



Pillowtex idles factories; 6,450 textile jobs lost

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The textile industry has seen hard times the past three years, but Wednesday might have been the worst day of all.

Pillowtex Corp., the Kannapolis, N.C., giant that began as Cannon Mills in 1887, said it has closed its 16 manufacturing and distribution facilities and terminated about 6,450 workers because it does not have enough cash to operate.

The company made sheets, blankets, towels, home fashions and rugs under the Fieldcrest, Cannon and Royal Velvet brands, and its Cannon Mills complex in Kannapolis once made more household textiles than any other plant in the world.

Pillowtex chairman Michael Gannaway said soft demand and intense foreign competition were among the factors that led to the company's demise.

"We conducted a thorough review of multiple strategic options but have exhausted that process and are facing a liquidity crisis that now forces us to cease operations," he said.

Pillowtex had emerged from bankruptcy in May 2002, but its financial troubles continued. It put itself up for sale earlier this year to try to avert bankruptcy but found no buyers for the whole of its operations.

Wednesday's news stunned an already staggering domestic textile industry, which is facing its worst economic crisis in years. More than 200,000 textile and apparel jobs in the United States have been lost since 1997, including more than 30,000 since January, 2002, according to the American Textile Manufacturers Institute.

"It's a tragedy," said Charles Bremer, ATMI's vice president of international trade. "We've never seen a day like this."

Pillowtex will soon wrap up 116 years of textile history. The company said it intends to file a voluntary Chapter 11 petition in U.S. Bankruptcy Court and will proceed to wind down its business and dispose of its assets.

Pillowtex was the 10th largest manufacturing company in North Carolina in 2002. It is the largest employer in Cabarrus County, just north of Charlotte, with 3,700 workers there. It operated plants in Concord, Rockwell and China Grove in addition to its main plant in Kannapolis.

In June, Pillowtex missed a quarterly loan payment to its banks, led by Charlotte's Bank of America Corp., according to The Associated Press. That gave the banks the right to demand repayment of the loans.

Last Friday, according to the AP, Pillowtex received a six-day extension from its lenders, which gave it until Thursday to arrange a sale that would have averted bankruptcy.

A British fabric company, Broome & Wellington, has said it made an offer of \$350 million to \$400 million for Pillowtex, according to the AP. The status of that offer wasn't clear Wednesday.

"I can't remember a day in recent history in which so many plants have closed and so many people have lost their jobs," said Richard Dillard, spokesman for Spartanburg-based Milliken & Co. "You have to feel for the over 6,000 people that learned today they have no job.

"And I'm sure they feel that their federal government has abandoned them on the altar of free trade. Washington seems to place job creation in other countries ahead of job preservation in the United States."

U.S. Sen. John Edwards, D-N.C., on Wednesday requested \$38 million in emergency economic relief to help the workers affected by Pillowtex's decision and to aid communities where plants are being closed.

"An economic shock wave has hit North Carolina," he said.

Lloyd Wood, spokesman for the American Manufacturing Trade Action Coalition, a Washington group co-founded by Roger Milliken, said, "Clearly the flood of illegally subsidized imports from China played a large role in the Pillowtex bankruptcy. This bankruptcy is a clear message that action on the China safeguard is needed this fall."

But not all analysts were quick to blame China.

Joyce Gioia, president of the Herman Group, said manufacturers have been slow to adopt technology that would allow them to compete globally. She said she didn't know if that was the case at Pillowtex but stressed that manufacturers have "clung to old-school thinking."

"The world has passed them by. There are all kinds of excuses you can hear," Gioia said.

Based in Greensboro, N.C., the Herman Group bills itself an independent think tank.

— *Gannett News Service contributed to this report.*