Mr. Matthew Priest, Chairman
Committee for the Implementation Of Textile Agreements
Room H3100
United States Department of Commerce
14th Street & Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Mr. Priest: December 14, 2007

The following comments are submitted on behalf of Monterey Mills in reference to the response by Kaltex Fibers S.A. de C.V. ("Kaltex"). Monterey Mills respectfully admits that Kaltex is in the process of making considerable investments in its equipment and production capabilities and that the company remains a significant source of supply for Monterey Mills. However, several factors continue to influence the ability of Monterey Mills to supply competitively priced knit pile fabric into the marketplace and specifically into NAFTA countries.

Competitive Disadvantage

Monterey Mills is competing in a global marketplace and is competitively disadvantaged. As noted in the original petition, for 40 plus years, Monterey Mills purchased acrylic fiber from two US based companies, Sterling Fiber ("Sterling Chemicals") and Solutia, Inc. ("Solutia") and the past 2 years from Celulosa Y Derivados S.A. de C.V. in Mexico ("Cydsa") and Kaltex Fibers, both in Mexico. Each provided their own specific color, fiber quality and delivery options. Solutia ceased production of acrylic fibers on or about March 2005. Sterling Chemicals, Inc. announced their plant closing in December 2005, and Cydsa stopped production in January 2006.

Currently, there is one supplier of acrylic fiber in NAFTA countries, that being Kaltex, a vital source of supply for Monterey Mills but not the only source. Currently, over 15% of acrylic fibers must be sourced overseas because they are not available by Kaltex, such as modacrylic, bamboo, UV, antimicrobial, and 2 denier fibers. Monterey Mills currently supplies every paint roller manufacturer as well as numerous buffing pad and caseliner manufacturers in Canada. These blends require components in their blends that must be sourced overseas, specifically in China. Blends must be altered to remain NAFTA compliant.

Monterey Mills estimates that it has lost over 500,000 yards of acrylic goods because customer requested blends did not qualify for NAFTA compliance shipping to Canada.

As a major supplier to the Canadian market, Monterey Mills must continue to do everything possible to provide products that allow our customers to be competitive in their individual markets. Yet, duties and tariffs are being paid entering the U.S. and then again by our Canadian customers on fabrics that do not comply to current NAFTA standards, increasing costs by 20-40% over what a customer could pay by importing fabric directly from China.

It is important to remember that NAFTA regulations were designed to protect suppliers and customers in Canada, the United States, and Mexico. Without changing the NAFTA rule of origin for pile fabric of synthetic fibers classified under heading 6001.10 of the Harmonized Tariff Schedule ("HTS"), today only ***one*** supplier benefits, that being Kaltex in Mexico. All other suppliers and customers in the United States and Canada continue to suffer by this inequality.

Imports

This is further evidenced by the fact that one of the largest domestic suppliers of knit pile fabric and a competitor of Monterey Mills was previously purchased out of bankruptcy by a Chinese textile conglomerate. That was after they closed their Jacksboro, TN location. They then closed their Canadian facility outside Toronto and dramatically scaled back their Tarboro, SC facility. They are now leasing their building and equipment to a newly formed company organized by their plant manager to supply labor only, supplementing the majority of product purchased from China, imported into North America, and sold to the US market.

Furthermore, Huntington Mills recently closed their Canadian operations and in January 2006, Tex-Tenn Corporation went into bankruptcy and closed their Johnson City, TN location. All of the closures were a direct result of the importation of fabrics into NAFTA countries.

Polyester Supplier

As a further example of the erosion of the knit pile textile industry in the United States, one only needs to review Welman Corp, the largest supplier of polyester staple fiber, which was recently delisted from the NYSE. As duties were abolished by the US Government for importing finished goods and antidumping restraints were lifted, Welman Corp. continues to struggle to remain competitive.

Maquiladora

Furthermore, it is important to review the Maquiladora program for manufacturing in Mexico. A maquila program entitles a Mexican company to import components and/or products duty free, subject only to posting a bond guaranteeing that such goods will not remain in Mexico permanently. Paint roller manufacturers in the United States, which consists of 60% of Monterey Mills' business, have discovered that they can now set up operations in Mexico, import fabric from China duty free, produce paint rollers, and then ship those same products into the US market with no duties and tariffs.

Key raw materials are currently being imported from China and other countries, such as acrylic used by Kaltex. With NAFTA protection, Mexican sliver knitting operations can import fiber and/or finished goods, convert them and ship into the US or Canadian markets duty free even if the acrylic component of those goods is not manufactured by Kaltex.

Conclusion

The continual erosion of the knit pile industry in the US and the severe competitive disadvantage has jeopardized Monterey Mills' business and has placed customers and potential customers in Canada and throughout the United States in jeopardy as well. As mentioned in the opening paragraphs of the petition, Monterey Mills is principally interested in effecting a change with respect to knit pile fabrics exported to Canada and Mexico from the United States. Although, it should be noted that many US manufacturers are approaching Monterey Mills are requesting NAFTA compliant fabrics as well.

The viability of our sales of knit pile fabrics into Canada is threatened because without acrylic staple fibers of NAFTA origin, the products no longer qualify for the United States tariff of "free," and will are subject to a 17.2% duty when imported to Canada. We note that agreement need only be reached with Canada to accomplish such a change (Paragraph 7(2)(c) of Annex 300-B of the NAFTA).

The specific changes requested would allow knit pile fabrics of synthetic fibers, classifiable in heading 6301.00 of the HTS to be considered originating goods under NAFTA without regard to the origin of the acrylic staple fibers used in the manufacture of the products.

Monterey Mills plans to continue using Kaltex as a major source of supply, however, it petitions for the right to compete on a global scale and utilize fibers without customers paying a penalty importing into a NAFTA country. Again, Monterey Mills understands that Mexican officials will be advised of this petition to obtain their agreement to amending the NAFTA rules of origin for blankets manufactured with acrylic staple fibers.

Thank you in advance for your consideration of this request. Please contact me if you have any questions. I can be reached at 608-373-2950, facsimile 608-373-3950, email sinykind@montereyinc.com, or on my cell at 414-975-6630.

Sincerely yours,

Daniel Sinykin
President