

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
SMALL DIAMETER GRAPHITE) Investigation No.:
ELECTRODES FROM CHINA) 731-TA-1143
(Final)

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation No.:
 SMALL DIAMETER GRAPHITE) 731-TA-1143
 ELECTRODES FROM CHINA) (Final)

Tuesday,
 January 6, 2009

Room 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable SHARA L. ARANOFF, Chairman, presiding.

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On Behalf of the International Trade Commission:Commissioners:

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 DEANNA TANNER OKUN, COMMISSIONER
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1 that contain information you wish classified as
2 business confidential your requests should comply with
3 Commission Rule 201.6.

4 Mr. Secretary, are there any preliminary
5 matters?

6 MR. BISHOP: No, Madam Chairman.

7 CHAIRMAN ARANOFF: Very well. Let us
8 proceed with opening remarks.

9 MR. BISHOP: Opening remarks on behalf of
10 Petitioners will be by David A. Hartquist, Kelley Drye
11 Warren.

12 MR. HARTQUIST: Good morning, Madam
13 Chairman, members of the Commission and staff. I am
14 David A. Hartquist of the law firm Kelley Drye &
15 Warren, counsel to the Petitioners in this case. We
16 appreciate the opportunity to appear before you this
17 morning.

18 The record before the Commission
19 demonstrates the following: As the Department of
20 Commerce has found, imports of small diameter graphite
21 electrodes from China are being dumped in the United
22 States at substantial dumping margins.

23 Number two, dumped imports from China have
24 increased significantly in volume and market share
25 over the period of investigation. The Chinese started

1 selling small diameter electrodes even before the POI
2 and moved up into all small diameter electrodes as
3 time went on.

4 Third, as a direct result of the dumping,
5 the Petitioners have been forced out of selling many
6 small diameter graphite electrode products and sizes.

7 Number four, Chinese underselling of
8 domestic producers has suppressed pricing at a time
9 when strong demand and increasing raw material costs
10 should have allowed domestic producers to sell at fair
11 value, pass along the price increases and achieve
12 reasonable profits. That did not happen.

13 Five, the record shows Chinese underselling
14 in 90 percent of the sales causing massive lost sales,
15 yet profitability has been dismal during the POI.
16 Only after we filed this case in 2008 did Chinese
17 producers increase their prices and U.S. pricing and
18 profits improved.

19 Petitioners have essentially missed one of
20 the strongest markets in history for the steel
21 industry, a major customer group for graphite
22 electrodes.

23 Sixth, with respect to like product, the
24 Commission's preliminary determination we believe was
25 correct and should be maintained in your final

1 determination.

2 Last, I would like to express the
3 appreciation of all of the Petitioners for the support
4 for this case shown by the major steel industry trade
5 associations: the Steel Manufacturers Association --
6 Mr. Danjeczek, is here to testify for them this
7 morning -- the American Iron & Steel Institute and the
8 Specialty Steel Industry of North America.

9 Thank you.

10 MR. BISHOP: Opening remarks on behalf of
11 Respondents will be by Lizbeth R. Levinson, Garvey
12 Schubert Barer.

13 MS. LEVINSON: Good morning, ladies and
14 gentlemen of the Commission and staff. I appreciate
15 the opportunity to appear before you today. I'm
16 Lizbeth Levinson of Garvey Schubert Barer. I'm
17 representing the importers and several Respondents
18 that are Chinese producers and exporters.

19 The Commission should issue a negative final
20 determination and terminate the investigation as the
21 administrative record fails to establish that either
22 material injury or threat of material injury exists by
23 reason of Chinese imports.

24 Although Petitioners have limited the scope
25 of their petition to small diameter electrodes, they

1 incorrectly identify the like product as co-extensive
2 with the scope of the petition. For the reasons that
3 will be discussed by today's panel, the correct like
4 product and the relevant industry are all graphite
5 electrodes regardless of diameter size.

6 Petitioners' attempt to divide electrodes
7 regardless of diameter size into two separate like
8 products and two distinct industries must fail. No
9 bright line exists between graphite electrodes at the
10 16 inch diameter point. Rather, graphite electrodes
11 constitute a single like product with a continuum of
12 diameter sizes.

13 Given the appropriate like product, the
14 impact of imports of Chinese small diameter electrodes
15 upon the domestic industry producing all graphite
16 electrodes is negligible as the smaller electrodes
17 constitute only a small portion of total electrodes
18 consumed in the United States.

19 Moreover, even if the Commission were to
20 adopt the like product definition advanced by
21 Petitioners, the administrative record establishes
22 that the domestic industry producing smaller diameter
23 electrodes as a whole is healthy and not suffering
24 material injury. To the extent that any injury is
25 found, such injury is not by reason of Chinese

1 imports.

2 Although Chinese imports have increased in
3 volume, such increases have not been significant,
4 given that overall domestic consumption has increased,
5 imports from other foreign sources have decreased and
6 the capacity of the domestic industry is unable to
7 meet the growing demands of the U.S. market for small
8 diameter electrodes.

9 Contrary to the assertions of the
10 Petitioners, the testimony you will hear today from
11 actual U.S. purchasers of the subject merchandise will
12 demonstrate that the Petitioners are unable or perhaps
13 simply uninterested in providing products to U.S.
14 purchasers.

15 These U.S. purchasers have contacted the
16 Petitioners in 2008 for 2008 and 2009 supply, and
17 neither Petitioner has been able to fill their
18 requests. Even if Petitioners operated at full
19 capacity, imports from China in nonsubject countries
20 will be necessary to meet U.S. demand requirements.

21 Similarly, Chinese imports have not
22 adversely affected the pricing of small diameter
23 graphite electrodes in the United States. The average
24 unit values of U.S. shipments and the prices of the
25 individual products analyzed by the Commission have

1 all increased during the period of investigation. The
2 unit value of overall Chinese imports, as well as the
3 unit prices of Chinese imports for each of the
4 individual products analyzed by the Commission, have
5 all increased during the period of investigation.

6 The administrative record also establishes
7 that the domestic industry is not suffering material
8 injury. For the industry as a whole, all indicia of
9 profitability have increased over the period of
10 investigation, calendar years 2005 to 2007, as well as
11 interim 2008. Petitioner SGL is continuing to report
12 record profits. To the extent that there's any injury
13 it is not by reason of Chinese imports, but are wholly
14 attributable to other reasons.

15 Finally, the administrative record
16 establishes that no threat of material injury exists.
17 Ms. Liu, a representative of Beijing Fangda, the
18 largest exporter of electrodes to the United States,
19 has traveled from Beijing to testify before the
20 Commission today.

21 Ms. Liu will explain that the Chinese
22 producers are operating at high levels of capacity.
23 The Chinese industry is more focused on production for
24 the growing Chinese domestic market and is, therefore,
25 much less export oriented than Chinese other

1 industries investigated by the Commission.

2 Moreover, with respect to the export markets
3 of the Chinese producers, export markets other than
4 the United States are predominant. Chinese raw
5 materials prices have also increased during the period
6 of investigation, which is reflected in higher Chinese
7 pricing for the subject merchandise.

8 The continuing appreciation of Chinese yuan
9 vis-à-vis the U.S. dollar, the total elimination of
10 the VAT export rebate on exported electrodes and
11 increasing ocean freight costs between Asia and North
12 America all indicate that there will not be a sudden
13 increase in Chinese exports to the United States.

14 Accordingly, we respectfully request that
15 you issue a negative final determination in this case.
16 I apologize for the length of the statement.

17 CHAIRMAN ARANOFF: Thank you.

18 Mr. Secretary, will you please call the
19 first panel?

20 MR. BISHOP: Would those in support of the
21 imposition of the antidumping duty order please come
22 forward and be seated?

23 Madam Chairman, all witnesses have been
24 sworn.

25 (Witnesses sworn.)

1 CHAIRMAN ARANOFF: Good morning, and welcome
2 to the Commission. Thanks for being here today.

3 I know it's just right after the holidays
4 and we've chosen a dreadful morning to bring you in
5 here, but we appreciate your being here so please
6 proceed when you're ready.

7 MR. HARTQUIST: Thank you, Madam Chairman.
8 Let me start by also expressing again the appreciation
9 of the Petitioners for four of the Commissioners
10 coming down to SGL for the plant tour. We really
11 appreciate that.

12 It's unusual to have so many Commissioners
13 visiting a facility, and we hope you learned something
14 during your visit.

15 I'll simply introduce the witnesses. Our
16 first witness this morning will be Mr. K. Andrew
17 Stinson, Andy Stinson, Vice President, Technical Sales
18 Americas, SGL Carbon, LLC. Our second witness, on my
19 right, is Edward A. Carney, president and CEO of
20 Superior Graphite Co.

21 Our third witness will be Mr. Willy
22 McClintock, who is a consultant to the industry and
23 president of his own company, which is Northsouth,
24 Inc. Number four, Thomas A. Danjeczek. Tom
25 Danjeczek, the president of the Steel Manufacturers

1 Association.

2 Fifth, our economic consultant, Michael
3 Kerwin of Georgetown Economic Services, and, lastly,
4 Alan Luberda, my partner at Kelley Drye, who will
5 speak to like product and other legal issues.

6 With that, we'll start with Mr. Stinson.

7 MR. STINSON: Good morning, Madam Chairman,
8 members of the Commission. My name is Andy Stinson,
9 and I am the Vice President, Technical Sales for the
10 Americas, for SGL Carbon, LLC.

11 SGL is a producer of small diameter
12 electrodes in the United States. It is good to see
13 you again, and we appreciate that many of you were
14 able to take time to visit SGL in preparation for this
15 hearing.

16 As you know, we are a bit unusual in that we
17 are the only company in the United States that makes
18 both small diameter and large diameter electrodes.
19 Our jobs are particularly important in the small
20 community where we make small diameter electrodes.

21 Currently we only make two sizes of the
22 small diameter graphite electrodes, 14 and 16 inch
23 products. Unfortunately, over the years we were
24 chased out of most sizes of the small diameter market
25 by dumped, low-priced imports from China.

1 The report prepared for your staff provides
2 a good explanation of how graphite electrodes are
3 made, and many of you were at the plant and got a
4 chance to see how that is done.

5 Despite the fact that there are similarities
6 in the basic production processes for the large and
7 small diameter products as SGL, we view them as being
8 very different and serving very different markets. In
9 my experience, our customers view them as different
10 products as well.

11 It is not an accident that the other
12 producers of electrodes in the U.S. market now produce
13 either large diameter or small diameter electrodes,
14 but not both. They are different products made with
15 different raw materials to achieve different
16 performance characteristics and are sold in different
17 markets.

18 Quite frankly, unless relief is granted no
19 new U.S. production of small diameter electrodes is
20 likely to come on stream, given the conditions the
21 imports from China have created in this market.

22 In essence, graphite electrodes break into
23 two basic groups. First there are electrodes for low
24 intensity uses that are used in a variety of
25 applications, including foundries and ladle furnaces

1 in steel mills.

2 These graphite electrodes are virtually all
3 small diameter electrodes 16 inches in diameter or
4 less. They operate with electric current carrying
5 capacities that typically are between 15,000 and
6 60,000 amps. In the steel industry, the only common
7 customers for small and large diameter products, these
8 small diameter electrodes are generally known as ladle
9 electrodes.

10 Second, there are large diameter electrodes
11 that are used almost exclusively for one high
12 intensity use: Melting steel in electric arc
13 furnaces. They carry from 60,000 amps of current to
14 as much as 160,000 amps. The average in today's
15 modern melting furnace is over 100,000 amps. A
16 typical EAF being built today for melting steel does
17 not use electrodes less than 24 inches in diameter or
18 with a current carrying capacity under 100,000 amps.

19 Now, there are some minor exceptions to this
20 breakdown of large and small diameter electrodes at 16
21 inches. There are a few high intensity melting
22 furnaces with electrodes that are 14 or 16 inches in
23 diameter.

24 There are also a few ladle furnaces that are
25 18 inches and only one that is 20 inches, but these

1 are exceptions, and the vast majority of ladle
2 furnaces use a 16 inch or less electrode, and the vast
3 majority of EAFs use an electrode that is 18 inches or
4 larger.

5 These exceptions do not define how we or the
6 marketplace view small diameter electrodes.

7 Physically the small and large diameter products are
8 unlike each other. Small diameter products are made
9 from a variety of grades of petroleum coke, including
10 anode grades and various low grades of needle coke.

11 In contrast, large diameter electrodes are
12 generally only made from the highest grade needle
13 coke. As those of you who went to the plant on the
14 plant tour saw, even the grain size of the coke used
15 is different -- small for small and large diameter
16 products with large diameter products having much
17 larger grains of coke.

18 These physical differences translate to the
19 performance characteristics necessary for the
20 particular applications to which the electrodes are
21 dedicated. The small diameter graphite electrodes
22 perform under much lower current carrying heat and
23 mechanical strength requirements. They come in
24 various qualities designed to fit the particular
25 applications of the customer.

1 The larger the diameter and the better the
2 grade of coke used, the more current the electrode can
3 carry and ultimately the more heat is generated. For
4 this reason, large diameter graphite electrodes are
5 virtually always made only to UHP grade. They are
6 designed to operate in high energy, intense heat
7 conditions and under a lot of mechanical strength.

8 To carry a current as high as 160,000 amps
9 and to melt scrap steel from room temperature to a
10 couple thousand degrees, the large diameter electrode
11 must be physically strong and must have a stronger
12 connecting pin to avoid breakage that could cause the
13 steel mill to stop the melting process and fish out
14 the broken electrode.

15 Because of these critical differences in
16 characteristics, there is no interchangeability
17 between large and small diameter electrodes. Small
18 diameter graphite electrodes cannot carry the high
19 electrical current loads required to generate the
20 extreme temperatures to melt scrap steel efficiently.

21 If a steelmaker attempted to pass these high
22 currents through a small diameter electrode to
23 generate the intensity of heat, the electrode would
24 simply break and fall apart.

25 While the production processes for large and

1 small diameter electrodes are similar, major capital
2 investments are necessary to shift from producing
3 small to large diameter electrodes.

4 An operation set up to run only small
5 diameter electrodes like Superior's, for example,
6 could not switch to large diameter production without
7 a substantial and expensive upgrade to its facility.
8 Our large diameter equipment, such as large cans for
9 baking, also cannot be efficiently used to make
10 quality small diameter products.

11 The 16 inch dividing line in the petition is
12 where production typically delineates for the
13 industry. CGE and Shoa Denko make only large diameter
14 products and Superior makes only small diameter
15 products. A small diameter graphite electrode is not
16 just a small version of a large diameter electrode.
17 They are different products produced by different
18 industries, designed for different applications.

19 No domestic producer and none of our
20 customers that I'm aware of would consider small
21 diameter and large diameter graphite electrodes to be
22 the same product or interchangeable in any way. Many
23 of our steel customers today typically have a separate
24 bidding process for their small diameter ladle
25 business and their large diameter melting business.

1 Unfortunately, many of our large diameter
2 graphite electrode customers don't even ask SGL to
3 quote small diameter electrodes anymore. That is
4 because the dumped Chinese imports have already
5 destroyed much of our small diameter electrode
6 business.

7 The Chinese producers have competed on the
8 basis of price in this market, gaining acceptance for
9 the quality of their product as they increase their
10 presence in the market. They have undersold the
11 market by large margins, convincing customers that the
12 lower performance of their electrodes could be more
13 than made up for with the extremely low prices at
14 which they were offered.

15 If the grade the Chinese sold the customer
16 does not work well they would simply offer a higher
17 grade at essentially the same price until the customer
18 got quality at a price that was well under SGL's
19 price.

20 This process has been accelerating since the
21 mid 1990s, and by the period of investigation we found
22 that we could not afford to compete with the Chinese
23 small diameter electrodes and remain profitable in the
24 long term. With the Chinese aggressively taking
25 market share with unfairly low prices, we were left

1 with two choices: Continue to chase low Chinese
2 prices and lose money or cede market share to them.

3 We made the decision to stop chasing Chinese
4 prices. As a result, the Chinese imports have taken
5 nearly the entire foundry market and are significantly
6 eating away at the ladle furnace market in the steel
7 industry.

8 In response, we have narrowed our product
9 offering to only two sizes, 14 and 16 inch diameter
10 electrodes. This allowed us to maintain some
11 profitability on these products, but also meant that
12 SGL sold small diameter graphite electrodes to fewer
13 customers, trying to find buyers that the Chinese had
14 not yet captured.

15 Because we cannot control the import
16 pricing, we worked on what we could control and
17 lowered our costs by various means to compete with the
18 Chinese effectively in these remaining sizes. In
19 2006, we reached the limit of our ability to lower
20 costs and narrow markets, and by 2007 we again saw
21 both our profits and our market in small diameter
22 electrodes erode further.

23 Frankly, it has been difficult to make a
24 financial case for continuing to produce small
25 diameter graphite electrodes under current conditions.

1 No U.S. company can compete with the Chinese at the
2 lower price levels that they have sold at over the
3 last few years. It is impossible to match up head-to-
4 head with them on price.

5 If the Commission wants to see the impact of
6 imports of dumped Chinese small diameter graphite
7 electrodes on the industry, simply compare the
8 operating profits for our small diameter operations as
9 reported in our questionnaire response. The
10 difference is striking.

11 We have lots of foreign and domestic
12 competitors in the large diameter market. We also
13 have strong competition from non-Chinese producers in
14 the small diameter market. Both industries have been
15 subject to increasing coke costs, and both have been
16 subject to similar changes in demand related to
17 changes in steel production.

18 The difference in markets for the two
19 industries can be summarized as follows: In the small
20 diameter market, we have extensive competition from
21 Chinese electrodes that undersell us and keep prices
22 and profits down. In the large diameter market, we
23 have little to no competition from Chinese electrodes.
24 That is really it.

25 With steel demand down in late 2008 and

1 early 2009, we are looking at a pretty rocky start to
2 our year. Customers just aren't ordering electrodes,
3 because they aren't producing products themselves.

4 That will make injury caused by the dumped
5 imports of small diameter graphite electrodes from
6 China all the more significant in 2009, unless a
7 dumping order is imposed.

8 As I said at the preliminary conference,
9 this case is really the last option for SGL in the
10 small diameter market. It is very likely that SGL
11 will be forced completely out of the small diameter
12 electrode industry if this case is not successful.

13 On behalf of SGL Carbon, I appreciate the
14 opportunity to testify this morning; thank you.

15 MR. HARTQUIST: Thank you, Andy; our next
16 witness is Ed Carney of Superior Graphite.

17 MR. CARNEY: Good morning, I'm Edward
18 Carney, President and CEO of Superior Graphite
19 Company, a 90 year old family and employee owned
20 business. My company's headquarters are in Chicago,
21 and our production facility is in Russellville,
22 Arkansas.

23 Superior produces only small diameter
24 graphite electrodes. We do not produce large diameter
25 electrodes, and our production equipment in

1 Russellville is incapable of producing electrodes
2 above 16 inches in diameter. We do not compete with
3 large diameter graphite electrode producers such as
4 Shoa Denko or CG electrodes.

5 My company has to be able to produce and
6 sell small diameter electrodes to be viable. Given
7 this position, we are extremely vulnerable to the
8 effects of unfairly traded electrodes from China. As
9 a producer of small diameter graphite electrodes, we
10 face competition domestically from SGL in part of our
11 product line, and we face competition from various
12 import sources.

13 However, it is the large volume of dumped
14 imports of small diameter graphite electrodes from
15 China that have consistently harmed our company over
16 the last several years.

17 The aggressiveness at which the Chinese
18 products are priced is unmatched by the imports from
19 any other source. Imports from China have been the
20 price leaders, keeping prices low and harming our
21 business.

22 While Superior has struggled for some time
23 to compete with the imports from China, the situation
24 has become dire in the past few years. Chinese
25 imports have reduced many of the disadvantages they

1 once had. Chinese production quality has improved.

2 The large importers of the product in the
3 United States have established multiple locations for
4 inventory and shipment, and boast of their ability to
5 fill orders quickly. Further, many importers now
6 stand behind and warranty their product.

7 Experience with the Chinese product
8 established U.S. distributors to deal with, and the
9 willingness of a U.S. company to guarantee the Chinese
10 product has removed quality and availability concerns
11 for most customers, making price the most important
12 selling point.

13 Electrodes are a consumable product for our
14 customers, and our customers perform a fairly simple
15 economic analysis of whether to purchase small
16 diameter electrodes from Superior, or from the
17 importers of Chinese electrodes.

18 They measure how quickly the Chinese
19 electrode is consumed against its price, and compare
20 that to our performance and price. Even in instances
21 where the Chinese product is consumed much more
22 quickly than our product, our purchasers tell us that
23 the Chinese imports are priced so far below our
24 product, that they have no choice but to use the
25 Chinese electrodes.

1 We have provided the Commission with
2 examples of accounts in which we lost sales to the
3 Chinese on the basis of prices that were 20 to 40
4 percent lower than the prices offered by Superior; and
5 I believe your staff has confirmed many of them.

6 The Commerce Department has now confirmed
7 that the Chinese products were able to undersell
8 Superior because they were dumped by substantial
9 margins in the United States. In response, we have
10 had no choice but to limit price increases despite
11 facing increasing costs, and that has hurt
12 profitability.

13 Aggressive low prices and underselling on
14 the part of the Chinese imports have also caused major
15 contractions in the domestic industry. SGL now
16 produces only two diameters of small diameter graphite
17 electrodes; and Graphtek, which used to produce in the
18 United States, moved its production operations to
19 Mexico.

20 As Chinese import volumes have grown, the
21 domestic industry's share of the market has fallen
22 significantly. The Chinese now dominate the market
23 under 14 inches, and they are taking more and more of
24 the 14 and 16 inch ladle market.

25 The small diameter range is Superior's only

1 electrode market. As Chinese volume has increased for
2 these products and they have consistently undersold
3 us, we have lost market to them. Superior saw its
4 U.S. shipments of small diameter graphite electrodes
5 fall significantly over the period of investigation,
6 and our employment at Russellville has fallen as a
7 result.

8 The only thing that has saved us from
9 absolute disaster in the last few years has been the
10 relative strength of steel demand. As U.S. steel
11 mills and foundries kept up production volumes,
12 aggregate demand for small diameter graphite
13 electrodes remained healthy.

14 At the preliminary conference, I commented
15 that we could not assume this level of demand for our
16 products would continue, in light of the concerns
17 about the direction that the economy was heading. The
18 market has changed dramatically, and those concerns
19 have become a reality.

20 During the first three quarters of 2008,
21 demand for steel and therefore small diameter
22 electrodes remained fairly strong. After we filed
23 this case, there was a brief period in mid-2008 where
24 supply for small diameter electrodes was somewhat
25 tight.

1 Chinese prices also appeared to be going up
2 during 2008, and we were able to make better returns
3 during this period. That market improvement was
4 short-lived however. There is no shortage of small
5 diameter graphite electrodes in the market today. As
6 of the fourth quarter of 2008, steel demand has slowed
7 considerably. Many mills were closed and not
8 producing steel and many potential customers had
9 stopped ordering electrodes. It is unclear how long
10 this dip in production and demand will continue.

11 This obviously puts additional pressure on
12 the market, making even more injurious the current
13 high level of imports of Chinese small diameter
14 graphite electrodes at prices that continue to
15 undersell us by large margins.

16 Moreover, the dip in electrode demand is
17 worldwide; meaning more Chinese electrodes will likely
18 flood the U.S. market. This makes it more plausible
19 that we will lose even more sales to the imports from
20 China in 2009.

21 While the healthy U.S. steel industry helped
22 us to buy some time in relation to demand, the growth
23 in the global economy in recent years also had a
24 dramatic impact on our raw material costs and on
25 natural gas prices.

1 Our costs for petroleum coke and natural gas
2 increased almost constantly during the period you are
3 examining; with raw material costs per pound more than
4 doubling between 2004 and 2007. Coke prices were also
5 up in 2008.

6 We attempted to adjust our prices
7 accordingly; but the pricing for the Chinese imports
8 have continued to undersell us by large margins, and
9 pricing is lowest in the products and at the customers
10 where we have the most competition from the Chinese.
11 As a result, we still have not been able to increase
12 our average selling prices enough to ensure a healthy
13 return.

14 We have made our best efforts to take on
15 this challenge and compete directly with the Chinese.
16 We have tried some modifications to our input
17 materials and on our production process in order to
18 improve our efficiency and keep costs down.
19 Efficiency gains, however, have not been enough to
20 overcome the combined effects of increasing raw
21 material costs and extreme price competition from the
22 Chinese imports.

23 The production of small diameter graphite
24 electrodes is capital intensive. Those of you who
25 have taken a plant tour have seen that there is a lot

1 of heavy capital equipment involved in the production
2 process.

3 Unfortunately, our returns in recent years
4 have been far too weak to justify any significant
5 investment in improvements to our production
6 equipment. Our capital investment has largely been
7 limited to upkeep needed to keep the production
8 equipment functioning well. This is not a model that
9 can be followed over the long term, however.

10 As a result of the persistent and
11 significant injuries Superior Graphite has suffered
12 due to unfair price competition with the Chinese small
13 diameter electrodes, our position as a producer of
14 small diameter graphite electrodes has been put very
15 much at risk. Our Russellville plant cannot produce
16 large diameter electrodes without essentially having
17 to build an entirely new plant.

18 Our profitability has not permitted that
19 kind of investment, and this is not the kind of
20 financial market environment where a company like ours
21 can get access to funds for such investment.

22 Thus, like SGL, we see ourselves eventually
23 being forced out of the small diameter graphite
24 electrode business, if we do not receive relief from
25 Chinese dumping. As a hedge against being forced out

1 of this market by the Chinese, we have already set in
2 motion a program to use some of our excess capacity
3 for small diameter electrodes to produce other
4 specialty graphite products. For this reason, this
5 case is a last resort for us in the small diameter
6 graphite electrode industry.

7 There are only two U.S. companies left now
8 in this industry, and Superior cannot continue to
9 produce these products at the profitability levels to
10 which the Chinese imports have held us.

11 It is not an exaggeration to say that if we
12 do not receive relief from the unfair Chinese imports
13 through this action, we will likely be forced to shut
14 our Russellville facility, and the U.S. industry
15 producing small diameter electrodes will soon cease to
16 exist. We respectfully request that you do not let
17 this happen; thank you.

18 MR. HARTQUIST: Thank you, and our next
19 witness is a man who has had 40 years of experience in
20 the steel industry and as a consultant, both
21 purchasing and using graphite electrodes, and that is
22 William McClintock.

23 MR. MCCLINTOCK: Good morning, my name is
24 Willy McClintock. I'm the President of Northsouth,
25 Incorporated, a consulting and supply company for the

1 steel industry. I have over 40 years experience in
2 the steel industry, including running melt shops at
3 Georgetown Steel and Gallatin Steel, and providing
4 consulting to the melt shops for Gerdau AmeriSteel and
5 Wheeling Pitt Steel. I currently sell carbon de-
6 sulphurizing products to the steel industry, and
7 consult for Gerdau's technology group on melt shop
8 issues.

9 As a former purchaser and user of both
10 domestic and imported small diameter graphite
11 electrodes, I am very familiar with their properties
12 and uses.

13 From my perspective as a melt shop manager
14 who purchased and used graphite electrodes, the small
15 diameter graphite electrodes for ladle use are
16 completely different products from the large diameter
17 electrodes used in electric arc furnace melting
18 applications. Much of the distinction comes from the
19 intended uses of these two different types of
20 electrodes.

21 As a steel person, I think of a small
22 diameter electrode and a ladle electrode as being the
23 same thing. Either phrase gives me a mental image of
24 an electrode that is generally 16 inches or less in
25 diameter; what I would call a ladle furnace electrode.

1 A ladle furnace is a soft application, low
2 intensity application. It's being used to keep steel
3 hot, and no melting is required. This takes much less
4 electrical power than for the melting.

5 As a result, a ladle electrode is going to
6 have relatively low ampage going through it --
7 generally less than 60,000 amps -- and small diameter
8 electrodes are generally not capable of carrying the
9 amps necessary to melt steel in an electric arc
10 furnace or the EAF.

11 There is very little mechanical stress on
12 the ladle furnace electrode itself, and they tend to
13 have a very low consumption rate. For this, the ladle
14 furnace uses the various grades of small diameter
15 electrodes, made from a variety of lower grades of
16 petroleum coke.

17 The choice of the electrode for the
18 purchaser will depend on how the electrode performs in
19 a particular ladle furnace. So if one grade or brand
20 of electrode does not perform as well, but it is much
21 less expensive, the mill may elect to use it if the
22 price savings outweigh the increased consumption.

23 Large diameter graphite electrodes are the
24 melting electrodes for the EAFs. The purpose of these
25 large diameter electrodes is to melt large quantities

1 of scrap steel to a molten state. They must generally
2 be much bigger and stronger than ladle furnace
3 electrodes.

4 An electric arc furnace may be melting 150
5 to 200 tons of scrap steel in a time as little as 40
6 minutes. For this reason, it must have very high
7 impedance electrical current running through it; these
8 days, usually well over 100,000 amps and some as much
9 as 160,000 amps. A small diameter electrode running
10 at this kind of current would simply crack or explode.

11 The kind of mechanical stress that an
12 electric arc furnace puts on a large diameter
13 electrode is tremendous; requiring a much higher
14 strength than a typical ladle furnace electrode. This
15 is because it is critical that the electrode not break
16 in the electric arc furnace under operating
17 conditions. If the electrode breaks, the mill would
18 have to fish it out of the furnace, causing very
19 expensive downtime.

20 Alternatively, the mill would have to burn
21 off the carbon, extending the melting time, increasing
22 the cost, and holding up other production. The mill
23 might even lose the heat if the chemistry could not be
24 fixed.

25 To be able to run the high currents to get

1 the necessary mechanical strength, melting electrodes
2 generally must be produced with the highest grades of
3 needle coke. To my knowledge, the steel industry uses
4 one grade of large diameter electrode, and that is the
5 UHP electrodes or the ultra high power electrodes as
6 we call them.

7 Attempts to use lower grades of electrodes
8 have generally failed. From the steel industry's
9 perspective, the 16 inch dividing line chosen by the
10 industry in this case is a reasonable place to draw
11 the line between ladle furnace and the electrical arc
12 furnaces.

13 There are a few mills that may run an 18
14 inch ladle furnace electrodes and a few mills running
15 small diameter melting electrodes. But the vast
16 majority of the ladle electrodes are 16 inches or
17 less, and the vast majority of melting electrodes for
18 the steel industry are 18 inches or larger in
19 diameter.

20 I have a lot of experience with both small
21 and large diameter graphite electrodes. From 1991 to
22 1998, I was a melt shop general foreman at Georgetown
23 Steel, responsible for both the ladle furnace and the
24 electrical arc furnace. We used 14 inch ladle furnace
25 electrode and a 20 inches large diameter electrode in

1 the EAF.

2 At the time, we were looking for ways to
3 lower our overall costs. We began trying Chinese
4 ladle furnace electrodes. Actually, I might have been
5 one of the first persons in the United States in the
6 domestic steel industry to begin ordering Chinese
7 ladle furnace electrodes. We did it for one reason;
8 to lower our costs by taking advantage of the low
9 Chinese prices.

10 At the time, we ran a 20 inch large diameter
11 electrode in the arc furnace at much higher amperage.
12 We were paying approximately \$1.40 per pound for the
13 ladle electrodes domestically; and the Chinese
14 electrodes were being offered for less than a dollar.

15 We began looking at Fujian Gelin electrodes
16 being imported by companies like Fedmet and M. Brashem
17 that were simply much cheaper than the domestic
18 product they could buy. The usage for the Chinese
19 electrodes was much higher than the domestic small
20 diameter electrodes per ton. But the Chinese price
21 was so much cheaper, it was more cost effective to buy
22 the Chinese products.

23 This allowed us to put pressure on domestic
24 pricing, as well. At Georgetown Steel, we were able
25 to save thousands of dollars per month by running

1 cheap Chinese ladle electrodes. Since then, I have
2 been melt shop manager at Gallatin Steel, and I have
3 more recently been part of Gerdau Ameristeel's
4 technical team for all its melt shops.

5 The calculations for all the mills are
6 generally the same. If a mill can run a Chinese
7 quality electrode in its ladle furnace, it will do so
8 if the increased consumption rate is offset by the
9 lower cost of the Chinese electrode; and it almost
10 always is.

11 Given the recent downturn in the steel
12 market, more steel mills will probably look to save
13 money by purchasing dumped Chinese ladle furnace
14 electrodes if they can.

15 The importer may have multiple grades to
16 sell, but there's really a big difference in the
17 price. The seller of the Chinese electrode would
18 generally offer the lowest quality electrode he can to
19 do the job based on the electrical current required
20 and the consumption rate into the steel. If that
21 didn't work well, he simply would put a higher quality
22 electrode at about the same price.

23 U.S. mills have found it cost-effective to
24 run Chinese ladle furnace electrodes because of the
25 low prices. There are certainly a lot more on the

1 market today than when I was buying. In my
2 experience, Chinese electrodes always had the lowest
3 prices in the market, domestic or foreign. Most of
4 the mills I currently consult for run Chinese ladle
5 furnace electrodes for the same reason that I did in
6 the 1990s, to lower their costs.

7 As long as Chinese ladle furnace electrodes
8 continue to be priced so far below the domestic
9 prices, I imagine those imports will continue to
10 increase. Thank you.

11 MR. HARTQUIST: Thank you, Willy. Our next
12 witness is Tom Danjeczek, President of the Steel
13 Manufacturers Association.

14 MR. DANJECZEK: Madam Chairman,
15 Commissioners and staff, good morning. I'm Thomas A.
16 Danjeczek, President of the Steel Manufacturers
17 Association, SMA, a trade association representing 36
18 North American Companies operating 125 plants,
19 employing about 60,000 people.

20 SMA is the primary trade association for
21 scrap based electric arc furnace steel makers. Our
22 members produce about 70 percent of the total steel
23 made in the United States.

24 Before becoming President of the SMA 11
25 years ago, I spent my career of 30 years in the steel

1 industry. I participated from an entry level
2 maintenance foreman for Bethlehem Steel; as
3 superintendent at Continuous Caster; at Kaiser Steel;
4 to general superintendent of steel making at Wheeling
5 Pittsburgh Steel; eventually progressing to general
6 manager of their integrated plant. I enjoy building,
7 operating, and improving steel making facilities.
8 Thus, I am very familiar with the critical role
9 graphite electrodes play in the production of steel.

10 On behalf of the SMA board of directors and
11 approved by the SMA executive committee, I'm here
12 today to express our support for this case. Domestic
13 producers of graphite electrodes are crucial suppliers
14 of a vital product for our industry. Simply put, we
15 cannot operate our electric arc furnaces or ladle
16 furnaces without high quality graphite electrodes. It
17 is in our interest to continue to have a reliable
18 domestic source of supply for this product.

19 As the Commission is well aware, our member
20 companies have appeared before you in anti-dumping
21 cases designed to remedy unfair trade practices such
22 as dumping, and to address the resulting injury to
23 U.S. producers. The salient point of my testimony is
24 that the same principle applies to our suppliers.

25 The Steel Manufacturers Association

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1 respectfully urges the Commission reach an affirmative
2 decision in this important case; thank you.

3 MR. HARTQUIST: Thank you very much, Tom.
4 Our next witness is Michael Kerwin of Georgetown
5 Economic Services.

6 MR. KERWIN: Good morning, thank you, Skip.
7 I'm Michael of Georgetown Economic Services. In their
8 prehearing brief, the Respondents admit freely that
9 imports from China have increased significantly, and
10 that Chinese imports have undersold the product of the
11 domestic industry.

12 But they assert that the Chinese product is
13 somehow not really in competition with the domestic
14 product, and thus had no effect on the domestic
15 industry, which they characterize as healthy. These
16 claims defy credulity.

17 As you've heard from Mr. Carney and Mr.
18 Stinson this morning, the unfair imports from China
19 most certainly have had a very serious injurious
20 impact on the domestic producers' operations.

21 The summary data of the prehearing report
22 back up these assertions. Production, capacity
23 utilization, shipment volumes and employment
24 indicators all fell in each of the years from 2005
25 through 2007, and industry operating returns in this

1 period overall were barely above break even.

2 An industry that is barely breaking even and
3 incapable of financing necessary improvements cannot
4 be characterized as healthy. While the industry was
5 able to show improvements in trade indicators and
6 profitability in interim 2008, such improvements came
7 only after this case was filed. The connection
8 between material injury and increasing unfair imports
9 from China is undeniable. The domestic industry lost
10 shipment volume and market share in each of the full
11 years of the period of investigation, despite
12 generally growing demand for small diameter graphite
13 electrodes. These losses occurred as imports from
14 China were increasing in volume and market share.

15 We should bear in mind that the Chinese
16 imports already held a very significant share of the
17 U.S. market when the period of investigation began;
18 and only added to that share as the POI progressed.

19 The unfair imports from China had undeniably
20 injurious price effects, as well. The prehearing
21 report makes very clear that Chinese imports rapidly
22 undersold the product of the domestic industry. For
23 the period of investigation as a whole, Chinese
24 imports undersold U.S. producers in 54 of 60 quarterly
25 comparisons in fully 90 percent of the observations.

1 Margins of underselling ranged as high as 36 percent.

2 The basic comparability of the Chinese and
3 domestic product and direct price competition of
4 Chinese imports was borne out in the responses of
5 purchases of small diameter graphite electrodes.
6 Nearly all purchasers said that the Chinese and
7 domestic product are always or frequently
8 interchangeable, and not a single responding purchaser
9 rated the U.S. product as lower in price than the
10 Chinese imports.

11 The vast majority of purchasers rated the
12 Chinese and domestic products as comparable in terms
13 of all major quality, performance, and sales terms;
14 with the notable exception of one. The U.S. product
15 was rated as inferior in terms of price.

16 So purchasers overwhelmingly ranked the
17 Chinese product and the U.S. product as comparable;
18 but say that the Chinese product has a lower price.
19 Contrary to the protestations of the Respondents,
20 there are no mysteries in this case.

21 In their brief, the Respondents do not even
22 address the most compelling evidence of the direct
23 price-based competition between the Chinese and U.S.
24 products; the many instances of lost sales, documented
25 by the domestic industry that were confirmed by the

1 Commission Staff.

2 These numerous examples, which represent
3 revenues in the millions, show that Chinese imports
4 took sales from the domestic industry, and did so on
5 the basis of lower prices. There can be no clearer
6 evidence of the direct injurious impact of unfair
7 imports from China on the domestic industry. The
8 Respondents also assert that Chinese imports could not
9 have had a price effect, because domestic prices
10 increased during the POI. But these price increases
11 have not been as a result of high times in the
12 domestic industry. Rather, they reflected
13 unprecedented cost increases for petroleum coke, as
14 well as increased energy costs.

15 This connection between rising raw material
16 costs and price increases for small diameter graphite
17 electrodes was noted in the responses of most
18 purchasers.

19 Point of fact, price increases by the
20 domestic industry did not keep pace with increases in
21 production costs, with the result that operating
22 profits for the industry declined from 2006 to 2007.

23 This price suppression was directly
24 attributable to aggressive underselling by the imports
25 from China, given that demand for small diameter

1 graphite electrodes remained healthy in the period;
2 and the volume of non-subject imports declined from
3 2006 to 2007.

4 Respondents also assert that the effects of
5 unfair imports from China have been somehow negated by
6 the fact that the domestic industry does not have
7 sufficient capacity to meet total demand for small
8 diameter graphite electrodes.

9 As an initial matter, there's no requirement
10 that a domestic industry be capable of meeting
11 domestic demand in its entirety, to receive relief
12 from injurious dumped imports.

13 More importantly, Respondent's assertion
14 does not hold water, given that domestic shipment
15 volumes declined as Chinese imports were increasing;
16 and that Chinese imports undersold and took sales
17 directly from the domestic industry.

18 Further the average unit sales' values of
19 imports from China were notably lower than those from
20 the major non-subject sources; and the vast majority
21 of responding purchasers stated that they increased
22 their purchases of Chinese imports -- not non-subject
23 imports -- over the POI, and cited low price as the
24 predominant reason.

25 Respondents also assert that the differences

1 in performance between Superior and SGL during the
2 period of investigation are an indication that some
3 factor other than Chinese imports was the cause of
4 injury.

5 Point in fact, however, this disparity
6 demonstrates the impact of unfair imports from China,
7 because Superior has long been more dependent on the
8 small diameter market than SGL; and has been
9 relatively more harmed by the price and volume effects
10 of Chinese imports.

11 While SGL has chosen to pull back from part
12 of the small diameter market, due to Chinese price
13 aggression, Superior has not had that option. Indeed,
14 a comparison of the aggregate industry data of the
15 small diameter and large diameter graphic electrodes
16 shows clearly the disparity and impact of Chinese
17 imports between the materially injured small diameter
18 industry, and the relatively unaffected large diameter
19 industry.

20 On the subject of threat of further material
21 injury posed by imports from China, the prehearing
22 report lays out some rather astounding facts. The
23 Commission staff sent out 125 foreign producers'
24 questionnaires to the members of the Chinese industry.
25 Of these, only eight firms bothered to respond. That

1 means that just six percent of Chinese producers
2 completed the Commission's questionnaire.

3 While we would have hoped to build a more
4 comprehensive data base for the Chinese industry in
5 this final investigation, in fact, there are five
6 fewer Chinese producers accounted for than at the
7 preliminary phase.

8 This near complete lack of participation is
9 a major disappointment, and should be viewed as a
10 conscious decision by the members of the Chinese
11 industry to withhold information from the Commission.
12 The Respondent's reliance on these data, in support of
13 their assertions that the Chinese industry, is no
14 longer increasing capacity and operates near full
15 utilization, is self-serving, and demonstrates the
16 danger in relying upon a small hand-picked sample of
17 foreign producers.

18 Based on this lack of participation, the
19 Commission should assert its rights under the law, and
20 draw an adverse inference on the threat of material
21 injury posed the Chinese industry.

22 There's ample evidence outside the
23 questionnaire process indicating the massive threat
24 posed by the Chinese imports. Attached to our
25 prehearing brief are articles and website materials,

1 showing many examples from recent years of new
2 producers of graphite electrodes in China, capacity
3 expansions, and the industry's aggressive export
4 orientation. Further threat evidence comes from
5 Chinese Customs' statistics. These data show that
6 exports for the tariff classification of graphite and
7 carbon electrodes from China increased by nearly
8 80,000 metric tons in the single year from 2006 and
9 2007, an expansion of more than 50 percent, and a
10 volume increase far larger than the entire U.S. market
11 for small diameter graphite electrodes.

12 This is clear evidence that the Chinese
13 industry is able to rapidly increase its output and
14 exports in a shortened period of time. This export
15 expansion occurred in a period of growing steel
16 production in China, which belies the Respondent's
17 assertion that the Chinese industry's focus on its
18 home market precludes export expansion.

19 This massive export surge also disproves
20 Respondent's claims that rising raw material costs,
21 freight charges, or exchange rate fluctuations make
22 export sales unattractive to Chinese producers.

23 The trade statistics also show that the U.S.
24 has consistently been the world's largest importer of
25 graphite and carbon electrodes. This information is

1 directly at odds with the Respondent's assertions that
2 the Chinese industry is not really interested in the
3 U.S. market, because it is a relatively small export
4 market.

5 The Respondent's brief also mis-
6 characterizes the major downturn in the global economy
7 and international steel industry that is currently
8 ongoing. As you've heard from our witnesses this
9 morning, orders and volumes under contract for 2009
10 for small diameter graphite electrodes have fallen
11 rapidly since the end of the third quarter of 2008.

12 The same contraction currently being
13 suffered by the U.S. steel industry is going on all
14 over the world, including China, as indicated by the
15 recent trade press articles attached to our prehearing
16 brief.

17 This global reduction in demand has two
18 implications in the threat context. First, the
19 Respondent's assertion that Chinese producers will be
20 too busy in their home market to focus on exports will
21 not hold sway. A cooling off of the Chinese economy
22 will reduce demand for graphite electrodes. Export
23 markets, particularly the world's largest, the United
24 States, will be more attractive than ever.

25 Second, as poorly as the U.S. industry has

1 done during the period of investigation, the market
2 will quite likely be weaker in the foreseeable future.
3 As destructive as the unfair imports from China have
4 been during the POI, a period of healthy demand for
5 small diameter graphite electrodes, the impact of
6 unrestrained imports will be much more dramatic in a
7 contracting market.

8 As to the other threat criteria, it is clear
9 that subject imports from China have quickly increased
10 their penetration of the U.S. market and suppress
11 domestic producer prices.

12 Given the massive capacity and ongoing
13 growth of the Chinese industry, imports of small
14 diameter graphite electrodes from China present a
15 highly significant threat of heightened material
16 injury to the domestic industry.

17 Finally, I'd like to make an observation on
18 the data of the prehearing report. The questionnaire
19 process seems to have developed a relatively
20 comprehensive accounting of imports from China for
21 2005 and 2006. But the data for 2007 and interim 2008
22 appears significantly understated.

23 While the official statistics show that U.S.
24 imports under the relevant tariff classification
25 jumped by 59 percent from 2006 to 2007, the compiled

1 questionnaires show an increase of just five percent.

2 Further, the questionnaires do not indicate
3 that this disparity is attributable to increases in
4 imports of large diameter graphite electrodes.

5 We hope that the database of the final staff
6 report will remedy this shortcoming, and reflect the
7 most comprehensive possible accounting of the imports
8 from China. Thank you very much; that concludes my
9 testimony.

10 MR. HARTQUIST: Thank you, Mike; our last
11 witness this morning is Alan Luberda of Kelley Drye.

12 MR. LUBERDA: Thank you, Skip. Good
13 morning. I'd like to take just a few minutes to
14 address a couple of the legal issues raised in this
15 case before we conclude this morning our direct
16 testimony.

17 First, as to the appropriate like product in
18 the case, Petitioners have proposed a like product
19 that comports with both the scope of the investigation
20 and with how small diameter graphite electrodes are
21 produced, sold, used, purchased, and priced.

22 The Commission noted in the preliminary
23 determination that it considered the purchaser's view
24 of these products as critical to its final
25 determination on like product.

1 Well, purchasers appear to overwhelmingly
2 agree with Petitioner's like product definition.
3 First, the three trade associations that account for
4 virtually all steel production in the United States --
5 the SSINA, the SMA, and the AISI -- have all stated
6 for the record their support for this investigation,
7 as drafted by the domestic small diameter graphite
8 industry. Therefore, there is not substantial
9 opposition among users of electrodes to the like
10 product or investigation as it now stands.

11 The Commission also collected responses from
12 purchasers of small diameter electrodes of 32
13 responding purchasers. Ten provided responses
14 generally supporting the petitioner's like product.
15 Eleven expressed no opinion. That's about two-thirds
16 of purchasers that either provided information in
17 support of the like product, or provided no opposition
18 to it.

19 Of the remaining eleven purchasers, six
20 provided information that generally expressed a mix of
21 views, from which both positions could draw some
22 support. Only five purchasers appeared to support a
23 single like product, encompassing all graphite
24 electrodes, regardless of size.

25 Even those purchasers opposing the 16 inch

1 dividing line chosen by Petitioners included many
2 factors in their responses that, in fact, supported
3 Petitioner's like product; including such things as
4 acknowledging a separate purchasing process for small
5 and large diameter electrodes within individual
6 companies.

7 Respondent witnesses that you will hear from
8 this afternoon are boundaries that require low
9 intensity, small diameter electrodes. They were among
10 the first purchasers of Chinese electrodes, and
11 they're here because they've come to rely on those
12 dumped low prices of the Chinese small diameter
13 electrodes.

14 It's no surprise, therefore, that Respondent
15 this afternoon, Frog Switch, a purchaser, has sent its
16 Chief Financial Officer to testify; not a production
17 person. That company's concern is apparently in
18 maintaining its access to the dumped Chinese
19 electrodes for the financial benefit they provide the
20 company.

21 The second issue I wanted to touch on is the
22 recent Mittal Steel Point leases decision, issued by
23 the Court of Appeals for the Federal Circuit. That
24 decision, as fairly read, is no longer requiring
25 application of the so-called replacement benefit test

1 that the Commission previously applied as a result of
2 the Bratsk case.

3 Rather, the Mittal decision simply requires
4 that the Commission not attribute injury from other
5 causes to subject imports, and that it provide a
6 meaningful explanation of its conclusion that the
7 subject imports are a cause of injury to the domestic
8 industry.

9 Even if the replacement benefit test were
10 still legally relevant in the way it had been
11 previously applied, that test has only been applied to
12 commodity products by the Commission.

13 Even the Respondents agreed at the
14 preliminary stage of this case that small diameter
15 graphite electrodes are not a commodity products. In
16 their comments on the Commission questionnaire, they
17 stated that small diameter graphite electrodes are
18 only a commodity product in the broadest sense of the
19 term. They did not argue that it satisfies the
20 stringent fungibility test that would permit actual
21 replacement of one source by another.

22 In their prehearing brief, Respondents
23 acknowledge the Commission's preliminary finding that
24 small diameter graphite electrodes are not a commodity
25 product and therefore are not subject to this

1 replacement benefit test. So far they've declined to
2 provide any contrary arguments on this point.

3 Given the relative unanimity of viewpoint
4 that small diameter graphite electrodes are not
5 commodity products and the Federal Circuit's recent
6 decision in Mittal, no replacement benefit test is
7 required in this case.

8 As demonstrated in Petitioner's brief, the
9 injury to the domestic industry is being caused by
10 dumped imports from China that have entered at
11 significant volumes, at prices that undercut the
12 domestic industry, that took volume from the domestic
13 industry, suppressed prices. But for the subject
14 imports, this industry would have sold more small
15 diameter graphic electrodes at higher prices, and
16 would have enjoyed healthier profitability.

17 The third and last issue that I want to
18 raise is that despite the Commerce Department issuing
19 a preliminary finding of critical circumstances as to
20 the Fangda Group and several other companies, and we
21 expect they'll do so for the final determination,
22 Respondents have so far presented no critical
23 circumstances defense to the Commission.

24 Petitioners have provided in their
25 prehearing brief a critical circumstance analysis that

1 supports application of critical circumstances in this
2 case to Fangda and the several other companies to
3 prevent them from undercutting the remedial effect of
4 the antidumping duty order. On that basis, we
5 respectfully request that the Commission reach an
6 affirmative critical circumstance determination. One
7 final comment, though.

8 If one compares the list of Chinese
9 producers responding to the Commission's final
10 questionnaire with the list of companies represented
11 by Respondents' counsel today as listed in our
12 prehearing brief, it would appear to us that five of
13 the 10 Chinese producers represented here today failed
14 to provide questionnaire responses to the Commission.

15 Respondents have also brought a witness from
16 the Fangda Group today, one of the company's that has
17 not responded to the Commission. We hope that you
18 will raise this issue with the Respondents when they
19 testify later today, and thank you very much. That
20 concludes our direct presentation.

21 MR. HARTQUIST: Thank you, Alan. Before we
22 move to the question and answer period, Madame
23 Chairman, I'd like to introduce other members of our
24 team who are here and available to participate in the
25 Q&A portion of the hearing: Dennis Shannon, Vice

1 President, Sales, of Superior Graphite; Scott
2 Anderson, Assistant Vice President, Production and
3 Business Manager, Graphite Electrodes, for Superior
4 Graphite; Brian Gore, Sales Manager of SGL Carbon; and
5 Grace Kim of Kelley Drye. That concludes our direct
6 presentation. Thank you.

7 CHAIRMAN ARANOFF: Thank you very much, and
8 I repeat my welcome to this morning's panel, and I
9 particularly say hello to Mr. Stinson and Mr. Gore.
10 Thank you, again, for the time that you took to show
11 us around your plant last month when I and a few of my
12 colleagues were down there. That was very helpful in
13 preparing for the hearing today.

14 I'm going to start off the questioning
15 today, and I'm going to start, as you probably expect,
16 with a line of questions on like product. In
17 particular, the first question is for SGL since you're
18 the producer that makes both the small and large
19 diameter product.

20 In your product catalogs or literature that
21 you provide to customers or potential customers, do
22 you have separate literature for products up to 16
23 inches in diameter and 18 and above or do you have a
24 single set of literature that you would apply to any
25 prospective customer?

1 MR. STINSON: I believe it's literature
2 that's for the entire family, primarily focusing on
3 carrying capacity of the electrodes.

4 CHAIRMAN ARANOFF: Okay. And do you sell
5 your products 16 inches and below and 18 inches and
6 above under the same trade names or product names or
7 do you have different names or ways of identifying
8 those products?

9 MR. STINSON: The product that we sell 18
10 inch and larger is UHP grade, meant for melting. We
11 sell 16 inch and smaller primarily to the ladle market
12 and we call them ladle electrodes. We do have, as I
13 mentioned, a couple of customers using 14s and 16s in
14 more intense operations, and they would be UHP grade.

15 CHAIRMAN ARANOFF: Okay. Do you have like a
16 trade name, a trademark name or something like that
17 that you sell your products under or no?

18 MR. STINSON: No.

19 CHAIRMAN ARANOFF: Okay. This would be for
20 both Superior and for SGL. When customers order
21 electrodes from you, do they always request a specific
22 size or do they ever frame their purchase requirement
23 in terms of other characteristics such as the amount
24 of current that they want the electrode to carry?

25 MR. STINSON: Always by size. To my

1 recollection, I've never seen -- unless it's a new
2 furnace just coming on line and then they will tell us
3 some of the electrical characteristics, but it's
4 normally the RFQ will specify an 18 inch electrode for
5 their melting furnace or a 14 inch ladle electrode.

6 CHAIRMAN ARANOFF: Okay.

7 MR. GORE: All the furnace characteristics
8 are known by the engineers for both companies since
9 all the plants are well-known, so we know what the
10 current characteristics are on the furnaces.

11 CHAIRMAN ARANOFF: Okay. Did Mr. Carney or
12 someone from Superior want to add anything?

13 MR. CARNEY: No.

14 CHAIRMAN ARANOFF: Okay. Now, because we
15 have one domestic producer who can make both the small
16 and large product and one that cannot because of its
17 equipment, and so the question that I have is to what
18 extent is the ability to make the small and the large
19 on the same equipment a function of, you know, the age
20 or sophistication of the machinery or is there another
21 factor that's the most important distinction?

22 MR. STINSON: When you visited us at our
23 facility in Morgantown we showed you the facility that
24 could do both, so the equipment, you know, it's been
25 there for a significant number of years, upgraded over

1 time. Unfortunately, this process of Chinese dumping
2 has forced us, as I testified, basically out of the
3 small diameter market.

4 The facility that you saw used to be our
5 kingpin for small diameter electrodes. There are
6 differences obviously in the die for extrusion and
7 baking facilities. As I testified, the large cans
8 that we use don't fit well with the small diameter
9 product.

10 MR. CARNEY: Yeah. And for us, I mean, it
11 would start all the way at the beginning of the
12 process. In other words, we'd have to invest in a new
13 extrusion press, we'd have to invest in some larger
14 cans that would go into the baking ovens, we'd more
15 than likely have to invest in a new baking oven and
16 our whole graphitization, the way we graphitize would
17 have to be completely revamped. So we don't have the
18 possibility to upgrade without a significant
19 investment.

20 CHAIRMAN ARANOFF: Okay. At the time that
21 you purchased your equipment and set up your
22 production process did you have a choice between
23 purchasing equipment that would only produce the
24 smaller diameters and purchasing equipment that would
25 have been more flexible, or at that time was that the

1 only choice available to you?

2 MR. CARNEY: I might have my production
3 manager answer that question, Scott Anderson.

4 MR. ANDERSON: At the time we purchased the
5 equipment it was part of the plant that was existing
6 for the most part, so we really didn't have that
7 option. I would like to say, also, that the ability
8 to make small or large diameter has absolutely nothing
9 to do with the age of the equipment.

10 CHAIRMAN ARANOFF: Okay. So your company
11 inherited its equipment from a prior owner, is that
12 correct?

13 MR. ANDERSON: A lot of the equipment. The
14 extrusion press was existing and some of the baking
15 equipment was existing.

16 CHAIRMAN ARANOFF: Okay. Thank you.

17 MR. CARNEY: If I might also add, I mean, it
18 was back in 1985 when we established the joint venture
19 in order to purchase the facility. One of the reasons
20 we did so was in order to participate in a market that
21 we're already serving which was the foundry market.
22 We found that one of the products that we were
23 producing fit very well with a lot of the iron
24 foundries that were producing via electric arc melting
25 with smaller diameter graphite electrodes.

1 CHAIRMAN ARANOFF: My understanding is that,
2 and I think you confirmed this this morning, the small
3 diameter product can be made from a range of different
4 grades of petroleum coke while the large diameter
5 product is I guess always, or almost always, made from
6 needle coke.

7 Can you give me for each of your businesses,
8 and this may be confidential, the percentage of your
9 small diameter electrodes that are made with low grade
10 anode coke as compared to the needle coke? Because I
11 recall from the plant tour, for example, that what we
12 were told was that customers come in and they may
13 specify performance characteristics that might require
14 the use of some, or even all, needle coke, even in an
15 electrode that's 16 inches or less.

16 MR. STINSON: The product that we provide to
17 a particular customer is engineered to fit the
18 application. There are low intensity ladle furnaces
19 and some foundries that can use primarily anode grade-
20 based products. As I mentioned before, a couple of
21 the 14 and 16 inch customers that we have are more
22 intense operations and we will use primarily needle
23 coke in that product.

24 The large diameter electrodes, because of
25 the intensity and the mechanical stresses on the

1 product, are primarily needle coke. There's a class
2 of large diameter electrodes, what the industry calls
3 super size electrodes, greater than 26 inch, which in
4 order to survive, we've got to use the best premium
5 coke that we can find, needle coke. The connecting
6 pins, particularly for, well, in our case for all our
7 grades, is made from premium needle coke.

8 CHAIRMAN ARANOFF: Okay. I think what would
9 be helpful, and maybe you can provide this posthearing
10 because you probably don't have it off the top of your
11 head, but for each of the companies, for the products
12 that you produce up to 16 inches, if we could find out
13 the percentage of your total production that's using
14 needle coke versus lower grades of coke, maybe by the
15 volume of coke that you use or some sort of relevant
16 measure?

17 I'm just trying to get a sense of how
18 widespread or not widespread the use of needle coke is
19 in the small diameter product, understanding that it
20 represents most of what's going into the large
21 diameter.

22 MR. HARTQUIST: We'll be happy to do that,
23 Madame Chairwoman.

24 CHAIRMAN ARANOFF: Okay. Thank you very
25 much.

1 MR. STINSON: If I can, just to comment on
2 that. If you look at our data, it's going to be
3 skewed because we are in the more intense operations
4 where the Chinese cannot perform.

5 CHAIRMAN ARANOFF: Understood. That's a
6 fair caveat, and I think that's understood. We
7 probably do want for the two companies separately so
8 that we can see the difference with a company that's
9 producing a larger range of the smaller diameter
10 products.

11 MR. HARTQUIST: We'll do so.

12 CHAIRMAN ARANOFF: Thank you. All right. I
13 see my time is almost up so I will pass the
14 questioning on to Vice Chairman Pearson.

15 VICE CHAIRMAN PEARSON: Thank you, Madame
16 Chairman. I also am pleased to welcome this panel. I
17 would note that on the day that you arranged the tour
18 for us in North Carolina you provided much better
19 weather. I would also observe, though, that at least
20 today we get to do the entire tour inside so it could
21 be worse.

22 I think I'll follow-up on the Chairman's
23 efforts to find a clear dividing line at 16 inches.
24 Mr. Stinson, does SGL have a separate sales force for
25 small diameter electrodes compared to large diameter

1 or is there going to be one electrode salesperson who
2 would go to a steel mill and sell them both the larger
3 EAF electrodes and the smaller ones for the ladles?

4 MR. STINSON: Our current organization, one
5 salesman calls on a particular mill, and primarily
6 because of the melting furnace. Keep in mind in my
7 testimony, and I'll continue to say this, we do not
8 get a lot of ladle business anymore because of the
9 dumped Chinese electrodes.

10 In the past we have had people that could
11 call on a specific application, but normally the
12 purchasing person, as you've heard, may be a
13 supervisor over the EAF and the ladle. So there is
14 some discussion. The way we're structured right now
15 it's one salesman.

16 VICE CHAIRMAN PEARSON: Okay. And, Mr.
17 Gore, this question might be best directed to you. If
18 technical support is required on large diameter
19 electrode versus a small diameter one, do you have the
20 same person providing that technical support or do you
21 have different people with different expertise? Your
22 microphone, please.

23 MR. GORE: Excuse me. We generally are set
24 up in technical teams with regions, but we do have a
25 team that we pull from with a vast expertise, some

1 with more ladle furnace background and some with more
2 melting background, some with engineering background,
3 which would be the same for either. So we have a
4 large group of technical people to pull from for both
5 sides. Generally, the first point of contact is the
6 regional engineer.

7 MR. STINSON: If I can just add to that?

8 VICE CHAIRMAN PEARSON: Please.

9 MR. STINSON: A steel manufacturer's
10 technology is in their melting furnace, their electric
11 arc furnace. When they need help, that's where they
12 need help. The ladle furnace, again, low intensity.
13 It's just maintaining heat, it's not doing any
14 mechanical stress. It very rarely requires technical
15 support.

16 VICE CHAIRMAN PEARSON: Okay. Mr.
17 McClintock, just following-up on that observation.
18 Have you seen problems in ladle furnaces where the
19 electrodes have been an issue, and, if so, have there
20 been any differences between domestically produced
21 electrodes and imported ones?

22 MR. MCCLINTOCK: Yes, sir. One of the major
23 problems for a lot of the large facilities that make
24 two to three million tons per year that have large
25 heat size, even if they have low transformer settings

1 which allows to use the lower grade graphite product,
2 the consumption problems increase the carbon in the
3 steel, so really you have to use a high-quality
4 product in most of those applications.

5 There is a difference between a lot of the
6 furnaces that use a heat time, for an example. If you
7 have to heat your steel at three degrees per minute
8 based on your heat size to get that heat process to
9 make the connection on the catheter, or five minutes,
10 or 17 minutes, you can do anything you want to with a
11 ladle furnace transformer putting maximum power into a
12 ladle furnace.

13 Then when you do that, you have to use ultra
14 high powered ladle furnace electrodes in those
15 applications. The low density electrodes actually
16 will blow apart, so you have to melt at a very slow
17 rate.

18 VICE CHAIRMAN PEARSON: Okay. Let me go
19 back to something that you said in your testimony. If
20 I wrote it down correctly, it was basically that 16
21 inches is a reasonable place to draw the line between
22 large diameter and small diameter. What I wanted to
23 pursue is that in this investigation of course there
24 is no requirement that we draw a line at all.

25 I'm wondering, would you argue that it is

1 important to draw a line or is this a product in which
2 we could just ignore the line and talk about all
3 electrodes and pretty well cover the issues that need
4 to be covered?

5 MR. MCCLINTOCK: Well, sir, I believe the
6 industry went from arc furnace melting vessels that
7 actually refined in the arc furnace and then they went
8 to small ladle furnaces to refine these heats. During
9 this period of time the industry has increased their
10 capacity and speed, so what has happened is the 16
11 inch electrodes and down at one time could perform in
12 part of the industry, as you increased productivity,
13 now you have a different electrode requirement for
14 those applications.

15 So for us, as steel mill operators, we look
16 at a 16 inch electrode over the last so many years as
17 pretty much the standard of being a ladle furnace
18 application. So from an operator, anything 16 and
19 below, that's pretty much the line for us. You know,
20 I can't make a decision on --

21 VICE CHAIRMAN PEARSON: Okay. Well, fair
22 enough. When you think of an 18 inch electrode, what
23 do you think of the use for that? I mean, is it more
24 likely to be melting scrap in an electric arc furnace
25 or is it more likely to be keeping a ladle warm?

1 MR. MCCLINTOCK: Majority of the 18 inch
2 electrodes are for very aggressive scrap melting,
3 although recently over the last six of eight years,
4 some of the facilities have put in, as an example,
5 Gallatin, a very fast ladle furnace. So that was an
6 18 inch diameter ladle furnace.

7 That electrode was an ultra high-powered
8 electrode. There's a change to some degree in the
9 ladle furnace requirements. An 18 inch, majority you
10 would say goes into an arc furnace that's going to
11 have a tremendous heat load, a lot of current going
12 through it, melt scrap. Eighteen inch and up is kind
13 of what we draw as the line as an operating group.

14 VICE CHAIRMAN PEARSON: Is it possible to
15 use the same 18 inch electrode in either the EAF or in
16 the ladle at different power levels, perhaps, in the
17 two applications, but is the same electrode useable in
18 either application?

19 MR. MCCLINTOCK: You can't put an 18 inch
20 electrode into an arc furnace that has a high heat
21 load in it. The electrode doesn't have the mechanical
22 strength. It has to really have a lot of mechanical
23 strength. The furnace tilt has a lot of vibration
24 from the tremendous power going into it. So, no, you
25 can't just change them out.

1 If you want to put an ultra high-powered
2 electrode into an arc furnace and melt scrap, you can
3 do it, but you can't take a low-powered, lower quality
4 electrode and put it into an application like that.
5 It won't work.

6 VICE CHAIRMAN PEARSON: Okay, but one could
7 work the opposite direction and take an ultra high-
8 powered 18 inch electrode and use it in a ladle, if
9 one wanted to, but is that a better electrode than one
10 needs for that application?

11 MR. MCCLINTOCK: It's a better electrode for
12 that application. What I said was a lot of the mills,
13 like Gallatin Steel, that make ultra low carbon steels
14 do that same thing. They can't use Chinese. Even if
15 that power would work, they use an 18 inch high
16 current carrying capacity electrode that has minimal
17 consumption wear so you don't get any pick up of
18 carbon in the steel.

19 The increased consumption of the lower
20 quality product is made out of carbon. Then the
21 carbon actually burns off, it supplements into the
22 steel, so then you have chemistry issues with the
23 steel. I hope I'm answering it.

24 VICE CHAIRMAN PEARSON: Okay. I think I
25 understand that point better the second time around.

1 MR. GORE: I'd also like to add, in most
2 cases you're not able to take let's say an 18 inch
3 electrode and put it into a furnace that's designed
4 for 16 inch electrodes because you need a certain
5 distance between the electrodes in what they call the
6 pitched circle of the roof.

7 If you have to extend that out, you'll
8 actually melt holes and melt your furnace down around
9 the sides. So, you know, there's limits to the
10 amounts of interchangeability between the sizes.

11 VICE CHAIRMAN PEARSON: Okay. Yes. I would
12 hate to be there when a furnace melts, so I hope that
13 never happens. Madame Chairman, my light's changing,
14 so thank you.

15 CHAIRMAN ARANOFF: Commissioner Okun?

16 COMMISSIONER OKUN: Thank you, Madame
17 Chairwoman. I join in welcoming all of you here today
18 and again appreciate those who took the time to take
19 us to the SGL plant. I think it's a good thing. A
20 number of us went there. Based on the questions I
21 think we could be here for two days talking about like
22 product.

23 Even though I think I understand it a lot
24 better than I did before I went on the tour, I do have
25 some additional questions as well about it. First, I

1 think I'll start maybe with kind of maybe a legal
2 question for Mr. Hartquist or Mr. Luberda which is --
3 and I know in your briefs and today you've gone
4 through the characteristics the Commission would look
5 at in trying to determine is there a dividing line?
6 Should we expand the scope?

7 Those are, you know, different questions,
8 and I think the caselaw supports that as being in this
9 case we're looking to expand the scope. It's a
10 different inquiry in my mind than expanding the scope
11 and trying to figure out whether there should be cuts
12 within the scope.

13 One thing that I think would help me is if
14 you were to focus me on the one thing that you think
15 is most important in distinguishing why we should not
16 broaden the scope to include the whole size range.
17 What is it? What would you say? Of the arguments
18 you've made, what do you think is the most important
19 characteristic?

20 MR. HARTQUIST: Well, I would be reluctant
21 to prioritize them, Commissioner Okun, because I think
22 there are several characteristics that are quite
23 different between the large and small diameter
24 product. To single out one and say that it's more
25 important than the others would really be incorrect.

1 COMMISSIONER OKUN: But, I mean, you look at
2 the press and it's not press in the sense of each of
3 these is obviously unique when it's before us, but I
4 think the Commission has often tried to look at what
5 distinguishes. In other words, I guess one of the
6 cases cited by Respondents for when the Commission
7 broadens the scope is Lined Paper.

8 So you have paper, and it comes in, and they
9 want us to look at just a certain set of lined paper,
10 and we look at that and we say, well, it's all being
11 used, I mean, lined paper comes in a lot of different
12 sizes, there's one purchaser who purchases only one
13 size, but we said it should be a broader scope.

14 So in this one I'm trying to figure out,
15 does it look more like a steel product where I should
16 be saying because the electric arc furnaces really
17 need a high performance, that's really what this big
18 stuff is about, and it's mostly using needle coke, and
19 it's mostly high performance, that that's consistent
20 with how you would describe the like product, that the
21 purchasers understand that?

22 MR. HARTQUIST: Well, let me put it this
23 way. We've noted in our brief, for example, that the
24 Commission has for decades distinguished between sheet
25 and strip and plate, both in carbon and stainless

1 steel products. The major difference in that
2 situation is the thickness of the product, but there
3 are other differences that relate to that as well.

4 The applications that are used for plate are
5 quite different from the applications used for sheet
6 because of the differences in thickness. You may well
7 have exactly the same chemistry grade, 304, 316,
8 whatever it may be, the 400 series and so forth in
9 stainless steel, but you have different customers, you
10 have different applications and you have different
11 sizes.

12 I wouldn't say any one of those is the
13 clincher, but I think all of those fit under the
14 various tests that the Commission uses to determine
15 like product. That's similar to graphite electrodes.

16 COMMISSIONER OKUN: What about the fact that
17 one of the producers doesn't produce in the bigger
18 sizes? Do you think that is something the Commission
19 has traditionally looked at in determining -- in other
20 words, you make this argument that, I read your brief,
21 it was, you know, if you find like, you don't need to
22 go to most similar in a sense.

23 It read to me like if Superior even produced
24 anything else and we know the Chinese produced that
25 particular product, you shouldn't even consider

1 broadening the scope. I was trying to think whether I
2 thought that was supported by the statute or the
3 cases, and, you know, the fact that they're not making
4 the larger sizes, even though SGL does and even though
5 Chinese and others do, whether that should be relevant
6 or not in the like product consideration.

7 MR. HARTQUIST: I think it is significant in
8 that what Superior has done is to concentrate on a
9 particular market, just as in steel a particular
10 company might be a plate producer and not be a sheet
11 and strip producer.

12 In SGL's context, they have served both
13 markets, different applications, different products,
14 different materials that are used to make the products
15 with some overlap, but I think in both cases what they
16 do with the product, how they make the product and the
17 uses of the product are really instructive as to the
18 like product distinction that we've indicated.

19 COMMISSIONER OKUN: Okay. Mr. Lubberda, you
20 wanted to add something?

21 MR. LUBERDA: Yeah. I want to add two
22 things. First, in terms of companies being able to
23 produce, and remember there are two other domestic
24 producers of large diameter electrodes who have
25 focused only on large diameter electrodes, they market

1 only there, they see this as a different animal than
2 the small diameter electrode, so while we do have one
3 that overlaps, I mean, the majority of production in
4 this country is one or the other.

5 The second thing I wanted to do to try and
6 clarify for your first question there, when we set
7 about designing a scope for this case, you know, and
8 thinking about like product, if you look at what we've
9 done, we've excluded from the scope and the like
10 product, and we think reasonably, the large diameter
11 high intensity electrodes for, you know, steel mill
12 AFUs. That's 95 percent of what's in large diameter.

13 You can't write a scope that is all
14 electrodes except large diameter for steel mill EAF
15 because the end use type thing doesn't work for
16 enforceability reasons and Commerce won't let you get
17 away with it, so you have to come up with surrogates
18 for describing what it is you're excluding because
19 that large diameter for EAF steel mill scrap melting
20 use is very particular in terms of the expertise you
21 need to produce it -- the Chinese can't produce those
22 very well, they're having trouble getting into it --
23 what knowledge you need, what materials, all those
24 things.

25 I think the Commission was right in the

1 prelim to focus on applications and purchasers' view
2 of it. Steel mills don't look at those two the same
3 way. So we had to come up with a surrogate, so we
4 drew the line at 16 because that's what the industry
5 itself tends to look at. You've got the 18 and over,
6 the 16 and under, you've got one who's straddling the
7 line. That's how they tend to look at it.

8 It's where it breaks for use. Vast majority
9 of large diameter electrodes are used in these high
10 intensity melting applications, the vast majority of
11 the small diameter are used in lower intensity, the
12 foundry and the ladle applications. So this is what
13 made sense to the industry in terms of use, what goes
14 in. Are there exceptions on either side? Yeah, there
15 are some exceptions on either side, but the exception
16 shouldn't define the rule here.

17 COMMISSIONER OKUN: Well, I appreciate those
18 further comments and that's helpful. I think one of
19 the things that I've been hung up on, though, again,
20 looking at the plate, and I know you had given that
21 example in your briefs, which is one of the things
22 that I took away and I think Mr. Gore just repeated is
23 if you're looking at ladles, a ladle uses a particular
24 size of electrodes.

25 So the 16 inch, you can't just throw the 8-

1 inch in there if I understood what I learned on the
2 plant tour, right? I mean, once you have a ladle
3 that's a 16 inch ladle, or it's probably not described
4 as 16 inch but uses 16 inch electrodes, you can't just
5 throw in a little one, correct? Is my memory not
6 correct?

7 MR. GORE: Yes, that's correct.

8 COMMISSIONER OKUN: Okay. Mr. Stinson?

9 MR. STINSON: Let me share something with
10 you. I think in my testimony I said all of the most
11 modern furnaces being built today that are high
12 efficiency won't use electrodes under 24 inch and
13 typically greater than 100,000 amps. There is some
14 new technology that's coming out now by the steel
15 manufacturers, and they're calling them micromills and
16 they're going to specific areas, primarily making
17 rebar and constructions material, small, lower capital
18 mills.

19 Commercial Metals is putting a facility in
20 Arizona and they are specifically using 18 inch
21 electrodes for their melting furnace, tilting, melting
22 scrap, high intensity, and the ladle is a 14 inch.

23 COMMISSIONER OKUN: Okay. That reminded me
24 of another question. In terms of the eight inch, who
25 uses the eight inch anymore? Is there still a big

1 demand out there for the eight inch?

2 I mean, you've talked about being driven out
3 of the very small sizes by the Chinese, and I can look
4 at what the shipment data is for the Chinese producers
5 versus the U.S. producers, but is that an area where
6 there are enough existing ladles that are just eight
7 inches that that's just going to be around for a long
8 time or is it -- I mean, I guess I'm trying to figure
9 out whether I don't think the sweet spot is the 14 to
10 16 which you've focused on because of the size of the
11 ladles out there.

12 Someone help me understand that. Mr.
13 McClintock, you might be the best person having a
14 broad range there.

15 MR. MCCLINTOCK: Ma'am, the lower diameter
16 electrodes from eight inches and down, I don't have
17 much experience with those. Those are pretty much
18 real low melting processes in the foundries, and I
19 don't have that experience, ma'am.

20 COMMISSIONER OKUN: Okay. And again, so you
21 couldn't take two eight inches and throw it into
22 something that required a 10 inch, for instance?

23 MR. STINSON: No. That's not possible.

24 COMMISSIONER OKUN: Okay. Mr. Shannon, do
25 you want to add something?

1 MR. SHANNON: Yeah. I was going to comment
2 quickly. In the small diameters, like in eight inch,
3 most of the market these days would be used in small
4 steel foundry applications, so not power intensive. I
5 don't think it's really a size that's used too much on
6 ladles, but the remaining market's in steel foundries.

7 COMMISSIONER OKUN: Okay. Mr. Carney or Mr.
8 Shannon, I know the Chairman had asked you to provide
9 posthearing the breakout of what percentage of the
10 small diameter used needle coke. I guess I wanted to
11 go back and just ask you on that, I mean, Mr. Stinson
12 has described this part of the market which is still
13 for him protected from the Chinese, the 14, 16 inch
14 using needle coke, high amp, which is not something
15 the Chinese have been competitive in, if I understood
16 your response on that, Mr. Stinson.

17 MR. STINSON: Those customers depend on our
18 reliability.

19 COMMISSIONER OKUN: Okay. Mr. Carney, do
20 you have any product like that that you would say
21 comparable where either it's using needle coke or for
22 some other reason the Chinese are not yet able to
23 compete there?

24 MR. CARNEY: Yeah. We have a portion of our
25 customer or our, you know, production base that is

1 needle coke, and then we use other forms of petroleum
2 coke to address the other aspects of the marketplace.

3 COMMISSIONER OKUN: Okay. And so if you
4 have a customer who requires needle coke as part of
5 the product, the Chinese aren't able to just give them
6 more electrodes to serve that application?

7 MR. CARNEY: Generally not, but, again, they
8 tend to be a higher intensity application.

9 MR. HARTQUIST: Commissioner Okun, could I
10 just clarify very briefly Mr. Stinson's response about
11 the 14 and 16 inch category? I don't want you to have
12 the wrong impression. The Chinese do produce
13 electrodes and attempt to sell them in those
14 categories but their quality is not as good and they
15 have more difficulty competing at that level than the
16 smaller sizes.

17 This is characteristic of what's happened
18 over time is they've entered in the smaller sizes and
19 moved up the food chain, as you will, and improved
20 their quality to be competitive. So it's certainly
21 anticipated they will do that in the future in these
22 sizes as well.

23 COMMISSIONER OKUN: I have some further
24 questions about the needle coke on that but my red
25 light's on so I'll have a chance to come back if

1 someone else hasn't covered it. Thank you, Madame
2 Chairman.

3 CHAIRMAN ARANOFF: Commissioner Lane?

4 COMMISSIONER LANE: Good morning. Thank you
5 for being here today. I'm sorry that I did not get to
6 go on the tour. I would like to start my first
7 question with Mr. Danjeczek. As I understand it, your
8 trade association represents 36 American companies
9 that produce 70 percent of the steel used in the
10 United States. What I wasn't quite sure, do your
11 companies buy both domestic and subject product?

12 MR. DANJECZEK: I've been running the trade
13 association for 11 years so I'm not so sure what my
14 members always buy, Commissioner, but to the best of
15 my knowledge, they do buy both. We represent almost
16 all EAF producers in the U.S. that represent about 60
17 percent of U.S. production, and so therefore I can
18 almost assume that that happens. Yes, ma'am.

19 COMMISSIONER LANE: Okay. So I'm going to
20 put you on the spot here. Wouldn't a good way to
21 support this petition rather than just showing up here
22 today supporting it would be to have your members buy
23 nothing but domestic product?

24 MR. DANJECZEK: Ma'am, I was a melt shop
25 manager for many years and I had tremendous cost

1 pressures to buy the lowest cost item. A melt shop
2 manager working somewhere in the middle of the United
3 States isn't the determiner of whether material is
4 dumped or not. I think that responsibility falls
5 here.

6 COMMISSIONER LANE: Okay. Let me ask two
7 more questions sort of along this line. If your
8 members wanted to buy only domestic product, is there
9 enough domestic product produced for your members?

10 MR. DANJECZEK: I regret I do not know the
11 answer to that.

12 COMMISSIONER LANE: Well, would you be able
13 to respond posthearing for that answer?

14 MR. DANJECZEK: I will do my best to do
15 that. Yes, ma'am.

16 COMMISSIONER LANE: And then the flip side
17 is if your members only wanted to buy subject product,
18 is there enough of that produced that they could limit
19 all of the purchasing to just subject product?

20 MR. DANJECZEK: We'll provide a memo on
21 that. I don't have that now, but I think I can find
22 it out.

23 COMMISSIONER LANE: Okay. Thanks. Now
24 going to Mr. Stinson, you indicated that small
25 diameter electrodes are used mostly in ladle furnaces

1 rather than in the larger electric arc steel melting
2 furnaces. Could you explain to me what the purpose is
3 of the ladle furnace?

4 MR. STINSON: Sure. A ladle furnace is just
5 a large vessel that takes the molten steel out of the
6 electric arc furnace and basically keeps it at
7 temperature until it's ready to go to the caster.
8 They may do a little bit of chemistry balancing in the
9 ladle, but it's basically a holding cell.

10 COMMISSIONER LANE: Okay. Do you have
11 customers that use both small and large diameter
12 electrodes, and do most customers use both small and
13 large?

14 MR. STINSON: Just about every carbon steel
15 producer has an electric arc furnace and a ladle, so
16 they would use large diameter electrodes in the
17 electric arc furnace and they'll use small diameter,
18 16 inch or less typically, in their ladle furnace.

19 COMMISSIONER LANE: So most of your
20 customers use both small and large?

21 MR. STINSON: Yes.

22 COMMISSIONER LANE: Okay. You mentioned the
23 lower performance of Chinese electrodes. What do you
24 mean by lower performance, and what would the user of
25 a lower quality electrode experience related to that

1 lower performance?

2 MR. STINSON: Just let me qualify something.
3 Over time, the Chinese have developed a product that
4 works and works well in certain applications,
5 typically in the low intensity operations, typically
6 for a customer that can handle higher consumption
7 levels which will introduce more carbon into the heat.

8 Where they tend to have difficulty based on
9 our experience are in the higher intensity operations,
10 high energy, high mechanical stress, and typically
11 that's where needle coke starts to enter the picture.
12 Needle coke is in extremely tight supply on a global
13 basis, and there are basically two nations in the
14 world, three nations in the world that have difficulty
15 getting a plentiful supply of needle coke, so they're
16 left with the lower grade cokes which is forcing them
17 into the lower intensity operations.

18 COMMISSIONER LANE: Okay. Thank you. You
19 mentioned extensive competition from nonsubject
20 imports. Is that nonsubject competition in the small
21 diameter market, and, if so, how do the prices of the
22 nonsubject competitors compare to the Chinese
23 electrode prices?

24 MR. STINSON: The nonsubject that I'm
25 referring to is primarily in large diameter.

1 Unfortunately, the Chinese have scared off all of the
2 other producers too.

3 COMMISSIONER LANE: Okay. Mr. Carney, and
4 others if you want to answer, do you have knowledge of
5 price comparisons between nonsubject and subject
6 electrodes?

7 MR. CARNEY: We do. I mean, I think what we
8 find in the marketplace is that nonsubject prices are,
9 you know, virtually the same as ours, maybe a little
10 bit lower, whereas the dumped Chinese electrodes are
11 dramatically lower. I mean, in some cases, as we've
12 testified, 20 to 40 percent.

13 COMMISSIONER LANE: Okay. Does anybody else
14 want to respond to that?

15 MR. STINSON: I don't really have anything
16 to add to that. Mr. Carney's correct. What we see is
17 usually similar to what the domestic pricing is.

18 COMMISSIONER LANE: Okay. Thank you. Mr.
19 Carney, another question. You mentioned that there
20 was a period of tight supply during 2008. When did
21 that occur, and why? Was there a spike in demand, or
22 a reduction in supply, or both?

23 MR. CARNEY: No. I would characterize it
24 primarily as a spike in demand and, you know, steel
25 markets around the world were fairly priced, everybody

1 was operating pretty much at full capacity, and when
2 all the steel mills are operating at full capacity it
3 tends to lift everything else up.

4 I would say it was fairly short-lived. I
5 mean, we started noticing the tightness starting in
6 roughly February/March, and by August that tightness
7 had kind of alleviated, and, you know, dropped off the
8 map pretty much very significantly in the fourth
9 quarter.

10 COMMISSIONER LANE: Okay. Now, this is for
11 anyone that wants to answer. How has the collapse of
12 oil prices and reduction in other energy prices
13 affected your raw material and production costs?
14 Could you give us some idea of the percentage in raw
15 material and production cost decreases that you
16 experience or are likely to experience at current oil,
17 natural gas and other energy product costs?

18 MR. STINSON: Let me address coke. You're
19 talking about oil pricing which was at record highs
20 earlier in 2008 and has dropped back off again. The
21 driver on needle coke pricing is demand. It's
22 supplemented by oil pricing. When it gets above a
23 certain level there may be surcharges, there may not
24 be, depending on the contract negotiation.

25 For 2009 the needle coke suppliers

1 introduced record price increases never seen before
2 and to date they have not backed off those increases.
3 So we're seeing 70 percent increases in raw material
4 costs that are not being backed off of currently.

5 COMMISSIONER LANE: Anybody else want to
6 respond? Mr. Carney?

7 MR. CARNEY: That's our experience as well.
8 Very significant price increases at a time where the
9 market to our end users is falling off the map.

10 COMMISSIONER LANE: Okay. Thank you. The
11 next question may be for Mr. Hartquist going back to
12 the like product issue. Do you believe that the
13 Commission's like product analysis in this
14 investigation should be similar to that in the recent
15 off the road tire investigation?

16 In that case, the Commission found that
17 there was a dividing line between certain tires within
18 the scope of the investigation and others that were
19 outside the scope according to size and other factors,
20 but there was some overlap in terms of the factors
21 considered. Please explain your answer in detail.

22 MR. HARTQUIST: Let me ask Mr. Luberda to
23 respond to that, if I can.

24 COMMISSIONER LANE: Okay. Thank you.

25 MR. LUBERDA: We realize that every case is

1 sui generis and you look at the facts of the case that
2 are before you, but the off road tire case and the
3 sheet and strip case and plate cases I think do
4 demonstrate that you can have some overlap and still
5 find a bright line between two products. In that
6 case, some of it had to do with, you know, the
7 particular uses of those larger diameter tires and
8 that's a very important thing here.

9 Again, we tried to divide based on not only
10 physical characteristics and how they're produced but
11 on how these things are actually used, the high
12 intensity basically only for steel melting
13 applications versus the lower intensity applications.
14 I think it's very similar to what you found in the
15 tire case.

16 COMMISSIONER LANE: Okay. Thank you. Thank
17 you, Madame Chairman.

18 CHAIRMAN ARANOFF: Commissioner Williamson?

19 COMMISSIONER WILLIAMSON: Thank you, Madame
20 Chairman. I, too, want to thank the witnesses for
21 their testimony today. In your brief you argue that
22 some small diameter electrodes are sold through agents
23 and third party distributors. I was just wondering,
24 can you give us a little more detail about these types
25 of sales? This is for anyone who could address it.

1 MR. CARNEY: Could you be more specific in
2 terms of what exactly you're looking for in terms of
3 the breakdown of, you know, kind of direct to
4 customers or through distributors and agents?

5 COMMISSIONER WILLIAMSON: I guess I'm trying
6 to find out is there any tendency for small diameter
7 electrodes to be distributed differently than say the
8 large diameter? In other words, do you use agents
9 sometimes or third party distributors where you might
10 not with the LDGE? Mr. Stinson?

11 MR. STINSON: In our particular case, we
12 don't use agents. We have local sales folks. Some
13 other countries that come in will use agents. My
14 understanding is the Chinese are primarily all agents.
15 I don't think there's anything -- it's not a
16 distinction vote, you know? That's the only way they
17 can sell.

18 They don't have a manufacturing facility
19 here so they bring them in. Some of them warehouse
20 them. For example, Indian suppliers will use agents.

21 COMMISSIONER WILLIAMSON: Okay. But in
22 terms of U.S. manufacturers, do they ever use agents?

23 MR. SHANNON: Specific to the U.S.? We have
24 both direct salespeople and distributors that we work
25 side by side with in a lot of cases for the smaller

1 foundries where they might require local warehousing
2 that's more cost effective for us to provide that, and
3 in some cases due to geography reasons where don't
4 have a direct person, we'll have a distributor that
5 we'll work with who calls on that customer regularly,
6 but we don't use any agents domestically.

7 COMMISSIONER WILLIAMSON: Okay. So it's
8 more likely in the foundry business that you would be
9 not selling directly to the end user?

10 MR. SHANNON: Correct. There are a couple
11 exceptions, a couple of steel mills, again, due to
12 geographical reasons, but for the most part it's
13 foundries.

14 COMMISSIONER WILLIAMSON: Okay. And this is
15 the shrinking part of the demand I take it?

16 MR. SHANNON: Yes.

17 COMMISSIONER WILLIAMSON: Okay. Thank you
18 for that clarification. For SGL, Mr. Stinson, can you
19 elaborate on your production range for small diameter
20 electrodes? I know it's 14 to 16 right now, but so
21 when did you get out of the others? Timeframes.

22 MR. STINSON: In the 1990s we would have
23 produced six inch all the way through to 24 inch,
24 particularly in the Morgantown facility that was
25 visited. Over the course of the 1990s and into

1 roughly 2002 or probably around 2000 we were producing
2 up to 10 inch. Our 10 inch, we had basically gotten
3 eliminated from up to 10 inch. Then I believe it was
4 in 2002 we got out of the 10 inch, and I believe in
5 2003 we got out of the 12 inch business, which is just
6 leaving us with the 14s and 16s currently.

7 COMMISSIONER WILLIAMSON: Okay. Do you use
8 the same equipment or production workers for both the
9 small and the small diameter?

10 MR. STINSON: Primarily, other than
11 typically the baking cans that we use will be
12 different in diameter. They're made to hold the
13 product in a given shape while it's going through the
14 baking process and there's a certain ratio that you
15 need to maintain. The dies obviously are different
16 for extrusion. Normally we would use the same
17 employees in our Morgantown facility.

18 COMMISSIONER WILLIAMSON: Thank you. Has
19 there been a shift towards higher grades of small
20 diameter electrodes in the U.S. market in recent
21 years? Is this a dramatic or a very gradual shift?

22 MR. STINSON: I'm not sure I understand the
23 question.

24 COMMISSIONER WILLIAMSON: Well, I guess how
25 strong is the shift -- I think people have indicated

1 that there's more and more of the demand for SDG or
2 higher grades or higher quality, higher UHP. So what
3 I'm saying is the demand for the UHP electrodes
4 growing more rapidly than for the electrodes that are
5 lower quality?

6 MR. STINSON: The steel industry the last
7 four years has been at record pace so the demand for
8 graphite electrodes in general has been extremely
9 high. The demand for UHP 18 inch and larger has been
10 very, very strong, but likewise, the demand for ladle
11 furnaces 16 inch and smaller has increased also.

12 COMMISSIONER WILLIAMSON: Okay. So it's
13 really more proportioned to the demand? In other
14 words, the technology is not saying we need more UHP
15 and less of the HP? Mr. McClintock, you may have
16 talked about this.

17 MR. MCCLINTOCK: I think what's happened in
18 the industry is as the industry gets faster and with
19 larger heats the 18 inch is being used in some
20 applications in ladle furnaces just because you can
21 get more current through it but it's usually called
22 UHP with a needle coat high-quality electrode. Some
23 of the new facilities have large heats, they put a lot
24 of current.

25 They have to heat these big heats very

1 quick. So there's a few of the newer ones that are
2 using ladle furnaces, like 18 and 20s. Most of those
3 guys are high-powered ladle furnace applications. The
4 16 inch and lower that are out there now that make
5 small heats and the 40 ton heat to 50 ton heat are
6 still the 16 inch low-powered furnaces that are mostly
7 switching to the Chinese graphite that can function in
8 those applications.

9 MR. DANJECZEK: If I may, a comment on the
10 growth of the electric arc furnace industry. Over the
11 last four years up until the fourth quarter of this
12 year we've had maybe four very good years in a row,
13 and we probably have grown in a magnitude of 10
14 percent, a magnitude of 10 million tons, so there's
15 been growth just in sheer tons.

16 The electric arc furnace industry has grown
17 internally to over 60 percent of the domestic industry
18 today, growing at a rate of about one and a half
19 percent per year. So we saw growth both in total
20 business and in the growth of the electric arc furnace
21 industry.

22 COMMISSIONER WILLIAMSON: Thank you. That
23 helps me understand where we're going. Turning to a
24 different line of questioning. In assessing whether
25 there was price suppression the Commission often looks

1 at the cost of goods sold to sales ratio. Can you
2 address in the data in your posthearing briefs this
3 trend? Let me rephrase it.

4 Can you address the data that we have in
5 front of us as to what do you see in terms of the
6 ratio? This would be posthearing.

7 MR. HARTQUIST: The ratio of cost of goods
8 sold to?

9 COMMISSIONER WILLIAMSON: Cost of goods sold
10 to sales ratio.

11 MR. HARTQUIST: To sales?

12 COMMISSIONER WILLIAMSON: Just further
13 elaborate on what that tells us about whether or not
14 there's price suppression or not.

15 MR. HARTQUIST: Yes. We'll be happy to do
16 so.

17 COMMISSIONER WILLIAMSON: Okay. Thank you.
18 I would also be interested in comments on how useful
19 is the average unit value data for our analysis. In
20 this case, how useful is that data? Mr. Lubberda?

21 MR. HARTQUIST: You'd like that addressed in
22 the brief as well?

23 COMMISSIONER WILLIAMSON: Or now. Any
24 comments you can make now.

25 MR. LUBERDA: I can give a couple of brief

1 comments about that. I mean, it's hard to talk
2 specifically about specific numbers because of the
3 confidential nature.

4 COMMISSIONER WILLIAMSON: Understand. You
5 can make your comments in general.

6 MR. LUBERDA: There is some difference in
7 the AUVs that you see based on product mix. We have
8 no way to discount for that when you do any sort of
9 analysis. What we do know, and you've got testimony
10 and questionnaire responses that nonsubject imports
11 have higher AUVs and corresponding higher prices in
12 general than the Chinese imports from China and that
13 both are generally lower than the U.S., the Chinese
14 being much lower across the board and the nonsubjects
15 being a little more competitive with the domestic.

16 Because we don't have specific nonsubject
17 pricing information it is sort of price comparisons
18 that you do between domestic and Chinese. We're sort
19 of left with that as a surrogate. It's a general
20 surrogate, you can look at, you know, trends, but it
21 doesn't precisely paint where prices are.

22 COMMISSIONER WILLIAMSON: Okay. So in other
23 words you have some limited value, but do you think
24 there's significant product differences that would
25 explain this?

1 MR. LUBERDA: There are differences in
2 product mix between various producers within the
3 domestic industry and from imports as well but they
4 are generally indicative of the general price level of
5 domestic versus third country versus Chinese.

6 COMMISSIONER WILLIAMSON: Okay. Thank you.
7 Time has expired. Thank you for those answers.

8 CHAIRMAN ARANOFF: Commissioner Pinkert?

9 COMMISSIONER PINKERT: Thank you, Madame
10 Chairman. I join my colleagues in welcoming you and
11 thanking you for coming here today to help us
12 understand what's going on in this industry. I want
13 to begin with a couple of questions for Mr. Kerwin.

14 I realize that this first question may be
15 better addressed in the posthearing brief but I want
16 to give you an opportunity to answer it here. How do
17 you account for relative performance within the
18 industry during the period of investigation?

19 MR. KERWIN: Well, I'll try to tip toe
20 around that a little bit here and we'll give you a
21 fuller answer in our brief. As I mentioned in my
22 testimony, and as you've heard from our industry
23 witnesses, SGL and Superior are in relatively
24 different positions in the small diameter graphite
25 electrodes market.

1 Superior, this is their bread and butter,
2 this is their only market, this is all that they do
3 essentially is small diameter graphite electrodes, so
4 they have continued to offer a wider product range and
5 have had little option but to try and compete with the
6 Chinese and to be more willing to lower prices and to
7 try to meet those price aggressive competition.

8 They have maintained that strategy because
9 to do otherwise would mean closing the plant down. On
10 the other hand, SGL, as you heard from Mr. Stinson,
11 historically has had a broader product range in the
12 small diameter range but has decided to over the years
13 that certain of those diameters, those product ranges,
14 are just untenable, that the level of price
15 competition that they're seeing from the Chinese has
16 just, they've concluded that they just can't compete
17 at those levels.

18 So they have withdrawn from part of the
19 small diameter market and have chosen to be a little
20 more aggressive in trying to hold their prices and to
21 lose volume. So you've had Superior, which has seen
22 the affects of the imports both in dramatic price and
23 volume terms, and SGL, which may have seen a bit less
24 of a price affect but has certainly seen a volume
25 affect.

1 MR. LUBERDA: Mr. Pinkert, if I could just
2 add, and, again, dancing around the numbers a little
3 bit, you have the data in the record to look at
4 shipments by the domestic industry by size and you
5 have imports by size. You can look at the under 14
6 market that Superior is in and the over 14 market in
7 relative strength of who is in which market, how much
8 the subject imports are in each market, and you can
9 correlate that pretty directly as well with some of
10 the underselling information.

11 You have underselling of 10 and 12 inch and
12 14 and 16 inch. So you can do comparisons of those
13 numbers, which we will do in the posthearing brief for
14 you, that explains some of the, explains I think all
15 of the difference between performance of the domestic
16 industry.

17 Whether you're talking about different parts
18 of the small diameter industry or small versus large,
19 the unifying factor in causation is how much do you
20 compete with the Chinese? We will do a precise
21 analysis for you in the posthearing brief that lays
22 that out.

23 COMMISSIONER PINKERT: Thank you. Now,
24 staying with Mr. Kerwin for a moment, I understand
25 your testimony about price suppression but what I'm

1 wondering about is given the pressure that you've
2 testified about from undersold imports during calendar
3 year 2006, how was the industry able to obtain any
4 price increases?

5 I understand that you said that the price
6 increases weren't sufficient to cover the increases
7 and costs, but how were they able to obtain any
8 increases during that period?

9 MR. KERWIN: Well, this was generally a
10 period of increasing raw material costs and energy
11 costs, and the Chinese and third country producers
12 were facing the same types of pressures. So simply
13 because the general level of pricing goes up in the
14 marketplace, that doesn't necessarily indicate that
15 anybody will be any more profitable, nor does it
16 indicate that you're not being undersold by Chinese
17 imports.

18 So if the general level of pricing goes up
19 in the marketplace that's not an indication that
20 things are turning around for the industry. The fact
21 of the matter is during this period there have just
22 been huge increases in the costs of production and
23 that's been true both for domestic and for foreign
24 producers. But the basic equation of underselling has
25 really not changed and nor has the basic equation of

1 poor profitability for the domestic industry.

2 COMMISSIONER PINKERT: But what I was trying
3 to focus on was what the dynamic was, what was it that
4 enabled the industry to obtain the increase during
5 that period of time? Perhaps Mr. Stinson can testify
6 to that.

7 MR. GORE: I actually had one comment was,
8 the entire industry knew that raw material prices were
9 going up based on, you know oil prices had skyrocketed
10 over that time and all of the raw materials had seen
11 significant increases so everyone has been expecting
12 increases pretty much from every supplier.

13 MR. STINSON: The period of your
14 investigation as we've pointed out were exceptional
15 years for the steel industry, not just in the U.S. but
16 globally. The demand for our product were at record
17 levels not just for SGL but for every graphite
18 producer in the world. Part of the pricing dynamics
19 of any product is supply and demand and it was
20 extremely favorable. We as a price leader were
21 forcing prices up on large diameter and trying to pull
22 the small diameters along. And for the most respect
23 we were able to do that but not to the same levels.
24 And again focusing in the U.S. we're not able to get
25 quotes or any business in the smaller diameter market

1 because they're suppressed.

2 MR. KERWIN: Commissioner Pinkert, if I
3 could just follow up, one aspect of this is also the
4 fact that as the industry's going through a bidding
5 process for contracts for the following year, say
6 Superior goes to a customer and they offer a price and
7 the customer has a price from one of the Chinese
8 importers that is significantly lower.

9 What happens in that instance is if Superior
10 is unable to meet the price of the Chinese imports and
11 that customer decides to buy the Chinese product
12 Superior didn't lower its price but it lost volume.
13 And certainly the staff report bears out that we're
14 talking about a significant amount of volume that was
15 lost on that basis.

16 I think any producer is always going to try
17 to get the highest price that he can, particularly
18 when facing large increases in production costs. And
19 so when you go into a bidding process you're not going
20 to bid low going in, but if your competitor comes in
21 far far below you the customer is going to make the
22 obvious choice of doing what makes sense to him, and
23 given the low level of pricing from these Chinese
24 imports what has transpired there is loss of volume.
25 So it's, you know even to the extent that the pricing

1 generally in the marketplace increased in each of the
2 years of the POI the domestic industry lost volume.

3 MR. STINSON: And just one more comment,
4 you've seen the significance over the last three to
5 four years. 2009 and beyond are not looking to be
6 very good years. So the significance of this case is
7 extremely important to the two companies that are
8 sitting at this table because the aggressiveness of
9 the Chinese market is not going to let up.

10 COMMISSIONER PINKERT: Thank you, now going
11 back to Mr. Kerwin for just a quick followup, you
12 talked about the possibility of lost volume during
13 that period. Can you take the story into interim 2008
14 and tell me how that dynamic was reversed or how that
15 dynamic was different?

16 MR. KERWIN: Well I think one of the things
17 that started to happen is that obviously this case was
18 filed early in the year, and from our discussions with
19 the industry members they began to get an indication
20 from the marketplace within the first or beginning of
21 the second quarter that there was a belief in the
22 marketplace that this case was going to have a
23 significant effect on the market and on pricing.

24 And even in instances where contracts had
25 been negotiated at the end of 2007, during the course

1 of the year because of the raw materials pricing
2 increases the domestic manufacturers had to try to
3 push through price increases. And because of the
4 dependency of this case and the knowledge of this case
5 in the marketplace and the fear among purchasers of
6 Chinese product that pricing would be going up those
7 increases largely did hold.

8 And then there was also the issue of spot
9 purchases. So if an order came through say in May of
10 2008 and the customer approached a domestic producer
11 again knowing that this case was out there and that
12 there was fear among the import community of the
13 effects of this case, a domestic producer could take a
14 more aggressive standpoint on price than had been the
15 case in 2007.

16 COMMISSIONER PINKERT: Okay, thank you. I'm
17 going to have to stop you there because my light has
18 gone off. Thank you.

19 CHAIRMAN ARANOFF: Well I want to return to
20 just a few more like product questions before getting
21 on to the rest of the case. I had asked you in my
22 first round of questioning for some data posthearing
23 on how much needle coke is used in the small versus
24 large diameter, and it occurred to me that I should
25 clarify the question by saying that because we are

1 looking at the issue of whether there's a clear
2 dividing line at the 16-inch point one of the things
3 that would interest me would be data comparing the
4 amount of needle coke used in 16- versus 18-inch so I
5 can look right at the line, although I am also
6 interested in over the entire small and large range.
7 So that's just a clarification.

8 I'm also interested in a contrast that I see
9 comparing the testimony that Mr. Danjeczek gave this
10 morning on behalf of his association and what some of
11 the individual steel producers said in their
12 questionnaire responses which are summarized to some
13 extent in Appendix D to the staff report.

14 And it's not so much that I see an
15 inconsistency but I can see an overall position on
16 behalf of the steel producers in support of this case
17 and yet when you look at what individual purchasers of
18 electrodes are saying in their comments they're
19 saying, size doesn't really matter. Size matters
20 because it determines what I can clip into my
21 equipment, what fits in there, but what really matters
22 to me are how much current can go through it, these
23 performance characteristics and that those are
24 coordinated only loosely if at all with size.

25 Now I know Mr. Luberda said earlier in

1 response to one of my colleague's question, yes that's
2 right, size is really a proxy for other things that
3 are too difficult to use to define a workable scope.
4 So if you can try and help me get through this because
5 we said in the prelim that the purchaser, you know
6 impressions of the product were going to be very
7 important in resolving the like product issue, and the
8 purchasers say size doesn't matter.

9 MR. LUBERDA: Well I guess I would read
10 those slightly differently than you did. I don't
11 think they said that size doesn't matter, I think they
12 said that size is linked to both quality and use and
13 that those things all together matter. I mean there
14 were clearly some steel company purchasers who
15 purchased Chinese material who wrote very detailed,
16 eloquent statements as to why each one of the factors
17 weighed against finding a like product.

18 When you looked at the producers as a whole
19 there are a variety of different answers but almost
20 all of them correlate in some way, you couldn't
21 interchange because of size, you couldn't interchange
22 because of quality, they almost always in some way
23 coordinated quality, size, and application. And
24 that's what we're arguing in our case, that taken as a
25 whole the large sizes go to high intensity uses for

1 almost one particular use and that is a different
2 product different market. And taken as a whole what
3 at least we read from those questionnaire responses,
4 that generally supports it outside of argumentation
5 provided by either side.

6 CHAIRMAN ARANOFF: Okay well I'm going to
7 read them all again obviously before voting at the end
8 of this case. One question that I did want to give
9 you the opportunity to answer, and you can do it now
10 or in posthearing, is obviously there's a lot of
11 interest in the like product issue here and you've
12 heard questions from every single Commissioner, in the
13 event that the Commission finds that there's a single
14 continuum of products that includes the large diameter
15 product do you still have an injury theory for the
16 case or a threat theory that you would want us to look
17 at or does the whole case end if we find the larger
18 like product?

19 MR. HARTQUIST: Well we'll address that in
20 the brief. We've certainly considered that.

21 CHAIRMAN ARANOFF: Okay, well while you're
22 considering it in your brief I guess I'll pose one
23 further question along those lines which is, you've
24 mentioned that although the Chinese product has been
25 moving up the size range at least at present they

1 haven't really got the quality to sell into the large
2 diameter market and so as you're looking at that issue
3 in your posthearing brief if you could take a look at
4 Table 4-3 which is confidential but is the
5 distribution of Chinese production and exports by size
6 at least for the responding producers it would be
7 helpful to have you take a look at that in that
8 context.

9 MR. HARTQUIST: We will do so.

10 CHAIRMAN ARANOFF: Thank you. Okay, there
11 were a few arguments that Respondents raised in their
12 briefs that I wanted to give you the opportunity to
13 respond to. It may be that the response is
14 confidential and has to go in your posthearing brief.
15 The first one is that the Respondents argue that
16 differing performance on the part of the two
17 petitioning companies while facing what they describe
18 as the same Chinese imports under the same conditions
19 of competition demonstrate the absence of a causal
20 link between the subject imports and injury in this
21 case. And I wanted to give you the opportunity to
22 respond to that and in particular, is it fair to
23 characterize the two domestic producers as facing the
24 same Chinese imports under the same conditions of
25 competition?

1 MR. HARTQUIST: I think we're going to have
2 to do that in the brief because we're going to have to
3 deal with confidential information to respond to that.

4 CHAIRMAN ARANOFF: Okay, and another
5 question that may require a confidential answer, there
6 are a number of points in the Respondent's prehearing
7 brief, and in particular pages 23, 36-37, and 41,
8 where Respondents assert that certain company-specific
9 factors that are unrelated to subject imports explain
10 declines in domestic production, loss of marketshare,
11 and certain effects on profitability of the domestic
12 industry between 2005 and 2007. And it would be
13 helpful to have a response to those.

14 MR. HARTQUIST: Again I think we need to do
15 that in the brief.

16 CHAIRMAN ARANOFF: Okay, I appreciate that.
17 Well let me turn then to one question on critical
18 circumstances. Can you indicate to me why you're
19 advocating that the Commission look at a five-month
20 rather than a six-month period in assessing critical
21 circumstances? I know there was another case recently
22 where the issue of five versus six months came up.

23 MR. LUBERDA: If you like we can provide it
24 both ways for you in the posthearing brief, but I
25 believe it was because of data that was available

1 based on what the major company that's involved in the
2 critical circumstance, Fangda Group, was doing. But
3 we'll provide you a more detailed answer in the
4 posthearing brief.

5 CHAIRMAN ARANOFF: Okay, I know this issue
6 came up last summer, it was the Circular Welded Steel
7 Pipe from China case, and the Commission had three
8 different sets of data. It could look at the normal
9 six months that it usually looks at, or actually I
10 think it was less, I think it was six months lag
11 forward, six months lag back based on when the
12 petition was filed, and then there were some five-
13 month periods. In that case the Commission sort of
14 dodged the bullet by looking at all of them and saying
15 they all showed the same thing, but you know we do
16 usually look at six months so if there's a reason not
17 to I know we have the discretion to do that.

18 MR. LUBERDA: We will fully brief that.

19 CHAIRMAN ARANOFF: Okay, one more question,
20 and now we're getting into kind of things that are
21 theoretical, but it's been mentioned, and in the
22 preliminary when the Commission was looking at the
23 Bratsk analysis that there was general agreement that
24 this is not a commodity product. I mean as you point
25 out that may not be all that relevant anymore in light

1 of the Mittal decision but I for one have always
2 struggled with this definition of a commodity product,
3 and even with a product that's produced to customer
4 specifications if there are multiple producers in the
5 U.S. and other countries who can meet those
6 specifications, why wouldn't you still consider a
7 product like that to be a commodity product?

8 MR. LUBERDA: Well I think the basic
9 argument is that in this situation the product that is
10 supplied to the customer is very specifically ordered
11 by that customer for a particular furnace or for a
12 particular application. And it's not like a customer
13 would come into SGL or into Superior and say I want
14 two of those green ones on the shelf. The ordering
15 process does not take place in that manner, and that's
16 what I think distinguishes this from a commodity
17 product where it would be generally available to many
18 different customers, exactly the same size, exactly
19 the same specifications. That tends not to be the
20 case in this industry and I think Respondents have
21 pretty much agreed with that analysis.

22 CHAIRMAN ARANOFF: Okay, well I take your
23 point. I guess I've tended to define commodity a
24 little more broadly perhaps than some of my colleagues
25 or than the way that you're describing it just based

1 on my understanding of what the Court was saying in
2 the Bratsk case. But as my time is up I'll think
3 about whether I have a further question there and turn
4 to Vice Chairman Pearson.

5 VICE CHAIRMAN PEARSON: Thank you, Madame
6 Chairman. Mr. Stinson you may have mentioned this
7 before but just to make sure I have it clear, are
8 there some employees at SGL who are involved only in
9 the production of small diameter electrodes and not in
10 the production of large diameter or as a practical
11 matter is anybody who's working on small diameter also
12 at least doing some work on large diameter?

13 MR. STINSON: Under today's environment the
14 same employees can do both. You go back in our
15 history, again back into the question of when did all
16 this start, back in the '90s it would not be unusual
17 for certain crews to work on small diameter electrodes
18 and other crews working on larger diameter facilities.

19 VICE CHAIRMAN PEARSON: Okay, thanks, that
20 was the impression I had from the tour, but I just
21 wanted to make sure because I only went through the
22 plant once, it's one big place.

23 Oh, gosh. I think I found an amorphous
24 dividing line, and I'm continuing to look for a clear
25 one here. Mr. Hartquist, perhaps this is best for

1 you. You know, when we do reviews, we get stuck doing
2 a counterfactual analysis, and it's challenging.
3 Sometimes it's great fun and it makes you think about
4 well, what would have happened. So if Superior
5 produced electrodes up to 18 inches in size, would you
6 be suggesting a 16-inch dividing line?

7 MR. HARTQUIST: Yes absolutely, because if
8 Superior were doing that they would be using different
9 materials, they would be producing a product that has
10 to withstand far higher energy requirements, and they
11 would be selling it primarily to different customers.

12 VICE CHAIRMAN PEARSON: Okay, so the
13 dividing line is not related primarily to the fact
14 that the production capabilities of one U.S. firm end
15 at that point?

16 MR. HARTQUIST: No, this is something that
17 we examined very thoroughly before we filed the case.
18 And no, we do not think it's based upon that factor.

19 VICE CHAIRMAN PEARSON: Mr. Luberda, you
20 have something to add?

21 MR. LUBERDA: It's certainly not based on
22 that factor alone. I mean it tends to support what
23 we're arguing but that wasn't the driving force. What
24 we did as I explained before to Commissioner Okun, the
25 industry viewed the products that are made for big

1 steel EAF furnaces, high intensity uses, as a
2 different product. But you can't write a scope or a
3 like product that way efficiently, certainly not a
4 scope that's enforceable.

5 So the 16-inch line is the line where the
6 delineation between the two primary types of uses
7 falls. So it wasn't just about who produced at what
8 size. But in point of fact there's a reason that the
9 other large diameter producers only produce large
10 diameter and that Superior only produces small. They
11 are focused for different applications. So it's not
12 coincidental, it's supportive, but it's not the only
13 driving factor.

14 VICE CHAIRMAN PEARSON: Okay, well a
15 question for producers again. I know when we were at
16 your plant, Mr. Stinson, there was some discussion of
17 the issue of pitch impregnation and a difference there
18 between large diameter and small diameter. I don't
19 recall the details of that. Is there indeed some
20 difference between whether the use of pitch
21 impregnation with large diameter versus small
22 diameter?

23 MR. STINSON: To the best of my knowledge
24 all high powered applications require the impregnation
25 for strength. There may be some smaller diameters

1 down in the 8- maybe even as far as 10-inch that could
2 get away without being impregnated.

3 VICE CHAIRMAN PEARSON: So the impregnation
4 is related more to the power rating of the electrode
5 than the diameter of the electrode?

6 MR. STINSON: Yes, the power and the
7 mechanical stress that the product may be under. If
8 there's a lot of bending motions impregnation adds
9 strength.

10 VICE CHAIRMAN PEARSON: Mr. Gore?

11 MR. GORE: Part of the conversation we had
12 at our plant was that we mentioned that some of the
13 higher power products could be double-impregnated as
14 well.

15 VICE CHAIRMAN PEARSON: Mr. Carney, is that
16 the same in your process?

17 MR. CARNEY: Yes, we do have pitch
18 impregnation capabilities for a certain segment of our
19 product, you know, the product is pitch impregnated.

20 VICE CHAIRMAN PEARSON: Okay, but should we
21 ignore pitch impregnation as an issue when looking for
22 the dividing line? It's not clear to me whether it
23 helps us or hurts us with that. Mr. Luberda?

24 MR. LUBERDA: As we argued in our petition
25 and the brief, again there is a correlation between

1 size and power. Everything over 18 is high power so
2 it's all going to be pitch impregnated. Most under 16
3 is not. Some portion of it's high and some portion's
4 low so some portion of that will be pitch impregnated
5 and some not. There is a variety of characteristics
6 under 16. There is predominantly only one set of
7 characteristics for over 16, and that's what we do.

8 So pitch impregnation is one more of those
9 things that tends to correlate, always high power,
10 always pitch impregnated, maybe double-pitch
11 impregnated. 16-inch and under, low to medium power,
12 maybe some exceptions in high power, there are some,
13 tend to they can or can not be pitch impregnated
14 depending what the producer wants and the consumer
15 wants for it. So many versus dedicated is kind of the
16 way we're looking at it. And that's just one more
17 factor that falls into that many versus dedicated
18 approach.

19 VICE CHAIRMAN PEARSON: Okay, Mr. Hartquist,
20 this probably comes as a question to counsel, how
21 would you respond to a potential argument from the
22 Respondents if they suggest that we ought not to find
23 in the affirmative given that there is not a lot of
24 evidence of price depression or suppression on this
25 record? You know, acknowledging that there's

1 underselling, we see that, but that underselling it
2 could be argued has not given us the type of evidence
3 of price depression or price suppression that we so
4 often see.

5 MR. HARTQUIST: Well I think it's a little
6 different argument in this case. What you're heard
7 the witnesses describe is situations where they've
8 been under tremendous cost pressure. They're costs
9 have increased tremendously as has been true of most
10 materials supplied to the steel industry in the last
11 few years because of higher energy prices, higher
12 nickel prices, higher coke prices, higher scrap
13 prices, you go right down the line.

14 And so I think the reason that you have not
15 seen the kind of evidence of price suppression that
16 you may see in many other cases is because although
17 prices have increased during the period of
18 investigation the profitability has not increased.
19 And a producer gets to a point where he says, yeah the
20 prices are high but that's mostly raw materials and
21 production cost and I'm not making any money on this
22 product.

23 And if I reduce my price to where the
24 Chinese are, and we believe that much of the Chinese
25 pricing was below costs when you look at the raw

1 material costs, the costs of producing the product,
2 the domestic producer says, I'm not going to reduce my
3 price to that level because I'll lose money in doing
4 so and there's no sense for me to shoot myself in the
5 foot if you will.

6 VICE CHAIRMAN PEARSON: Right but does the
7 trend in the cogs to sales ratio really support the
8 argument that you've just made? As I see that trend
9 it would suggest that producers have been able to
10 cover their increased costs plus pass some along,
11 which of course isn't at all unusual in a time of
12 strong demand and rising prices.

13 MR. KERWIN: Vice Chairman Pearson, if I
14 could add, I think what's a bit unusual in this case
15 compared to some cases that you've seen is that the
16 Chinese industry already had a significant marketshare
17 at the beginning of this period. And in fact we asked
18 whether the Commission could include 2004 in the
19 database and that's a bit of an unusual request and it
20 was decided not to include that information in the
21 database.

22 But when you begin the POI in 2005 you're
23 seeing that the Chinese had a highly significant share
24 of the U.S. market. They were already having an
25 impact. As you heard from Mr. Stinson this has been

1 gradually occurring over a period of far more than the
2 last three years. It's been 12 to 15 years. But
3 within the last three years the situation has become
4 dire. And of course 2004 was included in the database
5 of preliminary findings.

6 But what the data bear out is that because
7 of their huge marketshare from the very beginning of
8 the period the Chinese imports were having a very
9 negative effect on the profitability of the industry,
10 that the underselling was having a price suppressing
11 effect, and that the domestic industry was not
12 covering its costs. And the fact that things went up
13 a little bit in some of the years of the POI is not an
14 indication that the industry was healthy or that the
15 price suppressing effects of the imports were somehow
16 lessening.

17 It's a bit of an indication of the fact that
18 demand was up in the period, but clearly in the period
19 when the steel industry was having a tremendous,
20 probably the best three years it's had in quite some
21 time, for the industry the small diameter graphite
22 electrodes industry which is serving that industry to
23 barely be at a break-even point is not very
24 encouraging considering what the industry is facing
25 currently.

1 So it started from a very poor position and
2 things did not increase much at all, and then they
3 went back down in 2007. So this is not a case where
4 you're starting from a marketshare of say 2 percent
5 and going up to 40 percent for the Chinese, this is a
6 case where the Chinese were already at a highly
7 significant marketshare at the beginning of the
8 period.

9 VICE CHAIRMAN PEARSON: Okay, thank you, Mr.
10 Kerwin. My time has expired. Thank you, Madame
11 Chairman.

12 CHAIRMAN ARANOFF: Commissioner Okun.

13 COMMISSIONER OKUN: Thank you, Madame
14 Chairman. If I could just follow up, Mr. Kerwin, the
15 Vice Chairman's question had reminded me of something
16 I wanted to ask you in response to your argument about
17 whether there was suppression. What I thought I heard
18 you say in your testimony was that your argument with
19 respect to price was if you look at the large amount
20 of lost sales, that that correlates with the lost
21 volume.

22 And therefore that is the argument you're
23 making as opposed to us focusing on suppression when,
24 again and I'm trying to understand your response to
25 the Vice Chairman, the trends, the cogs that we would

1 normally look at, you know there was one period which
2 we focused on in the prelim. So I'm trying to make
3 sure I understand, are you saying you think we got the
4 suppression argument wrong or you would have us look
5 at it differently, or are you saying that if you put
6 together the other things that were going on, the lost
7 sales, the lost volume, that shows the impact of the
8 Chinese prices as opposed to a traditional price
9 suppression argument?

10 MR. KERWIN: Well I think you have a
11 question of levels versus trends, okay? The trend in
12 this period, as I just mentioned this is not a case
13 where the trend for Chinese imports was to go from 2
14 to 40 percent. They were already at a very
15 significant marketshare at the beginning of the
16 period. So the price suppression was occurring right
17 off the bat, so the level of price suppression was
18 already significant. So the fact that it didn't
19 change that much over the POI, so there wasn't a
20 trend, okay, but the level was already extremely high.

21 COMMISSIONER OKUN: So you're focusing on
22 the percentage level, that the ratio level being
23 overall high as opposed to again a case where we would
24 see that change dramatically, is that the argument
25 you're making?

1 MR. KERWIN: Correct, that the industry was
2 already in a very poor position at the beginning of
3 the period.

4 COMMISSIONER OKUN: Okay, I understand now.
5 Then let me turn to some of the arguments that the
6 Respondents made in their brief. And I know some of
7 my colleagues have gone through some of these already,
8 but with respect to nonsubject imports -- I guess
9 before I ask this question I should note I thought
10 that your brief has already gone into a great amount
11 of detail with respect to the nonattribution factors
12 and from my personal perspective I thought that the
13 way that you walked through that and gave it analysis
14 of Mittal, I thought was very helpful since it was a
15 recent case and I thought you took the time to explain
16 your view of that and I personally found it helpful.

17 But I do want to just walk through some of
18 the nonattribution questions here, and one is, and I
19 didn't just go back to check this, but with respect to
20 the E tables that are provided in the posthearing
21 brief in looking at nonsubject prices, and I know, Mr.
22 Luberda, you spoke a little bit about this, but if you
23 can just again give me your argument on, and again we
24 have a large presence of nonsubjects here, some of the
25 data we at least know the prices of nonsubjects. Help

1 me understand why we would discount the significance
2 of nonsubjects in this case.

3 MR. LUBERDA: Part of this is APO so I have
4 to be a little careful, but if you look at the data
5 there has been significant nonsubject import
6 competition throughout the period just like there's
7 been significant Chinese. I mean to sort of include
8 an answer to a previous question, you know we
9 acknowledge that the domestic industry does not make
10 enough small diameter to service the entire steel
11 market. All right, so there has always been
12 significant nonsubject significant Chinese presence.
13 The Chinese presence has gotten larger over time but
14 it's been significant throughout the period of
15 investigation.

16 You also have significant nonsubject
17 participation in the large diameter market and
18 industry, all right? The difference as Mr. Stinson
19 testified between the outcomes for the two industries
20 is what's happening with the Chinese. And we will do
21 in our posthearing brief a more precise correlation
22 that will show I think the but for causation that
23 you're looking for that correlates both how the two
24 individual small diameter producers did and how the
25 large did. Now the only difference between large and

1 small is how much competition did you have with the
2 Chinese.

3 In the large diameter the Chinese
4 participation publicly is small, everybody
5 acknowledges that. It's very significant in small
6 diameter. We've been talking about price suppression
7 here. There was significant price suppression. As
8 Mike said it was already going on at the beginning of
9 this process. But if this industry could have raised
10 prices in a period where their major customers, the
11 steel industry, was making the most money it's made in
12 living memory they certainly would have. They
13 couldn't.

14 The large diameter folks, they were able to
15 raise their prices and make significant profits.
16 Small diameter couldn't. We operated at a very low
17 level throughout the period. And now we face a
18 situation, you know the one saving grace was we had
19 some demand, it allowed us at least to capture costs
20 in some years, not every year, we're no longer going
21 to have that going into 2009.

22 Tom Danjeczek can speak more to this than I
23 can but steel demand in this country is way down,
24 production is at maybe 60 percent of what it was a
25 year ago, and things aren't likely to get better any

1 time soon, which means for the folks sitting for the
2 industry at this table they are going to have less
3 ability to push through those price increases and have
4 pressure on their prices downward and volume pressure
5 as well if the Chinese even stay at the level they
6 have been in the last two years.

7 So you know, do the but-for analysis. But
8 for the Chinese we would have been able to raise
9 prices more and make better profits, but for the
10 Chinese Mr. Stinson would have sold more product in
11 more markets in the small diameter at better prices
12 and Mr. Carney's company also would have sold the
13 product it did sell at much higher prices so that they
14 would operate at profit levels that anybody would
15 consider to be reasonable and weren't able to do so.

16 COMMISSIONER OKUN: Okay, I appreciate that
17 and I'll look forward to the posthearing elaboration
18 on that as well. With respect to the impact of
19 demand, and you touched on that already, and I don't
20 know, Mr. Danjeczek, you might be in a position to
21 comment on this, is there anything about the way
22 demand is decreasing now that would be relevant to
23 this investigation? In other words, you know when we
24 look at the changes made in the steel industry over
25 time, is there any difference in the way they're

1 shutting down that would impact the demand for this
2 particular product or is it just, you know we expect
3 if steel production goes down it impacts these guys
4 equally?

5 MR. DANJECZEK: Commissioner Okun, just to
6 emphasize what Allen said, the first three quarters of
7 this year we ran at about 29 million short tons a
8 quarter operating at about 85 percent. In the fourth
9 quarter the numbers aren't out yet but it looks like
10 if it's what we think they're going to be we're going
11 to be operating somewhere between 40 and 45 percent.
12 So Allen's statement that we're running at half of
13 what we were running at is a fairly accurate
14 depiction.

15 When you have steel business running at half
16 you run it for costs primarily. You're running it on
17 a cash basis very heavily. You're watching your cash
18 very hard because it's not just a credit situation
19 because you might be doing some business things that
20 will hurt you later but you're managing your cash now,
21 at least Willy might agree with that but that's how I
22 ran an integrated mill.

23 You'll do things differently. You'll look
24 at different materials, you have time to try things
25 differently. In a full market condition when we were

1 running 85 percent the lays were very expensive
2 because you lost gross revenue per ton for the tons
3 you didn't make. In today's market you don't have
4 that loss of gross revenue, you only have a certain
5 amount of tons available.

6 So I would hope that maybe Mr. Hartquist in
7 the posthearing brief might consider the impact of our
8 significant decline that we've gone through in the
9 fourth quarter and it looks like the first quarter's
10 in the same magnitude. Hopefully we get a little
11 better. And we'll comment what impact that has on
12 this case, but I can't talk specifically to
13 electrodes, I can just talk how one manages the
14 business.

15 COMMISSIONER OKUN: On this next, again a
16 question specific to threat and something that the
17 Respondents raised this afternoon, but could you
18 comment on what you think the Chinese reaction will be
19 with respect to this particular product? In other
20 words the Respondents have argued that with demand
21 decreasing for steel that therefore the Chinese
22 exports will decrease accordingly, they'll focus on
23 their home market, they're not as heavily export
24 oriented for electrodes as they might be for some
25 other products. Could you respond to that?

1 MR. HARTQUIST: Yes, we'll be happy to
2 respond to that in the brief. I think the fundamental
3 point is that the database that you're working from is
4 so limited that it doesn't give you an accurate
5 picture of the Chinese industry. You have eight
6 responses out of 300 or something like that. It's a
7 tiny percentage that you're looking at. You're
8 probably not going to have much more data to look at
9 based upon the information that you're going to get
10 this afternoon.

11 We will comment on that. We think that they
12 have substantial capacity. There are declines in the
13 Chinese market as well. This is a global problem, not
14 just a U.S. problem. So there are going to be plenty
15 of electrodes available and there are going to be big
16 fights around the world to get that business.

17 COMMISSIONER OKUN: My red light's come on.
18 Mr. Luberda, I'll come back and follow up on that.
19 Thank you.

20 CHAIRMAN ARANOFF: Commissioner Lane?

21 COMMISSIONER LANE: Thank you. If this has
22 been answered before, I apologize. But the
23 Respondents argue that the domestic industry has
24 insufficient capacity to meet demand. What is your
25 response to that argument?

1 MR. HARTQUIST: That question was asked
2 earlier, Commissioner, and we will provide information
3 in the brief in that respect.

4 The domestic industry cannot produce a
5 sufficient amount of electrodes to supply the entire
6 market. So I think everybody recognizes that some
7 imports are going to be necessary, even in a down
8 condition. But we'll provide more information for you
9 in the brief in that respect.

10 COMMISSIONER LANE: Thank you.

11 Mr. Luberda, this is for you. You stated
12 that the demand has declined in the last year. Is
13 this due to the recent downturn in the U.S. economy?
14 And what are the implications for the U.S. small
15 diameter graphic electrode market in 2009?

16 MR. LUBERDA: As Mr. Danjeczek just
17 testified, demand has increased. For the first three
18 quarters of 2008 demand for steel products was
19 relatively strong still, following on a three year
20 period that was very strong for the steel industry.
21 In the fourth quarter mills started closing. Over the
22 Christmas holiday there were four or five or six week
23 closures at a lot of mills.

24 The industry is operating, Mr. Danjeczek
25 seems to concur, at about half. And we're not looking

1 at steel demand climbing substantially in any
2 reasonable amount of time in the future. This looks
3 to be a long term problem. There are a lot of
4 articles in the steel journals about, the major steel
5 producers worldwide talking about shutting capacity in
6 order to manage this demand problem.

7 Demand for steel is down. That means demand
8 for the products that go into making steel including
9 electrodes is going to continue to be down. As Mr.
10 Danjeczek was noting in the last series of questions,
11 that means six months ago or a year ago when a
12 purchaser of electrodes at a steel mill, the thing he
13 cared about most was can I get it in the door. Yeah,
14 he might negotiate on price, but he wants to get it in
15 the door because he doesn't want to lose any down time
16 because that's tons he can't put out the door at a
17 really high price for steel.

18 Now he can produce more than adequately to
19 get tons out the door. The price isn't nearly as
20 good. Demand is way off. So now his pressure is to
21 bring his costs down and one of the places they'll do
22 that is graphite electrodes, the small diameter
23 electrodes. That means there's going to be more
24 pricing pressure and the more Chinese there are that
25 undersell the domestic in the marketplace the lower

1 our price is going to get pushed.

2 We have had price suppression up to now. We
3 may very well start seeing price depression as the
4 Chinese products in the market, absent a dumping
5 order, if the Chinese products in the market at the
6 levels they have tended to undersell.

7 COMMISSIONER LANE: Thank you.

8 Do you hear from customers that the small
9 diameter product from China have a higher cost per
10 heat? Or in other words the more Chinese SDGE are
11 required than the product from other sources including
12 domestically produced, to produce the same amount of
13 melted steel? And do you have any idea of what the
14 difference, both in quantity and in dollar value in
15 that cost per heat is between the domestic product and
16 the product from China?

17 MR. LUBERDA: We can try to give you
18 something more precise in the posthearing. I'm sure
19 our industry witnesses can speak somewhat to that, but
20 you may remember that Mr. McClintock testified that
21 what the mills are doing is doing a price versus value
22 type of analysis. So if you burn more of a Chinese
23 electrode so you're using it up faster than you do the
24 domestic, the question is how much lower is the
25 Chinese price?

1 So a person who's making a decision to buy a
2 Chinese electrode is doing it because the price is
3 sufficiently low to make up for the fact that it burns
4 faster and he gets a lower cost per ton.

5 Andy, maybe you want to respond to that.

6 MR. STINSON: Just maybe for your
7 understanding.

8 The electrode oxidizes as it's being
9 consumed and it's our understanding and what people
10 have told us, the Chinese electrodes tend to oxidize
11 faster. So you get a higher consumption rate.

12 Each shop will be different, but the driver
13 in their cost/value analysis is the price of the
14 electrode. It by far offsets the differences in the
15 consumption variable.

16 COMMISSIONER LANE: Okay, thank you.

17 If it's true that the product from China has
18 a higher cost per heat and more product is generally
19 required to produce melted steel, how may this factor
20 contribute to the increased volume of the product from
21 China sold in the United states?

22 MR. STINSON: If I understood your question,
23 you said they have a higher cost per heat, and that's
24 not the case. They have a higher consumption, but the
25 cost, the low price that they pay should mean that

1 they have a lower cost per heat. Total cost.

2 COMMISSIONER LANE: Maybe I didn't
3 understand your answer.

4 If the Chinese product is lower priced but
5 it takes more of the Chinese product than a comparable
6 domestic product, then you have to use more of the
7 Chinese product to equal the U.S. product. That's
8 what I guess I was calling the higher cost.

9 MR. STINSON: They use more product. The
10 cost of that product is significantly lower in price.

11 COMMISSIONER LANE: Even if it requires
12 more?

13 MR. STINSON: That's why we're sitting in
14 front of you.

15 COMMISSIONER LANE: Okay.

16 That's all the questions I have. Thank you.

17 CHAIRMAN ARANOFF: Commissioner Williamson?

18 COMMISSIONER WILLIAMSON: Thank you, Madame
19 Chairman.

20 Chairman Aranoff had earlier asked for you
21 to address in posthearing the difference in the
22 performance between the two domestic manufacturers. I
23 just want to make sure when you address the point you
24 refer to the bottom of page 5-6 of the staff report
25 and the top of page 5-7. There is some discussion

1 about prices and that you specifically address those
2 too.

3 MR. HARTQUIST: We will be pleased to do so.

4 COMMISSIONER WILLIAMSON: Thank you.

5 This is kind of a general question. It does
6 get to the commodity question. How often does one
7 change an electrode, say, in a ladle furnace? I
8 realize that it all depends on the quality of the
9 electrode, the uses and all that. But are we talking
10 changed once a day, once a month, once a year?

11 MR. McCLINTOCK: Once a day normally. It
12 depends on the production time. The ladle furnace
13 changeover time is, usually it's not a delay issue to
14 the operation. If you have to change it twice a day.

15 So if the consumption is higher on the
16 Chinese graphite, then you have to change it more
17 frequently. Normally during those operations of that
18 refinery. It doesn't cause a delay to the total
19 production. One to two times a day, depending on the
20 performance.

21 COMMISSIONER WILLIAMSON: Okay. Thanks,
22 that's what I was wondering about. Thank you.

23 I have no further questions.

24 MR. LUBERDA: Commissioner Williamson, if I
25 could impose, if the Commission would like, we got the

1 DOC final results on the dumping margins. For the
2 mandatory respondents, the Fangda Group and Fujian
3 Gelin, was 159.64 percent dumping margin. All the
4 separate rate applicants who qualified for separate
5 rates got 132.9 percent, which was an average of
6 petition rates. And the PRC wide rate is 159.64
7 percent. They did find affirmative critical
8 circumstances for everybody. I know at the beginning
9 there was a little issue about whether pins were
10 included in the scope, and they did reverse their
11 preliminary determination and include pins in the
12 scope. I thought that would be of interest to the
13 Commission this morning.

14 Thank you.

15 CHAIRMAN ARANOFF: Commissioner Pinkert?

16 COMMISSIONER PINKERT: Thank you, Madame
17 Chairman.

18 Turning back to the commodity issue, that is
19 what some people might call the Bratsk issue that was
20 raised earlier, I'm wondering, do purchasers carefully
21 consider the producer's ability to customize the
22 product when the purchasers are making the purchasing
23 decisions?

24 MR. STINSON: If I understand the question
25 correctly, the answer is yes. There is threading

1 differences, nipple connecting pin differences, and
2 also we may change the design of the product to suit
3 the application. Changing raw materials. Mixed
4 designs. Et cetera.

5 MR. KERWIN: Commissioner Pinkert, if I
6 could add to that.

7 In the process of assessing various bids,
8 the purchasers put the suppliers through a
9 certification process. So by the time the bids are
10 received from the various suppliers, they've already
11 been certified by that purchaser.

12 So the bids are coming in that are at
13 different levels of pricing, that purchaser has
14 already confirmed that the product from those
15 suppliers is comparable.

16 COMMISSIONER PINKERT: Any other comments
17 from the panel?

18 MR. McCLINTOCK: One of the things we've
19 experienced as an operator or a purchaser of these
20 products is sometimes the product will come in, the
21 Chinese product will come in, it might not perform as
22 well as we had anticipated through their qualification
23 process. So they would basically bring a different
24 truckload in. About the same price. Then they would
25 become qualified and they would know what electrode

1 would fit into your application.

2 COMMISSIONER PINKERT: Maybe this is a
3 question for the attorneys on the panel, but is there
4 a distinction between customization and certification?
5 I'm talking about customizing for particular needs of
6 the customer or the purchaser.

7 MR. HARTQUIST: I think there is a
8 difference, Commissioner Pinkert, in that
9 certification may well mean that the supplier is going
10 to produce a product which meets certain standards,
11 certain criteria. That may be a commodity product.
12 But customization means, and this is to a great extent
13 the responsibility of the producers of electrodes, to
14 tell the customer what they need in the application
15 that they have. Whether it's an EAF or whether it's a
16 ladle furnace. A lot of the advice that they provide
17 to the customer is we think you need this particular
18 product, this particular mix, this particular quality
19 in order to meet the needs for your application.

20 So I think there is a significant difference
21 in the terminology that you're referring to.

22 COMMISSIONER PINKERT: Thank you.

23 Mr. Gore?

24 MR. GORE: Just to add to that, that's part
25 of the reason that we have engineering staff that are

1 accompanied by the local sales people, and some of the
2 sales people are actually engineers. Is we go in and
3 we find out what the particular characteristics of the
4 operation are. An example, some might be high
5 oxidizing environments and some are high current
6 environments, so we can take those into effect
7 whenever we customize the product.

8 MR. SHANNON: We do likewise, as well.

9 COMMISSIONER PINKERT: Thank you.

10 Turning to the distinctions between products
11 that are within the SDGE classification, if you had an
12 equal opportunity to produce the below 14 inch product
13 versus the 14 or 16 inch product, is it more desirable
14 to produce the below 14 inch? Or is it equally
15 desirable to produce the below 14 inch and the above
16 14 inch product? Os it is more desirable to produce
17 the larger of the two?

18 MR. STINSON: The most desirable is the one
19 that offers the most profit. We have the capabilities
20 of making the smaller diameter, under 10 inch, and are
21 more than willing to go back and make those. The
22 capabilities are basically the same.

23 COMMISSIONER PINKERT: So there's nothing in
24 general you could say about the desirability of
25 producing various items that are within the SDGE

1 classification?

2 MR. STINSON: Not for SGL.

3 MR. CARNEY: Nor for Superior, as long as
4 they're profitable we'll make them and have the
5 capability to do so.

6 COMMISSIONER PINKERT: What about your
7 historical experience with the different items inside
8 the scope of the investigation?

9 MR. STINSON: What you might find
10 interesting is there was a point in time in history
11 when small diameter electrodes attracted a premium
12 price. They are slightly higher in cost, they're more
13 labor intensive. But those good days have passed.

14 MR. SHANNON: If I could add on that too.
15 Over time as the Chinese became entrenched in the
16 market there were a number of customers that,
17 including two of the three that are witnesses here
18 this afternoon that we used to sell to that we don't
19 even call on any more because the prices at which
20 they're able to buy have been well underneath our cost
21 and that part of the market hasn't been really
22 available to us any more.

23 MR. KERWIN: Commissioner Pinkert, one
24 follow-up point.

25 The element of the market, the eight inch,

1 ten inch, it's a relatively smaller part than the 12,
2 14, 16 inch. So in that sense it's perfectly
3 attractive as a product to produce but inherently the
4 market for it is a big smaller. But if you can make a
5 profit on it then you're going to want to produce that
6 product. Unfortunately, those products have not been
7 very profitable as of late.

8 COMMISSIONER PINKERT: Thank you. That's
9 helpful.

10 Turning to the possibility of allocation
11 and/or shortages during the period of investigation,
12 have any of the producers on this panel put any
13 customers on allocation during the period?

14 MR. STINSON: During the period of
15 investigation, again, there was an extremely strong
16 demand for steel and thus a strong demand for
17 graphite. We and I think most of our industry
18 partners have been fortunate to be in, if not sold
19 out, close to sold out capacity. So a customer that
20 would show up looking for electrodes two months from
21 now we wouldn't have been able to supply them.

22 For 2009, I'll take orders today.

23 COMMISSIONER PINKERT: Thank you.

24 MR. CARNEY: That's exactly the same for us.
25 Though there was a good period of tightness, we have

1 added quick capacity to the trust market.

2 COMMISSIONER PINKERT: For purposes of the
3 posthearing, I'd like to ask that we get more specific
4 information about the timing of any shortages or
5 decisions to allocate that may have occurred during
6 the period of investigation.

7 MR. HARTQUIST: We'll do so, Commissioner.

8 COMMISSIONER PINKERT: Thank you.

9 Finally, for the period from 2005 to 2006,
10 is there any way to distinguish between the impact of
11 non-subject imports and subject imports? The impact
12 on the domestic industry during that period of time?

13 MR. KERWIN: Well certainly the evidence we
14 have of underselling and of lost sales by the Chinese
15 I think are strong evidence that they were directly
16 taking sales from the domestic industry and
17 underselling the domestic industry.

18 We do not have a fully developed database on
19 non-subject sources. In fact we don't even have a
20 fully developed database of import data because we
21 don't have a comparable questionnaire response from
22 the non-subject sources as we do from the Chinese.

23 So in the staff report the data that are
24 presented for non-subject sources with the exception
25 of Mexico are just based on the public official import

1 statistics with some factors, assumptions essentially,
2 that were based on what we put in our petition on our
3 best knowledge of what was coming in from those non-
4 subject sources. Those same factors have been applied
5 to the official import statistics for the figures that
6 have been put forward in the staff report.

7 Unfortunately, those numbers are, they may
8 not be completely accurate, their best estimates.
9 Fortunately the Mexican numbers will be more accurate.
10 But it's a little bit difficult I think given the
11 disparities in the accuracy of the numbers between the
12 Chinese data coming directly from a questionnaire
13 response and the third non-subject country numbers
14 coming from official import statistics. And
15 furthermore, there's not even the same level of
16 information on the pricing or shipment volumes that
17 you'd have for the third country imports.

18 It's a bit difficult to really grapple
19 directly with the issue of the comparability of the
20 two.

21 MR. LUBERDA: We can do it on the Mexican
22 versus Chinese from the record. We'll do that. We
23 couldn't do it here because of the proprietary nature
24 today, but we will do that for the posthearing brief.

25 COMMISSIONER PINKERT: Thank you, I'd

1 appreciate that.

2 With that, I conclude my questions.

3 Thank you very much.

4 CHAIRMAN ARANOFF: For the most part, I
5 wanted to raise, you may not be aware but I was
6 informed by Mr. Ruggles, our investigator, this
7 morning that there have landed in his in-box a number
8 of new foreign producer questionnaires which have just
9 come in.

10 Because of that, I wanted to give you the
11 opportunity in response to my question and therefore
12 free of the page limit in the posthearing brief to
13 amend any answers that you've given today that might
14 change in light of what you might see in those foreign
15 producer questionnaires. so please feel free to do
16 that if there's anything that changes any of your
17 answers that comes out of those questionnaires once we
18 get them out and onto the record.

19 MR. HARTQUIST: Thank you, Madame Chairman.
20 We'll be anxious to see that information.

21 CHAIRMAN ARANOFF: Thank you very much.

22 With that, I'll turn to Vice Chairman
23 Pearson.

24 VICE CHAIRMAN PEARSON: Thank you, Madame
25 Chairman.

1 I'd like to compare the market for large
2 diameter electrodes with small diameter electrodes. I
3 see some similarities and a few differences.

4 The domestic industry for large diameter
5 doesn't have enough capacity to meet demand so there
6 are imports and those imports have consistently
7 accounted for a significant share of apparent
8 consumption. Now not many of those imports are from
9 China, I'll acknowledge that. But the AUV information
10 that we have for the imports, the large diameter
11 imports, suggests there's a fair amount of pricing
12 that's below the U.S. product.

13 We know that costs of production have risen
14 for both large diameter and small diameter. We know
15 that domestic production of large diameter electrodes
16 has remained consistently very profitable despite the
17 presence of a significant volume of lower priced
18 imports.

19 What's going on? Why is large diameter so
20 profitable relative to small diameter?

21 MR. HARTQUIST: Well, the short answer is
22 the Chinese are not in that market.

23 VICE CHAIRMAN PEARSON: So a certain amount
24 of, the presence of a significant amount of lower
25 priced imports is not having a pricing effect in large

1 diameter but it is in small diameter.

2 MR. STINSON: Some of the imports that come
3 in clearly are below our pricing and we're not asking
4 that everybody be priced exactly the same as SGL.
5 We're asking that it be fair competition. Some of the
6 imports that come in in the large diameters have won
7 some business. They're not major market share.
8 Whereas if you look at the small diameter, it's
9 primarily all Chinese. As I said, we don't even get
10 asked to bid on the business any more. The imports
11 from other countries, other than maybe Mexico, they
12 don't even bother. They focus on the larger diameters
13 where they know they can compete and the Chinese
14 cannot.

15 VICE CHAIRMAN PEARSON: Mr. Gore, did you
16 have something to add?

17 MR. GORE: Yes. With respect to the larger
18 diameter electrodes, one of the reasons they typically
19 prefer domestic producers, the high quality producers,
20 is because as Mr. Danjeczek and Mr. McClintock
21 mentioned, the cost of down time is extremely high in
22 those cases. Unlike a ladle furnace application where
23 they can afford the extra time to add additional
24 electrodes for the higher consumption rates you would
25 see. For the EAF applications, many times you're

1 seeing \$1,000 to \$2,000 per minute for a cost of down
2 time, so it typically is the most profitable to have
3 the best quality product they can.

4 VICE CHAIRMAN PEARSON: Mr. McClintock?

5 MR. McCLINTOCK: When you look at the
6 consumption of graphite there's another animal in this
7 equation. It's the DC furnace, which is a furnace
8 that has one electrode. It puts tremendous current
9 through it. I think there's only one domestic
10 supplier now that can actually process that product.
11 I don't think they have enough capacity in the United
12 States today due to some recent facilities that have
13 closed to handle that market. So I know they're a
14 very premium product, and the DC electrode you pay a
15 lot of money for, probably 20 percent more than the 24
16 to 28 range.

17 VICE CHAIRMAN PEARSON: Is that a large
18 diameter product only or is it both large and small
19 diameter?

20 MR. McCLINTOCK: Just a very large diameter
21 product.

22 VICE CHAIRMAN PEARSON: So the inference
23 would be that the pricing for that premium product may
24 give us a different average unit value for U.S. large
25 diameter than for imported large diameter.

1 MR. McCLINTOCK: I think there's some
2 domestic supply of that product but there's also a lot
3 of product coming from Mexico, I believe.

4 VICE CHAIRMAN PEARSON: From Mexico of the
5 direct current --

6 MR. McCLINTOCK: For the DC current
7 furnaces. There's not enough capacity in the United
8 States today to take care of them.

9 VICE CHAIRMAN PEARSON: Okay. A request for
10 counsel, if there's more about that that we should
11 know in the posthearing, please let us know.

12 MR. LUBERDA: We will. And I just want to
13 make sure you understand that we don't really have the
14 data to be able to say exactly in large diameter where
15 the pricing level is. We have a general correlation
16 between the lower AUVs. Some of that can be accounted
17 for by product mix, but in general the competition is
18 much less severe for Chinese material in the larger.
19 That's what we think accounts for it and we think
20 you're onto something when you draw those
21 distinctions.

22 VICE CHAIRMAN PEARSON: I'm glad to know
23 that I'm getting something right.

24 What I think is my last question. If the
25 Respondents this afternoon talk about causation, I'll

1 invite you to address that now because you might not
2 have a chance then, but again, because it's mostly BPI
3 I won't characterize the trends. But we've got
4 subject imports basically rising throughout the POI
5 and we've got the domestic industry's financial
6 indicator, at least the profitability, increasing
7 simultaneously. Not in perfect alignment, but the
8 trends are not what one would expect if indeed things
9 were getting worse with the increase in Chinese
10 imports. Could you comment, please?

11 MR. HARTQUIST: The answer is yes, we
12 certainly can comment, but in order to do an adequate
13 job on this we're going to have to deal with
14 confidential information so I'd prefer to address it
15 in the brief. This is something that we have
16 considered, though, in our analysis of the case and
17 we'll be happy to lay it out for you but I think we
18 need to do it confidentially.

19 VICE CHAIRMAN PEARSON: That will be fine.

20 Mr. Kerwin, I did have a chance to go back
21 and look very quickly at 2004 and it wasn't clear to
22 me that the numbers changed the picture all that much.
23 There may be something there, and if you want to
24 comment, I'll --

25 MR. KERWIN: Sure. Within the confines of

1 keeping it public. I don't believe I was saying that
2 2004 was the beginning of the problem, just to
3 clarify. I was saying the problem goes back further
4 than that and this is a problem that's been getting
5 worse each year.

6 Obviously you have to work within the
7 confines of your period of investigation which is
8 typically a three year plus interim period. But as a
9 I mentioned before, the Chinese market share at the
10 beginning of this period, the impact of the Chinese
11 product on the U.S. market in 2005 was already very
12 significant. So given that level of market share and
13 the price impact that was already occurring there, as
14 the market conditions improved, as demand for the
15 product generally improved, you might have seen a
16 little improvement in the condition of the domestic
17 industry. But that's going from a very very poor
18 place to a less poor place. There's no indication
19 that the domestic industry was no longer injured in
20 2006 or 2007.

21 Quite to the contrary, the returns for the
22 industry were absolutely, they were simply
23 unacceptable. I don't think any industry in the
24 country would be satisfied with returns that the
25 industry saw in either 2006 or 2007 and for the 2005

1 to 2007 period overall, the industry was barely above
2 breakeven.

3 I also have knowledge there will be some
4 revisions that will be going in in relation to one of
5 the questionnaires from the process of working with
6 the staff and reviewing the materials that have been
7 presented. I would recommend that you look at the
8 final financial information of the industry that may
9 have implications for that as well.

10 But the industry was starting from a very
11 very poor place and the level of improvement was so
12 minor that I don't really, I think that's to the
13 extent there was improvement it's attributable to an
14 improvement in general market conditions, but still
15 certainly not sufficient for this industry to keep its
16 head above water long term.

17 VICE CHAIRMAN PEARSON: I'm with you until
18 we get to the interim data. If we had only one
19 quarter of interim data I'd kind of ignore it because
20 it's pretty much what does that tell you, it could
21 just be noise. But here we have three months of
22 interim data and I have a little harder time ignoring
23 what seems to be the disconnect between what I'm
24 seeing in the imports from China and the profitability
25 of the domestic industry. So please make sure that is

1 addressed in your --

2 MR. KERWIN: Certainly we will.

3 VICE CHAIRMAN PEARSON: My light is
4 changing, so Madame Chairman, I believe I'm done.
5 Thank you very much to all members of this panel. We
6 appreciate your being here.

7 CHAIRMAN ARANOFF: Commissioner Okun?

8 COMMISSIONER OKUN: Thank you, Madame
9 Chairman.

10 I wanted to follow up on a couple of the
11 non-attribution questions, Mr. Luberda. In
12 particular, with respect to the argument you've made
13 that but for subject imports the domestic industry
14 would have performed better.

15 With respect to the issue that's been raised
16 with respect to tightness in the market during a
17 period, where the industry because this is made to
18 order wasn't able to supply those, how do you take
19 that into account in looking at how the industry would
20 have done?

21 MR. LUBERDA: Well the tightness in the
22 market was relatively shortlived, so I'm not sure it
23 has a huge impact on the overall analysis. But in the
24 kind of tightness, and I think the industry witnesses
25 can testify to this if you like, it was shortlived as

1 in the middle of the year when folks realized they
2 were going to have trouble maybe getting Chinese that
3 they always had purchased before, so they started
4 looking for domestic supply. This case had been filed
5 in February. By the middle of the year they knew they
6 had issues. Demand for steel was still strong, so
7 there was still strong demand. People started looking
8 for new domestic supply. It takes three months to
9 make an electrode, so you can't show up on May 1st and
10 ask for delivery on June 1st, so people said no, I
11 can't give you that. Or July 1st. You have to work
12 into my production schedule.

13 I think you'll find now that people who were
14 turned down in the short term have been quoted since
15 or are perfectly willing to quote. I know in some
16 cases, at least one have been quoted since then, and
17 had no orders come in at this point.

18 I think the short term nature of the
19 tightness is something you should consider. Overall,
20 it doesn't have a huge impact.

21 COMMISSIONER OKUN: With respect to
22 declining demand, in this particular case I guess more
23 forward looking that you see this declining demand. I
24 find that a harder, I guess, non-attribution, trying
25 to work through how you take that into account.

1 Because if you know demand is declining, how should
2 the Commission approach that in determining what the
3 industry, how the industry would do in declining, to
4 make sure they're not attributing the injury that's
5 going to come from declining demand, which we've heard
6 orders are going to be down, versus the injury from
7 subject import or the threat of injury from subject
8 imports?

9 MR. LUBERDA: I think we'll be able to help
10 you out in the posthearing brief there, in that we've
11 recently received information that we have declining
12 demand. Assume the declining demand. We also have
13 the Chinese participating at a level that's been
14 steady at least over the last few years. It's been up
15 a little bit, but steady over the last couple of
16 years. They also have declining demand in their own
17 market. If they want to keep their own production up
18 they're going to have to ship it out.

19 What we've learned in the last little while,
20 since we were able to file our brief, is that prices
21 coming out of China are declining. Their export
22 prices are now declining. We'll be able to put some
23 information on the record to document that, I think,
24 for our posthearing brief.

25 So in that sense you're going to be able to

1 look at a source that has demonstrated ability to ship
2 a lot, will have the ability to ship more. They've
3 developed this market from 1995 through now,
4 continually taking market share, taking sales away.
5 They're willing to undersell significant margins, and
6 we already see, the price increase we saw in 2008 for
7 the Chinese looks like it's going to be completely
8 erased. So in terms of non-attribution it looks like
9 we're going to go back to the kind of much lower
10 prices we had before at a time when the industry
11 simply can't afford that.

12 COMMISSIONER OKUN: I appreciate that. I'll
13 look forward to seeing that in posthearing.

14 One amendment to my question, commenting on
15 the pricing data in Appendix E, if you could pay
16 particular attention to product four, that was the one
17 I was looking at, as interesting in terms of the
18 pricing. So if you can do that in particular.

19 With that I don't have any other questions.
20 I appreciate all the responses we've heard this
21 morning and this afternoon. Thank you very much,
22 Madame Chairman.

23 CHAIRMAN ARANOFF: Commissioner Lane, do you
24 have any further questions?

25 COMMISSIONER LANE: Yes, as a matter of fact

1 I do. The longer we sat here the more questions I
2 had.

3 I'd like to ask Mr. Carney and Mr. Stinson
4 exactly, I was looking at the capacity utilization
5 factors, so it occurred to me that I would like to
6 know how many shifts you run for this product and how
7 many days a week do yo produce the product.

8 MR. STINSON: I don't have that information
9 off the top of my head. We run 24x7, 365 days a year
10 for the last four years just because the demand for
11 graphite electrodes has been extremely high. I'd have
12 to get in and understand the breakdown between the
13 small diameter and -- because they're mixed in on our
14 operation.

15 COMMISSIONER LANE: But you will be able to
16 tell me looking at your operations how you came up
17 with your capacity utilization factor for this
18 product?

19 MR. STINSON: Yes.

20 COMMISSIONER LANE: Mr. Carney?

21 MR. CARNEY: That wouldn't be a problem for
22 us.

23 COMMISSIONER LANE: Okay.

24 I'd like for you, Mr. Hartquist and Mr.
25 Luberda, to look at Table 3-2 which is all business

1 proprietary information, but looking at the, I would
2 like for you to address in posthearing the changes
3 that I see in the capacity, the production, the
4 capacity utilization. And this stable also has
5 specific information for the small diameter and the
6 large diameter. I'm just curious as to how you
7 explain the changes over time in these different
8 categories.

9 MR. HARTQUIST: We'll be happy to do so.

10 COMMISSIONER LANE: And I would like to know
11 if as a result of your analysis of this table, is it
12 possible that you are shifting more of your production
13 from small to larger product?

14 MR. HARTQUIST: We'll look at that, too.

15 COMMISSIONER LANE: If that's true, I'd like
16 for Mr. Kerwin then to analyze what that possible
17 shift might be doing to the bottom line of the
18 industry.

19 MR. KERWIN: I'd be happy to do that. I can
20 certainly tell you right now that Superior doesn't
21 have the option of moving to large diameter
22 production, so that's --

23 COMMISSIONER LANE: I was trying to be vague
24 because I didn't want to step over the line as to what
25 the business proprietary --

1 MR. KERWIN: I don't even have the table in
2 front of me, but obviously that's not an option for
3 them. We'll be happy to answer that in more detail in
4 the brief.

5 COMMISSIONER LANE: Thank you.

6 Madame Chairman, that's all I have.

7 CHAIRMAN ARANOFF: Are there any more
8 questions from the dais?

9 Does staff have any questions for this
10 panel?

11 MR. RUGGLES: Fred Ruggles, Office of
12 Investigation. The staff has no questions at this
13 time.

14 MR. HARTQUIST: Madame Chairman, may I make
15 one small request before you conclude this portion of
16 the testimony?

17 Mr. Danjeczek has been very kind in giving
18 the Commission and Petitioners his time and has other
19 obligations this afternoon, so unless there are other
20 questions for him this afternoon we'd ask that he be
21 dismissed from the hearing as soon as this portion is
22 concluded.

23 CHAIRMAN ARANOFF: Most people don't even
24 ask.

25 (Laughter.)

1 MR. HARTQUIST: We want to give you a chance
2 to keep him here all day if you need to.

3 CHAIRMAN ARANOFF: Mr. Danjeczek, thank you
4 for your time and you are definitely free to go.

5 MR. DANJECZEK: Thank you very much.

6 CHAIRMAN ARANOFF: I just need to ask
7 whether the Respondents have any questions for this
8 panel.

9 MS. LEVINSON: No questions.

10 CHAIRMAN ARANOFF: In that case, we are
11 going to take a lunch break and we will reconvene at
12 2:00. I need to remind you that this room is not
13 secure. Please don't leave any business proprietary
14 information in the room during the lunch break.

15 Until 2:00 we will stand in adjournment.

16 (Whereupon, the hearing in the above-
17 entitled matter was recessed, to reconvene at 2:00
18 p.m. this same day, Tuesday, January 6, 2009.)

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1 you'll find very informative. Our panel consists of
2 two representatives of a U.S. importer, three U.S.
3 purchasers, and one foreign exporter who's traveled
4 here from Beijing to be at this hearing.

5 I would like to mention that the
6 representative from China that is with the company
7 Beijing Fangda which is one of the largest exporters
8 of electrodes from China, she does not speak English
9 so there's a slight logistical problem. A translator
10 is going to read her statement into the record and
11 will translate any questions you might have of her.

12 I'd like to also mention as a preliminary
13 matter that Beijing Fangda did indeed submit its
14 questionnaire responses which actually consists of
15 five responses because it has five different operating
16 companies within what we call the Beijing Fangda
17 Group.

18 In addition, I just wanted to note for the
19 record that Garvey Schubert Barer, the law firm that
20 I'm with, has revised its notice of appearance as of
21 yesterday to indicate that there are five Chinese
22 exporters whom we originally represented in this
23 proceeding who have decided to withdraw. So our new
24 notice of appearance only refers to five exporters
25 from China.

1 My name, for the record, is Lizbeth
2 Levinson. I'm here with my colleague Ron Wisla and
3 our colleague Bill Perry. Among the Garvey Schubert
4 team Ron Wisla is most prepared to respond to
5 questions about like product; and William Perry, in
6 the back, will respond to questions about threat of
7 injury.

8 With that I'd like to introduce our first
9 witness. He is Marvin Brashem. He has over 20 years
10 of experience in the industry. He is President of M.
11 Brashem, Inc. In Bellevue, Washington. He will be
12 able to give you some of the history of how the
13 electrode industry developed in the United States.

14 MR. BRASHEM: Good afternoon. My name is
15 Marvin Brashem, and I'm the President of M. Brashem,
16 Inc., a distributor of graphic electrodes. We are a
17 U.S. owned company based in Bellevue, Washington, with
18 12 U.S.-based employees. Included at the table with
19 me this afternoon are three U.S. customers that
20 combined employ over 500 people in different parts of
21 the U.S. -- Pennsylvania, Virginia and Tennessee.

22 Our history in the graphite industry dates
23 back to the 1980s and we have sold Polish, Indian,
24 Japanese and Chinese electrodes into the U.S.
25 marketplace.

1 I have personally observed the evolution of
2 this industry in the United States over the past 20
3 years. I would like to share some of this history
4 with you here today.

5 Please note that as a U.S. distributor of
6 electrodes my company has never been able to source
7 products from either of the Petitioners. The
8 Petitioners either sell directly or through foundry
9 warehouses. We have therefore never had any viable
10 alternative but to source from off-shore suppliers.

11 Back in 1989 we sourced electrodes from two
12 plants in Poland, both of which were already supplying
13 us with carbon products that we were distributing in
14 the United States. We spent considerable time and
15 resources developing and servicing our U.S. customers.

16 By the early '90s due to supply issues we
17 lost our Polish suppliers and began traveling the
18 world seeking other sources of supply. Today those
19 Polish factories are owned by Petitioner SGL.

20 What we found in China is that there were
21 many producers, but very few that could meet U.S.
22 requirements for quality and reliability. Production
23 was rudimentary and the electrodes were being produced
24 at poor machining tolerances. These products were far
25 below the quality of product to which our customers

1 had become accustomed and could not satisfy the demand
2 for electrodes in the United States.

3 As a forerunner in the industry my company
4 and other importers were instrumental in educating the
5 Chinese suppliers about how to produce electrodes
6 suitable for the U.S. market. It was not an easy or
7 quick process. There was a definite learning curve
8 for the Chinese. It was not until the late 1990s that
9 we began importing finished diameter electrodes from
10 China that were suitable for use in the United States.

11 Today the quality of electrodes from China
12 is well suited for the applications for which they are
13 produced and similar to that being produced by
14 domestic suppliers.

15 Our presence in the U.S. market and our
16 efforts to educate the Chinese about how to improve
17 their production helped to stimulate and develop the
18 U.S. market and U.S. producers have benefitted from
19 our efforts. The truth is, however, that we have
20 never really competed head to head with U.S.
21 producers.

22 First of all, SGL has never focused its
23 primary energies on the small diameter market. That
24 company has concentrated on the sale of large diameter
25 electrodes because the large products are more

1 profitable and require less logistical support.

2 Let me be clear here, that when I use the
3 term small term electrodes I do not mean less than 16
4 inch. Small is an arbitrary standard because in truth
5 this is a continuum of products and reasonable people
6 in the industry may differ as to where to place the
7 dividing line between larger and smaller electrodes.

8 Petitioners claim that electrodes under 16
9 inches constitute an industry in part because these
10 electrodes are used in ladle furnaces. In fact a
11 large percentage of our sales to ladle furnaces are in
12 the 18 inch to 20 inch range in grades of high power
13 and super high power.

14 Second, the decision of what electrode to
15 buy is highly driven by suitability of equipment and
16 uses. The size of the electrode is dictated by the
17 machinery in which it is to be used. In addition to
18 size, however, it is extremely important the customer
19 purchase the grade required by his equipment and its
20 uses. There are many grades of electrodes such as
21 high power, super high power and ultra high power to
22 name a few. Our company devotes considerable time to
23 assuring that our customers purchase the grade that is
24 suited for their use. Our job is to match up the
25 appropriate grade for a particular customer's

1 application, and we have graphite electrode experts as
2 sales people to accomplish this task.

3 We dedicate hours of time to educating our
4 customers, bringing them alternatives, discussing
5 their needs, observing their operations, and advising
6 them on how to get the best value for their money.
7 These services are greatly valued by our customers as
8 you will hear today.

9 I testified at the preliminary conference
10 that electrode customers do not make purchasing
11 decisions based primarily on price. The prehearing
12 staff report issued in the final phase confirms my
13 belief that purchasers do indeed view price as
14 secondary.

15 Purchasers reported to this Commission that
16 the most important determinants in their purchasing
17 decision are one, reliability; two, availability;
18 three, product consistency; and four, whether quality
19 meets standard. Contrary to Petitioners' claims,
20 price is not the most important factor and is fifth on
21 the list according to the prehearing staff report,
22 Table 2-2 on page 2-8.

23 The importance of reliability of supply will
24 be emphasized by one of my customers, Joe Hancock, of
25 Wheelabrator, who will testify after me. Wheelabrator

1 came to us in 2003 because Petitioner Superior
2 Graphite cut off their supply for two months.
3 Wheelabrator called me desperately looking for 12 inch
4 electrodes because without the electrodes they would
5 have been forced to shut down. We were able to take
6 material we had in inventory, re-machine them to meet
7 Wheelabrator size requirements, and supply them in
8 time so they could continue operating without
9 interruption.

10 The Petitioners refused to offer the
11 customer support required to keep this plant
12 operating. Once again, reliability of support is
13 paramount.

14 With regards to quality, the failure of
15 electrodes can cause huge issues for our customers.
16 Steel mills would lose significant dollars for lost
17 production or lost product that might result from the
18 use of defective or unreliable electrodes.
19 Sophisticated purchasers like our customers would
20 never knowingly incur such a risk, especially not for
21 the minuscule savings realized from the purchase of a
22 cheaper electrode.

23 In the preliminary conference I testified
24 that distributors do not typically maintain
25 significant inventory. I wish to clarify that

1 statement, particularly in the context of the unusual
2 year of 2008. Because graphite electrodes are made to
3 order products and our customers are dependent upon us
4 to supply them, we generally maintain an inventory of
5 about 20 percent.

6 This year, however, has been very different.
7 Through August the U.S. steel industry had a capacity
8 utilization of almost 90 percent but production began
9 falling rapidly in September and by the end of 2008
10 capacity utilization had fallen to roughly 40 percent.

11 As a result of the dramatic drop in demand
12 we have higher inventories than we would like.

13 Our typical purchasing pattern is to place
14 blanket orders for a year's usage with shipments
15 spread throughout the year. Due to the very high
16 demand for electrodes going into 2008 the blanket
17 orders that were put into place at the end of 2007
18 were based on an expected 2008 usage based on
19 customers' orders and normal purchasing patterns.
20 This turned out to be lower than expected. We have
21 not deviated from our usual purchasing practices, and
22 the dumping petition has not had any bearing on our
23 purchases. We are not stockpiling electrodes. We are
24 importing electrodes to be shipped to our customers as
25 soon as possible.

1 If high antidumping duties are placed on
2 future imports of small diameter electrodes the U.S.
3 producers could not possibly supply the demand.
4 Instead, purchasers would have to seek supply from
5 other countries such as Mexico, India, South Africa
6 and Brazil as you will hear in our customer testimony.

7 I want you to understand the disruption this
8 dumping case has created for the U.S. manufacturers
9 that purchase our electrodes. The dumping duties are
10 punitive and our customers have done nothing wrong.
11 They have tried to run their plants as efficiently as
12 possible by buying the best electrodes for their
13 operations. The cost uncertainty that the dumping
14 duties has created have had a major negative impact on
15 their production costs.

16 I believe you will find that this petition
17 simply has no merit and I look forward to your
18 negative findings.

19 I do want to clarify one point that I heard
20 in Petitioners' statement. Mr. McClintock indicated
21 that when he was at Georgetown Steel he purchased 14
22 inch electrodes from us for their ladle furnace. I
23 know for a fact that during his tenure there we never
24 sold any electrodes to that plant.

25 Thank you for your time today and I welcome

1 your questions.

2 MS. LEVINSON: Thank you, Mr. Brashem.

3 Our next witness to Mr. Brashem's right is
4 Phil Buchanan who is the account manager for Marvin's
5 company, M. Brashem, Inc.

6 MR. BUCHANAN: Good afternoon. My name is
7 Phil Buchanan. I am an account manager for M.
8 Brashem. I've spent 19 years in the carbon and
9 graphite industry focusing on graphite electrodes and
10 holding positions in process engineering, technical
11 service, and customer sales.

12 For the first nine years of my career I was
13 with one of the Petitioners here today, SGL Carbon,
14 and its predecessor, Great Lakes Carbon.

15 I would like to focus my comments today on
16 the like product issue. Petitioners define the
17 domestic like product as coextensive with the scope of
18 the petition. That is graphic electrodes with a
19 diameter of 16 inches or less. Under that like
20 product definition there is one industry producing
21 graphite electrodes from two inches to 16 inches and
22 another separate and distinct U.S. industry producing
23 electrodes between 18 and 32 inches.

24 Based on my experience, that distinction is
25 artificial. In reality there is only one graphite

1 electrode industry producing the entire range of
2 electrodes in a continuum of sizes.

3 Petitioners proposed like product definition
4 arbitrarily divides a single U.S. industry into two
5 industries. Although Petitioners purported like
6 product definition is coextensive with the scope of
7 the petition, it is inconsistent with commercial
8 reality.

9 No clear dividing line exists separating
10 distinct and separate industries based solely upon the
11 diameter of the electrode. First, there is no
12 industry standard to support Petitioner's view of
13 separate like products. Second, the assertion that a
14 16 inch dividing line exists appears to be based
15 solely upon the limitations of Superior Graphite's
16 production equipment. Third, most other U.S. and
17 foreign manufacturers produce a wide range of sizes
18 and do not divide electrodes in the manner set forth
19 in the petition.

20 For example, Petitioner SGL's web site
21 displays two price increase sheets issued in May and
22 July of 2008. They show that SGL produces electrodes
23 ranging in size from 14 to 32 inches. They further
24 designate the 14 inch through 24 inch as regular sized
25 electrodes, and 26 inch through 32 inch as extra-sized

1 electrodes. Thus they apparently consider the
2 dividing line as 24 inch.

3 A 2006 global pricing announcement issued by
4 Graphtek differentiates their electrodes into two
5 groups, but again, at an entirely different level.
6 Eight inch through 24 inch, and 26 through 30 inch.

7 Most recently Graphtek's 2008 web site and
8 pricing announcements now divide electrodes into three
9 size groups -- eight through 16, 18 through 24, and 26
10 through 32 inch. Obviously market participants other
11 than Superior do not recognize the 16 inch dividing
12 line.

13 When I am selling for Brashem, we offer
14 Chinese electrodes in sizes from three inch up to 24
15 inch without any segmentation whatsoever. Our
16 limitation to 24 inch is primarily due to the
17 limitations on our suppliers' manufacturing and
18 processing equipment. We are currently seeking
19 sources for larger electrodes.

20 When statutory factors are considered it
21 leads to the necessary conclusion that graphite
22 electrodes constitute a single like product. First,
23 physical characteristics. The Commission's
24 preliminary determination and the public prehearing
25 staff report concluded that aside from differences in

1 dimensions, all electrodes tend to look identical to
2 each other. They are cylindrical, machined to a
3 smooth surface, particularly at each end where two
4 electrodes will be joined together. Each end is
5 further machined with a threaded socket, and on one
6 end a threaded connecting pin is preset.

7 The Commission's preliminary determination
8 and the public prehearing staff report also concluded
9 that all electrodes, regardless of their size and
10 grade, are extruded from blended coke that are formed
11 into electrodes of the desired grade, diameter and
12 length.

13 Petitioners allege that certain physical
14 differences among different sized electrodes warrant a
15 finding of separate like products. One such
16 difference is in petroleum coke composition.

17 Petitioners assert that electrodes above 16
18 inches typically must use high grade needle coke,
19 whereas electrodes 16 inch and smaller may use lower
20 grade blends of coke.

21 First, by using the term typically, the
22 Petitioners themselves recognize that this distinction
23 is not absolute. In fact, substantial overlap exists
24 in the grades of coke used. For example, we sell an
25 18 inch HP electrode that is composed of the lower

1 cost sponge and needle coke blend. We also sell 14
2 and 16 inch UHP electrodes that are made exclusively
3 from the premium grade needle coke. Substantial
4 overlap exists.

5 The Petitioners also attempt to distinguish
6 between electrodes larger and smaller than 16 inch on
7 the basis of current carrying capacity. While
8 Petitioners are correct that electric current carrying
9 capacity is a function of size, there is no clear
10 dividing line at 16 inch. Each size of electrode
11 within the same grade is capable of handling a range
12 of electric currents. Thus there is a commonality of
13 current capability between any two adjacent sizes
14 within the entire continuum of sizes.

15 Petitioner SGL's own technical literature
16 contains a chart of electrode size and current
17 capacity showing a straight line increase across the
18 continuum of electrode sizes from 14 inches to 24
19 inches.

20 On the other hand, no current carrying
21 commonality exists between more diverse sizes. For
22 instance, there is no overlap between 30 inch and 20
23 inch or 14 inch and 18 inch, nor eight inch.

24 Petitioners' prehearing brief also alleges
25 physical differences in particle sizes among

1 electrodes above and below 16 inch. This is a truism
2 found along the entire continuum of electrode sizes.
3 The larger diameter of the electrode, the larger the
4 particle size of the coke blend that is required to
5 increase its strength and accommodate thermal
6 expansion during use. There is no clear dividing line
7 of 16 inch diameter.

8 Second, uses and interchangeability. The
9 Commission's preliminary determination and the
10 prehearing staff report recognize that all graphite
11 electrodes, regardless of size and quality, are used
12 as conductors of electricity in furnaces. All
13 graphite electrodes conduct electricity at very high
14 amperages that are necessary to generate heat
15 sufficient to melt metals and other materials in
16 electric arc furnaces.

17 The most common uses of graphite electrodes
18 are first, to melt solid scrap steel into molten
19 steel. Those are electrodes for melting applications.
20 And second, to maintain temperature of molten steel in
21 a desired range. Those would be electrodes for ladle
22 furnaces.

23 Petitioners have attempted to create a clear
24 dividing line between graphite electrodes above and
25 below 16 inch on the basis that large and small

1 diameter electrodes are used in different industrial
2 melting applications. This distinction is not
3 absolute and significant overlap exists here as well.
4 Contrary to Petitioner's claims, we have many
5 customers who use 14 inch electrodes in high energy,
6 high mechanical stress melting applications at steel
7 mills. Similarly, we have many customers who use
8 electrodes greater than 16 inches for ladle furnaces
9 and lower power melting applications.

10 Rather than measuring differences between
11 electrodes at diverse ends of the continuum, a more
12 accurate measure of electrode performance and
13 capability is current density. That's expressed in
14 amps per square inch of electrode.

15 In Attachment 1 of our prehearing brief, I
16 provided a spreadsheet detailing several applications,
17 the electrode size used, the amperage carried and the
18 current density for a wide range of customers and
19 their dedicated electrode sizes. A review of that
20 spreadsheet establishes that there is a substantial
21 overlap in current density along the continuum of
22 sizes.

23 Petitioners have failed to establish a clear
24 dividing line at the 16 inch demarcation. When I was
25 at SGL, we provided regular internal market share and

1 forecast reports for executive analysis. We broke the
2 domestic market into four segments: primary steel
3 making, ladle furnaces, foundries and others. Within
4 each of these segments, there was a considerable
5 overlap between electrode sizes. The primary steel
6 segment uses electrodes ranging from 14 inch to 28
7 inch. The ladle segment used 10 inch through 20 inch
8 electrodes. The foundry segment used 3 through 24
9 inch, and the other category ranged from 8 inch to 24
10 inch.

11 Petitioners seek to create a clear dividing
12 line between electrodes above and below 16 inches due
13 to the fact that a customer's dedicated furnace
14 requires a particular electrode diameter that is not
15 interchangeable with an electrode of a different size.
16 This is another truism, but it does not show a clear
17 dividing line at 16 inch.

18 Just as a 14 inch electrode is not
19 interchangeable with an 18 inch, the same holds true
20 for any dedicated furnace and electrode. An 18 cannot
21 be substituted for 1 24, nor can an eight be
22 substituted for a 12, and so on.

23 Third, is common manufacturing facilities,
24 production processes, and employees. The preliminary
25 determination and the prehearing staff report

1 concluded that all graphite electrodes, regardless of
2 their size and grade, share the same basic production
3 processes. The petition admitted that SGL is able to
4 produce both electrodes because its standard equipment
5 can produce electrodes both above and below 16 inch.
6 The preliminary determination concluded that the other
7 two U.S. producers of large graphite electrodes, Shoa
8 Denko Carbons, Inc., and CG Electrodes, LLC, have the
9 ability but chose not to produce the smaller diameter
10 product.

11 Only one producer, the Petitioner Superior,
12 is limited to making graphite electrodes equal to and
13 less than 1 inch. The limitation, however, is not due
14 to the inherent nature of graphite electrode
15 production, but is solely attributable to Superior's
16 manufacturing equipment.

17 The administrative record establishes that
18 other global manufacturers produce electrodes along
19 the entire continuum. For example, Graphtek produces
20 both large and small diameter electrodes at its plants
21 in Monterey, Mexico and Salvador, Brazil. The two
22 Indian manufacturers produce both large and small
23 diameter electrodes in their facilities. And in China
24 the Fangda Group, the world's third largest producer,
25 makes both large and small diameter electrodes at each

1 of its four Chinese production facilities.

2 Fourth is channels of distribution. The
3 petition fails to establish that there are separate
4 channels of distribution for large and small diameter
5 electrodes. Indeed the petition admits that the
6 channels of distribution are virtually the same.

7 When I was employed by SGL in its outside
8 sales force there was one single marketing force
9 selling its entire range of electrode products. There
10 was no division between the marketing of electrodes
11 greater and less than 16 inch.

12 At Brashem we also sell a complete line of
13 both large and small electrodes to U.S. producers. In
14 my experience, other distributors do not distinguish
15 themselves by selling electrodes that are only larger
16 or only smaller than 16.

17 Only Superior's sales force is limited to
18 selling electrodes of 16 inch or less simply because
19 they do not manufacture a larger product.

20 Fifth, producer and consumer perceptions.
21 Producer and consumer perceptions also support a
22 single like product finding. As reviewed above, three
23 out of the four U.S. producers including one of the
24 two Petitioners manufacture or have the ability to
25 manufacture both large and small diameter electrodes.

1 They could use the same production process and the
2 same production workers.

3 U.S. distributors of Chinese graphite
4 electrodes sell to U.S. purchasers both large and
5 small diameter. The U.S. importers purchase from
6 Chinese producers who for the most part produce both
7 diameter ranges at the same facilities. Superior's
8 facility, which is limited by its production equipment
9 to making smaller size electrodes is the only U.S.
10 producer who lacks the capability of producing both
11 large and small electrodes.

12 U.S. purchasers buy electrodes above and
13 below 16 inch according to the requirements of their
14 dedicated equipment. The administrative record
15 establishes that producer and customer perceptions of
16 electrodes are not dependent on the electrode size but
17 upon the power levels the specific electrode is
18 required to carry.

19 Last is price. The price of graphite
20 electrodes is more dependent on grade than diameter.
21 Higher grade electrodes are more expensive because
22 they incorporate more costly blends of raw material.
23 That is sponge coke versus needle coke. And more
24 thorough heat treatment. But on a pound per pound
25 basis electrodes of the same grade and of adjacent

1 sizes that we sell to U.S. customers are generally
2 priced within a range of five to seven percent of each
3 other, thus the grade rather than the size is the
4 primary price driver.

5 An analysis of the Commission's normal like
6 product criteria establishes that in this case large
7 and small diameter graphite electrodes constitute a
8 single like product. Noted differences in size,
9 quality and performance among different graphite
10 electrode product types reflect a continuum of a
11 single product rather than clear dividing lines among
12 multiple separate like products.

13 Finally, to the extent that the Commission
14 finds that large and small diameter electrodes do
15 constitute separate like products in separate
16 industries, the Commission's demarcation should follow
17 Petitioners' actual production.

18 Since no domestic producer makes electrodes
19 less than eight inch in diameter, those electrodes
20 should also constitute a separate like product. It is
21 nonsensical to subject products which are not produced
22 by the domestic industry to antidumping duties. There
23 is no benefit to domestic producers who do not make
24 the product and it only punishes U.S. purchasers who
25 cannot source domestically.

1 Thank you for your time today and I
2 appreciate the opportunity to address this matter.
3 I'd be pleased to answer any questions you have.

4 MS. LEVINSON: We will now turn to the first
5 of our three customers who are here today, Mr. Joe
6 Hancock. He's a purchasing manager for Wheelabrator
7 Abrasives.

8 MR. HANCOCK: Good afternoon. My name is
9 Joe Hancock and I'm the purchasing manager of
10 Wheelabrator Abrasives. We're a producer of steel
11 cleaning abrasives. In my 34 years with the company
12 18 of those was a production supervisor. I make this
13 point because a small mill, our size, the supervisor's
14 in charge of all production including the melt shop.
15 Both of the larger mills do have separate supervision
16 for melting.

17 Over the years we have used several
18 different suppliers for electrodes. These include
19 Superior Graphite, Graphtek, SGL, CGG, Saramar, and
20 GLC, and even electrodes that were remanufactured,
21 just to name a few. Now we're supplied by M. Brashem.

22 We stopped using SGL electrodes really
23 because they stopped making the 12 inch size which we
24 were using. I can say that we have not been contacted
25 by SGL about supplying us in over three years. I

1 always welcome quotes from suppliers and am willing to
2 run trials on them.

3 Why are we using Chinese electrodes instead
4 of domestic product produced electrodes? The reason
5 has nothing to do with price. We were using Superior
6 Graphite as a supplier in 2003 and had an agreement to
7 purchase a truckload per month for that year. We had
8 used them before in years past.

9 A sales person came to see me in May of 2003
10 and I was told that they could not supply us for the
11 next two months. Without electrodes, our plant would
12 shut down and the economics of that would be a
13 disaster.

14 Superior breached its commitment to supply
15 12 truckloads in 2003 and put us in a detrimental
16 commercial problem.

17 I contacted M. Brashem who had supplied us
18 with some Polish electrodes in the late '80s and he
19 was able to get some 14 inch sizes and convert them
20 down to 12 inch. They were willing to provide this
21 conversion service in order to make a sale. The
22 domestic producers could have done the same but have
23 never showed that level of customer care. M. Brashem
24 supplied me with two loads of Chinese electrodes as an
25 interim measure until Superior was able to supply us

1 again.

2 I finished up that year using Superior as a
3 supplier, and then I switched to M. Brashem for 2004.

4 I want to add that price was not the reason
5 for switching since we paid three cents a pound more
6 than we were paying Superior. We had to have a
7 supplier we could rely on.

8 I will add that I contacted Superior in 2008
9 to get a quote for 2009. I was seeing if they could
10 supply us. I met with their sales person in December
11 and we did agree to do a trial in early '09. But I
12 have serious doubts about whether Superior could
13 actually provide the quantities we require, especially
14 given that unfortunate experience with them.

15 We use a 12 inch high powered HP electrode
16 or a super high powered SHP grade and either performs
17 well.

18 In December 2008 Superior did quote an ultra
19 high powered UNP which has 100 percent higher grade
20 needle coke, far greater than what is needed for our
21 purpose and consequently it's more expensive. M.
22 Brashem on the other hand, did an analysis of what
23 fits our needs and concluded that an SHP electrode
24 would be sufficient for our needs.

25 In the preliminary conference Mr. Carney

1 stated that his company's electrodes are priced more
2 than 40 percent higher than imported electrodes. In
3 my experience the differential would not be anywhere
4 near that range. If Mr. Carney was comparing same
5 grade electrodes.

6 I want to make it clear that a factory can
7 only use an electrode that fits its equipment. I've
8 heard here today about 14 and 16 inch electrodes used
9 in ladle furnaces. We melt raw scrap to over 3,000
10 degrees to make our product, using the 12 inch
11 electrode, either 60 inches or 70 inches in length.
12 Our shell size is ten foot, which means that a 12 inch
13 is the largest size electrode we can use. We melt 12
14 ton, heats in an hour just like the larger mills.
15 It's extremely violent when you're boring down through
16 scrap metal. You will use as many electrodes in a
17 ladle furnace as you do in an electric arc furnace.
18 We use an average of five electrodes per day.

19 I do not believe the domestic industry has
20 been injured as a result of unpriced electrodes from
21 China. Each time raw materials go up, our supply of
22 Chinese electrodes increased the price. The past two
23 years we have had price increases on electrodes
24 multiple times.

25 The imposition of antidumping duties in the

1 amount found by U.S. Department of Commerce duties
2 would cost us over \$1 million per year and that is a
3 lot of money for a small facility as ours. We cannot
4 pass all of this onto our customers. We have a plant
5 in Canada that uses the same suppliers we do, and they
6 do not have this duty. It makes us wonder why plants
7 move out of this country.

8 I do not see SGL going back to making a 12
9 inch and lower size electrode. This only leaves
10 Superior as a domestic supplier and I believe that's
11 clear in spite all of this market.

12 What happens if Superior has a problem and
13 goes down for any length of time? We'll be forced to
14 go to either offshore suppliers such as Mexico, India
15 or Russia. It is simple. If we cannot get 12 inch
16 electrodes I fear we will be put out of business.

17 I thank you all for having me here today. I
18 would like to add I have Mr. Greg Wood, our production
19 manager with me today. We'll look forward to
20 answering any questions.

21 MS. LEVINSON: Thank you.

22 Seated next to Mr. Hancock is Mr. Darrell
23 Ruth. He's the chief financial officer of the Frog
24 Switch and Manufacturing Company. He's going to
25 testify next.

1 MR. RUTH: Good afternoon. My name is
2 Darrell Ruth and I'm the chief financial officer of
3 the Frog Switch and Manufacturing Company.

4 Frog Switch is a privately held company
5 located in the town of Carlisle, Pennsylvania. The
6 company began in 1898 to manufacture parts for the
7 railroad industry. In 1913 we added a manganese
8 foundry to provide castings for railroad track work.
9 From that time through 1969 we operated two divisions,
10 one which focused on Frog's switches and crossings for
11 the rail road industry; and one which focused on
12 manufactured manganese steel casting for jaw and
13 gyratory crushers, cement mills, mining machinery and
14 steam shovel parts.

15 Sales of these two divisions ran in close
16 parity until the early 1950s when railroading began
17 its steep decline. The Frog switch and crossing
18 business was phased out in 1969 in favor of crushing
19 and grinding wear parts.

20 Today the company sells manganese crushing
21 and grinding parts both domestically and
22 internationally.

23 Starting around 1975 we became a supplier of
24 wear parts to original equipment machinery
25 manufacturers and have grown to become a principal

1 supplier to this trade in the crushing and grinding
2 industry. About 80 percent of our sales are to
3 domestic firms.

4 In the early 2000's we experienced very
5 difficult times based on competition from foreign
6 suppliers. In the last several years we have been
7 able to overcome that competition and regain
8 profitability. Today we employ 38 salaried workers
9 and 175 hourly workers represented by the United Steel
10 Workers of America.

11 Although we are not a large company, we are
12 a major employer both in the town of Carlisle where we
13 are based and in the surrounding townships of central
14 Pennsylvania.

15 The bulk of our products are sold in the
16 mining, aggregate shredder and OEM market. We use
17 approximately 80 to 90 tons of graphite electrodes per
18 year. Our electric arc furnaces permit for the use of
19 only one size electrodes. That is graphite electrodes
20 that are 12 inches in diameter.

21 Within the last year we have attempted to
22 obtain our electrodes from both SGL Carbon and
23 Superior Graphite. Neither SGL nor Superior could
24 quote us on the electrodes in the dimensions we
25 require.

1 SGL whom we contacted around August advised
2 us that they simply do not manufacture electrodes in
3 those dimensions. Sales representatives of Superior
4 were also contacted at that time. They advised us
5 they could not supply us either and that they could
6 not even quote us until November at the earliest.

7 We nevertheless completed their quote sheets
8 and submitted our request for a quotation. I was
9 prepared to testify today that we have not yet
10 received a quotation or any follow-up from Superior or
11 its sales representatives, however I can report that
12 we have been contacted just this week by a Superior
13 rep, although it is not clear whether Superior can
14 supply us in the near future.

15 It is our belief that our size of electrodes
16 is not regularly available from manufacturers in the
17 U.S.. Given our buying needs we were left with no
18 choice but to source our electrodes from foreign
19 suppliers, primarily those in China and Mexico.

20 At this point I would like to correct the
21 record on a few of our answers to the U.S. purchasers
22 questionnaire.

23 We had thought that our inability to obtain
24 graphite electrodes in the 12x60 dimensions from these
25 U.S. suppliers meant that our electrodes are not

1 manufactured here. However, after further review we
2 see this may not be accurate. We apologize for any
3 misstatements.

4 While, as I mentioned, SGL told us they did
5 not manufacture our electrodes, Superior may
6 manufacture them or agree to manufacture them. We are
7 simply not sure.

8 What we can say is that after making inquiry
9 of the appropriate representative we were not able to
10 obtain our electrodes or quotes for our electrodes
11 from the Petitioners from August of 2008 until this
12 week.

13 At least to the extent of our recent
14 experience, electrodes of the limited size we require
15 do not appear to be readily available from the U.S.
16 manufacturers. The increase in the cost of the
17 electrodes we source from China due to the antidumping
18 duty has required us to increase our sales prices over
19 our product line by about two percent. Our largest
20 competitors are based in South Africa, China and
21 Malaysia. As I mentioned, we have been able thus far
22 to recover from the price competition they represent.
23 However, their ability to provide even lower pricing
24 will become increasingly difficult to overcome in this
25 economy.

1 We do not know what size electrodes our
2 foreign competitors use in their manufacturing process
3 but whatever size they use they will presumably
4 continue to purchase at prices that do not reflect the
5 U.S. duty.

6 Accordingly, they will not be required to
7 initiate the same price increases.

8 As pricing becomes more of a concern we can
9 expect to lose market share to our foreign
10 competitors.

11 The increase is also hurting us
12 significantly on our fixed price contracts which
13 represent about 10 to 12 percent of our business.
14 These contracts are generally locked in for a period
15 of three years.

16 We respectfully submit that the demonstrated
17 inability to source graphite electrodes to our
18 specifications from U.S. manufacturers means that an
19 antidumping duty on the products we purchase is not
20 warranted.

21 I thank you on behalf of our company and I
22 invite you to please contact me with any questions or
23 clarifications you may have.

24 MS. LEVINSON: Our last customer witness is
25 Mr. Tom Grosko. He's the plant manager of Magotteaux

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1 Pulaski, Inc.

2 MR. GROSKO: Good afternoon. My name is
3 Thomas Grosko and I am the plant manager of Magotteaux
4 Pulaski, Incorporated. Magotteaux Pulaski is an iron
5 and steel foundry located in Pulaski, Tennessee.
6 Along with 14 of our employees we celebrated our 35th
7 Anniversary in Pulaski in 2008. We employ 200 people
8 and are recognized as the best paying manufacturing
9 employer in the county and with excellent benefits.
10 We are located in Giles County, Tennessee, which has
11 been identified as an economically distressed rural
12 county.

13 Our primary product is cast iron grinding
14 balls which are used by cement producers, mines and
15 coal power plants. Magotteaux International has five
16 other foundries in the world which also manufacture
17 grinding balls. Two are in Thailand, one is in
18 Canada, one is in Brazil, and one in Belgium. Outside
19 of Magotteaux, our primary competitors are located in
20 India and China.

21 The current increases in electrode pricing
22 threaten the viability of our plant versus our
23 competitors abroad. We have already begun cutting
24 back jobs due to the current economic downturn. The
25 final imposition of duties will only worsen the

1 situation.

2 We have invested heavily over the past six
3 years to upgrade dust collectors and controls on our
4 three electric arc furnaces which utilize graphite
5 electrodes of nine inch diameter. If the current high
6 electrode prices and duties remain in tact, we will
7 regret making these investments. We would have been
8 much better served to have invested this money in
9 alternative melting equipment called induction melting
10 furnaces which do not use electrodes.

11 Many of our competitors do utilize induction
12 melting furnaces that don't use electrodes, as do
13 three of Magotteaux's own off-shore grinding ball
14 plants.

15 An affirmative vote in this investigation
16 will put us at a serious disadvantage as compared to
17 these internal and external competitors.

18 We also have worldwide competitors which
19 supply forged steel balls. It's a product that
20 competes directly with our cast iron balls. In some
21 applications our cast iron balls are the more
22 economical option and in other customer applications
23 the forged steel balls are more economical.

24 The new electrode pricing and duties
25 artificially shifts the pendulum toward the forged

1 steel balls, thus further endangering our U.S.
2 foundry.

3 2008 was a punishing year for Magotteaux
4 Pulaski with respect to electrodes. First we
5 experienced a shortage, then huge price increases,
6 then more price increases because of the imposed
7 duties.

8 We began experiencing a shortage in May of
9 2008 for our nine inch diameter electrodes. We
10 contacted both of the Petitioners on May 13th. SGL
11 Group informed us that it did not manufacture nine
12 inch diameter and would not quote. Superior Graphite
13 stated that it was unable to supply any grade of nine
14 inch diameter electrodes for the remainder of 2008.
15 They said they were booked solid.

16 We did manage to find a small quantity of
17 nine inch electrodes in the U.S., but these were also
18 manufactured in China.

19 In addition to this, to get us through until
20 August, we had some electrodes stock that was a larger
21 diameter machined down to make nine inch electrodes.

22 In August we began to receive electrodes
23 from another supplier, however these again were
24 manufactured in China.

25 We again contacted Superior on August 25th

1 and asked for a quotation for 2009 delivery. Finally
2 we received a reply after numerous follow-up calls on
3 October 2nd. The reply was that none were available
4 for 2009.

5 I believe we were unfairly punished by the
6 duties in 2008 because we had no alternatives to
7 Chinese electrodes. Due to our 2008 experience I'm
8 also quite concerned when and if the U.S.
9 manufacturers will be willing and capable of reliably
10 producing and supplying nine inch diameter electrodes.
11 According to page 21 of the Petitioners' prehearing
12 brief, there are only four domestic producers of
13 graphite electrodes. Two only produce electrodes of
14 18 inches and more; one produces only a limited
15 quantity of small diameter electrodes; and one
16 produces only electrodes 16 inches and down. What
17 assurance do we have that one of these producers will
18 be producing nine inch electrodes?

19 If only one producer is interested, what
20 position does this put Magotteaux in? Without a
21 second source and without competition for one source
22 we won't have a backup or a means to confirm our
23 pricing is competitive.

24 If the duties are upheld we will have no
25 choice but to do our best to adapt to the situation.

1 We're currently seeking quotations from Indian
2 manufacturers and manufacturers from other countries
3 to compare to the Chinese prices.

4 There are two other points I wanted to add
5 after hearing this morning's testimonies and questions
6 and answers.

7 The first point was I noticed there was no
8 user support from the foundry industry. The Steel
9 Founders Society of America and American Founders
10 Society, which we three purchasers are members of,
11 were not present. The industry support that was here
12 I saw was the Steel Manufacturers Association. It's
13 clear to me from listening this morning that the vast
14 majority of electrodes used by the SMA members are
15 exempt from the current duties.

16 The second point was, it would seem more
17 logical to have a dividing line on these electrodes
18 maybe at 14 inches and 16 inches. You have SGL and
19 Superior currently produce this size so there are two
20 willing suppliers. And listening this morning it
21 sounds like the 14 to 16 inch range is the desirable
22 range of small diameter graphite electrodes to
23 participate in. It also would not unnecessarily
24 punish foundry users since the predominant foundries
25 use electrodes smaller than 14 inches.

1 As a final note, I do want to thank the
2 Commission for providing this opportunity to share our
3 opinions on this matter and in particular I want to
4 recognize Mr. Fred Ruggles and his availability and
5 willingness to answer questions and listen to my
6 concerns while we were putting together our purchaser
7 questionnaire.

8 Thank you.

9 MS. LEVINSON: Thank you, Mr. Grosko.

10 Our final witness is Ms. Liu of Beijing
11 Fangda. As I mentioned, Beijing Fangda is one of the
12 largest exporters from China and was one of the two
13 mandatory Respondents at the Department of Commerce.

14 Ms. Liu does not speak English and her
15 statement will be read by Mr. Shi who is an employee
16 of M. Brashem, Inc. He is their Beijing
17 representative.

18 I also wanted to just add, you will hear
19 from Mrs. Liu that while Petitioners would have you
20 believe that there are 300 or some-odd producers of
21 electrodes in China, only about ten of them are
22 certified to export abroad.

23 I'll now turn the mike over to Mrs. Liu.

24 MR. SHI: Good afternoon.

25 My name is Zhiyong Shi, manager of Beijing

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1 office of M. Brashem, Inc. I would like to read the
2 testimony of Ms. Liu, Beijing Fangda, who is seated
3 next to me.

4 MS. LIU: (READ BY MR. SHI.) My name is Ms.
5 Liu -- executive vice general manager of Beijing
6 Fangda and assistant to the chairman of Fangda Group.
7 The Fangda Group is the largest producer of graphite
8 electrodes in China.

9 Graphite electrodes from China have not
10 caused material injury and do not threaten material
11 injury to the U.S. industry. In understanding the
12 situation in China, the Commission must first
13 understand the vast majority of graphite electrode
14 producers in China do not produce export quality
15 graphic electrodes. Only a few Chinese producers
16 actually produce graphite electrodes that can be
17 exported.

18 We are in the process of discussing this
19 case with China Carbon Association in China and in our
20 posthearing brief we will provide data from the
21 association for entire Chinese graphite electrode
22 industry which will show that in the entire Chinese
23 industry, exports account for less than 20 percent of
24 Chinese production.

25 The Chinese graphic electrode industry is

1 definitely not an export oriented industry. For those
2 few companies that can export graphic electrodes,
3 exports to the U.S. from China and the corresponding
4 imports from China will not increase in the near
5 future and in fact will decline. There are three
6 major reasons for this decline.

7 First, U.S. steel producers and other users
8 of graphic electrodes are facing tough economic times
9 and their purchases are going down. In 2009, for
10 example, the Fangda Group concentrated on supplying
11 graphic electrodes to Chinese steel and other Chinese
12 producers. In addition, based on our estimates and
13 the Chinese government's recent announcement of a very
14 large economic stimulus package which included high
15 speed railway, highways, new airports and increased
16 concrete with reinforced structures that the amount
17 for steel in China is growing. The Chinese steel
18 industry is doing better and starting in September
19 2008 our sales have increased substantially in China
20 as compared to export sales.

21 In fact the capacity utilization of the
22 Chinese steel industry is today only approximately 17
23 percent as compared to 42 percent for the U.S. steel
24 industry.

25 Based on purchase orders for first quarter

1 2009, we predict this trend will continue in the near
2 future.

3 Exports account for less than 20 percent of
4 total Chinese production and less than 40 percent of
5 Chinese production from companies that can produce
6 export quality. In fact for Fangda the United States
7 is not the most important export market. Europe is
8 our number one export market and the number one export
9 market for the Chinese industry as a whole. The
10 United States ranked number three behind Europe and
11 Southeast Asia.

12 For Fangda in 2007 the United States
13 represented only about 18 percent of total exports,
14 and in 2008 the United States market was only about 12
15 percent of total exports.

16 In addition to declining demand in the U.S.,
17 and increasing demand in China, contrary to
18 predictions, in August 2008 the Chinese government
19 eliminated value-added tax rebate of 13 percent for
20 graphic electrodes export thereby making exports less
21 attractive for Chinese producers.

22 In comparison to other industries in China,
23 the Chinese graphite electrode industry is very small
24 and does not employ a lot of workers. The Chinese
25 government therefore is not going to put back the

1 rebate into place for graphic electrodes.

2 The weak U.S. dollar as compared to the
3 Chinese RMB has also discouraged exports from China.
4 For years until 2007 the exchange rate was 8.3 RMB to
5 a dollar, and now it is 6.8 RMB to a dollar. The weak
6 U.S. dollar provides even less incentive to export
7 graphic electrodes to the U.S.. With a stronger RMB
8 exports will decline.

9 Finally, capacity utilization for Chinese
10 industry remains high as a result of the Chinese
11 government stimulus package. But a capacity for the
12 graphic electrodes in China has declined. Factories
13 closed as a result of the stricter pollution control
14 and energy inefficiency.

15 Thank you very much.

16 MS. LEVINSON: That concludes Respondents'
17 testimony. We welcome your questions.

18 CHAIRMAN ARANOFF: Thank you very much, and
19 welcome to the afternoon panel and to all of you who
20 have traveled, some of you great distances, to be with
21 us today. WE really appreciate that. It's always
22 very helpful to us to hear from people in the industry
23 directly about your experiences so we appreciate your
24 being here.

25 The questioning this afternoon will begin

1 with Vice Chairman Pearson.

2 VICE CHAIRMAN PEARSON: Thank you, Madame
3 Chairman. Allow me to add my welcome also.

4 Mr. Brashem, let me begin with you. You
5 touched on some of this in your remarks, but just to
6 make sure I understood what you had to say, what range
7 of electrodes does your firm provide to the domestic
8 market? From what size to what size?

9 MR. BRASHEM: We supply electrodes from
10 three inch diameter up to 24 inch diameter.

11 VICE CHAIRMAN PEARSON: And the source of
12 supply is China and also some other countries?

13 MR. BRASHEM: Today our source of supply is
14 China and Japan.

15 VICE CHAIRMAN PEARSON: And from China you
16 are sourcing the smaller end of the size range?

17 MR. BRASHEM: From China we're supplying
18 from three inch to 20 inch diameter; and from Japan
19 we're supplying 24 inch diameter.

20 VICE CHAIRMAN PEARSON: So you just don't
21 try to participate in the largest end of the market,
22 the electrodes that get up around 30 inches.

23 MR. BRASHEM: It's a supply situation.
24 Believe me, I'm a businessman. If I can find a 30
25 inch electrode and can find a buyer for it, we want to

1 match the two up.

2 We have been talking to our other suppliers
3 about what we call the DC electrodes which are those
4 larger electrodes, above 26 inch.

5 VICE CHAIRMAN PEARSON: So you're handling
6 the AC ones and if you get into the larger ones then -
7 -

8 MR. BRASHEM: If they're available to us we
9 will certainly try to see if we can participate.

10 VICE CHAIRMAN PEARSON: Do any of the
11 Chinese electrodes that you import, the ones up to 20
12 inches, some of them are used in electric arc furnaces
13 for the direct melting of scrap? Or are all of your
14 imports being used for ladles or other less severe
15 applications.

16 MR. BRASHEM: No. Typically in our size
17 range we're supplying electrodes for both melting and
18 ladle electrodes. Some of the specialty applications,
19 say below seven inch don't get involved in that. But
20 from seven inch up to 20 inch we're involved in
21 melting and ladle applications throughout the whole
22 range.

23 Let me clarify. The ladle range really is
24 from the 14 inch to 20 inch diameter size, but the
25 melting end ranges from seven inch up to 20 inch

1 diameter.

2 VICE CHAIRMAN PEARSON: When you're melting
3 with a smaller electrodes, like seven inches, you're
4 not melting scrap steel are you?

5 MR. BRASHEM: Yes, you are. It's just a
6 smaller shell. They have what are called smaller
7 heats. Mr. Hancock can talk about how many tons he
8 has in his furnace versus say a steel mill that may
9 have 50 ton or 100 ton, maybe he's got 10 ton in his
10 furnace. But what you're melting down is scrap metal.
11 You're starting with scrap metal. You may have to
12 put, you start with the smaller shell, maybe use a
13 different mix formulation than a steel mill will
14 typically use. Maybe you have to have multiple
15 charges to fill that furnace up to its maximum
16 capacity, but you are taking scrap metal, bringing it
17 to a molten state, and then pouring it into the
18 finished product.

19 MS. LEVINSON: Mr. Vice Chairman, I just
20 wanted to add that Petitioners this morning I thought
21 gave the impression that only electrodes of 16 inch
22 and above were used in electric arc furnaces. In fact
23 we have three customers here today, all of whom have
24 electric arc furnaces, and one of whom just testified
25 that he uses the nine inch and the others use the 12

1 inch. So the facts as we know them are quite at odds
2 with what Petitioner represented this morning.

3 VICE CHAIRMAN PEARSON: Okay, thank you.

4 MR. BRASHEM: With the exception of
5 specialty applications, electrodes are all used in the
6 EAF or electric arc furnace application. And from a
7 foundry to a steel mill it's the same process, just on
8 a smaller scale.

9 VICE CHAIRMAN PEARSON: Okay. Thank you for
10 that clarification.

11 So these electrodes are not used to melt
12 metal other than ferrous metals.

13 MR. BRASHEM: That's correct. We are not
14 supplying the non-ferrous business. I think non-
15 ferrous usually use other furnace types, cupola or
16 induction type furnaces for their melting processes.

17 VICE CHAIRMAN PEARSON: Thank you.

18 There's been some discussion with the first
19 panel regarding needle coke and the role that it plays
20 in electrodes of various sizes. Do the Chinese
21 producers utilize some quantity of needle coke for at
22 least some of the electrodes that you import?

23 MR. BRASHEM: I think that's maybe what
24 differentiates our grades. There's not an industry
25 standard with regard to grade nomenclature. so where

1 we define an HP grade electrode of having some
2 percentage of needle coke content in it, maybe one of
3 the Petitioners refers to an HP grade as having no
4 needle coke content in it. So there's no set
5 standard.

6 What we found during our process of trying
7 to develop suppliers for our customers in this
8 marketplace is that we had to, for some applications,
9 bring in an electrode that has some needle coke
10 content in order to reduce the coefficient of thermal
11 expansion and reduce the electrical resistivity in
12 order to carry the current necessary in the
13 application.

14 Further to some other questions, all these
15 electrodes are impregnated. Maybe they're one time
16 impregnated, maybe they're two times impregnated to
17 get the strength up to the requirement of the
18 customers. Because our ultimate goal is to make sure
19 our customers have a product that's going to be
20 reliable and meet their requirements.

21 VICE CHAIRMAN PEARSON: That they're going
22 to want to buy from you again. Yes, I understand
23 that. Commercial realities are a wonderful thing.

24 MR. BRASHEM: I can tell you that in our
25 early days with Poland, to give you an example, we

1 were buying two different types of electrodes. One
2 was a mix with some needle coke and anode grade coke
3 that was impregnated; and the other was just an anode
4 grade coke material.

5 The Polish ran out of their ability to
6 purchase the anode grade material so they tried to
7 supply us with 100 percent needle coke material
8 unimpregnated in order to meet the requirements of the
9 customers, but it failed. It needed that impregnation
10 in order to give it the strength to meet the
11 customer's requirement.

12 VICE CHAIRMAN PEARSON: On this record, I
13 get the impression there's not an over abundance of
14 needle coke available globally. Do you know where the
15 Chinese producers that use needle coke obtain it? Are
16 they obtaining it domestically, or are they finding
17 sources from --

18 MR. BRASHEM: There is a modest supply
19 produced domestically in China. They have been
20 working at this for years without a lot of success.
21 They buy primarily from Japan. Japan produces two
22 types of needle coke. They produce a needle coke
23 that's produced out of cold tar pitch, and they
24 produce a needle coke that's produced out of petroleum
25 coke.

1 The Chinese also buy out of England the
2 needle coke which is produced -- it's a petroleum-
3 based product.

4 VICE CHAIRMAN PEARSON: Also, with this
5 morning's panel, I got the impression that there is a
6 general tendency to use a higher percentage of needle
7 coke, the larger the diameter of the electrodes is.
8 Do you see that same relationship, or how would you?

9 MR. BRASHEM: Once again, it depends on the
10 uses. So, for instance, we'll buy a 16-inch-diameter
11 electrode with 100-percent needle coke in it to meet
12 certain melting applications or a 14-percent electrode
13 for melting applications, but we will buy 20-inch
14 electrodes that only have a 25-to-30-percent needle
15 coke content, or 18-inch electrodes only have a 25-to-
16 30-percent needle coke content because that's what's
17 most suitable for the application which we're
18 supplying.

19 It's an HP grade as opposed to a UHP grade,
20 so we follow more on a grade basis than we do on a
21 diameter basis. Diameter is set based on the
22 customer's requirement, but then we have to match the
23 grade.

24 THE COURT: So if I'm understanding
25 correctly, you are trying to provide the specific

1 formulation of electrode that a customer might need,
2 and it might have a larger diameter with less needle
3 coke or a smaller diameter with more or somewhere in
4 between.

5 MR. BRASHEM: That's correct, and yet maybe
6 there's five customers that will buy that same
7 diameter with that same grade formulation. So we
8 bring in electrodes, and we can sell that same
9 diameter to maybe five different people within that
10 same grade formulation, or we may have to bring in
11 different grades within that same diameter to meet
12 each individual customer's requirement.

13 THE COURT: Ms. Levinson, do you know
14 whether we have on the record information about the
15 percentage of needle coke that's imported in the
16 Chinese product with some size breakdown?

17 MS. LEVINSON: I don't believe we do.
18 That's something we would certainly be happy to
19 provide you in the posthearing --

20 VICE CHAIRMAN PEARSON: If possible, for the
21 posthearing, perhaps you could work with your clients
22 and see what could be put on the record because this
23 is an interesting discussion, but I won't remember it
24 all that well just from this conversation.

25 My light is changing, Madam Chairman. Back

1 to you.

2 CHAIRMAN ARANOFF: Commissioner Okun?

3 COMMISSIONER OKUN: Thank you, Madam
4 Chairman, and I join my colleagues in welcoming this
5 panel this afternoon. I appreciate very much all of
6 you being here and your willingness to answer our
7 questions and submit information for the record.

8 Mr. Brashem, I just wanted to go back. When
9 you were talking about inventory levels, were you
10 discussing the inventory --

11 MR. BRASHEM: Yes.

12 COMMISSIONER OKUN: -- and that it was
13 slightly higher now because of the drop in demand, I
14 think, is essentially what you said.

15 MR. BRASHEM: That's correct.

16 COMMISSIONER OKUN: I just wanted to make
17 sure I understood. On the inventory, I guess I was
18 under the impression that when customers order, they
19 order something very specific. Your inventory would
20 be the same size as these customers would normally
21 purchase, or tell me what you would keep in inventory.

22 MR. BRASHEM: As with regard to our
23 inventory, over the years, knowing that there is a
24 three-month production period, there is a month
25 transit time for product to get over, and then there

1 is the possibility for delays due to freight issues or
2 production delays, our general policy had been to
3 maintain a two-to-three-month requirement for any one
4 customer.

5 Now, most customers enter annual contracts.
6 Now, they may be written contracts, or they may be
7 verbal contracts that we've supplied them repeatedly
8 over the years. We know what their normal usage rate
9 is, so we maintain an inventory flow to be able to
10 support that.

11 So, typically, what happens is, around
12 November or December, in the fourth quarter of the
13 year, we begin negotiating our next year's business.
14 At the time we know what our business volume is going
15 to be, we place blanket orders for product to start
16 flowing through into the following year.

17 So we should start to see shipments, then,
18 start occurring in January-February on a monthly
19 basis, based on what we expect to have product flowing
20 back out of our warehouses because we warehouse in
21 roughly 10 locations around the country. That product
22 then starts to flow back out. It flows into the
23 warehouses, and product that's been in the inventory
24 starts to flow back out of the warehouses.

25 So, in order to make sure that we don't have

1 a problem maintaining reliability of supply, we make
2 sure we've got product flowing in to meet the
3 customers' requirements.

4 As a downturn in the market occurred in the
5 fourth quarter this year, it's like trying to turn a
6 ship around. We've got product in flow, we've got
7 product in the pipeline that's coming in, but the
8 customer stops taking product at the levels that they
9 had.

10 We had some issues this year with regard to
11 supply. It created a shortage in the market.
12 Fortunately, we scrambled, and we were able to cover
13 most of our customer requirements.

14 We had an earthquake in the Sichuan Province
15 that had a major impact on getting product out of
16 there.

17 There was a tightness of supply of anode
18 coke within China that created problems for
19 production, and there were problems within the
20 graphitization and the normal production of electrodes
21 that are a pollution creator in China due to the
22 Olympics. So the Chinese government shut down
23 production of companies that were outside the Beijing
24 are to be able to reduce the pollution during the time
25 of the Olympics. So there was about a three-month

1 period where production of our type of product ground
2 to a halt.

3 COMMISSIONER OKUN: Okay. And then, with
4 the recent financial crisis, both here and abroad, has
5 that impacted in any way your ability to finance, or
6 for your customers to finance, any purchases with
7 respect to shipping rates?

8 MR. BRASHEM: Not yet.

9 COMMISSIONER OKUN: And then when you had
10 responded to the previous question about the different
11 sizes that you carry, has that changed over time. One
12 of the questions we've been trying to understand is,
13 is the small range -- the eight inches, the nine
14 inches -- is that about the same, the demand for that,
15 or has that changed?

16 MR. BRASHEM: In the eight-inch, I think, in
17 our early days of bringing in electrodes, there were a
18 lot more users of eight-inch diameter than there are
19 today. Several foundries have gone out of business or
20 switched to induction melting that doesn't require
21 electrodes.

22 In the mid-nineties, we were busily
23 promoting 16-inch-and-down electrodes, and I don't
24 think that's change. We've added 18 and 20 inch over
25 the last six years or so in that range, but I don't

1 think that our marketing has changed at all, but
2 certainly our volumes have adjusted based on the fact
3 that some foundries have just gone out of business.

4 COMMISSIONER OKUN: Okay. Now, if I could
5 turn back to Mr. Ruth, Mr. Grosko, and Mr. Hancock,
6 just to make sure that I understood the testimony,
7 were any of you purchasing from the domestic suppliers
8 during the period of investigation, or you just tried
9 to purchase from them when the petition was filed. I
10 want to make sure I understood that.

11 MR. HANCOCK: Personally, SGL, of course,
12 does not make my size electrode. I hadn't been
13 contacted by Superior in quite a while, and, yes, I
14 did contact them in probably August. In September, I
15 sent in what my specifications were, and they replied,
16 and, from that, I got my quote in mid-December, and I
17 still didn't know if I was going to be able to get
18 them or not. I'm definitely going to run a trial on a
19 load of them. I haven't used them since 2003.

20 COMMISSIONER OKUN: I thought I remembered
21 that --

22 MR. HANCOCK: And I do that on any supplier.
23 I always bring in a load to do a trial to see if they
24 meet the standards that I have to have.

25 COMMISSIONER OKUN: Okay. Mr. Ruth? If you

1 could just pull your microphone a little bit closer to
2 you. I know you guys are sharing that one there.

3 MR. RUTH: My research goes back five years.
4 We have not purchased any electrodes from domestic
5 suppliers. The first we contacted any domestic
6 suppliers in the last five years was August when we
7 contacted the Petitioners.

8 COMMISSIONER OKUN: Okay. Mr. Grosko?

9 MR. GOSKO: What prompted us to contact the
10 domestic producers was a shortage that we experienced
11 in May of this year beforehand, before May, for the
12 previous -- I would have to go back several years --
13 was only Chinese-produced electrodes.

14 COMMISSIONER OKUN: Okay. Can you give me
15 your experience with prices of the Chinese during the
16 period of investigation? Were prices going up as raw
17 materials for petroleum and others went up?

18 I guess part of your point that I thought
19 was interesting is you see yourself, the foundry guys,
20 as in a different position than the steel users, so I
21 don't even know if your demand was as strong for your
22 products as what we saw for the big steel, the hot-
23 rolled steel and the other steel products that I think
24 the big users are talking about. Maybe help me
25 understand your business a little bit better.

1 MR. GROSKO: Our customers are tied to the
2 cement industry, the mining industry, and the rock-
3 crushing industry, and they were very strong the last
4 few years until about September or October when
5 everything seemed to slow down. So, yes, our business
6 was getting stronger over the last few years also, and
7 that was part of the reason for the shortage we
8 experienced in May.

9 But if I come back to pricing, I don't know
10 if I can find it quickly in the questionnaire.

11 MR. GROSKO: Just if you could submit a
12 posthearing, I would appreciate seeing it then, too,
13 as well, just to give me, for all three, what the
14 pricing was for the product you were receiving during
15 the period of investigation. Yes, Mr. Hancock?

16 MR. HANCOCK: I would like to add that, in
17 2007, I had contacted a different supplier, which was
18 Akea Industries on the Indian electrodes which are not
19 available. I have contacted Graphtek International on
20 their nexus electrodes that are made in Mexico.

21 COMMISSIONER OKUN: Okay. For you and for
22 the other customers there, were the nonsubjects -- if
23 you look to other suppliers, to India and to the
24 Mexicans, in your case, do you have any price quotes
25 from them that you would have received during that

1 period?

2 MR. HANCOCK: Yes. I have price quotes for
3 both of them. The Indian electrode; the quote I had
4 earlier would not stand up in 2008. They would not
5 ship them at that price, and I did get the price quote
6 on the Graphtek electrodes.

7 COMMISSIONER OKUN: How are those prices
8 relative to the Chinese prices?

9 MR. HANCOCK: Actually, the nexus was even
10 higher than I would say, and I will say this, even
11 higher than the Superior pricing.

12 I did a trial on the nexus electrodes
13 probably two or three years ago, and I really was not
14 satisfied with that trial. They did not perform like
15 the electrode I was using.

16 COMMISSIONER OKUN: Okay. My red light has
17 come on, Mr. Ruth, so I'll have a chance to come back
18 or I'll get it for posthearing. Thank you very much
19 for all of those responses.

20 CHAIRMAN ARANOFF: Commissioner Lane?

21 COMMISSIONER LANE: Good afternoon. I would
22 like to start with you, Ms. Levinson. You stated that
23 there are only 10 Chinese producers that are certified
24 to export abroad. How difficult is it to obtain
25 certification?

1 MS. LEVINSON: Commissioner Lane, if you
2 don't mind, I would like to ask the exporter from
3 China who is in the room because I don't know that
4 it's necessarily difficult to obtain certification,
5 but the reality is many companies have not obtained
6 certification because they are not interested in
7 exporting.

8 MR. PERRY: Let me just respond quickly. I
9 don't think it's really an export certificate. What
10 she means that basically, in talking to them, there
11 are only about 10 producers that produce the export
12 quality enough so that it can be exported. Is that
13 correct? That's what she is saying. There is no
14 certification process, per se.

15 COMMISSIONER LANE: Okay. And so, would you
16 be able to provide, posthearing, the name of those 10
17 producers?

18 MR. PERRY: Most of the companies were the
19 ones that showed up at the preliminary, and we will
20 basically put them on the record.

21 COMMISSIONER LANE: Okay. Thank you. Then
22 I'll stick with you, Mr. Perry. To your knowledge,
23 are there any restrictions on export quantities of
24 small-diameter graphite electrodes or graphite
25 electrodes generally?

1 MR. PERRY: To my knowledge, there are no
2 export restrictions on graphite electrodes. Let me
3 just check. No, there are none.

4 COMMISSIONER LANE: Okay. I have another
5 question for you, then.

6 Ms. Liu testified that Europe is the number-
7 one export market for the Chinese product. Would you
8 be able to provide, posthearing, what the prices are
9 that the Chinese product is getting in the European
10 market?

11 MR. PERRY: Yes. I'm pretty sure we can
12 provide that.

13 COMMISSIONER LANE: Okay. Thank you.

14 Now, assuming the Commission were to make an
15 affirmative injury determination, why should it not
16 make an affirmative critical-circumstances finding?

17 MS. LEVINSON: That is a subject we will be
18 addressing in some length in our posthearing
19 submission. We did not address it in our prehearing
20 submission because, at that time, we did not have the
21 news that we got today, mainly that the Department of
22 Commerce has done critical circumstances for the two
23 mandatory respondents that participated in that
24 investigation.

25 But I would like to give you a quick

1 synopsis of what we're likely to say. We don't
2 believe that the evidence shows that the remedial
3 effect of the antidumping order will be seriously
4 undermined by any behavior or conduct on the part of
5 the importers. It was for this reason that Mr.
6 Brashem testified specifically that even after the
7 duties went into place, he continued to place orders
8 at about the same rate that he had been placing orders
9 before.

10 The prehearing staff report shows that
11 inventories among U.S. importers are actually down.
12 Now, Mr. Brashem explained that they may be up now.
13 The prehearing staff report ends in September 2008.
14 There are some inventories that may have grown now but
15 not because of the antidumping case but, rather,
16 because demand for the product has come down, and they
17 had ordered product previously to that happening.

18 The record, therefore, does not show that
19 there is any evidence that imports have been timed to
20 take advantage of a period of time when there were no
21 antidumping duties in effect.

22 COMMISSIONER LANE: Okay. Thank you, and
23 I'll look forward to reading what else you have to say
24 in your posthearing brief.

25 Let me stick with you for a moment. This is

1 talking about domestic like product. How would you
2 distinguish the facts in this particular case with the
3 Commission's off-the-road investigation and how we
4 addressed the like product in that particular case?

5 MS. LEVINSON: We did distinguish it in our
6 brief, and I'm going to let my colleague, Ron Wisla,
7 who is a like product guru, to respond to this
8 question.

9 COMMISSIONER LANE: I apologize if I can't
10 always remember everything that is filed in all of the
11 briefs.

12 MS. LEVINSON: In the Off-Road Tires case,
13 the Commission did make a distinction, I think, at the
14 39-inch range, and I thought that was because tires at
15 the higher range were made in a completely different
16 production process and also are used for completely
17 different purposes, you know, for the giant excavating
18 equipment as compares to tractors. You know,
19 obviously, the physical characteristics were
20 different, and also the production processes were
21 different. So I think that was very different.

22 I think other cases that come to mind to me
23 are the pipe-fitting cases where you have a range of
24 product, and I think usually you cut it off at 14
25 inches or 16 inches, somewhere around there, and that

1 also is because the smaller products are made in a
2 different manner, with the casting as compared to
3 forging. It's just different.

4 They are made at different plants, different
5 factories, so it is two different industries, whereas,
6 I think, in graphite electrodes, most producers make
7 the whole range, make the whole continuum, and there
8 is not a distinction between some people make the
9 larger product using a different type of production
10 process as compared to the smaller electrodes.

11 So, in this case, there is a continuum,
12 whereas, in the off-the-road-tire cases and in the
13 pipefitting cases, you do have very marked
14 distinctions.

15 MS. LEVINSON: Commissioner Lane, if I could
16 add, from the Respondents' point of view, I can't help
17 but say, if this petition had been brought against all
18 electrodes, and if Petitioners were claiming that all
19 electrodes constituted the domestic industry, I think,
20 as Respondents' counsel, I would have viewed it as a
21 real uphill battle to convince you to separate the
22 industry into two or three based on the record that is
23 in this case.

24 COMMISSIONER LANE: Okay. Well, that leads
25 very nicely into the question I was going to follow up

1 with, which is, did I understand you correctly that if
2 the Commission doesn't combine the small and the large
3 into one like product, then we ought to divide the
4 industry into three like products, and that would be
5 one coextensive with the Commerce, and then the large
6 that's outside the scope, and then take the small and
7 divide it into another like product, eight inches and
8 under?

9 MR. WISLA: Yes, because I think if you're
10 dividing the industry up, it should match then the
11 production capabilities of the domestic industry,
12 which you're doing at the top end, and we think you
13 should also do it at the bottom end. There is no
14 reason to penalize U.S. purchasers who are purchasing
15 product that the domestic industry does not make.

16 COMMISSIONER LANE: Okay. Are you saying
17 that both of the U.S. producers, SGL and Superior, do
18 not produce eight inch and under and don't have the
19 capability of producing that size?

20 MR. WISLA: SGL stops at 14, and, as of now,
21 I think Superior produces eight. It's under eight.
22 It's seven, five, three --

23 COMMISSIONER LANE: But not eight.

24 MR. WISLA: I'm under the impression that
25 they still make eight.

1 COMMISSIONER LANE: Okay. They do make
2 eight but not under eight.

3 MR. WISLA: That's my understanding.

4 COMMISSIONER LANE: Okay, okay. Thank you.
5 Now, has there been a shift towards higher grades of
6 small-diameter graphite electrodes in the U.S. market
7 in recent years?

8 MR. BUCHANAN: The initial entry, because of
9 the product capabilities of the Chinese product, was
10 in the HP grade, the lowest of the commercially viable
11 material in the U.S., technically viable.

12 SHP and UHP, based on manufacturing
13 processes and coke availabilities in China, are newer,
14 and I think that SHP was more commonly available
15 beginning maybe five to seven years ago, and UHP maybe
16 in that same timeframe.

17 COMMISSIONER LANE: Okay. Thank you.

18 MS. LEVINSON: Commissioner Lane, if I could
19 just add to that, I believe that the Petitioners
20 testified this morning that the newer steel mills have
21 all converted to electric arc furnaces that take the
22 larger-diameter electrodes, so it puzzles me why they
23 wonder why they are having more trouble selling the
24 small electrodes.

25 COMMISSIONER LANE: Okay. Thank you. Thank

1 you, Madam Chair.

2 CHAIRMAN ARANOFF: Commissioner Williamson?

3 COMMISSIONER WILLIAMSON: Thank you, Madam
4 Chairman. I do want to thank the witnesses for their
5 testimony.

6 I want to start by -- Ms. Liu, I believe,
7 stated that I think there are only, like, 10 firms --
8 I've forgotten whether it's 10 firms or 10 percent --
9 which were certified to export, or approved to export,
10 and I was just wondering, who approved them, and what
11 is that approval process?

12 MR. PERRY: Again, what I was trying to say
13 before is I'm not sure that there is an "approval
14 process," but there are a number of companies within
15 the industry that are just literal fly by night, and
16 they would never produce the type of quality that
17 could be exported out of China, and that's one of the
18 problems. Often you will have a lot of producers in
19 China, but they just simply can't produce the quality
20 that could be exported out of China.

21 MR. BRASHEM: A large number of electrodes
22 used in China are of the RG-grade quality. The RG
23 grade is an anode coke material unimpregnated, and it
24 would not stand up in any of our customers' operations
25 here in the United States, so that's not exported.

1 However, foundries in China find a way to make use of
2 it because it's a lower-cost material, and they work
3 it within their system, even though the consumption
4 rate and/or breakage rate may be higher. So that
5 product is not exported; however, that constitutes a
6 large quantity of electrodes being produced in China.

7 COMMISSIONER WILLIAMSON: Okay. So what
8 you're saying is that the universe of companies that
9 Petitioners should be concerned about is limited.

10 MR. BRASHEM: That's exactly right. There
11 aren't very many. I've spent 15 years traveling over
12 in China trying to make sure that we found producers
13 that could meet our customers' requirements, and I've
14 been to a lot of plants that we've never bought
15 product from.

16 COMMISSIONER WILLIAMSON: But the number of
17 plants that you can buy from is growing, I take it.

18 MR. BRASHEM: No, it's not. There is still
19 a handful of plants that I've been buying from for a
20 number of years, and I haven't deviated from that.
21 The quality works, it meets our customers'
22 requirements, and the cost of problems created by
23 unreliable electrodes is too great to risk.

24 COMMISSIONER WILLIAMSON: Are you seeing in
25 the U.S. a trend towards increasing demand for the

1 UHP, the higher grades of electrodes?

2 MR. BRASHEM: I don't think so. I think one
3 of the -- as maybe Mr. Stinson stated, new micromills
4 going into Arizona by commercial metals, but there
5 aren't very many new steel producers in the United
6 States today, so unless they are changing their
7 furnaces out that require a higher-grade electrode,
8 there are not that many new requirements for electrode
9 usage in the U.S.

10 COMMISSIONER WILLIAMSON: Okay. Thank you
11 for those answers.

12 On page 31 of the Respondents' brief, it is
13 mentioned that there is limited competition between
14 domestic and Chinese product, but the brief doesn't
15 give any details on that, and I was wondering if
16 anyone could elaborate on that point.

17 MS. LEVINSON: I'm sorry. Could you repeat
18 the question?

19 COMMISSIONER WILLIAMSON: On page 31 of your
20 brief, you mention that there is limited competition
21 between domestic and Chinese product, but there are no
22 details about what's the basis for that statement.
23 I've looked at some of the confidential data in the
24 status report.

25 MR. BRASHEM: If we look at the universe of

1 electrodes being used in the United States, the
2 majority of electrodes, if you look at tons, the
3 majority of those are used in the 24-inch-diameter
4 range and up in the melting applications.

5 So, in a steel mill, you could be using
6 anywhere from five to 10 truckloads of the 24-inch
7 electrodes to one truckload of 16-inch electrodes in
8 your ladle furnace.

9 So the Chinese -- we've only been
10 concentrated in that ladle furnace or foundry sector
11 that uses the 20-inch and down in diameter, and it's a
12 smaller percentage of the overall electrode use in the
13 U.S. market.

14 COMMISSIONER WILLIAMSON: But for a domestic
15 producer who is only producing in the lower range, it
16 is significant competition.

17 MR. BRASHEM: When we look at the universe,
18 we consider all electrodes. How much percentage we've
19 been able to capture from U.S. producers, as they
20 define "small diameter," I'm not sure.

21 COMMISSIONER WILLIAMSON: Ms. Levinson, you
22 may want to address this in posthearing.

23 MS. LEVINSON: I would be happy to, yes.

24 COMMISSIONER WILLIAMSON: I think Table 3-4
25 and Table 7-3 of the staff report raise questions

1 about that.

2 MR. PERRY: Could I add one thing here?

3 COMMISSIONER WILLIAMSON: Sure.

4 MR. PERRY: Marvin, we might also mention
5 the impact on nonsubject imports. If you saw when the
6 Chinese arising, what was interesting was nonsubject
7 imports were declining, and so I think that could be
8 part of it, too.

9 COMMISSIONER WILLIAMSON: In what way is
10 that part of it?

11 MR. PERRY: The point would be that the
12 Chinese are replacing a lot of the nonsubject imports
13 from other countries.

14 COMMISSIONER WILLIAMSON: Okay.

15 MS. LEVINSON: In other words, just to
16 clarify, Chinese exports, instead of taking sales away
17 from domestic suppliers, what they are doing, the
18 evidence suggests that they are taking sales away from
19 Mexican producers and Indian producers and Japanese
20 producers, and that's not a type of injury that's
21 recognized under the antidumping law.

22 COMMISSIONER WILLIAMSON: Okay. Thank you
23 for that clarification. I'll go back and look at the
24 numbers again.

25 I was also wondering -- I think Mr. Brashem

1 had mentioned that price was not that an important
2 factor. I think he listed it as four.

3 MS. LEVINSON: That was based on the
4 prehearing staff report, by the way.

5 COMMISSIONER WILLIAMSON: Looking at that
6 status report, true, if you look at what's in that
7 first column, but, still, it's pretty high up there,
8 and it's not that much difference --

9 MR. BRASHEM: I think that we noted in one
10 of the statements in the Petitioners' prehearing
11 brief, they name price as being in the top. We're all
12 trying to state our case, and we look at reliability
13 of supply and issues regarding quality as being the
14 top points. I think the fifth item down is price.
15 I'm not discounting the significance because,
16 obviously, value has a lot to do with the purchasing
17 decisions; however, it's not always the number-one
18 fact.

19 COMMISSIONER WILLIAMSON: Okay. The gap is
20 not that great, I would think, compared to --

21 MS. LEVINSON: Commissioner, if you don't
22 mind, I would like to add that I find it ironic that
23 Petitioners are saying that purchasing decisions are
24 driven primarily by price. They are saying that on
25 the one hand.

1 On the other hand, they are saying this is
2 not a commodity product, and it's precisely a
3 commodity product where you would expect purchasing
4 decisions to be only on the basis of price. So I
5 think there is a real inconsistency in their own
6 position on this issue.

7 COMMISSIONER WILLIAMSON: Okay. In your
8 brief, on page 3, you state that purchasers have
9 recently found it more difficult to finance purchases
10 of graphite electrodes, and I was wondering if you
11 could give more details on this. Someone else had
12 just mentioned it earlier.

13 MR. BRASHEM: Well, I think that as we see
14 this economic slowdown hit our customer base, we find
15 that payments start to slow down, and financial issues
16 start to become a factor in their ability to purchase
17 material.

18 So, at this point, we're okay, but we're
19 finding it more difficult, and the extra cost of the
20 electrodes, due to the dumping duties, are creating
21 major production cost impacts on our customer base.

22 COMMISSIONER WILLIAMSON: Okay. Thank you.
23 My time is about to expire, so I'll come back later.
24 Thank you.

25 CHAIRMAN ARANOFF: Commissioner Pinkert?

1 COMMISSIONER PINKERT: Thank you, Madam
2 Chairman, and I, too, would like to thank you all for
3 being here today and for helping us to understand
4 what's going on in this industry.

5 I want to begin with Mr. Brashem. This is
6 kind of a technical issue, but I need to understand it
7 better. Is there a formula that relates the
8 coefficient of thermal expansion to diameter?

9 MR. BRASHEM: I'm probably better off
10 letting Mr. Buchanan handle this. He is our
11 technical --

12 MR. BUCHANAN: Is there a formula that
13 relates CTE to diameter?

14 COMMISSIONER PINKERT: Is there a formula in
15 which the coefficient of thermal expansion is related
16 to diameter when diameter is perhaps a variable in the
17 formula?

18 MR. BUCHANAN: No. It varies, again, by
19 diameter through the continuum of sizes, but it's also
20 heavily dependent upon the coke particle size that's
21 used in the initial mix, the grade of material, the
22 type of coke, whether it's a needle coke or a sponge
23 coke or a blend; the processing, the heat treatment in
24 graphitization of baking. So it's difficult to assign
25 it solely to a change in diameter.

1 COMMISSIONER PINKERT: I didn't mean to
2 suggest that the formula would have diameter as the
3 only variable, but I'm wondering whether there is some
4 master formula that can explain, for example, why the
5 coefficient tends to be higher when the diameter is
6 lower.

7 MR. BUCHANAN: I'm not aware of any formula
8 that takes solely the diameter into account that would
9 explain that.

10 COMMISSIONER PINKERT: Or that takes
11 diameter into account as one among several variables.

12 MR. BUCHANAN: Correct.

13 COMMISSIONER PINKERT: So if that's the
14 case, then, can you help me to understand why the
15 coefficient tends to be higher when diameter is lower?

16 MR. BUCHANAN: It's most likely due, as you
17 go down in diameters, you typically use smaller
18 particle size in your recipe, and, as you have smaller
19 particle sizes, they are able to be packed together
20 more closely, and, as it heats up, those particles do
21 not have any kind of internal void in the matrix to
22 expand into.

23 They have to expand into themselves and push
24 out, and a larger diameter that's going to be more
25 likely to use a larger particle size, there will be

1 larger voids in between the particles, and, when they
2 expand, they will expand into that void first and then
3 expand into themselves after they have filled the
4 void.

5 So the coefficient; it would follow that it
6 would be a greater expansion for the smaller diameter
7 with the finer grain.

8 COMMISSIONER PINKERT: Thank you. Now,
9 turning to Ms. Levinson, I believe that we have
10 testimony that the Chinese exports to the United
11 States have been focused on the small-diameter
12 product, but I'm wondering why that's the case. Why
13 has there been that focus?

14 MS. LEVINSON: Actually, if you don't mind,
15 I think I'll refer that question to somebody who may
16 be more familiar with that. Marvin?

17 MR. BRASHEM: It's manufacturing
18 capabilities and how comfortable our customer base has
19 been in using the larger-diameter UHP electrodes
20 coming from China.

21 So if you look at the world landscape, in a
22 melting application of a 24-inch-diameter electrode,
23 you've got different tiers of producers. So you've
24 got western producers that would be the U.S., Canada,
25 and Europe, and Japan, which we could include as top-

1 tier producers of those larger-diameter melting
2 electrodes.

3 Then you step down, and that would include
4 India in the second tier, and then, drop down further,
5 it would probably be Russia and then China. Well, the
6 Chinese, over the years, have been more of an importer
7 of those large-diameter, UHP electrodes because their
8 plants didn't have the capabilities of producing
9 something that would stand up to today's larger
10 furnaces in melting applications. So, therefore,
11 their production constraints held them to these
12 electrodes in the 20-inch diameter.

13 COMMISSIONER PINKERT: Mr. Buchanan, maybe
14 you can add something about why that product couldn't
15 stand up to those pressures in the furnaces.

16 MR. BUCHANAN: To which product could stand
17 up to pressures?

18 COMMISSIONER PINKERT: The product that the
19 Chinese were able to produce. I'm just following onto
20 the Brashem testimony.

21 MR. BUCHANAN: I think that the capability
22 of a 24-inch that could be produced in China would be
23 heavily dependent on the availability of accessibility
24 to needle coke by the manufacturer. You would need
25 the larger particle sizes. You need a good,

1 consistent source of that material. If that's
2 available, the production equipment that the Chinese
3 factories have, the ones that we deal with, that have
4 the large enough extrusion presses and baking chambers
5 and graphitizing furnaces, could produce a quality of
6 material that would perform acceptably in North
7 American furnaces.

8 COMMISSIONER PINKERT: Thank you. Ms.
9 Levinson, did you want to add something?

10 (Pause.)

11 MS. LEVINSON: I'm sorry. I'd like to refer
12 the question to my colleague, Bill Perry, and to Ms.
13 Liu, who does represent Beijing Fangda, as to why they
14 have focused on the smaller end of the electrode
15 scale.

16 COMMISSIONER PINKERT: Thank you.

17 (Pause.)

18 MR. PERRY: Okay. Ms. Liu just mentioned
19 something, and I'll try to add a lot more in our
20 response in the posthearing brief. Her response was
21 first that was where the real demand came from, and
22 that's why they haven't moved above the 20-inch thing.
23 The other thing was the limitations on their
24 equipment and their raw materials, and I'll try to
25 detail it more in our response.

1 COMMISSIONER PINKERT: If you could detail
2 that more, that would be very helpful.

3 Also, could she comment on the availability
4 of needle coke to her and to her production process?

5 MR. PETER: We will. I know that imports of
6 needle coke were a very significant issue, and they do
7 import a lot of needle coke into China.

8 COMMISSIONER PINKERT: Thank you. Now,
9 perhaps we could stay with Ms. Liu for a moment and
10 get a response about, what has been the impact of the
11 economic downturn on the Chinese industry?

12 MR. PETER: Let me just answer, in
13 discussing this with her yesterday, and I'll ask her
14 to come back with some more answers, but I think that
15 was part of her testimony, that when I was recently in
16 China, the Chinese government announced a major
17 economic-stimulus package, and there was discussion
18 about it all over China, increasing infrastructure,
19 increasing highways, airports, et cetera.

20 When the economic problems hit in September
21 and October, China went down like everybody else.
22 There were reports that in Sichuan half of the
23 factories were closed. It was really a bad situation.
24 There were articles in the New York Times about
25 workers going back to the home villages, et cetera.

1 It's been really bad, but this big
2 infrastructure program that the Chinese government is
3 putting forward has resulted in an increase. They are
4 seeing their orders go up from the Chinese steel
5 industry, and the Chinese steel capacity is going up,
6 and also their purchase orders, after the first
7 quarter in 2009, are up, in part because of this
8 economic-stimulus package which is having a major
9 impact and is starting to drift from the steel
10 industry down to the graphite electrode producers.

11 We'll add some more in our posthearing
12 brief.

13 COMMISSIONER PINKERT: Thank you. My time
14 is about up, so I will come back to this.

15 CHAIRMAN ARANOFF: Well, it's always a
16 shock, having been first in the questioning order in
17 the morning, to fall back to dead last. It just
18 changes your perspective entirely.

19 One of the things I wanted to explore
20 further was this idea of what makes a Chinese product
21 export quality, and I know we already established that
22 there is no kind of certification or any kind of
23 official distinction, that there is no real industry
24 standard on what you call "grades." So I know that
25 it's not any of those things.

1 I guess my confusion comes from this: If
2 there is all of this demand in China domestically for
3 these low-quality, non-export-quality, what the heck
4 are they being used for because my understanding, for
5 example, is that the Chinese steel industry has got a
6 lot of state-of-the-art electric arc furnaces that
7 ought to be using the latest technology and needing
8 graphite electrodes of at least the same quality that
9 U.S. steel producers are using.

10 MR. BRASHEM: There is an enormously large
11 foundry sector in China that used the smaller-
12 diameter, RG- and RP-grade material, and so because
13 it's a lower quality, they are going to be consuming
14 higher quantities of those.

15 As the steel industry in China has grown,
16 their electric arc furnace capacity has become
17 substantial. They are importers of electrodes from
18 Japan and, I believe, from Europe -- I'm not sure if
19 anything from the U.S. goes to China today -- and they
20 have been developing their larger-diameter material,
21 but, once again, they have been developing it.

22 This is somewhat like a Colonel Sanders
23 recipe, and so they developed the formulation. They
24 have got to ensure that they get the proper grade of
25 needle coke, and today it's imported from Europe or

1 Japan, primarily. There is some supply coming from
2 the U.S. source of material. But it's a development
3 process in order to meet that growing EAF market.

4 CHAIRMAN ARANOFF: Okay. So the issue here
5 may be the fact that we've heard a lot about foundries
6 this afternoon, and we didn't hear a lot about
7 foundries this morning, and I certainly understand
8 that the foundry industry nowadays is bigger in China
9 than it is in the United States.

10 So one of the things that I would be
11 interested in, and I would ask the domestic industry
12 if they want also to chime in on this posthearing, is,
13 for the product that we're looking at and the scope,
14 16 inches and smaller, what percent of that, and I
15 guess you could do it in either weight or value -- I
16 don't know how the most reasonable way to measure that
17 would be, but what percent of that product in the U.S.
18 market is being used in steel mills versus foundries?
19 I think that's a piece of the picture that's missing.

20 We heard a lot this morning about what the
21 domestic industry is doing mainly with electric arc
22 furnaces that are used in steel mills, and now we're
23 hearing about smaller electric arc furnaces that are
24 used in foundries, so I think that would help clear up
25 some confusion.

1 MR. GROSKO: Can I make one comment also?

2 CHAIRMAN ARANOFF: Sure.

3 MR. GROSKO: I think also, when you look at
4 a steel mill versus a foundry, from what I understood
5 this morning, while they might buy some small-diameter
6 electrodes, maybe 80 percent of what they purchase is
7 the large diameter, so they don't see the impact that
8 these three foundries are seeing when we buy
9 exclusively the small-diameter electrodes.

10 CHAIRMAN ARANOFF: I think also one of the
11 problems is that if we're looking at tons or at value,
12 it also may not be telling us the real picture because
13 you may be using a larger number of electrodes in a
14 smaller furnace, and that's a piece of the picture
15 that I think we also don't have because we haven't
16 been looking at numbers, because when you add them up,
17 well, you can't do that across all of the different
18 sizes, but it does tell a different story.

19 MS. LEVINSON: I agree with that. I also
20 wanted to add that when Mr. Brashem is talking about
21 so-called "small, graphite electrodes" that are
22 produced in China, he is not referring to 16-inch and
23 below. He is talking about 20-inch, and he was
24 talking about 24-inch. So, again, this leads us back
25 to the argument we've been making all afternoon and in

1 our brief that there is no industry-wide standard for
2 what is small and what is large.

3 CHAIRMAN ARANOFF: Okay. I understand that
4 argument, but I would encourage you, to the best of my
5 ability, that, in your posthearing brief, when you use
6 the word "small," you can use it under protest, but
7 please use it to describe the product that's 16 inches
8 and below because, otherwise, we won't know what
9 you're really arguing.

10 MR. HANCOCK: My I add something? You know,
11 the testimony this morning, and then we hear some this
12 afternoon, most of it was on the 14- and 16-inch
13 electrodes, and almost all of this related to ladle
14 furnaces. I know there's nines, tens, twelves. We
15 use a 12. We could use a 10. We would have to make
16 some modifications, but we could use a 10. Our plant
17 in Canada does use a 10. But it's the same, like,
18 facility.

19 There's a lot of plants out there using our
20 size, and they have to be a good quality to take the
21 power that we're putting through them for that size
22 furnace -- completely different than a ladle furnace,
23 just sitting there keeping steel hot.

24 Like I said, we're pouring steel over 3,000
25 degrees, and we're putting a lot of power in it. I

1 think you've got to really take a look at the 12's,
2 10's, nines, and eight-inch sizes that are really
3 getting hurt.

4 CHAIRMAN ARANOFF: Let me actually follow up
5 on that because you've just told me that you could use
6 either a 10 or a 12 by making some modifications.

7 MR. HANCOCK: A modification would be, we
8 have used a 10-inch before. It's a strange size, but
9 we've even used some 11 inches. We're on a 12 now.

10 But to go back to a 10, all we would have to
11 do is change the size of the holder. We might have to
12 make a little adjustment to our power that we're
13 putting in, but, yes. We can't use greater than a 12,
14 but we can use a 10. It might be more economically
15 feasible to use a 10. We are going to run a trial
16 using a 10 and just see.

17 With these times now, and, if you look at
18 it, with the duty, in a year-and-a-half payback, we
19 could buy a brand-new induction furnace in, and we
20 wouldn't have to even worry about electrodes, and it
21 would be a year-and-a-half payback. That's all with
22 the duty that's attractive now.

23 COMMISSIONER PINKERT: Okay, because one of
24 the issues that's come up in this case is the extent
25 to which there is any interchangeability between

1 sizes, and I guess I would be interested in anything
2 you could add for the record on how common it is that
3 people can switch between sizes because the impression
4 that I got was it's pretty rare.

5 MS. LEVINSON: I think that's right. It's
6 very rare, and it is limited to adjacent sizes. In
7 other words, you couldn't go from a 12 and put in a
8 six.

9 CHAIRMAN ARANOFF: We also heard some
10 testimony that, in a pinch, people can machine one
11 size down to another. You can take a bigger size and
12 make it smaller. I'm actually kind of amazed that
13 some of the importer distributors are willing to do
14 that. There has got to be a cost associated with
15 that. I can't imagine that that's a sustainable way
16 to organize your business in the long term, to buy
17 bigger sizes and machine them down. That has to be a
18 losing proposition.

19 MR. BUCHANAN: That is a very expensive
20 proposition, and to machine, you both incur the
21 machining cost as well as the loss of product. I
22 don't know if there is a codified formula to do this,
23 but, generally, you don't want to go more than one
24 adjacent size lower when you machine, say, a 14-inch
25 down to a 12-inch. You don't want to take a 14 down

1 to a 10 or a 24 down to a 16.

2 MS. LEVINSON: Commissioner, I just want to
3 emphasize that Mr. Hancock testified, and Brashem was
4 willing to do exactly that, that when he was searching
5 for a 12-inch, he couldn't get a 12-inch from
6 Superior, his normal supplier, because they did not
7 have material to provide him -- I believe this was
8 2003 -- and Brashem took the 14-inch size and
9 converted it down to a 12-inch size, and that is what
10 they think of as customer care, customer service.

11 CHAIRMAN ARANOFF: Now, of course, it had to
12 have the right, you know, quality of coke in it. You
13 wouldn't necessarily have every conceivable type of
14 14-inch that you could just happen to meet everybody's
15 requirements by cutting it down to a 12. I mean, that
16 sounds sort of like serendipity to me that the rest of
17 the formula was okay, and it was only the size you had
18 to adjust.

19 MR. BRASHEM: You know, once again, I think,
20 as we talked about earlier, we might have a variety of
21 customers using the same grade and same diameter of
22 electrodes. So it may not have been, at the time that
23 we supplied Mr. Hancock those electrodes, it may not
24 have been the most suitable grade of electrodes
25 because of the requirements at the time. However,

1 what we supplied him was better than not having
2 anything at all.

3 MR. WOOD: Madam Commissioner, this is Greg
4 Wood. If I could comment on your question about
5 flexibility, as Mr. Hancock mentioned here just a
6 moment ago, the point I want to make is that I belong
7 to the Electric Metal Makers Guild, which is a big
8 membership primarily of anyone that runs or operates
9 or is in charge of electric arc furnaces, and saying
10 that, as spoken here today, it is true that a large
11 majority of the furnaces designed and installed are
12 designed for 24-inch-and-above electrode. But also
13 they have to keep in mind that those furnaces are also
14 designed for high output, and the electrode itself is
15 in no way considered, or is considered, as being
16 watched very carefully, as far as consumption.

17 I've been to several plants, and I can tell
18 you from observations that it's make all you can, as
19 much as you can. Consumption and price not so much a
20 problem when you're making a million to five million
21 tons a year. But when you're making, such as
22 ourselves, 40,000 tons this year, which will take over
23 a record that we set the previous year, you know, we
24 watch electrode consumption very closely.

25 So when we swapped over from Superior to the

1 Chinese electrode, even though there has been a lot of
2 talk here today about ingredients and about recipes
3 and about, you know, it's a made-to-order kind of
4 thing, that it's not a commodity, we didn't really
5 have any consumption issues once we got the Chinese
6 electrodes in. They matched Superior's consumption
7 based on the same current settings and the same
8 voltage settings that we were putting into our
9 furnace.

10 Now, if I want to get more production, I can
11 just increase my settings, and, of course, my
12 consumption will increase. Those electrodes that I'm
13 using at this point in time will no longer be of any
14 use. I'll need to go up to an ultra-high power, which
15 I will pay more for, but will the consumption offset
16 that price? I doubt it very seriously, not for us;
17 we're too small.

18 But as far as being able to swap over, we're
19 talking downtime, we're talking loss of market share,
20 and we're talking major capital for a plant our size
21 to do that.

22 So to be able to go from an eight to a 10,
23 it would take roughly two days of maintenance,
24 roughly, again, two to three months of preparation,
25 and if you just run out, and you can't get anything,

1 and you have, you know, lead times of one to two weeks
2 on most of your product, then you're going to lose a
3 customer and customer base.

4 CHAIRMAN ARANOFF: Okay. My time is up.
5 There were a number of thoughts there I want to follow
6 up on in my next round, but I'll turn it over to Vice
7 Chairman Pearson.

8 VICE CHAIRMAN PEARSON: Thank you, Madam
9 Chairman.

10 Mr. Brashem, you probably are familiar with
11 the VAT rebate on small-diameter graphite electrodes.
12 What is it now?

13 MR. BRASHEM: We were informed, at the end
14 of July, that the Chinese government was eliminating
15 the VAT rebate on the graphite electrode sector, and
16 so what our suppliers advised us is that all orders in
17 place by the first of August and reported to the
18 Chinese government by the middle of August for
19 shipment before the end of 2008 were still eligible
20 for the VAT rebate. Anything shipped after January 1,
21 2009, would no longer be eligible for the VAT rebate.

22 VICE CHAIRMAN PEARSON: Okay.

23 MR. BRASHEM: And that was a 13-percent
24 rebate.

25 VICE CHAIRMAN PEARSON: There is no export

1 tax on this product.

2 MR. BRASHEM: Not at this time, not like
3 they have imposed on steel.

4 VICE CHAIRMAN PEARSON: Okay. Now, I have
5 read, just in the popular press, about measures that
6 the Chinese government may be wanting to take to help
7 its exporters. Any possibility or any discussion that
8 you're aware of of putting an export VAT rebate back
9 into effect?

10 MR. BRASHEM: I think that, as Ms. Liu had
11 stated, and we posed that question with her yesterday,
12 they strongly believe there is no chance that a VAT
13 rebate would be put back specifically on the graphite
14 electrodes. The graphite electrodes, really, from a
15 government standpoint, are not a desirable product to
16 export. It consumes a lot of electricity, a lot of
17 natural gas or coal-fired gas, to produce those
18 electrodes. It is a creator of pollution.

19 So it's not something that they want to
20 encourage an industry to continue to produce for
21 export but more just for their internal usage.

22 VICE CHAIRMAN PEARSON: Do you know, on a
23 tonnage basis, is China a net importer or a net
24 exporter of graphite electrodes overall?

25 MR. BRASHEM: They would be a net exporter.

1 I think that they do import some large-diameter UHP
2 electrodes, but I believe, and I think that our
3 attorneys can address this in the postconference
4 brief, but I believe that they would turn out to be
5 probably a net export.

6 VICE CHAIRMAN PEARSON: Okay. Thank you.

7 Ms. Levinson, this may be mostly for you and
8 Mr. Wisla and Mr. Perry. If we stay with the like
9 product definition that we used in the preliminary
10 determination, then we find ourselves with subject
11 imports that have risen. There is substantial
12 underselling. There are a number of confirmed lost
13 sales. We have a domestic industry that has a
14 meaningful amount of unused capacity and has
15 experienced quite low earnings. Why isn't this an
16 affirmative?

17 MR. WISLA: Well, we believe it's not an
18 affirmative because, when we look at it, we see
19 profitability increasing throughout the period of
20 review, and that includes the full three calendar
21 years, especially in the interim periods.

22 With respect to quantity, you know, the
23 Commission's analysis is not as simple as "Are imports
24 going up?" because the statute says, "Are they
25 significant?" Just because there is an increase does

1 not mean it is significant.

2 In our case, with consumption increasing,
3 with the presence of a large amount of third-country
4 imports, nonsubject imports, and the flat-out
5 inability of the domestic industry to produce enough
6 for U.S. consumption, the increases we've been seeing
7 are not particularly significant.

8 I remember, in the roses cases, you had 80-
9 percent import share, and that was not considered
10 significant.

11 MS. LEVINSON: To add to that, we have no
12 price depression here; prices have gone up. There is
13 a serious issue as to whether there is any price
14 suppression, as the Petitioners themselves have been
15 able to raise prices during the period of
16 investigation, and, in general, the industry is doing
17 fairly well. They'd like to be doing better, but
18 that's not a reason to go affirmative on an injury
19 determination.

20 MR. WISLA: I also think in our brief we
21 raised a couple of causation issues, which
22 unfortunately are proprietary, but I think you have to
23 look at those, and I also think, dealing with the
24 quantity of imports, I saw that the Petitioners and
25 the status report were just looking at the increases

1 from the beginning of the period to the end of the
2 period. But I think, in our brief, we noted, and,
3 again, these are going to be proprietary, but if you
4 look from year to year rather than the whole period,
5 you can make some distinctions about who is taking
6 what from whom, which I think is very important.

7 VICE CHAIRMAN PEARSON: Mr. Perry, did you
8 have anything to add, or are you content with that?

9 MR. PERRY: I think I'm somewhat content
10 with what they've been saying. I think the other
11 important thing is obviously the inability to supply.
12 I mean, we have customers --

13 VICE CHAIRMAN PEARSON: I'm sorry, the what?

14 MR. PERRY: The inability to supply the U.S.
15 demand. I mean this is going to be an import market
16 no matter what. If you block the Chinese it will come
17 in from somewhere else.

18 VICE CHAIRMAN PEARSON: Right.

19 MR. PERRY: And the other point, I mean even
20 though we can, quote unquote, say the Bratsk analysis
21 is not the thing because it's a commodity product, the
22 truth is if you make it to spec. the importer, Marvin,
23 if China's blocked he's going to go to India, he's
24 going to go to somewhere else and have them made to
25 spec. there, too, because the U.S. industry can't

1 supply the demand.

2 VICE CHAIRMAN PEARSON: Okay. So you're
3 focused on inability to supply the market. But we
4 have a situation in which the domestic industry does
5 have available capacity to produce more. And I'm
6 wondering what the statute would guide us to pay more
7 attention to? In fact, does the statute guide us at
8 all to take notice of the fact that it's a negative
9 import industry?

10 MR. PERRY: Well, the only question I've got
11 is if they have so much ability to supply then why do
12 we have three customers here having trouble getting
13 supplies?

14 I mean, yes, they can say they can but do
15 they? And that's the point: every petitioner is going
16 to come up here and say, Oh, we given the opportunity
17 would supply. I've seen it in case after case after
18 case. Windshields is a good example. I was involved
19 in that case. You went affirmative. They said, Hey
20 look, you go affirmative we're just going to import
21 from other countries. That's exactly what they did.

22 VICE CHAIRMAN PEARSON: Yeah, windshields
23 was before the time of most of us.

24 MR. PERRY: I've seen a lot of it happen.
25 And just every time a petitioner will come in and say

1 we can expand our capacity, blah, blah, blah, and it
2 doesn't happen. And so everybody looks for an
3 alternative source of supply. That's what will happen
4 here.

5 MS. LEVINSON: And if I could just follow up
6 on that. There's a real question, will somebody like
7 Tom Grosko be able to get his 9 inch electrodes from
8 the domestic industry? The domestic industry has
9 testified that the larger size diameter electrodes are
10 more profitable or perhaps I'm misstating that,
11 perhaps they didn't testify, but it seems to be
12 generally acknowledged that the larger sizes are more
13 profitable, why wouldn't they want to continue their
14 production into the larger size, why would they want
15 to go back to the 9 inch size?

16 We have a serious question about whether not
17 only whether they want to go back into this industry.
18 I don't remember which of the Commissioners asked them
19 this, I think it was Commissioner Pinkert, but it was
20 a question I had in my own mind: are you actually
21 going to start producing this product again? And they
22 said, Oh sure. But we have a serious doubt. And if
23 you're in the commercial world you can't just depend
24 on an "oh sure."

25 MR. PERRY: I just might give a little

1 reality check here. I have four review investigations
2 going on involving chemicals. Some of them have gone
3 out because of sunset review. In all four we were
4 able, representing Chinese producers, to get the
5 dumping margins down very low, 10 percent or less in
6 the review. And you know who we ended up selling to?
7 The petitioner.

8 So we ended up the petition didn't expand
9 its plant. He's got other problems, environmental,
10 pollution, that he doesn't want to tell you about. So
11 what happens? They end up importing from the guy with
12 the low dumping margin. That's what happens; reality.

13 VICE CHAIRMAN PEARSON: I'm aware that
14 sometimes those things happen. I don't know that
15 that's entirely pertinent to this particular
16 situation. So just clear on that point.

17 Madam Chairman, my light is changing.

18 CHAIRMAN ARANOFF: Commissioner Okun.

19 COMMISSIONER OKUN: Thank you, Madam
20 Chairman. And thank you for the responses we've had
21 thus far.

22 Let me follow up on some of the other
23 causation arguments that you have made. We spent some
24 time this morning with the petitioners talking about
25 what we have on the record with respect to non-

1 subjects and had a chance a little bit to talk to your
2 customers here. But one of the observations or one of
3 the arguments made by petitioners is that if you look
4 at AUVs, if you look at what happened with respect to
5 the domestic market share that you can't attribute
6 that. But you can still, the subject imports still
7 account for material injury because you can't say non-
8 subjects account for all of that.

9 And I would like to hear some further
10 response from you with respect to that, the presence
11 of non-subjects in this market and how you would argue
12 it?

13 MR. WISLA: Again, it was in our prehearing
14 brief and it is proprietary. But if you look at year
15 to year rather than the whole, you know, just what it
16 is at 2005 and what it is at interim 2008, if you look
17 at it from year to year you come out to a different
18 conclusion than if you just look, you know. Chinese
19 imports have increased but also non-subject imports
20 have decreased. So.

21 COMMISSIONER OKUN: Okay. Do you think that
22 the data that we have on the record supports the
23 proposition that the non-subjects are equally price
24 competitive in the market and, therefore, in the
25 absence of Chinese imports there would be no price

1 effect?

2 MR. BUCHANAN: I think any time you reduce
3 competition prices go up. So I think but is the
4 question then you want to just remove another
5 competitor? I would love to remove all my
6 competition, but can I do that?

7 (Laughter.)

8 COMMISSIONER OKUN: Not a factor I can
9 consider.

10 MR. BUCHANAN: No, but I think that's the
11 essence of the answer.

12 COMMISSIONER OKUN: The anti-dumping law is
13 not meant to -- but anyway, it's more I mean again,
14 what I am, and there may be additional information
15 that you might have being in the marketplace than what
16 we have on the record, just how are the non-subjects
17 behaving? In other words, in some of the information
18 you have about whether they can supply the sizes or
19 not.

20 MS. LEVINSON: Commissioner Okun, maybe it
21 would help --

22 COMMISSIONER OKUN: Yes.

23 MS. LEVINSON: -- my clients if we define
24 the word "non-subject." I think perhaps they're not
25 so used to hearing that term.

1 COMMISSIONER OKUN: Yes, I understand.
2 We're talking about anybody other than the Chinese
3 that are in the market.

4 MS. LEVINSON: Yeah, Indian exports.

5 MR. BRASHEM: Well, we know that the Indian
6 producers over the last three or four years increased
7 their production capacity. So I think a big part of
8 that is, as the Indian steel market had increased they
9 increased it to develop, further develop that market.
10 Do they have the capacity to export additional
11 quantities overseas of the smaller diameters? Earlier
12 this year when the whole world's steel demand was very
13 strong they didn't. But today they probably do. And
14 so with the ebb and flow of the demand in the market
15 place the non-subject supply base will be able to
16 either supply or not supply based on what their
17 internal demand is.

18 I know that from Japan's standpoint they
19 prefer to support their internal market first and then
20 they take product to export. And they work very hard
21 to control the imports into their country. They sell
22 their product in the Japan market cheaper than they
23 export it at because they don't want product imported
24 into their country.

25 COMMISSIONER OKUN: Maybe I'm, I know

1 there's a lot of this information that I have a
2 question about is proprietary, but for posthearing if
3 you can take a look at the arguments made with respect
4 to Graphtek and the Mexican product and what that, how
5 that informs us with respect to behavior of the non-
6 subjects in the market vis-a-vis the Chinese, I'd
7 appreciate that as well.

8 MS. LEVINSON: Commissioner Okun.

9 COMMISSIONER OKUN: Yes?

10 MS. LEVINSON: Can I just clarify. You're
11 talking throughout the period of the investigation or
12 recently or?

13 COMMISSIONER OKUN: I think the arguments
14 that they were making would apply throughout the
15 period of investigation. And I think that argument
16 should be addressed in that manner.

17 And then I know that some of the other
18 arguments you made with respect to other causal
19 factors do rely on business proprietary information.
20 But in I guess for purposes of posthearing when you
21 are marking arguments with respect to the domestic
22 producers, things that the petitioners control,
23 whether it's how much they're producing, and I know
24 you made the argument about short supply, export
25 performance, any of those, if you can be very specific

1 about what you believe would be happening in the
2 absence of subject imports. I'm not sure that I've
3 totally linked up those arguments with respect to what
4 the petitioners are responsible for or why those would
5 be considered other factors causing injury. That
6 would be helpful.

7 MS. LEVINSON: One factor that we haven't
8 emphasized this afternoon but nevertheless is an
9 important factor, and I'd ask Mr. Brashem to address
10 it, and that is that Superior chose to buy the
11 equipment that it did. I think Mr. Brashem knows a
12 little bit of the history. And they are limited by
13 the equipment, the products that they can produce.

14 MR. BRASHEM: I think when this petition was
15 filed --

16 COMMISSIONER OKUN: Closer to your
17 microphone, Mr. Brashem.

18 MR. BRASHEM: Sorry about that.

19 When the petition was filed we did some
20 research into, we looked at petitioner SGL's financial
21 statement, they're a public company. It showed that
22 they were at full capacity, full production capacity
23 and record profits. And so obviously they were able
24 to shift their production into more profitable areas
25 without having an impact on their capacity

1 utilization.

2 Now, if my memory serves me correctly, and
3 it usually does, my recollection is that Superior
4 Graphite purchased their plant bought from the Dow
5 Magnesium facility. And Dow was using that plant to
6 produce anodes for their own internal consumption. I
7 believe those anodes were 10 or 11 inch diameter. And
8 that's what it was used for.

9 So I believe when Superior purchased that
10 plant and hired electrode personnel to run it and sell
11 their product they then tried to sell the product. At
12 that time they were selling product in the range of 8
13 inch to 14 inch diameter. They weren't producing 16
14 inch diameter at the time we entered the marketplace.
15 I think they began producing 16 inch electrodes in the
16 early 2000.

17 And so my belief is that this petition is
18 simply a means to try to help one company that doesn't
19 constitute the industry to survive. And I appreciate
20 their situation, however, I have customers that are
21 also in dire situations and they need to make sure
22 they have product. And the fact that Superior hasn't
23 invested to be able to go into the larger diameter
24 more profitable product shouldn't fall on the
25 shoulders of our customers, my company, and everybody

1 else that's on the respondent's side.

2 COMMISSIONER OKUN: I just want to clarify
3 just one just out of curiosity. Mr. Grosko, when you
4 talked about the 9 inch, is that right, the 9 inch
5 electrodes.

6 MR. GROSKO: Right.

7 COMMISSIONER OKUN: Is that a, I mean is
8 that a common, you know, I look at what we've got
9 gathered and they seem to go in 2 inch, 8, 10, 12. Is
10 that just the way we gathered it but you could
11 actually have anything in between? Or is that some
12 specialized product?

13 MR. GROSKO: It may be specialized. When
14 our furnaces were originally purchased they were 8
15 inch diameter electrodes. But we started to use them
16 more aggressively and we've converted them before my
17 time with Magotteaux to 9 inch diameter electrodes.
18 We couldn't go back at this point and going to 10 is
19 not an option. So right now we are limited to 9 inch
20 diameter electrodes.

21 As far as how special they are, I'm not
22 sure. Our other foundries in Magotteaux I don't, or
23 we may have one at 8 inch, one at 10, and maybe
24 another at 12, but you know, there's no other within
25 our company.

1 If I could add another point, all of our
2 graphite electrodes normally when we don't have a
3 shortage of source globally, and I know our global
4 purchasers are looking at other sources now outside of
5 China, I know we're -- I haven't seen the numbers yet
6 but I'm expecting quotes from India and at least one
7 other company, so I know there is some activity going
8 with respect to non-subject electrodes within our
9 company.

10 COMMISSIONER OKUN: Okay. And then this
11 next question which is, you know, completely outside
12 the ITC's expertise and the only reason I ask this is
13 based on a number of these questions which is I would
14 assume, counsel, you looked at whether any exclusions
15 were appropriate in this case and they're not, or you
16 didn't request any because --

17 MS. LEVINSON: You're referring to scope
18 exclusions for the Department of Commerce?

19 COMMISSIONER OKUN: Yes.

20 MS. LEVINSON: That's correct.

21 VICE CHAIRMAN PEARSON: Okay. All right,
22 thank you very much. And my light's come on.

23 CHAIRMAN ARANOFF: Commissioner Lane?

24 COMMISSIONER LANE: Mr. Grosko, I will go
25 back to you. Looking at our table three four, it

1 shows that there is not much of a market for the 9
2 inch pipe or the 9 inch product. So is it fair to say
3 then that you are most of the market for that product?

4 MR. GOSKO: Madam Commissioner, I can't
5 say. I don't know what the market is for those, I
6 just know what our, I can tell you what our demand is.

7 COMMISSIONER LANE: Okay.

8 MR. GOSKO: It's about 270 tons over the
9 last 12 months. But I don't know what the market is.

10 COMMISSIONER LANE: Okay, thank you.

11 This is a general question, and maybe Ms.
12 Levinson. The imports that are presented in the
13 Commission's prehearing report are a combination of
14 questionnaire data for imports from China and Mexico
15 and adjusted official statistics for other countries
16 based on certain estimates provided in the petition.
17 Do you agree with the method that the staff used to
18 calculate imports, especially with the petitioner's
19 estimates from the petition? If not, do you have a
20 suggested alternate method of calculating the import
21 data?

22 MR. WISLA: We believe that, you know, the
23 Commission should be consistent. So if, you know,
24 petitioners used that in the petition and it was used
25 in the preliminary we think it should be used in the

1 final. We do have the data from China and we do have
2 the data from Mexico. And since, you know, we think
3 that the Commission can go with petitioner's
4 methodology.

5 MS. LEVINSON: Commissioner, I just want to
6 add that one of the problems that we have with the
7 official import stats. is that they are not, they do
8 not cover exclusively 16 inch and below. They cover
9 all graphite electrodes. So they don't provide a
10 meaningful measure for us for the purposes of this
11 investigation.

12 COMMISSIONER LANE: So I guess so you agree
13 then with the method that the staff has used to
14 calculate the numbers?

15 MS. LEVINSON: Yes, we do.

16 MR. WISLA: Yes.

17 CHAIRMAN ARANOFF: Okay. Okay, thank you.

18 The U.S. market share of imports of small
19 diameter graphite electrodes from China increased
20 between 2005 and 2007, as did the market share of
21 imports from non-subject countries. To what extent
22 are imports of small diameter graphite electrodes from
23 non-subject countries available at prices similar to
24 prices of the Chinese product?

25 MR. BRASHEM: I don't regularly talk to all

1 the non-subject supply base to really know what their
2 current pricing is. I can give you an example that
3 when the petition was filed we did make inquiries to
4 India, who at that time was unable to support us
5 because they were very busy supporting their current
6 customer base. We contacted supply based out of the
7 Ukraine. Now, the Ukraine was able to offer us
8 materials. Its pricing was a little bit higher than
9 what the Chinese were offering material at. But the
10 problem was is that they wanted to supply us what they
11 produced. Well, what they produced was different
12 nipple size, different connecting machine size that
13 would not fit our customer's operation. They wanted
14 to supply us a non-impregnated electrode that would
15 not work suitably in our customer's operation. And so
16 we, thus, decided not to buy that material because it
17 wasn't the direct replacement for the Chinese product.

18 COMMISSIONER LANE: Okay, thank you.

19 MS. LEVINSON: I think perhaps are any of
20 our customers able to talk about quotes you received
21 from countries other than China for supply?

22 MR. GROSKO: I can say this about our quote
23 we have from India. We haven't yet tested these
24 electrodes yet. We have, we used them in our foundry
25 in India and I know what they paid, I know what they

1 initially quoted us. But I haven't tested them so I
2 can't say for sure that they're going to work. But
3 the price was a little bit higher than what we've
4 recently been paying for the Chinese electrodes
5 without duties.

6 After duties there's no comparison, they are
7 much, much cheaper compared to Chinese electrodes with
8 the duties imposed.

9 COMMISSIONER LANE: Okay, thank you.

10 Now, unless I am mistaken, which I often am
11 as opposed to one of the witnesses who said he was
12 never mistaken, Mr. West, you have been, you were
13 added to the panel, and you are the President of D&B
14 Metals. And I don't think that you've actually
15 testified.

16 MR. WEST: No, I haven't yet.

17 COMMISSIONER LANE: Okay. So would you like
18 to testify since you've come all this way to attend
19 this hearing, and just tell me whatever is on your
20 mind?

21 MR. WEST: Well, what's on my mind is I'd
22 like to reiterate what some other panelists said. I
23 think the injury caused due to the duties that could
24 be imposed could be far greater than the damage that
25 would be caused to petitioners. I have many

1 customers, as some of my other cohorts do, that will
2 be affected greatly. And we're looking at job losses.
3 And their costs are going to go up quite dramatically.
4 And, quite frankly, I don't think that they can handle
5 it.

6 COMMISSIONER LANE: Okay. Now, is D&B
7 Metals a distributor of the subject product?

8 MR. WEST: Yes.

9 COMMISSIONER LANE: And where are you
10 located?

11 MR. WEST: I'm located in Utah.

12 COMMISSIONER LANE: And what size of the
13 product do you handle?

14 MR. WEST: All sizes from 8 inch to 22 inch.

15 COMMISSIONER LANE: And do you handle
16 exclusively product from China?

17 MR. WEST: Yes. I have dealt in product --
18 this goes back to the question one of the panel asked
19 about re-machining electrodes -- re-machining
20 electrodes is common. There are people that actually
21 buy used electrodes from steel companies and foundries
22 and they actually put them on a lathe and turn them
23 down. And I have dealt with that some.

24 COMMISSIONER LANE: Okay, thank you.

25 MR. WEST: You're welcome.

1 COMMISSIONER LANE: Now, Mr. Wang, is there
2 something that you would like to testify to? And
3 could you start off with telling me what Ceramark
4 Technology is?

5 MR. WANG: Yes. Ceramark Technology is
6 located in Vancouver, Canada. And we are a importer
7 of Chinese electrodes into U.S. and Canada.

8 So the few points I may add is totally
9 regarding non-subject country importing. I do have
10 some knowledge that some Russian electrodes were
11 exported to Canada because the Russian petroleum coke
12 is rather high on sulphur content and their
13 consumption some of my customers have tested the
14 electrodes several times. And it seems they're never
15 satisfied. So I heard some of the Russian electrodes
16 have tested in this country and again mostly they have
17 failed. So I don't, to my knowledge I don't know any
18 customers that are still using Russian electrodes.

19 And Indian electrodes I have some
20 contribution with the Indian electrodes. Since three
21 years ago they moved to a larger size electrode.
22 Probably in the last two or three years we cannot
23 find, at least I didn't see any 14 inch or under
24 supplied to Canada and within USA. And the fact is it
25 seems when the electrodes demand is high all the

1 electrode manufacturers they turn to transfer their
2 product to larger size electrodes. The reason is the
3 electrodes are sold by weight so the handling of the
4 larger size electrodes demands less labor work per
5 unit of weight.

6 And then this was quite common like a few
7 manufacturers in China originally they are
8 manufacturing by diffusion or heating carbon or
9 originally they produce all specs. of electrodes from
10 4 inch to 24 inch. And when they saw the market is
11 going wild, demand is high, they simply abandon the
12 production of small size electrodes, I believe that is
13 part of the reason we have some difficulties to
14 organize small diameter electrodes to come to this
15 country or Canada. So that's what I see.

16 COMMISSIONER LANE: Okay, thank you.

17 Thank you, Madam Chair.

18 CHAIRMAN ARANOFF: Commissioner Williamson.

19 COMMISSIONER WILLIAMSON: Thank you, Madam
20 Chairman.

21 The petitioners point out that our subject
22 import volume data may, on graphite electrodes from
23 China may be much lower than -- I'm sorry, excuse me --
24 - that our data may be incomplete. And I was
25 wondering do you agree with their contention?

1 MR. WISLA: Import data-wise you have very
2 complete data because the importers, you have the
3 importers' responses which I believe are very high
4 coverage.

5 With respect to China, when the prehearing
6 staff report was written you did have more limited
7 coverage. But the Fangda Group, which was the largest
8 Chinese producer and the third largest graphite
9 company in the world, they have submitted their
10 responses earlier this week. So the final staff
11 report should have a much higher coverage.

12 And also, another company, GES China, they
13 also provided a questionnaire response. So the
14 coverage you have will be much higher in the final
15 staff report.

16 And even the four companies that dropped out
17 from the final, in the final stage, they did submit
18 information in the prelim. stage. So if you combine
19 the prelim. and the final you do have pretty good
20 coverage of the Chinese zone exporters.

21 COMMISSIONER WILLIAMSON: Okay. Are there
22 any other sources that we should be looking at or?

23 MR. WISLA: I think we're going to be -- Ms.
24 Liu is going to try to get information from the
25 Graphite Electrode Committee in China. So we will put

1 that in our posthearing brief.

2 COMMISSIONER WILLIAMSON: Okay, thank you.

3 This morning I asked, and I wanted to get
4 your response to this too, how useful is the AUV data
5 in our analysis and how much attention should we pay
6 to it?

7 MR. WISLA: It's part of the mix. I mean,
8 you know, obviously you know you have the product mix
9 issues. But it is part of the mix. I mean you have
10 it for every country and you can follow it year to
11 year, so it does have some value. But it's just part
12 of the mix.

13 MS. LEVINSON: The problem is always for
14 those AUVs is you have to make sure that you're
15 comparing apples to apples, making sure that you have
16 exactly the same product.

17 COMMISSIONER WILLIAMSON: Okay. Okay, if
18 you do have any insights on how we should, any
19 additional points on that I would appreciate it.

20 Mr. Brashem, I have sort of a general
21 question for you. I think there's been a lot of talk
22 about, you know, the availability of needle coke and
23 how much China can get and in terms of the quality of
24 the electrodes they can ship to us. And what I was
25 wondering about is, is there any kind of sort of

1 trade-off between needle coke -- and I know there are
2 different qualities of that -- and other product so
3 that a manufacturer could give a user or a customer,
4 meet their performance specs. but using a different
5 shall we say different recipe or different formula?

6 MR. BRASHEM: It is possible that if you,
7 let's say needle coke wasn't readily available or the
8 supplier wanted to change how he produced the
9 electrodes he could send an electrode that was
10 produced of 100 percent anode grade coke through a
11 double impregnation to further densify the material,
12 increased the strength of the material. And while it
13 may not increased the current carrying capabilities
14 for certain customers it may allow them to be able to
15 meet their requirements where maybe a single
16 impregnated electrode would not meet their
17 requirements.

18 COMMISSIONER WILLIAMSON: Is this very
19 common or is there sufficient supply of normal kinds
20 of the needle coke so people don't have to go through
21 these kind of machinations?

22 MR. BRASHEM: Well, I believe that normally
23 the producers, if we look at our grades of electrodes,
24 and generally speaking if we looked at five different
25 grades of material available out of China there is

1 that RD grade which is anode grade coke that's not
2 impregnated. We don't buy it, we can't sell it, it
3 wouldn't work here.

4 There is a NP or normal power material that
5 is a anode grade coke that has been impregnated. And
6 for some lower-powered operations that product can be
7 suitable.

8 There is an HP grade electrode that would be
9 a 30 percent, roughly 30 percent needle coke content,
10 70 percent -- if you look at the coke content 30
11 percent would be needle coke, 70 percent would be
12 anode grade coke, and that product would be
13 impregnated. And this HP electrode may be classified
14 either as impregnated twice with no needle coke or 50
15 percent needle coke and impregnated once.

16 And then UHP would be a 100 percent needle
17 coke produce, impregnated.

18 And so there is some adjustment that can be
19 made with mixed formulations, with multiple
20 densifications that can allow if there is a shortage
21 of needle coke to still meet the customer's
22 requirement and not use as much needle coke.

23 COMMISSIONER WILLIAMSON: Okay, thanks. I
24 was just wondering about that.

25 And I have no further questions for the

1 panel. Thank you.

2 CHAIRMAN ARANOFF: Commissioner Pinkert?

3 COMMISSIONER PINKERT: Thank you, Madam
4 Chairman.

5 Ms. Levinson, there has been some testimony
6 today on this panel about customers' allocations. I
7 had also raised some questions earlier today about
8 customer allocations with the earlier panel. But I'm
9 wondering, is there a likelihood of customer
10 allocations going forward given the economic
11 situation both here and around the world?

12 MS. LEVINSON: Well, I think at least one of
13 our customers, Mr. Hancock, testified that he was
14 going forward with Superior I believe at least for
15 2009 for supply but that he wasn't confident that
16 they'd be able to supply him the quantities he'd need.
17 And I'd ask him to speak a little further about the
18 supply for the near future from the domestic industry.

19 MR. HANCOCK: Actually, Superior would be
20 the only domestic supplier that would be out there for
21 me to get electrodes from. And they have quoted me,
22 to be honest with you they quoted me and they offered
23 me nine loads. I was good for three months. But the
24 supply train you have to understand you have to keep
25 the supply moving ahead of time, like Mr. Brashem was

1 talking about, or you would run out. And I'm hoping
2 they don't let me down, I can put it that way. But it
3 really gets everyone in a bad situation.

4 And I don't know of any purchasing manager
5 that doesn't have or try to have two sources of
6 suppliers for everything that that plant uses in case
7 something happens to one of the suppliers, whether
8 it's a breakdown, whether it's a fire, tornado,
9 whatever. You almost have to have two suppliers. And
10 there is not two domestic suppliers of 12 inch
11 electrodes or 10 inch electrodes in this country. And
12 it really puts you in a bind, so what else do you have
13 to do?

14 You know, I appreciate Superior coming in
15 and giving me the quote. I didn't get that quote
16 until mid-December so I was getting a little worried.
17 I knew the hearings were coming. Would I have to go
18 out and get more Chinese electrodes sent in? But I'm
19 hoping nothing happens in 2009 that I get knocked out
20 of the market again. I mean it would shut us down
21 literally and would cost everyone their job. So we
22 just can't afford to be shut down.

23 MS. LEVINSON: What we do know, and the
24 petitioners acknowledged this morning, is that if
25 Chinese exports were not in the market that the

1 domestic producers would simply be incapable of
2 replacing the supply that would be left, the demand
3 that would be left.

4 COMMISSIONER PINKERT: Thank you.

5 Now I'd like to ask a couple of questions
6 about the so-called commodity issue. And I think of
7 this in the context of the cases Bratsk, Mittal, so
8 forth. And we have some testimony from this panel
9 from Mr. Wood and Mr. Perry about what I think of as
10 the significance of customization to the customer.
11 And I'm wondering whether anybody else on the panel
12 would like to comment on either that testimony or on
13 that issue more generally? Is the customization by
14 the various producers something that would limit the
15 acceptability of product to the customer?

16 MR. PERRY: Commissioner Pinkert, I would
17 like to answer that question. And I'd also like to
18 address there was a former question by Chairman
19 Aranoff because I talked to Ms. Liu over here. And
20 Chairman Aranoff's question was, which relates to
21 yours, Why can't the other companies produce export
22 quality product in China?

23 And Ms. Liu was saying the importance of
24 made-to-order, you've got to meet the specification.
25 And the specification of the western companies is much

1 higher than the local Chinese. And so many of these
2 companies simply cannot meet the specifications.

3 Marvin went into I think at the preliminary
4 in his testimony into descriptions of how much work he
5 had to do with the Chinese to get them up to the
6 western quality standards. It just was very, very
7 difficult to do. And she mentioned that to do it, to
8 meet the western standard if you've got a made-to-
9 order product you've got to have a package of
10 technology. If you don't have that technology you
11 simply can't do it. And that's one of the reasons she
12 was saying that these companies just cannot produce to
13 the export quality, to the export level. They cannot
14 make the product to specification. They can't make a
15 made-to-order product.

16 MS. LEVINSON: Commissioner Pinkert, we've
17 been discussing this issue for weeks now. And I've
18 come to the conclusion that it all depends on how you
19 define the word "commodity." Because if you define
20 the word "commodity" --

21 COMMISSIONER PINKERT: It's better than
22 "is."

23 MS. LEVINSON: (Laughing.) That's right.
24 I tend to have a very broad definition of
25 "commodity." And I believe there's an argument to be

1 made that this is a type of commodity in the broad
2 sense, in the sense that while it is custom made it's
3 not a painting, it is not as if one producer makes
4 something and nobody else can replicate that. If you
5 have within the specifications if other producers can
6 meet the specifications then they can compete with the
7 original producer.

8 And I don't know if you want to add
9 anything, Marvin, to that.

10 But if in your mind that constitutes a
11 commodity product than this is a commodity product.

12 MR. BRASHEM: I know that pricing is
13 generally treated as though it's a commodity. There's
14 generally a within a grade and within a size range
15 there is a certain price per pound that electrodes are
16 traded at. And we'll bring in a grade of electrodes
17 within a size range that may be able to support four
18 or five different customers. Now, it could be that I
19 do bring in some material that has a grade that's
20 specific to a customer's requirements. But in general
21 you can sell multiple customers one grade, one size,
22 and then the same nipple size because there's industry
23 standards within the nipple configuration, the machine
24 configuration of the electrodes. There's industry
25 standards within the diameter range of the electrodes.

1 And in that sense it becomes a commodity where you can
2 take a product and sell it, sell one product to
3 multiple customers.

4 COMMISSIONER PINKERT: Thank you. Now, a
5 few minutes ago, Mr. Brashem, you testified that the
6 larger diameters are more profitable and that you were
7 testifying about whether or not certain U.S. producers
8 might be able to take advantage of that. And I'm
9 wondering what is it that makes the larger diameters
10 more profitable from your point of view?

11 MR. BRASHEM: The steel mills that consume
12 the larger diameters in greater volumes require a very
13 high grade of electrode that's typically produced of
14 100 percent Grade A needle coke. And because of that
15 it's a higher priced product. And so selling product
16 at higher prices generally drives higher
17 profitability. And when our customers in the smaller
18 diameters don't require 100 percent -- product
19 produced with 100 percent Grade A needle coke they
20 shouldn't have to pay the price of an electrode that's
21 produced of a grade 100 percent Grade A needle coke.

22 And so that's the larger volumes and the
23 higher price drives higher profits.

24 COMMISSIONER PINKERT: I understand that
25 you're saying that the larger diameter product is sold

1 at a higher price. But there has to be some
2 relationship between price and cost that's driving
3 profitability; am I wrong about that?

4 MR. BRASHEM: Well, I think if you -- and
5 Mr. Stinson I think may have touched on this in his
6 testimony -- a 24 inch by 110 inch electrode weighs,
7 is it 3,000?

8 MR. STINSON: Thirty-two hundred.

9 MR. BRASHEM: Thirty-two hundred pounds.
10 Okay. A 12 inch by 60 inch electrode that Mr. Hancock
11 buys weighs about 420 pounds. So the labor that goes
12 into it if you're a producer, and we're not a producer
13 we're a distributor, but if you're a producer the
14 labor that goes into producing this 12 inch electrode
15 versus a 24 inch electrode is roughly the same. You
16 have a machine, you've got the handling to send it
17 through the various processes, you've got the machine
18 time to machine the 12 inch versus the 24 inch is
19 roughly the same. Probably the packaging cost is not
20 significantly different. And the transportation may
21 not be a lot different because typically in our
22 industry we ship on a truckload basis, so if you ship
23 40,000 pounds of 12 inch electrodes you're shipping,
24 or 45,000 pounds of 12 inch electrodes you're also
25 shipping 45,000 pounds of 24 inch electrodes on a

1 truckload to a customer, so probably the freight cost
2 isn't a lot different. But logistics within the
3 plant, labor within the plant when you're talking an
4 electrode that weighs significantly more your costs
5 are lower, so therefore it increases your
6 profitability.

7 COMMISSIONER PINKERT: Thank you. Thank
8 you, Madam Chairman.

9 MR. PERRY: Commissioner Pinkert, could I
10 add something because Ms. Liu was talking to me.

11 COMMISSIONER PINKERT: Well, with the
12 forbearance of the Chairman.

13 MR. PERRY: Okay, forbearance of the
14 Chairman. Okay.

15 She made a point here which was the point,
16 the reason why the large diameter graphite electrodes
17 are more profitable is because the process time is
18 about the same for the small diameter for the
19 graphitization process, etc., but you're selling on a
20 tonnage basis. And so if you're graphitizing, if your
21 process control is about the same time when you put in
22 the baking oven or the graphitization, the point where
23 you sell more tons you make more profits. It's just
24 it's simply more efficient to produce the higher, the
25 larger diameter graphite electrodes.

1 COMMISSIONER PINKERT: Thank you. Thank
2 you, Madam Chairman.

3 CHAIRMAN ARANOFF: I want to go to some of
4 the same issues here. One of the comments that Mr.
5 Ruth you made in your direct testimony earlier this
6 afternoon you had mentioned that you spoke to I guess
7 it was Superior in about August, asked for a quote,
8 that the earliest they could quote you that they might
9 be able to supply you was November. And I guess my
10 question to you is that's about a 3-month lag, and
11 we've been told it takes about three months to produce
12 these things. So what was unreasonable about that?

13 MR. RUTH: I don't know if unreasonable is
14 the word I would use, but there was a lack of
15 communication during that period for sure. When we
16 contacted in August there was no indication as to why
17 the supply would not be there or they could not supply
18 it. And in between August and November there was no
19 communication as to whether any progress was being
20 made as far as getting us an answer.

21 CHAIRMAN ARANOFF: Okay. So I'm just trying
22 to distinguish the extent to which this might be, as
23 you say, a communication or a customer service issue
24 versus whether there's any realistic way that you
25 could go to any new supplier, ask for a graphite

1 electrode and expect to see it in less than three
2 months?

3 MR. RUTH: Right. We would not. I think
4 three months is normal course of business. However,
5 other suppliers we have dealt with have certainly been
6 more forthcoming in providing information, giving us a
7 certain level of comfort as to their interest even in
8 supplying.

9 CHAIRMAN ARANOFF: Okay.

10 MS. LEVINSON: Chairman Aranoff, I have his
11 testimony in front of me, a written statement. And
12 what he testified to was while they contacted Superior
13 in August but they wouldn't even quote until November.
14 It's not that they couldn't supply until November, it
15 was that they would not even quote a price to them to
16 be considered, which any purchaser doesn't feel like
17 he should have to go to beg to a supplier. And that's
18 what they were putting him in that position.

19 CHAIRMAN ARANOFF: Okay. I know that the
20 domestic producers will take the opportunity to
21 respond in their posthearing brief. Any information
22 that we could have on this issue of who said what to
23 whom about supply during 2008 will be helpful. And in
24 particular, I hope that SGL will respond to the
25 assertion that even after the filing of the petition,

1 the shortages that developed in the market, that they
2 told customers that they wouldn't quote any product
3 below 14 inches, that would be helpful to know.

4 Now let me turn to something else though.
5 This is a conversation that you all started with Vice
6 Chairman Pearson. But as I read the argument in your
7 prehearing briefs that the domestic industry is not
8 experiencing material injury, your argument gives a
9 lot of weight to the 2008 data which obviously
10 includes a considerable postpetition period. And I
11 don't have to tell you that the statute says that we
12 can discount that data as being a reflection of the
13 pendency of the investigation. And so my question to
14 you is are there any facts in this case on the record
15 that tend to rebut that presumption and provide
16 another explanation for the observed improvements in
17 the domestic industry's production, shipments and
18 profitability in 2008?

19 MS. LEVINSON: Well, there's significant
20 evidence in the record of just a general uplifting of
21 the economy. The steel industry was doing well during
22 that period. And with the steel industry doing well
23 the demand was up. And when demand is up then prices
24 go up. And none of that has anything to do with the
25 anti-dumping case. That was a normal cyclical

1 pattern.

2 CHAIRMAN ARANOFF: Okay. Like I said, the
3 statute does say that we can presume absent other
4 evidence. And so if there is a way, I know this is
5 always hard to do, but if there is a way to look at it
6 even monthly as to when the demand spike was, and I
7 know there was some demand and price spike in the
8 steel industry in 2008, earlier in 2008, relative to
9 when the petition was filed and when the suspension of
10 liquidation went into effect so we can look and see if
11 we can see that. Because otherwise the tendency, as
12 you know, is to say that it's due to the pendency of
13 the petition, so.

14 MR. WISLA: Right.

15 CHAIRMAN ARANOFF: There's a certain burden
16 to give it another explanation.

17 MR. WISLA: I would also say it's consistent
18 with, like things weren't going down and then just
19 jumped up at the end, things were, profitability was
20 increasing throughout the period of investigation. So
21 it's not like a trend was reversed, this was a trend
22 was continuing. And things did shoot up but I mean
23 it's not like it was a total reversal, it's a
24 continuation of a trend that was seen during the
25 period of investigation -- I mean during the three

1 calendar years.

2 CHAIRMAN ARANOFF: Okay. Well, good,
3 because that leads into another question that I had
4 which is, you know, during the period of investigation
5 you've got a period where demand was rising a lot of
6 the time, where prices were rising for raw materials.
7 And, you know, you point out that the financial
8 performance of the domestic industry was improving.
9 But without characterizing those returns too much
10 because they are confidential, an industry could
11 reasonably argue that they should have been doing
12 better, you know, a market that was going gangbusters
13 the way that this market was.

14 MR. WISLA: You just have to look at SGL's
15 public financial statement. SGL is doing great
16 throughout this entire period of investigation. Look,
17 you know, just look at, you have to look at, although
18 you have to look at the industry as a whole for
19 causation purposes, you also can look at, you know,
20 the individual performance of the two companies.
21 Well, no, well SGL was doing great. SGL has very high
22 capacity and utilization. SGL has records profit
23 every year. Somebody else is not doing as well, and
24 there are reasons for that.

25 CHAIRMAN ARANOFF: Okay. So I'm going to

1 take it that it goes back to the reasons that you put
2 in your briefs --

3 MR. WISLA: That's right.

4 CHAIRMAN ARANOFF: -- that shows the
5 individual company performance. And we're going to
6 hear the other side to that in a posthearing brief.

7 MR. WISLA: And also I mean you also have to
8 look, it's in a footnote, it was dropped in a footnote
9 in the report, but one of the two companies had an
10 issue in 2007. And it's reflected in the data.

11 CHAIRMAN ARANOFF: Okay. We'll look at
12 those things and we'll obviously look at the
13 posthearing briefs, bearing in mind of course that in
14 the end we have to look at the domestic industry as
15 whole.

16 MR. WISLA: Yeah, right. But it's just,
17 yes.

18 CHAIRMAN ARANOFF: Okay. So if there is
19 anything you want to add in your posthearing brief my
20 general question there obviously was, you know, yeah,
21 prices were going up, demand was going up, etc., etc.,
22 but maybe profits could have been higher and, you
23 know, why shouldn't we find that as a basis for a
24 finding of material injury even given the trend that
25 you've discussed.

1 So let me turn to another question which is
2 you've argued that the volume of subject imports is
3 not significant in part because, as I understood the
4 argument, the domestic industry's capacity and
5 production declined over the period of investigation
6 despite rising demand. The domestic industry's
7 argument for that is it's because of the Chinese
8 imports and it's a sign of injury.

9 So I guess my question to you is are you
10 arguing that the domestic producers voluntarily left
11 capacity idle in a booming market? And what possible
12 reason could they have had for doing that?

13 MR. WISLA: Well, one, you have to look at
14 which company cut its capacity. And I think that --
15 well, you'll see which one it was. And you can see
16 which ones, you know, I can't really comment more on
17 that.

18 MS. LEVINSON: We'll go into more detail in
19 our postconference -- posthearing brief, sorry.

20 CHAIRMAN ARANOFF: Okay. And when you're
21 answering that question in your posthearing brief I
22 guess the follow-on question to that is also if the
23 domestic industry had a choice between selling in the
24 domestic market where prices were higher versus
25 selling in the export market where the AUVs were lower

1 why would they have been selling as much as they were
2 in the export market? So I'll leave it at that and
3 have you respond confidentially.

4 One of the things that came up with the
5 morning panel was this question of price versus value
6 for electrodes and this idea that Chinese electrodes
7 might cost less but they might be consumed faster and
8 that companies have to balance that out. And the
9 implication from the domestic producers was, it wasn't
10 the implication, it's what they said was that it's
11 really the price that makes these things, that the
12 price is lower than would be required to reflect any
13 faster consumption rate.

14 And so I wanted to give you the opportunity
15 to respond to that price versus value and I guess add
16 for both sides that, you know, I assume we're going to
17 have a he said, she said on that point. And so if
18 there is any objective evidence that you can put on
19 the record that's going to help us resolve that price
20 versus value. And in particular I'm interested in how
21 that ties into the underselling and the extent to
22 which it can explain the underselling that's going to
23 be helpful. I don't know if there is anything you
24 want to say on that now?

25 MR. WISLA: I think there was some testimony

1 that the domestic industry was willing to sell some of
2 the producers here today a product at a much higher
3 grade than that was necessary for their application.
4 So and, you know, the Chinese were able to meet the
5 level of application that made more sense to them.

6 MS. LEVINSON: Just to follow up on that, I
7 don't know if it's directly responsive to your
8 question which we will respond to in full in the
9 posthearing brief, but there was an argument that we
10 made at the preliminary that we'd like to reiterate
11 because it really hasn't been emphasized today but
12 that these electrodes, you know, you can analogize
13 them to light bulbs. You can take a 100 watt light
14 bulb and put it into a 60 watt lamp but you don't need
15 a 100 watt light bulb. You can do just as well with a
16 60 watt bulb. And why would you go to the expense of
17 buying a 100 watt bulb when you really only need a 60
18 watt bulb?

19 And part of what the petitioners have done
20 for some of their customers is offer them the 100 watt
21 bulb which is more expensive and say this is what you
22 should be using.

23 CHAIRMAN ARANOFF: Okay. I understand that
24 argument. And what I need is a way to relate that to
25 the underselling that we see on the record.

1 MR. WISLA: Right.

2 CHAIRMAN ARANOFF: And figure out whether
3 there really is, you know, a price premium that can be
4 demonstrated that's either on this idea of higher than
5 necessary quality or some other thing that can
6 actually account for that underselling and explain it
7 to me as opposed to it being an apples to apples
8 comparison that can't be explained by a quality
9 difference.

10 Okay, and with that I've gone over my time
11 so I'm going to turn to the Vice Chairman.

12 VICE CHAIRMAN PEARSON: Madam Chairman, I
13 have no further questions but would like to thank the
14 members of this panel for their participation and
15 their perseverance.

16 CHAIRMAN ARANOFF: Commissioner Okun?

17 COMMISSIONER OKUN: I have no further
18 questions but I also want to thank you. Everyone
19 covered the things I was interested in.

20 CHAIRMAN ARANOFF: Commissioner Lane?

21 COMMISSIONER LANE: I have no questions.
22 And I want to thank the panel also.

23 COMMISSIONER WILLIAMSON: I also have no
24 further questions and I also want to thank the panel.

25 CHAIRMAN ARANOFF: Commissioner Pinkert?

1 COMMISSIONER PINKERT: I concur with my
2 colleagues. And I thank the panel. I look forward to
3 the posthearing submissions.

4 CHAIRMAN ARANOFF: Well, I'm sad to say that
5 I actually do have more questions which is just the
6 opposite of this morning.

7 COMMISSIONER PINKERT: I concur with my
8 other colleagues.

9 CHAIRMAN ARANOFF: So it doesn't matter that
10 I used up my time because I can just keep on going
11 anyway.

12 Okay, next question. Supposing that the
13 Commission were to agree with your like product
14 argument and should find that there is one like
15 product that includes all sizes of graphite electrodes
16 in this case. You know, the implication I get from
17 your brief is, well, then the case is over. And that
18 may or may not be true with respect to present injury
19 but I don't think it answers the question with respect
20 to threat. And so I wanted to give you the
21 opportunity either now or in your brief to tell me
22 that story if we were to find the larger like product.

23 And in particular, table 7-3 of the staff
24 report which I referred to this morning has data for
25 Chinese production and exports by product size. And

1 there is some evidence in there regarding Chinese
2 production and export of the larger sizes which I
3 think needs to be fit into the story.

4 MS. LEVINSON: We will certainly be happy to
5 do that. But even if the Commission were to accept
6 our like product definition, of course that would not
7 change the scope of the investigation. And it would
8 mean that we would be looking at Chinese electrode
9 exports of the larger quantities.

10 CHAIRMAN ARANOFF: Okay.

11 MR. PERRY: Commissioner Aranoff, Chairman
12 Aranoff, I would like to reiterate that. I mean the
13 scope doesn't change. If you increase the like
14 product that doesn't mean that you put in additional
15 product in determining injury that are like the 24
16 inch. That's important.

17 CHAIRMAN ARANOFF: Yeah. All right.
18 Another question on threat, and this would go with
19 respect to the narrower like product or maybe the
20 larger one, but definitely the narrower one. You make
21 an argument in your brief, and I heard it reflected in
22 the testimony today, that because China during the
23 period of investigation had larger export markets than
24 the United States that pattern is likely to continue
25 in the imminent future. And it seems to me that the

1 changes in the global economy call into question the
2 assertion that nothing is going to change with regard
3 to the relative size of China's export markets or what
4 product it might have available to export.

5 Given that steel demand is currently
6 declining globally, and I don't know with respect to
7 the foundry products but demand for everything seems
8 to be falling globally, it seems to me that we may
9 face the kind of situation that we faced in the Asian
10 financial crisis where, you know, large producers like
11 China are going to increase their exports to any
12 market that's open to them. And so the fact that the
13 U.S. might have been a relatively small export market
14 doesn't guarantee that that's the most likely outcome
15 in the future.

16 MS. LEVINSON: But to increase your exports
17 you have to have customers. And if customers, as you
18 probably have seen, numerous publications have been
19 highlighting the fact that for the first time Chinese
20 exports have gone down. They're going down because
21 there aren't the American consumers to buy them.
22 There may not be the European consumers to buy them
23 either. So where does China look? It looks
24 internally. And part of our argument, an important
25 part of our argument is that the steel industry in

1 China is doing significantly better than the steel
2 industry in the United States. And the reason for
3 that is the stimulus package that Mr. Perry discussed.

4 Mrs. Liu estimated that capacity utilization
5 in China is now up to about 70 percent while it
6 generally seems to be agreed that in the United States
7 it's about 42 percent. So the logical market for them
8 is China, not the increased exports.

9 CHAIRMAN ARANOFF: I suspect that with
10 demand falling, even if it's doing better in China,
11 there's probably enough production for both. But and
12 I also, I mean I think the argument that the domestic
13 industry was making this morning was, you know, when
14 the market was booming the purchasers of graphite
15 electrodes in the U.S. they just wanted to get what
16 they needed as fast as they could to keep their
17 production up but that now they need to look for price
18 and value because when their production is lower they
19 want maybe the cheapest electrode that can do the job
20 as opposed to, you know, what they can get in the door
21 the fastest. And so, you know, given the degree of
22 underselling that we've seen on the record it does
23 seem to create an opportunity for Chinese producers to
24 grow their market share.

25 MR. BUCHANAN: May I add to that? In times

1 like that you have to plan. When you're facing a
2 period where your production is down because of
3 economic factors you really have to plan and make the
4 most of your up time that you're scheduled with. If
5 you go from running full out all the time and running
6 as fast as you can and going to maybe a three day a
7 week or two day a week schedule as some steel makers
8 in the U.S. are doing currently, now you really have
9 you cannot afford delays, you cannot afford
10 disruptions in your supply line. In those cases it's,
11 you know, you could make a case that customers, steel
12 makers would return to a domestic good because it's
13 readily available because if the steel industry isn't
14 operating you can't, you're not using electrodes.

15 So those electrodes are still going to be
16 available out there. Not only that, they're going to
17 be produced close by and they're going to be of known
18 quality. Whereas an electrode coming from overseas is
19 going to be subject to certain risks: supply
20 disruption, transportation damage and, for a customer
21 who hasn't previously used it, the risk of not knowing
22 how it's going to perform.

23 So I think that that may limit the
24 phenomenon that you're suggesting is going to happen
25 where China, Chinese-produced material can now flood

1 the market because everybody is looking for a bargain.

2 CHAIRMAN ARANOFF: Okay.

3 MR. WISLA: And just I want to add a thing
4 about, you know, the different markets in the world
5 that China can sell to. You have to also consider,
6 you know, currency. And the U.S. dollar has declined
7 again, you know, against the Chinese yuan. But the
8 Chinese yuan is increasing against the European
9 currencies, not by as much. So, you know, selling to
10 Europe you get a better return than selling to the
11 United -- for the Chinese selling to Europe you get a
12 better return than selling to the United States.

13 Now obviously currencies change and like the
14 dollar by itself in the last two weeks, but most
15 people agree that because of the current mess we're in
16 in the United States the long-term outlook for the
17 dollar is down, not up. So I think it's likely that
18 that disparity in China between selling to the
19 European markets in the euro or selling to the United
20 States in dollars it will still be favorable to the
21 Chinese to get euros rather than dollars.

22 CHAIRMAN ARANOFF: Okay. I'm going to stop
23 there and just comment that, you know, assuming we
24 reach the threat issue when we look at threat we're,
25 you know, not supposed to speculate too much. Looking

1 at an imminent period it seems like almost anything
2 could be likely. So anything that either side can do
3 to help us out on that and just get it down to a
4 concrete level will be helpful.

5 And with that I think I have completed my
6 questions. I will double check and see if any of my
7 colleagues have thought of more questions they want to
8 ask?

9 (No response.)

10 CHAIRMAN ARANOFF: No. Okay.

11 Do the staff have any questions for this
12 panel?

13 MR. RUGGLES: The staff have no further
14 questions.

15 CHAIRMAN ARANOFF: Do the petitioners have
16 any questions for this panel?

17 MR. HARTQUIST: No questions. Thank you,
18 Madam Chairman.

19 CHAIRMAN ARANOFF: Okay. Get my crib sheet
20 out here.

21 I believe we are in the serendipitous
22 situation where both sides have exactly the same
23 amount of time remaining. How often does that happen?
24 Each side has eight minutes left from direct
25 presentation time plus five minutes for closing.

1 If neither side objects, what we usually do
2 is combine that to 13 minutes each and proceed that
3 way. So if that's acceptable we will thank the
4 afternoon panel very much for your time and for all of
5 your answers to our questions and dismiss you back to
6 your prior seats. And as soon as Mr. Hartquist is
7 ready we can proceed to the closing.

8 MR. HARTQUIST: Thank you, Madam Chairman
9 and Commissioners. I'm not going to use all of my
10 allocated time. We've got a lot of work to do on the
11 brief. But I want to make several specific points and
12 then sum up our like product argument for you as we
13 conclude this afternoon.

14 One fact you may find interesting in looking
15 at the future and whether there is going to be a
16 sufficient demand in China to cause their domestic
17 electrode producers to focus on the Chinese market as
18 opposed to exporting, the Chinese steel industry is
19 about 85 percent basic oxygen furnaces, blast
20 furnaces, and about 15 percent electric arc furnaces,
21 whereas in the U.S. only about a third of the
22 production comes from blast furnaces and two-thirds of
23 it comes from EAFs. So the U.S. is a very attractive
24 market to the Chinese and we believe will remain so.

25 I'd like to talk a minute about the

1 assertion of Ms. Liu with respect to the number of
2 Chinese producers. And I think the testimony was that
3 it's a relatively small number of companies that are
4 able to export to the United States that should be
5 considered in the universe here. In our prehearing
6 brief Exhibit 18 we summarized website material from
7 49 companies in China that say they produce graphite
8 electrodes and export those electrodes to various
9 countries in the world, including the United States.
10 Most of these companies specifically mentioned that
11 they produce both HP and UHP electrodes. All of the
12 material on their website is in English and it
13 certainly indicates they intend to sell into this
14 market.

15 We also think that even these 49 companies
16 are a significant minority of the total number of
17 producers in China.

18 I would also mention with respect to U.S.
19 capacity that Graphtek, which is not a domestic
20 producer of the subject merchandise at this point, has
21 a facility in West Virginia that can make small
22 diameter graphite electrodes. They're not doing it
23 now but they could re-start this facility if there is
24 sufficient demand in the United States for them to do
25 so.

1 A couple of comments about Mr. Brashem's
2 testimony. I think he presented a slightly skewed
3 picture when he talked about the importance of price
4 in the customer buying decision. He said it's number
5 five on the list. But what the record shows, the
6 prehearing staff report shows is that for the other
7 factors the U.S. and Chinese products are comparable.
8 And then when you get to price there are substantial
9 differences, 159 percent dumping margin found by the
10 Commerce Department today. So the bottom line on that
11 is that price becomes the most important factor,
12 that's the decision factor when you're essentially
13 equal on the other factors.

14 And I would caution the Commission to be
15 careful in interpreting Mr. Brashem's testimony
16 because he moved back and forth kind of confusing the
17 issues talking about product that he imports and sells
18 in the United States but he was talking about non-
19 subject imports that he brings in and distributes here
20 as well as subject imports from China, sometimes
21 talking about one and sometimes talking about the
22 other, and at least in my observation was not always
23 clear as to which he was talking about.

24 We have some comments that we will be making
25 in the brief about customer issues, about quotes, some

1 very specific information that we will provide with
2 respect to the foundries that testified today about
3 the availability of material from domestic producers.
4 There are some very interesting relationships there
5 that we will deal with in the brief.

6 And I'd like to conclude by just kind of
7 listing various factors that go to the like product
8 issue and emphasizing the differences between the
9 small diameter and large diameter sizes, understanding
10 that it's not a perfect world and there is some
11 overlap. But our argument basically is that as
12 follows: small diameter electrodes are primarily used
13 for ladle furnaces with some usage in small electric
14 arc furnaces. The large diameter electrodes are used
15 for primarily large EAF with very different
16 requirements.

17 The small electric arc furnaces that some of
18 the witnesses were talking about this morning are
19 really tiny. And I don't mean to discount their
20 importance; obviously they function properly in the
21 industry that they're working in. But Magotteaux, for
22 example, we understand their furnace is about six
23 tons, Wheelabrator about 12 tons, Frog Switch 10 to 12
24 tons. And you compare that with the quantity of
25 material that's being produced in the large electric

1 arc furnaces in the steel industry where you have 150
2 to 200 tons in a single heat, which is more than the
3 foundries produce in an entire year in their furnaces.
4 So we're talking about very different requirements for
5 electrodes to power those furnaces.

6 The grades of coke that are used, you have
7 various grades that are used for small diameters,
8 lower quality coke in many cases. In large diameters,
9 as we said, it's a premium needle coke that is used.

10 The power requirements of the applications,
11 low to medium power requirements primarily for the
12 small diameter product, and very high power
13 requirements up to like 160,000 amps for those large
14 diameter product.

15 There are various grades of electrodes in
16 the small diameter category and the large diameter
17 category, and they are virtually all what we would
18 call UHP, ultra high power electrodes.

19 The electrodes are consumed and the small
20 diameter electrodes are consumed typically at a much
21 lower rate. The high power, large diameter electrodes
22 are consumed very rapidly in the melting process of
23 steel.

24 And also other requirements that we've noted
25 in our brief for small diameter, the lower strength

1 requirements, lower conductivity requirements, lower
2 heat generation. And it's exactly the opposite for
3 the large diameter product. You cannot substitute one
4 for the other for most applications.

5 And I would also note, lastly, that the
6 foundries have argued that they are different from the
7 steel industry with different requirements for
8 electrodes. Right. We agree. That's a point we've
9 been making. And I think that supports our like
10 product argument rather than countering the like
11 product argument. That's why they purchase the small
12 diameter electrodes and that's why the large diameter
13 are used for the more demanding applications in the
14 steel industry.

15 We appreciate your time today. It's been a
16 very interesting hearing all day. And I look forward
17 to presenting you with the prehearing report -- with
18 the posthearing report. Thank you.

19 MS. LEVINSON: Madam, Commissioners, it's
20 late in the day and we've just spent a great deal of
21 your time explaining our position. And Commissioner
22 Pearson asked us specifically why he should not go
23 affirmative in this case, and we ticked off a number
24 of different criteria. And I might as well have said
25 right there that that's my closing statement. Because

1 the fact is that we do not believe that this case is
2 ripe for an affirmative determination. We do not
3 believe the administrative record supports it and for
4 many of the reasons that we discussed during the
5 presentation: the profitability of the industry, the
6 fact that there is no price depression, the fact that
7 there's serious issues as to price suppression. The
8 fact that is extremely important and one that was
9 emphasized in the Glycine from India case, that
10 domestic industry simply cannot meet U.S. demand.

11 Now, you've asked a number of very, very
12 intuitive and intelligent questions, and we look
13 forward to responding to them in the brief. I would
14 like to make one comment with respect to the DOT's
15 determination today of Mr. Hartquist made reference to
16 the fact the Department of Commerce issued a
17 determination of 159 percent for the two Chinese
18 companies that were being investigated. I realize
19 that it's not strictly relevant to your analysis but I
20 think it's important that you understand that those
21 were not calculated rates. That 159 percent was not a
22 comparison of Chinese prices as compared to fair
23 value. That 159 percent is based entirely on what the
24 Department of Commerce calls total best facts
25 available -- total adverse, excuse me, total adverse

1 facts available, which means that they have penalized
2 the companies because in our view the companies could
3 not jump through certain hoops which we regarded as
4 quite unreasonable. The Department of Commerce spent
5 three weeks, maybe four weeks at Beijing Fangda in
6 China investigating their facilities and still found
7 that Beijing Fangda did not cooperate to the best of
8 its ability.

9 So we take serious issue with the
10 significance of the Department of Commerce finding.

11 I'd also like to respond to Mr. Hartquist's
12 statement that Marvin Brashem's testimony should be
13 regarded with some caution because there was some
14 mixing of non-subject and subject imports. I think he
15 was quite clear in stating that he imports all sizes
16 of electrodes from China except for the 24 inch. And
17 he very clearly stated that the 24 inch is imported
18 from Japan.

19 We spent hours between the petitioners and
20 respondent talking about like product, and I won't
21 bore you with that anymore. But suffice it to say
22 that after all this discussion I think you can only
23 conclude that no bright line exists between graphite
24 electrodes of greater than 16 inches and below 16
25 inches. If there were such a bright line we could not

1 have engaged in the detailed discussion of this topic
2 that we had today.

3 I want to thank you very, very much for your
4 attention and for your courtesy and we look forward to
5 your final determination. Thank you.

6 CHAIRMAN ARANOFF: Well, thank you again to
7 all of the parties who participated in today's
8 hearing. I think it's been a very useful and
9 productive day. I also want to thank our staff who
10 have contributed a lot to this case and have a lot
11 more contribution to give, particularly in light of
12 late-breaking questionnaire responses.

13 Posthearing briefs, statements responsive to
14 questions and requests of the Commission, and
15 corrections to the transcript must be filed by January
16 13, 2009. Closing of the record and final release of
17 data to parties will take place on January 29, 2009.
18 Final comments are due on February 2, 2009. And for
19 Commissioners who are looking ahead, you get to spend
20 the Valentine's Day/President's Day weekend preparing
21 for the vote while the rest of you get to take that
22 time off. With that, I believe we've completed our
23 business for the day and this hearing is adjourned.

24 (Whereupon, at 5:27 p.m., the hearing in the
25 above-entitled matter was concluded.)

CERTIFICATION OF TRANSCRIPTION

TITLE: Small Diameter Graphite Electrodes from China

INVESTIGATION NOS.: 731-TA-1143 (Final)

HEARING DATE: January 6, 2009

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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

DATE: January 6, 2009

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

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

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