

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

Dear Mr. Priest:

October 29, 2007

Re: Commercial Availability Request Under the North American Free Trade
Agreement ("NAFTA")

Acrylic Pile Fabric of HTS 6001.10 Made with Acrylic Staple Fibers of HTS
5503.30

Pursuant to conversations between Mr. Walsh of your staff and Brent Birkhoff, Monterey Mills' V.P. of Administration, we are submitting a NAFTA Short-Supply Petition.

Please contact me if you have any questions. I can be reached at 608-373-2944, facsimile 608-373-3944, email birkhoffb@montereyinc.com, or on my cell at 414-630-7321. Thank you in advance for your help with this matter.

Sincerely,

Brent A. Birkhoff
V.P. Administration

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Monterey Mills respectfully requests that the Committee for the Implementation of Textile Agreements (“CITA”) recommend a change to the NAFTA rule of origin for pile fabric of synthetic fibers classified under heading 6001.10 of the Harmonized Tariff Schedule (“HTS”), and that, after consultations with Mexico and Canada, the President proclaim such change in accordance with 19 U.S.C. & 3332(q)(3)(a) and Section 7(2) of Annex 300-B of the NAFTA. The change is requested as a result of the lack of commercial availability from suppliers within the NAFTA territory of acrylic staple fibers, not carded, combed or otherwise processed for spinning, classified under subheading 5503.30 of the HTS. For the reasons described below, the change should be declared effective for entries on and after January 24, 2006, assuming Canada makes the same change with the same effective date.

Monterey Mills is a manufacturer and distributor of knit pile fabric for the paint roller, industrial, toy, apparel, medical, equestrian, filtration, and pet industries. The company is currently one of the five remaining textile manufacturers producing knit pile fabrics in the United States. A representative selection of Monterey Mills’ products can be reviewed on the following websites: montereymills.com, rollerfabrics.com, textenn.com, denalithrows.com, palacepet.com, and workinwooly.com.

Monterey Mills has a manufacturing facility in Janesville, Wisconsin, where it employs approximately 300 people. The manufacturing mill blends wool, acrylic, polyester, and nylon fibers, knitting the roving utilizing circular knitting machines and the use of both polyester and acrylic yarns. Currently, the mill is producing millions and millions of yards of knit pile fabric annually, shipping throughout the United States, Canada, Mexico, and internationally. Monterey Mills is principally interested in effecting a change with respect to knit pile fabrics exported to Canada from the United States. 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 be subject to a 17.2% duty when imported into Canada¹. 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.

A parallel petition to the same effect, a copy of which is attached, has been filed by Monterey Mills with The Textiles and Apparel Committee in Canada.

¹The Most Favored nation Tariff for acrylic pile fabrics under tariff item 6001.10 imported into Canada is 17.2%

1. Description of Products

The knit pile fabrics in question are synthetic fabrics typically used in paint roller, industrial, toy, apparel, medical, equestrian, filtration, and pet industries. The products typically are composed of 85% fiber (wool, acrylic, nylon, polyester or a combination thereof) and 15% yarn (polyester or acrylic) and are manufactured by weft knitting, create a pile construction in which sliver (a structure composed of carded fiber prior to yarn formation) is inserted into the knit loops of fabric forming a long pile fabric. This is classifiable as a knit pile fabric in Heading 6001, HTS. (US NOTE 1 TO CHAPTER 60)

2. Tariff Classification of the Acrylic Fabrics

The acrylic fabrics produced by Monterey Mills and imported into Canada are properly classified under tariff code 6001.10, as knit pile fabrics of man-made fibers.

3. Requested Rule of Origin Change

The NAFTA rule of origin currently applicable to knit pile fabrics classifiable under HTS 6001.10 is set forth in the Harmonized Tariff Schedule of the United States. Monterey Mills proposes that a new rule of origin be added for knit pile fabrics classified under heading 6001.10 which would allow the use of non-North American staple fiber to qualify for NAFTA treatment classified under subheading 5503.30.

4. Requested Retroactivity

We ask that these amendments to the rule of origin for knit pile be declared effective for entries of such products on and after January 24, 2006, the date on which Cydsa ceased production of acrylic fiber in Mexico. Retroactivity is appropriate as it is presently impossible to satisfy the applicable NAFTA rules of origin due to the lack of commercial availability of NAFTA produced acrylic fibers.

5. Proof of Commercial Unavailability of Acrylic Staple Fibers

Based on Monterey Mills' knowledge and experience in the marketplace and on inquiries made to the trade in the NAFTA territory, Monterey Mills has found that there are no producers of acrylic staple fiber in Canada or the United States, with only one remaining in Mexico.

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 of 90,000 tons of acrylic fiber per year in January 2006.

With the closure of Cydsa's acrylic fiber plant, to the best of our knowledge, the only remaining North American producer of acrylic fiber is Kaltex Fibers S.A. de C.V. ("Kaltex") in Mexico. Monterey Mills turned to Kaltex for acrylic fiber and has worked with Kaltex on technical issues for the past year, but Kaltex has not been able to overcome technical problems nor supply the growing demand required by Monterey Mills. More importantly, Monterey Mills also believes that Kaltex has been inundated with fiber orders since Cydsa closed its acrylic fiber operations, and consequently does not have the capacity to supply all demand. Monterey Mills has been informed on numerous occasions that it will take between 3-4 weeks for a first submit sample and 6-8 weeks to produce a production run from the time that Monterey

Mills places the order. Accordingly, Monterey Mills believes that the only alternative acrylic fiber suppliers, and the only suppliers capable of meeting Monterey Mills' requirements for color, quality, and volume, are located outside of the NAFTA territory.

Finally, one other indication that there is a shortage of acrylic staple fiber production in the United States is the introduction of several duty-suspension Bills in the United States Congress which, if passed, would temporarily suspend the duty on imports of certain acrylic fibers and yarn used to make value-added products in this country. It appears from the introduction of this legislation that numerous domestic textile product manufacturers have experienced the same difficulty in sourcing acrylic staple fibers and yarns from U.S. sources, and are, therefore, attempting to maintain a competitive position by requesting that the duty on imported acrylic fiber and yarn be temporarily suspended.

Accordingly, it is virtually impossible for acrylic pile fabrics to be produced within the NAFTA territory to satisfy the applicable NAFTA rule of origin as presently drafted, which requires the use of originating acrylic staple fibers. As such, it is requested that CITA process this petition on an expedited basis.

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. In the event that there are delays in obtaining Mexico's agreement and, since time is of the essence, it is requested that the United States and Canada consider this request on a bilateral basis, as provided in section 7(2)(c) of Annex 300-B of the NAFTA, subject to the eventual participation of the Mexican government.

Thank you in advance for your consideration of this request. Would you please advise the undersigned at your earliest convenience if you need any additional information to begin the processing of this petition?

Sincerely yours,

Daniel Sinykin
President

Mrs. Mary Anderson
President
The Textiles and Apparel Committee
438 University Avenue
Toronto, Ontario M5G 2K8
Canada

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