

# BENCHMARKS, INC.

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December 3, 2007

Chairman, Committee for the Implementation  
of Textile Agreements  
Room 3100  
U.S. Department of Commerce  
14<sup>th</sup> St. & Constitution Ave., NW  
Washington, DC 20230

Dear Mr. Chairman:

These comments are submitted on behalf of Kaltex Fibers S.A. de C.V. ("Kaltex") in response to the notice published by the Committee for the Implementation of Textile Agreements (CITA) in the *Federal Register* of November 2, 2007 (72 FR 62222) soliciting public comment on a short supply petition concerning a request for modification of the NAFTA rules of origin for knit pile fabric made from acrylic staple fiber.

Kaltex strongly opposes the subject petition given its position as the major North American producer of the acrylic fiber alleged to be in short supply. Kaltex has maintained major acrylic fiber manufacturing operations in Mexico since 1985, and recently completed a major expansion of its production facility in Altamira, Tamaulipas.

The subject petition, which was filed by Monterey Mills, claims that certain acrylic staple fibers, not carded, combed or otherwise processed for spinning, classified under HTS 5503.30, cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petition requests that the NAFTA rule of origin for knit pile fabrics, classified under HTS 6001.10, be modified to allow the use of non-North American acrylic staple fiber.

Kaltex opposes the subject short supply petition because there is ample production capacity in North American to satisfy U.S. demand for the subject acrylic staple fiber as well as other types of acrylic fiber. Kaltex now has on stream an annual production capacity of 85,000 tons of acrylic tow, staple and top, which is being increased through an ongoing expansion to 100,000 tons, whereas total U.S. demand in 2007 is estimated to be only 46,500 tons (exclusive of 6,500 tons of carbon fiber precursor and modacrylic fiber).

More specific to the Monterey Mills petition, Kaltex has increased its annual capacity for Producer Dyed Fiber (PDF) to 39,600 tons, for which total U.S. demand in 2007 is estimated to be 23,250 tons. More specific yet, Kaltex's expanded capacity for staple PDF is now 35,000 tons, well above the estimated 16,275 tons of estimated total U.S. demand for such articles and far above Monterey Mills' requirements.

It is clear that Kaltex has sufficient capacity to meet North American demand for the subject articles. Moreover, as detailed below, Kaltex has a demonstrated ability to meet the quality and timeliness requirements of Monterey Mills and other North American customers.

Kaltex has invested over \$200 million in its acrylic fiber manufacturing operations, including \$40 million of major new investments over the past two years in plant expansion, automation and the adoption of SNIA technology (making Kaltex one of the few companies worldwide that produces acrylic fiber in a continuous mode). These aggressive expansion and improvement programs have benefited the 650 workers at the company's manufacturing facility in Altamira as well as the over 3,200 residents of Altamira and neighboring Tampico and Madero in Tamaulipas.

Allowing the use of non-North American acrylic staple fiber in the NAFTA rule of origin for knit pile fabrics as requested by Monterey Mills would directly undermine these Kaltex investments and the related employee and community interests. Such an action clearly would be contrary to the NAFTA's objective of promoting manufacturing in North America, with the beneficiaries in this instance consisting of Asian and European suppliers.

Kaltex understands that the closings in recent years of other North American acrylic fiber producers such as Solutia, Sterling and Cydsa may have created some anxiety among fiber consumers about maintaining a heavy reliance on one particular supplier. However, as demonstrated by its major new investments, Kaltex has firmly committed itself to this line of business and to meeting all North American customers' requirements as a reliable supplier over the long term.

### **Rebuttal to Claims Made by Monterey Mills**

***Monterey Mills has worked with Kaltex on technical issues for the past year, but Kaltex has been unable to overcome technical problems***

Kaltex has had only two complaints from Monterey Mills over the 3-year history of their relationship, with the products at issue representing a mere 0.04 percent of Monterey Mills' total purchases from Kaltex this year and 0.01 percent of its purchases over the three-year period. Both complaints involved irregular color, with the first made in August 2007 with respect to 40 kg of black and the second made in September 2007 with respect to 300 kg of yellow.

These were the only quality complaints in the history of Kaltex and Monterey Mills' relationship. Kaltex executed an action plan to resolve the specific problems identified, which indeed were successfully remedied as reflected by the new production orders placed by Monterey Mills with Kaltex in October and November of this year.

Kaltex plans to move all of its production for Monterey Mills to its brand new PDF line, which has a capacity of 1,400 tons per month. This line uses the latest technology in PDF application, with the ability to produce six tows and two colors simultaneously. It results in improved fixation capacity and color consistency, high product quality, and superb color fastness.

The new line is the result of a \$5 million investment in new PDF acrylic fiber equipment, which has been running smoothly since coming on stream in October 2007. The new line has increased Kaltex's annual PDF acrylic fiber capacity to 39,600 tons and it has improved the plant's flexibility.

Moreover, Kaltex is in the final stage of installing an automatic dyestuff dispensing system. This will dramatically increase color consistency and will result in a CMC deviation of less than 1.2.

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***Kaltex has been unable to supply the growing demand  
required by Monterey Mills***

As noted at the outset, Kaltex can readily meet total U.S. demand for the subject articles. Given its major recent expansions, Kaltex's annual capacity for PDF is now 39,600 tons, with U.S. demand estimated to be only 23,250 tons. For staple PDF, Kaltex's expanded capacity is now 35,000 tons, with U.S. demand estimated to be 16,275 tons.

Kaltex certainly is well positioned to satisfy Monterey Mills' annual demand. Kaltex has never denied a production order placed by Monterey Mills.

***Kaltex has been inundated with fiber orders since Cydsa  
closed its plant***

As detailed above, Kaltex, particularly with its major recent expansions, has ample capacity to meet all North American demand for the subject acrylic staple fiber as well as other types of acrylic fiber. Moreover, Kaltex has adopted a business strategy of ensuring that, in the event that global orders exceed production capacity, customers in the North American market will receive first priority.

We wish to be very clear on this point: Kaltex is a NAFTA supplier devoted to serving the NAFTA market first. This policy, together with Kaltex's recent and ongoing capacity expansions, will ensure that North American demand can be fully met.

***Monterey Mills has been informed it would take Kaltex  
between 3-4 weeks to deliver a first submit sample and  
6-8 weeks to produce a production run from the time  
Monterey Mills places its order***

Kaltex has consistently supplied Monterey Mills in an average of 6-7 weeks from the time the production order is placed to the time the product arrives at Monterey Mills' plant. Acrylic fiber suppliers outside North America cannot improve upon that delivery performance.

Kaltex has fulfilled Monterey Mills' delivery date expectations. During the last four months (August-November 2007), Kaltex's average delivery time for shipments to Monterey Mills has been 48 days versus the 47-day average delivery time requested by

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Monterey Mills. Kaltex's general delivery time policy is to ensure delivery within six weeks for production orders placed before the 20th day of each month.

Regarding the timetable for first submit samples, Kaltex can match a shade, produce a sample-sized production run and deliver a first submit sample within one week if necessary.

***The only suppliers capable of meeting Monterey Mills' requirements for color, quality and volume are located outside North America***

Monterey Mills officials have indicated in communications with Kaltex that they are happy with the fiber they are purchasing from Kaltex. Moreover, Kaltex's recent major investment in the latest technology PDF application equipment, as detailed above, ensures that the company can and will meet all expectations by Monterey Mills and other customers for color, quality and volume.

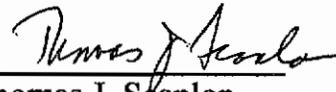
### **Conclusion**

Allowing the use of non-North American acrylic fiber in NAFTA-qualifying knit pile fabric would have a major adverse impact on Kaltex, the major North American acrylic fiber producer, by eliminating the tariff preference it has heretofore benefited from by virtue of its NAFTA-eligible operations. Allowing the use of acrylic fiber manufactured by major producers in Asia and Europe would seriously undermine the competitive position of Kaltex and undermine its major \$40 million recent investment program that was predicated on a continued adherence to the NAFTA rules of origin by the U.S., Mexican and Canadian governments.

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We appreciate this opportunity to share Kaltex's views on the pending short supply petition with CITA and the Department of Commerce. Please feel free to contact us if you have any questions regarding our position on this matter.

Respectfully submitted,



Thomas J. Scanlon  
President  
Benchmarks, Inc.  
3248 Prospect Street, N.W.  
Washington, DC 20007  
Tel. 202.965.3983

# **KALTEX FIBERS.**

November 29, 2007

**Chairman, Committee for the Implementation of Textile Agreements**

Room 3100

U.S. Department of Commerce

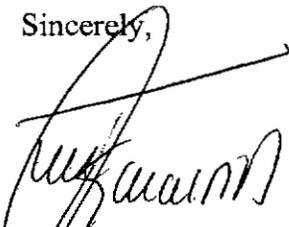
14<sup>th</sup> St. & Constitution Ave., NW

Washington, DC 20230

Dear Mr. Chairman:

On behalf of Kaltex Fibers S.A. de C.V. ("Kaltex"), headquartered in Mexico City, Mexico, I hereby certify that Kaltex produces fiber that is the subject of the short supply petition requesting a modification of the NAFTA rules of origin for knit pile fabric made from acrylic staple fiber as announced in the notice published by the Committee for the Implementation of Textile Agreements in the *Federal Register* of November 2, 2007. Details concerning Kaltex's production of the subject acrylic staple fiber at our manufacturing facility in Altamira, Tamaulipas, including the quantities that can be supplied and the time necessary to fill an order, as well as information regarding our past production of such fiber, are provided in the accompanying statement.

Sincerely,



Ing. José Kalach Atri.

**Kaltex Fibers, SA de CV**

**Kaltex Fibers, S.A. de C.V.**