

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 110th Congress ¹**

[Date approved: May 23, 2008]²

Bill No. and sponsor: H.R. 4831 (Ms. Louise Slaughter of New York).

Proponent name,³ location: Tailored Clothing Association, Washington, D.C., and National Textile Association, Boston, MA.

Other bills on product (110th Congress only): None.

Nature of bill: Extension of temporary duty reductions and suspensions through December 31, 2019.

Retroactive effect: None.

Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

- 9902.51.11 Fabrics of worsted wool, with average fiber diameters greater than 18.5 microns, under the terms of U.S. note 15 to this subchapter (provided for in subheading 5112.11.60 or 5112.19.95)
- 9902.51.13 Yarns of combed wool, not put up for retail sale, containing 85 percent or more by weight of wool, formed with wool fibers having an average diameter of 18.5 microns or less (provided for in subheading 5107.10.30)
- 9902.51.14 Wool fibers, waste, garnetted stock, combed wool or wool top, the foregoing having an average fiber diameter of 18.5 microns or less (provided for in subheading 5101.11, 5101.19, 5101.21, 5101.29, 5101.30, 5103.10, 5103.20, 5104.00, 5105.21 or 5105.29)
- 9902.51.15 Fabrics of combed wool, containing 85 percent or more by weight of wool, such wool yarns with an average fiber diameter of 18.5 microns or less, under the terms of U.S. note 16(b) to this subchapter (provided for in subheading 5112.11.30 or 5112.19.60)
- 9902.51.16 Fabrics of combed wool, containing 85 percent or more by weight of wool, with wool yarns of an average fiber diameter of 18.5 microns or less, under the terms of U.S. note 17 to this subchapter (provided for in subheading 5112.11.30 or 5112.19.60)

Check one: Same as that in bill as introduced.
 Different from that in bill as introduced (see Technical comments section).

¹ Industry analyst preparing report: Kimberlie Freund (202-708-5402); Tariff Affairs contact: Jan Summers (202-205-2605).

² Access to an electronic copy of this memorandum is available at http://www.usitc.gov/tata/hts/other/rel_doc/bill_reports/.

³ The sponsor/proponent identified more than ten (10) additional beneficiaries of this bill. USITC staff sent inquiries to the named beneficiaries and received responses from each of them. Each submitted a written representation that it would benefit from this bill..

Product information, including uses/applications and source(s) of imports:

The bill would extend a temporary duty reduction and four duty suspensions for (1) raw and processed fine-micron wool fibers, (2) fine-micron combed wool yarns, and (3) fine-micron and coarse-micron worsted wool fabrics containing 85 percent or more by weight of wool and certified by the importer as suitable for use in men’s and boys’ tailored clothing articles.⁴ The duty suspensions and reduction for fabrics are subject to annual limits under tariff-rate quotas (TRQs).

Under U.S. note 15 to subchapter II of chapter 99, a TRQ for heading 9902.51.11 permits 5.5 million square meter equivalents (SMEs) per calendar year of coarse-micron fabrics to enter at a temporary column 1-general duty rate of 10 percent ad valorem, when they are imported for the benefit of persons who cut and sew such tailored clothing. The TRQs for headings 9902.51.15 (U.S. note 16) and 9902.51.16 (U.S. note 17) permit up to 5 million SMEs and 2 million SMEs, respectively, of the specified fabrics to enter free of duty annually. Imports of all subject fabrics in excess of these TRQ in-quota quantities are subject to the permanent column 1-general duty rate of 25 percent ad valorem. The TRQ for 9902.51.15 is for use by tailored clothing manufacturers, while the TRQ for 9902.51.16 is for use by U.S. producers of worsted wool fabrics.⁵ The bill is intended to benefit U.S. worsted wool fabric producers that use imported fibers and yarns as inputs and also import worsted wool fabrics to supplement their domestic production. The bill is also intended to benefit U.S. tailored clothing manufacturers that use imported fabrics as inputs.

In 2007, Italy was the principal supplier under all of the chapter 99 provisions covered by this bill. For heading 9902.51.15 (fine-micron fabrics for use by tailored clothing manufacturers), China was also a significant supplier, although it accounted for about one-half of the value of the fabrics supplied by Italy.

Estimated effect on customs revenue:⁶

Total Estimated Revenue loss for this Bill					
	2009	2010	2011	2012	2013
Customs revenue loss	\$0	\$10,996,000	\$10,996,000	\$10,996,000	\$10,996,000

⁴ For purposes of this report, fine-micron products have an average fiber diameter of 18.5 microns or less and coarse-micron products have an average fiber diameter greater than 18.5 microns. The lower the number, the finer the fiber.

⁵ A list of the firms granted allocations under the TRQs is available at 72 Fed. Reg. 74273 (December 31, 2007).

⁶ Although the bill would be effective through 2019, we do not attempt to estimate imports or revenue loss after 2013. We note that the existing TRQs have not filled. In 2007, fill rates were 28.26 percent (9902.51.11), 71.34 percent (9902.51.15), and 7.44 percent (9902.51.16); to date in 2008, fill rates are 6.68 percent, 30.65 percent, and 1.23 percent, respectively, according to statistics from Customs and Border Protection officials.

HTS heading: 9902.51.11					
	2009 <u>1/</u>	2010	2011	2012	2013
Col. 1-General rate of duty (AVE) <u>2/</u>	25%	25%	25%	25%	25%
Estimated value <i>dutiable</i> imports	\$0	\$13,500,000	\$13,500,000	\$13,500,000	\$13,500,000
Customs revenue loss	\$0	\$2,025,000	\$2,025,000	\$2,025,000	\$2,025,000

1/ There is an existing duty reduction under HTS heading 9902.51.11 that expires on December 31, 2009. Therefore, there will be no customs revenue loss related to this bill for 2009. The bill would renew the existing duty reduction, allowing entry of imports at a temporary general duty rate of 10% rather than the permanent rate of 25% ad valorem. 2/ The temporary duty reduction to 10 percent ad valorem applies only to quantities of goods within the TRQ in-quota limit, set at 5.5 million SMEs annually. The bill would not affect the column 1-general duty rate of 25 percent ad valorem applicable to imports of fabrics in excess of the TRQ in-quota limit.

Source of estimated dutiable import data: Commission estimates based on official U.S. Government statistics.

HTS subheading: 9902.51.13					
	2009	2010	2011	2012	2013
Col. 1-General rate of duty (AVE)	6%	6%	6%	6%	6%
Estimated value <i>dutiable</i> imports	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Customs revenue loss <u>1/</u>	\$0	\$300,000	\$300,000	\$300,000	\$300,000

1/ There is an existing duty suspension under HTS heading 9902.51.13 that expires on December 31, 2009. Therefore, there will be no customs revenue loss related to this bill for 2009.

Source of estimated dutiable import data: Commission estimates based on official U.S. Government statistics.

HTS subheading: 9902.51.14					
	2009	2010	2011	2012	2013
Col. 1-General rate of duty (AVE) <u>1/</u>	2.2%	2.2%	2.2%	2.2%	2.2%
Estimated value <i>dutiable</i> imports	\$0	\$5,500,000	\$5,500,000	\$5,500,000	\$5,500,000
Customs revenue loss <u>2/</u>	\$0	\$121,000	\$121,000	\$121,000	\$121,000

1/ The AVE is the trade-weighted ad valorem equivalent of a specific or compound duty rate expressed as a percent, using the most recent import data available.

2/ There is an existing duty suspension under HTS heading 9902.51.14 that expires on December 31, 2009. Therefore, there will be no customs revenue loss related to this bill for 2009.

Source of estimated dutiable import data: Commission estimates based on official U.S. Government statistics.

HTS subheading: 9902.51.15					
	2009	2010	2011	2012	2013
Col. 1-General rate of duty (AVE)	25%	25%	25%	25%	25%
Estimated value <i>dutiable</i> imports	\$0	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000
Customs revenue loss 1/	\$0	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000

1/ There is an existing duty suspension under HTS heading 9902.51.15 that expires on December 31, 2009. Therefore, there will be no customs revenue loss related to this bill for 2009. The temporary duty suspension applies only to quantities of goods within the TRQ in-quota limit, set at 5.0 million square meters equivalent (SMEs) annually. The bill would not affect the column-1 general duty rate of 25 percent ad valorem applicable to imports of such fabrics in excess of the TRQ in-quota limit.

Source of estimated dutiable import data: Commission estimates based on official U.S. Government statistics.

HTS subheading: 9902.51.16					
	2009	2010	2011	2012	2013
Col. 1-General rate of duty (AVE) 1/	25%	25%	25%	25%	25%
Estimated value <i>dutiable</i> imports	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000
Customs revenue loss 2/	\$0	\$550,000	\$550,000	\$550,000	\$550,000

1/ There is an existing duty suspension under HTS heading 9902.51.16 that expires on December 31, 2009. Therefore, there will be no customs revenue loss related to this bill for 2009. The temporary duty suspension applies only to quantities of goods within the TRQ in-quota limit, set at 2.0 million SMEs annually. The bill would not affect the column 1-general duty rate of 25 percent ad valorem applicable to imports of fabrics in excess of the TRQ in-quota limit. In 2007, U.S. imports under the TRQ totaled only 148,880 SMEs.

Source of estimated dutiable import data: Commission estimates based on official U.S. Government statistics, and industry sources.

Contacts with domestic firms/organizations (including the proponent):

Name of firm/organization	Date contacted	Claim US makes same or competing product(s)?	Submission attached?	Opposition noted?
		(Yes/No)		
Tailored Clothing Association (Proponent)1/ David Starr, 202-659-8201	03/12/2008	No	Yes	No
National Textile Association (Proponent) David Trumbull, 617-542-8220	03/24/2008	No	Yes	No
American Manufacturing Trade Coalition Sara Ormand, 202-452-0866	03/24/2008	No	No	No

Name of firm/organization	Date contacted	Claim US makes same or competing product(s)?	Submission attached?	Opposition noted?
National Council of Textile Organizations Mike Hubbard, mhubbard@ncto.org	03/24/2008	No	No	No
Warren Corporation Lisa Cornish, 866-684-2766, ext. 113	03/12/2008	No	Yes	No

¹/ The Tailored Clothing Association represents tailored clothing manufacturers who now benefit and would continue to benefit from these HTS provisions. See attached submission.

Technical comments:⁷

We suggest that minor modifications of punctuation and in the expression of units of measurement be made, so that the article descriptions of these 5 headings would read as shown on page 1.

⁷ The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

[insert TCA submission] – Diane, please add it here from photocopy–Can we scan it into the file and replace this page???

Submission by National Textile Association, David Trumbull

-----Original Message-----

From: David Trumbull, NTA [<mailto:dtrumbull@nationaltextile.org>]
Sent: Monday, March 24, 2008 11:38 AM
To: Freund, Kimberlie
Cc: Karl Spilhaus; NTA; atantillo@amtacdc.org
Subject: Re: H.R. 4831

Dear Kim,

NTA supports H.R.4831 as drafted to extend the entirety of the wool TRQ, duty suspension, payment, and trust fund package.

The current wool program represents a carefully crafted compromise, supported by all interested parties in the wool production chain. For example, while the existing program allows for a limited amount of annual wool fabric imports into the U.S. at significantly reduced duty rates, it also establishes a trust fund for domestic wool fabric producers which helps to offset losses derived from the tariff reductions. Critical aspects of the legislation to domestic yarn and fabric producers such as our company are due to expire in 2009. Failure to extend this legislative program will create substantial uncertainty in the market with possible severe consequences for the thousands of U.S. workers that are involved in the production of wool fiber, fabric and apparel.

Yours,

DAVID TRUMBULL
National Textile Association
(617) 542-8220
dtrumbull@nationaltextile.org

[Insert submission from Warren Corporation]

110TH CONGRESS
1ST SESSION

H. R. 4831

To extend the temporary duty reductions and suspensions on certain wool products, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 18, 2007

Ms. SLAUGHTER (for herself and Ms. BEAN) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To extend the temporary duty reductions and suspensions
on certain wool products, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXTENSIONS OF DUTY REDUCTIONS AND SUS-**
4 **PENSIONS ON WOOL PRODUCTS AND RE-**
5 **LATED PROVISIONS.**

6 (a) EXTENSIONS.—Each of the following headings of
7 the Harmonized Tariff Schedule of the United States is
8 amended by striking the date in the effective column and
9 inserting “12/31/2019”:

1 (1) Heading 9902.51.11 (relating to fabrics of
2 worsted wool).

3 (2) Heading 9902.51.13 (relating to yarn of
4 combed wool).

5 (3) Heading 9902.51.14 (relating to wool fiber,
6 waste, garneted stock, combed wool, or wool top).

7 (4) Heading 9902.51.15 (relating to fabrics of
8 combed wool).

9 (5) Heading 9902.51.16 (relating to fabrics of
10 combed wool).

11 (b) EXTENSION OF DUTY REFUNDS AND WOOL RE-
12 SEARCH TRUST FUND.—

13 (1) IN GENERAL.—Section 4002(c) of the Wool
14 Suit and Textile Trade Extension Act of 2004 (Pub-
15 lic Law 108–429; 118 Stat. 2603) is amended—

16 (A) in paragraph (3)(C), by striking
17 “through calendar year 2010”; and

18 (B) in paragraph (6)(A), by inserting “,
19 and each calendar year thereafter” after
20 “2009”.

21 (2) SUNSET.—Section 506 of the Trade and
22 Development Act of 2000 (Public Law 106–2000;
23 114 Stat. 303) is amended by striking subsection
24 (f).