UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation No.:
CERTAIN ACTIVATED CARBON	)	731-TA-1103 (Preliminary)
FROM CHINA	)	

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Thursday,
March 30, 2006

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

The preliminary conference commenced, pursuant to Notice, at 9:33 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

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JOHN MCCLURE, INVESTIGATOR
DAVID FISHBERG, ATTORNEY/ADVISOR
STEVEN TROST, ECONOMIST
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APPEARANCES: (cont'd.)

In Support of the Imposition of Antidumping Duties:

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TIMOTHY WRUBLE, National Account Manager, Norit Americas, Inc.
DENNIS RESTER, Consultant, Norit Americas, Inc.
ROBERT O'BRIEN, Senior Vice President, Calgon Carbon Corporation
JAMES GILMORE, Director of Product Management, Calgon Carbon Corporation
BRAD HUDGENS, Economist, Georgetown Economic Services
DAVID ROSNER, Economist, Georgetown Economic Services

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In Opposition to the Imposition of Antidumping Duties:

On behalf of The Coalition of Importers of Activated Carbon:

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J. LOUIS KOVACH, President, Nucon International, Inc.
ANDERS SKEINI, Jacobi Carbons
SID NELSON, President, Sorbent Technologies
STEPHEN CLARK, President, Water Tech, Inc.
FELIPE BERER, International Adviser, Bryan Cave
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I N D E X

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P R O C E E D I N G S

(9:33 a.m.)

MR. CARPENTER: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping investigation No. 731-TA-1103 concerning imports of Certain Activated Carbon From China.

My name is Robert Carpenter. I'm the Commission's Director of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my far right, Karen Driscoll from the Office of the General Counsel; Jim McClure, investigator; on my left, David Fishberg, the attorney/advisor; Steven Trost, the economist; Charles Yost, the auditor; and Philip Stone, the industry analyst.

I understand the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation.

Are there any questions? If not, welcome, Mr. Hartquist. Please come forward with your opening

statement.

MR. HARTQUIST: Good morning, Mr. Carpenter and members of the Commission staff. My name is David A. Hartquist of the law firm Collier Shannon Scott representing the domestic industry producing steam activated carbon.

We believe this is a fairly straightforward injury case. Steam activated carbon from China is being dumped in the United States at very large margins. These margins permit the Chinese industry to consistently and significantly undersell the domestic activated carbon industry in the U.S. market. The importer data demonstrates the pervasive and injurious underselling in the market.

That underselling has permitted the Chinese industry to massively increase its exports to the United States to the point where they are now a dominant factor in the U.S. market, encompassing about half of all imports at 85 million pounds in 2005. This massive volume of low-priced imports from China pervades the marketplace and affects prices throughout the market.

The huge volume of Chinese imports is underselling domestic prices and taking market share, resulting in lost sales and lost revenue to domestic

producers as we have documented on the record. The underselling has also resulted in price depression and suppression in the market as domestic producers are either forced to lower prices to make sales or cannot raise prices to cover increasing costs.

The industry is in a period of both rising costs and expanding demand and prices should be increasing significantly, but, as you'll hear from our industry witnesses today, imports of activated carbon have instead either lowered or held down prices resulting in depressed operating profits and declining employment levels for the industry.

These factors all demonstrate that the domestic industry is suffering material injury by reason of the dumped imports of steam activated carbon from China.

Finally, the Commission staff is aware that Norit and Calgon filed a petition against all imports of activated carbon about a month ago before withdrawing that petition and refiling the case on steam activated carbon only. While withdrawing and refiling cases is certainly not unknown to the Commission, it is very unusual for us, and I wanted to provide a few words of explanation for the record.

Reflecting initial concerns about

circumvention, we approached this product as a single like product even though neither Calgon nor Norit is a U.S. producer of chemically activated carbons and their steam activated carbons do not compete with domestic and imported chemically activated carbons.

During the course of the first 19 days of the first investigation, two things became clear to us. First, despite some superficial general similarities steam activated carbons and chemically activated carbons are different products produced by different industries under the Commission's test.

Second, the industry that produces chemically activated carbons, essentially MeadWestvaco, has shown no public interest in the case. They apparently did not intend to participate in the first investigation, and they are not here today.

With separate like products, very little in the way of imports of chemically activated carbons from China and no apparent interest from the only domestic producer of chemically activated carbons, withdrawing and refiling the case seemed the simplest and most appropriate action for us to take.

We believe this scope reflects the like product determination that the Commission would have

reached had we gone forward with the first investigation and properly focuses on the injurious imports of steam activated carbon that are causing injury to the U.S. steam activated carbon industry.

Thank you.

MR. CARPENTER: Thank you, Mr. Hartquist.

Mr. Vander Schaaf?

MR. VANDER SCHAAF: Thank you. Again, my name is Lyle Vander Schaaf from the law firm Bryan Cave. I'm accompanied here today by my colleagues, Joe Heckendorn, Corey Norton and Felipe Berer.

We have a number of witnesses today that we hope to bring before you to tell you what we believe is going on in the marketplace today, and we're appearing on behalf of the Coalition of Importers of Activated Carbon, a number of importers and purchasers in the United States who purchase both imported activated carbon from China and U.S. produced activated carbon, and also here representing the foreign producers that we've entered an appearance on behalf of from China.

We think that the first step in this proceeding is to compare what's being said to what was said in the original petition that our opposing counsel alluded to. As you know, the original

petition was filed on January 26, 2006, which was the eve of the Chinese Lunar New Year. We're curious whether the Petitioners knew that.

All the executives for the foreign producers would be not in their offices, and the factories would be closed in China such that when they filed that original petition did they know that the foreign producers would not be able to organize to defend themselves?

Did they know that the foreign producers would not be available to respond to the ITC's questionnaires, or was this just happenstance on the part of the Petitioners? We wonder whether this is a strategic option or whether it was simply gaming the system.

The period of investigation that was covered by their original petition would have been the same whether that petition was filed on January 26 or sometime in February or sometime in March. Those details wouldn't have changed, yet they chose to file that petition on the eve of the Chinese New Year.

The original petition was pulled on February 15. Coincidentally, this was two days after the ITC issued its first APO release where all of the confidential information from the importers and

foreign producers and U.S. producers was provided to the Petitioners for them to make a strategic decision of whether or not to continue or to pull that petition.

Again, was this just happenstance? Did they have a change of mind, or was there actually some gaming going on?

With respect to their original petition, as we've indicated in a filing that we made with the Commission on March 23 they've indicated that in their first petition all activated carbon, regardless of form or carbon source, has the same essentially physical characteristics and uses, yet in this investigation, in the petition of this proceeding, they say that steam and chemically activated have different physical characteristics and uses.

They certified that first petition as correct and accurate. They did the same for the second petition, but they're entirely inconsistent with each other.

They say further that the products have differing physical characteristics and uses when they said that all activated carbon had the same physical characteristics and uses in their first petition.

They stated in their first petition that

activated carbon made from different raw materials is generally interchangeable for most applications. Then in their refiled petition they say that chemically activated carbons are generally not interchangeable with steam activated carbons.

They indicated in their original petition that all activated carbon is viewed as a single industry, all activated carbon is produced in a similar manner, yet in their refiled petition they say that chemically activated carbon is not viewed as being produced by the same industry as steam activated carbon.

In their original petition they state that activated carbon, regardless of form or grade, is generally sold through similar channels of trade, yet in their refiled petition they say that the products have different channels of trade.

They stated in their original petition that the products share similar characteristics and uses and production processes. Then in their refiled petition they state that the products are produced in different facilities on different equipment that is not interchangeable.

They stated in their original petition that by mixing together steam and chemically activated

carbons different grade or blends of activated carbon can be created to meet specific requirements, again talking about blending.

In the refiled petition they state, "We have no knowledge that any producer is currently blending the two types of activated carbon at this time. Steam activated and chemically activated carbons have different physical characteristics and uses and are not interchangeable."

Again, did the facts change? Did these producers, who have been in this industry for this long, realize facts they didn't realize before, or are they gaming the system?

With respect to the issue of circumvention, circumvention is now possible. It wasn't possible under the filing of the first petition. With respect to MeadWestvaco, everybody knows that the position of producers in the industry, whether or not they support or oppose or have any interest in the investigation, is something that the Commission takes into account.

Again, by gerryrigging the scope of the products and the domestic like product were they basing their decision on facts, or were they simply gaming the system?

We will have a number of witnesses today who

will testify about Calgon's operations and how they are one of the leading producers in China, how they have used a vast amount of their resources from U.S. sales of activated carbon to invest in China.

They will tell you how they know from their sources and their information that Calgon is one of the largest exporters and one of the largest importers in the United States.

This is not the type of industry that deserves import competition under the antidumping law.

Thank you.

MR. CARPENTER: Thank you, Mr. Vander Schaaf.

Mr. Hartquist, you may bring your panel forward at this time.

MR. HARTQUIST: Again, for the record, my name is David A. Hartquist of the law firm Collier Shannon Scott representing the Petitioners.

We will have four witnesses for you this morning presenting direct testimony led off by Mr. Robert O'Brien, senior vice president, Calgon Carbon Corporation; followed by Ronald Thompson, president of Norit Americas, Inc.; and then the economic testimony will be presented by Brad Hudgens of Georgetown Economic Services; and Alan Luberda of Collier Shannon

will speak to the like product issues to conclude the direct testimony.

In addition to the witnesses who will present direct testimony, we also have a number of others who are available to answer your questions, including Timothy Wruble, who is a national accounts manager for Norit Americas, Inc., on my left; Dennis Rester, who is a consultant to Norit Americas; James Gilmore, the director of product management for Calgon Carbon Corporation; and also Mary Staley of Collier Shannon Scott.

With that, we will begin this morning with testimony from Mr. O'Brien.

MR. O'BRIEN: Good morning. My name is Bob O'Brien, and I'm the senior vice president for Calgon Carbon Corporation responsible for our operations in North and South America.

Calgon is the largest producer of activated carbon in the United States, and we also have operations around the world, including China. In the United States, we employ approximately 775, including 200 employees manufacturing steam activated carbon at our two production facilities in Catlettsburg, Kentucky, and Pearlington, Mississippi.

You may not be familiar with activated

carbon, but it is an important product to your every day life. Many of the foods you eat and the water you drink are treated with activated carbon to improve their purity, color, smell or taste. It's also used to prevent pollution from escaping into the environment and to remediate poor historical disposal practices.

It is used in literally hundreds of industrial, home and other applications. It is an essential industrial product, and we believe it's essential that there be a healthy U.S. industry producing it.

The place most likely you've seen activated carbon in your home is in your aquarium filter or your point-of-use water filter. It's a black powdered, granular or pelletized porous carbonation material that has properties that permit it to absorb a variety of organic molecules from gases and liquids. The porosity gives activated carbon an extremely large surface area-to-weight ratio.

For example, one pound of activated carbon may have over 100 acres of internal surface area. It is this surface area which creates and determines the adsorptive capacity of an activated carbon. Now, incidentally adsorption with a D refers to the

physical and chemical binding of molecules or particles on a surface. In contrast, absorption with a B refers to the penetration of one material into another like water into a paper towel.

Steam activated carbon is made by charring a carbon containing raw material such as coal or coconut shells and then removing select carbon atoms to form a pore structure. In our process, we begin with coal, which we grind to a fine powder. We mix the coal with pitch or coal tar and press the material into briquettes using high pressure. The briquetting process creates a hard product and establishes the material structure to permit coal to be activated efficiently.

The briquettes are crushed to a uniform size for the particular steam activated carbon we are producing. The granules are fed into a rotary kiln to bake at about 450 degrees Celsius. This stabilizes the structure and carbonizes the organic materials in the coal, leaving a carbon structure that is really a crude form of graphite or charcoal.

In order to make that graphite or charcoal useful we then have to activate it; that is, expose it to high heat and steam and a low oxygen environment. This converts some of the carbonaceous material within

the granules into carbon monoxide, which is removed. Pores are created and expanded where the carbon atoms are removed. The longer the exposure to heat and steam, the more carbon atoms are carved out of the structure.

The starting raw material temperature and time in the activator will determine the final properties of the steam activated carbon. The finished product is screened to the desired final size and tested to ensure it meets specifications. We may further acid wash some of the product to remove or reduce ash levels for special applications. We then package it for shipment to the customer.

Steam activation is the most common method of manufacturing activated carbon. It is the process Calgon Carbon uses to make granular activated carbon. To make powdered carbon, we crush or pulverize the granular material. To make pellets, a producer extrudes the ground coal in a binder into the desired pellet size before baking. The charring and activation processes are similar regardless of the physical form of activated carbon desired.

We can also impregnate steam activated carbon with certain chemicals or metals. Impregnation is used where we wish to efficiently target certain

compounds for absorption or to destroy certain agents as in use in respirators for chemical protection or when we want to promote a catalytic process with the captured compounds.

We first describe activated carbon by its type, whether it's powdered, granular or pelletized. Powdered activated carbons tend to be used in batch type liquid applications. That is, they are mixed with liquid to absorb unwanted compounds, taste, colors or odors and then are removed from the liquid by filtration or settling.

Granular and pelletized activated carbons tend to be used in more continuous process applications where a liquid, gas, or air is moving continuously over and around the activated carbon.

We grade activated carbons by absorption capacity, density, particle size distribution, hardness and abrasion, metals leaching tendency and moisture content. Both the Chinese and domestic producers make a broad range of steam activated carbons with a variety of characteristics that they are able to shift in holding inventory to meet market demand.

There is a variety of specifications like the American Water Works Association, as well as

individual customer specifications, that can be met with these products.

We have not included reactivated carbons or chemically activated carbons in the scope of this case. Reactivated carbon is activated carbon that has been used in an application to absorb compounds and then the captured compounds are removed so that the carbon can be reused. Reactivated carbon is not sold interchangeably with activated carbon. Our customers specify whether they want activated carbon or reactivated carbon.

Many times reactivation is performed as a service to our customers, and many customers want only their reactivated carbon back. Some large end users actually have their own reactivated facilities. We do have customers for some low-end industrial wastewater treatment that will purchase reactivated carbon. The customers who want reactivated carbon expressly request it.

We cannot use steam activated and reactivated carbons interchangeably. For example, in the waterworks industry, which is one of our largest customer bases, we cannot bid activated and reactivated carbon interchangeably. We would never recommend or permit drinking water to be treated with

reactivated carbon that had previously been used to remove toxic chemicals in an industrial application.

Our reactivation facilities are separate from our activation facilities, and that is generally true of all reactivation in the United States. To my knowledge, there are no imports of reactivated carbon from China.

Chemically activated carbons are also in a different market than the steam activated carbons made by Calgon. I will let the gentlemen from Norit, who have more experience in the chemical activation field, speak to the differences between chemical activation and steam activation, but I will say that Calgon's steam activated carbons generally do not compete directly with chemical activated carbons.

For example, we do not compete directly with MeadWestvaco in our product line. We also do not compete with chemically activated carbons from China. Calgon does compete head-to-head with Chinese steam activated carbon every day, and, as you can see from our questionnaire response and petition data, we are consistently losing sales to China.

China first entered the U.S. market in volume in the early 1990s. Large trading companies went to point-of-use water filter manufacturers and

other OEMs that they could easily identify using data from such sources as *Thomas Register*. China's prices were so far below what the market had seen that they began to have immediate acceptance even when there was concern about inconsistent quality in those early days.

As time went on, the Chinese product gained more acceptance in the marketplace and began to associate with particular importers. Thus, one importer would deal with one or several Chinese producers on a regular basis. This allowed them to develop consistency in quality, hold inventories in order to bid on contracts and develop a nationwide distribution system.

Since that time, Chinese imports have entered virtually every part of the market for steam activated carbon, as one would expect, based on the 85 million pounds or so that they shipped into the United States in 2005.

The Chinese producers built that volume by being the lowest priced activated carbon in the market. They brought in very large volumes at prices that are below our cost of production. As the Chinese presence grew in the market, they took more business at low prices.

We have done everything possible to lower our cost structure and to keep our production lines full. We have rationalized plants and services and have closed three of our five original production lines since 1995. The most recent closure was in 2003.

Our substantial efforts at trimming costs and improving efficiencies still did not allow us to match Chinese pricing. That left Calgon Carbon with difficult choices to make. We could either walk away from the business that the Chinese were taking through their persistent and pervasive underselling or drop the prices of our domestically produced product to match the Chinese and incur losses or find an alternative.

We could not afford to match the Chinese prices on a sale-by-sale basis, and we did not want to walk away from the business so we looked for an alternative. As the world leader in activated carbon production and sales, we had extensive contacts in China. Our customer base in the United States was also encouraging us to purchase Chinese materials to supply them. They wanted to get the advantage of the low prices for Chinese material while having Calgon's technical support and quality assurance.

Rather than cede the field to other importers of Chinese activated carbon, we chose to import some activated carbon from China to serve those parts of the market that were being dominated by activated carbon from China already.

It allowed us to compete with other Chinese imports on a price basis in a way we simply could not afford from our U.S. production, but we are first and foremost a domestic producer of steam activated carbon with a very large investment in plants, equipment and employees in the United States.

It is critical to Calgon's long-term health in this market that the Chinese product not be dumped in the United States. The Chinese presence and influence in the market has become so pervasive, however, that it exerts a downward influence on prices throughout the market despite a general growth in demand for steam activated carbon.

This is of great concern to us, particularly as our raw material, labor, energy and transportation costs have all been significantly rising. We need to be able to increase prices sufficiently to cover those cost increases and to regain some measure of healthy profitability on these products, but in the face of high level of imports from China, we have been unable

to do that.

You can see from our questionnaire response that the direct impact of the large and increasing volume of dumped imports from China is that prices remain suppressed, our profitability has dropped, investments have been postponed, and benefits and compensation for our employees has been reduced. All of this evidence of material injury is tied directly to the dumped imports from China in the market.

We have already cut back to three production lines in the United States and trimmed our budget as much as possible. We have made every effort to operate more efficiently. However, if the high volume of dumped imports from China continues to undersell us, take market share and hold down prices we could eventually be forced to cease U.S. production operations and become importers or strictly leave the business entirely.

We don't believe that either of these options would be good for Calgon Carbon or our customers. Having a healthy domestic activated carbon industry is essential to the long-term health of our customer base.

We are committed to remaining a domestic activated carbon producer and an industry leader.

While we recognize that there is a place for imports in the market, they must not be dumped and must be priced responsibly.

Despite being an importer, therefore, we felt we had no choice but to become Petitioners in this case. As I said before, Calgon Carbon is first and foremost a domestic producer of steam activated carbon.

If the Chinese industry is required to stop dumping in this market we are confident that Calgon can effectively compete and again achieve a healthy return on our investment.

Thank you.

MR. HARTQUIST: Thank you, Bob.

We will now move to Ron Thompson. I'm a little short on the cord here. Do you think we can see whether that mic will --

Good. Mr. Thompson?

MR. THOMPSON: Good morning. My name is Ron Thompson. I'm the president and CEO of Norit Americas, Inc.

Norit was established in 1918 and is currently one of the leading activated carbon producers in the world. Norit produces steam activated carbons in the United States in two

facilities in Marshall, Texas, and Pryor, Oklahoma. Our parent company is based in the Netherlands and has production facilities there.

Norit is one of the largest producers of steam activated carbons in the United States. Like Calgon, we also have separate reactivation facilities in the United States. I agree with Mr. O'Brien that reactivated carbon is a different product produced by a different process and that reactivated carbon does not compete to any significant degree with steam activated carbons. Like Calgon, and we think everyone else, we treat reactivated carbon as a completely different product line.

Unlike Calgon, until last year Norit also had a separate facility producing chemically activated carbons. We closed that facility to concentrate on steam activated coals in the United States. Our European operation still produces chemically activated carbon.

I would like to explain why steam activated carbons and chemically activated carbons are different products produced by different industries. The chemical activation process is radically different than the steam activation process.

With the steam activation process, we

carbonize a raw material like coal or coconut shells, then subject the result to high heat and steam to vaporize and remove some of the carbon atoms. This creates the pore structure of activated carbon.

The chemical activation process does not do this. Instead, chemical activation involves dehydrating a cellulose-containing raw material like wood using chemical dehydrating agents, most prominently phosphoric acid.

The pore structure is created by removal of hydrogen and oxygen atoms in the form of water vapor and leaving the remaining carbon structure. The different processes are performed using different equipment.

We were the only U.S. producer to produce both steam and chemically activated carbons, and we did so using different plants and equipment. The only other known U.S. producer of chemically activated carbon, MeadWestvaco, does not produce any steam activated carbon.

Chemically activated carbons are generally sold for different end uses than steam activated carbons. Our customer bases for chemically activated and steam activated carbons are different. Furthermore, our steam activated carbons generally do

not compete with imports of chemically activated carbons or with MeadWestvaco's chemically activated carbons.

The U.S. automotive applications for chemically activated carbons that Mead dominates, for example, have no competition from steam activated carbons. While it is possible for chemically activated carbons to compete with steam activated carbons in some applications, it is very unusual because chemically activated carbons are much more expensive to produce and are priced much higher.

In general, because of the high cost relative to steam activation, customers use chemically activated carbons only where the pore structure, pore size and pore size distribution make it the best candidate. In practice, there is very little interchangeability between steam and chemically activated carbons.

All things considered, conditions in the steam activated carbon market should have been very good for the domestic industry over the last several years, but they were not. Demand for steam activated carbon in the United States has been relatively strong between 2003 and 2005. Consumption was increasing and was forecast to continue increasing during the next

several years.

Since activated carbon is used primarily as an absorbent to remove organic compounds and pollutants from liquid and gas streams, the market is affected by the implementation of various environmental regulations, particularly the Clean Water and Clean Air Acts. These laws have driven demand in many large markets, such as municipal and industrial water treatment and industrial air purification.

We hope that growth in the water treatment market will remain favorable over the next several years due to ongoing concerns over water purity. Increased water recycling, particularly in municipalities, manufacturing and electric utilities, should promote for activated carbon since the water must undergo additional treatment.

Demand also should remain strong in the pharmaceutical and food and beverage markets. The popularity of bottled water and new product innovations such as energy drinks has resulted in significant new demand for activated carbon.

There are also a number of emerging applications such as mercury control for coal-fired utilities that will continue to promote growth in the

U.S. activated carbon industry.

Given the growth in demand during the last few years and the predicted future growth, Norit expected to enjoy strong market pricing, as well as sales growth. Unfortunately, Norit has not enjoyed either in the last several years.

The reason for this has been the unprecedented surge of low-priced imports of activated carbon from China. Imports from China have more than doubled since 1999. In fact, they have grown by over 22 percent from 2003 to 2005, reaching historically high levels. They now constitute about half of all imports.

This surge in imports of activated carbon from China has been significantly larger than the overall growth in the U.S. demand. The product characteristics of activated carbon make the market particularly vulnerable to price competition from dumped imports. Relatively few grades and product forms account for the bulk of the market so that it is easy for importers to stock the product in large quantities in the United States.

Because activated carbon is a commodity product made to industry specifications that the Chinese have had little trouble meeting, it is

relatively unimportant to end users whether they use the product of one manufacturer or another and whether the product is produced domestically or by a foreign manufacturer.

The importers stock the product, provide any technical product support and ensure uniform quality. Thus, the importers have helped the Chinese product increase its presence both in terms of volume and breadth. We compete for the same customers on the same products as the Chinese and their importers in the United States, and that competition is on the basis of price.

The imports of steam activated carbon from China have been sold in the U.S. market at such consistently low prices that the only way we have been able to compete is to sell activated carbon without being able to receive a satisfactory return. The unfairly priced imports have undersold our product by significant margins throughout the period of investigation and have caused us to lower our prices significantly and repeatedly over the past three years.

We have had to do so in a period in which we have faced rising costs of raw materials, energy and health care benefits, yet we have had little choice

but to drastically reduce our prices and to forego price increases to maintain volumes within our plants.

You can see in our questionnaire response what's been done to our bottom line. Our worsening financial condition has led to reductions in available capital, maintenance dollars and employee benefits during 2003 to 2005. We have been forced to lower our employment levels by almost 20 percent during this period.

We've done everything humanly possible to reduce our costs and improve our manufacturing processes and productivity. We have implemented a number of measures to improve efficiency and to make our plant more environmentally friendly.

We know that we must remain competitive and responsive to our customers, and we've tried to do so. There is a limit to how much we can control, however. There is very little else we can do to tighten the belt further, and there are virtually no means by which we can get our costs low enough to be able to match the dumped prices of Chinese activated carbon.

Prices have gotten low enough that either we have to forego certain sales to maintain margins or we have to accept the sales at prices that don't cover cost to maintain some market share. Neither choice is

attractive.

Our financial performance is directly attributable to dumped imports of steam activated carbon from China. There's been a steady growth in demand so economic conditions are not to blame. While non-subject imports have grown as well, the total volume of subject imports from China dwarfs all non-subject imports.

Because the Chinese producers export primarily coal-based steam activated carbon, they compete head-to-head with Norit's products. There is no question that the imports from China significantly undersell us in the market. The underselling has allowed Chinese activated carbon to directly take sales and market share away from Norit.

Between 2003 and 2005, we lost annual commitments to a number of U.S. customers, including some of our top customers, to Chinese imports. Specifically, in 2005 we lost 15 major municipal accounts across the country because of imports from China.

In an example close to home for you, we recently lost a major commitment from Fairfax County, Virginia, due to low-priced imports from China. Our lost sales are documented in the petition.

Over the past several years our customers have become increasingly familiar with the Chinese product and the willingness of Chinese producers to supply them at prices far below our own. Because we can no longer afford to lose these accounts with longstanding customers, we've been constrained to defend our remaining business aggressively by lowering our prices to current customers. In this way, the effects of each dumped Chinese sale went far beyond the particular transaction to affect virtually our entire sales base.

In light of our worsening financial condition and loss of market share to the subject imports, it is impossible for Norit to continue making the investments in equipment, processes and people that are necessary to be viable in the long term.

We have invested $6 million since 2003 to maintain our competitive position. We cannot continue to invest in the face of no return on that investment, nor can we continue to match or beat Chinese prices.

Average Custom values for Chinese activated carbon have been 25 cents per pound with powdered activated carbon often being valued far lower. No domestic producer can match such prices for very long.

We are here today because we're convinced

that our company is at a crossroads. If Chinese prices continue at current levels, we may be forced to choose not to manufacture activated carbon in the United States.

As indicated in our petition, China has enough activated carbon production capacity to supply the entire world with low-priced activated carbon. Given the capital intensive nature of activated carbon production, this perhaps more than anything explains why the Chinese industry has been so aggressive in its U.S. sales efforts in the last few years.

Their own market, while growing, cannot consume that volume of activated carbon, and that is likely to be true for some time to come. With that kind of capacity and the Chinese producers' pattern of pervasive underselling, the domestic industry's position will continue to worsen unless the Commission acts to neutralize China's unfair pricing practices.

Thank you.

MR. HARTQUIST: Thank you, Ron.

We now turn to Brad Hudgens.

MR. HUDGENS: Good morning. I am Brad Hudgens of Georgetown Economic Services. I will discuss the data regarding the conditions of competition and the volume, price and injurious impact

of the unfair imports from China on the steam activated carbon industry.

The commission is required to perform its injury analysis within the context of the business cycle and conditions of competition prevalent to the market. There are several conditions of competition that are pertinent in this investigation.

First, as Mr. O'Brien and Mr. Thompson testified earlier, demand for steam activated carbon as reflected in apparent U.S. consumption increased over the period of investigation. Most of the growth in consumption is attributable to new environmental regulations for water and air quality. As I will discuss in more detail later, the domestic industry's financial performance has deteriorated despite the strong demand as the imports from China have undermined pricing and taken sales and market share away from the U.S. producers.

Second, steam activated carbon is a commodity product for which the primary determinate of the sale is price. U.S. purchasers purchase both U.S. and Chinese steam activated carbon and use both products interchangeably. The questionnaires received to date indicate that the two products can be used interchangeably. The questionnaires show that the

domestic and the Chinese product compete head to head for the same customers.

U.S. produced and imported steam activated carbons are sold through the same channels of distribution to the same customers.

Nothing could be more supportive of a finding of substitutability between the U.S. produced and Chinese steam activated carbon than the events that have taken place during the period of investigation. China's share of the U.S. market increased over the period of investigation as the domestic industry lost sales to imports from China entirely due to price. The domestic industry's customers have increased their purchases of steam activated carbon from Chinese suppliers because the quality is satisfactory and the prices are significantly lower than the domestic industry.

These events demonstrate the importance of price in the purchasing decision and the clear substitutability of domestic and Chinese products.

Third, the nature of the production process requires high capacity utilization rates for the domestic producers. Given the very high capital intensive nature of steam activated carbon production and the highly integrated nature of the production

processes, the domestic producers are designed for and depend on running at very high capacity utilization rates to spread the high fixed costs over as much production volume as possible.

The domestic producers operate 24 hours a day, seven days a week except of scheduled maintenance shutdowns. This condition of competition is particularly relevant to the commission's analysis because as U.S. producers have experienced low price competition from Chinese imports they have been forced to reduce prices significantly to maintain volumes rather than cut production.

Fourth, as you have heard from the Petitioners themselves this morning, the industry is in a period of rising costs. Energy and raw material costs have been rising over the period and, as a result of the high energy prices, transportation costs have also risen.

In a period of rising costs, producers must be able to raise prices to cover these costs and, as we will discuss in a moment, the domestic industry has not been able to do so.

As I will show you this morning, the domestic industry's material injury has been a result of the unfair import competition from Chinese steam

activated carbon producers. By consistently underselling and using aggressive pricing practices, these producers are able to significantly increase their shipments to the U.S. market.

Imports of Chinese produced steam activated carbon rose by more than 22 percent between 2003 and 2005. According to the official import statistics, imports from China surged from 69 million pounds in 2003 to 84 million pounds in 2004. The vast majority of these imports were for steam activated carbon, coal-based carbons, but these data do include some non-subject merchandise.

Based on the questionnaire responses received to date, imports of steam activated carbon increased at an even higher rate than the official statistics. The questionnaire responses show a growth rate in imports of steam activated carbon of nearly 50 percent over the POI.

The vast majority of the responding importers reported an increase in imports from China during the POI. This growth during the POI is indicative of the pattern that has persisted over the past decade. In 1996, imports from China stood at 25 million pounds. Imports have grown steadily to 84 million pounds in 2005, which represents an increase

of 238 percent during the ten-year period.

The volume of growth of subject imports has come at the direct expense of the domestic industry. Despite gains in apparent U.S. consumption during the period 2003 to 2005, U.S. producers' market share declined. Accordingly, there can be no doubt that the import volumes of steam activated carbon from China are significant, but in absolute terms and relative to domestic consumption.

The growth in the volume of Chinese imports has been achieved through aggressive pricing and underselling of domestic producers. The commission's record clearly shows that the increase in volume of subject imports consistently undersell the domestic industry and have a suppressing and depressing effect on U.S. prices.

Based on the questionnaires, the record shows that imports from China undersold the domestic product in virtually all comparisons, with margins of underselling averaging between 25 and 45 percent. As a result of this underselling, the domestic industry lost a significant number of sales to imports which the Petitioners have detailed in their petition.

In a commodity market characterized by intense price based competition, this degree of

underselling coupled with the increasing volume of subject imports has led to the price depression and suppression experienced by U.S. producers in the steam activated carbon market.

It is important for the commission to put the current pricing trend in context. The domestic industry's prices had already declined significantly as a result of the subject imports even before the period of investigation. As we will present in our post-hearing brief, prices were already extremely low when the period of investigation started due to the increased volume of subject imports from China at very low prices.

As I noted earlier, the domestic producers' costs began rising over the period of investigation, while Chinese imports continued to increase at very low prices that undersold the domestic industry. The pervasive underselling has caused more price depression for some products, but for all products it meant that the industry could not raise prices to cover these increasing costs, that is, price suppression.

The depression and suppression of U.S. steam activated carbon prices has resulted in significant financial deterioration for the industry. The U.S.

industry's operating income plummeted over the POI. In a period of both rising demand and rising costs, the domestic industry should have been able to pass on the cost increases to its customers. Due to the pervasive underselling by the dumped imports of steam activated carbon from China, domestic producers were unable to pass on these increased costs, leading to the financial deterioration of the industry.

In addition to the significant financial declines, the record also shows a decline in production related workers and hours worked and a slight decline in U.S. shipments.

There were modest increases in production and capacity utilization over the period, but these are not indicative of a healthy domestic industry. Instead, these increases were a result of a small decline in capacity and the necessity of the domestic producers to maintain high capacity utilization rates to control costs.

In the face of rising energy and raw material costs, it was critical to keep unit fixed overhead costs low by keeping capacity utilization high. In addition, the domestic industry was able to find export markets to help keep production and shipments high, but the domestic industry cannot

continue to run at a loss at those capacity utilization levels.

Now, Respondents may argue that the domestic industry's financial injury was not a result of declining prices, but rather high production costs and manufacturing inefficiencies, but during the period of increasing demand the industry should have been able to pass along such cost increases. The underselling by low priced subject imports prevented that.

Calgon and Norit have done everything possible to control rising costs and are among the most efficient producers in the world. Both companies have invested heavily in plant and equipment to improve productivity rates during the POI. As Mr. Thompson testified earlier, Norit has implemented several measures to make the plant more efficient, such as major capital investments and a cost reduction production which included the termination of some of its workforce.

Mr. O'Brien testified that Calgon was forced to cut manufacturing back to three product lines and to cut costs in 2002. Calgon has also invested heavily in capital improvements during the POI to improve production efficiency. Yet for all of the capital improvements and cost reductions, the U.S.

producers have not been able to compete with the imports from China because these imports are sold at such low prices in the U.S. market that their prices are often below the domestic industry's raw material costs alone. No amount of efficiency gains would enable the U.S. producers to compete against these low priced imports.

In summary the U.S. steam activated carbon industry is being materially injured as a result of the low priced imports in China. As these imports surged into the U.S. market during 2003 to 2005, the U.S. industry experienced declining market share, underselling by the subject imports, lost sales and lost revenues and significant price depression and suppression.

Despite significant gains in apparent U.S. consumption and rising raw material costs, U.S. producers were unable to raise prices due to the intense competition with low priced imports. As a result of the price suppression and depression, the U.S. producers' financial performance worsened over the POI. Consequently, the U.S. producers' material injury is directly linked to the surge in dumped low price imports of steam activated carbon from China.

MR. HARTQUIST: Mr. Carpenter, may we have a

time check at this point, please?

MR. CARPENTER: Yes. You have about 20 minutes remaining.

MR. HARTQUIST: Thank you very much.

Mr. Luberda?

MR. LUBERDA: Good morning. Before we conclude our direct presentation, I wanted to take a few minutes to discuss the two like product issues that have been raised preliminary by the Respondents.

Respondents have claimed that the like product in this case should be expanded from steam activated carbon to include chemically activated carbon and reactivated carbons. Neither of these products should be included in the like product.

Like product is derived from the scope of the case. The statute at 19 U.S.C. 1677.10 defines the domestic like product as a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation.

The article subject to investigation is defined by the scope, which is provided to the commission by the Commerce Department. Commerce defines the scope as including only steam activated carbons and excluding both reactivated and chemically

activated carbons. Thus, the domestic like product is the product that is like the imported steam activated carbons in the scope and that product is domestic steam activated carbon.

The commission does have the discretion, obviously, to expand the like product beyond the products covered in the scope through application of its six-part test, but where an industry has defined the scope in a manner to provide relief to that industry, the commission most often finds scope and like product to be co-extensive.

The Petitioners which are the largest producers of steam activated carbons in the United States define the scope and the like product precisely in a way that mirrors their own production and marketing practices and in the manner that the product is understood in the marketplace.

They also defined it in a way that mirrors what is being imported and causing material injury to the domestic industry. There are no known imports of reactivated carbon from China and relatively few imports of chemically activated carbon from China.

The injury to the domestic industry is in this case being caused by the massive imports of Chinese steam activated carbon to the producers of

steam activated carbon in the United States.

Mr. O'Brien and Mr. Thompson explained briefly why reactivated carbons and chemically activated carbons are not within the same like product as the steam activated carbons they produce. They can speak knowledgeably because both companies produce reactivated carbon on separate equipment or facilities and Norit had a separate U.S. plant producing chemically activated carbons until recently and it still does have European operations that produce those products.

I want to emphasize a few points today that bear on the commission's consideration of like product and the domestic industry definition.

As to differences between steam activated carbon and chemically activated carbons, chemically and steam activated carbons have different physical characteristics and uses. While both superficially have a porous carbon structure that allow the material to be used to adsorb impurities, that is where the similarities end. The products generally have a different density, pore size and pore size distribution as a direct result of the fundamental differences in the activation process and the material being activated.

The vast majority of steam activated carbon material produced in the U.S. and China is made from coal which cannot be chemically activated. In contrast, all chemically activated carbon produced in the United States is made from wood or other cellulose containing materials. Because of these physical differences, the products tend to be used in different applications.

Norit and Calgon steam activated carbon have little competition with MeadWestvaco in the United States, the only current domestic producer of chemically activated carbon, and see no Chinese chemically activated carbon in competition with their domestic steam activated carbon. This is because the same customers and applications do not generally overlap for steam and chemically activated carbons, nor do the importer questionnaire response indicate any significant overlap in competition.

This lack of competition demonstrated on the record is a strong indication that these are different products made by different industries servicing different markets.

Steam and chemically activated carbons are also made by different companies on different equipment utilizing a significantly different process.

As you heard, steam activation relies on a reaction converting carbon into carbon monoxide to create a carbon pore structure, carving out carbon atoms, while chemical activation relies on the application of a chemical dehydrating agent to remove hydrogen and oxygen atoms as water vapor, leaving the carbon pore structure behind.

One cannot produce steam and chemically activated carbons using the same equipment and nobody does. Indeed, the processes are so different and they result in products that are so different that the method of activation was the primary defining characteristic of the scope and should similarly play a large part in the commission's like product determination.

The last point I want to make about chemical activation is that it's much more costly than steam activation resulting in a higher priced product. The domestic industry's experience, for example, is that chemically activated carbons sell from several times to many times the price of steam activated carbon and we have put some evidence on the record about this already.

Thus, any customer that can use a steam activated product will do so. Customers that use

chemically activated products do so because they must have the pore characteristics of the chemically activated material for a particular application. Thus, while there may be theoretical substitutability between steam activated and chemically activated carbons, for some applications there is little practical substitutability.

In short, steam activated carbons are produced by a different industry using different methods and equipment to create a different physical characteristic for different applications and are priced on a different scale from chemically activated carbons. There is a clear dividing line between them under the commission's like product test.

I also want to say a few words in response to the Respondents' claim that the reactivated carbon should be considered within the like product for steam activated carbon.

As you heard earlier, reactivated carbon is simply activated carbon that has been used to adsorb material and then is subject to heat and steam or other gasses to volatilize and incinerate the unwanted material.

While it is superficially tempting as the Respondents have done to claim that once the carbon

has been reactivated it has identical characteristics to the activated carbon that was its origin, such claims are not really accurate in the marketplace.

The reactivation process begins with spent activated carbon that already has a defined pore structure from the original activation process and has been used to adsorb specific impurities. Even after reactivation, there is a fear that impurities left as remnants may contaminate the reactivated carbon and for these and other reasons activated and reactivated carbons are not considered identical in the marketplace.

No consumer or producer treats steam activated carbon and reactivated carbon as identical and interchangeable. While activated carbon could be used in any application that permits the use of reactivated carbon, the reverse is not true. There are many applications such as for drinking water treatment that would never use reactivated carbon taken from a third party source. Reactivated carbon can only be used in limited applications as a substitute for activated carbon.

In practice, customers specify whether they want activated carbon or reactivated carbon and it is rare that the two would compete in the same

application for the same customer.

Customers specify reactivated carbon in a few limited circumstances. For example, a large number of users will buy reactivation services from reactivators or perform reactivation themselves. They reuse only their own spent carbon to ensure other impurities are not introduced into their process.

Reactivated carbons are also used in some waste water or other low end industrial applications where the source or potential contamination of the carbon is not critical to the media being treated. For these applications, the primary driver of the carbon choice is price. Reactivated carbon is typically much less expensive than activated carbon, so while the customer could use steam activated carbon in place of the reactivated carbon, it would not do so for practical purposes because of the differences in price.

As we detail in the petition, reactivation uses different equipment and has a different production process, utilizing a different raw material, spent activated carbon. It does not have to go through the raw material crushing, mixing with binders, forming into briquets, crushing to size or the baking steps, and reactivation itself is less

complicated, takes much less time and a different expertise and processing than activation. Reactivation is really just a further processing and reuse of existing activated carbon.

The most telling evidence of the difference between steam activated and reactivated carbons is how the companies in this room on both sides of the aisle treat reactivated carbon in the marketplace. All companies that sell them distinguish them as separate product lines to their customers, which you can see by going through their sales material on their websites. Any sales pitch or bid must state clearly whether the product is steam activated or reactivated and they do not market them as interchangeable products. These are separate products sold in established different markets and the commission should treat them, just as the marketplace does, as separate products. From 30,000 feet, steam activated carbons, chemically activated carbons and reactivated carbons may appear to be similar, but once they are viewed in detail under the criteria the commission applies for its like product test, there are clear dividing lines.

The commission should find a single like product that is coextensive with the scope of the petition, as the Commerce Department did, and cover

only steam activated carbon.

Thank you.

MR. HARTQUIST: Thank you, Alan.

That concludes our direct testimony and we are happy to answer questions.

MR. CARPENTER: Thank you very much.

I would like to start just by asking a couple of questions before I turn to the others.

Mr. Hudgens, I'll start with you. You indicated that one of the conditions of competition was that the domestic producers had to maintain a high capacity utilization rate and I was wondering if you could -- or perhaps the witnesses would be better able to do this -- give us an idea of what would be the minimum capacity utilization you would require to be possible in this industry. This may be something you would prefer to answer in a brief as opposed to at the conference.

MR. O'BRIEN: I think we would consider that confidential and we'd rather answer it in a subsequent brief.

MR. CARPENTER: Okay. Sure.

Mr. Thompson, you had indicated, I believe, that you had lost 15 major municipal contracts last year. I was wondering how important price was in the

loss of those contracts as opposed to other factors such as service, delivery, being prequalified.

MR. THOMPSON: Price was the sole determining reason for those lost sales. There was no other criteria.

MR. CARPENTER: Okay. I understand from the testimony that -- the way I understand it is that for the most part the domestic industry has been able to maintain a relatively high capacity utilization rate by lowering their prices to meet foreign competition, but I'm also trying to reconcile that with the fact that you have obviously lost a significant number of sales.

Were you able to add other customers to make up for the sales that you have lost during this period?

MR. THOMPSON: Yes. What happened is we lost the sales and then subsequently we replaced that with other customers at yet even lower prices.

MR. O'BRIEN: And from our standpoint at Calgon, we've seen that phenomenon, but we also, as I testified, have actually reduced our manufacturing capacity and when one of our lines was not at a high production utilization we've actually made a decision it was more economical to shut a line down and reduce

our production capacity, so we have taken that step as well as trying to do whatever we can to maintain the lines we are operating as close to full capacity as we can.

MR. CARPENTER: Okay. Thank you.

Mr. O'Brien, you indicated that customers normally specify whether they want virgin or reactivated. Is that always the case or just with respect to certain customers?

MR. O'BRIEN: I would say it's almost universal. Certainly customers would -- there might be a few customers such as wastewater treatment or low end where they may not, because it's not as critical of a selection, they may look for both virgin and reactivated, but for the vast majority of the products we sell in the markets that we serve, customers are making a determination and telling us whether they want virgin carbon as opposed to reactivated carbon.

MR. CARPENTER: Now, if they were wanted reactivated, would they also be wiling and able to use virgin, but it's mainly a price consideration?

MR. O'BRIEN: Certainly price is an issue in that decision. As Alan mentioned, one of the key criteria depending on the critical nature of the application is that reactivated carbon potentially

main contain metals or remnants of its prior use and so someone buying reactivated carbon has to be able to make a determination that if they were going to buy react and put it in their application that it would not have a deleterious effect on their process and that's why certainly anything in the food or the drinking water industry, the home water filter industry, basically does not use reactivated carbon, which is the bulk of our markets.

MR. CARPENTER: Okay. Mr. Thompson, this may be another question you prefer to answer in your brief, but you indicated that you closed your chemically activated plant last year. I would be interested to know what the reasons were for that, whether it had anything to do with import competition, since I understand there are very few imports of the chemically activated product from China.

MR. THOMPSON: Yes. As I said in my statement, we chose to close that facility to focus in the United States on steam activated coals, so for us, it was more from focusing our factory to be more efficient on our steam activation processes as opposed to competition from chemically activated carbon from China.

MR. CARPENTER: And if you feel that you

would like to elaborate on that in your brief and perhaps discuss the relative profitability of the two different segments, that might be useful for us to see.

Are there any markets or customers in which Chinese imports are essentially closed out of, either cannot compete or are not being given an opportunity to compete or are they essentially able to compete in all markets and use applications?

MR. O'BRIEN: It's pretty universal that they are able to compete in the vast majority of the markets that we serve. One market that they do not participate in right now is in some specially impregnated carbons that we manufacture, Calgon carbon for the respirator industry. We make the activated carbon that goes in the gas masks for the troops in the United States and in many NATO countries and that's covered by patent and basically we're the sole supplier of that material, so that would be a niche market where we do have somewhat exclusivity, but in almost all the other markets we serve the Chinese products are able to participate.

MR. CARPENTER: If you could, could you just in your brief give us an estimate of what percentage of the total U.S. market might be accounted for by

that one application?

MR. O'BRIEN: Certainly.

MR. CARPENTER: Thank you.

Finally, I was wondering, again, this may be something for the brief, you'd probably want to take some time to think about it, but if you could identify the major applications, end use applications, for the steam activated product, as well as the chemically activated product, and indicate approximately what percentage of overall U.S. consumption would be accounted for by each of those applications and whether there's been any change over the three-year period that we're examining in this case.

MR. O'BRIEN: We will do so.

MR. CARPENTER: Thank you very much.

Right now, I'd like to turn to Jim McClure, the investigator.

MR. MCCLURE: Jim McClure, Office of Investigation. This will be short inasmuch as most of my questions were just coopted.

With regard to your closure, Mr. Thompson, of the chemical facility, that was a separate facility from your prior Oklahoma and Marshall, Texas facilities?

MR. THOMPSON: That facility was located in

Marshall, Texas, but it's a completely separate building and structure, a completely separate section.

MR. MCCLURE: Okay. Where was your prime competition in your chemically activated operations? MeadWestvaco or chemically activated carbon coming in from sources other than China or is there just not much in the way of chemically activated imports from any source?

MR. THOMPSON: The bulk of the competition was from MeadWestvaco, of course, because of their large supply of chemically activated carbon. There are some importers outside of China on chemically activated. Competition from China, we see and have seen over time very, very little chemically activated carbon from China.

MR. MCCLURE: What about other sources? Are you aware of any other sources in particular?

MR. THOMPSON: Other sources, other countries?

MR. MCCLURE: Yes.

MR. THOMPSON: Yes. There are other sources.

MR. MCCLURE: They would be who?

MR. THOMPSON: France.

MR. MCCLURE: Okay. This is somewhat a

generic question and it ultimately applies to both sides. The values of the sales, it's my understanding that when you're pricing things, does that generally include services as well as the cost of the product? How is it priced or are those broken out individually or is it a cluster?

MR. O'BRIEN: It depends on, actually, what the customer requires or asks for. We actually break our business into two sections, one we call carbon and one we call service and the carbon is where we basically ship activated carbon. We do not have services tied with it. Our service business would include those sales where we are doing more than just providing activated carbon. The bulk of that is in our reactivation business, but there are some applications where we are actually going out into the field and exchanging carbon and doing physical work on site. That is priced separately from the activated carbon. Depending on the customer's request, it might go in as a lump sum number or it might be broken out into the cost of the carbon product and the cost of the services.

MR. MCCLURE: Mr. Thompson, for Norit?

MR. THOMPSON: Ours is very similar. The bulk of our business is direct carbon sales, but when

services are required by the customer, we price that separately, but it comes down to the bid specification, like Mr. O'Brien just talked about, whether it's broken out separately or quoted together.

MR. MCCLURE: Okay. In general, I just want to be sure that the values we're seeing on commercial shipments -- I just want to be sure what's in those. Thank you.

To the extent you have to change or adjust anything, that's obviously confidential, so you can respond to that in the post-conference.

MR. O'BRIEN: I'll make one comment. The information we supplied does not have services included. That has been taken out.

MR. MCCLURE: Thank you, sir.

One last thing and I know my colleagues are anxious to question you.

Mr. Hartquist or Mr. Luberda, are you aware of any antidumping orders or any restrictions on Chinese product, E.U., Asia, wherever?

MR. HARTQUIST: Yes, there is an antidumping order in the European Union -- help me, Ron -- which has been in effect since 1996 or so. That covers certain material. It covers the powdered activated carbon. It does not cover the granulated product

under the European antidumping order.

MR. MCCLURE: Okay. Is that steam activated or is it all -- I mean, the powdered product, would that cover chemically activated as well as the steam activated? It's my understanding that chemically activated uses the powdered.

MR. HARTQUIST: Mr. Wruble is indicating it covers both steam and chemically activated powdered material.

MR. MCCLURE: Okay. All right. For right now, that takes care of my questions, but I may be back to you.

Thank you.

MR. CARPENTER: If you have any further details you would like to provide on that in your brief, such as the dumping duties that were imposed, please feel free to do so.

MR. HARTQUIST: We'd be happy to do so.

MR. CARPENTER: Thank you.

We'll turn now to Mr. Fishberg, the staff attorney.

MR. FISHBERG: David Fishberg, Office of General Counsel. I'd like to thank everyone for coming today. Your testimony has been very informative.

My first question is really just sort of a point of clarification. In the petition, your general exhibit 1 contains confidential production data on quote-unquote activated carbon. I just want to make sure that this is production data on certain activated carbon. Is that correct?

MR. LUBERDA: Yes, it is. It's just on certain activated carbon.

MR. FISHBERG: Okay. Thank you.

And this next question is pretty much for whomever can answer it. I'm wondering what is involved in vapor phase applications such as automobile emission canisters that makes it particularly useful that chemical activated carbons are used as opposed to steam activated carbons. Can you just elaborate a little bit on that?

MR. WRUBLE: This is Tim Wruble with Norit. There are a couple of different characteristics that make chemically activated carbon particularly well suited for particularly the U.S. automotive canister market. First are some physical characteristics.

Chemically activated carbon is typically available in a powder form or an extruded form. The extruded form creates a very hard particle and a very regular surface on the particle, which results in low

pressure drop across the canisters or in that industry they call it restriction, so the gas is passed through the canister with minimal restriction.

Also, the adsorptive characteristics unique to a chemically activated carbon make that particularly well suited as the regulations have evolved over the years. Particularly, the carbons are capable of adsorbing very high amounts of gasoline vapors, more so than steam activated carbons, and those carbons also desorb those gasoline molecules because of a more open pore structure and the higher percentage of what we call transport pores, which are the larger pores. So when you reheat or you pass hot gas across those automotive canisters when you are driving down the road, the carbon is able to desorb and hold on to less of the gasoline than a steam activated carbon would be able to.

MR. FISHBERG: And do steam activated carbon producers not even bid on these contracts?

MR. WRUBLE: I can't answer for other participants in the industry. I do know that the automotive canister manufacturers serving the U.S. market and the U.S. automobile platform manufacturers, car manufacturers, have done extensive testing and have deemed steam activated carbon unsuitable to meet

regulations in the U.S.

MR. FISHBERG: Mr. O'Brien, is that --

MR. O'BRIEN: I would agree with that. We were an original participant in the automotive market in the '70s with steam activated carbon and then the chemical activated carbon basically came in and displaced all the steam activated carbons that had been used, so we've been basically out of that business in the U.S. for 20 years or more.

MR. FISHBERG: So then, I guess, am I correct that chemically activated carbon can be substituted for steam activated carbon, but it doesn't happen very often because of price, but steam activated carbon really can't be substituted for chemically activated carbon?

MR. O'BRIEN: I think basically it's being able to take advantage of the particular characteristics of the carbon. As Tim mentioned, the pore structure and the tightness with which the chemically activated carbon adsorbs inorganics make it particularly suited to applications like the automotive where you want the carbon to adsorb gasoline vapors basically so they don't escape from the car into the atmosphere, but you also want them to desorb so as you pass the hot gas over them it will go

back into the engine and actually be consumed. And so there are certain characteristics of wood-based or chemically activated that give it a beneficial effect in certain markets that differentiates it from steam activated.

MR. FISHBERG: In your March 27th letter to the commission, Petitioners acknowledged that the January 26th petition had a different scope and Mr. Hartquist touched on this a bit in the opening. You stated that in developing arguments that reactivated carbon should not be included in the scope, "it became clear that chemically activated carbons are also properly a separate like product from steam activated carbons."

Again, I know Mr. Hartquist touched on this, but if you could just elaborate a little more on specifically what you learned since January when you filed the initial petition that caused you to reach this conclusion.

MR. HARTQUIST: I'll be happy to start with that and Alan probably would like to comment on it also.

First, I'd like to talk about our discussions with MeadWestvaco as we prepared this case because I was involved in a number of those

discussions personally.

We knew at the outset that we had decisions to make about the description of the product, like product, the characteristics of this market, the production characteristics of the various types of activated carbon. And, of course, we had lots of information from Calgon and Norit about this, but our attempts to discuss these issues with MeadWestvaco were pretty much unavailing.

I had several relatively brief conversations with senior officials from the company and I said, look, we're preparing a case and it would be helpful for us to know and I think for you, MeadWestvaco, also, to participate in these discussions and cooperate with us so that we get it right when we file this petition.

And I said if we don't get it right, we may have to withdraw the case because you, like other domestic producers, are going to have to file questionnaire responses, inquiries, et cetera, and so we are going to learn a lot during the initiation process that we'd like to know before we file the case. So we urged their cooperation.

I even suggested that we prepare a confidentiality agreement to be executed counsel to

counsel and indicated I would be pleased to talk with their internal counsel about the case, as well as their external trade counsel.

I called their internal counsel and left a message saying here's what we're looking at, we'd like to talk with you and educate ourselves about your view of where you stand in this industry. That call was never returned.

So we knew when we filed the petition that we were flying blind to a certain extent because our requests of Mead to provide information to us on a confidential basis about their view of the market, their customers, their production processes, whether they see or anticipate competition from the Chinese and therefore should be included in the scope of the case, essentially they didn't respond, so we had to make certain judgments and, to a certain extent -- and we made the best judgments we could at that time, but to a certain extent we knew that we were flying blind and that we would be educated by what we learned during the initiation process.

So we filed the petition and we learned some things that we didn't know, couldn't have know, before we filed the petition. As a result of that, that caused us to reconsider the way we structured this

case and to come to the conclusion that we should withdraw the petition and essentially restructure the case based upon information that we did not previously have access to.

So that's what happened. We refiled the petition and we now believe that we have it right, if you will, in the way that we have defined this case.

MR. FISHBERG: I'm wondering specifically what information was that, if you can talk publicly about it.

MR. HARTQUIST: I can't talk publicly about it because it's based upon confidential information that was submitted to the commission, but certainly we'd be pleased to discuss that in the brief on a confidential basis.

MR. LUBERDA: I'd like to add just a couple of points to Skip's comments. Firstly, when we filed the original petition, because we had concerns about circumvention, we knew that there wasn't much in the way of chemically activated carbons coming into the United States from China. We knew that our guys didn't compete with chemically activated carbon from China and not much with Mead as well, but it's difficult to look at two bits of carbon coming across the border and tell whether they're chemically

activated or steam activated. It's not impossible, but it was difficult. So we were concerned about circumvention in defining it just as steam activated carbon, but in creating a scope that contained both and proposing a single like product in the original investigation, we weren't at all certain that the commission was going to accept that definition.

The more that we got into looking at the differences, and particularly as we were asked by the Commerce Department to justify our decision that reactivated carbon should be outside using the commission's six-factor test, we became much less confident that would work. But, for us, it wouldn't have mattered. We took the 30,000 foot view, knowing that the commission would agree or disagree with that, and if they found two like products they would separate chemically activated but we hadn't alleged lost sales of chemically activated, we hadn't given dumping margins on chemically activated. Essentially, the case for the like product on chemically activated would have ended right there and we'd be where we are today.

So in some ways, we were being over inclusive in order to prevent what was perceived as a circumvention problem down the road, but when we get

into the nitty gritty on the differences in production processes that were a significant part of our case as to why reactivated carbon should be out, we had those same sorts of significant production process differences for chemically activated. When we looked at the separations in the markets, we saw the same thing. We saw differences in physical characteristics that drove decisions, differences in prices. We're seeing all the same thing.

In order to be consistent, we look at it and we say, you know, as we go through the initiation process, as we further discuss with our clients what the relevant facts are, we see that these two things are really separate markets. So, as Mr. Hartquist said in his initial comments, we had a choice. We could go forward and have what I described a few minutes ago happen where it got split out at the commission or we could withdraw it, refocus it, and focus on the products that were causing injury to the steam activated carbon industry, our clients, and that's what we did. We think that was the simplest thing. It was certainly not an attempt to game the system.

I think it was the honest reaction to what we saw as the record developed.

MR. FISHBERG: Thank you.

In your post-conference briefs, I'm sure you will have a discussion about this issue.

I'm also wondering, there's been some discussion about blending steam and chemically activated carbons. Are any of you aware of any company that blends steam and chemically activated carbons?

MR. O'BRIEN: No, we're not aware. Calgon is not aware of anyone that is doing that. I think that was added, again, mainly to look at possible ways that there would be circumvention should dumping margins be assessed.

MR. FISHBERG: Theoretically, what industry would use blended carbons?

MR. O'BRIEN: I'm not really aware -- couldn't define where that would be applicable.

MR. LUBERDA: If I could just add, one of the reasons that we put this blending issue into the scope was as a circumvention concern. It would be difficult if somebody threw 10 percent chemically activated carbon into a steam activated carbon to test for it at the border and we didn't want to get into a position where somebody said, you know, like the boron cases with steel, oh, we sprinkle a little salt and

pepper in and it's no longer just steam activated carbon, so we drew the line where it is possible to test and figure it out and that's why we did it. Again, in the initial scope, for the first case, we had this circumvention concern. We dealt with it one way so when we narrowed the scope we had to deal with it another way.

MR. FISHBERG: Thank you.

Is it your position that the five companies identified in your petition are the only cost that quote-unquote activate carbon and should therefore be included in the domestic industry?

MR. LUBERDA: Yes, those are the only ones we know about.

MR. FISHBERG: I'm wondering in terms of reactivating carbon, is there any production-related activity to this, or is it your petition that it's merely a service provided?

MR. LUBERDA: I'll let our industry people talk to what actually happens in reactivation, since they do it. Obviously, there is a process they go through. They skip what is essentially the whole first half of the activation process, the creating of the material to be activated, and they do do some processing of it, but this is essentially a reuse of

original material that's already there. It is offered as a service, as Mr. O'Brien testified, but there is, obviously, some production process. It's a different type of expertise that's involved. You have to handle the waste material, et cetera. I'll let the industry people talk in more specifics.

MR. O'BRIEN: We do offer our reactivation service as a service. Again, it's the main component of that section of our business we call service. We're offering a way for users of activated carbon to be able to destroy the contaminants that have been adsorbed on the activated carbon, so activated carbon itself is a way to trap and concentrate in many cases harmful chemicals from wastewater or water or various products, so when the carbon is exhausted or spent, you basically have a situation where the internal pores of the carbon are filled with these potentially toxic materials and so that has to be handled in some manner. It could be sent to a landfill, it could be incinerated, or in some cases, it can be reactivated economically.

So the service that we provide is to be able to take the spent carbon back from a customer, process it through our separate reactivation facilities, high temperature facilities with scrubbers and after

burners and all the appropriate pollution control equipment that can handle the various types adsorbates that come back with the carbon, reactivate it, basically clean out the adsorbed material and be able to supply that back to customers.

In our case, it's a complete service that deals with handling transportation, basically destruction of the adsorbed materials and then providing hopefully back material on an economic basis.

MR. FISHBERG: Mr. Thompson, do you agree?

MR. THOMPSON: We do the same as what Mr. O'Brien talked about and we also offer reactivated as a separate, complete, distinct product line. If you look at our website, you look at our literature, you look at our financials, reactivated is kept separate so that the two are not mixed in any way, shape or form, and it's on completely separate equipment.

MR. FISHBERG: Approximately what percentage is your reactivated carbon that sort of enters the commercial market doesn't go back to the person who activated or used the virgin activated carbon?

MR. THOMPSON: I would prefer not to answer that, but we can include it in our brief.

MR. FISHBERG: Okay. The same thing with you, as well?

MR. O'BRIEN: That would be the same thing, yes.

MR. FISHBERG: Okay. Great.

Mr. O'Brien, if you just want to comment, I know Respondents mentioned in their opening that Calgon is now one of the largest producers of activated carbon in China, would you like to comment on that at all?

MR. O'BRIEN: We are a producer of activated carbon in China. Specifically, we actually do the front part of the processing at a plant, the front and the end parts of the process, in plants that we own. So we take the coal, we grind it, we put it together with binder, we make it into briquets, we crush it and then we give it to local companies in China to bake it and activate it and then we take that product back from them at another facility we have near the port where we screen it and then test it and get it ready for shipment.

We built the plant in China to serve the Asian market. We do not believe that with production in the U.S. that we could compete in Asia with U.S. production, so we consider ourselves a worldwide

supplier. We sell product in Europe, North America, South America and Asia, so we built this facility in China to serve the Asian market and that in fact is where the product that we produce in China is going. It serves the Asian market.

MR. FISHBERG: Well, I would appreciate it if you could address any related party arguments in your post-conference brief.

MR. O'BRIEN: Yes.

MR. FISHBERG: Thank you.

Are there any product mix issues that might affect the weight placed on an AUV analysis on price effects?

MR. LUBERDA: Yes, there are. The imports include -- we think the vast majority is steam activated. We know that there's at least some chemically activated and we don't think there's any reactivated, there's no evidence that there is, at least, but what's coming in from China comes in powdered, pellets and granules, so the import data is going to contain materials of significantly different values, so it would be difficult to use AUVs other than in the most broad sense, but we think that you have collected pretty significant and valuable pricing data in the questionnaires.

MR. FISHBERG: Mr. Thompson, I'm just wondering, when you produce chemically activated carbon, were there any instances where you may have had excess capacity of chemically activated carbon where you used that to supply a municipality for a water treatment contract?

MR. THOMPSON: Yes. When we operated our facility, some of our material, if it was not up to the quality standards, some of the higher quality standards might be downgraded and used in, say, a water application, but that was a very, very small component of what we did.

MR. FISHBERG: And how would you downgrade it?

MR. THOMPSON: Well, basically, it would meet the specifications of a municipal account, but, again, we can answer that in our post-conference brief, the percentages.

MR. FISHBERG: Okay.

MR. THOMPSON: Very small.

MR. FISHBERG: Great. Are transportation costs a factor in this industry at all? Does it limit your ability to supply sort of activated carbon nationwide at all?

MR. O'BRIEN: It is a factor. Our plants in

Kentucky and Mississippi, shipments to the West Coast are fairly expensive by truck or by rail and that's where the Chinese imported carbon basically arrives, it arrives at a port and the West Coast is an area were the carbon comes in from China, so transportation does have an effect.

MR. FISHBERG: Do you agree, Mr. Thompson?

MR. THOMPSON: Yes. Absolutely.

MR. FISHBERG: In any of the calls for bids, first off, a majority of your customers are municipalities, I take it?

MR. O'BRIEN: That's one of our biggest markets, but it would not be more than 50 percent of our business. It would be less than 50 percent and I think Mr. Carpenter has asked, perhaps, for some type of breakdown, which we can provide.

MR. FISHBERG: Do calls for bids distinguish between chemically activated carbon and steam activated carbon or does it just ask for activated carbon? I'm just wondering how that works.

MR. O'BRIEN: It depends on the specifications. The majority of them in the water industry most likely ask for steam activated coal-based. That would be specific but it certainly can vary by individual site. They all would include a

set of specifications on the various parameters that would measure activated carbon performance adsorptive characteristics.

MR. THOMPSON: Yes. A lot of municipalities, the chemically activated wood for powdered applications, which is predominately the Norit focus, can allow chemically activated carbons. However, in practice, that's not done from a pricing standpoint. Price is a substantial difference in that.

MR. HARTQUIST: And I would add, Mr. Fishberg, that their customers recognize that these two companies produce steam activated material, so when they go to them, they know that's what they're going to get in response to their bid.

MR. RESTER: I'm Dennis Rester, an industry consultant currently working for Norit. I just wanted to comment on the use question you just had.

There are water applications where chemically activated carbon could not be used because of the extractable material that would come out of the carbon when you contacted with water. The dehydrating agent that's used, whether it's zinc chloride or phosphoric acid, a lot of that can be water soluble and the concentration of that is relatively high, so,

for example, an aquarium use of activated carbon doesn't want phosphate leaching out of the carbon and getting into the water, so you absolutely could not use chemically activated carbon in that type of application, for water treatment. And there are some issues along that line also in the industrial markets where you're purifying pharmaceuticals, specialty chemicals. There are situations where you wouldn't want zinc chloride, which is a toxic material, leaching out and getting into your fruit juice, for example.

MR. FISHBERG: That's probably correct. I would agree with you there.

Based on your experiences, I guess, Mr. O'Brien and Mr. Thompson, have you ever lost a contract where you had the lowest bid? Have there been any other reasons given why one would lose a contract, quality concerns, reliability concerns?

MR. THOMPSON: We have not. I think our record speaks well from our service and support and quality.

MR. O'BRIEN: I could not think of any that we would not have been awarded if we were the low bid.

MR. FISHBERG: And, finally, in your post-conference brief could you just address the

factors the commission evaluates in making a threat of material injury determination?

MR. LUBERDA: We will do so.

MR. FISHBERG: Great. Thank you very much.

MR. CARPENTER: Mr. Trost, the economist?

MR. TROST: Steve Trost, Office of Economics.

I just have a few questions. First, I want to follow up on something that Mr. Fishberg just asked.

Have either of you, Mr. O'Brien, or, you, Mr. Thompson, ever won a board because of service or other factors other than price? In other words, is there any advantage that the domestic industry may have over imported involving service, quality issues, things like that?

MR. O'BRIEN: Well, usually the specifications are written based on what the customer wants and so people are bidding to supply the carbon and services that have been written into the specification, so when we compete -- and our products are granular, for example, in the municipal area, we may be willing to provide certain services, but our competition that bids also is willing to provide those services. There is no shortage of bidders willing to

submit bids on municipal applications.

MR. TROST: And you agree, Mr. Thompson?

MR. THOMPSON: Yes, I agree with Mr. O'Brien.

MR. TROST: All right. My next questions are all focused on municipal water treatment facilities, which you have said is one of your largest customers and it's interesting because a lot of them actually have to accept the lowest bid, they have no choice, at least from my understanding.

Of these municipal facilities, what percentage would you say are carbon only, in other words, you provide no service, and what percentage do you actually go in, remove the old carbon, clean out machinery and put new carbon in? What's the split between carbon only and service sales? Or you can provide that in your post-hearing brief.

MR. O'BRIEN: Yes. We would have to look that up and provide that to you later.

MR. TROST: Okay. Fair enough. And also following up on that, looking not just at municipalities but all customers, I'd be interested to find out what percentage of sales overall involves services and what percentage are carbon only, so in your post-hearing briefs, just address that in

general, if you could.

My other question involving municipalities is kind of a general one. I'd kind of like to be walked through the bidding process. My understanding is that municipalities will release a contract for bid, several companies bid on it and there's also a pre-qualification process involved where the product from each bidder has to be prequalified.

Can you briefly discuss the process and, specifically, the pre-qualification process involved in the municipal bids?

MR. WRUBLE: I'm Tim Wruble with Norit. In my experience, there's no one set process. There is sort of a range of processes, although there are several common things that they typically do. One is municipalities will typically have an AWWA, American Waterworks Association, specification, most likely an NSF specification, and then they may have their own specifications based on their experience or previous testing or something like that. So when we receive a bid, there is typically a set of specifications that come along with that.

Then we submit the price on the bid, usually there is a bond which is required, and oftentimes we submit samples with the bid. Not in all cases, but it

happens fairly often that they request a sample, so we submit a sample along with the bid.

Then in many cases where a sample is submitted, not all, but in many cases where a sample is submitted, they will do an evaluation of that sample and use that performance in sort of a bench scale test that they do in a laboratory at their facility and use that along with the price that's submitted to come up with a performance factor. It's called different things, but some sort of weighted factor based on the performance of the sample. Again, it's not universal. Some municipalities will do it some years and then not again for several more years. And then ultimately they will award the bid based on price and/or that performance factor.

MR. TROST: Okay. A follow-up on that, then. To your knowledge or to anyone's knowledge here, has imported activated carbon from China been as successful in, one, passing these pre-qualifications and, two, has the product tested as well as domestically produced activated carbon or is there a difference there that might impact the price?

MR. THOMPSON: There's no one set criteria that you can blanket all the municipalities, so we're talking generalities. For the most part, it comes

down to price. If you meet the minimum specifications which are set by the municipality, then typically it comes down to price. Some of the more advanced water users may do the testing Tim was talking to, but those are a small fraction. If you like, we can follow that up with a lot more detail in the brief.

MR. TROST: That would be great.

Do you have anything to add, Mr. O'Brien?

MR. O'BRIEN: I think our experience would be very similar to what Ron mentioned. The specifications come out and there are specifications for adsorption capacity and the like and if you can submit a carbon that meets those specifications, then the municipality chooses it based on price.

MR. TROST: And, finally, and this is something you can also put in your post-hearing brief, it touches on something I mentioned before. For the consumers who consume services, not just delivery of the carbon, if you could discuss -- I think Mr. Yost might follow up on this -- discuss what percentage of the order is based on service and what is based on the product itself and whether there can be instances where the product might be more expensive but your services might be cheaper. Basically, what I'm looking for is things other than price that might

impact the final sale of the product. So if you could follow up on that.

MR. HARTQUIST: Did you say what percentage of the order would be based upon something other than price?

MR. TROST: Right. So if you have a $100 order, is $90 of it based on carbon and $10 based on services, something like that.

MR. HARTQUIST: Can we estimate that?

MR. GILMORE: Jim Gilmore with Calgon. It's going to be hard for us to get to a general number on that. What you will find is one customer in a particular market may be 90/10, the other customer may be 50/50, the other guy may be 100 percent one and it's going to be -- I don't know. We can try to generate that data, but I'm not sure how meaningful it can be. I guess what we should do is probably generate the data and then try to give some discussion around what we think the meaning of it is.

MR. TROST: Okay. So following up on that, then, the pricing data that we were provided with, is that only on the carbon only sales or is that on carbon from service sales as well?

MR. GILMORE: We have tried to strip out the services from the data that was provided.

MR. TROST: So you stripped out all the service sales or you stripped out just the services is what I'm trying figure out? Have you just dropped those customers completely or have you tried to estimate the cost of carbon for those customers?

MR. O'BRIEN: We've taken out the service sales component.

MR. TROST: Okay. All right. That clarifies it.

MR. HARTQUIST: So just to be clear, what we would be giving you, then, would be situations where the sale involves both the sale of the carbon and separately probably the sale of services and you would be asking us to estimate whether the winning bid is based upon the price of the carbon versus the provision of the services?

MR. TROST: I know that's difficult to do because it's based on the overall price. At a minimum, I'd like to figure out what percentage of your sales are this type of sale, so we know the coverage of the pricing data that we have, basically. All right?

MR. RESTER: If I may make a quick comment to help clarify?

MR. TROST: Yes.

MR. RESTER: Powdered carbon sales to municipalities frequently most of the time do not involve any kind of service. It's the granular sales to municipalities that can involve and frequently do involve some type of change out service associated with it, but powdered carbon, for example, may be shipped in bulk to a municipality, the truck driver will transfer it from the trailer into a silo at the municipality and they will have feed equipment and operators that will feed it into their water treatment system, so there's no service part of the bid for powdered carbon.

MR. TROST: Okay. Thank you.

MR. O'BRIEN: If I can make one more comment?

MR. TROST: Yes.

MR. TROST: In the granular area where there may be change out services, we would hire local labor to basically do a lot of the work, as would anyone else that we would be competing against, so there's not really a big cost differential as to whoever is providing the services because you are getting local labor to do it.

MR. O'BRIEN: Okay. Thanks. I think that's all I have, unless anyone else has a comment on this.

All right. Thank you very much.

MR. CARPENTER: If I could make one suggestion, I don't know whether this would simplify it or make it more difficult, but possibly you could look at maybe for each company the top ten sales that involve both the activated carbon element and then the supplemental services that are offered and detail the costs associated with the carbon and the costs associated with the other sales. Does that get at what you were seeking?

MR. TROST: Yes. Just some examples of what we're talking about would be very useful, just to get an idea of the scale of this issue.

MR. CARPENTER: I don't know that perhaps there could be hundreds of sales and I'm just trying to limit the amount of analysis that you have to do.

MR. TROST: Thank you.

MR. CARPENTER: Thank you.

We'll turn next to Mr. Yost, the staff auditor.

MR. YOST: Good morning. Thank you very much for coming. Charles Yost, the Office of Investigations.

I am also somewhat concerned about how sales might have been bundled with services and capital

equipment in terms of the financials and I would ask you to look very carefully at the P&L statements that you provided in the questionnaire responses for certain activated carbon, that would be III-9, to make sure that services and capital equipment were not included in either the sales numbers or perhaps sales commissions were not included in SG&A or freight out was not included in wherever it is that you might be including it for the services and/or the capital equipment portion.

MR. HARTQUIST: We will do so.

MR. YOST: Okay. Thank you very much.

I would like to ask in your post-conference brief that you provide a list of the capital projects that you've undertaken. I believe there was fairly extensive testimony this morning that you had made fairly extensive capital improvements to increase both the efficiency and the modernization of plants, so a listing of those and the nature or, rather, the focus of the investment might be very useful.

MR. HARTQUIST: We will do so.

MR. YOST: Thank you.

I'd like to follow up on a question that was asked previously about capacity utilization and that is the question of when does plant maintenance occur?

Is it more frequently of late, is it less frequently? What sort of number should we be seeing in terms of how many days per year or hours per week? You take a plant down for maintenance.

MR. O'BRIEN: We can provide that information to you in the brief. We basically try to our plants for a very long period of time without any down time and then take what we call a turnaround and be down for about a two to three-week period where we do all the major maintenance and then we start back up again. So we try to schedule major maintenance on the line in these turnaround periods.

The equipment is very high temperature equipment, so to cool it down and then reheat it is a process that takes about three and a half days on each end in order not to harm the refractory and the brick work, so when we take a line down for scheduled maintenance, again, something we schedule a long time in advance, we try to do everything possible during that time period.

MR. YOST: Do you take lines down in turn, for example, so that you don't have the entire plant down at one time?

MR. O'BRIEN: Yes. They're scheduled to obviously try to coincide with demand and certainly

not coincide with having them down at the same time.

MR. YOST: I see Mr. Thompson shaking his head.

I assume your experience is similar at both of your plants?

MR. THOMPSON: Absolutely. Within our steam activation, obviously, steam is a large component, so it's very difficult to take a whole plant down because then you lose all steam generation capabilities, so you always try to maintain a portion of the plant running to keep it hot.

MR. YOST: You both use steam activation. Do you sell any of the steam, generate revenues from cogeneration?

MR. THOMPSON: I would prefer to answer that in our brief.

MR. YOST: Okay.

MR. THOMPSON: Because I'm not sure if everybody knows what we're doing or not.

MR. YOST: I understand.

And, Mr. O'Brien, I assume the same for you?

MR. O'BRIEN: We'll do it the same way. Yes.

MR. YOST: Okay. Are there any byproduct issues here from your production process? Do you

generate fines that can be sold to third parties? Again, if that's a proprietary issue, please feel to address that post-conference.

MR. O'BRIEN: We're basically a granular carbon manufacturer. We do in our process generate a certain number of fines, as you've indicated, and those we pulverize and sell as powdered carbon, but by and large our powdered carbon sales are coming as a result of our process and not necessarily something we're intending to mae.

MR. YOST: Does it cost more to produce the granular as opposed to the powdered carbon? Starting with raw materia and going through your plant, is the cost going in more? Is the cost going out more to produce the granular product compared to the powder?

MR. THOMPSON: If you look at the way we produce carbons, and I believe Mr. O'Brien will confirm the same, is that we're actually producing granular carbons in our process and then what you're doing is subsequently grinding and milling that to get to a specification on the powder. So if we look at the processing steps, there's actually more processing in creating that powder.

MR. YOST: So the overall production cost for a powdered product should be higher because you've

got a certain amount of additional steps?

Would you agree with that, Mr. O'Brien?

MR. O'BRIEN: Well, again, for us, we are trying to make granular product and so when we end up with powdered, it's the result of screening losses or fines that are generated as we're moving the material around, so we account for the cost in a given manner, but I'm not sure that we would say it costs us more to make the powdered carbon because we're not intentionally trying to make it, it just sort of comes as part of our production. It's a byproduct or co-product, but we're not setting out to make it.

MR. YOST: Okay. Is there a product mix difference here that might obviate a comparison of the average unit values between your two companies? If you want to answer that post-conference, that would be fine.

MR. O'BRIEN: I would think that there's not much of a difference in the types of products that we make in our production facilities.

MR. HARTQUIST: We'll answer that in the post-conference.

MR. YOST: Okay. Thank you.

What determines the level of inventories?

MR. THOMPSON: You know, obviously, it's

production and sales, but we set a target inventory level for some of our service with accounts because customers can't always predict their usage. So, for example, some of our customers in water treatment will change out their filters once they detect that they're starting to get a breakthrough of contaminant. We may not know when that's going to occur, so we maintain inventory so we can immediately respond to their needs. So we have target inventories, we produce to that level. As we're selling, we're always trying to evaluate our production scheduling to maintain that inventory level.

MR. YOST: Is that the same experience for you, Mr. O'Brien?

MR. O'BRIEN: Yes. We try to predict what products we're going to need when and then push that back into our production schedule and then daily, weekly, going through analyses of when we need to make products and how much has to be in inventory. So we're looking at predicting customer needs along with hopefully the most efficient way to operate the facilities so that we're not changing products every hour, trying to operate and make one product for a reasonable length of time and that's how we get our best efficiency and so we have to put all that

together in order to try and determine what the best inventory position is for us.

MR. YOST: Okay. Just as a follow-up, post-conference, would you please detail your target inventory numbers and indicate what the indicator is that you use and how close you are to achieving that during the period of investigation?

MR. O'BRIEN: We'll do that.

MR. YOST: I have one further question that because of its business proprietary nature I will ask separately.

Thank you very much. That finished my questions.

MR. CARPENTER: Mr. Stone, the commission's industry expert?

MR. STONE: Hello. I'm Philip Stone. I'm the industry analyst for this case.

My first question is probably for Mr. Wruble of Nordit.

What's the common packaging for powder activated carbon?

MR. WRUBLE: It's typically packaged in bulk trailer, bulk pneumatic trailer, occasionally in rail cars, commonly in bulk bags, 900 to 100 pounds, maybe a little bit less, and also commonly packaged in 30 to

50-pound bags. So all of those are very common, bulk rail car less so, but I can't answer which one of those is the most common.

MR. STONE: A similar question to Mr. O'Brien for the granular activated carbon. What's the common packaging?

MR. O'BRIEN: I think it would be similar. We deliver in bulk. We also use basically 1000-pound super sacks and in bags. And occasionally drums also.

MR. STONE: This is a more technical question, probably for Mr. O'Brien or Mr. Wruble again, but you mentioned in comparing the chemically activated carbon for use in the gasoline vapor canister that the pore size distribution is one of the major factors for why that chemically activated is used.

If you can explain it simply, why can't you adjust your process for steam activated carbon to get a similar pore size distribution?

MR. RESTER: This is Dennis Rester. I'll take a shot at that. I think there are a number of activated carbon manufacturers that would love to know how to do that. I don't have an answer. There are things you can do in the chemical activation process to alter the distribution of pore sizes that tailors

that product and makes it very good at adsorbing gasoline vapor and it is much better at doing that than the common steam activated carbons. If there was a steam activated carbon manufacturer that learns how to do that, it would certainly make some changes in the marketplace.

MR. STONE: Is that an active area of research or is there anything that's just on the horizon that you are aware of?

MR. RESTER: Not that I'm aware of.

MR. STONE: That's all I have.

Thank you.

MR. CARPENTER: That concludes the staff's questions.

I want to thank the panel again very much for your testimony today and for your answers to all of our many questions.

At this point, we'll take about a 10-minute break and at that point the Respondents' panel will come forward and begin their presentation.

Thank you.

(Whereupon, a short recess was taken.)

MR. CARPENTER: If everyone could take a seat, we'll resume the staff conference at this time.

Thank you.

Please proceed, Mr. Vander Schaaf, whenever you're ready.

MR. VANDER SCHAAF: Thank you. My name is Lyle Vander Schaaf from the law firm Bryan Cave. I'm accompanied this morning by Joe Heckendorn, who is up at the table, and also my colleague, Corey Norton, at the front table and Felipe Berer from Bryan Cave as well.

We have a pretty good panel of witnesses who I think are very knowledgeable about the market and industry in the United States. Our first witness is going to be J. Louis Kovach, who is the president of Nucon International, and he is also accompanied at the table by Joe Enneking, who is at a microphone in the back of the room, who is the vice president of Nucon International.

Dave Jordan will follow him. He's the Director of Product Services from U.S. Filter Environmental Services and he is also accompanied by his colleague, Doug Gillen, who is Director of Environmental Products with the same company.

Then Sid Nelson, the president of Sorbent Technologies, will testify and Anders Skeini, who is president of Jacobi Carbons, will follow him. He is also accompanied by Karl Krause, who is sitting to my

right, who is Business Manager for the same company, Jacobi Carbons.

Finally, Steven Clark, the president of WaterTech. He is a purchaser of activated carbon.

Just to give you the lay of the land, WaterTech is a purchaser of activated carbon, U.S. Filter is a purchaser of activated carbon and a number of the people who will be speaking are importers and also purchasers of activated carbon, importing both Chinese material and purchasing domestic product.

With that, I will turn first to J. Louis Kovach.

MR. KOVACH: I still snuck in so I can start by saying good morning by maybe a minute.

I've been in the carbon business for 47 years. I was Director of Research at Barnaby Chainie Company which is currently owned by Calgon. After that I served as Vice President and Director of Research and Development for North American Carbon which is now owned by MeadWestvaco, and while there developed the pelleted phosphoric acid based carbon which is the product discussed in relation to automotive market in the earlier testimony.

So I'm familiar with the domestic industry

and I'm president of Nucon International since 1972. I'm currently also a lecturer at Harvard University School of Public Health and have been consultant to the Department of Energy on liquid purification for the last 20 years.

Activated carbon is not a commodity. When I say activated carbon I am referring to both steam and chemically activated carbon as well as reactivated carbon. The reason for this is because basically carbon and the absorption process on the carbon is used to separate molecules. Those molecules separated from either air molecules or water molecules, haven't the foggiest idea whether it is a coal carbon, a wood carbon, a chemically activated carbon, a steam activated carbon or a reactivated carbon. All they see is the surface of that carbon.

These are all part of the same domestic like product used interchangeably where the grade and type of the carbon are similar. Later in my testimony I will discuss in detail why it is that reactivated and steam and chemically activated carbon should be treated as one like product.

While the Petitioners' first submittal was also a flawed argument, that all activated carbon forms and types are domestically produced by them and

all types are dumped by the PRC to the U.S. market, the current argument while in contradiction with the previous one claims dumping on certain activated carbons, but if all steam activated carbons are included the punitive duties would be applied to a much broader range of carbons than for which examples of perceived dumping are given.

As an example, the Petitioners do not make pelleted carbon by the process that they describe, all the cross granular products and even one of their witnesses stated that the advantage in one application was that the product was in a pelleted form. But that product is imported from China only including by the Petitioner.

That activated carbon types are highly variable is not a recent discovery. See as an example, C.L. Mantell Absorption Book published by McGraw Hill in '51. Quote, "No one type of carbon can be universally used or is effective for all purposes." That there is a major difference between activated carbon suitable for gas phase and those for liquid phase applications is well known by both producers and users but the Petitioners do not make even this gross differentiation in their documentation.

Even within the gas phase or the liquid

phase applications of the type of carbon utilized, it's very important and random substitution can be made only at great financial expense.

Cheaper carbons can only be used in significantly increased quantities. As an example, in many applications, the containers in which the carbon is used are fixed piece of equipment. They are in vessels, containers, in which I use a certain type of carbon and if I go to a cheaper grade carbon that I need a larger quantity, I need to build additional equipment, and there is a significant expense.

This fact is also well known in Mattson and Mark and "Activated Carbon, Marcell Decker, 1971 states for liquid based applications that, "In the past many users of activated carbons were able to get along with almost any grade of material and price was the only consideration. However, the current trend is to what unit operations which tend to utilize the entire absorptive capacity of the carbon which puts a high premium on quality, reproducibility and absorption capacity." And, "Finally it would seem that the producers of activated carbons would begin to do additional research into the why's and whereof's of their products. It would be certain that they are not ready for the special demands to be placed on

activated carbons in the proposed physical chemical wastewater treatment plants."

The extant literature covering activated carbon is awash with data showing different application behavior of the different activated carbon grades. Several examples are given in a graphic form.

If you look at some of these grades in their behavior of absorption capacity in the figures you can see there are big differences whether they are physically steam activated or chemically activated, and the difference between steam activated carbons in some cases is bigger than that between steam activated and chemically activated carbon.

Again, looking at it from the application, from the process standpoint. There are big differences between activated carbons, whether they are steam activated or they are chemically activated.

Additionally, the Petitioners' commercial literature widely claims that the particular grade is designed for a specific application. Thus it is unrealistic to claim that low grade carbons compete with higher grades of carbon just because they are made from carbonaceous materials.

This is analogous to claiming that low grade metals are competitive with high grade metals because

they are made by similar manufacturing steps such as mining or reduction and melting. Some, but by no means all of the activated carbons that Nucon imports from the PRC are also imported by the Petitioners from the PRC and are marketed as their grades in the U.S.. However, some of the products Nucon imports were not and are not manufactured or to Nucon's knowledge remarketed by the Petitioners, but are covered in their petition for unexplained injuries.

Imports of these products cannot cause injury to the domestic industry because they are not produced or sold by any domestic producers.

Nucon International Inc. is not in the activated carbon retailing business. Almost exclusively the imported products are further processed for intended end use or are sold as part of Nucon equipment. A large percentage of the products produced from activated carbon types imported from China is further processed and is re-exported to other countries including the PRC.

Nucon also imports from countries other than the PRC based on the requirements of the specific grade application. Importantly, the majority of the carbon that Nucon imports cannot be obtained domestically.

While it is interesting to me, although the Petitioners make the argument that all steam activated carbon is the same, they attempt to create a fictional distinction between chemically activated carbon and steam activated carbon and between activated carbon and reactivated carbon. In industry there is simply no such division between the products from an application standpoint.

Furthermore, the Petitioners have submitted technically incorrect data. For instance,the Petitioners argue vehemently that the production of reactivated carbon is dissimilar to the production of activated carbon because it doesn't include an activation step. This is simply false.

It is well known that the activation step is a very important step in the reactivation process. That this is well known to the Petitioners also is best demonstrated by a quote from page 220, Chapter 6 of the Carbon Absorption Handbook written by two technical contributors, Mr. Zanich and Stancil from the Calgon Corporation. I have included the full text of this quotation at Exhibit 1 of my handout. These two Calgon Corporation engineers describe the reactivation process steps, and I quote.

"The dewatered but wet carbon enters the

furnace where the remaining moisture is evaporated. Drying step. This is followed by the destructive distillation of the absorbed organics which result in the process of a portion of the carbon from the organic materials, the baking step. The carbon is then heated to the activation temperature, and if organic chad is selectively destroyed, resulting in recovery of carbon activity. Activation step. During drying step of course a temperature of 100° C. The baking step occurs at about 650 to 700° degrees C. And the activation occurs at 870 to 1000° degrees C. Steam is added to the furnace and the kiln and the oxygen content is controlled to promote gassification of the fixed carbon."

Obviously the process has the same steps as the original activation process and even according to the technical personnel of the Calgon Corporation includes steam activation.

Furthermore, equipment used to activate and to reactivate carbon is nearly identical. The major difference is the residence time in the furnaces or kilns for reactivation being approximately one-half of that of the activation process.

Now it is true that when you reactivate you also lose some of the original carbon volume and

weight. This is typically made up by new activated carbon. Thus blending is almost always practiced when you reactivate carbon.

The Petitioners also claim that the steam activated carbon is uniquely different from chemically activated carbon. In fact, there are as large differences between various grades of steam activated carbons as there is between steam and chemically activated carbons. The example was shown earlier in the slides.

Most steam and chemically activated carbons have similar and greatly different properties depending on the chemicals used to oxidize the carbon. Whether the chemical is steam, carbon dioxide, air, or as an example, phosphoric acid. The Petitioners point out as an example of the automotive use of the Westvaco phosphoric acid activity, pelleted carbon, as being a different and unique product segment. However, this product segment was covered entirely by Calgon grade BPX, steam activated coal carbon, and finally it was replaced by Westvaco because it was more economical, less expensive to use the Westvaco product, chemically activated product, in the Calgon produced BPX.

The literature is technically and fully

substantiable for the MeadWestvaco carbon and vice versa.

It is true as discussed in the beginning of the comments that there are a large variety of activated carbons and within even steam activated category, but such differences are impacted only to a limited extent by particular methods of activation.

As an example, many large solvent recovery systems in the U.S. use either steam activated wood carbon, steam activated coal carbon, and chemically activated wood carbon interchangeably in their process. Generally, it is the cost in the particular application that determines which is being selected.

Finally, Nucon in its business activity, including exports, would be hurt by the application of penalty duties for all activated carbon regardless of their domestic availability. At worst, Nucon would cease producing the end products for specific types of activated carbons that are imported from the PRC, or reallocate its manufacturing facility for those products to a non-U.S. location.

The end products manufactured by Nucon are significant value-added products and while relatively small volume do currently contribute to U.S. exports at a much higher volume than that of the import volume

of one of the raw materials, activated carbon imported from the PRC.

Again, I would like to restate that the description of certain activated carbons include many grades of carbons that are not manufactured domestically by the Petitioners such as coconut carbons, pelleted coal, steam activated carbons, and several other grades.

Thank you.

MR. VANDER SCHAAF: Thank you. We'll now hear from David Jordan who is the Director of Product Services at U.S. Filter Environmental Services, a purchaser of activated carbon.

MR. JORDAN: Good afternoon. My name is David Jordan and I'm the Director of Product Services for U.S. Filter. U.S. Filter is a member of the Siemens family of companies and our businesses are focused on providing water treatment systems and services for municipal, institutional and industrial customers in the U.S. and worldwide.

U.S. Filter is a purchaser of activated Chinese carbon and we are a purchaser of domestically produced carbon as well.

U.S. Filter is also a leading carbon reactivator. I've worked with U.S. Filter for over

eight years. Prior to joining U.S. Filter I worked for 22 years with numerous varieties of activated carbon, both domestic and imported as a sales person and engineer for Calgon Carbon.

I currently also serve on the American Waterworks Committee for Granular Activated Carbon, and I'm on the Board of Directors for the International Activated Carbon Manufacturers Association in which I am also treasurer.

U.S. Filter serves a wide variety of customers in different industries and our water treatment systems use numerous types of activated carbon to meet the needs of diverse end users.

There are many industries in the United States that use activated carbon products. As Mr. Kovach already stated, carbons with different source materials, production methods, force structures and other characteristics are suitable for different applications in the activated carbon market. There are scores of characteristic combinations that are appropriate for different end users.

For example, the Calgon Carbon brochure lists 54 different activated carbon products that are suitable for 19 distinct applications. This brochure is the first attachment of my handout.

As another function that I provide at U.S. Filter, I'm also the training coordinator for the U.S. Filter sales team. And one of the things I always emphasize to the sales people is the importance of applying the right product to the right application.

Activated carbons are made from bituminous coal, for example. They have a wide variety of distribution and pore sizes. The distribution makes bituminous carbons well suited for water treatment applications due to the absorption rates for removal of a variety of contaminants such as taste and odor causing compounds, pesticides, and others.

The removal of these contaminants in drinking water is mandated by the Environmental Protection Agency. In contrast, industries that use carbons for vapor phase applications such as filters used in tank vents, frequently purchase coconut shell or anthracite based carbons because they have a greater internal force structure that is made up of the smaller pores for absorbing molecules in the vapor phase.

The smaller pores of higher absorption capacity for these volatile organics that can present in vapor streams. Wood based activated carbons are more macro porous, they have larger pores than the

coal based carbons which makes them efficient, absorbent, for the use in water decolorization and in the gasoline recovery applications that have been previously spoken about.

Whether or not a particular carbon is suitable for a specific application is determined by the match between its physical and absorptive properties and the requirements for the specific application.

In addition to these properties, the size and shape of the activated carbon affects the possible end uses of the carbon. For example, pelletized activated carbons are widely used in vapor phase applications including filters for fugitive emissions such as those seen from petroleum refineries. Granular activated carbon is widely used in water treatment because of its filtration abilities and also its organic removal properties. Municipalities and other industries also often prefer granulated activated carbon because it is easily reactivated.

Powdered carbons are generally less expensive and lend themselves to one-time use. Powdered activated carbon may be beneficially used to treat taste and other excursions which occur in water treatment plans on a seasonal basis.

The diverse applications to purify the air we breathe, the water we drink, and the water we discharge determine which types of activated carbon products the end user will consider purchasing.

End users can also decide whether to purchase a virgin or reactivated carbon. U.S. Filter sells both reactivated carbon and customers that oftentimes can either use virgin or reactivated carbon interchangeably will often use reactivated carbon or reactivated carbon mix with purging carbon for their application.

Municipalities also reactivate their own activated carbon or have it custom reactivated by a third party. Calgon Carbon and Norit's petition ignores the market reality that end users evaluate many factors to determine which activated carbon product is appropriate for their use. It is odd that Calgon and Norit would do so since their own product brochures emphasize that it is very important to select the right activated carbon product for a particular application.

In addition to the Calgon Carbon brochure I mentioned earlier, the second attachment to my handout is a Norit publication that describes the market for activated carbon. Norit says the market consists of

over 150 different activated carbon products and Norit confirms that only certain activated carbons are appropriate for certain applications.

Further, they instruct customers that even though different types of activated carbon may look alike, they have different pore structures and absorbency. Norit even advises their customers that they have developed an involved process to assist the customer to figure out which activated carbon is right for its particular application.

The point Norit is making is that the only carbons that are competitive for a particular end use are those with characteristics that satisfy the needs of the end user.

Due to the fact that only certain carbons work for particular end users and other factors that I'll describe, activated carbons from China do not compete in many U.S. market segments for activated carbon. For example, there are a number of specifications required by end users in different industries that Chinese carbon either cannot satisfy or that Chinese carbons just be specially processed and sold at a higher price than the domestic carbons. In the municipal sector drinking water purification processes often require activated carbons with a

maximum of eight percent total ash. Most Chinese activated carbons have a 12 percent or higher ash content. Most Chinese carbons must be acid washed to get down to the eight percent ash content, however to do so raises the carbon's cost by approximately 30 to 40 percent.

There are also several applications in which Chinese carbons cannot and in fact do not perform as well as the domestically produced carbons. The third attachment in my handout is a chart showing these applications and an estimated volume of domestic activated carbon they use in a typical year. The technical reasons why Chinese carbon is excluded from these applications are discussed by Calgon's own technical expert.

For example, the fourth attachment in my handout is an excerpt from Calgon's 2004 Annual Report which describes a performance test conducted by the Greater Cincinnati Water Works Association. This municipality supplies 50 million gallons of water per day and is the single largest municipal activated carbon purchaser. Cincinnati purchases roughly 1.2 million pounds annually as virgin makeup for their installed reactivated carbon and has more than five million pounds of carbon in its plant at any point.

The independent study concluded that, and I quote, "Calgon Carbon's product achieved the best and most cost effective performance in removing organic compounds. In spite of Calgon's superior performance in this test, their bid was still below the lowest cost of other competitive bidders."

Calgon's technical experts further discussed the application of Chinese carbon in the municipal market in articles you will find as Attachments 5 and 6 in my handout.

In our direct experience, we have purchased domestically produced carbons that could offer a particular performance attribute and applied them to niche markets in the petroleum industry. You should be aware that we do not make our activated carbon purchasing decisions on price alone. Price is not the most important factor.

Other than performance issues, U.S. Filter often cannot compete using Chinese activated carbon for many municipal contracts because our experience has shown that Calgon Carbon has underbid us. U.S. Filter has no municipal accounts in the south and southeastern U.S. due to Calgon Carbon's pricing for their carbon products.

Calgon Carbon sells its activated carbon at

a price municipality where suppliers of the Chinese carbon are not competitive. This occurs elsewhere in the U.S. as well. For example, a contract awarded to the Suffolk County Water Authority in New York State demonstrate that the Chinese imports do not affect the price of domestically produced activated carbon. You will find the bid results as Attachment 7 in my handout which show that the FCWA requested bids for two zones, one that permitted foreign source activated carbon and one that did not.

U.S. Filter bid for the foreign source zone and was underbid by Calgon Carbon. Calgon, however, bid the same price for the contract that required domestically produced carbon. This shows that Calgon Carbon selects its price regardless of whether there are also bids from importers of Chinese activated carbon.

One further issue to note about the Suffolk County bid is that many municipalities require carbon that is manufactured in the U.S.. Municipal water purification plants account for approximately one-fifth of the total U.S. consumption of virgin carbon products. Roughly 20 to 30 percent of the municipalities across the U.S. have a Buy American requirement specifying in their bid documents that

they will only purchase activated carbon that is produced domestically. We estimate this means that the Petitioners can sell roughly 25 million pounds of activated carbon each year without competition from imported Chinese carbon.

In addition to these figures there are at least another 20 privatized municipal purification facilities that de facto will only use U.S. virgin activated carbon. These domestic-only provisions prevent any import supplier from competing with the U.S. producers.

Another area in which suppliers are unable to compete using Chinese carbons are industries in which Petitioners have historically been the dominant supplier. For example, in several military contracts such as for gas masks, Calgon Carbon has long been the military's only approved supplier. The volume of these military-related contracts is roughly a million pounds a year worth approximately $7 million.

Finally, there are applications for which Chinese carbons and domestic carbons do not compete because there is no domestically produced carbon that is appropriate for the application.

For example, U.S. gold mines use coconut base activated carbon, but this carbon is not produced

in the United States. In addition, anthracite vapor-based pellets are manufactured in China and are no longer manufactured in the U.S.. Other applications for which the Petitioners do not produce a domestic carbon include respirators and cigarette filters.

The U.S. market for activated carbons consists of several distinct market segments. To compete in any of those segments suppliers have to be able to provide activated carbon with functional characteristics that are appropriate for each market segment's end use. Suppliers of Chinese carbons are unable to compete in many of these market segments either because of domestic source requirements or performance specifications of Chinese activated carbon.

U.S. Filter is interested in the outcome of this case because it will affect our 150 employees in the United States whose job depends upon activated carbon from China.

Thank you.

MR. VANDER SCHAAF: Mr. Nelson?

MR. NELSON: Good afternoon. My name is Sid Nelson and I'm the President of Sorbent Technologies Corporation. We at Sorbent Technologies develop and supply sorbent materials, equipment and supplies for

the control of mercury emissions from large-scale, coal-fired power plants. We buy activated carbon as a feed stock for our BPAC product, brominated powdered activated carbon, which we process at our plant in Twinsburg, Ohio.

Historically our primary supplier has been the Petitioner Calgon, but we have also purchased base carbons from China and Europe. We never ever base our carbon purchases based on price alone. It is always cost effectiveness which can never be determined from the price alone.

As a purchaser of carbon it's in our interest to have a properly functioning market for carbon, one without economically distorting antidumping duties.

I am here today to speak about the financial conditions of the U.S. activated carbon industry. At the end of my presentation my conclusion will be that the U.S. activated carbon industry is growing and profitable and does not warrant antidumping protection.

I will focus my presentation on the conditions of the three largest U.S. activated carbon companies by far, the two Petitioners, Calgon Carbon Corporation and Norit Americas Inc., and the non-

Petitioner, MeadWestvaco Corporation.

Let me begin with Calgon. I call your attention to the handouts which I've provided. In Exhibit 1 of my handout you can see a chart with this company's relative share price performance over the past five years which almost perfectly matches the trends in the Dow Jones industrial Average. Based on these numbers then, Calgon shareholders are not showing any special injury.

Exhibit 2 provides financial statistics for Calgon for the years 2003 and 2004. Sales were up significantly, which includes the acquisition of Barnaby Sutcliffe. These results show income increasing more than sales -- a doubling of profits and a doubling of per share earnings over these two recent years. So market conditions are extremely favorable. Calgon has not only been growing and profitable, but has had increasing margins and accelerating per share profitability. There is no evidence of material import competition injury here and this definitely does not look like a firm in need of the antidumping protection.

Judging from the 180 degree different things that they've certified as true and correct in their two petitions, it's tough to know when the Petitioners

are telling the truth. Frequently they tell everyone else something that they're not telling you.

For example, Exhibit 3 provides a slide from Calgon's recent strategic plan. Despite what it's been telling the Commission and the DOC, Calgon in fact considers its carbon sales to be a strong cash cow. A cash cow, and rightly so.

Exhibit 4 concerns Calgon's acquisition of Water Link. This Calgon graphic shows that the activated carbon business of Barnaby Sutcliffe which is now a major part of Calgon has been consistently profitable with no evidence of increasing harm from import competition. In fact in numbers, the Chinese imports have not grown significantly. It's a large fraction of a small number. The chart shows this company's consistently high earnings margins.

Were competitive product prospects really getting worse for Calgon in the last quarter of 2005 as they claim? A very important question.

Exhibit 5 in my handout indicates that according to the omniscient securities market that over the last three months, before they petitioned, the value of Calgon Carbon stock had increased more than 40 percent. Forty percent. And since I did that graphic the price rose to over $8 a share.

Now it's true that yesterday it dropped significantly, but this was due to management blunders and, as they reported, non-carbon related issues.

Again, is this a company that's experiencing import competition serious enough to require import protection? One where investors believe its value increased 40 percent over the relevant period? In my view this makes a mockery of the whole ITC process.

Now let's turn our attention to the Petitioner Norit Americas. It's a subsidiary of a privately held Dutch company which means that we are at a disadvantage here as we cannot obtain recent financial data. Because we are unable to evaluate their financial performance we had to look for other evidence of its condition and prospects.

In Exhibit 7 you'll see excepts from a Norit Americas press release just last quarter. In it Ron Thompson, their new CEO, brags about their plans for expanding their production facilities.

Now how many manufacturers that have been historically truly needing import protection have had to worry about "coordinating their expansion plans"? Again, it makes a mockery of this process.

I've also examined MeadWestvaco's operations and Exhibit 8 of my handouts provides publicly

available information on their specialty chemicals division which is mostly an activated carbon business. The chart there shows that MeadWestvaco's activated carbon business is not only growing but highly profitable. Profits in 2003 were $45 million, in 2004 they were $56 million, and in 2005 they were $39 million. No wonder MeadWestvaco was too embarrassed to stoop to antidumping chicanery.

The next few exhibits in my handout demonstrate that even though energy and raw materials costs are going up for this industry, as they are for everyone, activated carbon prices are undeniably going up substantially as well.

Recently Calgon, MeadWestvaco, and Norit have been raising their prices substantially. Calgon raised prices in early 2005 and then again a few months ago. Reporting on their specialty chemicals division for the third quarter, MeadWestvaco disclosed $3 million in price increases which more than offset the $2 million in higher production costs. See Exhibit 9.

Norit announced in December a further ten percent price increase.

Now note that because most of the Petitioner's carbon sales are via long term contracts,

the beneficial effects of the recent price increases are not yet going to show up substantially in the income statements that they've issued to you, but they will, nonetheless, be realized in the future.

How are the buyers responding to these recent price increases? The third quarter 2005, Calgon earnings conference call was instructive. This is important. In it Calgon Carbon's CEO, John Stanik, said, and I quote him here, "During the quarter we completed a very important analysis. We wanted to know if our year to date price increases were having any impact on customer user rates. So we studied their buying trends in 2004, i.e. pre-price increase, and compared it to post-price increase. There were no changes. We conclude that our price increase has not reduced the volume purchased by our customers."

Now that's very important so let me repeat it. "We completed a very important analysis and we conclude that our price increase has not reduced the volume purchased by our customers."

Now let's think about this. What does it mean as far as the market impacts of Chinese carbon and any supposed industry are concerned if raising their prices does not result in Petitioners' sales declines? It can only mean either A, that Chinese

carbons do not really compete with theirs; or B, the Chinese exporters are similarly raising their prices and the competitive dynamic has been unaffected. In either case there is simply no injury and you have it straight from the Petitioner's CEO. For me this is a dispositive admission of no injury.

Another sign of this very positive market environment today is the fact that U.S. activated carbon producers are expanding their operations in the U.S.. One example is Cal-Pacific Carbon, a manufacturer and distributor of activated carbons. Ken Quigley of Cal-Pacific recently announced that their new activated carbon plant in Burney, California, will increase their production capacity from six million pounds per year to ten. It will produce steam activated wood base carbons.

In addition I know of two other companies, one in the U.S. and one in Canada, that are currently seriously considering investing in new North American capacity. And even Petitioner Norit and a partner have been publicly making noises about adding a new kiln or even building a whole new plant.

These parties would not be seriously considering expensive new capacity if there was even a realistic threat of material injury from Chinese

carbon. But here, Norit and Calgon are asking you to believe in an absolute perversion of classical dumping.

This is not a case where a couple of giant, well-financed, government backed keirestu can sell below their cost to drive out smaller, vulnerable U.S. competitors out of business only to later raise prices unencumbered. Here it's the exporters who are tiny, under capitalized, hand to mouth entrepreneurial organizations that simply cannot afford to subsidize their customers, and it's the businesses in America that are the world's two giant global activated carbon firms.

The Petitioners average over 70,000 tons per year of U.S. activated carbon production capacity -- 70,000 -- while the average Chinese company has only about 2,000 tons per year.

The next few exhibits in my handout provide information related to the future economic prospects of Norit and Calgon. However, before proceeding I'd like to ask the question, what is the real reason that we're here today? I don't think it has anything to do with all the existing market topics that we've been discussing. Rather, we are here today because Norit and Calgon are trying to strategically monopolize a

segment of the U.S. activated carbon market that does not yet exist but that is on the verge of blossoming. I'm talking about power plant mercury control.

Power plant mercury reductions are coming on strong. This business will eventually involve over 400 coal-fired power plants and 1100 giant individual boilers in the U.S.. The dominant retrofit mercury control method being used is injecting powdered activated carbon ahead of each unit's existing particulate collector. This brand new activated carbon market will be huge and will develop over the time period of the petitioned-for duties.

Importantly, just in the last year or so many individual U.S. states have jumped in to push utilities to submit reduce their mercury emissions.

First, New Jersey, Connecticut and Massachusetts now already require an approximately 90 percent mercury reduction by 2008.

Second, Pennsylvania and Illinois, both with many many boilers apiece, are each now seriously considering 80 to 90 percent requirements within the next four years.

Minnesota, Georgia, Virginia, Maryland, Indiana, North Carolina, New Hampshire, Delaware and Montana are also currently pursuing similar efforts,

and industrial boilers have to meet a national limit of nine pounds of mercury emissions per trillion BTUs by 2008.

Norit and Calgon know this well. Even though it was never mentioned in their Petitioner briefs, a recent Calgon slide reprinted in Exhibit 12 highlights that this new market could consumer more than $500 million in new activated carbon annually. That's a Calgon slide. That is perhaps 300 percent of Calgon's current carbon sales.

Norit too is after this new market in a big way as they announce in Exhibit 13, a list of all the plants in which Norit's powdered activated carbons have already been tested at full scale, is provided in Exhibit 14.

This is the market they're after, and why blocking competition with the antidumping duties will make them rich.

Exhibit 15 provides one calculation of how big the mercury sorbent market will be if only 20 percent of the U.S. plants use activated carbon for mercury reductions at a consumption rate of five pounds of powdered activated carbon per million cubic fleet of flue gas.

For a perspective, the over 200,000 tons per

year of new demand would approximately double existing demand as described in Exhibit 17.

Where is all this activated carbon needed to supply this new market going to come from? Today's U.S. demand is currently only satisfied by the addition of a small amount of imports. Petitioners Norit and Calgon are already in the catbird seat to reap huge profits from this developing mercury market as demand will soon outpace supply as these installations are installed. And prices will significantly rise.

The antidumping duties would only add significant fuel to this fire as far as future price increases are concerned. Prices could easily double or more, but consumers would not be getting anything for their higher prices.

With duties, the economic rents would go straight to the Petitioners' bottom lines as protectionist, monopoly profits. Please do not be bamboozled here.

In the current environment antidumping duties will in fact only artificially and inefficiently distort this market, not provide any correction to it. I would be happy to provide an illustrative example from my own company's business if

you wish for me to elaborate in the question and answer session.

In summary, major activated carbon producers Calgon, Norit and MeadWestvaco are doing remarkably well, particularly given the Petitioners' poor performing management which is described in Exhibit 17 through 21 and which I would be happy to elaborate on if you wish in the Q&A.

For example, on inventory and capital investment. They admit in the recent past that they have been able to raise prices with impunity, so they could not be harmed by any import subsidization from China. Demand for their products in the U.S. will increase dramatically with power plant mercury reduction requirements, and the Petitioners are strategically misusing the antidumping laws in an attempt to monopolize both this market and the Chinese to U.S. export channel.

Thank you for your attention.

MR. VANDER SCHAAF: Mr. Skeini?

MR. SKEINI: Good afternoon.

My name is Anders Skeini. I'm the president of Jacobi Carbons Group.

Jacobi is an importer of activated carbon from China and many other countries. We have

operations in the U.S., Europe and Asia, and have 250 employees worldwide. Our combined global operations make us one of the world's largest players in activated carbon from China.

We've had interests with Chinese activated carbon since 1987 and set up a facility in China in 1994. In the U.S. we distribute Chinese activated carbons and coconut shell activated carbons from our related Sri Lankan facility. I personally have been in the global activated carbon market for 17 years and in the U.S. for five years.

This antidumping investigation has come as a big surprise to many of us in the carbon industry, at least the first time it was filed. It was a surprise because the position taken by the Petitioners, Calgon and Norit, is completely contrary to what they've been telling the industry. Calgon has repeated cited reasons other than Chinese imports as the reasons for its financial condition and to my knowledge they have never mentioned Chinese competition or price pressures from Chinese imports.

What Petitioners have told the public as recently as yesterday in the Calgon fourth quarter report is similar to what they said in their previous quarterly report, that their recent financial

performance was a result of Hurricane Rita and Hurricane Katrina, extraordinary expenses from rising freight, raw material, natural gas, and increased interest and litigation expenses. Calgon's statements on this point are reflected in the excerpts of Calgon's statements and documents in Exhibits 1 through 5 of my testimony.

Calgon also confirmed that has increased activated carbon prices twice in 2005 and that its price increases are sticking. For instance, in October of last year John Stanik and Leroy Ball, Calgon's CEO and CFO, held a conference call with investors. In that call Stanik told investors, "The third quarter was a very complex, unusual and difficult quarter for the company but I believe we can summarize it with three major factors that affected our financial performance most in the quarter. Depressed sales, continued inflationary impact at increasing levels, and two hurricanes one of which is Katrina, caused a shutdown of one of our major manufacturing facilities."

This is reflected in Exhibit 1 of my handout.

Moreover, as shown in Exhibit 6 of my handout, when asked directly whether the company had

been impacted by imports from Asia, Mr. Stanik stated unequivocally that, "At this point we have not seen any negative effect."

As recently as yesterday during Calgon's fourth quarter web cast with investors, it provided these same reasons for its earnings and once again no mention of imports from China was made. However, it did mention it had filed an antidumping petition hoping it would improve not restore margins.

This indicates that Calgon intends to use the antidumping duty law not to restore profits, but to improve profits. This is unjust enrichment. Is this what the law was designed for? I certainly hope not.

In its third quarter 2005 corporate earnings conference call on October 26, 2005, Calgon also acknowledged that Norit is its only real competitor, and that importers using Asian carbon, be it coconut or coal-based, are raising prices. These statements are reflected in Exhibit 7 of my handout.

So it was quite surprising to hear the Petitioners assert that they are being injured by Chinese imports when the CEO of Calgon flat denied this and imports had not been mentioned as a reason for the company's disappointing performance.

You have to understand. For a company that was ravaged by Hurricanes Rita and Katrina and saw a number of its large customers' operations shutting down and ceasing purchases, Calgon is doing remarkably well right now. It and its customers in the region appear to have fully recovered. However, any adverse condition it experienced certainly was not due to the imports from China, but rather were due to the two hurricanes and other factors related to management decisions reflected in Exhibit 8 of my handout.

The second reason the petition came as a total surprise to us in the industry is because Calgon and Norit combined represent a huge import source of activated carbon. Calgon has boasted in its financial statements over the last few years about its significant investments in China for the production of activated carbon. One of its Chinese facilities is pictured in Exhibit 9 of my handout. This and other indications demonstrate that Calgon has been following a consistent strategy of increasing its operations in China. It even shut down its plant in Belgium and now uses that activation equipment to reactivate carbon only. The front end of the Belgian plant was relocated to its plant in China and as a result Calgon is now by far the largest importer to this country of

Chinese activated carbon.

In fact contrary to the testimony of Mr. O'Brien this morning where he stated that his Chinese product stays in Asia and other markets, Calgon themselves account for 50 percent, I repeat, 50 percent of the increase in imports from China during the investigation period. '03 to '05.

Besides being the largest importer, Calgon is in fact by far the largest exporter from China as well, and this would automatically make Calgon's Chinese company a mandatory respondent in the DOC's investigation. The transparency is obvious here. Calgon is attempting to grossly manipulate the antidumping law to gain an unfair advantage under which it may be able to get a zero dumping duty while all of its other competitors receive a high dumping margin. This can hardly be what the legislators had in mind when they enacted the antidumping laws.

At the very least, it is hard to understand how Calgon and Norit could claim they're being injured when they're doing the importing and Calgon is the source of the largest amount for production in China and the largest exporter to the United States.

The only answer we could come up with, quite frankly, is that the Petitioners are gaming the

system. They're using the antidumping law to get their imports into this country with no dumping duty and keep their competitors' imports out with high dumping duties.

As reflected in Exhibit 10 of my handout, we've learned from suppliers in China that incredibly in December Calgon placed large orders in China for delivery of nine million mounds of carbon for delivery before the end of the first quarter in '06. This is equal to ten percent of all Chinese imports to the United States over the course of the entire year, and they were placed by Calgon in a single month.

It's clear that Calgon is trying to take advantage of market conditions before requesting relief from you and shutting the door from its competitors. Is this fair? Is this what this law is supposed to protect?

Additionally, as shown in Exhibit 11 of my handout, Calgon has recently announced plans to drastically expand its operations in China, building a 35,000 square meter state of the art facility in Tanjing to replace its current 7,000 square meter facility there.

If Calgon's domestic operations are in such dire straits due to the imports from China, why then

does it contribute so much of its resources to Chinese operations? It's clear that Calgon has decided to use the revenue earned from its U.S. carbon operations to feed its Chinese operations at the expense of its U.S. production operations. To demonstrate this, recently it announced its decision to close its Blue Lake U.S. facility where it produced reactivated carbon.

This morning Mr. O'Brien also blamed the closing of a U.S. production line on Chinese competition. In a document submitted to the SEC, however, they say no such thing. They reported that they closed down production because they were reluctant to install newly required air pollution reduction equipment. I can provide the documentation if you need it.

Norit also appears to have unfortunately other than genuine interests.

In the last three years this company has gone through three presidents, and has lacked any consistent leadership over this period. None of the presidents had prior experience in the U.S. carbon industry and unsuccessful attempts to hire a CEO with experience in the industry a few year ago resulted in litigation between the Petitioners themselves.

The latest president, Mr. Thompson, has been

with the company for about a year. He appears to have no prior carbon industry experience but does have experience with two other industries in the past totally unrelated to activated carbon, but that have successfully used the antidumping duty law for receiving import relief using the very same law firm that Petitioners used in this case. It can hardly be consistent with the intent of the antidumping law that companies use experience with antidumping proceedings as a basis for hiring decisions and a business tool.

The fact is Calgon and Norit are simply exploiting the dumping laws to gain an unfair advantage in importing from China.

It was interesting to read in the petition that Calgon and Norit have had to lower their prices to compete with Chinese imports. In the market, we've seen prices for carbon increase steadily in recent years. Calgon announced two price increases last year that it reported just yesterday have stuck with "negligible loss of business". This statement is amazing given that it occurred at precisely the same time it complains of underselling by Chinese imports.

Similarly, Norit also announced a price increase in December of last year. This is occurring while average unit values of imports from China are

increasing and quantities are slightly declining. As indicated earlier when referring to Exhibit 7 of my handout, Calgon even admits that import prices from Asia are rising.

There's something else the Commission should understand about the Petitioners' operations. In contrast to Chinese activation technology, the Petitioners are heavily dependent on energy costs, particularly natural gas prices because natural gas fires their activation furnaces. While natural gas prices may have been extremely high in 2005, they have fallen significantly in 2006. In fact natural gas prices have fallen by 50 percent compared to last year.

Calgon and Norit's current condition should be healthy. In any event, prices of imports from China did not prevent price increases for the domestic producers and in fact Norit announced an energy surcharge on top of its normal increasing prices to cover the high natural gas costs at the end of last year.

The Commission should also understand that Calgon makes a tremendous amount of money that it could reinvest in its activated carbon operations as capital expenditures and R&D investment, but instead,

invests to diversity its portfolio toward other technologies such as UV disinfection and consumer products.

In summary, we see Calgon and Norit's refiled petition as a misuse of the U.S. antidumping duty laws. We see the real motivating party behind this investigation is Mr. Thompson of Norit who also participated in two past antidumping duty investigations while in different industries.

Essentially what we see happening is Calgon going along with this effort to lock up an exclusive supply situation. Because its wholly owned subsidiary in China is the largest Chinese exporter, it will undoubtedly be selected for a separate duty investigation by the Department of Commerce. Therefore, because it also controls an opposing argumentation, it stands a very good chance of obtaining a zero dumping margin on its Chinese supply.

Its competitors in China, of course, will not be given the same free ride in the DOC proceeding, thereby subjecting them to higher dumping duties, kicking them out of the U.S. market to the exclusive benefit of the Petitioners.

Thank you.

MR. VANDER SCHAAF: Mr. Clark?

MR. CLARK: I'm the President and CEO of Water Tech, Incorporated. It's a water filter and contamination cleanup company in Lake Alfred, Florida. I've been in the water treatment industry for 25 years now. The majority of our work is for the Department of Environmental Protection on contaminated wells and contracts like the U.S. Army Corps of Engineers as well.

We're a purchaser and end user of activated carbon. We're not importers, but we buy from the importers. I'm basically here today to speak for the small guy in the industry like myself. There's a lot of us that are fairly small like myself and by ourself we're pretty small, but collectively, together, we use up a large portion of the end product.

Water Tech has purchased activated carbon from domestic and Chinese suppliers and when making these purchasing decisions that I make are mainly based on quality and consistency and not necessarily price.

More importantly, what matters to me as a purchaser of activated carbon is the quality and consistency of the product. If we get a shipment of bad carbon it can shut us down, which it has in the past before.

More importantly, it could result in the loss of contracts, state and municipal contracts that are vital to our company.

It can also result in lawsuits brought by the residents that own contaminated wells which I know firsthand of. Using Calgon carbon, problems that we had in the past with the BEP contracts.

Securing a consistent and responsive source of quality carbon is essential. I'll tell you firsthand that we cannot get from domestics -- I'm sorry. If y'all can't tell, I'm kind of nervous. I don't know why.

[Laughter].

We don't have buildings this big down there where I'm at.

[Laughter].

Either way, let me start over that paragraph.

So securing a consistent and responsive source of quality carbon is essential. I can tell you firsthand that we cannot get that from the domestics because we're just not a big enough company. My view on it is if you're bigger and you're a lot bigger company you can get a little better quality and a little better assistance when you're making your

purchases.

Calgon and Norit are the 900 pound gorillas in the market and if they don't want to provide you with the service or the quality you need, they just don't do it. It's basically take or leave it. That's what's happened to me in the past and I've purchased from Calgon and Norit and had very big problems on my state contracts with both carbons. As a matter of fact some of the problems I've had are the worst problems I've ever seen in my 25 years of business. I've never seen anything like it.

These companies both produce a high quality carbon, but for some reason guys like me have a hard time getting it. There needs to be an alternate source of these products for companies like mine other than Calgon or Norit.

In addition to our need for quality and consistency, the carbon I use must meet required specifications for the state of Florida and the Army Corps. These include levels of moisture, pore size, ash content, apparent density, sieve and iodine count. Only if the carbon meets each of these specifications will I consider purchasing it. It doesn't matter how cheap the carbon is if it doesn't meet these specifications, and I have had a hard time getting

this kind of carbon from China in the past.

Additionally, we require low fine carbon which is, a lot of fines are generally created when you're moving the material around and abrasion results. The more you transport it and the more you move it around, the more fines you're going to get. So naturally carbon from China is going to have more fines than local carbon will have.

Due to the handling involved in bringing the carbon from China and Chinese suppliers cannot provide the carbon that meets these requirements. Calgon and Norit both can deliver low fines carbon if you're big enough or if it's in their best interest. Apparently I'm not.

Finally, I just want to make it clear that if this goes through it will make an unbelievable difference on our company and could put us out of business and a lot of other countries like mine that are my size.

MR. VANDER SCHAAF: I think we have 17 seconds left, so we'll conclude there.

Thank you very much. We're ready to take your questions if you have any.

MR. CARPENTER: Thank you very much, gentlemen, for your testimony.

As a housekeeping matter since the handouts that you have provided to us are relatively voluminous rather than including them in the transcript I would suggest, Mr. Vander Schaaf, if you want to include them in the record that you attach them to your post-conference brief.

MR. VANDER SCHAAF: We will do so. Thank you.

MR. CARPENTER: We'll begin the questions with Mr. McClure.

MR. McCLURE: Jim McClure, Office of Investigations.

Mr. Kovach and Mr. Jordan, you both spoke with regard to a number of varieties of activated carbon that Calgon and Norit didn't produce. So essentially you had to go to China to get that product.

Do those products or varieties that they don't produce, do they sell at a premium here, or --

MR. KOVACH: In some cases they are. It's difficult to say that they are selling at a premium when you don't have a domestic competitor for it.

MR. McCLURE: But are they selling at a premium compared to other varieties where --

MR. KOVACH: Yes, they are.

MR. McCLURE: Where both are producing.

Mr. Jordan?

MR. JORDAN: Yes. Some of the products we were referring to were the anthracite coal pellets that are not manufactured in the United States any longer, they're only manufactured in China and they have to be brought in from China. Another product is the coconut shell carbon. It is not manufactured domestically either, so it would be subject, if it were coming in from China, to these duties also.

MR. McCLURE: But it sells at a higher price than the other varieties?

MR. JORDAN: It's not really a direct comparison, they're just different products. The coconut shell versus the coal-based material that's made domestically. And then the vapor phase anthracite coal pellets are different from the other domestic products as well. They're different products.

MR. McCLURE: With regard, I believe Mr. Jordan, you mentioned the number of water authorities that have Buy America provisions. When they buy from say an importer such as Mr. Kovach, at what juncture does the Buy America provision kick in? If you tweak it once it comes in, is it an American product or --

MR. KOVACH: We don't sell into the water market at all. We consider that to be a very low level, very low grade activated carbon. Almost exclusively our applications go into nuclear applications, pharmaceutical applications, petrochemical industry where standards and quality are important. And the further processing that we make, the cost that we add to it is higher than the original raw material cost.

MR. McCLURE: For any of you who do sell into that market --

MR. JORDAN: That would be in the municipal market when it says they have to be, usually the terminology would be manufactured in the United States of America, or North America, so it would have to be manufactured here by the definition of manufacture. Not a value added.

I know there's some Buy American Act that it has to be more like 51 percent, but as far as that's concerned, all activated carbon would have to come from either Calgon or Norit if it had a Buy American clause in it.

MR. McCLURE: Okay.

Mr. Nelson, with regard to your various exhibits and in particular with regard to Calgon and

their financial performance, was that for Calgon in general or activated carbon specifically? And what other products does Calgon produce that would be included if that's a corporate wide case?

MR. NELSON: The exhibits I have deal with the entire company of which perhaps 50 percent is carbon.

MR. McCLURE: Fifty or 15? I'm sorry.

MR. NELSON: I'm not an authority on this.

MR. McCLURE: But five-oh or --

MR. NELSON: It might be five-oh. They have a lot of like UV products and perchlorate and services and et cetera as well.

MR. McCLURE: I'll stop there for the moment and pass on to my colleagues.

MR. CARPENTER: Mr. Fishberg?

MR. FISHBERG: David Fishberg, Office of General Counsel.

Thank you for appearing today.

For any of the importers, I was wondering have you imported any reactivated carbon in the last three years? If not, why not?

MR. SKEINI: The Pacific Ocean is a pretty big obstacle to sending carbon back to China for reactivation. There is a very small, there is a

limited use of carbon in China. It's starting to grow. The only saving you make with reactivated carbon, it's a big saving, it's the raw material. It's not feasible to ship it out to the U.S. to process it and then come back here. The energy cost is about the same on both sides of the ocean so it's just not a feasible prospect.

MR. FISHBERG: As I asked I think Petitioners, what percentage if reactivated carbon actually reached the commercial market and is not just used by the original users who short of activated it. Does anyone have any thoughts on that?

MR. VANDER SCHAAF: These guys can chime in. Perhaps Mr. Jordan, but I did sort of canvas them to try to figure out what that number is and from just talking to the different people and having a couple of different conference calls on this, I believe we concluded around 200 million is open market and 300 million would be the internal transfers that the people like Cargil, U.S. Sugar, DuPont would internally reactivate and use, and about 200 million would be open market material that is traded commercially.

MR. JORDAN: As I recall, the ratio is like four to one as far as the actual reactivated carbon

market, and I believe we were somewhere around 140 million for as far as commercially available reactivated carbon by most of the folks in this room that produce reactivated carbon. But there's also the people, the captive reactivators, people who reactivate their own carbon, and then buy virgin carbon makeup as part of that and they interchange the virgin carbon makeup amenities from municipalities like the city of Cincinnati.

Some of the corn sweetener industry, they buy millions of pounds of carbon a year for that market and all it is is makeup. They have their own reactivation furnaces. And we estimated that if in fact it's 140 million as far as reactivated capacity, it's probably four to five times that of the captive amount of carbon that's reactivated by people that use their own carbon and have their own reactivation facilities.

MR. FISHBERG: So that would be 700 or 800 million pounds are actually consumed in the United States, of which one-quarter would be makeup and blended in.

MR. JORDAN: Yes, that would be correct.

MR. FISHBERG: Are any of you aware of any firms that blend chemically activated carbon and steam

activated carbon?

MR. SKEINI: Yes. Norit is the inventor of that product. They have a grade called GB. It stands for gluco blend. It's sold to the glucose industry. The steam activated carbon is optimized for one application within that process and the chemically activated carbon is optimized for another use in that application. So yes.

MR. VANDER SCHAAF: Notably, Mr. Fishberg, when you asked that question to the morning panel, the question was answered by the representative from Calgon. The representative from Norit did not respond.

MR. KOVACH: And yes, our company also uses the chemically activated and steam activated carbon for a particular application. Because it's advantageous to do so.

MR. FISHBERG: If you can give an approximate percentage of your sales that use blended?

MR. KOVACH: It is relatively a small percentage. I would say maybe five percent. But it's again because that particular product happens to be a lower priced product than some of the other products that we sell.

MR. SKEINI: To confirm, Jacobi Carbons, we

also blend steam and chemically activated carbons and make a new product of the blend.

MR. FISHBERG: What percentage of your --

MR. SKEINI: Small. You have to remember, bear in mind, in China the steam activated carbons are typically produced in the north. The chemically activated carbons are typically produced in the south. There's about 1500 miles of difference in geography here to overcome. I know the Pacific Ocean is a big obstacle in itself, but 1600 miles of Chinese roads is another.

MR. NELSON: Excuse me. Moreover, the customers themselves --

MR. FISHBERG: If you can just identify yourself on the record.

MR. NELSON: Sorry, Sid Nelson.

Consequently it makes sense for the customers themselves to blend it. That way they can optimize and we would never know.

MR. FISHBERG: But are you actually aware of any customers that are blending?

MR. SKEINI: I know a huge U.S. producer of sweeteners that do a blend themselves. Yes. A huge. They buy carbon in rail cars. I would almost say it's one of the largest users of powder carbon for the food

industry in the country.

MR. FISHBERG: Mr. Vander Schaaf, if you can put information about this in your post-conference brief that would be helpful.

MR. VANDER SCHAAF: Yes, we will. Thanks.

MR. FISHBERG: For Mr. Vander Schaaf. Do you agree with Petitioners that the five firms within the petition are the only domestic firms that actually "activate carbon"?

MR. VANDER SCHAAF: I think I'm going to defer to Mr. Heckendorn on that. He's more familiar with the activators and reactivators and so forth.

MR. HECKENDORN: To our knowledge, that's correct. Some of our clients also do what's being characterized as further processing, but they don't include the activation step. There are others that are not represented in the proceeding that also do some further processing that does not involve activation.

MR. FISHBERG: Mr. Vander Schaaf, in your letters, your March 23 letter to the Commission, you stated that activated and reactivated carbon used the "same equipment" and "same facilities". Could you specifically identify any facilities that produce both activated and reactivated carbon?

MR. VANDER SCHAAF: Yeah, and I would just defer to MR. Kovach who is I'm sure familiar with the different examples. He can give them to you here.

MR. KOVACH: the basic equipment for reactivation when the reactivation takes place is I did a rotary kiln furnace, and it's exactly the same equipment as what is used to activate. As a matter of fact if you look in the literature for furnace manufacturers it will tell you suitable for activation or reactivation. This is the rate at which you can act the way, typically, and this is the rate at which you can reactivate regular, but it takes place at the same temperature, the same equipment, and you can look at the rest of the article by the two gentlemen from Calgon that discussed it where they are showing our shop furnaces which are exactly the same type as what I use to activate it.

Normally you activate or reactivate in either a rotary kiln or in a shop furnace. The only difference would be the production rate. Activation is slower than for reactivation.

MR. FISHBERG: But are you ware of anyone who is actually activating or reactivating in the same -- I think we sort of --

MR. KOVACH: They are not at the same time.

MR. NELSON: Sid Nelson again. In China they use a totally different kind of furnace. It's of a Russian design. Do you want to talk about that? There is different equipment for the Chinese. It differentiates.

MR. ENNIKING: Joe Enniking from Nucon. The facility has since been shut down. We were operating a furnace in Tostory, Ohio. It was a 10-foot diameter Hirschoff furnace. It was used for activation, and then it was converted to a furnace used for pyrolysis of the feed material for a larger furnace, and then, on occasion, when the other furnace was shut down, we would use it for reactivation of product.

Now, the only thing we had to be careful about was that we cleaned one out before we started the other, but it's physically possible in either a rotary tube calcinor or Hirschoff activated furnace to reactivate material and then switch over to reactivation.

Now, a lot of facilities, of course, have their grain processing quite separated from their activation process, so it's difficult to move from one to the other, but it's physically possible to do so. There is no reason why you can't.

MR. KRAUSE: This is Karl Krause with Jacobi

Carbons. I'll maybe try and be a little more specific to answer your question. To my understanding, Norit does do both activation of activated carbon and reactivation of carbon at their Pryor, Oklahoma, facility. The equipment is segregated. For Calgon Carbon, there is also virgin activated carbon production and reactivation, which takes place at that facility. That would be their Big Sandy plant in Kentucky.

MR. KOVACH: I don't know what is the current situation, but when Barnaby Sutcliffe was in existence as an independent company, they used exactly the same facility, same equipment, to activate and to reactivate. The only difference was the time duration in the furnace. Other than that, the entire facility was identical.

MR. VANDER SCHAAF: Mr. Kovach, was that since 2003?

MR. KOVACH: Prior to 2000.

MR. JORDAN: This is Dave Jordan from U.S. Filter. We can provide some confidential information on this topic as well.

MR. FISHBERG: Thank you. Are any of you aware of any steam-activated carbon that's being used in the automotive industry?

MR. SKEINI: I would like to elaborate a little bit on this point because both Calgon and Norit are trying to make the point that MeadWestvaco owned this market. While MeadWestvaco has been very successful in this country in bringing their chemical-activated products to the table, in fact, we had a meeting with a very, very large buyer of these ELCD types of carbons. The buyer actually informed us that a week prior to our visit, Calgon had visited to offer their new, steam-activated product for this particular application. That's, of course, hearsay from a buyer at one of these large companies, a major buyer.

I can also confirm that Jacobi Carbons has a steam-activated product from China that very, very well competes in this industry and actually is sold outside the United States for this very same application. In fact, there is a plant in China just adjacent to our plant in the Ningxia region that is owned entirely by a Japanese company who only produces carbon from steam-activated coal for this industry for sale to Japan.

MR. VANDER SCHAAF: Just to give you an idea, Mr. Fishberg, I think we could give you more detail confidentially in the post-conference brief on that application that Mr. Skeini was discussing.

MR. FISHBERG: Okay. Thank you.

I guess, for either of the purchasers, when you purchase, would you care whether you received virgin activated carbon or reactivated carbon? How would that affect your purchasing decision?

MR. CLARK: Steve Clark with Water Tech. I use virgin activated carbon simply because most of my work specifies virgin carbon. Also, with the contracts that I do, it's all required that I have all of my carbon reactivated, and it kind of gives it a smaller competition field out there when you don't have many people that can reactivate, and Calgon and Norit both can reactivate it, and it's kind of hard to find a Chinese importer that can make it an equal bid as far as trying to keep it fair across the board because it's hard to compare with Calgon and Norit having it where they can reactivate it.

MR. FISHBERG: Are you only getting your pure activated carbon returned to you, are you accepting reactivated carbon?

MR. CLARK: I only use virgin carbon, so I don't reuse it. I send it back to get reactivated, but I don't reuse reactivated carbon.

MR. FISHBERG: So you only use your own.

MR. CLARK: I only use virgin carbon, but

the contracts that I do require that you have your carbon reactivated, your spent carbon, as opposed to taking it to a dump or landfill or whatever.

MR. FISHBERG: Why do you use only virgin? Why is that a requirement?

MR. CLARK: It's the specifications from the state or from whoever, the municipality. The majority of them want virgin carbon.

MR. FISHBERG: I mean, do they want virgin because there is a notion that reactivated would potentially --

MR. CLARK: Well, it's not real easy to explain to them without some kind of -- if you had a study or something to show them, you might be able to get them to change it. We've brought up reactivated carbon to both of the people we do our contracts with, and they just don't want to hear about it, and that's just because they don't know enough about it, basically.

MR. ENNIKING: Joe Enniking with Nucon. I think the carbon that he sends to a reactivator is reactivated and goes somewhere else. It's just it doesn't go back to you. Is that correct? It's what we call "pool reactivation," where used carbon goes back to a producer and is accumulated with other

sources of spent carbon and then reactivated and then sold as a reactivated product to whoever will purchase it.

MR. CLARK: But in the same sense, the Army Corps has contracts that they use only their same carbon that they have used. They have got a site in Jacksonville that they have been working on since 1962, and they are constantly, every day, taking out spent carbon and having it reactivated and put in some virgin with it and bringing it back. But with the contracts I did with them, they specified right along with the state that you've got to have it reactivated, and that was mainly just to keep it from being taken to a landfill or discarded like that.

MR. JORDAN: Dave Jordan, U.S. Filter. Let me expand upon that a little bit. Two titles or two labels for reactivated carbon. One is the pooled reactivated carbon that Joe talked about. In other words, reactivated carbon comes back to a facility, it's reactivated, and then it's sold as a reactivated product. Then there is the custom reactivated product that is actually removed from the particular site, reactivated, and sent back to that same site.

There are many applications where the reactivated and the virgin carbon can be interchanged

for a particular use. The one application that you positively cannot use a pooled reactivated carbon is for drinking water. You have to have your own -- it's mandated by the EPA that they segregate and custom reactivate their own carbon, so it's custom reactivated and returned. There are other people who do that, too. We do both, by the way, both custom and pooled reactivation.

MR. FISHBERG: Mr. Clark, you commented that you've had problems with domestically produced, activated carbon. Could you elaborate on that? Is your problem with the carbon itself or the services that they provide?

MR. CLARK: Just getting the carbon that I need for the jobs that I do that specify carbon. Mainly, my problem in the past has been with high carbon binds, and with the work we do, most of our sites for the State of Florida are private wells that are contaminated, and a lot of carbon filters, you can back wash them out, but these kinds of filters with the specs on the state, you can't back wash them, and they are not something that is an automatically back-wash filter. It's a carbon filter that water goes in and goes out of it, and it doesn't get back washed regularly.

So we specify that we have to have low-fine carbon, and a truck load of carbon that's full of fines really makes a world of difference. It can just stop you completely with all your work in the field until you get more carbon in anyway. In the past, it's come close to shutting me down every time I've ended up stuck with a load of it. I've had it from Barnaby Sutcliffe, from Norit, and from Calgon, all three, and everything that I do is with the State of Florida, and so every bit of it was all done and all verified with the state, so it's all stuff that is definitely on record with the State of Florida, everything that I'm telling you.

MR. FISHBERG: Would anyone on the panel like to comment about the role nonsubject imports play in the market? Are they increasing? Activated carbon that's being imported from countries either than China; is it increasing from other countries? Petitioners have discussed that the Chinese imports account for 50 percent of all of the imports into the U.S. and that it's replacing their market share. Would anyone like to comment about the role that nonsubjects are playing? Is that replacing market share?

MR. KOVACH: Well, if I understand your

question correctly, I would like to clarify. I think the statement was made that about 50 percent of the imports from China were by Calgon, not that they were importing from elsewhere. As an example, we also import from India and Philippines and Sri Lanka.

MR. FISHBERG: And are imports increasing from those countries?

MR. KOVACH: Yes, they are. There is very little coconut shell carbon made in the U.S., so any increase in the marketing of the coconut shell carbon has to be from those countries that produce it.

MR. SKEINI: This is Anders Skeini with Jacobi Carbons. I'm glad you asked the question. I haven't personally studied the import stats from the other countries in comparison to the Chinese import stats, but it's important to recognize that the Chinese carbons primarily -- the carbon is controlled by primarily its raw material, and China is sitting on a huge pile of coal, and most of what's coming in is coal based.

The other imports coming into the United States from Asia are primarily coconut shell from all over Southeast Asia and the subcontinent. These are products that are more higher performance. Obviously, they are not made in the United States. But also of

late, China has also started small production of coconut shell activated carbon going into various kinds of industries.

MR. FISHBERG: I think I might know the answer to this, but, Mr. Vander Schaaf, do you agree with Petitioners' definition of the domestic like product, and if not, how would you want the Commission to define the domestic like product?

MR. VANDER SCHAAF: We do not agree with the Petitioners' definition of the domestic like product. The Petitioners, this morning, indicated that our position is for expanding the like product to include the reactivated. We have requested and do believe that the like product should be expanded to include chemical activated.

We also asked the Commerce Department to expand to include chemical and reactivated, and they did not do so. We also asked this Commission to expand the questions in the questionnaires to include reactivated so that issue could be before this agency in the prelim., but the Commission chose not to include questions in the questionnaires about reactivated.

I do not see it as appropriate for this Commission to go to a final investigation solely

because of a like product issue that essentially will not have an outcome determinative effect because if the Commission decides to include reactivated carbon, it will merely increase the likelihood that they would issue a negative determination, which, I believe, is what the Commission would do absent a like product lingering issue.

Everybody who practices before this agency knows that if the Commission decides to expand a like product or to question a like product, and they haven't done so in the prelim., they have got to go to a final. So we're mindful of that, and we don't want to beat a dead horse, and we don't believe that it's appropriate for the Petitioners to gerrymander the like product the way they have to create these ambiguities solely for the purpose of passing through the prelim. phase to get to the final phase.

So we do believe that the facts, as we see them, show that activated and reactivated are interchangeable, have the same end uses, and people blend, and there are similarities in the production processes and facilities and so forth, and under the factors, the facts tend to suggest that reactivated and activated are similar, but because we don't have questionnaires on that, and because I think this is an

extremely weak preliminary, I don't want the like product issue to be the only reason why the Commission goes to a final investigation.

If reactivated is included, you heard the numbers, the domestic market share of the Chinese product is going to go down to an insignificant level. The volumes of reactivated are very high. If you calculate the quantity of the internal transfers at market rates, which is the instruction this agency provides in the questionnaires, imagine the value, the revenue, that that is going to represent.

It's ludicrous to think that the imports from China are somehow injuring a domestic industry that includes steam activated, chemical activated, and reactivated. So including reactivated would only improve our case for a negative, and yet it could be the basis the Commission used to go to a final because it's a lingering issue that hasn't been resolved in the prelim.

So I believe, factually, that we've got it right on the reactivated, but I'm troubled by the fact that there is this legal quirk under the American Land standard by the Federal Circuit that if the Commission decides to expand the like product, we go to a final. You know, I think it's the result of lack of

information in the petition, misinformation in the petition, and argument on facts that's inaccurate.

MR. FISHBERG: Just to get this straight, for purposes of the preliminary investigation, will you be asking us to expand the like product to include chemistry activated as well as reactivated?

MR. VANDER SCHAAF: We will definitely be asking for the Commission to expand for chemical because there were questions asked in the questionnaires. You've sent the questionnaires to the producers, and we have the quantities and values and the information to draw an assessment on an industry that includes chemical activated.

But although we do believe that the like product should include reactivated, we're troubled by having to take a position that the Commission should expand to include reactivated when they don't have the data to make a decision. Essentially, they could use the narrowest product for which they have the data, which would be chemical and steam activated, but I'm just troubled by the fact that the Petitioners have created this ambiguity, and this ambiguity is what's going to be the basis that could conceivably be the only issue that causes this case to go to a final.

I see this as an extremely weak case. I

don't see the numbers as supporting their position. I see them as importing the bulk of the imports from China, setting up the production in China. I think a good portion of the imports from China should be excluded from an assessment of injury because they are invited by the domestic producers, the Petitioners.

So when you take those factors into account, I think it's an extremely weak case for the Petitioners, and we're not going to be arguing as a legal matter that the Commission expand the like product to include reactivated, but we do agree that the facts support that.

MR. KOVACH: May I add something? I realize that you are looking more at the legal question, but for the life of me I can't understand how they can ask for punitive duties on products that they do not produce in the United States: coconut shell carbon and pelleted, steam-activated carbon. They are not domestic producers of these two grades. At the same time, they include it in the definition of certain activated carbons. How can somebody claim injury for something that he doesn't produce by dumping? I'm sorry, but it's beyond me.

MR. FISHBERG: Thank you. Mr. Vander Schaaf, are you also planning to make related-party

arguments?

MR. VANDER SCHAAF: Yes. Those will probably rely on confidential information, but obviously we have witnesses who know publicly. They are using their best information available. We'll look at the actual import levels in making our arguments, but we do believe it's appropriate to at least probe the issue of exclusion of Calgon as a related party, particularly considering the significant amount of the investments we're seeing in the different documents that the clients here have shown us.

MR. FISHBERG: This is probably for the panel. Do you agree with Petitioners that the average unit value of imported activated carbon from China is substantially lower than the AUV of domestic activated carbon, and if that is the case, to the extent you can state publicly to what you attribute the lower AUV?

MR. NELSON: You have to be careful in looking at the numbers. As Calgon itself vehemently argued in an article published about two years ago that will be an exhibit, they were arguing that two products that they consider before you to be like products, but in the public and to their customers they were arguing that reagglomerated granular carbon

is a totally different product than direct-activated, granular, steam-activated carbon. In that article, they go to great lengths to point out that the high-quality, reagglomerated product that Calgon produces has such significantly more capacity that you only need to use about a third or half of it relative to imported, direct-activated, Chinese carbon, or what they call "offshore carbon" but meaning Chinese carbon.

So, consequently, you need to change out your beds two or three times as much, and they give a lot of data, a lot of examples of their customers testifying to this effect in this article.

So you're asking the wrong question, frankly. The answer to the question is you cannot compare price. Everything is based on cost effectiveness. It's price divided by how much use you get out of the carbon, and this Calgon themselves try to make a big point of.

MR. FISHBERG: Anyone else have anything to add on that?

MR. SKEINI: Anders Skeini with Jacobi. Your question was relating to why the panel feels that they are making statements that Chinese carbons are lower in price than their manufacturing cost. Is that

the question?

MR. FISHBERG: Why the average unit values of the Chinese production are so much lower than domestic production? It's an argument that Petitioners are making, so I just wanted to know if you have a response to that.

MR. SKEINI: It's important, just as Mr. Nelson said, to recognize that Calgon themselves are stating that their carbons of similar specifications are much more efficient and effective. What they are trying to market to their customers, which, in some cases, may or may not be true, depending on the final application, is that you can use one pound of our carbon, but two pounds of Chinese carbon will be able to do the same job. So that is one way that they try to market their products and should, rightfully so, in those applications get a higher price for their product.

On the manufacturing side, there is no way you can even remotely compare what the Chinese are doing to what Calgon and Norit are doing as far as their coal-based carbon production is concerned. The starting material is very different. They use a lower ash coal. They crush it to powder. They blend it, as Mr. O'Brien said this morning, with coal tar pitch

into briquettes, and then they activate using copious amounts of natural gas to maintain kiln temperature. They may or may not use waste heat recovery to fire their boilers. I don't know. And then they get a resulting product that they sell.

The Chinese technology, you dig coal out of the ground, you carbonize it, and you activate it as an integral granule. You never mill it to powder, as far as the direct activated carbons are concerned, for water treatment mainly.

The furnaces in China rely on the volatiles in the coal to maintain kiln temperature and after burners. There is no natural gas or any input of fossil fuel used to run a Chinese activation kiln. So they are somewhat insensitive in China to energy costs other than the price of the raw material.

But it's important to recognize that the U.S. producers, if they really wanted to compete, could buy land and set up Chinese types of furnaces using no natural gas, buy a higher ash grade coal, and that would effectively reduce their costs quite substantially.

MR. JORDAN: This is Dave Jordan from U.S. Filter. In my presentation, referring to what the Petitioners referred to, sometimes there are

performance-based specifications, and the one I referred to in my presentation was the City of Cincinnati Waterworks in which they did what they call a rapid, small-scale column test, which basically compares the differences between carbons. I believe the domestic product did outperform the Chinese product. It was still an open bid, and they still bid it lower just on price, but they do evaluate the performance as well as the price on some of these performance-based specs even in municipalities.

MR. SKEINI: This is Anders Skeini with Jacobi. On that note, because Calgon has widely used the Greater Cincinnati Waterworks as a marketing tool, this is one of the largest users of granular carbon for municipal water treatment in the country, and they are sometimes looked upon as an authority in granular carbon use.

They have a specification that does not exclude Chinese carbons, as many municipalities do with what was discussed earlier, the Buy America clause. The Cincinnati bid allows any carbon to participate, but the ash content of the product and the activity and the density combinations make it almost impossible for a Chinese carbon to even participate.

My company participated three or four years ago with a type of coal and a type of product that met the specification but failed to meet the performance specification, and Calgon, they picked up on that very well, which they should have; it's good marketing. In spite of picking up on that, when the next bid came around, they were still the lowest bidder in price per pound. Although the test data from Cincinnati show that the Calgon product was three times as effective, still they chose to bid the lowest price per pound.

MR. FISHBERG: Finally, just for Mr. Vander Schaaf, in your post-conference brief, if you could just address the factors the Commission evaluates in making a threat-of-material-injury determination. I would appreciate that.

MR. VANDER SCHAAF: We'll do so.

MR. FISHBERG: Great. Thank you for your testimony.

MR. CARPENTER: Mr. Trost?

MR. TROST: Good afternoon. Steve Trost, Office of Economics. I have a few questions. Let me start out getting this one out of the way, one more on reactivation.

This is basically open to anyone. Have you seen a trend in the use of reactivated carbon -- you

can answer this both for the pooled as well as the customer specific. Has it gone up in the past three years, I guess, or has it go down, or has it stayed fairly level? Are more people using that instead of virgin activated or not?

MR. KOVACH: This is Louis Kovach. Let me start with this. Because we are in a high-specialty end of the business, we are not reactivating as much as we could. However, many of our customers now are faced with potential disposal problems, and there is a preference for reuse rather than dispose materials. We have continuous inquiries to do R&D work relating to reactivation of product to increase the quantity that is reactivated and decrease the quantity that is dumped unreactivated.

MR. TROST: So that the customer specific, then, you just reactivate it and send it back to the same customer.

MR. KOVACH: Well, in some cases, it may be so, but it depends on the product type. As an example, if you are using an application where you may be exposed to radioactive material, you would send it certainly back to the facility, but you have to make sure that you don't lose any radioactivity at your facility.

MR. JORDAN: Dave Jordan, U.S. Filter. We've seen the reactivation numbers going up over the years, but we can provide more information, confidential information, as far as capacities and whatnot.

MR. TROST: Okay. I appreciate that.

Anyone else on that one?

MR. SKEINI: Anders Skeini with Jacobi. Just a short note on what the future may hold as far as reactivation is concerned. There is presently a supply shortage of activated carbon, steam activated. I don't know if that relates to chemistry activated or not, but we're discussing steam. As far as reactivation is concerned, it's the steam-activated products that are mostly reactivated.

If I wanted to buy five truck loads of carbon from China today, I would have to wait three months before it was shipped. So there is currently a supply shortage. That will lead to prices going up, and they have already started going up. The more virgin carbon prices go up, as happened last year and as shown by import stats, the better times for the reactivators because as the raw material goes up, it makes more sense to reactivate it.

MR. TROST: Okay. Thanks.

My next couple of questions have to do with between this morning and this afternoon, we've heard very different stories regarding whether or not this is a commodity we're dealing with and whether or not there are these nonprice differences that matter. The sense I'm getting this afternoon is that, you know, price is a factor, but it's not the primary factor. There are performance and quality issues. I'm just trying to understand how prevalent these are.

One question I have is -- this might be actually for Mr. Kovach because he made two statements saying that -- first is that activated carbon is not a commodity, and, second, that there are basically two levels. There is the high-end level, and then there is the lower level that is used mainly for water-treatment facilities.

Do you see the grades that are used for water-treatment facilities as being more commodity like, the prices matter more on those than they do on the high end, or is it all varied?

MR. KOVACH: I think you should ask that from the people who are selling into the business. We are not selling into it. We always found it to be generally a low grade of carbon compared to other grades of carbon that are used in gas phase and other

applications.

Joe Enniking has one year less on me. He has 46 years' experience. I have 47 in the carbon industry. But it often happens that someone comes to us for a particular problem, and we have to test, even based on our knowledge, maybe five different carbon bases to see if we treat them equally, will they behave equally before we select one. So it is not a price-based use; it is strictly quality and product-behavior based.

MR. TROST: I'll open this up to anyone else, the water-treatment industry.

MR. NELSON: Sid Nelson. If I can just add something, part of the confusion really is semantics. The words "activated carbon" describe a class of materials. It's synonymous more like the word "metals." You have many different metals that go into many different uses, and it depends. That's activated carbon. It's like ceramics or metals or polymers, and even if you go academically, you can major in it like you can major in metallurgy or polymer science. You can major in carbon science. In fact, at Penn State, my alma mater, I came close to doing that. A lot of it just has to do with semantics.

Properly done, it's not to say that it's

impossible to have a legitimate, antidumping petition, but it has to be product specific, much, much more specific than what you have here. You would never consider antidumping for metals, would you?

MR. ENNIKING: I had a thought about commodity. I think what happens is that any product that you're selling becomes a commodity when the purchasing operation gets it defined to specifications and then opens it up to everybody who can meet the specific specification and chooses the lowest price. I think the water-treatment carbons have gotten to that point. I don't participate in that, but I've heard other people mention that since a lot of the water-treatment carbon specifications include a 500 Iodine number, it's possible to make a 1,000 Iodine number and mix it with something that is not even active at all and meet the specification, and that's when it becomes a commodity.

MR. SKEINI: Anders Skeini with Jacobi. I've only been in this industry in the U.S. for five years, and I came here in 2001 to help my staff work in this market. I have experience with Europe and Asia and other markets.

Coming here, I thought the U.S. was going to be a simple thing to compete, firstly, in the

municipal market where there was a bid situation. You put in a bid, you're the lowest, and you win, but we were not the lowest. Chinese carbons have one of the lowest penetration success rates in the muni market, municipal drinking water. The Buy America clause prohibits 30 percent of the bids roughly from us even entering. Norit, Calgon, and the chemical-activation guys, MeadWestvaco, they beat themselves up so bad in this market, and prices have fallen without any intervention from Chinese, and we can give in confidential briefs results of bids where the prices are just down to ridiculous numbers without any interference from Chinese carbons.

So in the market that's open for anyone to participate, on a low-cost basis, on a price-per-pound basis, even, when performance is not even evaluated, Chinese carbons have a very, very low penetration success rate.

MR. JORDAN: Dave Jordan from U.S. Filter. Once again, my presentation about the Norit brochure, they have 150 different products, and the important part of the whole evaluation process is to speak to the experts and evaluate the specific needs, the specifications, and the application in order to get the right product for the right application. So it's

very important to do that. It's not all carbons are alike kind of thing.

MR. TROST: Okay. Thanks for that.

Based on that, I'm thinking of things like the Cincinnati story we keep hearing about, are there any cases where either the municipality tests the carbon, or even in nonmunicipal customers where quality may be more of an issue or performance may be more of an issue, is there a domestic premium? Say you have the same specs, except the domestic product may perform better. Do you see domestic product selling at a higher price or else beating out imported product at the same price?

MR. SKEINI: Can you explain "same price"?

MR. TROST: If there are two bids, one using Chinese product, one using domestic product, and they bid at the same price, is there ever a case where, based on quality issues, the customer has chosen domestic?

MR. SKEINI: That's often the case. Cincinnati is a good example. They proved their carbon lasted three times as long, and they still chose the lowest bidder in price per pound. Actually, the price they offered was 25 percent lower from the last go-around two years prior.

MR. TROST: In the Cincinnati case, Cincinnati was taking the quality into account when evaluating the bids.

MR. SKEINI: Absolutely. They measure a dollar per organic removed or something like that. In addition, there are many other industries, private sector companies, that just cannot get the efficiency required from Chinese carbon, and they are completely captive to U.S. domestic carbon production. That's a lot of the corn-sweetener market, sugar markets, as well as glycerin. There are markets that Norit and Calgon have locked up entirely for themselves because they have very good products. Even if the Chinese carbon would be half the price, it might take two times of use to get there, so they have done a good job with those.

MR. NELSON: Sid Nelson. For private clients, the industrial clients as opposed to the municipal, but eve with the municipal, there are private consulting, activated carbon consulting companies out there that run these cost-effectiveness tests for the clients. Pax is an example. They will test. So it's not just based on price. It's dollars per X quantities of gallons of treated or dollars per whatever removed. There is a whole little consulting

industry that provides this data.

MR. TROST: To the extent that you guys have any of this information, if you could include it in a post-conference brief, that would be really useful, as well as if you have any sense of how much of a price premium the domestic product gets in situations where they are tested like that.

And I think that's all the questions I have, unless anyone has anything to add on this.

MR. JORDAN: I have one more thing. This is Dave Jordan from U.S. Filter. There is one business center in U.S. Filter that buys some specific activated carbon for some water and wastewater treatment, and they buy it strictly from both Calgon and Norit, and where they could buy it from maybe somebody else in the room, they choose to buy it from them. It's a performance-based material, and it tends to be reactivated, for the most part, as well.

MR. CLARK: Steve Clark with Water Tech. There's a lot of municipalities that prefer American made over imported carbon, whether it has to do with performance or not. It's just something that has always been more for the municipalities that I deal with anyway, they would rather see American-made carbon.

MR. TROST: I know a lot of the municipalities must accept the lowest bid, no matter what. Are these ones that aren't bound by that rule?

MR. CLARK: Well, the specs, you know, they all say they will do the same and perform the same, but in most cases it's not a concern whether they require it or not. There's red flags that go up when you start bringing up you're bidding imported carbon, and you're bidding against American carbon, so it does cause a little conflict.

MR. TROST: All right. Thanks.

MR. JORDAN: This is Dave Jordan from U.S. Filter. There are a number of end users that are de facto buy American. They just don't want to have anything to do with an imported product. They want to buy American, and a lot of them are big, multinational companies, but they are based in the United States, and they prefer to buy American, although there is nothing in the specifications or the price or anything else. It's just buy American or hit the road.

MR. TROST: Okay. Thanks.

MR. CARPENTER: Mr. Yost?

MR. YOST: Good afternoon. Charles Yost, Office of Investigations. A question for Mr. Skeini and Mr. Nelson. I see that you drew extensively from

the third-quarter Calgon's earnings conference call. If you could, please, with the post-conference brief, attach a DVD or a transcript of the conversation, the conference call itself.

MR. VANDER SCHAAF: Yes. We'll do that.

MR. YOST: Then a comment for Mr. Nelson. In your Exhibit 3, which is the assessment grid of Calgon's business, I noticed that -- is this from Calgon itself?

MR. NELSON: Yes. This is their presentation to financial analysts.

MR. YOST: Okay. And you provided a place where we could take a look at that on the Internet Web site?

MR. NELSON: Exactly. At least a month ago when I got it, it was on their Web site.

MR. YOST: Okay. Is that, indeed, dated November 19, 2003?

MR. NELSON: Right, the end of 2003. Now, the only change I made was the thing in yellow, I highlighted to call your attention to.

MR. YOST: I noticed that that upper-right-hand corner indicates that the expected market growth would be low, and that doesn't quite accord with your estimations of how a power plant emissions market

might grow.

MR. NELSON: Well, actually, this slide came from a presentation, with the yellow in there, that I actually made to Calgon back in 2003 or 2004. Norit is the one that is most active. They have had theirs tested exclusively, the plants that are in the exhibits. Calgon --

MR. YOST: Is that because Calgon might be more in the granular side of the business than the powdered?

MR. NELSON: Precisely. Calgon is stronger in granular and in water. Norit is stronger in gas phased and in powder. And it's also a matter of Calgon has been doing other things where I think Norit recognized that earlier.

The issue on the markets that I talked about in Mercury, the issue was when are they coming? Is it going to be five years from now? The Clean Air Mercury Rule that came out by the feds doesn't talk about strong growth until 2018, 70 percent requirements, and when the states found that out, they jumped in in the last year or even the last six months.

So it's only within the last three, four, six months that it's kind of been crystallized that

this thing is really coming by 2008, 2009, and even then it's still a little bit up in the air because the large states that have a lot of plants, like Illinois and Pennsylvania, it's taking them six months or more going through the process, and it hasn't actually happened. It's only happened in three New England states so far. It's just that now we have 15 states that are considering it, and some major ones are very seriously considering it.

MR. YOST: What do you expect to see the window?

MR. NELSON: Unless the federal government, through legislation, jumps in, you're going to see a patchwork over a period of five or six years where different states will come in at different times.

Plants don't actually have to get serious and begin their planning and testing and buying the feeders and silos until a year before the requirements are due, and as we get more and more experience at more and more plants, that's going to shrink. People are going to become more and more confident that the technology works at their plant.

So there are still questions, but it's, I think, politically -- my own opinion is that it's not a question of if; it's a question of when, and unless

things change federally, it's going to be a roll out, different states in different timeframes over the next five years.

MR. YOST: The next five years. All right. Thank you very much. That ends my questions.

MR. CARPENTER: Mr. Stone?

MR. STONE: Yes. Philip Stone, industry analyst. I have, first, a question about pooled carbon perhaps for Mr. Enniking.

There has been some talk of a cross-contamination issue if you're using reactivated carbon, that a user would be worried about whatever it was previously used for contaminating their process. When you use pooled, reactivated carbon, is it specified what the carbon was used for originally, or do you not put any spent carbon in there that would have anything toxic on it?

MR. ENNIKING: Pool reactivation is done primarily on gas-phased carbons where there is no contaminant that could leach out in a water system or something like that, and so you'll find most of the pool reactivated carbon, I believe -- correct me if I'm wrong. Gas-phased carbons, for example, when tank ran emission control, exhaust emissions that are too small to actually put a continuous-process system on

it, that sort of thing, they will use large containers of activated carbon until they are spent, and then they will send them back. In those cases, they are relatively small uses, so they really can't afford to custom reactivate, so that's where pool reactivation becomes a big thing.

But then there are clients who say, I don't want anything from anybody else to get into my reactivated carbon, and so they specify that it be custom reactivated, and there are a number of people who do that, and I believe everybody does both, custom and pool reactivation.

MR. JORDAN: Dave Jordan, U.S. Filter. One of the things, first of all, hydrothermal steam reactivation, all of the organic material that had been absorbed will be destroyed, so regardless of where it's coming from or where it's going, whether it's pooled or custom, you would expect not to have any absorbed organics on the reactivated carbon.

In the pooled versus react, we do both, and it's also kind of a two-way street because some folks, like maybe the military -- I'm not sure exactly -- they don't want their waste mixed up with anybody else's. In other words, they just want to make sure that their spent carbon gets reactivated and comes

back to them. They don't want any trailing issues with less than viable reactivators, so they want to make sure they control it.

On the other hand, it does, for the municipalities now, for drinking water, it's segregated for just reactivation of their carbon so they get it back, so there isn't any cross-contamination. That's more by law than by technology.

As far as my opinion is, there is no reason why you could not use drinking water carbon here versus drinking water carbon there, but the laws are what they are, so you can't use it that way, so there is no cross-contamination that way.

MR. STONE: Thank you.

For Mr. Nelson, about mercury capture using powdered carbon, is post-treatment after activation, is that required for mercury capture, or does that enhance mercury capture? What's your view on that?

MR. NELSON: That's going to depend on who you ask. My company's view is that plain carbons will not compete cost effectively in this market in the vast majority of cases. We've shown that brominated carbon, in particular, works four or 500 percent more cost effectively than plain carbon, particularly for the western coals. It's still a little bit of an open

case on the eastern coals, and Norit and my company have different views, but it has to do with our different products.

The technologies are still evolving on this, so I think different people will give you different answers, but I think the majority of the carbons will be specially made and post processed, as we do, that will be successful and the most cost effective here, but there may be niches where a few plain carbons, for example, fabric filters on bituminous coals, may be more cost effective because we do add a little bit of cost in the extra processing.

MR. STONE: Thank you. That is all I have.

MR. McCLURE: Jim McClure, Office of Investigations. As I discussed, and I think I mentioned it to you guys this morning, on the values of the shipments -- I just want to be sure -- services are out of there. So check your submissions.

MR. VANDER SCHAAF: I will canvass our importers and make sure that they are certain about that.

MR. McCLURE: Okay. One other housekeeping thing. When this is over, for the parties, there is an APO release. That takes care of my questions.

MR. CARPENTER: Thank you again, gentlemen,

for your testimony and for your responses to our questions. At this point, we'll take about a 10-minute break, and when we resume, we'll have the closing statements and rebuttal statements, beginning with the Petitioners.

(Whereupon, a short recess was taken.)

MR. CARPENTER: All right. We're all set. Please proceed.

MR. HARTQUIST: Thank you, Mr. Carpenter. I'm going to try to do some tidying up here in my remaining time, and then there are a number of issues, of course, that we'll be dealing with in the brief.

One of the allegations that the Respondents' panel made that really shocked us was that there are shortages in the marketplace these days. That is just absolutely not true, and on behalf of both Calgon and Norit, I would urge any prospective buyers to see them after the conference, and they will be happy to take orders and ship them promptly. There are no shortages whatsoever.

There was a question about whether the Chinese participate in both the carbon material and service bids, and the answer is, yes, they do sort of in a combination of ways that Mr. O'Brien referred to in his testimony in that they will bid for the carbon,

and then they will join with that the provision of services by domestic companies, like U.S. Filter, for example, that testified today, to complete the whole package. So the Chinese can and do participate in those bids.

There were comments about natural gas usage, and, of course, I think everybody in the room is familiar with the differences between U.S. and Chinese environmental requirements. They are much looser in China. Most of the use of natural gas is for pollution-control reasons in the United States, which the Chinese don't have to contend with or be as concerned with as we do here. But we couldn't use the type of furnaces that the Chinese use here because we wouldn't meet EPA requirements if we were to do so.

But the point is that the Chinese end product clearly does compete with the U.S. end product and has been very successfully doing that and has cost us a lot of market share and lost sales.

Pelletized carbon; there were some comments about that. Calgon made pelletized carbon in the United States but shut down that production in the 1990s primarily because of Chinese competition. This was really the first type of material that the Chinese began to bring in when they started to come into the

U.S. marketplace.

Price increases; we'll have some more on this in the brief. There was a note of price increase by Calgon. Calgon did have a small price increase in 2005 of about 2 percent but which was nowhere close to covering the increased costs of raw materials, of labor and energy, and so forth. It didn't come close.

Jordan, in their testimony, claimed that domestic producers like Calgon underbid the Chinese. You have confidential data that tells the true story, and when you look at the lost sales data, you'll see that domestic producers are generally underbid unless, in some cases, they made a decision to try to match the foreign price, and that cost them in profitability when they tried to maintain market share on that basis. But we think the questionnaire responses are quite clear in that respect.

Attachment 7 of the Jordan presentation related to one of the municipalities, Suffolk, which provided for a foreign bid on one of the zones. There was Zone A, I think, and B in that respect. This is an example of testing the market with the foreign material and opening up these bids to competition from the Chinese, and we're seeing that. We're going to see more of that, and you'll have a lot of evidence of

lost sales in that respect.

Mr. Skeini made some comments about gaming the system with the antidumping petition. You'll see in the data that Calgon's imports from China have decreased in 2005 over 2004, and also it should be noted, as you all are very aware, that if we win this case, any imports that Calgon would bring in from China will be affected by the antidumping duties, just as everyone else's will. So their dedication, as I indicated, is, as a U.S. producer, they want to produce here, and they want the market to be fairly priced rather than unfairly priced as it is today.

In Exhibit 7 of Mr. Skeini's materials, there was a quote from John Stanik. I just want to note for the record, he was talking about manufacturers in the U.S. and Europe, not Chinese manufacturers, when he was making that statement. So just a clarification for the record.

Now, Mr. Nelson. I almost hardly know where to start, and we'll deal with this in the brief, too. We do agree with Mr. Nelson that demand for this product is growing, but we still see substantial underselling and lost sales, and we're very concerned about what's going to happen in the future with the Chinese taking this potential market growth.

The issue about the removal of mercury; we'll talk about this in the brief, too. We think that the estimate of the growth of that market is overestimated. We're going to have competition from other materials for that purpose, and we don't have great confidence that that is going to be the savior of this industry in future years, and the Chinese are going to compete in that end of the market also.

Exhibit 10 in Mr. Nelson's materials; it was a European announcement of price increases, not a U.S. announcement of price increases by Norit, as was implied in his material.

Calgon's financial data, which were cited in Mr. Nelson's materials, contain more than just activated carbon. You have the specific data on activated carbon, and I think they show quite a different picture.

Exhibit 3 in Mr. Nelson's materials, the cash cow that was referred to in this grid, November 19, 2003; things have changed, and that's why we're here. Things have changed significantly from 2003, and they are not looking at the kind of picture that they thought they might have had several years ago primarily because of the growth of Chinese competition.

With that, I would like to thank you for your time and attention. We appreciate it very much.

MR. CARPENTER: Thank you, Mr. Hartquist.

Mr. Vander Schaaf, would you come forward now?

MR. VANDER SCHAAF: Thank you. Lyle Vander Schaaf from Bryan Cave. A couple of points just to make that we were not asked about in our Q&A session and just to respond to some of the things that were testified to as well by the Petitioners' group this morning.

We were interested to hear, because I have heard a number of times, that the powdered activated carbon produced by Calgon is a byproduct and that it gets this from fines in the producing of granular activated carbon. We think that's an important statement that they didn't include earlier and believe that it's important in the Commission's analysis of how they price their powdered product and what the costs are for producing that product.

I also want to paraphrase and confirm some of the information provided about the nature of attenuated competition in the market. You heard our witnesses testify that there is no coconut-based carbon produced in the United States. There is no

pelleted carbon in the United States or acid-washed pelleted. We heard a moment ago that Calgon ceased producing pelleted in the nineties because of imports from Chinese. The import levels at that time, however, were very low.

There also is the reverse situation where the domestic like product is sold where imports cannot participate. You heard Mr. Jordan identify a number of sectors in his Exhibit 3 of his testimony. He identifies fructose, sucrose, glycerin, acids, sugar, and many municipalities have Buy America requirements. This, of course, again attenuates the competition significantly.

One of the things that we think you'll see, and we're going to try to provide as much information as possible in our post-conference brief on this, is that you see Calgon and Norit offering prices as equally low in situations where the Chinese cannot compete and do not compete as where the Chinese are a player, and you'll see in many instances that Calgon and Norit are offering prices far below the Chinese in places where the imported material does compete. We're going to try to get as many examples of that as possible in our post-conference brief, working with our coalition members.

We believe that the Commission should consider the volumes imported by Calgon and Norit as noninjurious. They were invited by Calgon and Norit. Particularly for Calgon, the imports come as a result of significant investments that they have made in China. You heard some of the witnesses testify about Calgon making a good portion of its money from its activated carbon operations and then using that revenue to produce other products and to research and develop other products and, in this case, use that activated carbon revenue to invest in China. We do not believe, therefore, that at least their volume of imports and the increase in volume in imports that they represent indicates in any way any form of injury for the two Petitioners.

Also with respect to pricing, we believe that the Commission will have to take a very close look at how services and also capital equipment or equipment are combined with sales of activated carbon.

Another thing that needs to be taken into account when evaluating prices is performance, not just with respect to whether the product performs well but whether you can use less of a material for a slightly higher price and whether that material will last longer. We'll be providing some information to

show you that Calgon's product lasts much longer than the products from China, and if you take that into account, even if the Calgon product is slightly higher, it's going to last longer. You will actually incur less cost by purchasing the higher-priced product because it will last longer. It may also allow you to use less of the material. So although the price per pound may be higher, if you're using less, the cost to you may be lower. We'll be going through some of that in our post-conference brief.

I don't know that they disputed the fact that the domestic industry cannot currently meet domestic demand. It's certainly something that our witnesses said. Imports have to come into this country in order for customers to be able to purchase the quantity that they need. As you heard from Mr. Nelson, demand is likely to increase significantly on the horizon, and that situation is only going to get worse.

During the testimony of the Petitioners this morning, during the Q&A, Mr. Thompson indicated that they had reduced employment, one example of their aspect of injury, and Mr. Hudgens indicated that the producers had closed a facility. I believe both of those instances were examples of chemical activated

carbon production operations being shuttered. I think that they have made very clear that they disagree with chemical activated being part of the domestic industry, so I would ask that the Commission take a close look at what they are talking about when they said that.

One other thing. During one of the breaks, I was informed by Carbochem that they have developed a product they believe competes with MeadWestvaco in the auto sector. It's a steam-based activated carbon, and we had been asked a question about that issue in our question-and-answer session. So it's worth noting that at least Carbochem is another entity, I'm informed, that produces a competing product that's steam activated.

Those are my observations from the testimony today. I would like to reassert our view that this investigation is extraordinarily unique because of the nature of the fact that the petition was filed and withdrawn, the Petitioners have changed their position on factual issues relating to the like product, the Petitioners have invested in the subject country and are the source of the major imports from the subject country. So this case just doesn't strike me as the type of case where relief from imports under the

antidumping law are warranted. Thank you very much.

MR. CARPENTER: Thank you, Mr. Vander Schaaf.

On behalf of the Commission and the staff, I want to thank all of the witnesses who came here today to share their knowledge with us and help us develop the record in this investigation.

Before concluding, let me mention a few dates to keep in mind. The deadline for both the submission of corrections to the transcript and for briefs in the investigation is Tuesday, April 4. The Commission has tentatively scheduled its -- investigation for April 21 at 11 a.m. and will report its determination to the secretary of commerce on April 24. Commissioners' opinions will be transmitted to Commerce on May 1.

Thank you for coming. This conference is adjourned.

(Whereupon, at 2:32 p.m., the preliminary conference in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Activated Carbon from China

INVESTIGATION NO.: 731-TA-1103

HEARING DATE: March 30, 2006

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: 3/30/06

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

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

SIGNED: Carlos Gamez
Signature of Proofreader

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

SIGNED: Christina Chesley
Signature of Court Reporter