

December 27, 2006

Honorable David M. Spooner
Assistant Secretary for Import Administration
U.S. Department of Commerce
14th Street and Constitution Ave., NW, Room 1870
Washington, DC 20230

Re: Comments on Import Monitoring Program on Textile and Apparel Products from
Vietnam, 71 Fed. Reg. 70364 (December 4, 2006)

Dear Assistant Secretary Spooner:

I am writing on behalf of J. C. Penney Corporation, Inc. and its international sourcing subsidiary, J. C. Penney Purchasing Corporation, (together "JCPenney") to express our grave concerns about the proposed import monitoring program on textile and apparel products from Vietnam, which has unnecessarily and inappropriately introduced unpredictability into the apparel sourcing environment. JCPenney fully endorses the comments submitted by the coalition of importing and retailing interests. The purpose of these comments is to share our experience in sourcing apparel so that the Department can fully understand what the proposed monitoring program cannot and will not accomplish.

JCPenney is one of America's largest department store, catalog, and e-commerce retailers, employing approximately 151, 000 associates, and operating 1,037 JCPenney department stores throughout the United States and Puerto Rico. JCPenney is the retail destination of choice of Middle America, a value conscious, but also fashion conscious, consumer. Like any successful retailer, JCPenney must listen to the demands of its customers. JCPenney's customers are America's working families, which want reasonably priced, high quality, fashion-conscious merchandise. Subject to the constraints of our business requirements, we then try to provide our customers with products to meet their needs and wants.

JCPenney's private brands allow us to distinguish ourselves from the competition and are vital to JCPenney's success. All of the products for our private brands, whether purchased directly from foreign suppliers or from U.S. based suppliers, are produced overseas. Those products are the culmination of collaboration between our in-house design teams and our vendors. In the hypercompetitive world of retail, JCPenney must develop and offer a constant flow of fashionable inventory while limiting waste and keeping costs in line. To achieve that goal, our vendors must meet some fundamental requirements.

The apparel manufacturers with which JCPenney works to develop our private brands merchandise offer what U.S. manufacturers do not, and, it appears, cannot, provide - state of the art factories with high technology equipment and the latest manufacturing techniques and work methods. One of the most important qualities that these factories share is flexibility. Factory management is market-sensitive, and willing and able to meet customer specific product and volume requirements within short lead times. The factories are also staffed by an educated and motivated work force, including factory managers with advanced academic degrees and commensurate experience. By working with these facilities, JCPenney is able to compete with other U.S. retailers on the basis of the combined quality, uniqueness and price of our products.

In contrast, in our experience, the situation of apparel manufacturing in the United States is much different. U.S. apparel manufacturers are more production-oriented and are not market-sensitive. They tend to be quite inflexible, which does not fit today's business model. They lack sophistication in apparel design, product development and manufacturing essential to our business. Unit costs in America are high, and there is no capacity to manufacture the necessary volume. There are essentially only two limited pockets of apparel production in the United States – in New York City and in Los Angeles. Neither can serve the needs of JCPenney or our customers. In New York, production capacity is small and is suitable only to serving boutique-type designers and some small volume high end retailers. Los Angeles does have fresh design ideas but production is limited, since much of the production has relocated to Mexico and the Americas. JCPenney does purchase some graphic t-shirts that are developed in Los Angeles, but even in that instance, the blank t-shirts are produced outside the United States.

Frankly, from a logistics and business convenience point of view, it would be easier for JCPenney and other retailers to purchase products manufactured "down the street." However, the reality is that this option does not exist. Apparel manufacturers in countries like Vietnam meet the demands of the marketplace: relatively low unit costs, manufacturing volume capacity, and better quality products. No amount of monitoring, threats of antidumping investigations or initiation of investigations will bring orders for apparel or textiles back to the United States.

Department stores in America, including JCPenney, contribute substantially to the strength of the economy and provide good jobs. The internationally manufactured products JCPenney purchases and sells to our customers represent the benefits of globalization, making fashionable products affordable for Middle America's working families.

One essential element for retailers is predictability. Retailers must be assured of a constant flow of inventory to sell to customers. Even the threat of unpredictability created by the proposed monitoring program has caused JCPenney and all other retailers and importers to create contingency sourcing plans. Trade associations representing U.S. textile mills claim that the proposed monitoring program and antidumping measures will "save U.S. jobs," but the reality is otherwise. The U.S. apparel manufacturers simply cannot meet the needs of national retailers and our customers. Should JCPenney and other U.S. importers and retailers shift their

Honorable David M. Spooner
Comments on Import Monitoring Program
Page Three of Three

production and sourcing of apparel and home furnishings out of Vietnam, no U.S. jobs will be saved or recovered – production will simply be shifted from Vietnam to other countries, predominantly if not exclusively in Asia. Bending the antidumping rules, to have the U.S. Government self-initiate an investigation on an apparel product because U.S. fabric and yarn makers do not have the standing to file a petition on their own, will not change that fact.

Therefore, JCPenney respectfully urges the Department to reconsider its planned monitoring program and restore the predictability necessary for us to serve America's working families.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter M. McGrath", is centered on the page. The signature is fluid and cursive, with a large initial "P" and "M".

Peter M. McGrath