

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress¹**

[Date approved: September 12, 2005]²

Bill No. and sponsor: H.R. 1979 (Mrs. Cubin et al.)

Proponent name, location: Carbon Fiber Technology
1375 Union Road
Evanston WY 82930

Other bills on product (109th Congress only): None.

Nature of bill: Renewal of existing temporary duty suspension through 12/31/2008.

Retroactive effect: None.

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

Acrylic fiber tow (polyacrylonitrile tow) containing by weight a minimum of 92 percent acrylonitrile, not more than 0.1 percent zinc and from 2 to 8 percent water, imported in the form of 6 sub-bundles crimped together, each containing 45,000 filaments (plus or minus 0.06 percent) and with average filament denier of either 1.48 decitex (plus or minus 0.08 percent) or 1.32 decitex (plus or minus 0.09 percent) (provided for in subheading 5501.30.00).

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

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

This product is now covered by a duty suspension through 12/31/2006 under HTS heading 9902.01.69. The current bill seeks continuation of that suspension through 12/31/2008 and proposes no changes in product coverage or description. However, as noted above, it may be possible to describe the subject goods more clearly when the current suspension is renewed.

Because more than 85 percent of the fiber is acrylic, this product is a homopolymer known chemically as polyacrylonitrile tow. The imported acrylic fiber tow is transformed into a carbon fiber precursor at the proponent's Wyoming plant. According to the proponent, this plant is a joint venture of its two purchasers and part-owners. The first, SGL Carbon Fibers, takes the carbon fiber precursor and adds a thermoplastic covering at its Scotland plant. Its products are used to reinforce plastics materials, cement or flooring or to render certain materials electrically conductive. The second is Aldila. According to its website, Aldila designs, manufactures, and markets golf club shafts, among its other sports products; Aldila's golf clubs

¹ Industry analyst preparing report: Kimberly Olsen (202-205-3455); Tariff Affairs contact: Jan Summers (202-205-2605).

² An electronic copy of this memorandum is available at http://.usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm.

are produced in China and in Mexico.³ The proponent stated that each purchaser/owner receives half of the carbon fiber precursor.

In April 2005, Solutia, one of two U.S. producers of acrylic fibers, discontinued production of acrylic fibers.⁴ The remaining U.S. producer did not respond to multiple requests for comments on this bill.

According to the proponent, dutiable quantities of the subject goods valued at \$3.6 million, \$2.95 million, and \$2.98 million were imported in 2002, 2003, and 2004, respectively. The proponent imports this product only from Japan. In 2004, dutiable imports from Japan under HTS subheading 5501.30.00 totaled \$7,536,987. The proponent claims that 39.5 percent of those imports (approximately \$2.98 million) were imports of the product specified in this bill. The proponent further indicated that it would have paid \$300,000 in duties during 2005 without the current duty suspension. The proponent expects no growth in imports, beyond the 2005 level, for the near future.

Estimated effect on customs revenue:

HTS subheading: <u>5501.30.00</u>					
	2005	2006	2007	2008	2009
Col. 1-General rate of duty (AVE) <u>1/</u>	7.5%	7.5%	7.5%	7.5%	7.5%
Estimated value <i>dutiable</i> imports <u>2/</u>	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Customs revenue loss <u>3/</u>	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000

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

2/ A maximum value of dutiable imports was estimated from the proponent’s estimate that it would have paid \$300,000 in duties in 2005. No other importer of this narrowly described product has been identified.

Source of estimated dutiable import data: Official U.S. Government statistics and Carbon Fiber Technology.

3/ The customs revenue losses for 2005-2006 result from the current suspension of duty under heading 9902.01.69.

³ Aldila, found at <http://www.aldila.com>, retrieved June 28, 2005.

⁴ Solutia indicates that it exited the acrylic business on April 15, 2005. Solutia, “Acrilan (exited business as of 4/15/2005) acrylic fiber, found at <http://www.solutia.com>, retrieved June 22, 2005.

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

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
		(Yes/No)		
Carbon Fiber Technology, LLC (Proponent) Steve Russell, 307-789-2499	6/28/2005	No	No	No
Congresswoman Barbara Cubin (R-WY) Patrick Thompson, 202-225-6662	6/27/2005	No	No	No
Fiber Economics Bureau (part of the American Fiber Manufacturer's Assn.) Frank Horn, 404-266-0764	6/15/2005	No	No	No
Industrial Fabrics Association International Stephen Warner, 651-225-6909	6/12/2005	No	No	No

Technical comments:⁵

Because this bill would renew an existing suspension of the general rate of duty, and some modifications of the article description in the current provision have been suggested, the bill should likely be drafted as follows:

Heading 9902.01.69 of the Harmonized Tariff Schedule of the United States is modified--

(1) by amending the article description to read as follows: "Acrylic fiber tow (polyacrylonitrile tow) containing by weight a minimum of 92 percent acrylonitrile, not more than 0.1 percent zinc and from 2 to 8 percent water, imported in the form of 6 sub-bundles crimped together, each containing 45,000 filaments (plus or minus 0.06 percent) and with average filament denier of either 1.48 decitex (plus or minus 0.08 percent) or 1.32 decitex (plus or minus 0.09 percent) (provided for in subheading 5501.30.00)"; and

(2) by striking the current expiration date of "12/31/2006" and by inserting in lieu thereof "12/31/2008".

The changes to the article description would make its scope clearer by reordering some of the criteria presented, and making these amendments to the existing provision--rather than adding a new tariff heading--would avoid reprogramming costs and considerable confusion for Customs and the importer(s).

⁵ 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.

109TH CONGRESS
1ST SESSION

H. R. 1979

To suspend temporarily the duty on certain acrylic fiber tow.

IN THE HOUSE OF REPRESENTATIVES

APRIL 28, 2005

Mrs. CUBIN introduced the following bill; which was referred to the Committee
on Ways and Means

A BILL

To suspend temporarily the duty on certain acrylic fiber
tow.

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. CERTAIN ACRYLIC FIBER TOW.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of
5 the Harmonized Tariff Schedule of the United States is
6 amended by inserting in numerical sequence the following
7 new heading:

“	9902.55.01	Acrylic fiber tow (polyacrylonitrile tow) consisting of 6 sub-bundles crimped together, each containing 45,000 filaments (plus or minus 0.06) and 2–8 percent water, such acrylic fiber containing by weight a minimum of 92 percent acrylonitrile, not more than 0.1 percent zinc, and average filament denier of either 1.48 decitex (plus or minus 0.08) or 1.32 decitex (plus or minus 0.089) (provided for in subheading 5501.30.00)	Free	No change	No change	On or before 12/31/2008	”.
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1 (b) **EFFECTIVE DATE.**—The amendment made by
2 subsection (a) applies to goods entered, or withdrawn from
3 warehouse for consumption, on or after the 15th day after
4 the date of the enactment of this Act.

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