

June 16, 2021

Dear Members of the North Carolina General Assembly:

We are writing on behalf of the textile industry and our workforce to express grave concern about H.B. 951 that will prove extremely harmful to North Carolina's textile manufacturers.

North Carolina has a deep and beneficial history as a national leader in textile production. Even with the emergence of global competition, North Carolina leads the nation with over \$2 billion in annual textile exports, and it ranks #1 in total textile investment in the United States.¹ With this level of investment, North Carolina employs over 33,000 people in more than 600 textile manufacturing facilities. Additionally, N.C State University is home to the nation's only college devoted entirely to textiles.

Media reports have indicated that stakeholders are meeting behind the scenes at the General Assembly to propose "major energy legislation."² At the same time, Duke Energy has presented a plan to the Utilities Commission to spend some \$80 billion on new electric generation facilities and related infrastructure.³

As long-term substantial investors and employers in North Carolina, we urge the General Assembly to reject any proposal that would result in higher energy costs for the state's industrial base. Our industry members operate in a highly competitive global environment and cannot simply pass on higher costs to captive customers. On par with raw materials, energy is a leading cost factor in textile manufacturing. Further, many countries such as China subsidize energy costs for their textile sector, giving them a substantial, unfair advantage in the global marketplace. As a result, textile manufacturers are extremely sensitive to utility rates and the unfortunate reality is that if not protected from rate increases many of our facilities will cease making investments in this state, while others will shut down entirely and move operations elsewhere.

Moreover, any energy cost increasing proposals would be devastating in light of the generational economic crisis being confronted by our industry as result of COVID-19. Over the past 15 months many U.S. textile companies were confronted with idle capacity, rampant cancellation of orders, plant closures, and workers being furloughed. Textile orders for the military also declined because of COVID restrictions. Regrettably, conditions have been so severe during the pandemic that century-old textile companies that survived the Great Depression, the onslaught of imports over the past 40 years, and the recent Great Recession have faced possible bankruptcy.

COVID-19 has created an unprecedented destruction of demand for apparel and textiles. Billions of dollars of orders for U.S. fiber, yarn, and fabric were cancelled last year as retail shopping outlets were closed for many months and then operated at reduced capacity. The

¹ Source: <https://edpnc.com/industries/textiles/>.

² Travis Fain, Secret talks underway on potential major NC energy bill, WRAL.com, March 10, 2021 (<https://www.wral.com/secret-talks-underway-on-potential-major-n-c-energy-bill/19566862/>).

³ Duke Energy Carolinas 2020 Integrated Resources Plan, NCUC Docket No. E-100, Sub 165, at 16 (Sept. 1, 2020).

Census Bureau reports that for March through May 2020, clothing sales were down \$44 billion, or 66 percent, relative to the same three months in 2019. In fact, clothing sales exhibited the largest percentage decline of all major spending categories within the U.S. economy over this period.⁴

While there was some improvement in the latter months of 2020 and moving into 2021, sales are still not back to pre-pandemic levels. For the full calendar year 2020, clothing sales were down \$70 billion, or 26 percent, compared to 2019.⁵ This historic downturn in demand led to many U.S. textile manufacturers operating at barely 10 percent of existing capacity beginning in March 2020.

For all these reasons, our industry simply cannot sustain an energy rate increase. As a result, we strongly urge the General Assembly to take these circumstances into consideration as you evaluate the negative impacts of H.B. 951 on the current status and future of North Carolina manufacturing.

With that noted, one current legislative opportunity that we support is H.B. 611, the Study Electric Utilities' Resiliency Act. This bill will study electric markets in the Carolinas to determine the need for and potential benefits of energy cost reductions. We support this legislation as means to better understand the possibility of a competitive structure that could reduce customer costs and spark a new era of industrial growth.

In closing, we urge the General Assembly to reject any energy rate increasing proposals, including those proposed in H.B. 951, and to make cost controls a central component of any new energy legislation. Further, we encourage you to support studying market competition in order to better understand opportunities to ensure that energy rates in North Carolina are set at levels that allow manufacturers to remain competitive in the global marketplace.

Sincerely,

A.B. Carter Inc
American Suessen
Corporation
American Truetzschler
Aquafil O'Mara
Beverly Knits
Coats North & Central
America
Contempora Fabrics
Creative Ticking
Elevate Textiles
Fibrix
Frontier Yarns
Gildan Activewear Inc.

Glen Raven
McMichael Mills
Milliken & Company
Murata Machinery USA,
Inc.
National Spinning
Parkdale Mills
Precision Fabrics
Precision Machine
Premiere Fibers
RSM Company
Salem Corporation
Saurer Inc
Schneider Mills

Service Thread
Shuford Yarns
TSG Finishing
Unifi
Uster Technologies
Wade Manufacturing
Company

⁴ U.S. Census Bureau, Monthly Retail Trade Report, Seasonally Adjusted Monthly Sales for 448: Clothing and Clothing Accessories Stores

⁵ Ibid.