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August 14, 2006

Ms. Claudia Bridgeford
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Re: *Public Comment on S. 3041, temporary duty elimination on benzoyl chloride (HS 2916.32.20)*

Dear Ms. Bridgeford:

We are writing to oppose the inclusion of S. 3041 (benzoyl chloride in HS 2916.32.20) in the Miscellaneous Duty suspension bill now being considered by the Committee. Velsicol Chemical Corporation is globally headquartered in Rosemont Illinois. We have been an American-based chemical company for over 70 years. We operate world-class manufacturing plants in Chattanooga TN, Memphis, TN, Chestertown, MD and in Estonia and employ over 300 people in the US alone. We produce a wide range of critical chemical products in our facilities and distribute them to over 40 countries world-wide.

The product referred to in S. 3041 is benzoyl chloride, which we have been producing in our Chattanooga facility for 40 years. During the past two to three years we have experienced increasing levels of price pressure on this product, almost exclusively from one foreign competitor, Lanxess, who we believe has been selling benzoyl chloride in the US at prices which are below that of their domestic price. In addition, Lanxess is now requesting the temporary elimination of import duties on this product. As background, Lanxess was formed from the restructuring of the business portfolio of Bayer Chemical, one of the largest chemical companies in the world, headquartered in Germany. We have been the only US producer of this product for many years. On June 1 of this year, we were forced to suspend production of this product in our Chattanooga plant and lay off nearly 25% of our workforce. Our decision to close this operation was directly due to the pricing behavior of Lanxess and the increasing financial losses their pricing activity was inflicting on us on benzoyl chloride. We are prepared to resume production of benzoyl chloride in Chattanooga when market conditions improve. However, suspending the duty on this product imported from Germany will make this less likely. It is important to point out that while Lanxess is requesting suspension of the US duty for the benzoyl chloride imported from Germany, the German government has not lifted the 6.5% duty on our product were it to be imported to Germany from the US. We do not understand why the US would gratuitously



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remove a 6.5% duty on this product especially when no reciprocity is offered by Germany or the rest of the EU.

Approving their request for suspension of duties on this product is tantamount to encouraging unfair foreign competition resulting in the loss of jobs for American workers and especially in areas of our country that have been economically challenged in the past decade such as Chattanooga.

We believe the capability to produce benzoyl chloride should be retained in the US, while recognizing that our company must do everything we can to remain globally competitive. We have always been globally competitive when faced with fair pricing. Eliminating the US tariff unilaterally will definitely hurt us as we attempt to retain our ability to compete.

We request that you remove this bill from your larger package of duty suspension bills. If we can provide you with more information, please contact Elizabeth Karkula, Velsicol's General Counsel, at 847.635.3479.

Sincerely,



Ross H. McMillan
President and CEO

cc: Senator William H. Frist
Senator Lamar Alexander
Jeff Clark: US International Trade Commission

