

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:

February 13, 2008

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 submits documentation supporting the company’s comments concerning both Kaltex’s ability to supply fiber in a timely manner and the lack of available colors and fibers from Kaltex.

Delivery Results

Monterey Mills does admit that Kaltex improved delivery times in the later part of the 2007, however, from June 2006 – March 2007, **95%** of orders placed with Kaltex arrived **AFTER** the requested date. *Please note the following examples:*

PO 19007 placed 6/5, requested 7/10, received 7/11
PO 19077 placed 6/19, requested 8/1, received 9/15
PO 19079 placed 6/19, requested 8/1, received 8/8
PO 19123 placed 6/27, requested 8/14, received 9/14
PO 19156, placed 7/5, requested 8/23, received 9/12

The next 10 orders also arrived anywhere from 3-32 days late. Our records indicate that we then received one order arriving early prior to receiving 5 more late deliveries. In summation, of the 21 orders placed between June 1, 2006 and March 2007, 20 arrived late.

Although delivery times began to improve after March 2007, if the statistics are viewed in a 12-month period from July 1, 2006-July 1, 2007, the results have the same impact. Monterey Mills placed 53 purchase orders for a total of 1.6 million pounds of fiber or over \$2 million in value during this time, of which the following should be noted:

Average lead time given was 7.8 weeks.
Average delivery was received in 9.2 weeks

Lack of Available Colors

Kaltex admits that there are a number of fibers and colors that they cannot produce. The demand for these fibers continues to grow, therefore accelerating Monterey Mills' need for a ruling. Concerning the colors specifically, Kaltex was given the opportunity to color match the request and failed to do so on at least 7 occasions. In the case of the color, Cornmeal, Kaltex submitted 5 color matches from February 2006-February 2007, none of which were acceptable matches. For the Bamboo color, two color matches were provided by Kaltex. Neither of them were acceptable matches. In the case of five other colors, Kaltex provided one color submit for each one, however, Monterey Mills was forced to go overseas for the fibers because the submits were not acceptable. These include the following colors:

- Blonde Beige
- Chinese Yellow
- Forest Green
- Giant Blue
- Sunset

Lack of Available Fibers

Consistently, Kaltex is not able to supply necessary fibers for Monterey's operations. *These include the following:*

1. **Anti-microbial**
2. **Dog Bone Cross Section**
3. **Dry Spun Acrylic** (*fiber shows less wrinkles than wet spun*)
4. **Funcle, Ribbon Cross Section**
5. **High Shrink Acrylics**
6. **Modacrylic, an Acrylic with FR (fire retardant) Properties**
7. **Ultraviolet (UV) Protected Fibers**
8. **2 Denier Fibers** (*Kaltex offers 1.7 and 3 deniers*)

The following are the current overseas sources for the aforementioned colors and fibers:

Country 1:

2 Denier Fibers
Anti-Microbial
Color Bamboo
Color Chinese Yellow
Color Sunset
Dog Bone Cross Section
Funcle, Ribbon Cross Section

Country 2:

Color Blonde Beige
Color Forest Green
Color Giant Blue

Country 3:

Modacrylic, Fire Retardant Fiber
Modacrylic, High Shrink Fiber

Country 4

Dog Bone Cross Section
Dry Spun Natural Acrylics

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.

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 be 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 6001.00 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