painted?

16 MR. ST. JOHN: You are correct. In fact, every
17 airplane you've ever flown in has strontium chromate in the
18 primer, whether it's produced by us or not. Strontium
19 chromate is the best corrosion inhibitor known to man, and
20 it's not just in aerospace but regular coil coatings for
21 even architectural applications and so forth. But the
22 distinctive color is that greenish color once it's in the
23 primer, and you can tell right away that it's strontium
24 chromate primer.

25 CHAIRMAN JOHANSON: Okay, it's very distinctive

1 because every airplane was indeed green. And I was there
2 just on my personal time, I wasn't doing anything for work.

3 (Laughter.)

4 CHAIRMAN JOHANSON: It was a very interesting
5 tour.

6 Okay, how do you all respond to the argument that
7 after WPC shut down and relocated its facilities in 2015 and
8 early 2016, purchasers continued to buy subject imports from
9 Austria and France for the rest of the Period of
10 Investigation not because they were lower priced but because
11 they desired dual sourcing options to secure their own
12 production processes and supply chains? And I might note,
13 as well, that the prehearing report states in Table 2-6
14 that availability and supply was the most frequently cited--
15 was most frequently cited as the first most important factor
16 affecting purchasing decisions.

17 MR. NEELEY: Yeah, I'll try that. I think Laura
18 addressed that issue to some extent, that after the shutdown
19 what we would have expected to have happened was that the--
20 is that the prices would return to normal levels. And that
21 didn't happen at all. And the reason it didn't happen was
22 that they saw an opportunity and continued to lower the
23 prices.

24 I think, you know, that is the fundamental thing
25 that we saw. I'm sorry, you had another part of your

1 question which was--

2 CHAIRMAN JOHANSON: Basically that according to
3 the staff report the most frequently sought factor in
4 purchasing this material is availability?

5 MR. NEELEY: Oh, yeah, absolutely. I'm sorry.
6 And, yeah, I think we--in a way, we've addressed that, too.
7 It is availability, but usually when you say availability is
8 a problem, in cases that I've been involved in the point is
9 it's not available from the U.S. side.

10 Here, it is the opposite. I mean what we've seen
11 is that we are a secondary source, as Laura testified. And
12 so we are the secondary one. We are always available. And
13 where we get business is when the other side, when the
14 Europeans aren't available.

15 So, yeah, availability we agree is in a way a
16 factor, without a doubt, but they have made such inroads
17 that they are now--that we are now the secondary source.
18 And while we are always available, they are the ones who
19 aren't available. And so that's how--in our view, that's
20 how it comes into the market.

21 CHAIRMAN JOHANSON: Could it be the case that the
22 importers formed relationships with the French and Austrian
23 suppliers during the time that your production was down?

24 MS. KLEIN: Yes, that is true. As far as--I
25 don't know if you mind if I go back to the availability

1 thing--

2 CHAIRMAN JOHANSON: Certainly.

3 MS. KLEIN: --we have not had any availability
4 issues since mid-2016. And I have relationships with our
5 customers, as well. I generally meet with them about once a
6 year at least for the main big buyers, and then our
7 distributors also meet with the smaller customers at least
8 on a yearly, if not quarterly, basis.

9 So we all have relationships with those
10 customers. And the first question I get from those
11 customers is: What price can you offer me?

12 MR. NEELEY: Yeah, I think both the Austrians and
13 the French had relationships even before 2016. I mean,
14 that's not new. As the witnesses testified, there are only
15 a limited number of buyers out there. So it's everybody
16 knew everybody anyway, so it wasn't anything particularly
17 new with regard to that.

18 What was new was the aggressive nature of the
19 pricing.

20 CHAIRMAN JOHANSON: Okay, thanks for your
21 responses there.

22 On page 5-11 of our staff report, we read that
23 all of the direct imports were sourced from Austria. Is
24 this the basis of any meaningful distinction when
25 considering overlap of competition?

1 MR. NEELEY: I'm sorry? Could you repeat that?
2 I'm not sure I understood.

3 CHAIRMAN JOHANSON: On page 5-11 of our staff
4 report, we read that all the direct imports were sourced
5 from Austria. Is this the basis of any meaningful
6 distinction when considering overlap of competition?

7 MR. NEELEY: What that indicates is that SNCZ,
8 the French producers, was mainly going to a distributor in
9 its sales to the United States, rather than doing it
10 directly as Habich was. And so--but the impact is exactly
11 the same. There's no real difference. They're both
12 competing head to head with WPC.

13 CHAIRMAN JOHANSON: Alright. The prehearing
14 brief on page 21 states that a significant amount of the
15 competition in the U.S. market is between WPC and subject
16 imports for direct sales to end users.

17 Could you please comment on the different
18 channels of distribution and whether most of the lost sales
19 and lost revenue were through distributors or direct sales?

20 MS. KLEIN: We've lost sales with direct sales and
21 with our distributors, as Kevin can attest to personally.
22 He lost a big account to our Austrian producer, and we've
23 lost our large accounts to Austria and the France producer.

24 So it's not evenly 50-50, but there is a
25 percentage basis where I could say, you know, rough numbers,

1 maybe 30 percent through distribution, and 60 percent
2 direct, roughly.

3 MR. NEELEY: Yeah, and in the confidential part
4 of page 21, which I obviously can't read to you, but you do
5 have--it indicates certain importer questionnaires. And it
6 shows the percentage of subject imports to those companies.
7 And those are direct, and that's to end users.

8 So the numbers show that, you know, the bulk of
9 it, as Laura testified, as in the direct end users category.
10 It just happens to be the way it is.

11 CHAIRMAN JOHANSON: Alright, thanks for your
12 response there. And I wanted to get back for a second on
13 the whole issue of your factory being down.

14 On page 5-16 of our staff report, we read the
15 prices decreased over the Period of Investigation for
16 U.S.-produced strontium chromate. Do you think that prices
17 at the beginning of 2016 against which 2019 prices are
18 measured were artificially high due to any shortage during
19 that period potentially caused by your factory outage?

20 MR. ST. JOHN: I'll respond to that. I mean this
21 is a very unusual industry, I'm sure for you, having seen
22 there are three major global suppliers. We have competed
23 for decades against our competitors. And in 2016--and I
24 think if you look at the previous even 20-year pricing
25 history, I mean what happened in the start of 2016, I mean

1 we had to relocate our plant for a lot of different reasons--
2 -environmental, gentrification of the neighborhood, and so
3 forth--and we did open the door. And we're not complaining
4 about that.

5 We had a good plan for pre-build. We even bought
6 some product from Habich to supply. Quite frankly, I think
7 the supply question is being blown out of proportion,
8 because we were back up and running by 2016. And, trust me,
9 we have plenty of capacity right now.

10 And, you know, the pricing--I'd say the perfect
11 storm we kind of ran into in 2016 were two-fold, as we said.
12 One is, we showed a hiccup in the marketplace, which we
13 understand. We feel like we planned fairly well for, except
14 for the hiccup in the State of Wisconsin. And the other was
15 this elimination of their market in Europe due to REACH.

16 I mean, the only exemption left for my two
17 competitors in Europe is aerospace. That's it. So they
18 lost a huge market right at that perfect time. So, perfect
19 storm, I would say. And the pricing that we've seen in the
20 last three years is nothing like it was for the last 20
21 years of pricing of strontium chromate and it's the exact
22 same product.

23 MR. NEELEY: Yeah, I think that last point may
24 respond more directly to your question, which is--it's a
25 little odd because the Commission, as we all know, looks at

1 a three-year period, and the interim period. And 2016 was
2 an odd year, I mean obviously because it was still part of
3 the shutdown.

4 Probably the best example of a more normal year
5 was 2015. And there's a very significant drop in price
6 levels since 2015. So if you want to go back to a sort of--
7 if you have questions about 2016, I understand that, but go
8 back to 2015 and you're going to see exactly the same thing.
9 You'll see a huge drop in '17 and '18 compared to '15.

10 CHAIRMAN JOHANSON: Alright, thanks for your
11 answers. The red light is on, which means my 10 minutes is
12 up. We will now turn to Commissioner Schmidtlein.

13 COMMISSIONER SCHMIDTLEIN: Okay, thank you very
14 much.

15 I would like to thank all the witnesses for being
16 here, as well, today. So I want to start with pricing.
17 And, Mr. Neeley, this might be--these may be questions
18 mostly for you, but I welcome any of the industry witnesses
19 to chime in as well.

20 So in your brief you argue that the Commission
21 should focus on the direct import data. And you state that
22 there is possibly, if I can summarize or paraphrase, there's
23 a level of trade problem with the pricing products because,
24 if I understand the argument, that the importers are also
25 acting as distributors.

1 Do I have it--is my understanding correct?

2 MR. NEELEY: Yeah, pretty much, yeah. I would
3 just say that we're saying you should look primarily at the
4 end users because that's the bulk of where the competition
5 occurs. So, number one, that's one reason we think that.

6 The second reason is, as you said, there seems to
7 be a level-of-trade issue.

8 Thirdly, I would say--and we also mention that in
9 our brief--there seems to be a disconnect, let's say,
10 between particularly the French importer, the story that
11 they're telling with regard to price, compared to what--I
12 want to make sure I don't get into confidential information--
13 -but their main customer is saying. Okay, they're seeing
14 something basically that price was the factor, but you're
15 not really seeing it in the data. And, honestly, we don't
16 understand that. Because what we hear is the same thing as
17 that customer is saying, that it's about price.

18 So I wouldn't go so far as to say the data is
19 bad, but there's something going on there that we can't
20 understand.

21 COMMISSIONER SCHMIDTLEIN: Okay, let me just back
22 up a little bit in terms of I want to make sure I understand
23 the channels of distribution here.

24 In the pricing products we have information from
25 WPC which includes their prices to both distributors and to

1 the end users--

2 MR. NEELEY: Right.

3 COMMISSIONER SCHMIDTLEIN: End users being the
4 paint companies and other companies that are using this
5 product--

6 MR. NEELEY: Right.

7 COMMISSIONER SCHMIDTLEIN: --not just
8 distributors like Mr. Downing. For the pricing products on
9 the importer's side, though, it sounds like you are arguing
10 that that pricing information is just including end user
11 prices. In other words, importers are acting as their own
12 distributor, and so therefore the pricing information from
13 their side is going to be higher because it only includes
14 end user prices being paid. Does that make sense? Is that
15 what you're--

16 MR. NEELEY: Yeah, I think that's what we're
17 saying. I mean, I think what we're saying is this, two
18 things, is that the importers that we're talking about are
19 also distributors. So they're at the distributor level.
20 They're not the direct level. So actually there's--

21 COMMISSIONER SCHMIDTLEIN: Do you know whether
22 those importers are selling--ever selling to distributors?

23 MR. NEELEY: No, we believe they're all selling
24 to end users, right?

25 COMMISSIONER SCHMIDTLEIN: Just end users.

1 MR. NEELEY: I mean, there's not a two-step
2 thing. It's all to end users. But the other part, to
3 finish the thought, is that what we don't have on the record
4 is the prices of somebody like Kevin, or somebody like Sam,
5 their prices to--

6 COMMISSIONER SCHMIDTLEIN: To--right.

7 MR. NEELEY: Yeah, right, so that would be more
8 apples-to-apples.

9 COMMISSIONER SCHMIDTLEIN: Right, right. Okay.
10 So can you talk a little bit about how the prices that we
11 see in the direct import data, right, which is as you've
12 argued in the brief is the vast majority of the product,
13 right, that's going to these big end users, and the pricing
14 trends that we see in that information are different than
15 the pricing trends that we see in the pricing product,
16 right? So in the direct import data we see prices going
17 down. In the pricing products, prices actually go up.

18 So can you talk a little bit about how--and I
19 invite any of the witnesses to do this, as well--how the
20 purchases and sales that are going on in the direct import
21 world are impacting prices for the importers that are
22 selling to other end users, I think. Does that make sense?
23 Especially since we see different price trends.

24 MS. KLEIN: I'll try and answer your question. I
25 may not completely understand it, but I'll do my best. So

1 in the case of France, just to give a little explanation,
2 between the two countries of what I know, so Austria sells
3 to the big customers directly, so the big customers are
4 important. France would sell it, for example, if my
5 distributors were buying, they would import it to TCR or
6 they would import it directly to Peninsula Polymers, but in
7 that case Peninsula Polymers and TCR would then take it and
8 sell it to the end user customer.

9 The distributor, the reason what I think Jeff is
10 trying to say is, there could be, if you're getting pricing
11 information from SNCZ's distributor, it could --

12 COMMISSIONER SCHMIDTLEIN: Which is also their
13 importer?

14 MS. KLEIN: Which is -- they import to
15 distributors. That distributor is working on behalf of
16 France. So I think it'd kinda be skewed a little bit, in my
17 opinion, and then they're taking the product and selling it
18 to the end users. That's why the prices are probably higher
19 in that situation, because you're looking at the distributor
20 prices versus our direct prices to the big customers, or
21 even Habich's customers, direct to the big accounts.

22 COMMISSIONER SCHMIDTLEIN: Right. That makes
23 sense. But one question that I have, though, is why do we
24 see different trends, right? Why do you see the trend in
25 the pricing products going up and the direct import pricing

1 data, the trends go down?

2 MR. NEELEY: Obviously, Laura hasn't seen the
3 confidential information --

4 COMMISSIONER SCHMIDTLEIN: Yeah, that's fine.

5 MR. NEELEY: -- so it makes it difficult. But, I
6 guess the bottom line is, we don't know. Okay? Again, that
7 goes to the disconnect. The disconnect between, if you go
8 back to that customer, the main customer for the French, is
9 saying certain things about how price has been important to
10 them. And that is our impression that price has been
11 important. So why they would have different trends,
12 honestly, we don't understand. I mean it just doesn't make
13 sense to us.

14 COMMISSIONER SCHMIDTLEIN: Okay.

15 MR. NEELEY: In all the discussions we've had
16 are, the trends are the same way. We're losing customers,
17 that customer, you know, because of price to them. I mean
18 the price level for the customer may be higher than other
19 customers. That's true, because not all customer's are
20 exactly the same. But the trend is surprising.

21 COMMISSIONER SCHMIDTLEIN: Okay.

22 MR. NEELEY: So I don't know.

23 COMMISSIONER SCHMIDTLEIN: Okay. All right. Let
24 me -- still talking about pricing, but let me switch gears a
25 little bit. And again, Mr. Neeley, I think you'll probably

1 have to answer these, and if you want to follow up on any of
2 these questions in the post-hearing, I would invite you to
3 do that, so you can do it in a fulsome way.

4 MR. NEELEY: Sure, thank you.

5 COMMISSIONER SCHMIDTLEIN: When we look at the
6 AUVs for exports, the domestic industry.

7 MR. NEELEY: Right.

8 COMMISSIONER SCHMIDTLEIN: We see the AUVs for
9 the exports for the domestic industry ticking up.

10 MR. NEELEY: Correct.

11 COMMISSIONER SCHMIDTLEIN: And given the
12 concentrated nature of this industry, really even globally
13 if I understand it, my question is, why are you able to
14 increase prices in your export markets? Are you not facing
15 competition from Austria and France in those markets as
16 well?

17 MR. ST. JOHN: That pretty much sums it up. I
18 mean it's been a very targeted thing towards the United
19 States and we don't have that pressure with our shipments to
20 Saudi Arabia or Malaysia or anywhere else. And so I would
21 say the pricing in those external markets has been very
22 normal, we've experienced for decades on those export
23 markets. And, you know, when we talk about, I know, not
24 getting into specifics, you know, the last four years, every
25 single customer of ours in the United States, it's been

1 about price and every single time we've lost volume, it's
2 been on price. And I'm not sure about the trends. I
3 haven't seen them. That's Jeff's job. But I know from our
4 standpoint, I mean it's just been constant. And it's always
5 about price in the United States.

6 COMMISSIONER SCHMIDTLEIN: Do you compete with
7 Austria and France in any of your export markets?

8 MR. ST. JOHN: Yes, we do.

9 COMMISSIONER SCHMIDTLEIN: You do?

10 MR. ST. JOHN: Yeah, Laura.

11 MS. KLEIN: So I actually have in earlier's lost
12 business in Malaysia and actually Taiwan to my competition.
13 Yes, our exports have grown recently, but we were down and
14 none for a while, then all of a sudden, Saudi Arabia, and
15 then we also export -- we got into the South American
16 market, which we were never in before, so that is new to us.

17 But South America is actually heavily controlled
18 by SNCZ. I actually have a sales agent who's trying to get
19 more business down there, but he actually told me that
20 France has that market. I have one customer there, but
21 we're trying to get to that new territory for us. Because
22 we do wanna grow.

23 COMMISSIONER SCHMIDTLEIN: So, why aren't there
24 more producers of this product?

25 MR. ST. JOHN: I think, first of all, it's a

1 difficult product to make. It's a hazardous product to
2 make. So right away, there's barriers to entry.
3 Secondly -- I mean the global market's pretty small. I
4 mean, it's probably less than a 100 million global market,
5 and with three suppliers -- I would say the third one is
6 quality as well, too.

7 The raw materials that are used to make strontium
8 chromate, the actual raw materials, the quality of which is
9 available pretty much in the Western Hemisphere or in Africa
10 or in Europe, but not so much in Asia. Although we do have
11 some Asian competitors, the quality of the raw materials
12 lead to an inferior product. And when you're trying to put
13 it on an air frame, strontium chromate's pretty important.
14 So there's a number of different factors.

15 In effect, we've had this -- I mean people say,
16 "Come on, you don't have competition from Asia," or
17 whatever, but the fact of the matter is, I mean, the
18 market's small globally. There's not much incentive for
19 people to enter the market. You would never be able to
20 build another strontium chromate plant. I think probably in
21 the United States, we're fully permitted. We've done what
22 we've needed to do, so I think all those factors lead into
23 that.

24 COMMISSIONER SCHMIDTLEIN: Okay, thank you.

25 CHAIRMAN JOHANSON: Commissioner Kearns?

1 COMMISSIONER KEARNS: Thank you. I also wanted
2 to thank you all for appearing before us today. We
3 appreciate your testimony. I just wanna pick up on
4 something that was just said here. And that is, at least
5 with respect to export sales, it does seem that customer
6 relationships do matter then, right? That it isn't all just
7 about price. Would you agree with that?

8 MS. KLEIN: I do agree that customer
9 relationships do matter, but once you've established that
10 relationship, they will buy on price.

11 COMMISSIONER KEARNS: Okay. And so that's what
12 happened in the U.S. is that you all were kind of the
13 incumbent, you had the relationships with the purchasers and
14 everything was going all right, but then with this --

15 MS. KLEIN: I still have the relationships with
16 customers, never lost those, even though --

17 COMMISSIONER KEARNS: Although in some markets, I
18 thought you said, some purchasers, you are no longer the
19 dominant --

20 MS. KLEIN: No. But even if they're not buying
21 from me, I'm still gonna keep that relationship.

22 COMMISSIONER KEARNS: Right, right. But that was
23 the opening. It's the price matters a whole lot, but, you
24 know, you start with kind of relationships mattering, but
25 once that you have a toe-hold, then it becomes about price.

1 Is that --

2 MS. KLEIN: Correct. And my competition had the
3 relationships before shutdown. They have relationships now.
4 We all have some sort of relationships with the main buyers
5 of the product. And I think that would be the same for the
6 distribution as well.

7 COMMISSIONER KEARNS: Okay. And related to this,
8 respondents argued in the preliminary phase that any shift
9 in market share was a result of the supply shortfall when
10 customers shifted to subject imports, yet you reported that
11 some of your customers did not accept your imported
12 strontium chromate as a substitute. How do we reconcile
13 those statements?

14 In other words, you know, why is it that they
15 weren't willing to accept your imports from overseas, but
16 they were willing to accept the same product, I guess,
17 directly.

18 MS. KLEIN: So that customer, which I will not
19 name, is an aerospace customer. And that particular--where
20 we were buying it from, which was Austria--was not specked
21 in at that company.

22 MR. NEELEY: Aerospace has particularly high
23 standards with regard to being specked in, much higher than,
24 say, the coil. So it was a bigger problem in that one
25 particular customer.

1 COMMISSIONER KEARNS: Okay. So the product they
2 ended up purchasing was not the same supplier that you had
3 used?

4 MS. KLEIN: Correct. They actually ended up
5 importing from France instead.

6 COMMISSIONER KEARNS: Okay. I guess, as a
7 related question, on the problems that happened when you
8 relocated. Can you tell me, what would you have done
9 differently if you knew now what you knew then?

10 MR. KRALL: That's a fair question. Well, we
11 would've certainly tried to get things done on time like we
12 had planned. We had a choice to make, knowing that the
13 shutdown was coming up, and that choice was, do we build
14 inventory, which would tie up cash, or do we have one of our
15 competitors supply us that during that time, so we could
16 keep customers supplied while we were going through our
17 shutdown and rebuild?

18 We looked at it and we ran financial models on it
19 and decided it was better for us to go ahead and use the
20 cash to build inventory. So we built inventory for a period
21 of well over six months expecting that to cover us for the
22 planned three-month shutdown. And when that dragged out, we
23 started to get to the point where we knew that if we
24 couldn't get up and running when we wanted to, we would
25 start to run out of product.

1 So we immediately contacted our customers and
2 said, "We've got this situation, do you have any flexibility
3 in your production? Are you gonna have any shutdowns or
4 anything like that, that might require you to use less for a
5 while or not?" When they said, "No, we don't have that," we
6 immediately responded by contacting both of our competitors
7 to see if they had availability of product for us to buy and
8 keep our customers going.

9 I think the only thing we would've done
10 differently is probably look at that old adage that says,
11 "Whatever you plan's gonna take longer and cost you more
12 than you thought," so we probably should've built that in a
13 little bit more. We didn't really have a problem with the
14 relocation. What we had a problem with was some issues with
15 the State of Wisconsin that kept us from getting our
16 occupancy permit. So we had production in place, ready to
17 go, but there were some issues with that, that wouldn't
18 allow us to start up, so to speak.

19 COMMISSIONER KEARNS: Okay. Thank you. And
20 going back a little bit to the question I had before,
21 because it seems to me, like, with the exception of this
22 aerospace customer, if you were purchasing product from your
23 competitors directly and then supplying your customers with
24 that product, I wouldn't think that that would really give
25 the imports a toe-hold and establish a relationship with

1 your purchasers. Is that not the case? I mean, why did it
2 have that impact?

3 MR. ST. JOHN: If I were them, and I wasn't at
4 the time, I mean I think it was back to that kind of perfect
5 storm a little bit. Here they are, they have not had --
6 they have a relationship with the U.S. customers, had a
7 little bit of a toe-hold, they see a little weakness on
8 ours, even though they're helping us out. There was an
9 opportunity to lower price to get in the door, A, coupled
10 with their excess capacity, they had to do something with,
11 which had nearly just evaporated with the REACH, I mean all
12 the coil industry in Europe disappeared, and I think both of
13 those, if I were them sitting there, you know, I would want
14 to get more of a toe-hold.

15 And there's different ways to do that, and I know
16 the other sides have argued quality and so forth. It's a
17 commodity product. I mean even the French here a year ago
18 in the preliminaries said, "Everybody buys on price." And
19 that's absolutely the case. And I think from our
20 standpoint, price is one thing, but substantially lower
21 prices, I can't fault my buyer for a price that's at least a
22 double-digit lower than they've historically seen in twenty
23 years, to switch.

24 COMMISSIONER KEARNS: Okay.

25 MR. NEELEY: I also would say that two things

1 happened. One was that Habich, which is who supplied us
2 ultimately -- of course, we used their product to substitute
3 when we didn't have enough of our own. So they certainly
4 became more familiar with it, I suppose. But, at the same
5 time, Habich was going directly. It wasn't that that was
6 the only thing that was happening was that we were supplying
7 Habich product. They were also saying, "Hey, there's an
8 opportunity," which, you know, everybody understands.
9 We're not really complaining about that part. I mean, what
10 we're really complaining about is, okay, this ended after
11 the first quarter of 2016, we're three and a half years down
12 the road, and how do they keep that foothold? Well, price.

13 COMMISSIONER KEARNS: Yeah. Okay, thank you.
14 And you touched on REACH. I wanted to ask you a couple
15 questions about that. One, I guess is, with respect to the
16 European market, how are things gonna change in the next few
17 years? I mean if I remember right, there's only an
18 exception, I think, for aerospace. And so I guess my
19 question there is, you know, how long is that exception? Do
20 we see the European market drying up more than it already
21 has in the future? So that's one question. And then the
22 other question is, both with respect to other markets and
23 with respect to the U.S. market, do you anticipate any
24 regulations similar to REACH that would affect the market
25 for your product?

1 MR. ST. JOHN: You know, with regard to Europe, I
2 mean we deal with this all the time with REACH regulations.
3 I mean, and REACH has been in the works for a long time.
4 And for us, shipping any product, not just strontium
5 chromate, to Europe, it's extremely challenging from a cost
6 and a timing standpoint. You know, if you're over one
7 metric ton, you've gotta register, and those costs are
8 sometimes onerous. And we walked away from a lot of
9 business. We just can't export to Europe anymore.

10 With regard to their ability to produce, I mean
11 they've got an aerospace exemption, which is probably pretty
12 solid with the Airbus there, I would assume, but that's not
13 a lot of volume. I mean price is good in aerospace, but the
14 volume is not. You know, our production line produces
15 thousands of pounds per day, and aerospace customers not
16 buying thousands of pounds per day.

17 The second part of your question, could your
18 remind me real quick?

19 COMMISSIONER KEARNS: Well, just with respect to
20 both third-country markets and also with respect to the U.S.
21 market, what do you anticipate -- do you anticipate
22 regulations similar to REACH?

23 MR. ST. JOHN: You know, I really can't answer
24 that. We've heard no rumblings of that. I know that we
25 take, when we run our facility, we're supervised by those

1 constant Department of Natural Resources and EPA and so
2 forth and we run a solid operation. And globally, I don't
3 know.

4 COMMISSIONER KEARNS: Okay. Thank you. Let's
5 see. My time's about up. I think I'll turn it over. Thank
6 you.

7 CHAIRMAN JOHANSON: Commissioner Stayin?

8 COMMISSIONER STAYIN: Thank you, Chairman.

9 The shutdown became a big problem in the
10 industry. You did what you could to build supply,
11 inventory. You even bought from one of your competitors to
12 be able to continue to supply.

13 Nevertheless, the question is this became an
14 opportunity for Habich, and for customers who were
15 concerned, if not very, very anxious, it provided them with
16 another source of supply which turned out to be something
17 that was important to them. And I think it makes sense
18 that, having been through that experience, odd as it was,
19 that they may want to have a multiple suppliers, is just
20 common, good business sense.

21 So it comes up to this question where we have
22 some customers saying that availability of supply is very
23 important, and so therefore would not that mean that they
24 would want to continue to have Habich, whether the price is
25 lower or not, because they just need another available

1 supplier?

2 MR. NEELEY: Yeah--Jeff Neeley--I'll try that. I
3 think that's a very valid question, and a very valid
4 strategy for a buyer to have a secondary supplier. I mean
5 there aren't very many in the world. We get that.

6 But a secondary supplier would be buying 70
7 percent from us and 30 percent from Habich. What we're
8 seeing is the opposite. That isn't a secondary supplier.
9 That's taking over the market. We're the secondary
10 supplier. And those numbers, as I said, were made up, but I
11 think you'll find that pattern among many companies where,
12 as Laura testified, we've become the secondary supplier.
13 And that's not looking to hedge your bets with a secondary
14 supplier, that's replacing us.

15 COMMISSIONER STAYIN: Do you have the--

16 MR. NEELEY: I think Laura has something to say.

17 COMMISSIONER STAYIN: Go ahead.

18 MS. KLEIN: We are completely open to all of our
19 customers having a secondary supplier. I think, even if
20 they kept the pricing around the same level, we wouldn't be
21 here today--if we were even 50-50, or, you know, even 40-60,
22 we wouldn't be here.

23 I actually think it's gotten to the point where
24 they are trying to close us. They are trying to eliminate
25 the U.S. supplier and just have only the two European

1 suppliers.

2 COMMISSIONER STAYIN: Who is trying to close down
3 the U.S. supplier?

4 MS. KLEIN: I would say Austria, for sure.

5 COMMISSIONER STAYIN: Austria. Do you have the
6 capacity to fill total U.S. demand?

7 MR. ST. JOHN: Yes, we do. We do have the
8 capacity. And, you know, back to Laura's point, we have
9 plenty of capacity, trust me. And it's not just a shift of
10 diversification of suppliers. I mean we are down like 10
11 percent with some of our customers. And one of the most
12 aggravating things is we've gotten about every two weeks on
13 average is a customer saying, oh, you know what? The
14 Habich shipment is stuck in Customs. Can you help us out
15 with a truckload? You know, and it's that kind of
16 position. I mean, we're token, at best, on some of these
17 large customers. In my opinion, it's because of the pricing
18 difference. You know, it's hard for those buyers to really
19 say I'll go 50-50 when the price is so good. They would
20 rather go 90-10, you know. And I think that's the whole
21 pricing thing in here is where we get way away from that
22 just typical diversification of suppliers.

23 We have plenty of capacity.

24 COMMISSIONER STAYIN: How important is it to the
25 U.S. economy to have a U.S. supplier?

1 MR. ST. JOHN: A number of different ways. One,
2 military spec's, right away. I mean, we're basically the
3 only supplier, for the most part, of a lot of U.S. military
4 spec's. And I think there's the principle of the whole
5 thing. We provide very high-paying jobs, skilled jobs, in
6 an area of the United States that's right there next to the
7 customer base. As Kevin said, we're 41 miles from one of
8 our customer plants; 142 from the other one. And somehow,
9 due to price, it is more economical to ship from Austria or
10 France to Kankakee, Illinois. And that is extremely
11 frustrating.

12 If we went away--I think we find ourselves in
13 this position. You know, the Department of Defense, some of
14 our customers say well you guys still have to make strontium
15 chromate. Well, economically that's getting very difficult
16 to do. I mean, you can't make me make strontium chromate.

17 We have other business, but it has always been
18 our livelihood to produce strontium chromate.

19 COMMISSIONER STAYIN: Considering the military
20 use, how much of the demand for use in the military being
21 supplied by you?

22 MR. ST. JOHN: It's a small percentage. It's
23 less than 10 percent of our volume, but it's critical.

24 COMMISSIONER STAYIN: What as it before? Has it
25 been higher before you shut down and when you--

1 MR. ST. JOHN: It's about the same. I mean,
2 military spec's, as we all know, don't change overnight,
3 number one. So we do enjoy that advantage because we've
4 been a producer since 1975. And also, aerospace somewhat in
5 conjunction, doesn't change spec's overnight.

6 But the bulk of the volume is the commodity coil,
7 durable good applications. And that's the one where you can
8 be approved and specified in a very short time period,
9 especially if the price is right.

10 MR. NEELEY: Jeff Neeley. I think the way we
11 described the military is that it's not as critical to us,
12 because it's a relatively small amount of our sales,
13 although we certainly like the sales. It's more critical to
14 the military. In other words, we can't support ourselves
15 just on military sales at all. We have to have commercial
16 sales, as well.

17 COMMISSIONER STAYIN: I think I've had most of my
18 answers from my previous questioners, so I will pass it on
19 to my colleague.

20 CHAIRMAN JOHANSON: Commissioner Karpel?

21 COMMISSIONER KARPEL: Thank you. Thank you for
22 being here today.

23 I guess I want to understand a little bit better
24 the timeline. I guess it starts with the shutdown and moves
25 through when you started stockpiling inventories, when you

1 ran out of those stockpiles, when you had to start
2 importing, when you got the plant back up and running. Was
3 there some time where you had to build up production so you
4 could actually serve customers from that plant again?

5 If you could, maybe walk me through what the
6 timeline of that was? And I am particularly interested in
7 that so I can understand some of the data that we're seeing
8 in this investigation and how it might be influenced by some
9 of the events that happened in that time span.

10 MR. KRALL: Gary Krall. In 2015, in early June
11 of 2015 we shut down and--I'm sorry, we started to build
12 inventory. And we actually went to a 24-hour operation,
13 which obviously was costly to us, to build inventory and
14 store it. So that began then.

15 And we built inventory that we thought was enough
16 to carry us through to probably sometime at the end of
17 November of 2015. We shut down, when was it, August? We
18 shut down June 25th. So we built inventory before that, I'm
19 sorry. Back the timeline up. We built inventory from
20 January to June.

21 We shut down in June, and we started dismantling
22 the equipment at the existing plant in order to move it to
23 the new plant. So that was supposed to be completed by
24 October-November timeframe. And our inventory that we had
25 built before we shut down in June was calculated to be the

1 amount that would--based on our business level--take us to
2 that point.

3 The problem began when, you know, we got to that
4 point and it was clear that we weren't going to be able to
5 start up when we wanted to. And that's where we ran into
6 the problem and started importing from our competitor to
7 help keep our customers supplied.

8 And the reason for that, we talked about customer
9 relationships quite a bit, it was our largest direct
10 customer that had been a long time customer, the one that
11 was 142 miles away, and we felt like it was critical for us
12 to show them how committed we were to supplying them and
13 keeping them going even if it cost us, you know, a lot of
14 money by importing it and then--we actually had to repackage
15 that material into their proprietary bags.

16 So there was additional cost involved. We got it
17 in, took it to the plant, repacked it into their bags so we
18 could send it to them. And so that's the timeline.

19 We then got our occupancy permit on March 9th of
20 2016. So we were ready to run prior to that, but it took us
21 that time to get our occupancy permit from the local
22 authorities, and that's when we were able to start
23 production. And we started production and immediately
24 started to make as much as we could, and alerted our
25 customers to the fact that we would have production

1 available.

2 One of the things that, quite frankly, is hard to
3 understand is in a short supply situation why do you lower
4 price? It doesn't make sense from an economic standpoint as
5 a supplier.

6 Thank you.

7 COMMISSIONER KARPEL: And so when did you start
8 importing to make up for the fact that had run out of
9 inventory?

10 MR. KRALL: It was in the fall of 2015, probably
11 the October-November timeframe. When we knew that we
12 weren't going to be able to supply, we immediately contacted
13 our customers and began the process of telling them how we
14 were going to supply them during that period of waiting for
15 the startup.

16 COMMISSIONER KARPEL: And so from roughly
17 October-November of 2015 through March of 2016, you were
18 exclusively supplying, or mostly supplying your customers
19 through imports?

20 MR. KRALL: We were supplying--yes, those that
21 would accept the imported material, we continued to supply.
22 Other customers obviously tried on their own to source
23 material from anywhere they could around the world. And we
24 even received many calls from people that we hadn't dealt
25 with before from all parts of the world asking if we had any

1 availability.

2 So it really became, you know, what I would
3 classify as a world-wide shortage at that point, and obvious
4 that, you know, three suppliers needed to be in line in
5 order to be able to supply everybody.

6 COMMISSIONER KARPEL: In March 2016 you were
7 immediately able to start selling again your product to
8 customers? Or was there sort of a lag between--

9 MR. ST. JOHN: No, it was immediate. Like Gary
10 said, the equipment was sitting there from January or
11 December on ready to go, just waiting on essentially
12 paperwork from the State of Wisconsin. Very agonizing.

13 COMMISSIONER KARPEL: Okay, so going back to that
14 March period, once you had the factory back up and running,
15 were there things you did to sort of reach out to your
16 customers to assure them this is fully operational, we have
17 lots of capacity. This odd situation we've been in is not
18 going to continue. What sort of efforts did you make? And
19 you knew that they had turned to these foreign producers in
20 the interim. So what sort of did you undertake to--you
21 could probably foresee that some might consider staying with
22 them and not coming back to you, so what did you do?

23 MS. KLEIN: Well obviously we notified all of our
24 customers first, probably via email, phone calls, that
25 nature, and then I actually went to visit a lot of the

1 customers. We had upset buyer shortage and Kevin and I
2 actually did a customer visit where I, for lack of a better
3 word, got chewed out for a half hour. And then I took that
4 customer out to lunch. But, yes, we did address the issue
5 directly one-on-one with those customers to keep that
6 relationship going.

7 MR. KRALL: I'd like to add, also--Gary Krall--
8 that there were several customers where we had weekly
9 conference calls with their staffs in order to keep them
10 informed of our progress. So they were interested enough,
11 and in many ways demanded, although we offered, to have
12 constant, regular communication so that they were aware of
13 what was going on so that they could plan their business as
14 well.

15 You know, in some cases some of these customers
16 had inventory. So there was a little bit of a leeway there
17 for them to continue, but they wanted to know when they
18 could, you know, get the supply started back again. So we
19 kept them informed on a constant basis.

20 MR. ST. JOHN: Brent St. John. And as I had said
21 before, too, I think Laura and Gary did a Herculean effort
22 to try to manage relationships and so forth and
23 communication. But what did change when we started back up
24 is that many of the buyers were like, the price I'm getting
25 from France and Austria is too good now, since then. I

1 think we're just going to kind of stick with that
2 situation, I mean to the point where they really, despite
3 our assurances and plant tours and everything, that business
4 just disappeared because of price.

5 COMMISSIONER KARPEL: Okay, so sort of coming
6 back to the two parts that I've touched on already, but you
7 mentioned that during the time that you were importing to
8 cover the fact that you'd gone through your inventory, you
9 mentioned that you paid a premium for the imported product
10 during that time. Can you talk about what does that mean
11 exactly, that you paid a premium for that product? You
12 talked about it being a commodity product, so I'm sort of
13 trying to piece the two elements together.

14 MS. KLEIN: So I don't know the exact number off
15 the top of my head that we paid per pound from Austria, but
16 I can tell you it's not the prices you're seeing in your--
17 the low prices you're seeing currently.

18 Then we had to take that product and re-bag it,
19 because our customers couldn't use it in the current
20 packaging it arrived in. We also air freighted it. Air
21 freighting is extremely expensive, especially when you're
22 talking about such large amount of pounds.

23 So that's the expense, the huge expense that was
24 incurred. And we weren't up-charging it to our customers at
25 all because it was our mistake. So we weren't making any

1 profit off of that product. We were losing, for sure. And
2 trying to keep the customers supplied at that time.

3 COMMISSIONER KARPEL: Another thing I wanted to
4 circle back to was whether the use of your toll producer was
5 something that occurred during the shutdown period only? I
6 know it's continuing, but prior to the shutdown were you
7 using this toll producer?

8 MR. ST. JOHN: So part of the strategy on the
9 shutdown was because of the core pigment line needed to be
10 moved first. We decided that we would make sure that that
11 line was moved to the new plant. And in the interim, we
12 would take our older equipment, which basically made the
13 liquid dispersion, and outsourced this to another company at
14 least for the first year until things got up and running,
15 and so forth, that we could put in a new production line
16 for dispersion and have the capital investment to do so.

17 When we started back up on the dry, Kevin's main
18 account and some other ones all of a sudden the dispersion
19 just literally disappeared. We've lost 70 to 80 percent of
20 our dispersion market based on price. The economics. We're
21 stuck. I mean, without the business back, we can't make the
22 capital investment, over a million dollars, to put this
23 dispersion line in. And so we're not happy with it, but
24 we're stuck with our outsourcing right now. It was not the
25 plan, trust me.

1 CHAIRMAN JOHANSON: All right. I'd like to get
2 back to the REACH regulations. As far as you all are aware,
3 have any other countries put strontium chromate restrictions
4 in place that are comparable to those of the European Union?

5 MR. ST. JOHN: No.

6 CHAIRMAN JOHANSON: Okay. Could you all touch on
7 demand trends a little further? I gather that demand is
8 down in the European Union due to the REACH regulations, but
9 has demand similarly been affected in the United States?

10 MR. ST. JOHN: No, I mean the demand on strontium
11 chromate pretty much goes with durable goods. I mean, even
12 with the aerospace, which is a smaller percentage of the
13 market, when you're making coiled aluminum, steel that's
14 going in anything from appliances to architectural things
15 and so forth, I mean our demand for strontium chromate, and
16 our customer base is solid, and pretty goes with GDP.

17 CHAIRMAN JOHANSON: I understand for myself if
18 there are means to address the issues with strontium
19 chromate as far as the issues that brought about the REACH
20 regulations. You have not seen demand go down due to
21 concerns about dangers of the product?

22 MR. ST. JOHN: No, I mean we have, and companies
23 have for decades, have had, including the U.S. military,
24 development projects to come up with acceptable, more
25 environmentally-friendly alternatives to strontium chromate.

1 And we have products like that, too, that we've licensed to
2 major manufacturers.

3 But the fact of the matter is, strontium chromate
4 is a phenomenal corrosion inhibitor. And that's why it's on
5 aircraft frames for twenty and thirty years. And the
6 alternatives, even though we feel like we have a very good
7 alternative product, is probably 80% as effective as
8 strontium chromate and probably five to six times the cost
9 of strontium chromate. So it's used in very small
10 applications. Not in a way that would take over strontium
11 chromate as an industry.

12 CHAIRMAN JOHANSON: And that being said, and it
13 appears as to how the product is described in our staff
14 report and in your brief, that this is indeed a very
15 beneficial product. But you don't see any decrease in
16 demand due to the safety issues? I'm real surprised,
17 because for the EU to release these regulations, it seems
18 like a pretty--in effect, greatly restrict its use in the
19 European Union, I would think that would spread concerns
20 here as well.

21 MR. ST. JOHN: I would say a couple of things. I
22 mean REACH is a very broad regulation. Every chemical in
23 the planet is affected by REACH regulations. And yes,
24 strontium chromate is in a category--like, some chemicals
25 are a little more hazardous--and it's affected some of the

1 European, but I mean REACH is very broad and strontium
2 chromate, we have not seen any indication of demand for
3 applications for customers of changing because of REACH here
4 in the United States.

5 CHAIRMAN JOHANSON: And my apologies if this was
6 raised before. I was out of the room briefly. I think this
7 might've come up, but I'm gonna ask it again. I'm gonna ask
8 this question. There are some indications on Pages 216 and
9 217 of our staff report that not all purchasers consider
10 domestic production to be perfectly substitutable with
11 subject imports. Most of this information is confidential,
12 so I'd appreciate if you could address this issue in your
13 post-hearing brief.

14 MR. NEELEY: We'd be glad to do that.

15 CHAIRMAN JOHANSON: Okay, thank you, Mr. Neeley.
16 In Table 3-6 of the staff report, shipments are broken down
17 by electrical conductivity levels. Can you explain why
18 conductivity is a property important to purchasers? And how
19 conductivity is controlled in the manufacturing process?

20 MR. ST. JOHN: It's not important.

21 MR. NEELEY: But we didn't suggest this question
22 and we don't understand the purpose of it.

23 MS. KLEIN: Just for example, conductivity is not
24 important. I don't know who that got in there, but it did.
25 Out of all the customers we sell to, there's only one--it's

1 an aerospace customer that is slightly concerned about
2 conductivity--but we supply that customer. But other than
3 that, conductivity has not come up in any of my sales
4 conversations or my relationship visits that I have with any
5 of my customers.

6 CHAIRMAN JOHANSON: Were you aware of this
7 possibly an issue prior to this investigation?

8 MS. KLEIN: No.

9 MR. NEELEY: I would just add that there were
10 issues of very technical specifications, it also came up at
11 the Commerce Department, that were suggested by the
12 engineers at Habich, that we had no idea why. So I'm not
13 sure if this was suggested by them, but in any event, yeah,
14 we don't see this as being a very important or even relevant
15 issue.

16 CHAIRMAN JOHANSON: Okay, well, thanks for
17 addressing it. You made that clear, of course, in your
18 opinion. Getting back to the whole issue of strontium
19 chromate, I'm curious about it, because as you've stated, it
20 can indeed be a very beneficial product. Are there any
21 industry groups that are trying to encourage wider use of
22 this product? And should the federal government, or the
23 military be advocating broader applications of this product,
24 since it appears to be very good for anti-corrosion
25 purposes?

1 MR. ST. JOHN: I would say, I mean strontium
2 chromate has been around for decades, and where it's specked
3 in and used is where it continues to be used. And it's
4 about the most boring industry there is, because I can't
5 present a presentation saying we've got double-digit growth
6 in strontium chromate as a business. It just is not
7 accurate.

8 You know, strontium chromate, and that's kind of
9 why we like it, just it's a sleepy little product, everybody
10 needs it, it works extremely well. And up until this hiccup
11 with this trade case, it has been a very boring industry.
12 So no, there's no one who's advocating more or less increase
13 of strontium chromate, other than the attempts to probably
14 develop some newer products that are non-chrome, but I can't
15 conceive of anything that would replace the performance,
16 function and cost of strontium chromate in the applications
17 for steel and aluminum.

18 CHAIRMAN JOHANSON: Okay. And I'm gonna touch on
19 accumulation issue, so this might be best handled by Mr.
20 Neeley. Although the exact data in the prehearing reports,
21 Table 4-2 and 4-5 are confidential, is it fair to observe
22 that imports from Austria exhibited different import volume
23 trends, average unit values, a broader product range than
24 imports from France?

25 MR. NEELEY: Yeah, I think we'll address that in

1 more detail in the post-hearing brief is probably the wisest
2 way to do it, since a lot of that is confidential. Yeah, I
3 mean there are differences. There's no doubt. But there's
4 also what the Commission used to refer to as a hammering
5 effect of them and the fact that they're both in the same
6 market at the same time. And they can go up and down from
7 time to time, depending on, you know, who took a particular
8 customer and lost a particular customer. So anyway, I think
9 we'll get into that in more detail in the post-hearing.

10 CHAIRMAN JOHANSON: Okay, I look forward to
11 seeing that. And I'm gonna get back to a pricing issue.
12 During the preliminary staff conference, the representative
13 of the French producer explained their shifting U.S. market
14 presence as being related to currency movements between the
15 U.S. dollar and the Euro. And this can be seen in Page 85
16 to 86 of the transcript. Presumably, this meant that the
17 French were better able to compete on price when the
18 exchange rate was favorable for them. Does this accord with
19 your experience in the market?

20 MR. ST. JOHN: Without having the exact --
21 currency fluctuations pales in comparison to the price
22 differences that we're seeing in the marketplace. I mean
23 I'm sure that they can claim that's a mitigating factor, but
24 I'm not seeing that as the major reason, nor has any
25 customer ever told us that they're reason they're buying

1 from Europe is because of currency fluctuations or
2 advantages.

3 CHAIRMAN JOHANSON: Okay, thank you. And in most
4 investigations, a whole issue of raw material costs comes
5 up, so I'm gonna ask a question on it. It seems very
6 relevant. Is WPC able to pass on increases in raw material
7 costs to its customers? Why or why not?

8 MR. ST. JOHN: No, typically no. We're not able
9 to do that. I mean our customers are very large and they
10 compete on price, and I think we'd probably be laughed at if
11 we were to do that, but Laura, if you have specific
12 experience with that?

13 MS. KLEIN: Currently we are unable to do that
14 because, obviously, we've lowered our prices to stay
15 competitive somewhat with our European competitors. So
16 right now, no, we cannot pass on raw material charges to our
17 customers, because that would only drive our prices higher.

18 CHAIRMAN JOHANSON: Okay, that was a very clear
19 answer for us. That concludes my questions for now.
20 Commissioner Schmidtlein?

21 COMMISSIONER SCHMIDTLEIN: Okay, thank you. I
22 just had really one question since so much has already been
23 covered. And this has to do with the question of the
24 domestic industry and whether to include the toll producer.
25 And if we can talk -- I'll ask this question, if you don't

1 wanna talk about it here, you can answer it in the
2 post-hearing brief.

3 But Mr. St. John, you mentioned, in response to
4 the last round of questions from me when I asked why there
5 weren't more producers of this product in general, that
6 there was a high barrier to entry and it's a hazardous
7 material and then, in response to Commissioner Karpel, I
8 think you were talking about the fact that prior to your
9 move to the new location, that you did the production of the
10 dispersion form of this product. But during that, you
11 outsourced it and that has remained the case.

12 So I guess my question for you, you said you
13 haven't been able to make that investment. Can you talk a
14 little bit here about what types of equipment you would need
15 to purchase in order to do that process and whether there is
16 special training or special skills that you need from your
17 employees in order to add that back into your production.

18 MR. ST. JOHN: Certainly. So making the pigment
19 itself is the core production process. Making the yellow
20 powder, which we're the only ones that do that. Our toll
21 producer simply takes that powder and basically it's no
22 different than a mixer in your kitchen, on a much larger
23 scale, will add various solvents and usually it's about 30%
24 solvent, 70% solid, put it in a barrel and send it right
25 back to us.

1 So our toll producers adds value, they don't make
2 the strontium chromate pigment at all. I mean they take the
3 pigment, they essentially take Crystal Light and make
4 lemonade, if you will, and ship it back to us in drums
5 immediately. And so what we were lacking overall, it really
6 was the equipment more than anything.

7 And we're talking, you know, not only just the
8 mixing equipment, the conveying, we've retained the
9 operators that know how to do that, and in fact, to our
10 financial detriment have maintained a lot of our
11 knowledgeable operators from four or five years ago to be
12 able to do it. So it's about a million dollars in capital
13 between you build a room, you've got solvents involved.
14 But it's essentially it's taking dry powder, mixing it with
15 a solvent and putting it in barrels.

16 COMMISSIONER SCHMIDTLEIN: I guess it requires
17 some special knowledge, since you're talking about, you've
18 had to retain these employees that have that knowledge that
19 I guess they're doing something else while they're working
20 for you right now, but --

21 MR. ST. JOHN: There is some knowledge, but it's
22 not -- I mean the core of our knowledge is how to make
23 strontium chromate pigment itself, and the manufacture of
24 that pigment. Putting a solvent in there and so forth,
25 there's some nuances to it, but it's not hugely technical.

1 But it makes sense to keep somebody on who did it before,
2 when reaching new people. But from a technical standpoint,
3 90% of our technical knowledge is invested in how to make
4 strontium chromate pigment, and at most 10% be making the
5 dispersion product.

6 COMMISSIONER SCHMIDTLEIN: And does your toller
7 have to have a permit in order to operate and do that? Is
8 it as regulated as you are when it comes to the production
9 of the main product?

10 MR. ST. JOHN: I would say there is some
11 permitting involved, but I can't imagine the level of
12 permitting they have is even close to what it is for us for
13 making the strontium chromate pigment. And strontium
14 chromate, the issue is the dust, for example. And when
15 you're manufacturing the pigment, that's a dust generation,
16 which we handle, and so with our employees, when you're
17 mixing with a solvent, there's a little bit of that issue,
18 so I would say the environmental regulatory scrutiny would
19 be way lower on that for sure.

20 COMMISSIONER SCHMIDTLEIN: Do you have any
21 first-hand knowledge of that? I assume you would, though,
22 from your having produced it or --

23 MR. ST. JOHN: We've produced it, we visited our
24 toll manufacturer. We've seen the process, so we're very
25 familiar with the process.

1 COMMISSIONER SCHMIDTLEIN: Okay.

2 MR. NEELEY: I mean we can take a look and see if
3 there's anything on that that we have in the post-hearing if
4 you'd like.

5 COMMISSIONER SCHMIDTLEIN: Just curious. Okay.

6 MR. NEELEY: Sure.

7 COMMISSIONER SCHMIDTLEIN: And then, Mr. Neeley,
8 I think for the post-hearing, I think it would be
9 interesting to see a comparison between what the facts of
10 this case are and what the facts and, again, I understand
11 that, you know, every case is so generous, and not binding
12 precedent, but the chlorinated isos case, which is mentioned
13 in the prelim, was a case in 2014 where we included in the
14 domestic industry, tableters, right, who were taking the
15 powder and forming it into tablets, and so when you look at
16 the --

17 And that's a chemical, you know, highly-regulated
18 chemical as well, it's again, because the information's
19 confidential in terms of exactly what the number of
20 employees and the percentage of the cost of goods sold and
21 all of that, I'd be interested to see a comparison in terms
22 of how this case lines up to what the facts were in that
23 case, where we did include that toll producer in the
24 domestic industry.

25 MR. ST. JOHN: Understand. We'll make our best

1 effort to do that comparison. As you say, sometimes,
2 getting information from the prior case in sufficient detail
3 is somewhat difficult. I don't know exactly what we'll
4 find, but we'll be glad to try.

5 COMMISSIONER SCHMIDTLEIN: Take a look at that,
6 yeah, see what's not bracketed. And then, if we did include
7 the toll producer in the domestic industry in this case, how
8 would that impact our analysis?

9 MR. NEELEY: I don't think it's gonna have a big
10 impact at all. Quite frankly, the toll producer is simply
11 an appendage, I guess is the way I would describe it, of
12 WPC. I mean without WPC, they're nothing. WPC makes all
13 the sales. I mean it is a tolling operation, after all.
14 They're not out there in the marketplace, they're not making
15 sales.

16 Every lost sale to WPC, it's a lost sale to the
17 toller. I think the analysis is not affected very
18 substantially. I guess, maybe the cost analysis slightly,
19 but that's not the biggest cost. I can't imagine it would
20 have a big impact on the overall conclusions that the
21 Commission would reach.

22 COMMISSIONER SCHMIDTLEIN: So given that they
23 don't sell any of those product into the market and they
24 don't toll-produce for anybody else, it wouldn't affect the
25 volume or price information that we have?

1 MR. NEELEY: No, no, not at all.

2 COMMISSIONER SCHMIDTLEIN: So it would just, in
3 fact, the --

4 MR. NEELEY: The cost side, I guess, or the --

5 COMMISSIONER SCHMIDTLEIN: The financial
6 performance.

7 MR. NEELEY: The financial -- yeah, right,
8 exactly.

9 COMMISSIONER SCHMIDTLEIN: Of the industry?

10 MR. NEELEY: Yes.

11 COMMISSIONER SCHMIDTLEIN: All right. Okay. All
12 right. I have no further questions. Thanks.

13 CHAIRMAN JOHANSON: Commissioner Kearns?

14 COMMISSIONER KEARNS: Thank you. Ms. Klein, you
15 had mentioned earlier that when you went to one of your
16 customers after the shutdown, that you got chewed out. I'm
17 trying to understand why that would be. Because you also
18 said -- it sounds like you all didn't change your prices
19 with respect to your customers, you basically ate the loss
20 that you had to take.

21 Now, I understand with respect to the aerospace
22 customer, you know, since they hadn't certified Habich's
23 product, how that could've created some heartburn for them,
24 I suppose, but otherwise, why were your customers unhappy
25 with the situation, when you were the ones that -- rather

1 than just saying, "Go find someone else to supply you," you
2 supplied them with other products. So what's the problem?

3 MS. KLEIN: So during the shutdown, obviously,
4 you know, we were doing our best to keep our customers
5 supplied. That particular customer was a distribution
6 customer, but even if you have, for instance, if we were
7 able to supply that customer with product, but if it was
8 late, for example. If that customer at that time was
9 particularly angered about that, because the order was
10 late, and which, if you're a purchaser, I can understand,
11 you know, with the delay in our process, that they were
12 upset.

13 Whether, whatever you're buying, if you find that
14 there's a shortage of it, or there could be a disruption in
15 that service, you're gonna be angry. Some of our purchasers
16 are a little bit more high-maintenance than others, for lack
17 of a better word, but some customers, if you're a day late,
18 they're mad. Some customers, if you're a week late, they're
19 okay. So just depends on what that company's policy is.

20 COMMISSIONER KEARNS: Okay, thank you. And I
21 think, in response to a question from Commissioner Stayin,
22 you acknowledge that it makes good business sense for
23 purchasers to have more than one supplier. That had me
24 wondering, what was the situation before the shutdown?
25 Presumably, especially your largest customers already were

1 purchasing from your competitors, is that not the case?

2 MS. KLEIN: Some were, that is correct, yes. I
3 can't answer on behalf of all my customers, but I know us,
4 as a business, we try to have our raw materials, we try to
5 have at least one or two suppliers for each material, just
6 makes sense. But yeah, some of them are already purchasing
7 material from them. There's a big one in particular that
8 has been importing for years from Austria, actually.

9 COMMISSIONER KEARNS: So then it's kind of hard
10 to understand how the shutdown really affected things that
11 much, right? I mean, in other words, we had talked before
12 about, well, you know, it's all about customer relationships
13 until it's not, until they have some toe-hold, and then it's
14 all about price. But it sounds like they already had the
15 toe-hold, that they already were purchasing from other
16 suppliers, and if those other suppliers -- why wouldn't you
17 have been facing price competition from those other
18 suppliers, you know, before the shutdown, as opposed to
19 after?

20 MS. KLEIN: I can't answer the price question.
21 That's a great question, but I can't answer that. I don't
22 know why they decided to gain market share, perhaps? You
23 know, at that time, we had a bigger portion of the market.
24 I don't know why they decided to severely undercut their
25 prices.

1 MR. NEELEY: I mean I guess we'd put it as we've
2 always faced price competition from them for sure. I mean,
3 sales go back and forth all the time. And that was the
4 case, 2014, 2015, before any of this happened. What
5 happened was, really, the unfairly low prices, and the huge
6 underselling and the drop in price levels, particularly in
7 2017 and 2018. And so that was what was of concern and
8 that's why we're here, because that had a direct impact on
9 the financial performance of WPC.

10 It's, as we said, kind of classic injury. I
11 mean, before then, yeah, sure, we lost sales, they lost
12 sales, it was kind of a normal situation which we would
13 expect. And the other thing that happened in 2017 and 2018,
14 as I was explaining to Commission Stayin, things flipped. I
15 mean, suddenly, instead of them being a secondary supplier,
16 for example, for the Austrians and the French, they became
17 the primary supplier and we were, you know, left in the dust
18 as whatever the dregs were, and when they couldn't get their
19 product through customs or whatever.

20 COMMISSIONER KEARNS: Okay, thank you.
21 Commissioner Schmidtlein asked a lot of the questions I
22 wanted to ask about the toller situation. First, just to
23 kind of clarify it, I know you touched on this with her, but
24 -- so did I hear you right that the toller you worked with
25 has never made dispersions for your competitors?

1 MR. ST. JOHN: They're not allowed to. They have
2 our old equipment and we are under a contract manufacturing
3 and non-disclosure. We disclosed our production processes
4 to them. They had no knowledge how to make this prior to
5 that. We did that. They, in our opinion, unless -- they
6 were a captive toller and it's no longer, I think Jeff used
7 the word appendage, I mean they have our equipment, they
8 take our product, they add solvent, they ship it directly
9 back to us. There's no other sales and no other
10 production. At least there shouldn't be.

11 COMMISSIONER KEARNS: Okay. And that gets to my
12 next question. Would it every make sense for them to do so
13 in the future? I guess, because of your contractual
14 relationship, it wouldn't, until that contract is --

15 MR. ST. JOHN: That would be correct. And
16 ultimately, they have to have strontium chromate pigment to
17 mix this product as well, too.

18 COMMISSIONER KEARNS: But then, the question is
19 whether or not they would get that from imports, I guess.

20 MR. ST. JOHN: They currently are not able to do
21 that. They're a large contract manufacturing operation.
22 This is literally a mixer in a side room for their plant.
23 And I can't imagine this being the bids of projects they
24 even work on. They contract manufacture for a lot of large
25 companies, so this is not--trust me--major volume for them.

1 COMMISSIONER KEARNS: Yeah. Okay. So I had a
2 number of different questions I was planning to ask. I
3 think a lot of it you already covered with Commissioner
4 Schmidtlein. But I think just, you know, as much
5 information as you can give us in response to what we heard
6 from the toller, to help fill out the picture about whether
7 or not they're part of the industry, would be helpful in
8 the post-hearing brief, please.

9 MR. NEELEY: Yeah, we'd be glad to do that.

10 COMMISSIONER KEARNS: Thank you. And then, maybe
11 partly just out of my own curiosity, but it may be relevant
12 as well, do you consider strontium chromate powder to be
13 more or less profitable than dispersions? Or are they
14 generally considered to be about the same?

15 MR. ST. JOHN: They're about the same through a
16 margin standpoint.

17 COMMISSIONER KEARNS: Yeah, okay. Okay, thank
18 you. I have no further questions.

19 CHAIRMAN JOHANSON: Commissioner Stayin?

20 COMMISSIONER STAYIN: Yes, thank you. Take us
21 back to before the shutdown and in those years, were the
22 French and the Austrians in the market at that time? And to
23 what extent, where were they in terms of, and how were they
24 competing at that time?

25 MR. KRALL: Yes, they were both in the market.

1 The French, basically through distribution with aerospace
2 business on the West Coast. The Austrians were competing
3 with us directly, with one of our large customers. And they
4 took that business. Originally, we had that business for
5 quite a while, and so this was before the shutdown, it was
6 in 2013, they actually came in and took that business away
7 from us on price.

8 COMMISSIONER STAYIN: On price?

9 MR. KRALL: Yep.

10 COMMISSIONER STAYIN: So they were competing with
11 you on price at that time?

12 MR. KRALL: Correct.

13 COMMISSIONER STAYIN: And that was the ability of
14 them to even penetrate the market? Or had they actually
15 stabilized and kept the prices that were close to yours?

16 MR. KRALL: Yeah, the prices were much closer,
17 even though they competed on price, the price differences
18 then on that particular situation was much closer than what
19 we've seen recently, yes.

20 COMMISSIONER STAYIN: I have no further
21 questions, thank you.

22 CHAIRMAN JOHANSON: Commission Karpel.

23 COMMISSIONER KARPEL: Thanks. I think we'll pick
24 up on -- in Table 3-5 in C-1 of the prehearing report, it
25 shows longer-term trends, or let me rephrase that --

1 longer-term declines in WPC's U.S. shipments starting in
2 2013. Can you discuss a little bit about what might've
3 caused that or --

4 MR. NEELEY: Yeah, I think, probably that would
5 get into some kind of financial information, so I think we
6 ought to probably do that in the post-hearing, but yeah, I
7 see the table that you're referring to. We'll talk about
8 that. Thank you.

9 COMMISSIONER KARPEL: And then I wanna turn back
10 a little bit to the REACH regulations. As I understand
11 those regulations, and perhaps you can elaborate a bit, is
12 that once a chemical is on a restricted list and is subject
13 to authorization, it affects the downstream products that
14 might contain that chemical and then they need to go through
15 various authorizations or restrictions might be applicable
16 to them. So I'm trying to understand you.

17 I've heard you said earlier today that you don't
18 see an impact of REACH in the U.S. market besides for the
19 impetus for the French and Austrian producers to try to find
20 an alternative place to sell their product. But to the
21 extent you have U.S. customers that are interested in
22 selling their downstream products abroad, in particular to
23 Europe, might they be thinking about whether or not they
24 need to be using a REACH compliant product so their products
25 can be exportable to the EU?

1 And if so, if any of that's incorrect, please
2 correct me. But how has that affected, maybe your business
3 in the U.S. or demand for strontium chromate in the U.S.
4 market?

5 MR. ST. JOHN: Yeah, so the whole REACH
6 regulation issue is a major issue for any chemical company.
7 And as we have dealt with our customers, we did notice a
8 comment somewhere in there about one customer said they
9 didn't buy from us because of REACH regulation. I would say
10 this, Laura and I dealt with most of our customers that,
11 when there is an issue, if they're producing something here
12 that needs to go to Europe, that we have pursued or gotten a
13 letter of access or whatever it takes to become REACH
14 regulation.

15 And we have active conversations around with
16 customers, that when they brought this up. We have never
17 had a customer explicitly say they don't buy from us because
18 of REACH, because we are happy to work with them on REACH
19 and get a letter of access or whatever requirement is
20 required for those products.

21 MR. NEELEY: I would add, just from talking to
22 Laura here, that to the extent there's been any discussion
23 of REACH, and there hasn't been very much, except for one
24 company apparently. That's come up since the case was filed
25 in 2019. We're not quite sure why. But certainly before

1 then. It doesn't explain anything with regards to 2017,
2 2018, and we're not quite sure why -- it's coming up in
3 2019, if it comes up, you know, more obviously, it needs to
4 be addressed. But it's very recent.

5 COMMISSIONER KARPEL: Just going back to
6 something, Mr. St. John, that you said. You mentioned a
7 letter of access. Would this be to use strontium chromate
8 in aerospace applications in Europe? Or, I didn't think you
9 could use it in other applications still?

10 MR. ST. JOHN: Just in general, the raw
11 materials. We have a number of different products that
12 we're working with right now, some of which have raw
13 materials that have never been registered within REACH. And
14 I'm talking broadly, beyond strontium chromate, just REACH,
15 and we're working on becoming the initiator to get those
16 registered. There are some products like strontium
17 chromate that already have been registered in REACH, and
18 that letter of letter of access process is there. And it's
19 supposed to be transparent and fair for us if we wish to
20 work with those applicants that registered strontium
21 chromate to get a letter of access to be able to do that.

22 And as I understand that, they're operating under
23 an exemption, which allows them to provide aerospace in
24 Europe, but not other applications. And so, yes, if there's
25 any interest that we would have from a customer in strontium

1 chromate going over there, my assumption is, it's being used
2 for aerospace. That's their problem kind of, but that's
3 what we're assuming their doing with it.

4 COMMISSIONER KARPEL: You mentioned earlier that
5 you also are developing alternatives to strontium chromate.
6 Have you seen an increase in interest in those on account of
7 REACH for customers who just wanna avoid REACH altogether,
8 so we're looking for a substitute so they don't have to deal
9 with those processes?

10 MR. ST. JOHN: Yes, I would say the pursuit of a
11 pure strontium chromate replacement has been going on for
12 decades. I mean we had a joint project with NAVAIR in 2004,
13 2006 to work on replacements. We have intellectual property
14 on those products. And they are niche applications, at
15 most, nonchromate replacements are used in very niche
16 applications in aerospace and so forth. But in large very
17 term, you've got an airframe you're trying to coat versus
18 one bolt kinda situation.

19 MR. KRALL: Might I add that, as Brent said,
20 there's been a lot of effort to develop non-chrome
21 replacements. Everybody -- that's the holy grail. If you
22 could come up with that, you know, everybody would love it
23 and buy it. But as he also said, it's been worked on for
24 decades and decades and strontium chromate just works and
25 for large coil manufacturers that are interested in cost,

1 that's all they care about.

2 Once it's encapsulated and once it's used, you
3 know, it goes into a fa ade or something like that or a
4 steel roof, it doesn't pose a problem anymore. So there's
5 no incentive for them to change unless they would be forced
6 into it. In Europe, those people outside the aerospace
7 industry that were using strontium chromate, have basically
8 just moved out of Europe or shut down.

9 COMMISSIONER KARPEL: Moving to a different
10 topic, do you have a sense of why nonsubject imports aren't
11 trying to enter the U.S. market as well? And do you have
12 any information on, you know, producers in other countries,
13 India and Turkey, I think, are among those mentioned, as
14 also as producing?

15 MR. ST. JOHN: Well, like I say, we've been
16 producing strontium chromate since the 70s and we're very
17 familiar with other possible, been quite frankly the quality
18 of the product is very similar between France, Austria and
19 the United States, but it is superior to the quality
20 available to those other producers.

21 COMMISSIONER KARPEL: Next question, there's some
22 mention, for example in Table 2-12 of the prehearing staff
23 report, it shows mixed responses from importers and
24 purchasers as to the significance of differences of price
25 and purchasing decisions, with several of those responding

1 indicating that differences other than price are always or
2 frequently significant.

3 What might those differences be? I know you've
4 talked a lot about price being the decision point, but given
5 what's in Table 2-12, how can you speak to that, and some of
6 the other differences that are being noted there?

7 MR. NEELEY: Yeah, I mean--Jeff Neeley--I mean
8 the one difference in particular that was striking was, you
9 know, availability. And we understand that clearly out
10 stuff was not available in 2015 and early '16, so that makes
11 sense to us. And we are getting inquiries, as Laura
12 testified, every--you know, very frequently, that the
13 products from Austria and France aren't available because
14 they got hung up in Customs or whatever the case may be.

15 So, yeah, availability is certainly an important
16 factor, and we're not surprised that that's in there. In
17 terms of things like product consistency, that's important.
18 But identifying it as important doesn't mean that the three
19 products aren't consistent. You know, the way the questions
20 were asked I'm not exactly sure how to parse the meaning.
21 You know, yes, oh, product consistency, for sure that's
22 important. Is that an issue on a day-to-day basis? Not
23 really.

24 And so there's a lot of things that are
25 identified. Reliability of supply? Yeah, that's

1 important. It's kind of the same as availability. It's a
2 repeat of the same issue. Yeah, that's important. But how
3 is it important today, and in what manner I think are the
4 most important questions.

5 COMMISSIONER KARPEL: Next is on inventories. We
6 have the data on inventories in the staff report, for
7 example, but we know there were some odd things going on at
8 least in 2016 in terms of inventories, given that you were
9 building up, drawing down, ramping up. So I'm trying to get
10 a sense of what would be a normal picture of inventory
11 levels, given the early 2016 year really isn't indicative of
12 that.

13 MR. NEELEY: Right, 2016 is odd. Jeff Neeley. I
14 think that's something we ought to address in the
15 posthearing, because it's pretty confidential stuff. But we
16 can provide that.

17 CHAIRMAN JOHANSON: Alright, I have just one more
18 question for you all. Are you aware of any differences
19 between WPC's production method and inputs and the costs
20 relative to those of the Austrian and French firms?

21 MR. ST. JOHN: I'm sure we can address this more
22 confidentially, but I mean our three manufacturers have very
23 similar production processes, very similar direct labor
24 inputs, and very similar direct raw material inputs.

25 CHAIRMAN JOHANSON: Okay, if you could just touch

1 on this at least briefly in your posthearing brief, I am
2 curious about it, and I'd appreciate that.

3 That concludes my questions. Commissioner
4 Schmidtlein?

5 COMMISSIONER SCHMIDTLEIN: No more questions.

6 CHAIRMAN JOHANSON: Commissioner Kearns?

7 COMMISSIONER KEARNS: I have just one more quick
8 one. I wanted to touch on the impact of imports from
9 France, more specifically.

10 Mr. Neeley, you mentioned that the purpose of the
11 cumulation requirement is to address the hammering effects
12 of imports from more than one country. But have imports
13 from France caused any hammering effect at all? Is there
14 any evidence that imports from France swung even a small
15 hammer, even just once or twice in the U.S. market during
16 the POI?

17 (Laughter.)

18 MR. NEELEY: You know, there's got to be some
19 hammer, I guess, is your point. Yes, we think it did. I
20 mean, I think that some of the answer to that would be
21 confidential information with regard to some specific
22 customers and the way they answered it, so I probably
23 shouldn't be talking about it right now. But we will be
24 glad to delve into that in the posthearing brief.

25 COMMISSIONER KEARNS: Okay, thank you. That's

1 all I have.

2 CHAIRMAN JOHANSON: Commissioner Stayin, any
3 further questions?

4 COMMISSIONER STAYIN: No.

5 CHAIRMAN JOHANSON: Okay, Commissioner Karpel?

6 COMMISSIONER KARPEL: Thank you. I just have a
7 few more about pricing.

8 So as indicated on page 5-11, footnote 11, the
9 Commission did not receive purchase cost data for pricing
10 product two, which is strontium chromate powder in large
11 bags.

12 Can you, either now or in your posthearing brief,
13 discuss the significance of pricing product two for your
14 business? And can you elaborate on your assertion on page
15 22 of your brief that there is no commercial difference
16 between strontium sold in large bags versus those sold in
17 small bags? And that they compete with each other in the
18 U.S. market?

19 If we accept this assertion, what does this mean
20 for how we should look at the pricing data for these two
21 products?

22 MS. KLEIN: For, I would say, just about all of
23 our customers that we sell strontium chromate to, if I'm
24 selling to company ABC, company ABC is going to pay the same
25 price for 50-pound bags or the super sacks. We don't have a

1 different packaging cost for customers of strontium
2 chromate. I don't know if that answers your question.

3 COMMISSIONER KARPEL: --would be more than the
4 small bags? Or are you talking about per pound?

5 MS. KLEIN: On a per-pound basis. On a per-pound
6 basis, you can either have it in 50-pound bags, or you can
7 have it in super-sized bags. Either one, we will charge the
8 same price to company ABC.

9 COMMISSIONER KARPEL: The other part of my
10 question was about the significance of pricing product two
11 for your business. I guess I'm sort of getting at the mix
12 of what pricing products you sell more of, the large bags?
13 The smaller bags? The paste? That sort of mix, and whether
14 one of those is more important to your business, your sales
15 and so forth?

16 MS. KLEIN: Honestly, I mean if the major
17 customers want to buy all 50-pound bags, that's fine. I
18 would say it's a matter of significance to the customer, not
19 to us. We'll sell any package size they want.

20 Most of the--one major customer in particular
21 buys both sizes, but it is up to the customer what they
22 prefer.

23 MR. NEELEY: Yeah. We'll talk about that and I
24 think address it in more detail in terms of significance in
25 the posthearing brief. That's probably the best way to

1 compare them.

2 COMMISSIONER KARPEL: A similar, running from the
3 same line there, can you expand on your statement on page 22
4 of your prehearing brief that the pricing data for domestic
5 product and the purchase cost data for direct imports
6 provide valid comparisons of the competition at the same
7 level of trade?

8 MR. NEELEY: I'm sorry? You'd like us to address
9 why that's a valid comparison, as opposed to other
10 comparisons?

11 COMMISSIONER KARPEL: Essentially, and why you
12 view it at the same level of trade. I'm not sure--

13 MR. NEELEY: Oh, sure.

14 COMMISSIONER KARPEL: --we've always looked at it
15 that way.

16 MR. NEELEY: Yeah, I mean we can expand on it.
17 But basically what we're saying is that in those cases the
18 foreign producers going direct to those customers, were
19 going direct to those customers, it's clearly
20 apples-to-apples. There's no other noise going on in those
21 comparisons, I think is what we're saying.

22 COMMISSIONER KARPEL: But there may be costs that
23 aren't reflected in the end-user importer versus an end user
24 in the U.S. going to an importer and getting that product,
25 right?

1 MR. NEELEY: Yeah, I mean they're both being sold
2 on a delivered basis to the customers. So I think it is a
3 valid comparison.

4 COMMISSIONER KARPEL: Well maybe just think about
5 it a bit more and follow up in your posthearing brief. I
6 mean, you can elaborate more. I'm not suggesting any--

7 MR. NEELEY: No, no, that's fine. That's fine.
8 We'll think about the best way to look at that and explain
9 it. Thank you.

10 COMMISSIONER KARPEL: Okay, and the last one
11 here. On page 20 of your prehearing brief you assert that
12 strontium chromate is a commodity product. And you've
13 talked about that at several junctures in today's hearing.
14 It competes basically on price.

15 But I'm looking at page 5-19 and Table 5-9 of the
16 staff report, and it describes the quarterly comparisons of
17 pricing data, and that they involve overselling by subject
18 imports. So I'm trying to sort of get my head around if the
19 products are really competing on price, how is it that
20 subject imports are able to have such overselling in the
21 U.S. market and remain in the U.S. market?

22 MR. NEELEY: Yeah, I think that that goes back to
23 some of our prior discussions. And we don't think there is
24 overselling, fundamentally, because I think what we're
25 seeing--there's a disconnect in that why you're ending up

1 with overselling compared to what's being said by the
2 customers as to being based on price, and our own
3 experience. So we're not sure why that's happening. I
4 think the staff did a great job trying to get the
5 information, but there's something going on there that we
6 don't really totally understand.

7 So I think without getting into confidential
8 information, at this point I think we will address that.
9 But there is a discrepancy there, yes.

10 COMMISSIONER KARPEL: That's all I have.

11 CHAIRMAN JOHANSON: Do any other Commissioners
12 have questions?

13 (No response.)

14 CHAIRMAN JOHANSON: No questions from
15 Commissioners. Do you have questions--actually, I have one,
16 now that I'm here. I started off by talking about the tour
17 I did of a Boeing plant this summer in Mukilteo, Washington.
18 And once again, it was a public tour. Anybody can go on
19 these.

20 I was wondering. You all stated that the REACH--
21 I believe I read this in the staff report, that under the
22 REACH regulations this product is available currently for
23 aircraft produced--or for producers to be used in the
24 European Union by aircraft producers, but that it will be
25 phased out? Is that correct?

1 MR. ST. JOHN: I'm not sure of the current
2 status, but we looked this up a couple of weeks ago. I
3 mean, I think the aerospace exemption will be there for
4 quite awhile.

5 CHAIRMAN JOHANSON: I was going to say, if you
6 all stated that there is no replacement for this product,
7 what is--

8 MR. ST. JOHN: Nothing moves slower than the
9 aerospace specification, except maybe a mill specification.
10 And although that's an admirable goal, I think the reality
11 is that strontium chromate will need to be used on air
12 frames for a long time. And there are alternatives, but I
13 mean that exemption will last in Europe, I'm sure, just
14 because as long as Air Bus is around--

15 CHAIRMAN JOHANSON: Okay, that's what I figured,
16 but I was a little confused.

17 Alright, thanks for your clarification there.
18 That concludes Commissioner questions.

19 Do staff have any questions for this panel?

20 MR. CORKRAN: Douglas Corkran, Office of
21 Investigations. Thank you, Chairman Johanson. Staff has no
22 additional questions.

23 CHAIRMAN JOHANSON: Alright, thank you. Then we
24 will now hear the Petitioner's closing.

25 CLOSING REMARKS BY JEFFREY S. NEELEY

1 MR. NEELEY: Jeff Neeley. I'm just going to sit
2 here, because I don't really have a closing. I think we've
3 probably exhausted everything in our questions, and
4 certainly we will work on the posthearing brief. But I just
5 want to thank everybody. I thought the questions were
6 excellent and went to the heart of what the issues are in
7 this case, despite the fact that we don't have anybody on
8 the other side in here. I thought this was a very useful
9 exercise, and we hope it was for you, as well.

10 CHAIRMAN JOHANSON: Alright, thank you, Mr.
11 Neeley, and thank you again for all the people who appeared
12 here on this panel.

13 I would also like to thank the Shenzhen group for
14 sticking around. You're still here. Just to let you know,
15 it's very common for our hearings to go on all day. In
16 fact, I'd say usually they do last until 4:00, or 5:00, or
17 6:00, or 7:00 in the afternoon and evening. So this is a
18 short one today. But thank you all for being here today and
19 watching our proceedings.

20 I will now make a closing statement. Posthearing
21 briefs, statements responsive to questions, and requests of
22 the Commission, and corrections to the staff report, must be
23 filed by October 10th, 2019. Closing of the record and
24 final release of data to parties occurs on October 25th,
25 2019. And final comments are due on October 29th, 2019.

1 With this, this hearing is concluded.

2 (Whereupon, at 11:34 a.m., Thursday, October 3,
3 2019, the hearing of the Commissioners of the U.S.
4 International Trade Commission in the above-entitled matter
5 was adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Strontium Chromate from Austria and France

INVESTIGATION NOS.: 731-TA-1422-1423

HEARING DATE: 10-3-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 10-3-19

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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

SIGNED: Duane Rice
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: Larry Flowers
Court Reporter