

UNITED STATES
INTERNATIONAL TRADE COMMISSION

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

Pages: 1 through 164

Place: Washington, D.C.

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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

Thursday,
 February 7, 2008

Room No. 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The preliminary conference commenced, pursuant to notice, at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable ROBERT CARPENTER, Director of Investigations, presiding.

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Staff:

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P R O C E E D I N G S

(9:30 a.m.)

1
2
3 MR. CARPENTER: Good morning, and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 Antidumping Investigation No. 731-TA-1143, concerning
7 imports of small diameter graphite electrodes from
8 China.

9 My name is Robert Carpenter. I'm the
10 Commission's Director of Investigations, and I will
11 preside at this conference. Among those present from
12 the Commission staff are from my far right, George
13 Deyman, the Supervisory Investigator, Nate Comly, the
14 Investigator.

15 On my left Gracemary Roth-Roffy, the
16 Attorney Advisor, Nancy Bryan, the Economist, Mary
17 Klir, the Auditor, and we should be joined soon by
18 Ruben Mata, the Industry Analyst. I understand the
19 parties are aware of the time allocations.

20 I would remind speakers not to refer in your
21 remarks to business proprietary information and to
22 speak directly into the microphones. We also ask that
23 you state your name and affiliation for the record
24 before beginning your presentations. Are there any
25 questions?

1 (No response.)

2 MR. CARPENTER: If not, welcome, Mr.
3 Hartquist. Please come forward for your opening
4 statement.

5 MR. HARTQUIST: Good morning, Mr. Carpenter,
6 and members of the Commission staff. My name is David
7 A. Hartquist of the law firm Kelley Drye Collier
8 Shannon representing the domestic industry producing
9 small diameter graphite electrodes. The domestic
10 industry is being injured by dumped imports of small
11 diameter graphite electrodes from China.

12 Small diameter electrodes are being dumped
13 in the United States at very large margins, as you'll
14 see from the initiation notice of the Department of
15 Commerce. These margins permit the Chinese industry
16 to consistently and substantially undersell the
17 domestic small diameter graphite electrode industry in
18 the U.S. market.

19 The pricing data will demonstrate this
20 pervasive and injurious underselling. This case is
21 like many cases involving China which the Commission
22 has seen over the past few years. The Chinese
23 producers entered the market through importer
24 distributors focusing first on the smallest diameters
25 and lower quality products in the 1990s.

1 While quality was initially an issue they
2 worked through this over the years. As their product
3 gained market acceptance they moved up in quality,
4 first dominating the foundry market, then moving to
5 capture the ladle and refining furnace market of the
6 steel industry. They now participate in the entire
7 small diameter market.

8 They did this through low pricing and
9 underselling driven by dumping. That underselling has
10 permitted the Chinese industry significantly to
11 increase its exports to the United States over the
12 period of investigation to the point where they are
13 now the dominant factor in the U.S. small diameter
14 market encompassing more than half of all imports in
15 the first three quarters of 2007.

16 This huge and rapidly increasing volume of
17 Chinese imports is underselling domestic prices and
18 taking market share resulting in lost sales and lost
19 revenue to domestic producers as we have documented in
20 the petition. Chinese pricing is driving pricing for
21 the whole small diameter market.

22 The underselling has resulted in price
23 suppression in the market as domestic producers cannot
24 raise prices sufficiently to cover increasing costs.
25 All this is happening both during a period of rising

1 costs and expanding demand in the market where both
2 prices and profits for small diameter electrodes
3 should be increasing significantly.

4 Demand in this industry is driven primarily,
5 although not totally, by demand for steel, and which,
6 as the Commission is quite aware, has been strong over
7 the last few years. As you'll hear from our industry
8 witnesses today, however, low priced imports of small
9 diameter electrodes from China have held down domestic
10 prices resulting in depressed operating profits and
11 declining employment in the industry.

12 The Commission has also collected financial
13 data on the large diameter graphite electrode industry
14 where there is little or no competition with the
15 Chinese producers. The Commission has only to look at
16 the relevant performances of these two industries
17 under similar economic conditions to see the huge and
18 injurious impact dumped imports of the small diameter
19 electrodes are having on the domestic industry.

20 Recognizing this dichotomy, the Respondents
21 have raised issues concerning the like product
22 definition chosen by Petitioners. Large diameter and
23 small diameter electrodes are different products
24 produced by different industries.

25 The facts show that the like product and

1 scope definition chosen by Petitioners are based on
2 the realities of the marketplace, differences in
3 product characteristics and differences in which
4 graphite electrodes are made, sold, used and perceived
5 in the marketplace.

6 We believe the definition we've selected
7 properly focuses on the injurious imports of small
8 diameter graphite electrodes that are harming the U.S.
9 industry. Thank you.

10 MR. CARPENTER: Thank you, Mr. Hartquist.

11 Ms. Levinson, please come forward.

12 MS. LEVINSON: Good morning, Mr. Carpenter,
13 and the staff. My name is Lizbeth Levinson, and I'm
14 with the law firm of Garvey Schubert Barer. I'm here
15 today with my colleague, Ron Wisla. We represent a
16 group of five U.S. importers, all of whom are here
17 today to testify.

18 These importers account for virtually 100
19 percent of imports of graphite electrodes from China.
20 We also have submitted foreign producer questionnaires
21 on behalf of 10 Chinese exporters. The central issue
22 in this case is the definition of the like product.
23 The Petitioners are seeking to create two industries
24 where the commercial reality is that there's but one.

25 Application of traditional criteria

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1 demonstrates that large and small diameter electrodes
2 represent a continuum of product sizes ranging from
3 two inch to 32 inches within a single like product.
4 Petitioners' attempt to create a clear dividing line
5 between graphite electrode above and below 16 inch in
6 diameter is simply contrary to the commercial reality
7 in the industry.

8 Our witnesses will discuss the like product
9 criteria in depth. Regardless of whether the
10 Commission looks at a single or dual like product,
11 it's hard to believe that this industry is injured.
12 SGL's annual report shows record profit for the
13 division that sells electrodes. The same report, SGL
14 claims to have been operating at full capacity for the
15 past several years.

16 This is not surprising since the graphite
17 electrode industry serves the steel and other
18 metallurgical industries which have performed well in
19 the latest business cycles. Even if SGL and Superior
20 show any signs of injury such harm is not attributable
21 to imports from China.

22 The U.S. industry is relatively small, and
23 even when operating its full capacity cannot even
24 begin to satisfy U.S. demand. In fact, none of the
25 domestic producers even manufacture an electrode of

1 less than eight inches. Imports from China, as well
2 as imports from many other countries, are required to
3 meet U.S. demand.

4 As our witnesses will testify, head to head
5 competition between U.S. and Chinese produced small
6 diameter electrodes is highly attenuated. Domestic
7 producers produce the highest grade of electrode while
8 the Chinese concentrate on many of the lower grade
9 applications.

10 Some U.S. purchasers have found that their
11 applications do not require the highest grade
12 electrodes being sold to them by the domestic
13 producers. These purchasers have increasingly turned
14 to Chinese lower grade, not lower quality but lower
15 grade, products that are suitable for their uses.

16 To analogize, U.S. producers have attempted
17 to force purchasers to buy a more expensive and higher
18 performing 100 watt light bulb when the lamp at issue
19 only requires a 60 watt light bulb. The 100 watt
20 light bulb will work, but the lamp will still only
21 generate 60 watts of light.

22 The Chinese have introduced the U.S.
23 purchaser to the 60 watt light bulb which fits the
24 application for which it is intended perfectly.
25 Finally, any injury that these Petitioners may claim

1 to have suffered is entirely self-inflicted.

2 Superior, in particular, has failed to
3 modernize its equipment, and unlike most other U.S.
4 and foreign producers can only produce electrodes up
5 to 16 inch in diameter. By limiting its production to
6 small size electrodes, Superior has been unable to
7 participate in the more lucrative market for larger
8 size electrodes.

9 We look forward to presenting our case today
10 and responding to any questions that you may have.
11 Thank you very much.

12 MR. CARPENTER: Thank you, Ms. Levinson.
13 Would Petitioners' panel please come forward at this
14 time? Begin whenever you're ready.

15 MR. HARTQUIST: Thank you, Mr. Carpenter.
16 I'll introduce our witnesses for you this morning.
17 Our first witness will be Mr. Andrew Stinson on my
18 right, Vice President, Technical Sales, Americas, for
19 SGL Carbon. Then on my left Mr. Edward Carney, who is
20 the President and Chief Executive Officer of Superior
21 Graphite Company.

22 Alan Luberda will then present testimony
23 focusing primarily on the like product and Bratsk
24 issues. Michael Kerwin of Georgetown Economic
25 Services will present the economic testimony. Then we

1 have several other witnesses who are available for the
2 Q&A period, Dennis Shannon and Scott Anderson, both of
3 Superior Carbon, and Grace Kim of Kelley Drye Collier
4 Shannon.

5 So with that we'll begin, please, with Mr.
6 Stinson.

7 MR. STINSON: Good morning, Mr. Carpenter,
8 and Commission staff. My name is Andy Stinson, and
9 I'm the Vice President, Technical Sales for the
10 Americas, for SGL Carbon LLC. SGL is a producer of
11 small diameter electrodes in the United States. We
12 are a bit unusual in that we are the only company that
13 makes both small diameter and large diameter graphite
14 electrodes in the United States.

15 While we participate in both industries we
16 only make two sizes of small diameter graphite
17 electrodes, 14 inch and 16 inch products, having being
18 chased out of the small diameter market by dumped, low
19 priced imports from China over the years. I
20 understand that graphite electrodes are a new product
21 for the Commission, so I will explain a little about
22 how we make and what it is used for.

23 You should have a flow chart, I believe,
24 that was handed out earlier. Small diameter graphite
25 electrodes are used in various types of electric arc

1 furnaces, or EAFs, to generate high heat. The
2 electrodes carry electricity and ultimately generate
3 an electrical arc to melt metals or maintain metals in
4 a molten state while they are being refined.

5 Graphite is a hard and strong form of carbon
6 that will conduct electricity and in the process
7 generate a lot of heat. There is no known economical
8 substitute for graphite in this process. The
9 electrodes are cylindrical in shape, and they're
10 joined in columns of typically three electrodes by a
11 threaded connecting system, most commonly a graphite
12 pin.

13 Electrodes are fed through holes in the top
14 of the electric arc furnace and held in place by
15 electrical current carrying holders and arms designed
16 for the specific size of electrode to be used. An
17 alternating current furnace will use three columns of
18 electrodes, and a direct current furnace will use one
19 column of electrodes.

20 Electricity travels through the electrodes
21 and generates an arc between them and the furnace
22 generating the heat that melts the metal or maintains
23 it at a molten state. Small diameter electrodes are
24 made from various grades of petroleum coke, which is a
25 byproduct of the petroleum refining industry.

1 The highest grade of petroleum coke is high
2 grade needle coke and is used in large diameter
3 electrodes. Small diameter electrodes are typically
4 made of a mixture of lower grade petroleum coke, such
5 as anode coke, and various grades of needle coke. The
6 coke is ground into various granular sizing including
7 a fine powder.

8 The specific mix design of these coke
9 particles is mixed with a coal tar pitch, which is a
10 binder holding everything together. This mixture is
11 heated to approximately 150 degrees centigrade to make
12 a paste that is then extruded or pressed into a
13 cylindrical shape.

14 We bake these cylinders in a stainless steel
15 can for about 15 days and up to 800 degrees centigrade
16 in a gas over to drive off any volatile compounds from
17 the forming pitch, carbonizing the pitch and setting
18 the permanent shape of the electrode. The electrode
19 at this point will have some empty pockets or voids in
20 the carbonization of the forming pitch, so we often
21 impregnate it with coal tar or petroleum pitch.

22 A vacuum is drawn to remove the air from the
23 voids and the pitch is forced into the electrode with
24 pressure. This fills the voids, but then we have to
25 bake it again for three to five days at 800 degrees

1 centigrade to carbonize the impregnating pitch. The
2 result is a carbon electrode that has not yet been
3 graphitized.

4 To graphitize the electrodes we place them
5 in a large, horizontal furnace. The electrodes are
6 lined up end to end in the furnace, and metallurgical
7 coke is placed around it as an insulator. Electrical
8 current is run through the carbon electrode causing it
9 to heat up to 3,000 degrees centigrade, or about half
10 the temperature of the surface of the Sun, for a
11 period of about nine to 15 hours.

12 The process drives out any sulfur in the
13 electrode and rearranges the basal plane of the carbon
14 creating graphite. Once the graphite electrode is
15 slowly cooled it has female threads machined into the
16 ends to accept threaded graphite pins. The electrode
17 is then put on a lathe to machine it to the precise
18 outside diameter and roundness necessary so that it
19 will fit into the customer's electrode holder and
20 furnace top.

21 A graphite pin is then threaded into one
22 side, and a thread protector is added to the other end
23 before it is packed for shipment. SGL is the only
24 U.S. producer during the period of investigation which
25 makes both small and large diameter graphite

1 electrodes.

2 Despite the fact that the basic production
3 process for both products is similar, the two products
4 are very different and serve completely different
5 markets. Physically, the products are unlike each
6 other. One of the most important distinguishing
7 characteristics of graphite electrodes is its current
8 carrying capacity because it goes to the essential
9 function of the electrode.

10 The larger the diameter and the better the
11 grade of coke used the more current the electrode can
12 carry and ultimately the faster recycled steel can be
13 melted. Large diameter graphite electrodes are made
14 almost exclusively from premium grade needle coke and
15 are virtually always ultra high power grade.

16 For that reason, they are designed to
17 operate in high energy intense heat conditions and
18 under a lot of mechanical strain. They carry from
19 60,000 amps of current to as much as 160,000 amps.
20 The average in today's modern melting furnace is over
21 100,000 amps.

22 The electrode must be physically strong and
23 must have a strong connecting pin to avoid breakage
24 that can cause the steel mill to have to stop the
25 melting and fish out the broken electrode.

1 The small diameter graphite electrodes
2 perform under much lower current carrying heat and
3 mechanical strength requirements, they come in
4 multiple grades from normal power, to high power, to
5 ultra high power, and can be made from blends of
6 various grades of needle and anode coke.

7 They operate with current carrying
8 capacities that normally do not exceed 70,000 amps and
9 typically are between 15,000 and 60,000 amps. Because
10 of these differences in characteristics, small
11 diameter graphite electrodes are used in the steel
12 industry primarily in ladle and refining furnace
13 operations and low intensity melting operations, like
14 foundries.

15 Large diameter electrodes are used almost
16 exclusively in the high intensity melting operations
17 of electric arc furnace steel makers that require the
18 high current carrying capacity. An EAF, electric arc
19 furnace, built today for melting steel does not use
20 electrodes less than 24 inches in diameter or with a
21 current carrying capacity under 100,000 amps.

22 There is no interchangeability between the
23 two subject electrodes. Small diameter graphite
24 electrodes cannot carry the high electrical current
25 loads required to generate the extreme temperatures to

1 melt scrap steel efficiently.

2 If a steel maker attempted to pass these
3 high currents through a small diameter electrode to
4 generate the intensity of heat, the electrode would
5 simply break and fall apart. While the production
6 process for large and small diameter electrodes are
7 similar, major capital investments are necessary to
8 shift from producing small to large diameter
9 electrodes.

10 An operation set up to run only small
11 diameter electrodes, like Superior's, for example,
12 could not switch to large diameter production without
13 a substantial and expensive upgrade in its facility.
14 Our large diameter equipment, such as large cans for
15 baking, also cannot be efficiently used to bake
16 quality small diameter electrodes.

17 This 16 inch dividing line is not just
18 something we made up for this petition, it is where
19 production typically delineates for the industry. CGE
20 and Shoa Denko, other manufacturers of graphite
21 electrodes, make only large diameter products, and
22 Superior makes only small diameter products.

23 Sixteen inches is also the point where
24 electrodes are typically differentiated by our
25 customers as the applications are different. No

1 domestic producer and none of our customers that I'm
2 aware of would consider small diameter and large
3 diameter graphite electrodes to be the same product or
4 interchangeable in any way.

5 The different characteristics and uses make
6 these products as different to our customers as they
7 are to us. As a matter of fact, steel customers today
8 typically have a separate bidding process for their
9 small diameter ladle business and their large diameter
10 melting business.

11 A small diameter graphite electrode is not
12 just a small version of a large diameter electrode.
13 They are different products, produced by different
14 industries, designed for different applications. The
15 dumped Chinese imports are destroying our small
16 diameter electrode business.

17 Frankly, it is difficult to make a financial
18 case for continuing to produce any small diameter
19 graphite electrodes under current conditions. After
20 the Chinese entered the market and gained acceptance
21 for the quality of their product in the late 1990s
22 their pricing was so low we knew that we could not
23 afford to compete with them long-term.

24 Our attempts to do so showed us that we
25 would not be able to operate in that market profitably

1 for long. The Chinese imports have taken nearly the
2 entire foundry market and are significantly eating
3 away at the ladle furnace market in the steel
4 industry.

5 The Chinese aggressively taking market share
6 with unfairly low prices, we are left with two
7 choices: continue to chase Chinese prices and lose
8 money or cede market share to them. We made the
9 decision to stop chasing Chinese pricing. This meant
10 we narrowed our product offering to only two sizes, 14
11 and 16 inch diameter electrode, where the Chinese had
12 less market penetration.

13 It meant that SGL sold small diameter
14 graphite electrodes to fewer customers trying to find
15 buyers that the Chinese had not yet captured. We also
16 worked on lowering our costs by various means to
17 compete with the Chinese effectively in these
18 remaining sizes.

19 In 2006, we reached the limit of our ability
20 to lower costs and narrow markets, and by 2007 we have
21 again seen both our profits and our market in small
22 diameter electrodes erode further. As SGL in the
23 singular position of being in both the large diameter
24 and small diameter graphite electrode industries we
25 have a unique perspective.

1 If the Commission wants to see how imports
2 of dumped Chinese small diameter graphite electrodes
3 have affected the small diameter market simply compare
4 the operating profits for our small diameter
5 operations with those of our large diameter operations
6 as reported in our questionnaire response. The
7 difference is striking.

8 This case is really the last option for us
9 in the small diameter market. It is very likely that
10 SGL will be forced completely out of the small
11 diameter electrode industry if this case is not
12 successful. On behalf of SGL Carbon, I appreciate
13 your attention this morning. Thank you.

14 MR. HARTQUIST: Thank you, Andy. Our next
15 witness is Mr. Carney.

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

22 Our Russellville plant does not produce
23 large diameter electrodes, and we produce only a very
24 small amount of other graphite products at this
25 facility. In fact, Superior's production equipment in

1 Russellville is designed to produce small diameter
2 graphite electrodes exclusively and is incapable of
3 producing electrodes in sizes about 16 inches in
4 diameter.

5 Given this position we have no other
6 production options, and we are extremely vulnerable to
7 the affects of unfairly traded small diameter graphite
8 electrodes from China. As the only U.S. producer
9 dedicated exclusively to the production of small
10 diameter graphite electrodes we face competition from
11 SGL on part of our product line, and we face
12 competition from imports.

13 We do not compete with Shoa Denko or CG
14 Electrodes, domestic producers of only large diameter
15 graphite electrodes. The lion's share of small
16 diameter graphite electrode imports in the U.S. market
17 now come from China, and the aggressiveness at which
18 the Chinese product is sold is unmatched by the
19 imports from any other source.

20 Superior has been struggling for some time
21 to compete with the imports from China, but the
22 situation has become dire in the past few years.
23 While Chinese imports showed some significant quality
24 flaws 10 years ago in recent years the Chinese have
25 been able to produce electrodes that are acceptable

1 for use in almost all small diameter applications.

2 Even in instances where the Chinese product
3 does not last as long as the domestic product in the
4 furnace the Chinese imports are priced so far below
5 our product that purchasers tell us they have no
6 choice but to use Chinese electrodes.

7 Our petition provides direct evidence on
8 this point, as we have included many examples of
9 accounts in which we have lost sales to the Chinese
10 based on prices that were up to 40 percent lower than
11 the prices offered by Superior. Chinese imports have
12 reduced many of the disadvantages they used to suffer
13 from in the eyes of the U.S. purchasers.

14 Not only has Chinese production quality
15 improved, but the large imports of the product in the
16 United States have established multiple locations for
17 inventory and shipment.

18 While the production process for small
19 diameter graphic electrodes is extremely time
20 consuming forcing long lead times for the product,
21 U.S. importers now maintain large inventories of
22 product in the United States and boast of their
23 ability to fill orders quickly.

24 Further, many importers now stand behind and
25 warranty their product. The willingness of a U.S.

1 company to guarantee the Chinese product has acted to
2 remove most quality concerns on the part of purchasers
3 making price the most important selling point and the
4 low priced Chinese imports more attractive than ever.

5 Price aggressiveness and underselling on the
6 part of the Chinese imports have caused major
7 contractions in the domestic industry. SGL now
8 produces only two diameters of small diameter graphite
9 electrodes, and Graph Tech International, which closed
10 its U.S. production operations.

11 As Chinese import volumes have grown, the
12 domestic industry's share of the market has fallen
13 dramatically. Superior saw its sales volume fall by
14 about one-third over the period of investigation, and
15 our employment in Russellville has fallen
16 significantly as a result.

17 The only thing that has saved us from
18 absolute disaster in the last few years has been the
19 relative strength of steel demand as U.S. steel mills
20 and foundries have kept up production volumes and
21 aggregate demand for small diameter graphite
22 electrodes has remained healthy.

23 In light of recent news concerning the U.S.
24 economy and manufacturing, however, we cannot assume
25 that this level of demand for our products is going to

1 continue. While a healthy U.S. steel industry helped
2 to buy us some time in relation to demand, the growth
3 in the global economy in recent years has also had a
4 dramatic impact on our raw material costs and on
5 natural gas prices.

6 Our costs for raw material and energy
7 increased almost constantly during the period you are
8 examining with raw material costs per pound more than
9 doubling between 2004 and 2007. While you will see
10 that in our average selling prices for finished
11 products have increased over this period, the
12 increases have been nowhere near commensurate with the
13 increase in raw material costs.

14 As a result, Superior's operating returns on
15 sales of small diameter graphite electrodes have taken
16 a nosedive over the period of the investigation.
17 While we have to deal with large increases in input
18 costs and have attempted to adjust our prices
19 accordingly, the pricing for the Chinese imports has
20 barely budged.

21 Given that prices for needle coke largely
22 reflect trends in world oil prices there is no reason
23 to believe that the Chinese have not faced the same
24 increases in raw material costs that we have; nor can
25 it be assumed that the Chinese have a significant

1 labor cost advantage because this product is simply
2 not labor intensive to produce.

3 The consistently low prices for imports of
4 small diameter graphite electrodes from China are
5 irrational and unjustifiable. We have made our best
6 efforts to take advantage of this challenge and
7 compete directly with the Chinese. We have tried some
8 modifications to our input materials and our
9 production process in order to improve our efficiency
10 and keep costs down.

11 This has only proved a stop gap solution as
12 our efficiency gains have not been enough to overcome
13 the combined effects of increasing raw material costs
14 and unfair price competition from the dumped Chinese
15 imports. The production of small diameter graphite
16 electrodes is capital intensive.

17 Those of you who have taken a plant tour
18 have seen that there is a lot of heavy capital
19 equipment involved in the production process.
20 Unfortunately, our returns in recent years have been
21 far too weak to justify any significant investment in
22 improvements to our production equipment.

23 Our capital investment has largely been
24 limited to upkeep needed to keep the production
25 equipment functioning. This is not a model that can

1 be followed over the long-term. As is demonstrated
2 clearly in our questionnaire response to the
3 Commission, Superior Graphite's position as a producer
4 of small diameter graphite electrodes is very much at
5 risk.

6 Our Russellville plant cannot produce other
7 products, and for us to produce large diameter
8 graphite electrodes we would essentially have to build
9 an entirely new plant. We have no choice but to stand
10 and fight, and this antidumping action is our last
11 resort. We know that the pricing of Chinese imports
12 in the U.S. market simply does not make economic
13 sense.

14 In the face of this unfair price competition
15 we are rapidly losing our market share and are unable
16 to price our product to capture our costs, let alone
17 make enough of a return to finance necessary capital
18 improvements.

19 It is not an exaggeration to say that if we
20 do not receive relief from the unfair Chinese imports
21 through this action we will likely be forced to shut
22 our Russellville facility, and the U.S. industry
23 producing small diameter graphite electrodes will soon
24 cease to exist. Thank you.

25 MR. HARTQUIST: Thank you, Ed. Our next

1 witness is Michael Kerwin.

2 MR. KERWIN: Good morning. I'm Michael
3 Kerwin of Georgetown Economic Services. This morning
4 I'd like to discuss trends in subject import volumes,
5 the condition of the U.S. industry, conditions of
6 competition and the threat posed by imports of small
7 diameter graphite electrodes from China.

8 As of this juncture, we can only discuss the
9 subject import trends based on our estimations from
10 the official import statistics under the methodology
11 that we discuss in our petition. We recognize that
12 the Commission is the process of developing its own
13 database of imports based on the information provided
14 in the questionnaire responses, but those data are not
15 yet sufficiently developed to discuss this morning.

16 We are confident that when those data are
17 compiled that they will bear out the same type of
18 trends that we showed in our petition. U.S. imports
19 of small diameter graphite electrodes from China are
20 estimated to have increased by 32 percent from 2004 to
21 2006, growing from 11,400 to 15,000 metric tons.

22 In the first three quarters of 2007 the
23 subject imports jumped an additional 50 percent
24 expanding from 11,800 metric tons in interim 2006 to
25 17,700 metric tons in the comparable period of 2007.

1 These are clearly significant volume increases.

2 Chinese imports' share of the U.S. market
3 for small diameter graphite electrodes also grew
4 dramatically during the period of investigation,
5 nearly doubling from 2004 to interim 2007. Thus, both
6 in absolute volume terms and as a share of the market,
7 the growth in Chinese imports of small diameter
8 graphite electrodes has been highly significant.

9 Our petition shows clearly that the domestic
10 industry producing small diameter graphite electrodes
11 has been materially injured by these rapidly
12 increasing subject imports. Production and shipment
13 volumes, capacity utilization and employment
14 indicators all fell dramatically between 2004 and
15 2006, and again in the interim 2007 period.

16 Operating returns for the period overall
17 have been anemic, and the industry faced an operating
18 loss position in interim 2007. While small diameter
19 graphite electrode prices have generally shown
20 increases over the period of investigation, price
21 increases have not kept pace with increases in raw
22 material and energy costs.

23 The industry has faced a cost price squeeze
24 as rampant underselling on the part of the Chinese
25 imports has kept prices realized by the domestic

1 industry below the levels needed to capture increased
2 costs.

3 The causal connection between the injured
4 condition of the domestic industry and the increasing
5 volumes of unfair imports from China is demonstrated
6 in the market share declines suffered by the domestic
7 industry during the period of investigation and the
8 many examples of lost sales listed in our petition.

9 Domestic industry market share suffered a
10 substantial decline from 2004 to 2006 and a very
11 dramatic drop in interim 2007. The industry's lost
12 sales allegations, as detailed in our petition, show
13 that unfair price competition by the Chinese imports
14 has taken sales volume directly from the domestic
15 industry.

16 Many of these accounts have essentially been
17 lost completely to imports from China, and in other
18 instances, domestic producers continue to be asked to
19 submit price quotes, but customers have made clear
20 that Chinese imports are underselling the domestic
21 producer prices by margins reaching above 40 percent.

22 In assessing the impact of the unfair
23 imports from China on the domestic industry the
24 Commission should bear in mind the conditions of
25 competition that have been in effect over the period

1 of investigation. U.S. demand for small diameter
2 graphite electrodes was actually healthy during the
3 period as apparent domestic consumption increased from
4 2004 to 2006, and again in interim 2007.

5 This trend reflected the fact that the U.S.
6 steel industry has been doing very well over the last
7 few years supporting demand for ladle, melt and
8 foundry applications of small diameter graphite
9 electrodes. In spite of healthy demand for the
10 product, the domestic small diameter graphite
11 electrode industry did not benefit from this market
12 growth.

13 Indeed, as Mr. Carney has mentioned, the
14 buoyancy of aggregate demand barely allowed the
15 domestic industry to keep its head above water. The
16 picture will turn even bleaker if the impending slow
17 down in the U.S. economy starts to affect the steel
18 industry.

19 The other key condition of competition that
20 the domestic industry has faced has been the dramatic
21 increase in raw materials and energy costs during the
22 period of investigation. As oil prices have spiked,
23 so have prices for all petroleum derivatives,
24 including coke, the key input material in the
25 production of small diameter graphite electrodes.

1 The industry has also experienced
2 substantial increases in its costs for natural gas and
3 electricity during this period. Given the high
4 temperatures and long periods for which small diameter
5 graphite electrodes must be baked and graphitized such
6 cost increases have had a substantial impact on the
7 industry.

8 Again, the domestic industry has been unable
9 to cover these increased costs due to the substantial
10 and widespread underselling of the imports from China.
11 A final condition of condition of competition that the
12 Commission should recognize is that small diameter
13 graphite electrodes are sold primarily on the basis of
14 price, and the Chinese and U.S. product are highly
15 substitutable in most applications.

16 As noted by Mr. Carney, product quality and
17 sales terms of the Chinese imports are not a
18 significant impediment to sales as much of the quality
19 gap between the domestic product and the subject
20 imports has been erased and many importers maintain
21 large inventories of the Chinese product within the
22 United States.

23 Even in instances where Chinese small
24 diameter graphite electrodes do not perform quite as
25 well as the domestic product the price differential

1 more than compensates. Purchasers analyze the
2 performance of the Chinese product in relation to its
3 cost.

4 That is why both Superior and SGL have
5 numerous accounts at which their bids are no longer
6 even seriously reviewed because they cannot approach
7 Chinese pricing. On the subject of the threat of
8 further material injury posed by imports of small
9 diameter graphite electrodes from China, as we've laid
10 out in the petition, the Chinese industry is huge and
11 expanding.

12 There are more than 70 producers of the
13 subject product in China, and many of these companies
14 are new and have modern facilities. In fact, our
15 petition documents that at least 12 of these companies
16 have been established since the year 2000. The
17 Chinese industry producing graphite electrodes is far
18 and away the world's largest, and it is export
19 oriented and focused on growth.

20 The information available on just a few of
21 these companies shows that they have added at least
22 100,000 metric tons of graphite production within the
23 last five years. That increase alone far exceeds the
24 total capacity of the U.S. industry producing small
25 diameter graphite electrodes.

1 As to the other threat criteria, it is clear
2 that the subject imports from China have quickly
3 increased their penetration of the U.S. market during
4 the period of investigation and that these imports
5 have been sold at prices that have suppressed domestic
6 producer prices.

7 Given the massive capacity and ongoing
8 growth of the Chinese industry imports of small
9 diameter graphite electrodes from China present a
10 highly significant threat of further and heightened
11 material injury to the domestic industry. That
12 concludes my testimony this morning. We'll be happy
13 to answer any questions you may have.

14 MR. HARTQUIST: Thank you, Mike. Our final
15 witness will be Mr. Luberda.

16 MR. LUBERDA: Good morning. I'm Alan
17 Luberda of Kelley Drye Collier Shannon, and this
18 morning I'll be addressing two legal issues that bear
19 importantly on the Commission's analysis. Those
20 issues are, first, the appropriate like product to be
21 applied in this case; and second, whether and how to
22 apply the so-called Bratsk analysis.

23 We've heard that the Respondents will argue
24 this morning that the like product in this case should
25 be expanded to include large diameter electrodes.

1 Just as they unsuccessfully argued before the Commerce
2 Department during the initiation process they claim
3 that the like product should be changed and that the
4 proposed like product of Petitioners is arbitrary.

5 You've already heard this morning evidence
6 from our witnesses and you've seen in our
7 questionnaire responses that the 16 inch dividing line
8 in Petitioners' like product definition matches how
9 this product is made, sold, used and perceived in the
10 marketplace by producers and customers.

11 The Commerce Department found one like
12 product of only small diameter graphite electrodes,
13 and the Commission should do the same thing. The
14 scope is the starting point for defining the like
15 product. The statute, at Section 16.7710, defines the
16 domestic like product as a product which is like, or
17 in the absence of like, most similar, in
18 characteristics and uses with the article subject to
19 an investigation.

20 The article subject to an investigation is
21 defined by the scope, which is provided to the
22 Commission by the Commerce Department. Commerce
23 defined the scope as including only small diameter
24 graphite electrodes.

25 Thus, the domestic like product is the

1 product that is like the imported small diameter
2 graphite electrodes from China that are in the scope,
3 and that product is domestic small diameter graphite
4 electrodes.

5 The Commission of course does have the
6 discretion to expand the like product beyond the
7 products covered in the scope through the application
8 of its six part test, but where an industry has
9 defined the scope in a manner to provide relief to
10 that industry the Commission most often find scope and
11 like product to be coextensive.

12 This is consistent with the congressional
13 directive that the Commission not define the product
14 so broadly or narrowly as to prevent consideration of
15 an industry adversely affected by imports under
16 consideration.

17 The Petitioners define the scope and the
18 like product precisely in a way that mirrors their own
19 production and marketing practices, in the manner that
20 the product is understood in the marketplace and in a
21 way that mirrors what is being imported and is causing
22 material injury to that domestic industry.

23 The Chinese imports during the period of
24 investigation have been fairly uniformly 16 inches or
25 less. There is nothing unusual about a like product

1 that is delineated by size. The Commission frequently
2 recognizes such size distinctions in like product
3 definitions.

4 Steel plate and steel sheets, for example,
5 are two different like products, and they're
6 recognized by the Commission in a number of cases that
7 are nominally delineated by a size measurement. Such
8 distinctions have been recognized in a number of other
9 cases from pipe and tube products defined by diameter,
10 fittings categorized by diameter size, polyester
11 staple fiber defined by the diameter of the yarn.

12 This is not unusual. In this case, as in
13 those examples, the size distinction is related
14 directly to differences in the physical
15 characteristics, the uses and the markets that
16 differentiate the products. Moreover, the like
17 product in this case matches the description of the
18 imports that are causing harm to that industry.

19 The diameter of the electrodes is directly
20 related to one of the most important characteristics
21 for all graphite electrodes, it's current carrying
22 capacity. You heard from Mr. Stinson this morning
23 that the larger the diameter of the electrode, the
24 more current it can carry and the more energy and heat
25 the electrode can generate.

1 The quality of the raw material also affects
2 current carrying capacity. Current carrying capacity
3 and thus the diameter then dictate the applications
4 for the electrode and the customers that will buy it.
5 So how does this translate to a 16 inch limit on the
6 like product?

7 As Mr. Stinson testified, small diameter
8 graphite electrodes, even of the best quality raw
9 materials, typically operate below 70,000 amps in
10 current carrying capacity and typically are produced
11 to accommodate 15,000 to 60,000 amps. In contrast,
12 all large diameter electrodes operate at over 60,000
13 amps up to about 160,000 amps, and all new melting
14 electric arc furnaces in the steel industry run at
15 over 100,000 amps.

16 Small diameter graphite electrodes cannot
17 run at these higher rates because they would split and
18 fail, and that's the last thing that the customer
19 wants to have happen to his electrode. Small diameter
20 electrodes of 16 inches or less are routinely made
21 with mixtures of lower grade anode and needle coke
22 inputs.

23 We hope you'll ask some questions about this
24 because the idea that the domestic industry, they'll
25 sell a 100 watt light bulb into a 60 watt application

1 doesn't really match. Maybe 10 years ago, but
2 certainly no longer. Lots of grades in the small
3 diameters that are being used.

4 You contrast that with large diameter
5 products, nearly always premium grade needle coke to
6 accommodate the higher electrical loads, intense
7 thermal mechanical strain necessary for the intense
8 melting applications in which they are used. The
9 large electric arc furnaces in which large diameter
10 electrodes are used put a great deal of physical
11 stress on the electrode.

12 The process of melting 100 to 200 tons of
13 scrap steel in a room taken at room temperature to a
14 molten state in 40 minutes causes intense vibrations,
15 strong currents in the molten metal, electromagnetic
16 fields and other stresses on the electrode. For that
17 reason, the connecting pins on the electrodes must be
18 very strong and are impregnated and rebaked multiple
19 times.

20 Connecting pins for small diameter products
21 are not required to be as strong because the low
22 energy applications in which they're used, such as
23 refining furnaces, ladle furnaces and foundries,
24 generally do not place as much physical stress on the
25 product.

1 The physical characteristics can all be
2 directly related to the diameter of the electrode and
3 matched to the market they serve. As you heard this
4 morning, there's no interchangeability between sizes.
5 Large EAF operators cannot use small diameter graphite
6 electrodes, and large diameter electrodes are
7 inappropriate for use in most ladle furnaces and other
8 small diameter applications.

9 Once a furnace is designed for a large
10 diameter electrode it can't use a small diameter
11 electrode. In this case, there are four domestic
12 producers of electrodes of any size.

13 Two make only large diameter, Shoa Denko and
14 CGE, one makes only small diameter, Superior, and we
15 recognize there's one domestic producer sitting here
16 at the table, SGL, that makes a full range of large
17 diameter graphite electrodes, but only two sizes of
18 small diameter graphite electrodes now.

19 What the Commission should conclude is that
20 SGL is in both industries, not that the four companies
21 are in one industry. That one producer might
22 participate in two industries does not mean that the
23 industry should be collapsed into one. The Commission
24 has in the past found separate like products for two
25 product groups delineated by size even when there's

1 been some overlap in productive capacity.

2 Thus, the overlap in productive capacity for
3 small and large diameter electrodes does not
4 necessarily weigh against a finding of two like
5 products in this case. We'll be happy to provide some
6 examples of such cases in our postconference brief.

7 We've summarized the primary differences
8 between small and large diameter graphite electrodes
9 on the chart that we have behind us, so you'll have
10 that for your reference as we go through the testimony
11 and the questions later, and we'll submit this summary
12 with our postconference brief.

13 Petitioners' like product definition is not
14 arbitrary but is related precisely to the factors the
15 Commission normally examines when making a like
16 product determination. The facts of this case
17 demonstrate that small diameter graphite electrodes
18 not more than 16 inches in diameter constitute a
19 single like product coextensive with the scope of this
20 case that excludes the larger diameter electrodes of
21 18 to 32 inches in diameter.

22 A final legal issue the Commission may
23 consider in this case is the so-called Bratsk
24 analysis. Information available at this preliminary
25 stage of the case indicates that nonsubject imports

1 are not in a position to replace subject imports or
2 deprive U.S. producers of the benefit of an order.

3 We'll obviously provide a more complete
4 analysis with our postconference brief once we've had
5 the opportunity to review all the data that's been
6 collected by the Commission.

7 However, public data in the petition show
8 that nonsubject imports have remained steady over the
9 first three years of the period of investigation and
10 were declining in 2007 indicating less of an interest
11 or an ability to supply the U.S. market during a
12 period of worldwide strong demand for small diameter
13 graphite electrodes.

14 In contrast, subject imports have surged to
15 substantial levels. There is only one third country
16 supplier of small diameter graphite electrodes of any
17 real size to the U.S. at this time, and that's Mexico.
18 It appears from public import statistics that small
19 diameter imports from Mexico have been declining while
20 subject imports have increased.

21 Such disparate behaviors do not support a
22 finding of likely replacement. Moreover, of small
23 diameter graphite electrodes, imports of small
24 diameter graphite electrodes from China constitute
25 more than half of all the imports into the market. It

1 would be difficult for other producers to replace that
2 volume of imports given strong world demand and
3 limited supply in countries other than China.

4 Further, averaging of values of subject
5 imports are lower than those of the nonsubject
6 imports. The higher values of nonsubject imports
7 indicate they would not be in a position to replace
8 subject imports in this price sensitive market, and we
9 believe the pricing data the Commission is collecting
10 will support this analysis.

11 It's certainly Petitioners' experience that
12 the Chinese are the low priced leaders in the market.
13 Therefore, even if nonsubject imports could replace
14 imports from China, the U.S. industry would benefit by
15 the higher prices at which they are selling as
16 domestic producers would regain market share and be
17 able to increase prices.

18 Accordingly, the Bratsk test should not
19 preclude remedial relief to the injured domestic small
20 diameter graphite electrode industry in this case.
21 Thank you, and that concludes our direct presentation.

22 MR. HARTQUIST: And we are happy to answer
23 your questions. Thank you.

24 MR. CARPENTER: Thank you, panel, very much
25 for your presentation. We very much appreciate having

1 knowledgeable industry witnesses here to help us
2 through this. This is, as you know, the first time
3 we've dealt with this product, and it's a fairly
4 technical product.

5 I think we'll probably have a number of
6 questions along the more technical lines and
7 particularly dealing with like product. First, I want
8 to note that we'll accept your exhibit entitled
9 *Graphite Electrode Process* into the record, and we'll
10 make that an attachment to the transcript.

11 I'd like to start with a couple of questions
12 based on the testimony that I've heard so far. I
13 appreciate the extensive discussion on like product.
14 The Respondents have already indicated that they have
15 an issue here, and Ms. Levinson indicated that they
16 view this as a continuum.

17 I appreciate the differences that you've
18 provided between the small and large diameter
19 products, and I could see some significant differences
20 there, but in a sense that this could be or I think
21 the Commission will probably want to look at the
22 validity of whether this is a continuum they would
23 probably be interested in the question of is there a
24 bright line distinction between the small and the
25 large?

1 You've defined the scope of the
2 investigation as including product up to 16 inches in
3 diameter, and I understand that they typically are
4 sold in about two inch increments, so really, you
5 know, products 16 inches and under are within the
6 scope and products 18 inches and over are outside the
7 scope.

8 Mr. Stinson, if I could start with you. You
9 produce both the small and the large, but you
10 indicated in the small you produce only the 14 and 16
11 inch products. What is your range of large diameter
12 production? Does it begin with 18 and go up to 30?

13 MR. STINSON: The large diameter electrodes
14 produced in the United States for SGL are 18 inch
15 through 32 inch. The reason why we only make 14s and
16 16s when we used to produce down to the two inch range
17 is we can't compete with the extremely low priced
18 Chinese product.

19 This might help you a little bit. One of
20 our competitors, CGE in Pennsylvania, came back alive
21 about four years ago from bankruptcy and before that
22 was called CGG with a facility in Pennsylvania and a
23 facility in New York State, and they, like SGL,
24 produced two inch all the way through 28 inch I
25 believe.

1 When they came back out of bankruptcy they
2 elected to concentrate only on large diameter
3 electrodes for the melting industry, and they market
4 themselves as a large diameter producer, 18 inch and
5 larger. Our other competitor, Shoa Denko, markets
6 themselves as a premier large diameter electrode
7 manufacturer making 18 inch through 32 inch.

8 As far as the industry is concerned, there
9 is a clear distinction on the use of the product and
10 the two different industries. One is melting, and one
11 is refining.

12 MR. CARPENTER: When did you cease
13 production of the under 14 inch diameter? Was that
14 since 2004 or was that prior to 2004?

15 MR. STINSON: We sold some 10 and 12 inch
16 product in the first part of the petition period. We
17 no longer sell 10 and 12 inch. I believe 2006 was the
18 last year that we participated in that industry, and
19 we didn't sell very much of it.

20 MR. CARPENTER: Okay. Thank you.

21 Mr. Carney, I believe you indicated that of
22 course you only produce the small diameter, and I
23 think you said that your company is incapable of
24 producing anything over 16 inches, that you would
25 likely have to build a new plant to do so.

1 I was wondering if you could elaborate on
2 that, why you would need to build a new facility as
3 opposed to say making modifications to existing
4 equipment?

5 MR. CARNEY: No, and that's very true. I
6 mean, we are incapable of making anything greater than
7 16 inch. What would be required in a new facility
8 would start all the way from the coke, so from
9 sourcing the raw material, which would be, you know,
10 exclusively premium needle grade coke of which at the
11 moment there is a shortage of, so there would be a
12 problem right there.

13 You'd go right into the bins where we don't
14 have the bins, nor do we have the extruding press, nor
15 the baking cans in order to do it. We would also have
16 to build new graphitizers. Probably the only process
17 in your process flow sheet that we could do for large
18 diameter electrodes at the moment would be
19 impregnation, which is a fairly, you know, kind of
20 rudimentary process.

21 That's the only process that we would be
22 able to do under today's environment in order to
23 produce large diameter graphite electrodes.

24 MR. CARPENTER: Thank you very much.

25 Mr. Luberda, you indicated that there is no

1 interchangeability between the sizes, and I think I
2 understand that. I could also open this up to the
3 witnesses, but my question is what would have to be
4 done to make different sizes to be able to be used
5 interchangeably in a particular furnace, and how
6 feasible is that, how economical is it?

7 MR. LUBERDA: Actually, I think I'll let the
8 witnesses answer that. They have a better technical
9 range here. I mean, it has to do with basically you
10 have to redesign the furnace, as I understand it, but
11 let me let the witnesses answer that.

12 Andy, do you want to take that?

13 MR. STINSON: First of all, electric arc
14 furnace manufacturers consult with SGL and some of the
15 other bigger electrode manufacturers on the design of
16 the electric arc furnace. A steel maker will want to
17 melt steel as fast as possible because time is money
18 today. So typically the new furnaces that are being
19 built are 150,000 to 200,000 tons of steel at a time.

20 That calculates out to a certain electrode
21 requirement to carry the current into the furnace.
22 Having designed, for example, a 24 inch electrode or a
23 30 inch electrode they then build the holders and the
24 current carrying arms to support the electrode that
25 goes down through the roof of the furnace and is

1 submersed into the steel.

2 Those holders are extremely expensive. I
3 guess if money wasn't an issue, sure, but if they
4 switched from a 24 inch to a 14 inch they cannot melt
5 steel anywhere near the speed that the 24 inch can
6 melt that. The good shops today are melting between
7 30 and 45 minutes 150 tons of steel.

8 You'd at least double that, maybe even
9 triple that if you tried to do it with a 14 inch, and
10 chances are the electrode would break anyway.

11 MR. CARPENTER: Thank you. That helps a
12 lot. I'd like to shift a little bit away from like
13 product. Another point that the Respondents were
14 making in their opening statement appeared to be that
15 the competition between the domestic product and the
16 Chinese imports are highly attenuated.

17 I think they made the point that they're
18 understanding was U.S. producers don't make any
19 electrodes under eight inches anymore, for example.
20 First of all, and I guess, Mr. Carney, this would
21 really be a question for you, do you make anything
22 under eight inches at this point?

23 MR. CARNEY: Not at this particular point in
24 time. We have the capability to make from four and a
25 half inches up to 16 inches. One of the reasons that

1 we've gotten away even from the six inch is because
2 that's kind of where the Chinese started. They
3 started at the low end, six inches, you know, moved up
4 to eights, 10s, 12s, 14s, 16s right now and presumably
5 will continue marching on.

6 As those sizes became less and less
7 profitable for us we abandoned them.

8 MR. CARPENTER: And did you make the six
9 inch at some point between 2004 and 2006?

10 MR. CARNEY: No, we did not.

11 MR. CARPENTER: That was phased out before
12 2004?

13 MR. CARNEY: Yes.

14 MR. CARPENTER: Okay. Again, the
15 allegation, I think, Mr. Lubberda, you mentioned this,
16 too, the allegation by the Respondents was that the
17 domestic industry tries to sell higher grade products
18 than are necessary for a particular application. I
19 was wondering if our witnesses would be willing to
20 address that question?

21 MR. STINSON: I'm sorry, I didn't get the
22 question.

23 MR. CARPENTER: The allegation or assertion
24 was that the domestic industry, your companies, try to
25 sell your customers a product that's a higher grade

1 and therefore a higher price than what they really
2 need for their particular application.

3 MR. KERWIN: Mr. Carpenter, I'm going to
4 lead off on then hand it over to the industry
5 witnesses. From our discussions with both companies
6 one of the things that they done in an effort to
7 compete with the Chinese low priced onslaught is to
8 work with new and different types of coke and to look
9 into and to work with cokes of lesser quality in order
10 to develop products that are a bit more price
11 competitive, cheaper to produce, but still effective.

12 That was done as a direct effort to compete
13 with the Chinese product. Also, we'll note that
14 certainly all through this period, you know, there has
15 been ample production of HP electrodes by the domestic
16 industry. It's certainly not limited to UHP
17 electrodes, which are the higher quality product.

18 With that, I'll turn it over to the industry
19 witnesses.

20 MR. STINSON: It would be my assertion that
21 the statement that was made is simply camouflage to
22 hide the real issue which is the dumped, unfair priced
23 product coming into this country. SGL designs a
24 product to fit the needs of the customer's
25 requirements.

1 For someone else to say we're supplying
2 something that they don't really need I don't think is
3 a fair statement.

4 MR. CARPENTER: Thank you.

5 MR. CARNEY: I would concur with those
6 remarks as well.

7 MR. CARPENTER: Thank you. Have you
8 gentlemen seen a change in the composition or the
9 product mix that's been coming in from China from 2004
10 to the present? I think, Mr. Carney, you mentioned
11 that they started out at six inches in diameter. Have
12 you seen the imports move more into the larger
13 diameters, and also, the higher grades during the
14 period of investigation?

15 MR. CARNEY: Yes, we have. I mean, I would
16 say that, you know, probably under three or four years
17 ago a lot of the business was kind of fought in the 10
18 to 12 range, and now it's moved up to the 14 to 16
19 inch range.

20 MR. CARPENTER: Thank you.

21 MR. STINSON: Maybe I can just add, if you
22 don't mind if I just add to that?

23 MR. CARPENTER: Sure.

24 MR. STINSON: Critical for the success of an
25 electrode's performance is the raw material. Premium

1 needle cokes, which we use in our large diameter
2 electrodes, is extremely tight. We will use it in our
3 14 and 16 inch customers because they demand that
4 electrode for it to survive in that operation.

5 It's our understanding that the Chinese
6 don't have accessibility to large quantities of good,
7 premium needle coke, and have used the lower grade
8 cokes and have learned, to their credit, over time to
9 make a product that can perform. As they've done that
10 they've started with the less severe operation, the
11 two, four, six, eight inch furnaces, and have
12 progressed up to where they're now competitive at the
13 16 inch level.

14 MR. CARPENTER: Thank you very much for
15 those responses. It's very helpful. Let me give
16 others an opportunity to ask questions. Begin with
17 Mr. Comly, the Investigator.

18 MR. COMLY: I'd also like to thank the panel
19 for coming and giving direct testimony. We appreciate
20 it. I have a couple of questions on the product
21 itself. Can you explain the differences, including
22 advantages and disadvantages, between the Atchison and
23 then the in line graphitization furnaces, or I think
24 they're also called LWG?

25 MR. STINSON: That's correct, LWG.

1 Lengthwise graphitization is what it stands for.
2 Lengthwise graphitization came to be in the industry
3 somewhere in the 1970s as a low cost, very efficient,
4 short cycle time furnace. As I mentioned, we can
5 graphitize to 3,000 degrees C now in as little as
6 maybe 10 hours and maybe as much as 20 hours.

7 An Atchison furnace has a bigger payload,
8 but it can take significantly longer, many days, to
9 graphitize. It's our contention that it's a less
10 efficient operation and a higher cost operation than
11 the LWG.

12 MR. COMLY: Is it the same with Superior
13 Graphite?

14 MR. CARNEY: I think that would be our
15 position. I mean, that's exactly the understanding,
16 that, you know, the Atchison process is kind of low in
17 terms of capital costs but very high in operating
18 costs, and it's the opposite with lengthwise
19 graphitization, that it's typically higher capital
20 costs and lower operating costs.

21 MR. STINSON: I'm sorry, one more comment.
22 To go back to the raw material issue, the anode cokes
23 and the lower premium cokes benefit from the Atchison
24 process. It's a long, slow, high cost process. The
25 premium needle cokes can be graphitized much quicker,

1 which is why the LWG becomes a much more low cost,
2 energy efficient operation.

3 MR. COMLY: Does that mean that the Chinese
4 are using more Atchison furnaces or are they also
5 using LWG?

6 MR. STINSON: I think that's a question you
7 need to ask them. I have no idea. Sorry.

8 MR. COMLY: That's okay. I'm moving on to I
9 guess the standards of the grades such as regular
10 power, medium power, high power, ultra high power.
11 Who defines those standards? Are they defined like by
12 an organization such as ASTM or something like that?
13 Is it just kind of generally known?

14 MR. STINSON: It's not governed by any body.
15 It's really a marketing term that Graph Tech
16 International and SGL came up with along with the
17 Japanese a number of years ago just to suggest that
18 one is a high powered. If you go far enough back in
19 the history of graphite, electrodes weren't
20 impregnated.

21 Then when they moved to impregnation, made
22 them stronger, they started calling them high power.
23 Then when premium needle cokes came along in the late
24 1970s, 1980s, then we started calling them ultra high
25 power. Is their delineation? No.

1 MR. COMLY: So there's no specifications,
2 per se?

3 MR. STINSON: No, not that I'm aware of.

4 MR. COMLY: And do you both produce all
5 those grades or can you produce all those grades in
6 any particular size, small diameter specifically? So
7 if somebody requested, you know, a medium power
8 electrode for some reason, you could produce that?

9 MR. STINSON: Sure. Yes.

10 MR. CARNEY: Yes. The same for us.

11 MR. STINSON: Again, it's a raw material
12 issue. To make graphite you still have to get to
13 3,000 degrees C, somewhere in that neighborhood, and
14 you need a carbon based raw material to do so.

15 MR. LUBERDA: If I can just add. You know,
16 what customers do is they come in and they say this is
17 my transformer, this is what my power needs are, this
18 is what my application is, I need a graphite electrode
19 that will perform in this application. As Mr. Stinson
20 testified before, they then say this is our graphite
21 electrode that performs.

22 It's made from some range of cokes, but it's
23 going to perform in that particular application. The
24 Chinese might come in with one, may or may not perform
25 as well as the domestic one, but the way that the

1 customer is going to look at it is okay, if I put that
2 in my furnace, how fast does it burn up -- because
3 they do get consumed in the mill -- and what did I pay
4 for it?

5 So in the end, what's my total cost of
6 buying and operating, you know, that electrode to make
7 my steel or whatever?

8 MR. ANDERSON: If I could elaborate on our
9 grades. We manufacture three grades by marketing
10 standards which we call HP, and then we have two
11 grades we call UHP. Within those grades we have a
12 number of variants, and we, again, design the
13 electrode to fit the application.

14 The HP grade can be made from nonneedle
15 coke, nonpitch impregnated all the way up to premium
16 needle coke, pitch impregnated product. So we have a
17 wide variety of offerings not just high grade.

18 MR. COMLY: Is there anything in the
19 manufacturing equipment that prohibits you from using
20 some sort of grade of coke?

21 MR. ANDERSON: No.

22 MR. COMLY: So you could put anything
23 together really theoretically?

24 MR. ANDERSON: Yes.

25 MR. COMLY: I guess continuing on somewhat

1 on the physical characteristics I note on your board,
2 which you'll add as an exhibit to your brief, some of
3 the specifics such as, you know, thermal expansion,
4 electrical carrying capacity for small diameter and
5 large diameter.

6 Can you also add to your brief or now
7 specifics on such as resistance ranges, and if there's
8 any difference between large and small diameter
9 electrodes, and strength as well? Either now or
10 after.

11 MR. STINSON: Again, it's to a certain
12 extent a function of the raw material. Anode cokes
13 tend to have higher resistance finished properties,
14 higher resistance. Strength is a function of the mix
15 design, the formula that you use to mix the particles
16 together and to make the product. Strength is also
17 how many times you impregnate it, one time, two times,
18 three times.

19 Each time you get a little bit more
20 strength, and the resistance will go a little bit
21 lower.

22 MR. HARTQUIST: Mr. Comly, would you like us
23 to elaborate on that in the brief?

24 MR. COMLY: Yes. If you put specific
25 numbers maybe, that would be helpful.

1 MR. HARTQUIST: Can we do that with respect
2 to each of those characteristics? We'd be happy to do
3 that.

4 MR. COMLY: Great. Thank you. I know
5 you've talked about this a little bit, but other than
6 needle coke what's the ability and also the likelihood
7 of the Chinese producers moving up the size scale into
8 large diameter in the near future or currently I
9 guess?

10 MR. STINSON: Access to raw materials. Once
11 raw materials become accessible they can -- in fact,
12 they produce them for their home country use now,
13 large. Now, the level of quality I can't speak to,
14 but they do make large diameter electrodes, but they
15 primarily stay in China the best I understand.

16 MR. COMLY: So there's no equipment limiting
17 them to small diameter that you know of obviously?

18 MR. STINSON: Not that I know of. Again,
19 the technology that exists today was developed by SGL,
20 and Graph Tech National and to some extent the
21 Japanese. It's standard technology that exists today.
22 The Indians just added on to their facility with the
23 technology that we've just described, with LWG,
24 impregnation, our bottom furnaces.

25 MR. COMLY: Thank you. Can you tell me if

1 the shipments or imports are concentrated in any
2 particular quarter such as is it seasonal or is it
3 kind of spread out throughout the year? I guess your
4 shipments.

5 MR. STINSON: Typically, the contracts. I
6 can only speak for -- the way we do contracts is
7 usually on an annual basis, and we'll ship based on
8 when it fits into our production processes. Far as
9 the data speaking towards seasonal, I wouldn't think
10 so unless they, as a manufacturer, have an issue on
11 their ability to supply in a certain period of time.

12 MR. KERWIN: We didn't notice any
13 seasonality to the import trends. Typically, steel
14 mills who would be using this product would be
15 operating throughout the year, so there's no
16 particular reason why there should be particular
17 seasonality to the imports.

18 MR. STINSON: There may be spot market
19 instead of an annual contract they may pick up or
20 somebody may pick up a month or two as spot market.
21 That may shot a blip, but as far as we're concerned
22 there's no seasonality.

23 MR. HARTQUIST: Mr. Comly, let me add with
24 respect to the annual contracts, and I think maybe Mr.
25 Carney or Mr. Stinson will want to comment on this

1 too, annual contracts are not a guarantee that they're
2 going to be carried out.

3 You've seen that in other cases before the
4 Commission where typically purchasers buy on an annual
5 basis, but if during that particular year a better
6 price comes along, a new supplier that may be able to
7 undercut the price in the contract, the contract is
8 just torn up. They don't go to Court about it, it
9 just simply ends.

10 So there's not a great deal of reliability
11 necessarily in the annual contract process. Is that
12 accurate, Mr. Carney?

13 MR. CARNEY: Yes. No, that is accurate. I
14 mean, you know, it's in a lot of cases a buyer's
15 market. You don't want to bring a lawsuit against a
16 customer that you a couple years down the road want to
17 sell to. I mean, that's not a great way to ingratiate
18 yourself to the customers.

19 MR. COMLY: I know you mentioned a couple
20 companies, CGE and Graphtech. Do you know any other
21 companies that used to produce small-diameter graphite
22 electrodes and have since stopped producing it, or are
23 those the only two in the U.S.?

24 MR. STINSON: The only two in the U.S.
25 Graphtech, SGL, and CGG, when they existed, did both

1 spectrums. Superior is the only one that has
2 consistent done small diameter.

3 MR. LUBERDA: And Graphtech is no longer a
4 domestic producer.

5 MR. COMLY: And I know you mentioned this,
6 but do you know why they stopped? For example, can
7 you provide documentation, such as press releases,
8 stating -- maybe they stated at that point why they
9 stopped producing.

10 MR. LUBERDA: We can provide something like
11 that in our post-conference brief for you.

12 MR. COMLY: Thank you. That's all of the
13 questions I have.

14 MR. CARPENTER: Ms. Roth-Roffy?

15 MS. ROTH-ROFFY: Thank you, and thank you
16 for your testimony. You have already answered quite a
17 number of my questions.

18 Mr. Stinson, since you manufacture both
19 large and small diameter, what are the differences in
20 the manufacturing between the two products?

21 MR. STINSON: The extrusion press will be
22 different. There is an understanding on ratio that
23 you need a certain diameter mud cylinder to produce 24
24 inch through 32 inch. The smaller diameters, and,
25 unfortunately, you weren't able to join us in

1 Morganton, but Rubin saw the extrusion process, and we
2 have two presses. We were using the big press at the
3 time, but the small diameters are formed on the
4 smaller press to make a more uniform product.

5 We bake in stainless steel cans, and those
6 cans are designed specifically for a certain diameter,
7 which allows the packing media to hold it together
8 while it's baking. For example, a 24-inch electrode
9 may be baked in a 30-inch-diameter can. You could, if
10 you wanted to, put a 14 inch in that can, but it's not
11 going to come out in very good shape. It will swell
12 up. So the cans are designed specifically for each
13 size.

14 The handling equipment in graphite will be
15 different for small-diameter versus large-diameter
16 electrodes. A lot of the handling equipment in the
17 facility is designed specifically for a certain size
18 electrode.

19 MS. ROTH-ROFFY: Okay. Would you be using
20 some of the same employees for the --

21 MR. STINSON: The way our facilities are
22 designed, yes. They might load 24 inch one day and be
23 loading 14 inch the next day.

24 MS. ROTH-ROFFY: Okay. I also have a
25 question with respect to the interchangeability. You

1 say that large diameter and small diameter are not
2 interchangeable, but since holders in the arc furnaces
3 are built to a specific size, wouldn't the same be
4 true, say, from 14 inch to 16 inch and 16 inch to 18
5 inch?

6 MR. STINSON: If I understand you correctly,
7 the holders are specifically designed for each
8 diameter. You can't put a 16-inch electrode in an 18-
9 inch holder. It will fall through. And the holders
10 clamp on the electrode column and then pass the
11 electrical current through those holders into the
12 electrode and the down the electrode to create the
13 arc.

14 They have very tight tolerances, and we
15 machine -- for example, 16 inch would have a tolerance
16 of 15.9 inches to 16.1 inches, very tight tolerances.
17 So that's why we said they are designed specifically
18 for a certain size.

19 MS. ROTH-ROFFY: Okay. So that would be
20 true, say, for a 14 fitting into a 16 inch, then.

21 MR. STINSON: You cannot put a 14 inch in a
22 16-inch holder and, vice versa, it only makes since,
23 then, that you can't put a 16 in a 14.

24 MS. ROTH-ROFFY: Right.

25 MR. LUBERDA: Can I just add one little

1 point, and that is it goes beyond just the holders
2 because, in applications in 16 and below, you're going
3 to have a certain size of transformer that is sending
4 a particular range of power to this electrode. So
5 what all small diameters have in common is they are
6 going to be made from various ranges of raw materials
7 that allow it to handle the diameter because diameter
8 also dictates how much electricity can go through it.

9 So you can't take a smaller diameter and
10 exchange it into a large-diameter use. It has a much
11 higher electricity load going through it. Yes, there
12 is, between any two sizes, you don't use a 14 and a
13 16, and you don't use a 16 and an 18.

14 However, what they have in common is, in the
15 upper sizes, you have this range of power that you can
16 use, and, in the lower, you have this range of powers
17 you can use, and they are going to be more
18 substitutable within each range than they would be --
19 if you could change holders, you know, 12's and 14's,
20 for example, are much more likely to be used in a
21 similar application if they are made of similar raw
22 material, and you get 18's and 24's, whatever, in the
23 larger sizes, and, again, they are all going to be
24 made from the high-grade needle coke.

25 Between two sizes, you might be able to move

1 up one or down within there, but they are all going to
2 be made of the same grade needle coke and be able to
3 handle those higher powers.

4 We're not saying that you couldn't draw some
5 line in between any two products, because you could.
6 What we are saying is the products, in 16 and under,
7 naturally share certain characteristics and group
8 together, and those above naturally share certain
9 characteristics that have to do with how they are used
10 and what they are used for, how they are made, and
11 what they are made from.

12 MR. KERWIN: If I could just a couple of
13 points to further what Alan just mentioned. I think
14 there is a big distinction between the small and the
15 large is that -- I think a lot of you have been in a
16 steel mill, and you've seen an electric arc furnace.
17 Well, in a steel mill, both the small and large
18 diameters can be used in an electric arc furnace, but
19 they are used in very different parts of the furnace.

20 The melting that goes on with the large-
21 diameter graphite electrodes is extremely violent.
22 It, to me, was an incredible sight to see. It's just
23 something to experience. If you haven't been in a
24 steel mill, it's really quite a thing to see. But it
25 is violent. It is almost sort of frightening in its

1 intensity.

2 The small-diameter graphite electrodes, in
3 contrast, are going to be used in the ladle and
4 refining applications, and that, in contrast, is more
5 just keeping the steel warm, keeping it hot, as
6 opposed to melting the raw scrap, which is what's
7 going on with the large-diameter electrodes, and it's
8 a very different feel to the ladle application than it
9 is to the melt of the scrap.

10 Then that reflects the characteristics of
11 what electric current that's going through a small
12 diameter versus a large diameter. They have different
13 carrying capacities, and they are doing different
14 jobs.

15 MS. ROTH-ROFFY: Okay. Thank you.

16 Mr. Stinson, I think you were the one who
17 mentioned that there is a different bidding process
18 between the large diameter and the small diameter.
19 Can you describe that to me, or, if not so, in the
20 brief?

21 MR. STINSON: It may be the same purchasing
22 manager that solicits the quotes, but the melt shop,
23 which is where you have the melting process going on,
24 typically is managed by its own management crew, and,
25 further down the line, the ladle process, or refining

1 process, using a smaller-diameter electrode, has its
2 own management crew.

3 Those two management crews have different
4 requirements. The melting shop needs this high-
5 powered, high-intensity electrode. The refining shop
6 needs something that doesn't carry as much current.
7 So they come over with two separate requests for
8 quotes today.

9 MS. ROTH-ROFFY: Okay. Thank you.

10 MR. STINSON: Unfortunately, in many cases
11 today, we don't even get asked to quote anymore on the
12 ladles. If we do quote, they are just curious to see
13 what they are going to tell their management they
14 saved by buying the low-priced Chinese electrics.

15 MS. ROTH-ROFFY: Okay. Thank you.

16 MR. CARNEY: If I could add something to
17 that as well.

18 MR. ROTH-ROFFY: Sure, Mr. Carney.

19 MR. CARNEY: The timing is different, too.
20 They put much more emphasis on their primary melts, so
21 that's usually the first quote that goes out, and then
22 they, I would say, are somewhat less concerned about
23 the refining. So that one will typically follow kind
24 of two to four weeks after the request for a quote on
25 the large-diameter electrodes.

1 MR. ROTH-ROFFY: When you first start to
2 produce the product, do you produce it, say, for
3 inventory or with specific customer specifications in
4 mind?

5 MR. STINSON: We can't afford the luxury of
6 inventory, so we make the electrode for the specific
7 customer.

8 Now, the 24 inch, if we need to, we can
9 switch between customer, but it's made to a specific
10 purchase order.

11 MR. ROTH-ROFFY: Mr. Carney?

12 MR. CARNEY: And I would add the same thing.
13 We do design it per order. That being said, maybe one
14 of the things that we didn't highlight already is that
15 it can take the better part of two to three months to
16 make a graphite electrode.

17 So, in some senses, it's not something that
18 a customer can kind of call up and say, "Hey, I need
19 some graphite electrodes tomorrow," because the fact
20 is that's just the manufacturing process, not even
21 taking into account the sourcing aspect. So you do
22 have a lot of work in process, but that work in
23 process is generally based on a forecast that either
24 the customer has provided you or the salesman in
25 charge of the account has provided.

1 MR. ROTH-ROFFY: Thank you very much. I
2 don't have any further questions at this time.

3 MR. CARPENTER: Ms. Bryan?

4 MS. BRYAN: Hi. Good morning. Thank you so
5 much for your testimony thus far.

6 My first question, actually, is just sort of
7 a clarification. Mr. Stinson, you have said that you
8 sort of moved into the 14- and 16-inch diameters. Is
9 that a response to Chinese import competition in the
10 smaller diameters, or is it because that's what your
11 customers are requesting more of?

12 MR. STINSON: There was a point in time when
13 we used to sell all diameters in the small-diameter
14 range, two inch through 16 inch, and, due to our
15 inability to compete with the unfair pricing, we've
16 been retracting, starting with the two, four, six, and
17 working backwards to now we have a few 14 and 16 inch
18 customers, and they take a premium coke. It's a tough
19 operation.

20 MS. BRYAN: Okay. But to your knowledge, in
21 the market for your customers, your customers still
22 are using the smaller sizes just as much as they were
23 previously.

24 MR. STINSON: Absolutely.

25 MS. BRYAN: Okay.

1 MR. STINSON: As long as they are still in
2 business.

3 MS. BRYAN: Okay. I just wanted to clarify
4 that. Okay. Thank you.

5 Could you also, I guess, Mr. Stinson and Mr.
6 Carney, list some characteristics that help you
7 determine quality? I believe life span would probably
8 be one or the current-carrying capacity, but could you
9 just list all of the characteristics you would
10 consider?

11 MR. STINSON: Sort of the typical industry
12 measurements that will get published are things like
13 bulk density, specific resistance, and maybe strength.
14 We'll provide those -- I think it was requested
15 already -- for some properties. We can distinguish
16 between them then, but, again, a lot of it is a
17 function of the mix design and the raw materials that
18 are used.

19 MS. BRYAN: Okay. Thank you.

20 And do you recall when exactly you started
21 seeing a marked improvement in the quality of the
22 Chinese product?

23 MR. CARNEY: I don't know that it's been a
24 marked improvement. I think one of the things we've
25 tried to highlight is that it's been gradual over

1 time. It may be something to be added here that has
2 somewhat less relevance to this case, but we import a
3 lot of graphite, natural graphite, and we've seen how
4 the Chinese have destroyed the market that existed in
5 the natural graphite area, and it's very typical of
6 what we're seeing in the graphite electrode area, that
7 they will destroy a market enough, to the point that
8 they eventually kind of command that market. And they
9 are, by far, the largest exporter of natural graphite
10 in the world today, and part of the reason they have
11 done that is they put Canada out of business, they put
12 Africa out of business, they put Europe out of
13 business.

14 We've read this book before. Unfortunately,
15 we kind of know how it ends, too, and that's something
16 that we're trying to prevent.

17 MS. BRYAN: Okay. Thank you.

18 I have just another question about the
19 distinction between HP and UHP, just to make sure I
20 understand it better. Is UHP, is that grade normally
21 ascribed to the 14 and 16 diameters and not the
22 smaller like a 10? Could you have a UHP grade in any
23 size, I guess?

24 MR. STINSON: Yes. "UHP" stands for "ultra
25 high power," and "HP" stands for "high power." So, on

1 a marketing, the producer may do one or two
2 impregnations and make a claim that one is ultra
3 higher power, and the other one is just a high power.
4 Can someone market a 14 inch and call it a UHP? Sure.

5 MS. BRYAN: Okay. And the main distinction
6 between UHP and HP is the raw materials used.

7 MR. STINSON: Raw materials, number of
8 impregnations.

9 MS. BRYAN: Okay. What kind of price
10 difference -- sorry.

11 MR. CARNEY: Just one thing to add. Again,
12 to Mr. Stinson's point, it is possible, but the fact
13 of the matter is that, in a lot of cases, that
14 electrode, at very low ranges, might be kind of
15 overdesigned for the application.

16 MS. BRYAN: Okay.

17 MR. CARNEY: So UHP, in the very small
18 diameters, would be the exception.

19 MS. BRYAN: Okay. What would be, like, a
20 typical price differential for the same diameter size
21 of an HP versus UHP, if there is any?

22 MR. STINSON: There may not be any. Again,
23 it's a relationship you build with the customer
24 specific to what his requirements are. You tell him
25 that I can supply this electrode, and it's going to be

1 able to carry the current, and the price is this.
2 There is typically not a lot of differentiation.

3 MS. BRYAN: Okay. I guess that kind of
4 leads to my next question. Is it my understanding
5 that the prices closely track the prices of your raw
6 materials? I believe someone mentioned that earlier.

7 MR. CARNEY: Yes.

8 MS. BRYAN: Okay. So you would expect to
9 see the prices of all of the different grades and
10 sizes of the small diameters track each other pretty
11 closely in the market.

12 MR. STINSON: Excellent point, very
13 excellent point. And we, over the last four years,
14 have had significant increases in raw materials
15 doubling in price. It's petroleum based. You've seen
16 what is happening to a barrel of oil in the last two
17 years, specifically, the last 12 months.

18 Highly energy-intensive process, baking to
19 800 degrees C. with natural gas or some type of fuel,
20 an electric energy, 100,000 amps, going through a
21 furnace for a number of hours. Because the steel
22 industry has become healthy over the last four years,
23 we've been able to pass through cost increases related
24 to energy raw material and improve our return on sales
25 and profitability, as you heard, we're doing quite

1 well.

2 On the small diameters, we have not been
3 able to do that, which part of the reason why we've
4 exited it, because we can't recover our costs, let
5 alone make any money.

6 MR. CARNEY: That's an important point.
7 This has been a highly inflationary environment under
8 the period of investigation, and the Chinese prices,
9 as I stated earlier, haven't budged.

10 MS. BRYAN: Thank you.

11 MR. CARNEY: What do they know that we don't
12 know? It's magic.

13 MS. BRYAN: Okay. Thank you.

14 I also heard someone mention -- I'm not sure
15 if it was Mr. Stinson or Mr. Carney -- that there was
16 a shortage of the premium needle coke. Could you tell
17 me what time period that lasted from, or if it's still
18 underway?

19 MR. STINSON: The shortage developed when
20 the steel industry started turning around. So, for
21 the last three, three and a half years going on our,
22 it's been getting tighter and tighter. One needle
23 coke manufacturer in the United States closed its
24 operation two years ago because it could make more
25 money on a different gasoline byproduct.

1 Again, it's a very capital-intensive
2 business to make premium needle coke, and us being one
3 of the largest producers in the world, we have pretty
4 good dibs on getting our share. We're well aware that
5 some other manufacturers cannot get premium needle
6 cokes today, which are what is really required for the
7 large-diameter electrodes.

8 MS. BRYAN: Okay. It's your understanding
9 that this is a global phenomenon.

10 MR. STINSON: Absolutely.

11 MS. BRYAN: Okay. Thank you.

12 Have there been any, other than this raw
13 material situation, have there been any other unusual
14 shocks and demands for availability over the period of
15 investigation since 2004?

16 MR. STINSON: Shocks similar to steel? Huge
17 exports coming out of China.

18 MS. BRYAN: Okay.

19 MR. CARNEY: I think the only other shock
20 that I would mention on the domestic side is,
21 obviously, what happened to natural gas prices
22 immediately after the two hurricanes. Prices went
23 from roughly \$6 in MMBTU up to \$12 in MMBTU. That was
24 an unnatural shock that probably lasted for the better
25 part of a year, and I think, in many cases, the U.S.

1 natural gas producers are still trying to recover from
2 that.

3 MS. BRYAN: Okay. Thank you.

4 Also, in terms of substitutes, I understand
5 that there's not substitutes for the product, but what
6 about something like used or refurbished electrodes?
7 Is that a possibility?

8 MR. STINSON: The electrode gets consumed in
9 the process. It disappears in the electric arc
10 furnace. Basically, the tip of it sublimates because
11 that's where all of the arcing is taking place, and it
12 will also oxidize. There is a lot of oxygen in an
13 electric arc furnace.

14 Now, if the electrode breaks, they fish it
15 out of the furnace, and there are a couple of
16 companies globally that will buy that and attempt to
17 rethread it and sell it.

18 MS. BRYAN: Okay. But that's not a big
19 component.

20 MR. STINSON: SGL does not do that, and I
21 don't believe Superior does it.

22 MR. CARNEY: No. I mean, the whole point is
23 not to manufacture an electrode that breaks in the
24 furnace because it leads to downtime at our customers
25 and ultimately reflects back on us, the producers, if

1 we can't supply a good-quality electrode.

2 MS. BRYAN: And what is a typical life span
3 of a small-diameter graphite electrode?

4 MR. STINSON: On the melting side, there
5 used to be a phrase throughout the industry, "a stick
6 a day," that we would use. So that's a 110-inch-long
7 electrode that gets consumed every day. It's probably
8 higher than that now, with the amount of volume of
9 steel and the short time.

10 The ladle furnace electrode will last longer
11 than that because it's not as intensive an operation.
12 So all of the small diameters typically will last.
13 They don't get consumed quite as fast.

14 MS. BRYAN: Okay. Interesting. Thank you.

15 I guess I also had another, hopefully, quick
16 question about nonsubject sources and their quality,
17 or their perceived quality, in the market, if you
18 happen to know, in particular, Mexico.

19 MR. STINSON: Competitive with SGL.

20 MS. BRYAN: Would you also say competitive,
21 then, with the Chinese imports in terms of quality?

22 MR. STINSON: I think we've said today that
23 the Chinese product that's coming into this country is
24 fairly competitive. It's simply become a price issue.

25 MS. BRYAN: Okay.

1 MR. CARNEY: I think, just to add to that
2 point, I mean, the imports coming from Mexico are
3 primarily almost exclusively produced by Graphtech
4 International, which shut down their U.S. operations
5 and moved them to Mexico in order to provide product
6 to the North American marketplace. So do they
7 compete? Yes.

8 MS. BRYAN: Okay. Thank you. Those are all
9 of the questions I have for now.

10 MR. CARPENTER: Ms. Klir?

11 MS. KLIR: I would also like to thank this
12 panel. It's very helpful to have you here today.

13 I just have a few questions, and I think
14 they are all going to end up needing to be answered
15 post-conference, the first one, definitely.

16 In your post-conference brief, please
17 analyze the revenue and cost data provided by
18 Petitioners on their small-diameter graphite electrode
19 operations during the period of investigation and
20 explain any differences between each firm's reported
21 data on a per-unit basis, and please be sure to
22 include an analysis of the per-unit SG&A expenses
23 reported by each firm. Thank you.

24 MR. HARTQUIST: We will do so. Thank you.

25 MS. KLIR: I'm sorry?

1 MR. HARTQUIST: I was just acknowledging
2 that we will do so. Thank you.

3 MS. KLIR: Okay. Sorry. Thanks.

4 Also for post-conference, during the period
5 of investigation, what operating margins would
6 Petitioners have expected to see on their small-
7 diameter graphite electrode operations absent the
8 competition from Chinese imports?

9 Mr. Stinson, you may feel comfortable talk
10 about this in the public forum, and you may not. I
11 think you're in the best position to answer this.
12 Have the small-diameter graphite electrode operations
13 ever been as profitable as the large diameter, and, if
14 so, when in the past?

15 MR. STINSON: Over our history, absolutely.

16 MS. KLIR: Okay.

17 MR. STINSON: The specific time periods; I
18 would have to go back and get that information for
19 you.

20 MS. KLIR: Okay. That would be very
21 helpful. Thank you. That's all I have.

22 MR. CARNEY: If I could add something to
23 that, on the small-diameter electrodes, just to give
24 you a little bit of history, again, you know, in a lot
25 of cases it's built on throughput and really kind of

1 no different than any other process. So the smaller
2 you go, typically, in anything, steel or paper or
3 anything else you do, the smaller you go, the higher
4 the price.

5 For historical purposes, probably going
6 back, you know, five to 10 years ago, small-diameter
7 electrodes were regularly priced above large-diameter
8 electrodes because they take the same amount of
9 handling that a large-diameter electrode does, but
10 it's a lot smaller. Again, that's very typical of any
11 normal manufacturing process.

12 MS. KLIR: Okay. Thank you very much.

13 MR. CARPENTER: Mr. Mata? Could you turn on
14 your microphone, please?

15 MR. MATA: Okay. Again, Mr. Stinson, could
16 you tell the staff of the International Trade
17 Commission about how much time is involved in the
18 production of the graphite electrodes? Is it a short-
19 term process? Is it a process where it takes several
20 hours, a couple of days?

21 MR. STINSON: If I take you right from the
22 very beginning, when you issue a purchase order for
23 buying the raw material, coke, to the stage where
24 we're shipping it out the door, it can be as much as
25 six months. The actual time that it's going through

1 the process, from the time that we make the molded
2 product through to having it machined, is typically
3 two to three months.

4 MR. MATA: Okay.

5 MR. STINSON: Connecting pins, because they
6 have more impregnations, can be five to six months in
7 the process, and then add on the time to buy raw
8 materials.

9 MR. MATA: Do all small-diameter graphite
10 electrodes make use of connecting pins?

11 MR. STINSON: There is technology called
12 "male-female," which is you just take the graphite
13 electrode, and you machine the male connector on one
14 end and the female connector on the other end, and
15 they just screw together. The predominant connecting
16 system is two females and then a connecting pin.

17 MR. MATA: Turning to the question of high-
18 grade needle coke, you indicated that there's a few
19 suppliers here in the United States, and also I think
20 you alluded to India as a supplier of high-grade
21 needle coke. Are there any other major suppliers of
22 needle coke worldwide?

23 MR. STINSON: For clarification, India does
24 not have high-premium needle coke that we're aware of.
25 The premium needle coke today is distributed by Conoco

1 or by Sea Drift in the U.S. or the Japanese.

2 MR. MATA: And for my personal
3 clarification, in the production of small-diameter
4 graphite electrodes, do you make use of alternating-
5 current furnaces or direct-current furnaces, or is
6 there any distinction between both?

7 MR. STINSON: I'm not sure I understand your
8 question. In the graphitizing process?

9 MR. MATA: Yes.

10 MR. STINSON: It's direct current that
11 starts at one, goes up one leg, processes over a
12 crossover and goes back down the other leg, and it's
13 resistance heating.

14 MR. MATA: Okay. Thank you very much. That
15 concludes my questions.

16 MR. CARPENTER: Mr. Deyman?

17 MR. DEYMAN: Good morning. I'm George
18 Deyman, Office of Investigations.

19 You mentioned that Graphtech International
20 used to produce the small-diameter product. When did
21 Graphtech go out of business?

22 MR. STINSON: They are not out of business.
23 They are a very formidable competitor, still existing.
24 They moved their operations -- I can't really speak
25 for them, but they moved their operations to Mexico

1 over the last two or three years, and they still
2 produce small diameter. They didn't get out of that
3 business.

4 MR. DEYMAN: I'm sorry. They still produce
5 small diameter --

6 MR. STINSON: -- in Mexico.

7 MR. DEYMAN: -- in Mexico.

8 MR. STINSON: Yes.

9 MR. DEYMAN: But they have no capacity to
10 produce in the United States anymore, I presume.

11 MR. STINSON: Not that I'm aware of.

12 MR. DEYMAN: So their equipment must have
13 been sold off or --

14 MR. STINSON: I presume.

15 MR. DEYMAN: And, Mr. Luberda, you said that
16 you will, hopefully, provide a press release or some
17 sort of statement, either public or nonpublic, as to
18 why Graphtech International stopped producing.

19 MR. LUBERDA: Yes. We can provide that
20 information.

21 MR. DEYMAN: Thank you.

22 Mr. Stinson, do you produce the small-
23 diameter and the large-diameter product on the same
24 equipment with the same workers?

25 MR. STINSON: For the most part, yes, but

1 there are some distinctions. I mentioned that presses
2 are different, so there's two different forming
3 presses. They will go into the same bake ovens, but
4 they go into their own personal and private sagur can.

5 MR. DEYMAN: That's helpful. Thank you.

6 Based on your knowledge of the U.S. market
7 for the small-diameter product and the large-diameter
8 product, what have been the trends in consumption of
9 these products, and have the trends differed, either
10 absolutely or in magnitude, between the large and the
11 small, trends in consumption?

12 MR. STINSON: Are you talking about the
13 total demand?

14 MR. DEYMAN: Total demand, right.

15 MR. STINSON: Again, the steel industry, on
16 a global basis, has boomed for the last four years.
17 That includes the United States. So the demand for
18 large-diameter electrodes has increased quite
19 significantly.

20 The demand for small-diameter electrodes has
21 probably increased more in the United States because a
22 lot of the old integrated mills that were shut down
23 and in bankruptcy and shuttered came back to life in
24 the last four years, and even though they are a blast
25 furnace operation, many of them have ladles as

1 refining furnaces, and they use 14- and 16-inch, 12-
2 inch, small-diameter electrodes for the refining
3 process.

4 MR. DEYMAN: But there may be a difference,
5 then, as you state, in the consumption trends of the
6 small versus the large.

7 MR. STINSON: In the demand, yes.

8 MR. DEYMAN: In the demand.

9 MR. STINSON: Slightly more demand for
10 ladles. In proportion, the demand is much more
11 significant for large diameter because they get
12 consumed quicker.

13 MR. DEYMAN: Okay. It was mentioned earlier
14 by the Respondents in their opening statement that, in
15 the United States, there is no production anymore of
16 the product of less than eight inches. Are you
17 capable of producing a product of less than eight or,
18 say, 12 inches? Are you still capable of producing
19 the smaller sizes?

20 MR. STINSON: I think we've got equipment
21 just waiting, absolutely. The press is waiting. We
22 could start it tomorrow. We still have the cans for
23 baking.

24 MR. CARNEY: Yeah. That would be the same
25 for us. We could go all the way down to four and a

1 half inches, as I alluded to.

2 MR. KERWIN: I'm sorry, Mr. Deyman. Could I
3 just add one point? My understanding is that the
4 market below eight inches is quite small. I mean,
5 it's not nonexistent, but it is small compared to the
6 part of the market from eight to 16 inches.

7 MR. DEYMAN: That was my next question,
8 which is, what share of the market for the small-
9 diameter product would be accounted for by, let's say,
10 under 14 inches? In other words, what you don't
11 produce in the United States; what share of the market
12 would those account for?

13 MR. KERWIN: Just to clarify, the like
14 product includes 16 inch, so you mean 16 inch and
15 under, what element of the small-diameter market is
16 below eight inches? Is that your question?

17 MR. DEYMAN: No. The question is, you
18 produce 14 and 16 in the United States, so what share
19 of the small-diameter market is accounted for by
20 product under 14 inches that you don't produce in the
21 United States?

22 MR. KERWIN: First of all, there's going to
23 be two different -- SGL is the only company that does
24 not produce below 14 inch. Superior does, so they may
25 have different perspectives on that question.

1 MR. DEYMAN: Okay.

2 MR. STINSON: Is that something we could
3 submit with the brief?

4 MR. DEYMAN: Sure.

5 MR. STINSON: You just want to know the
6 breakdown in percentage of the market that's 14 and 16
7 versus 12 and below.

8 MR. DEYMAN: Right. In other words, what
9 share of the U.S. market for the small-diameter
10 product have you given up on, that you're not even
11 producing anymore, just to get an idea?

12 MR. LUBERDA: We'll give you an estimate in
13 the post-conference brief.

14 MR. DEYMAN: Okay. There is a company
15 called SGL Canada, Inc. I assume that's related to
16 your firm, Mr. Stinson.

17 MR. STINSON: We are owned by SGL Carbon AG
18 in Germany, and so is SGL Canada.

19 MR. DEYMAN: Now, does SGL Canada produce
20 small-diameter graphite electrodes?

21 MR. STINSON: No. I think we produce them
22 here and ship them to Canada. I would have to verify.
23 I'm pretty sure, but let me verify that.

24 MR. DEYMAN: The scope of the investigation
25 consists of all small-diameter graphite electrodes of

1 a type used in furnaces. Does that, in any way, imply
2 that there are small-diameter graphite electrodes that
3 are not used in furnaces? In other words, is there
4 some other product out there?

5 MR. LUBERDA: We believe there are some
6 small-diameter things that are used in medical
7 devices, Mr. Deyman, very small. This industry is
8 producing for furnace use. That language tracks
9 what's also in the tariff schedule, which is where the
10 imports from China come in. We believe there are some
11 medical devices in maybe battery uses where there
12 might be small, tiny size electrodes, but that's not a
13 part of our market.

14 MR. DEYMAN: It's not your market, but if
15 that sort of product is imported into the United
16 States, not for use in furnaces, it would not be
17 covered by any antidumping duty order. Is that
18 correct?

19 MR. LUBERDA: Yes. That's correct.

20 MR. DEYMAN: Okay. Just a couple of other
21 questions.

22 Mr. Luberda, you mentioned, I believe -- I
23 think you said that nonsubject imports are not in a
24 position to replace subject imports.

25 MR. LUBERDA: Yes.

1 MR. DEYMAN: If you win this case, and
2 antidumping duties are placed on the product from
3 China sufficient to essentially keep the product out
4 from China, where would the supply come from? Do you
5 have the capacity to supply the marketplace in the
6 United States?

7 MR. STINSON: Yes. We have the equipment
8 that's waiting.

9 MR. CARNEY: Yes.

10 MR. DEYMAN: Because earlier, in the
11 Respondents' opening remarks, they claimed that the
12 U.S. industry does not have the capacity to supply the
13 market, not that it matters really either way in terms
14 of the decision in this case, but it's of some
15 interest. So you feel that you could have the
16 capacity to supply the market.

17 MR. STINSON: They don't work for SGL. I
18 work for SGL. I know what our capacities are and our
19 capabilities.

20 MR. DEYMAN: All right.

21 MR. LUBERDA: I would also note, Mr. Deyman,
22 that SGL, obviously, is a multinational company, so
23 they are not specifically talking about U.S.
24 operations.

25 MR. STINSON: But in the U.S. we can produce

1 small-diameter electrodes.

2 MR. LUBERDA: I just want to add, Mr.
3 Deyman, when I made that statement, I was also talking
4 about in the context of the Bratsk analysis, part of
5 that analysis.

6 To the extent that other imports would come
7 in, history has shown that they have been coming in at
8 much higher prices than the Chinese, and so, even if
9 more imports come in from other sources, the industry
10 would expect to benefit from an order against the
11 Chinese, who have been really the driving force in
12 keeping prices low.

13 MR. DEYMAN: All right. Finally, we've
14 spent much of the discussion this morning on the issue
15 of like product, but there hasn't been that much said
16 about injury to the domestic industry and the entry
17 that you have seen, from your point of view.

18 Can you tell us a little bit more about the
19 material injury you believe you've experienced; that
20 is, when did the imports from China begin making an
21 adverse difference for your firms? When did you first
22 see the real impact from the imports?

23 MR. CARNEY: I would say that, and I think
24 the import data kind of bears it out, you know, there
25 was a big jump from 2003 to 2004 -- again, these are

1 public numbers, so I'm not sharing anything that's not
2 material -- and it's continually increased.

3 In terms of material injury, again, we've
4 been in a highly inflationary time, in terms of raw
5 material and energy and not being able to pass those
6 on to the marketplace because, in many cases, the
7 price difference is up to and beyond 40 percent. How
8 do you compete in that type of an environment?

9 Probably one thing that I would say is, as I
10 mentioned in my opening statement, we've been around
11 for 90 years, and along the way we've been able to
12 kind of master competition over a great length of
13 time. Has there been unfair competition during that
14 time period? Absolutely. But has it been of the
15 magnitude and the duration? No, no, and that's what
16 we're trying to address here, is the magnitude and the
17 duration of the dumping.

18 MR. KERWIN: Mr. Deyman, I just have a
19 point, which is that we're dealing with an industry
20 that consists of two producers, so, as much as I would
21 have loved to have gone into more detail in my
22 comments this morning, we're inherently limited in
23 what we can say, given the structure of the industry.
24 I'll address it in detail in our post-conference
25 brief.

1 MR. DEYMAN: Thank you. I have no further
2 questions. Thank you very much.

3 MR. STINSON: Mr. Deyman, just to clarify
4 the question about SGL Canada and the small-diameter
5 electrodes, to be honest with you, the same thing is
6 happening in Canada, the exact same thing. The small-
7 diameter electrode business is being destroyed by
8 Chinese imports.

9 MR. CARPENTER: Mr. Comly?

10 MR. COMLY: I have one other question. In
11 the petition, you submitted some estimates of the
12 Chinese import volumes. Could you please describe,
13 either now or in your post-conference brief, the
14 methodology behind those estimates?

15 MR. KERWIN: I'll take the first crack at
16 that. We're dealing with, unfortunately, an HTS
17 category that's not a clean category. It doesn't
18 parallel the scope or the like product definition that
19 we've put forward here.

20 Within that limitation, we've spoken with
21 people in the industry and made our best estimates as
22 to what we think may be coming in from those markets.
23 Obviously, the questionnaire process will get to the
24 bottom of the issue.

25 We think that the estimates we've come up

1 with are pretty conservative in terms of that they may
2 have actually overstated third-country imports. So we
3 think we've erred on the side of actually showing more
4 third-country imports than might actually be coming
5 in, and the understanding on the Chinese side of the
6 equation is that, from the competition that's seen in
7 the U.S. market, the vast, vast majority of it is in
8 the small-diameter graphite electrodes.

9 So that's really the basis of those
10 estimates.

11 MR. HARTQUIST: And we will be happy to
12 address that further in the brief, Mr. Comly.

13 MR. COMLY: No more questions.

14 MR. CARPENTER: Thank you very much, panel,
15 for your responses to our questions. You've provided
16 us with a lot of pertinent information, and I'm sure
17 it will be very useful to the Commission's
18 determination.

19 At this point, we'll take about a 10-minute
20 break and then resume the conference with the
21 Respondents' presentation.

22 (Whereupon, at 11:32 a.m., a short recess
23 was taken.)

24 MR. CARPENTER: Welcome again, Ms. Levinson.
25 Please proceed whenever you're ready.

1 MS. LEVINSON: Thank you, Mr. Carpenter.
2 For the record, I'm Elizabeth Levinson from Garvey
3 Schubert Barer, and I'm here with my colleague, Ron
4 Wisla.

5 I'm especially proud to announce that we
6 have a particularly distinguished panel today. We
7 have in front of us each of five very major importers
8 of this merchandise, and I would venture to say that
9 these importers constitute the full universe
10 responsible for bringing in imports from China, or are
11 close thereto.

12 To my immediate left is Mr. Marvin Brashem.
13 He is the president of M. Brashem, Inc. He is going
14 to give us an overview of his 20-odd years in the
15 industry.

16 To his left is Phil Buchanan, also from M.
17 Brashem, Inc. He is going to talk about like product
18 issues.

19 To his left is Mr. Jim Blatsioris, who is
20 from Fedmet Resources, and he will be discussing his
21 experiences as both a seller and a purchaser of
22 electrodes.

23 To his left is Mr. Tom Diener from Ameri-
24 Source Specialty Products. He will be dealing with
25 the threat issue.

1 On the other side, of course, is Ron Wisla,
2 and to Ron's right is Mr. Keith Kearney from Graphite
3 Electrodes Company that's one of the largest
4 importers, and he will be discussing his experiences
5 in the industry.

6 With that, I'll turn the mike over to Mr.
7 Marvin Brashem.

8 MR. BRASHEM: Good morning. My name is
9 Marvin Brashem, and I am the president of M. Brashem,
10 Inc. My company is a U.S. distributor of graphite
11 electrodes, and we have been in this business since
12 1989.

13 We currently distribute electrodes from
14 China in the three-inch-to-20-inch range and 24-inch
15 electrodes manufactured in Japan.

16 Throughout the years, we have sourced our
17 electrodes from a multiple of countries, including
18 Poland, Russia, India, Japan, and China. I have
19 personally observed the evolution of this industry in
20 the United States over the past 20 years, and I would
21 like to share some of that history with you here
22 today.

23 Please note that, as a U.S. distributor of
24 electrodes, my company has never been able to source
25 products from either of the Petitioners. The

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1 Petitioners either sell directly or through foundry
2 warehouses. They do not sell to distributors like us.
3 We have, therefore, never had any viable alternative
4 to sourcing from offshore.

5 Back in 1989, we sourced small-diameter
6 electrodes from two plants in Poland, both of which
7 were already supplying us with carbon products that we
8 were distributing in the United States. We spent
9 considerable time and resources developing and
10 servicing our U.S. customers.

11 By the early 1990's, due to supply issues,
12 we lost our Polish suppliers and began traveling the
13 world seeking other sources of supply. Today, those
14 Polish factories are owned by SGL.

15 What we found in China is that there are
16 many producers but very few that could meet U.S.
17 requirements for quality and reliability. Some
18 producers could produce acceptable grades of graphite
19 but could not machine properly. Production was
20 rudimentary, and the electrodes being produced had
21 poor machining tolerances.

22 These products were far below the quality of
23 product to which our customers have become accustomed.
24 Given this reality, we began importing raw electrodes
25 from China, rather than finished electrodes, and

1 having the final stage of machining completed in the
2 United States. In other words, we imported the
3 Chinese graphite, which was of acceptable quality, but
4 machine shops in the United States completed the
5 remaining five percent of the production that was
6 necessary.

7 As forerunners in the industry, my company
8 and other companies represented at this table were
9 instrumental in educating the Chinese suppliers about
10 how to produce electrodes suitable for the U.S.
11 market. It was not an easy or quick process. I
12 remember bringing buckets of petroleum pitch to China
13 to demonstrate to the suppliers what other raw
14 materials were available for impregnation to add
15 strength to the electrodes.

16 I remember bringing graphite connecting
17 nipples to show the Chinese so they could understand
18 certain machining tolerances.

19 There was a definite learning curve for the
20 Chinese, and it was not until the late 1990's that we
21 began importing finished-diameter electrodes from
22 China that were suitable for use in the United States.

23 Today, the quality of electrodes from China
24 is well suited for the applications for which they are
25 produced and similar to that being produced by

1 domestic suppliers.

2 It bears mentioning that my company was
3 importing 16-inch electrodes from China long before
4 2002, when Superior began producing that size. We
5 devoted years to developing the electrode market, to
6 educating the Chinese about how to fine tune their
7 production, and to servicing U.S. customers.

8 Superior thanked us for developing and
9 promoting this market by seizing as much business as
10 possible from our longstanding customers after they
11 entered the 16-inch market in 2002.

12 While the Chinese were struggling to learn
13 how to produce a product suitable for U.S. consumption
14 and to compete on a level playing field, the U.S.
15 producers were doing anything but. Several U.S.
16 producers, including Petitioner SGL, UCAR
17 International, the Carbide Graphite Group, and Shoa
18 Denko were charged, in the mid-1990's, with violating
19 the antitrust laws by seeking to suppress and
20 eliminate competition, as well as withholding
21 production technology from non-cartel members.

22 In 1998, the largest producer of graphite
23 electrodes in the United States, UCAR International,
24 agreed to pay the heaviest fine in antitrust history
25 to settle allegations that it had participated in an

1 international cartel to fix the price and allocate the
2 volume of graphite electrodes sold in the United
3 States and elsewhere.

4 In 1999, Petitioner SGL was fined \$145
5 million for anticompetitive conduct. Until the year
6 2000, the price of graphite electrodes had been kept
7 artificially and unrealistically high by the
8 anticompetitive behavior of major participants in the
9 industry. It is no surprise, therefore, that the
10 price began to decline once these conspirators were
11 disciplined and true competition was instated among
12 the U.S. producers.

13 The fact is, however, that we have never
14 really competed head to head with the U.S. producers.

15 First of all, SGL has never focused its
16 primary energies on the small-diameter market. That
17 company is concentrated on the sale of large-diameter
18 electrodes because the large products are more
19 profitable and require less logistical support.

20 Second, it is critically important that the
21 ITC staff understand that a graphite electrode is not
22 an off-the-shelf commodity product that consumers
23 purchase primarily on the basis of price. The type of
24 electrode that is needed by any particular customer
25 depends heavily on the application for which it will

1 be used.

2 The decision of what electrode to buy is
3 highly driven by suitability. The failure of
4 electrodes can cause huge issues for our customers.
5 Steel mills would be forced to pay tens of thousands
6 of dollars an hour for lost production downtime that
7 might result from the use of defective or unreliable
8 electrodes.

9 Sophisticated purchasers, like our
10 customers, would never incur such a risk, especially
11 not for the minuscule savings realized from the
12 purchase of a cheaper electrode.

13 Because electrodes are very specific to the
14 use for which they are undertaken, service is very
15 important part of the package that we offer our
16 customers. Melt shop supervisors are not experts in
17 graphite, and their performance as employees is judged
18 on the efficiency and cost savings realized by their
19 operations. We dedicate hours of time to educating
20 them, bringing them alternatives, discussing their
21 needs, observing their operations, and advising them
22 on how to get the best value for their money.

23 Our job is to match up the appropriate grade
24 for a particular customer's application, and we have
25 graphite electrode experts as salespeople to

1 accomplish this task.

2 Please understand that because electrodes
3 are not commodity products, distributors do not
4 typically maintain inventory, except for the business
5 they have. Electrodes are sold by short-term
6 contracts, and distributors do not have extra product
7 sitting on the shelf that would be suitable for spot
8 sales. If one of my customers ran out of electrodes,
9 it may be very difficult for them to locate that same
10 product from another distributor.

11 Our Chinese suppliers offer U.S. customers a
12 product that SGL and Superior generally do not sell.
13 For the most part, the U.S. producers are offering and
14 charge their customers for a 92-octane electrode where
15 an 87 octane may suffice.

16 As Petitioners themselves have acknowledged,
17 virtually all of their electrodes are produced from
18 needle coke or mixtures containing needle coke, the
19 most expensive raw material. The Chinese, which offer
20 electrodes produced from a variety of less-expensive
21 types of coke, are offering the 87 octane as well as
22 higher grades.

23 By contrast, neither SGL nor Superior
24 actively promote the 87 octane. The electrodes
25 produced in China are suitable for multiple

1 applications, but these applications constitute only
2 about 25 percent of the U.S. electrode market. The
3 electrodes suited for the other 75 percent of the
4 applications in the market are not being served by the
5 Chinese but are being served by domestic producers and
6 exporters from other countries.

7 In general, the Chinese produce multiple
8 grades of electrodes, although there are no generally
9 accepted standards within the industry for defining
10 the different grades. The most common grades are RG
11 or RP. This is the lowest level of electrode. These
12 electrodes do not undergo a densification or rebaking
13 process. These electrodes are not produced from
14 needle coke but from anode, or lower-grade cokes, and
15 these electrodes would only be suitable for extremely
16 low-current operations.

17 I'm going to add that it would also be
18 suitable for the nonfurnace applications that Mr.
19 Deyman has discussed.

20 HD -- this is an electrode produced from
21 anode-grade coke that has been densified to increase
22 the strength.

23 The HP electrode typically is produced from
24 a blend that includes some needle coke.

25 SHP increases the needle coke, and the UHP

1 electrode is the most expensive to produce and the 92
2 octane of the group because it is made from high-
3 quality needle coke.

4 The UHP is what the Petitioners primarily
5 produce, and the UHP electrode is typically used for
6 high-powered melting operations. My point is that
7 producing electrodes is like producing cookies.
8 Everyone has their own recipe, and each electrode is a
9 little different from the next.

10 Under the Petitioners' definition of large-
11 and small-diameter electrodes, we sell all grades
12 above HD in both size ranges. In fact, the Chinese
13 producers manufacture all size ranges in all of their
14 grades to meet the appropriate applications.

15 Finally, the ITC should recognize that this
16 is a relatively small industry. We all know each
17 other. The importers at this table are responsible
18 for virtually all imports coming in from China, and we
19 have all completed U.S. importer questionnaires.

20 Our importer questionnaires are the most
21 reliable source for the ITC to measure total imports
22 of small electrodes from China and are certainly more
23 reliable than the import statistics, which are flawed
24 because they include all types of electrodes.

25 If high antidumping duties are placed on

1 future imports of small-diameter electrodes, the U.S.
2 producers could not possibly supply the demand in this
3 country. Instead, purchasers would have to seek
4 supply from other countries, such as India, South
5 Africa, and Brazil.

6 I thank you for your time today and welcome
7 your questions.

8 MS. LEVINSON: Mr. Buchanan?

9 MR. BUCHANAN: Good day. My name is Phil
10 Buchanan. I am an couldn't manager for M. Brashem,
11 Incorporated. I've spent 18 years in the carbon and
12 graphite industry, holding positions focusing on
13 graphite electrodes, such as process engineering,
14 technical service, and customer sales.

15 For the first nine years of my career, I was
16 with one of the Petitioners here today, SGL Carbon,
17 and its predecessor company, Great Lakes Carbon.

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

1 producing graphite electrodes between 18 inches and 32
2 inches.

3 Based on my experience, the distinction made
4 by Petitioners is artificial. In reality, there is
5 only one graphite electrode industry producing the
6 entire range of graphite electrodes in a continuum of
7 sizes.

8 Petitioners' proposed like product
9 definition unnaturally and arbitrarily divides a
10 single U.S. industry manufacturing graphite electrodes
11 into two industries. Although Petitioners' purported
12 like product definition is coextensive with the scope
13 of the petition, it is inconsistent with the
14 commercial reality. No clear dividing line exists
15 separating two separate industries based upon the
16 diameter of the electrode.

17 First, there is no industry standard to
18 support Petitioners' view that electrodes above and
19 below 16 inches constitute separate like products.

20 Second, although Petitioner Superior asserts
21 a 16-inch dividing line exists, it appears to be based
22 solely upon the limitations of its own production
23 equipment; that is, extrusion dies, baking furnaces,
24 and graphitizing furnaces. It is not based on market
25 realities.

1 Third, other industry participants do not
2 focus on a so-called "16-inch dividing line." Most
3 international manufacturers produce a wide range of
4 electrode sizes and do not limit their production and
5 sales to solely above or solely below 16 inches but
6 produce the entire range of product.

7 For example, SGL, the other Petitioner,
8 produces 14-inch and 16-inch electrodes, as well as
9 18- through 32-inch electrodes without designating its
10 products into separate categories. A 2006 global
11 pricing announcement issued by Graphtech International
12 differentiated their graphite electrodes into two
13 groups but at an entirely different level than that
14 claimed by Petitioners. Those ranges are eight inch
15 through 24 inch and 26 inch through 30 inch.

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

23 As an initial matter, I was pleased to see
24 that the Commissioner's questionnaires have requested
25 information for the full range of electrodes and did

1 not limit its analysis to the artificial range of
2 products covered by the petition.

3 Our counsel has explained to me the normal
4 criteria that the Commission uses to analyze like
5 product issues. Application of these statutory
6 factors leads to the necessary conclusion that the
7 petition has incorrectly divided the U.S. industry
8 producing graphite electrodes into two industries
9 producing graphite electrodes solely on the basis of
10 the diameter of the electrode.

11 First, physical characteristics. Aside from
12 differences in diameter, all graphite electrodes tend
13 to look identical to each other. They are
14 cylindrical, machined to a smooth surface,
15 particularly at each end, where two electrodes will be
16 joined together. Each end is further machined with a
17 threaded socket, and, on one end, a threaded
18 connecting pin is preset.

19 Thus, aside from dimensions, a 12-inch
20 electrode would look identical in appearance to a 24-
21 inch electrode.

22 All electrodes, regardless of their size and
23 grade, are made from coke that is blended to achieve a
24 desired grade and are then formed into shape by
25 extrusion into electrodes of the desired grade,

1 diameter, and length.

2 Petitioners alleged that graphite electrodes
3 above 16 inches in diameter typically must use high-
4 grade needle coke, whereas electrodes 16 inches and
5 under can use lower-grade coke or blends of needle-
6 grade coke and lower-grade coke.

7 First, by using the term "typically," the
8 Petitioners, themselves, recognize this distinction is
9 not absolute. In fact, there is substantial overlap
10 in the grades of coke used in electrodes greater and
11 less than 16 inches in diameter. For example, Brashem
12 sells an 18-inch HP electrode that is composed of the
13 lower-cost, blended sponge and needle coke, and we
14 also sell 14- and 16-inch UHP electrodes that are made
15 of the higher-quality coke.

16 The Petitioners also make a distinction
17 between electrodes larger and smaller than 16 inch on
18 the basis of electric current-carrying capacity.
19 While Petitioners are correct that electric current
20 capacity is a function of size, there is no clear
21 dividing line of 16 inch on the basis of electric
22 current-carrying capacity.

23 A substantial overlap exists here as well.
24 Each size of electrode within the same grade is
25 capable of handling a range of electric currents.

1 Thus, there is a commonality of current capability
2 between two adjacent sizes within the entire continuum
3 of sizes. Thus, there will be overlap in current
4 capability between 14- and 16-inch electrodes of the
5 same grade.

6 Conversely, there will be no current-
7 carrying commonality between diverse sizes. Thirty-
8 inch and 20-inch electrodes do not have overlap in
9 current-carrying capability, just as 14-inch and
10 eight-inch electrodes will not have current-carrying
11 commonality.

12 There is no clear dividing line of electric
13 current capacity with respect to electrodes above and
14 below 16 inches in diameter.

15 The different sizes of electrodes represent
16 a continuum of electrodes without clear dividing lines
17 between product sizes. The essential physical
18 characteristics of graphite electrodes are shared by
19 all graphite electrodes, regardless of size.

20 Second are uses and interchangeability. All
21 graphite electrodes, regardless of size and quality,
22 are used as conductors of electricity in furnaces.
23 Graphite electrodes conduct electricity at very high
24 amperages necessary to generate heat sufficient to
25 melt metals and other materials in electric arc

1 furnaces and other furnaces used in metallurgy
2 operations.

3 The most common uses of graphite electrodes
4 are (1) to melt solid scrap steel into molten liquid
5 steel -- those would be electrodes from melting
6 furnaces, and (2) to generate sufficient heat to
7 maintain the temperature of liquid steel in a desired
8 range, those electrodes for ladle furnaces.

9 Petitioners have attempted to create a clear
10 dividing line between graphite electrodes above and
11 below 16 inches on the basis that large- and small-
12 diameter electrodes are used in different industrial
13 melting applications. Again, the 16-inch distinction
14 proposed by Petitioners is not absolute, as
15 significant overlap exists between electrode size and
16 specific melting applications.

17 Contrary to Petitioners' claims, we have
18 many customers who use 14-inch electrodes in high-
19 energy, high mechanical-stress melting applications at
20 steel mills. Conversely, we have many customers who
21 use electrodes greater than 16 inches for ladle
22 furnace and lower power-melting applications.

23 There is no clear dividing line in furnace
24 melting applications at the 16-inch-diameter size.

25 There is substantial overlap in the market.

1 When I was with SGL, we produced regular internal
2 market share and forecast reports for executive
3 analysis. We broke the domestic market into four
4 segments: primary steel-making, ladle furnaces,
5 foundries, and others.

6 Within each of these segments, there was
7 considerable overlap between electrode sizes. The
8 primary steel segment used electrodes ranging from 14
9 inches to 28 inches. The ladle segment used 10-inch
10 through 20-inch electrodes. The foundry segment used
11 three-inch through 24-inch electrodes, and the other
12 category used electrodes ranging from eight inches to
13 24 inches for a wide variety of applications, such as
14 refining slag, making abrasives, fusing silica, and
15 producing iron and titanium.

16 At Brashem, we don't categorize or segment
17 electrode applications by size. Instead, we assess
18 the capability of our electrodes to meet the
19 customers' individual furnace applications.
20 Electrodes of the same grade and same size can be used
21 in various applications. You should ask the other
22 distributors here, and I'm sure they will tell you the
23 same thing.

24 Petitioners seek to create a clear dividing
25 line between electrodes above and below 16 inches due

1 to the fact that a customer's furnace requires a
2 particular-sized-diameter electrode that is not
3 interchangeable with a different-sized-diameter
4 electrode. This is a truism, but it does not show a
5 clear dividing line at the 16-inch point.

6 As in the case of a sparkplug, you must use
7 a sparkplug that fits your engine. A larger or
8 smaller sparkplug will not fit your engine. However,
9 as with sparkplugs and electrodes, each different
10 sized sparkplug or electrode does not create a
11 separate like product or separate industry. The fact
12 that different-sized electrodes are not
13 interchangeable in specific applications does not
14 warrant a finding of multiple or separate like
15 products.

16 The shared general use of graphite
17 electrodes as conductors of electricity in metallurgy
18 furnace applications establishes that graphite
19 electrodes of all sizes share the same essential end
20 use, and different sizes merely reflect a continuum of
21 graphite electrode sizes within a single like product.

22 Third, common manufacturing facilities,
23 production processes and equipment. All graphite
24 electrodes, regardless of their size and grade, share
25 the same basic production processes. Graphite

1 electrodes are all made from coke that is blended to
2 achieve a desired grade and formed into shape by
3 extrusion into electrodes of the desired diameter and
4 length.

5 The formed electrodes are then baked. The
6 baked electrodes are often impregnated with pitch and
7 then re-baked. The baked impregnated electrodes are
8 then heated in a furnace to extremely high
9 temperatures up to 3,000 degrees centigrade, and are
10 transformed into graphite, a process referred to as
11 graphitization. The graphite electrodes are then
12 finished by machining to the exact dimensions and
13 tolerances specified by customers.

14 One of the Petitioners, SGL, currently
15 produces graphite electrodes in diameters both greater
16 and less than 16 inches. The petition admitted that
17 SGL is able to produce both products because the
18 standard equipment it uses to produce graphite
19 electrodes over 16 inches can be used to produce
20 graphite electrodes 16 inches and smaller.

21 The other two U.S. producers of large
22 graphite electrodes, Shoa Denko Carbon, Incorporated
23 and CGE Electrodes, LLC are in the same position, and
24 have the ability to make small diameter graphite
25 electrodes in their currently equipment, but choose

1 not to do so.

2 Thus, only one producer, the Petitioner,
3 Superior, is limited to making only graphite
4 electrodes in diameters equal and less than 16 inches.
5 The limitation on Superior's production, however, is
6 not due to the inherent nature of graphite electrode
7 production, but is solely attributable to the
8 limitations of Superior's manufacturing equipment.

9 The Petitioner noted that Superior's
10 equipment used to produce graphite electrodes 16
11 inches and less cannot be used to produce graphite
12 electrodes greater than 16 inches because of the size
13 of its production equipment, such as forming dyes,
14 baking furnaces and sagers, rectifying sizes, and
15 machining lines.

16 To the extent the Superior is being injured,
17 it is solely based on their choice to limit their
18 production capabilities only up to 16 inches in
19 diameter. Consequently, there is no basis to find
20 multiple like products on the basis on this criterion.

21 Fourth, channels of distribution: the
22 petition fails to establish that there are separate
23 channels of distribution for large and small diameter
24 graphite electrodes. When I was employed by SGL in
25 its outside sales force, there was one single

1 marketing force selling its entire range of electrode
2 products. There was no division between the marketing
3 of electrodes greater and less than 16 inches.

4 At Brashem, we also sell a complete line of
5 both large and small diameter electrodes to U.S.
6 purchasers. I believe this is the same for the other
7 distributors sitting here today. Distributors do not
8 distinguish themselves by selling electrodes that are
9 only larger or smaller than 16 inches. Only
10 Superior's sales force is limited to selling
11 electrodes of 16 inches in diameter or less, simply
12 because they do not manufacture a product larger than
13 16 inches, and have no such product to sell.

14 Fifth, producer and consumer perceptions:
15 producer and consumer perceptions also supporting the
16 finding of single like product. As reviewed above,
17 three out of the four U.S. producers, including one of
18 the two Petitioners who manufacture or have the
19 ability to manufacture both large and small diameter
20 graphite electrodes at their facilities, are using the
21 same production process and using the same production
22 workers.

23 U.S. distributors of Chinese graphite
24 electrodes sell to U.S. purchasers, both large and
25 small diameter graphite electrodes. The U.S.

1 importers purchase from Chinese producers who, for the
2 most part, produce both large and small diameter
3 graphite electrodes at the same facilities.

4 Superior's facility, which is limited by its
5 extrusion equipment to make so-called small diameter
6 graphite electrodes is the only U.S. producer who
7 lacks the capability of producing both large and small
8 graphic electrodes at their production facilities.

9 U.S. purchasers buy graphite electrodes in
10 diameters above and below 16 inches, in accordance
11 with the requirements of their dedicated equipment.
12 U.S. purchasers often buy large and small diameter
13 graphite electrodes from the same supplier. We note
14 that integrated steel mills and steel mini-mills
15 purchase graphite electrodes that are both larger and
16 small than 16 inches for their various furnaces.

17 Similarly, smelters and foundries purchaser
18 graphite electrodes that are both larger and smaller
19 than 16 inches for their various furnaces.

20 Last is price. The price of graphite
21 electrodes is dependent on diameter and grade. Higher
22 grade electrodes are more costly because they
23 incorporate most costly blends of raw materials; that
24 is, sponge coke versus needle coke, for example.

25 Moreover, the larger the diameter and/or

1 length of the electrode, the higher the price, as more
2 raw materials are incorporated into the larger
3 product. On a pound-for-pound basis, however, the
4 graphite electrodes of the same grade and of adjacent
5 sizes that we sell to U.S. customers are generally
6 priced within a range of five to seven percent of each
7 other.

8 The pricing of graphite electrodes does not
9 support the existence of a clear dividing line between
10 electrodes greater and less than 16 inches.

11 An analysis of the Commission's normal like
12 product criteria established that in this case, large
13 and small diameter graphite electrodes constitute a
14 single like product. The noted differences in size,
15 quality, and performance among different graphite
16 electrodes product types reflect a continuum of a
17 single product, rather than clear dividing lines among
18 multiple separate products.

19 Thank you for your time today. I appreciate
20 the opportunity to address this matter, and will be
21 pleased to answer any questions you may have.

22 MS. LEVINSON: Our next speaker is James
23 Blatsioris. He's the President of the Electrode
24 Division for Diamond Graphite at Fedmet Resources
25 Corporation.

1 MR. BLATSIORIS: Good afternoon, my name is
2 James Blatsioris. I am the President for the
3 Electrode Division of Diamond Graphite. I have 26
4 years of steel making experience in primary and
5 secondary refining.

6 Back when I was in the steel industry, I was
7 responsible for budgets; and electrodes constituted a
8 very high cost in my budget, and I was responsible to
9 stay within the budget for that product.

10 The U.S. electrode suppliers at that time
11 only offered UHP electrodes, which refers to Marvin's
12 92 octane in his testimony. Because of our large
13 furnace and large LMF, we had large diameter
14 electrodes on the EAF, and we had large diameter
15 electrodes on the LMF. So we continued to buy the UHP
16 grade for several years.

17 One day, an importer of Chinese electrodes
18 visited our plants; went out to the shop and spent a
19 day out there, and looked around and had done some
20 readings. At the end of the day, he came back and
21 said, look, guys, you're spending way too money on
22 electrodes you're using at the LMF. Right now you're
23 using the UHP, and an HP would be perfectly suitable
24 for your operation.

25 So we asked him, how did he come up with

1 these findings, and he showed us a paper. He wrote
2 down our power usage, and he had a current capacity
3 chart. We compared where we were on the charts and,
4 sure enough, we fell into the HP brackets. So we
5 tried it, and the results were favorable on the large
6 diameter LMF electrode, and we switched over to that
7 grade.

8 Today, I sell Chinese electrodes, and I
9 enjoy working with my fellow steelmakers, finding them
10 suitable applications for their electrodes. It's
11 pretty much what we all do. We offer a value-added
12 service to the steel industry. As I look on my past
13 26 years in the steel making industry, I find the
14 event memorable that when the imported Chinese
15 electrodes first came to me, I looked back at it as a
16 very educational point, that he educated us in
17 electrodes. So with that point, thank you for your
18 time.

19 MS. LEVINSON: Thank you, and now I'm going
20 to ask Keith Kearney to share his statement with you.
21 He is the president of Graphite Electrode Sales.

22 MR. KEARNEY: How are you doing? In 1985, I
23 began my business marketing in German electrodes and
24 Japanese electrodes. My father was in the business
25 selling Japanese electrodes for 25 years before that.

1 I've bought and sold electrodes from Russia,
2 Ukraine, Spain, Switzerland, Austria, Poland, and
3 Romania over the years. A lot of these plants have
4 been purchased by SGL and some of the other large
5 producers.

6 In 1991, I quit selling German electrodes
7 and began buying Chinese and Indian electrodes. From
8 1991 to the year 2000, I bought predominantly Indian
9 electrodes, a small amount of Chinese electrodes, and
10 I continued to sell Japanese electrodes from 14 inches
11 to 30 inches.

12 In the year 2000, the Chinese product began
13 to improve, and I began to market the Chinese
14 electrodes more aggressively in the U.S. and in more
15 applications. As they improved, I switched my Indian
16 electrodes, which were small diameters, and I replaced
17 them with Chinese electrodes.

18 You know, most of the Chinese plants, when I
19 first went there in 1991, were built with Russian
20 technology and machinery. The quality wasn't very
21 good, and the product only worked on a handful of
22 applications. So in the 1990s, you know, there were
23 like three, four, or five customers I could sell the
24 Chinese electrodes to because the quality of the
25 product wasn't that good.

1 But in the 1990s, they started investing in
2 the new technology machinery in the U.S., from Europe,
3 from Japan, and their quality started getting better.
4 During that time, they also started buying Western raw
5 materials, which is needle coke; and you can only get
6 needle coke from Japan, Europe, or the U.S.

7 When they did this, it made their electrodes
8 better, and the electrodes worked in a wider range of
9 applications. They also started changing their
10 manufacturing processes. A lot of the Chinese
11 companies were owned by state controlled companies,
12 and the workers didn't really care, you know, about
13 quality and all that stuff; and over the years, the
14 Chinese have privatized. So, you know, the workers
15 are more into making quality products.

16 Right now, we sell Chinese electrodes from
17 three inches to 24 inches; and we sell them in ladle
18 furnaces and melting applications. I've traveled to
19 Chinese once or twice a year since 1991, and I've
20 visited probably 20 electrode plants in China during
21 that time. Despite the Chinese improvements in their
22 quality, they still sell in the U.S. market about 15
23 percent of the U.S. market. The U.S. market is
24 approximately 160,000 tons, so the Chinese probably
25 sell about 20,000 to 22,000 tons.

1 In the last 10 years, the country of China
2 has gone from the eighth largest producer of steel in
3 the world to the largest producer of steel in the
4 world. They make more steel in China than North and
5 South America, combined. So you can see there's huge
6 growth in steel production in China.

7 This has also been a huge increase for the
8 Chinese steel industry, and I think this has
9 contributed mostly for the improvement of the Chinese
10 quality. They had to import a lot of their
11 electrodes; and if they could improve their domestic
12 electrodes, then they could supply more of their own
13 products. That's why I think most of the electrode
14 quality has improved for this market, because they are
15 trying to do it for their own market.

16 During that same period, most of the U.S.
17 manufacturers have upgraded their equipment and
18 technology to make larger electrodes, using the
19 demanding applications. Many U.S. manufacturers
20 purchased modern mill mixing equipment, forming
21 equipment, modern graphitization, in order to allow
22 them to compete in the larger, more high powered
23 electrode market.

24 For example, CNG bought new equipment, came
25 out of bankruptcy, and they positioned themselves to

1 produce the larger, high powered electrodes. UCAR,
2 SDK, SGL are always improving and modernizing their
3 plants. Only Superior didn't make these investments
4 to produce the larger electrodes in 16 inch, even
5 though I think they have the technology to do it.

6 To my best knowledge, most of the U.S.
7 manufacturers are operating at near 100 percent
8 capacity, except for Superior. In fact, the petition,
9 SGL's 2006 annual report shows that they are 100
10 percent capacity for the last three years, and have
11 been reporting record profits.

12 Thank you for your time.

13 MS. LEVINSON: Our last speaker, Mr. Tom
14 Diener of Ameri-Source Specialty Products, is going to
15 conclude with some comments on the thread issue.

16 MR. DIENER: Good afternoon, my name is Tom
17 Diener. I'm a co-owner of Ameri-Source Specialty
18 Products. Prior to forming Ameri-Source in 1997, I
19 had 30 years experience with a major engineering
20 construction company, Davey Corporation. We built
21 metal producing plants all over the world. One of our
22 processes was the electric arc furnace technologies.

23 Today, Ameri-Source is selling one and-a-
24 half inch electrodes through 24 inch electrodes as one
25 of the products that we sell. We had started in 1997

1 importing electrodes from India. In the year 2000,
2 the company that we were representing at that time was
3 purchased by a competitor, which left us a bit high
4 and dry. At that stage, we began to look for other
5 sources, and found sources in China.

6 Maybe as an initial statement, I should
7 offer that the experiences offered by respected
8 competitors here are very similar to the experiences
9 that Ameri-Source is seeing. Maybe to repeat, we're
10 really befuddled by this separation of the industry
11 into 16 inch and lower, and 18 inch and larger,
12 electrodes. It seems to be inconsistent with the
13 industry as we know it.

14 This electrode, as has been expressed, is
15 manufactured in the same types of equipment, the same
16 process, the lines of distribution are very similar;
17 and if you really begin looking at electrodes on a
18 very simple basis, it might be the co-constituent's
19 recipe that differentiates. But to separate by size
20 has no consistency at all for how we see this market.

21 There are a couple of other aspects that
22 we'd like to put across that might be interesting. In
23 looking at this industry, in our view and in my
24 particular view, I don't see how the Chinese pose any
25 threat to the U.S. industry. Although the Chinese

1 imports may have increased during
2 the period of the investigation, such increases do not
3 threaten the industry in any material way.

4 First, if like product is defined as co-
5 extensive with the petition, then the petition has
6 greatly overstated the U.S. imports of small diameter
7 electrodes by incorrectly assuming that 90 percent of
8 the Chinese imports constitute imports of small
9 diameter electrode.

10 I respectfully suggest to the Commission
11 that you really use as a basis the questionnaires that
12 have been filled out. I think you find that the
13 information in the questionnaires that we're providing
14 are more accurate; and that maybe the information
15 that's being provided by the Petitioners is a bit
16 self-serving.

17 In any case, despite the increase in the
18 Chinese imports between 2004 and 2006, Chinese imports
19 constitute less than half of the total U.S. imports.
20 Because the domestic industry is incapable of serving
21 total U.S. consumption for this product, imports from
22 all other sources will be required, including the
23 imports necessary to sustain the U.S. steel, foundry,
24 and smelting industry. Consequently, the level of
25 Chinese imports into the U.S. does not threaten the

1 U.S. industry with a material injury.

2 Moreover, it is my observation that my
3 suppliers, and most other suppliers in China, are
4 operating at high utilization rates. I believe that
5 the foreign producers' questionnaire response will
6 confirm that the Chinese producers do not have
7 significant idle capacity, that can be used to make a
8 sudden surge of electrodes and threaten the U.S.
9 production.

10 In recent periods, it has become
11 increasingly more difficult for me, and I suspect the
12 other importers, to obtain product from the Chinese
13 suppliers, as they are increasingly shifting their
14 sales to their own domestic market.

15 As I trust the Commission is aware, China
16 has become the world's largest steelmaker. As
17 graphite electrodes are primarily used in the steel
18 industry, China's domestic demand for electrodes has
19 been constantly increasing. Chinese producers are
20 increasingly focused on this rapidly expanding
21 domestic market, and don't really need to rely on the
22 export market, in general, and the U.S. market, in
23 particular. The Chinese graphite electrode industry
24 is not an export oriented industry.

25 Moreover, my suppliers tell me that compared

1 to other export markets available to them,
2 particularly markets in Asia and Russia, the U.S. is
3 not a particularly interesting market.

4 The fact is that the Chinese sell more
5 electrodes in Europe than they do in the U.S. market.
6 I expect the foreign questionnaire that you're sent to
7 us, or will have sent out, will confirm this trend.

8 There are some other mini/macro economic
9 forces limiting the impact of the Chinese exports in
10 this country. The government of China is considering
11 eliminating the 13 percent rebate for electrode
12 exports. This was evidenced by the recent temporary
13 reduction of that to five percent; and in my opinion,
14 I think that tax is probably going to be eliminated
15 fairly soon.

16 With the elimination of the back tax, I
17 think it's going to become even less interesting to
18 the Chinese producers to export to any country, for
19 that matter.

20 In addition, we have the freight rates. I
21 need not tell you how transportation between China has
22 increased, as it has all over the world; and more
23 significantly, is the Chinese exchange rate. Earlier
24 in this year, just a year ago, we were at 8.4 to the
25 U.S. dollar. That's the RNB. Today, it's 7.1. This

1 trend clearly is going to continue. As this U.S.
2 currency exchange rate declines again, it is going to
3 increase the cost of the Chinese electrode.

4 As a final point why the Chinese do not
5 threaten the domestic industry with major industry, I
6 know the fact that the prices of my Chinese suppliers
7 are continuing to increase. They're in a very similar
8 situation with the price of needle coke, and the cost
9 of their import materials is continuing to increase.

10 In addition, their labor supply in China has
11 been getting ever tighter. Their wages and associated
12 benefits are increasing. With the increasing Chinese
13 prices, there's little likelihood there will be a
14 sudden increase in the Chinese imports into the U.S.
15 market which would threaten the U.S. industry with
16 material injury.

17 On the positive side, we have to note that
18 the presence of the Chinese electrode does provide a
19 positive factor to the cost of the consumables to our
20 steel industry. Competition in one industry often
21 results in a benefit to the user industry. Thank you
22 for allowing me to make my statement.

23 MS. LEVINSON: That concludes Respondents'
24 presentation, and we welcome your questions.

25 MR. CARPENTER: Thank you very much, panel,

1 for your presentations. We appreciate each of you
2 coming here today to help us grapple with these
3 issues. We'll begin the questions with Mr. Comly.

4 MR. COMLY: My name is Nate Comly. I'm the
5 investigator on this investigation.

6 I only have a couple questions. I guess
7 I'll start with, do you know if Chinese producers are
8 able to produce all, I'll call them grades -- so I'm
9 referring to RP/HP/UHP? Are they able to produce all
10 those grades of small diameter graphite electrodes?

11 MR. BRASHEM: The Chinese producers, in the
12 ranges of electrodes, typically will look at, say,
13 from six inch to twelve inch. They would produce an
14 RP, an HD, and an HP electrode.

15 Then when you get from maybe 12 inch to 16
16 inch, they will produce those grades, as well as
17 they'll add SHP to that mix. Then when they get to 14
18 inch on up, they will then add UHP to that mix.

19 But they don't drop any of the grades off,
20 as they increase in size. So they will still have
21 applications where they can put 24 inch RP or HD into
22 use, either in their own country, or for sale over
23 here for applications in this marketplace.

24 MR. COMLY: Thank you; I guess going on top
25 of that, and I think you've already talked about this.

1 But just for clarification, are the Chinese able to or
2 are they likely to be able to produce or shift
3 production from small diameter to large diameter? Do
4 you see that happening?

5 When I say large diameter, I know you've
6 talked about 24 inches. I believe it was you, Mr.
7 Brashem, that said you're getting 24 inch, I think
8 , from Japan; and not from China. Is this
9 because they cannot produce it, or are not fiscally
10 able to produce it?

11 MR. BRASHEM: Well, part of the constraints
12 that the Chinese have had is raw material source. So
13 where the Chinese for years have worked on the
14 production of the high grade needle coke, their
15 success in production of the high grade needle coke
16 has been very limited.

17 So they're primarily reliant on the import
18 of needle coke, either from Europe, the U.S., or
19 Japan. Japan is their primarily source of needle
20 coke. But the Japanese also have domestic producers
21 of electrodes.

22 So typically, they will keep their higher
23 degrees of needle coke for their internal production;
24 and then they will make available to the Chinese the
25 lower grades of needle coke.

1 So where we may be able to offer a 24 inch
2 UHP electrode to compete against SGL or Graphtech, the
3 operations we can go into become limited. So once
4 again, that's where the expertise of our sales people
5 come into play; because they will go into a shop.
6 They will be able to say, okay, our 24 inch electrode
7 should perform here; or it may be not perform in
8 another application down the road.

9 So we are starting to look into the larger
10 diameter out of China. But the applications are
11 limited, compared to the Japanese, to do some
12 extremely top quality of electrode. They can be sold
13 to almost any application, without having to be
14 concerned about quality.

15 MR. COMLY: Thank you; I guess going on top
16 of that, as well, you speak of the Japanese exports.
17 Are there any other non-subject sources, specifically
18 for a smaller diameter electrodes?

19 MR. BRASHEM: You're saying, non-Chinese
20 sources?

21 MR. COMLY: Right, non-Chinese, I'm sorry.

22 MR. BRASHEM: -- and small diameter
23 electrodes.

24 MR. COMLY: Yes.

25 MR. BRASHEM: Well, Graphtech International

1 produces small diameter electrodes; not only in
2 Mexico, but they also produce small diameters in
3 Brazil, and small diameter in South Africa, which they
4 have marketed heavily into this marketplace, to
5 compete with not only ourselves, but the Petitioners.

6 The Indian marketplace also has a production
7 of small diameters, although I believe that they have
8 started to restrict their supplies into this
9 marketplace. In fact, they are importers of Chinese.
10 The producers in India actually import Chinese
11 electrodes for distribution.

12 MR. COMLY: And those small demographics, I
13 liken towards the price competitive.

14 MR. BRASHEM: In some cases, the South
15 African electrodes are extremely price competitive to
16 the Chinese electrodes.

17 MR. COMLY: Can you provide, either now or
18 in your post-conference brief, an estimate of some of
19 these imports coming in from non-subject countries
20 into the U.S.? It's because we have a basket HDS
21 number.

22 MS. LEVINSON: Sure, yes, we can do that.

23 MR. COMLY: Thank you, and then I guess my
24 final question is, do you find that your shipments or
25 imports are concentrated in one quarter versus

1 another? In other words, are they seasonal, or are
2 they spread throughout the year?

3 MR. BRASHEM: Ours, in particular, the steel
4 mills produce basically the same quantity of steel
5 throughout the course of the year. So they need the
6 same number of electrodes.

7 Now maybe they may have scheduled down
8 times, where they shut down for a week. In the summer
9 time, maybe they shut down for a week and in December.
10 But primarily, the production is stable through the
11 course of the year.

12 There are times when maybe we increase our
13 imports, over certain periods of time, to take
14 advantage of pricing situations, as we're starting to
15 cross over into new periods. But generally speaking,
16 the electrodes are coming in constantly throughout the
17 course of the year.

18 MR. CARPENTER: Okay, do we have more
19 questions; Ms. Roth-Roffy?

20 MS. ROTH-ROFFY: Thank you for your
21 testimony. It was very helpful. Mr. Buchanan, I was
22 very interested in the domestic like product issues
23 that you went over. In particular, you said that the
24 ranges that went through the various sizes, they're
25 like the same between, I'd say, two adjacent sizes.

1 Is that what I heard?

2 MR. BUCHANAN: Yes, in operation, an
3 electrode will experience a range of currents. The
4 furnace is constantly trying to regulate itself to get
5 to a balance point. But it's going to experience a
6 range.

7 The electrode will experience a range of
8 currents. A 14 inch to a 16 inch electrode; or a 16
9 inch to an 18 inch electrode -- those adjacent sizes,
10 there may be overlap in the currents that they will
11 experience and that they can withstand in operation,
12 within a like grade.

13 MS. ROTH-ROFFY: And that's true through all
14 the sizes.

15 MR. BUCHANAN: That's right. A 24 inch will
16 experience similar currents over an overlapping range
17 of a currents that a 26 or even a 22 inch electrode
18 will experience, and it's designed to do that.

19 MS. ROTH-ROFFY: The Petitioners have
20 basically said that the small diameter cannot be used,
21 and let me read it correctly. Of course, now I can't
22 see it -- the high powered melting applications in
23 large steel EAS. Is that an accurate, according to
24 your experience?

25 MR. BUCHANAN: Well, it's true in such that

1 what they call a small diameter electrode, 12 inch
2 would fall apart in a 24 inch application, because
3 it's a 12 inch electrode, even if it were able to be
4 held in the holding.

5 But if that same electrode grade of material
6 were produced in a 24 inch, depending on the
7 application, it could work. There are Chinese that
8 was being trialed in the 24 inch in those
9 applications.

10 MR. KEARNEY: I'd like to add one thing. I
11 mean, if SGL's 12 inch was put in the 24 inch, it
12 would have the same results.

13 MR. BUCHANAN: That's very true.

14 MS. ROTH-ROFFY: Well, thank you; and I'm
15 sure the Petitioners will be addressing that in their
16 briefs, as well. But if you could also address the
17 Bratsk test in your brief, we'd appreciate it. Thank
18 you very much.

19 MR. CARPENTER: Ms. Bryan?

20 MS. BRYAN: Hi, good afternoon; I don't have
21 too many questions. I guess, Mr. Brashem, I just
22 wanted to ask you to further clarify or explain. I
23 think you mentioned that you never had the
24 opportunity, or you don't purchase domestically
25 produced product. Could you just explain why you

1 don't?

2 MR. BUCHANAN: Well, typically, the
3 producers in America have always had direct sales
4 people to the mills; or they've worked with companies
5 that specifically focused their business toward a
6 foundry supply. So they may have a warehouse in, say,
7 Milwaukee, Wisconsin, to supply all sorts of products
8 into the foundries in that area.

9 So I know in the past, Superior Graphite has
10 sold electrodes through some of these foundry supply
11 warehouses, that may also supply refractories and sand
12 and other products. Our company does not do that. We
13 are a graphite electro supplier. So we don't carry a
14 wide range of products to sell to the foundry or
15 (ineligible) sector.

16 MS. BRYAN: Okay, and this might be
17 something more for post-conference brief. But is
18 there any way that you can estimate what share of the
19 total U.S. customer base is served by distributors? I
20 don't know if you have an idea right now.

21 MS. LEVINSON: We'll certainly give it a
22 try.

23 MS. BRYAN: Okay, I would appreciate that,
24 thanks. That's just to get a better understanding of
25 the roles of the distributors.

1 Just actually, I have one final question. I
2 guess, Mr. Diener and anyone else who wants to chime
3 in, if you could expand a little bit on transportation
4 costs within the United States, if you have any
5 knowledge of that -- transportation costs, if they
6 vary, depending on the size, the diameter size, or the
7 pound, the weight, of the product being shipped.

8 MR. DIENER: Typically, electrodes are
9 purchased in, we call them, full container loads. We
10 bring them over in 20 feet containers, just because
11 the implication, by bringing a full container, is the
12 most efficient way to do it; and that's generally the
13 way we sell. I suspect it's similar for the other
14 distributors.

15 We talk in full truckload lots, or 40, or
16 full container loads, which typically is 42,000
17 pounds, plus or minus. Some of the smaller
18 electrodes, we may sell in pallet loads and do some of
19 the smaller ones. But if you look at the basis of
20 ours, it's full container loads.

21 MS. BRYAN: In that container load, would
22 there be a product mix of all different sizes?

23 MR. DIENER: Typically, no, for us.

24 MS. BRYAN: Okay, and is that the case for
25 everyone else?

1 MR. BRASHEM: For us, as well -- there may
2 be some opportunities where we have to bring in mixed
3 sizes, mixed products in a container, but it's a
4 minority of what we import.

5 MR. BRYAN: Okay, all right, that's all I
6 have for now, thanks.

7 MR. CARPENTER: Ms. Klir; Mr. Mata?

8 MR. MATA: Thank you, Mr. Carpenter, this
9 question is for Mr. Buchanan. When we talk about
10 electrodes going into an electric arc furnace,
11 approximately how many electrodes would go into the
12 melting of scrap metal? Are we talking three
13 electrodes, five bundles?

14 MR. BUCHANAN: The nature of electrodes in
15 their usage is that they are continuously consumed
16 during operation. A typical AC electric arc furnace
17 will have three phases and, therefore, three columns
18 of electrodes, each independently regulated by a
19 holder and arm.

20 The electrodes consume by sublimation at the
21 arc tip, as well as by sidewalk oxidation. Basically,
22 it's like a giant piece of coal. It's highly
23 engineered, but it's similar, in that as it gets
24 hotter and it glows red, the hotter it gets, the more
25 it just burns off to air.

1 The arc, though, is the primary consumer at
2 the tip. As it consumes, the tip of the electrodes
3 grows shorter, and the whole electrode column is then
4 slipped through the holder until it's at maximum slip.
5 There's no more electrodes at the top to slip through.

6 At that time, an electrode will be suspended
7 by a crane and then screwed on top by the threaded
8 connection. Then it's slipped and the process repeats
9 itself.

10 Typically, in a melting furnace application,
11 there is no universal standard that says, you know, it
12 will use four electrodes per day or two electrodes per
13 day.

14 But in a melting application, the
15 consumption rate, a pound of electrode per ton of
16 steel produced, are multiples more than in a ladle
17 furnace. A typical ladle furnace consumption ranges
18 maybe anywhere from 0.2 pounds to 1.5 pounds per ton.
19 A typical melting furnace range may be anywhere from,
20 on the very modern furnaces, 1.5 pounds per ton, all
21 the way up to maybe 12 or even 15 pounds per ton for
22 an older, less efficient furnace in all size ranges.

23 MR. MATA: That concludes my questions, Mr.
24 Carpenter.

25 MR. CARPENTER: Mr. Deyman?

1 MR. DEYMAN: Good afternoon, I'm George
2 Deyman, Office of Investigations. You said earlier
3 that the four companies represented here, the four
4 importers, collectively account, you believe, for the
5 large share, if not virtually all, of the imports of
6 the small diameter product from China. Is that
7 correct?

8 MS. LEVINSON: Yes, we do believe so. At
9 least, these are all the major importers.

10 MR. DEYMAN: And that's why you believe we
11 should use questionnaire data, at least for the
12 imports from China. What about the non-subject
13 imports? Do the four of you also import from non-
14 subject countries; and do you think that you would
15 also account for the great bulk of the imports from
16 non-subject countries?

17 MR. BRASHEM: My company imports a small
18 quantity from a non-subject country. I think that my
19 competitor, GES, imports a much larger quantity from
20 non-subject countries.

21 MR. KEARNEY: Yes, I buy a lot of material
22 from Japan; and I buy some material from India and
23 Russia, but it's smaller quantities.

24 MR. WISLA: This is Ron Wisla. From the
25 non-subject countries, Graphtech, as we've stated,

1 produces in Mexico, South Africa, and Brazil. So
2 product from there would be coming in through
3 Graphtech.

4 MR. KEARNEY: Okay.

5 MR. BLATSIORIS: We buy exclusive Chinese
6 electrodes only.

7 MR. DEYMAN: Okay, I'm sorry, go ahead, Mr.
8 Diener.

9 MR. DIENER: As far as Ameri-Source is
10 concerned, our graphite products all come from China.

11 MR. DEYMAN: Do you have any competitor
12 importers, other than Graphtech, that you know are
13 importing in a big way from non-subject sources; and
14 if so, could you let us know who they are now, or in
15 the post-conference brief, or you could let us know by
16 email or call?

17 MR. BUCHANAN: Yes, there are other
18 importers of electrodes. There are various importers
19 of Indian, German, Russian, Japanese electrodes, of
20 varying diameters and grades. I don't have a complete
21 list at this time, but I'm sure maybe somebody else
22 could answer that or incorporate it in the post-
23 conference.

24 MR. DEYMAN: No, in the post-conference
25 would be fine. We have a list also, and we have

1 importers' questionnaires from a numbers of companies.
2 I just want to make sure that we're not missing
3 anybody large, if we use the questionnaires for our
4 import statistics.

5 MR. WISLA: Yes, this is Ron Wisla, again.
6 One of the importers we represent, Ceramark, Inc.,
7 they've submitted their questionnaire, but they just
8 were not able to come here at the hearing. But they
9 submitted their importer questionnaire response.

10 MR. DEYMAN: All right, thank you.

11 MR. BRASHEM: I think, as Ms. Levinson
12 indicated, this is a fairly small industry. We may
13 not like each other in the field, but we all know each
14 other. So we know a bit about what each other are
15 doing. So we have a good idea what's coming in from
16 other countries through other people, and Ms. Levinson
17 should have that information.

18 MS. LEVINSON: We'll certainly elaborate in
19 the post-conference brief. But again, I need to
20 reiterate what Mr. Brashem just said. The people at
21 this table have a very good idea that they are the
22 primary sources for imports from China.

23 MR. DEYMAN: Fine, and for those of you that
24 do import from other countries, could you briefly
25 explain why you do import from other countries? Are

1 there differences in price or quality or availability,
2 or other reasons? For example, Mr. Brashem, you said
3 you are importing some from Japan -- at least the 24
4 inch from Japan -- and that's because the Chinese are
5 not really producing in that area.

6 MR. BRASHEM: The Japanese are known to be a
7 producer of one of the premium electrodes in the
8 marketplace. So to get a channel of Japanese
9 production is very difficult to do. Once you do, you
10 are limited to an allocation under which you are able
11 to get and, hopefully, you can hold onto that
12 allocation.

13 The Chinese cannot compete yet in that
14 grading, compared to a Japanese electrode. So once
15 again, there are applications. You can take the Japan
16 electrodes into any application without concern of
17 quality.

18 Because we are very concerned one, about
19 consumption rate; but mostly about failures in the
20 furnace. Because a failure in a furnace is going to
21 be a disaster in the operation in the steelmaking.

22 Either it's going to create down time,
23 because the electrodes breaks. It has to be pulled
24 out of the furnace, and the operator then has down
25 time; or maybe pieces of the graphite electrode fall

1 off into the furnace, which raises the carbon level of
2 the steel higher than the grade of steel that it
3 accepts.

4 So consequently, they may either have to
5 keep the steel in the furnace longer to be able to get
6 the carbon out; or in the worse case, they can't get
7 the carbon out, because it's too high. Then they have
8 to do what they call "pig" the heat. So they pour out
9 the steel, and they have to start all over again.

10 So our company, just like our fellow
11 competitors, is very careful to make sure we place the
12 proper electrode in the proper application, so we
13 don't create these problems. Because if we do, one,
14 we lose a customer. But worse than that, we've
15 created big operational problems for our customers.

16 MR. DEYMAN: I guess I should have limited
17 my question to the small diameter product, because
18 that is the subject. So of the small diameter product
19 that you're importing from non-subject countries, is
20 there anything you can say as to why you do or do not
21 import from those countries; vis-a-vis, China?

22 MR. KEARNEY: Well, I import Japanese
23 electrodes, 14 inch. They're just used in the hot
24 furnace. They're a little bit better than the Chinese
25 product and more reliable. The customer will pay more

1 money for those quality.

2 MR. DEYMAN: The Petitioners contend on page
3 81 of the petition that there are over 70 producers of
4 graphite electrodes in China, the vast majority of
5 which, according to them, appear to produce the small
6 diameter product.

7 They also content that the small diameter
8 graphite electrodes industry in China is large and
9 growing, with significant under-utilized capacity. Do
10 you agree with their assessment? Do you have
11 information that would be contrary to their
12 contention? There are two contentions.

13 MR. BRASHEM: I don't have any specific
14 information that I can provide today. There are a
15 large number of graphite and carbon producers in
16 China. I've been to China 60 times in the last 15
17 years, and I visited many of these factories. I don't
18 know if there are 70. There could be 40. There could
19 be 20.

20 But there has recently been a consolidation
21 of producers in China. So I believe that actually
22 it's a shrinking number; once again, to go to what Mr.
23 Diener has seen, with more of a focus on their
24 domestic steel market, rather than the export market.

25 MR. DIENER: If I can offer just from my

1 experience -- and I don't have any data -- but in my
2 travels around China and looking at some of these
3 facilities, you may say there are some electrode
4 capacity. But that electrode capacity is being put
5 out of operation.

6 I mean, there clearly is an evolution that's
7 taking place in that industry in China. So there are
8 some facilities you might say are idle. But those
9 facilities will never start up again. Because that
10 evolution that's taking place in China is also as it
11 has in the steel industry in this country; in that the
12 demand for higher quality electrodes continues to go
13 on.

14 MS. LEVINSON: Mr. Deyman, we'll seek more
15 information from the Chinese in answer to these
16 questions for our post-conference brief.

17 MR. DEYMAN: Sure, thank you; Mr. Diener,
18 you mentioned the possible elimination of the rebate
19 on exports in China. I think it was you who mentioned
20 that.

21 MR. DIENER: Yes, that's correct, I did.

22 MR. DEYMAN: If there's anything more that
23 you can give us in the post-conference brief on that
24 issue, it would be helpful.

25 Finally, with regard to injury to the

1 domestic injury, let's assume for the moment that the
2 Commission does find the domestic like product to
3 consist only of the small diameter electrodes, and
4 that's an assumption. Given that, again, could you go
5 over the major reasons why you feel that the domestic
6 industry is not injured or threatened with material
7 injury by reason of the imports from China? Because
8 we haven't spent a whole lot of time on injury today.

9 MS. LEVINSON: No, you're right about that;
10 and we certainly will spend a lot more time in the
11 brief, partially for the reasons that the Petitioners
12 stated, that a lot of the information is business
13 proprietary and can't be shared here.

14 However, I will refer to SGL's financial
15 reports, 2006 and 2007, which demonstrate that they
16 are making record profits in electrode business. So
17 that gives us serious doubt about whether they are
18 experiencing injury.

19 You know, we also know that with regard to
20 Superior, if they claim they are experiencing some
21 injury, part of it is just their choice of machinery
22 that they chose not to update. They bought antiquated
23 equipment that could only produce up to 16 inch in
24 diameter. I think that is the driving force behind
25 this attempt to create two like products, when really

1 there should only be one.

2 So I would say, with regard to Superior, if
3 there is any injury -- and we'll analyze the
4 questionnaire responses further for our brief -- but
5 if there is injury, it is self-inflicted.

6 MR. DEYMAN: It would be helpful also in
7 your post-conference brief, if you said a little bit
8 more about the 60 watt light bulb analogy that the
9 Chinese products may be --

10 MS. LEVINSON: What would you like best, the
11 octane analogy, the light bulb analogy?

12 MS. DEYMAN: Whichever.

13 (Laughter.)

14 MS. LEVINSON: Or the spark plugs -- because
15 we can go with any of them.

16 (Laughter.)

17 MR. DEYMAN: If there's something about the
18 Chinese product that would have caused or helped cause
19 any increases in exports to the United States -- I
20 have no further questions, thank you.

21 MR. CARPENTER: I just had a couple of
22 additional questions. Ms. Levinson, you mentioned in
23 your opening statement, I believe, that competition in
24 this industry between the U.S. producers and the
25 Chinese producers is highly attenuated. If you have

1 any additional information or details you'd like to
2 provide in your post-conference brief to support that,
3 I'd appreciate that.

4 MS. LEVINSON: I will do that, and we're
5 hoping to get some affidavits from customers on some
6 of these points.

7 MR. CARPENTER: Okay, good, and I have a
8 question for the witnesses. The Petitioners this
9 morning made the argument that they've been faced with
10 significant increase in raw material costs and energy
11 costs over the period of investigation. Because of
12 competition from imports from China, they've been
13 unable to pass along most of those increases in costs
14 in the form of higher prices to their customers. Do
15 you have any comments on that assertion?

16 MR. BRASHEM: I would think that that
17 information will be more readily available with the
18 producers' responses. Because we don't get involved
19 in the sales of the raw materials to the producers --
20 at least my company doesn't.

21 MR. CARPENTER: Thank you, and I do have
22 kind of a related question. I realize there are no
23 Chinese producers here today. I know it's short
24 notice with the Chinese New Year and so. It's
25 difficult for them to be here.

1 But does anyone here have a sense as to
2 whether the producers in China are faced with similar
3 increases raw material costs over the period of
4 investigation?

5 MR. DIENER: I don't think there's a
6 question. Our costs from our suppliers have been
7 continually going up. We're quite aware that the
8 price of needle coke has been going up. I mean,
9 because of the strength, I think, in the activity in
10 the steel industry and because the limited expansion
11 in the needle coke production, the cost of needle coke
12 has gone up, like many other commodities.

13 I mean, you look at the price of copper, the
14 price of nickel, the price of coal, the price of scrap
15 metal. They have been going up, because this world is
16 consuming more and more. Unfortunately, with needle
17 coke, there has not been an increased capacity. So
18 there is more demand for needle coke.

19 I would just offer that the Chinese are
20 maybe the last entrants into the needle coke
21 purchasing, because there is this evolution taking
22 place and there is an increase in the quality.

23 This word "quality", I'm not sure is the
24 right term. There is a demand for needle coke to be
25 able to satisfy the higher production furnaces.

1 That's what is driving, I think, the price of needle
2 coke up. I'm sure if we took a census here now, we'll
3 find that all of the suppliers have seen increased
4 costs; and certainly, our selling price has been
5 steadily going up. I can offer that.

6 MR. CARPENTER: Thank you, that's very
7 helpful. Actually, your last point was where I was
8 going to. You said your selling prices have gone up.
9 At this point, we haven't had really much opportunity
10 to analyze the trends in prices from the domestic
11 industry and the Chinese imports. So this may be more
12 of a question for the briefs.

13 But the Petitioners, I believe, were
14 asserting that the prices of the Chinese product were
15 more stable over the period. If, in fact, it was a
16 case where the data showed that the price of the
17 Chinese product has been stable; whereas, the price of
18 the domestic product has been going up -- if there's
19 anything you can provide by way of explanation as to
20 why that might be the case, are there any differences
21 in raw material costs or other factors that might
22 explain why if, in fact, it's true that domestic
23 prices are going up at a faster rate than import
24 prices.

25 MR. DIENER: Again, from experience and

1 observation here, you know, there's a certain lag
2 that's taking place. Again, I can just quite
3 emphatically tell you, our costs from our suppliers
4 have gone up.

5 That doesn't mean that the prices are all in
6 phase. They get an increase in the needle coke when
7 they go out to purchase needle coke. Now that
8 purchase of needle coke may not start until some
9 period down the road. So that doesn't mean the
10 container that's being shipped to me from China is
11 going to have that higher price.

12 But clearly, when I re-negotiate a contract
13 for particular sizes, the price will change. I think
14 the pattern, if I shared with you the pattern of what
15 has happened and the costing and our costs over the
16 last two years, you would clearly see an increase.

17 I hope the information is sufficient in the
18 questionnaire. I will offer a comment here, and
19 forgive me if I'm a little bit out of line here. But
20 I had difficulty in answering the questionnaire,
21 because of the way it was segmented.

22 I understand the petition. But as a
23 distributor, we track our costs in a little different
24 way. So when we start breaking out, again, the small
25 electrodes versus large electrodes and we make this

1 delineation of 16 inch, and we start to talk UHL and
2 HP, it's not something that falls neatly out. I hope,
3 in the submittal of the questionnaire to you and
4 giving you the price data, it's easy for you to
5 delineate these numbers and they come out.

6 I would offer to you that as far as Ameri-
7 Source, I would welcome somebody to come to our
8 offices, and sit down and look specifically at the
9 pricing, how it has gone, looking at one particular
10 product and see what has happened. Remember, we're
11 dealing with a couple of different suppliers here. So
12 it's not all the same.

13 MR. CARPENTER: Okay, thank you; we do
14 realize that the pricing data that we asked for is
15 very difficult to provide, because they are very
16 specific in order to try to get apples to apples'
17 comparisons. I know for both sides, it's very
18 difficult to provide that, and we do appreciate your
19 efforts in providing us with good data for that.

20 Are there any other questions?

21 (No response.)

22 MR. CARPENTER: Again, thank you, panel,
23 very much for appearing here today and for your
24 detailed responses to our questions. We very much
25 appreciate it.

1 We'll take another short break of about 10
2 minutes, and then conclude with the closing remarks
3 from both sides.

4 (Whereupon, a short recess was taken.)

5 MR. CARPENTER: Welcome back, Mr. Hartquist.

6 MR. HARTQUIST: Thank you, for the record,
7 I'm David A. Hartquist of Kelley Drye Collier Shannon
8 for the Petitioners. Thank you, Mr. Carpenter and
9 members of the staff; we appreciate your time today.

10 First of all, there is some good news to
11 report, from our point of view. That is that the
12 Commerce Department did initiate the case today, after
13 reviewing the challenge that the Respondents provided.
14 They initiated, based upon anti-dumping margins of 119
15 to 159 percent, which is very significant.

16 I have a few comments on individual witness'
17 testimony from the Respondents. Mr. Diener noted a
18 number of factors that one would normally anticipate
19 would affect Chinese pricing: the vat rebate issue,
20 which had been reduced; exchange rate situation
21 between the RMB of 81 and the dollar; transportation
22 costs increase.

23 Yet, our tracking of Chinese prices
24 indicates that none of these factors have had an
25 effect on Chinese pricing in the United States. It

1 remains depressed with substantial under-selling of
2 domestic products and other imported products, as
3 well.

4 We understand from a Japanese graphite
5 electrode producer that the Chinese government is
6 reluctant to eliminate the vat rebate on this
7 particular product, because it's a high value added
8 product and a profitable product for the Chinese
9 companies.

10 Mr. Buchanan made some interesting comments
11 about CG and Shoa Denko having, he said, the ability
12 to produce and ship products in the small diameter
13 ranges, but have chosen not to do so.

14 As we understand it, the facts are very
15 different. Neither company has the capability to
16 produce the small diameter product. They can only
17 produce the larger diameter product, and would have to
18 make additional capital investments in order to get
19 into the small diameter market. But we believe they
20 don't do that, because it's not an attractive market
21 for the reasons that we have been arguing about.

22 Mr. Brashem stated that his company, and I
23 think I'm correct, supplies essentially only graphite
24 electrodes. He can certainly correct us for the
25 record. But our information is that his company

1 distributes a whole range of other products, including
2 flexible graphite, specialty graphite, graphite flake,
3 graphite sidewall blocks, and cathode blocks. Again,
4 most of that is imported from China.

5 I noted, too, that the Respondents didn't
6 say one word about the injury analysis until Mr.
7 Deyman asked the question. I think that this appears
8 to be a reflection of their strategy essentially to
9 try to dilute the injury case by including in the data
10 the financial information from the large diameter
11 carbon electrode industry.

12 I'd also note that with respect to
13 Respondent's comments about the Chinese focusing on
14 their market, that was a very interesting observation.
15 Because in looking at the trade statistics, we see no
16 evidence whatsoever that the Chinese are focusing on
17 their market.

18 In fact, the growth of exports to the United
19 States at very low prices indicates an intent or
20 desire to continue to penetrate the U.S. market even
21 further, very aggressively.
22 They're not focusing on that whole market. They are
23 aggressively exporting companies.

24 We continue to believe that our like product
25 analysis is correct, and that Respondents' comments

1 avoided taking into account a number of important
2 differences that we highlighted in our testimony --
3 significant differences as to why the small diameter
4 and large diameter industries are two different
5 industries and two separate like products. We'll deal
6 with this dichotomy further in our post-hearing brief.

7 With that, we'll conclude, and I thank you
8 very much.

9 MR. CARPENTER: Thank you, Mr. Hartquist.

10 Ms. Levinson, please?

11 MS. LEVINSON: Thank you, Mr. Carpenter.

12 We have some observations about Petitioners'
13 presentation, and specifically with regard to the
14 injury issue. I think that they've been remarkably
15 silent, especially that they've brought this petition
16 supposedly because there is a reasonable indication
17 that they are suffering material injury.

18 Yet, we did not hear the Petitioners go
19 through the numerous factors in the statute that are
20 typically examined to determine whether there's injury
21 or not. This is information that is in their control
22 and in their power and that we don't necessarily have;
23 but we will have once we've had the opportunity to
24 examine their questionnaire responses. But they were
25 remarkably silent about it today.

1 We think there's a serious like product
2 issue here. We think the Petitioners have essentially
3 gerrymandered the definition; so that they've produced
4 two like products, two industries, where really,
5 there's only one. We are prepared to brief in some
6 detail similar cases in which the Commission has found
7 that there's a continuum of sizes; other industries in
8 which the only differential between the two industries
9 are sizes, and the Commission has said that that's a
10 continuum, and that is not enough to find a separate
11 like product.

12 All the distinctions that the Petitioners
13 relied upon to distinguish what they call the small
14 electrodes and what they call the large electrodes
15 have to do with size. But those same distinctions
16 that they draw between the small and the large apply
17 equally within each of those categories. So a four
18 inch is different from a six inch, is different from
19 an eight inch, in the same way that a 16 inch is
20 different from an 18 inch.

21 They failed to grapple with that reality.
22 They failed to establish. They essentially want to
23 say there are two continuums. There's a continuum of
24 under 16 inches, and there's a continuum above 16
25 inches.

1 But they have not pointed to anything in the
2 commercial reality of the marketplace that would
3 substantiate that, except for the fact that one
4 company, Superior, happens to have decided to produce
5 only 16 inch and below.

6 With regard to import stats, they've made an
7 attempt, which I think is highly flawed, to make some
8 assumptions about what is coming in from China and
9 what is not. But we'll hope that you'll rely on the
10 questionnaire data, which we deem to be much more
11 reliable than the import stats; and the import stats
12 cover all electrodes, and not just electrodes of what
13 they call the small diameter electrodes.

14 So they've had to make a number of
15 assumptions in trying to carve any meaningful data out
16 of the import stats. I don't feel that they explained
17 their assumptions with any degree of credibility
18 today.

19 There were a number of statements that they
20 made, of which we highly differ. One is what I found
21 to be very strange testimony; that customers typically
22 enter into contracts, and then rip up the contracts at
23 whim, and come in say, we want a new price. You know,
24 you'd have to go back to first year contracts in law
25 school to know that that's not a contract. If that's

1 what is happening in the industry, what they are
2 essentially saying is, we have no contract.

3 But they, in fact, have contracts, and among
4 our importers, they have annual contracts that they
5 negotiate typically in the Fall. They've told me, and
6 we can give you more information in our brief, that
7 they've never ever had an experience where a customer
8 has come to them and said, the contract is not worth
9 the paper it's written on, which is essentially what
10 the Petitioners are saying, which to me does not seem
11 credible.

12 With regard to capacity, you heard SGL sit
13 here and tell us, you know, we have all kinds of
14 machinery. We could, you know, immediately start
15 ramping up; and if you put anti-dumping duties on
16 electrodes, we will ramp up and we will start
17 producing. Yet, their annual report says, for the
18 past several years in the electrode business, they've
19 been operating at full capacity.

20 So one statement is wrong and one statement
21 is right. We don't know which one. But we hope that
22 the presentation that they're making to their
23 shareholders in their annual report is an accurate
24 portrayal of what's going on in the company.

25 Finally, we are going to try to get as much

1 information as possible with regard to imports coming
2 from other countries. But you heard mentioned here
3 today that at the very least, there are imports coming
4 in from Japan, India, Mexico, where one of the former
5 U.S. producers is now located, and South Africa.

6 We will brief the Bratsk issue. But I would
7 like to comment that the Commission has generally
8 interpreted Bratsk to apply only to commodity
9 products, and we take issue with any suggestion that
10 these electrodes are commodity products.

11 That doesn't mean, however, that you should
12 not look at what is the impact of imports coming from
13 other countries; and specifically at the issue of, if
14 there is an anti-dumping duty order put in place, will
15 the domestics benefit or are they operating it at full
16 capacity, and so the people who will actually benefit
17 are the Mexicans, the South Africans, and the
18 Brazilians?

19 Thank you for your time today.

20 MR. CARPENTER: Thank you, Ms. Levin.

21 Again, on behalf of the Commission and the
22 staff, I want to thank the witnesses who came here
23 today, as well as counsel, for sharing your insights
24 with us and for helping us develop the record in this
25 investigation.

1 Before concluding, let me mention a few
2 dates to keep in mind. The deadline for the
3 submission of corrections to the transcript and for
4 briefs in the investigation is Tuesday, February 12th.
5 If briefs contain proprietary information, a public
6 version is due on February 13th.

7 The Commission has tentatively scheduled its
8 vote on the investigation for February 29th at 11:00
9 a.m. It will report its determination to the
10 Secretary of Commerce on March 3rd, and Commissioners'
11 opinions will be transmitted to Commerce on March
12 10th.

13 Thank you for coming. This conference is
14 adjourned.

15 (Whereupon, at 1:16 p.m., the preliminary
16 conference in the above-entitled matter was
17 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Small Diameter Graphite Electrodes
from China

INVESTIGATION NOs: 731-TA-1143

HEARING DATE: February 7, 2008

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary conference

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: February 7, 2008

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 E. 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: Bernadette Herboso
Signature of Court Reporter