



U.S. DEPARTMENT OF COMMERCE
Foreign-Trade Zones Board
(B-1-2016)

Notification of Proposed Production Activity
Klaussner Furniture Industries, Inc.
Subzone 230D
(Upholstered Furniture)
Asheboro and Candor, North Carolina

Klaussner Furniture Industries, Inc. (KFI), operator of Subzone 230D, submitted a notification of proposed production activity to the FTZ Board for its facilities in Asheboro and Candor, North Carolina. The notification conforming to the requirements of the regulations of the FTZ Board (15 CFR 400.22) was received on January 5, 2016.

KFI currently has authority to conduct cut-and-sew activity using certain foreign micro-denier suede upholstery fabrics to produce upholstered furniture and related parts (upholstery cover sets) on a restricted basis (see Board Order 1745, 76 FR 11426, March 2, 2011). Board Order 1745 authorized the production of upholstered furniture (sofas, sleep sofas, and recliners) for a five-year period, with a scope of authority that only provides FTZ savings on a limited quantity (5.79 million square yards per year) of foreign origin, micro-denier suede upholstery fabric finished with a hot caustic soda solution process (*i.e.*, authorized fabrics). All foreign upholstery fabrics other than micro-denier suede finished with a hot caustic soda solution process (*i.e.*, unauthorized fabrics) used in KFI's production within Subzone 230D are subject to full customs duties.

The current request seeks to extend KFI's existing FTZ authority indefinitely (with no increase in the company's annual quantitative limit of 5.79 million square yards) and to add foreign-

status leather and certain polyurethane-type fabrics to the scope of authority. KFI has also requested that the authority under Board Order 1745 be revised by modifying Condition #2 to allow KFI to admit unauthorized fabrics to Subzone 230D in privileged foreign status (19 CFR 146.41), which would preclude any change in customs classification through transformation under FTZ procedures. Pursuant to 15 CFR 400.14(b), additional FTZ authority would be limited to the specific foreign-status materials and components and specific finished products described in the submitted notification (as described below) and subsequently authorized by the FTZ Board.

Production under FTZ procedures could exempt KFI from customs duty payments on the foreign-status fabrics used in export production. On its domestic sales, KFI would be able to apply the finished upholstery cover set (*i.e.*, furniture part) or finished furniture duty rate (free) for the authorized fabrics and the additional fabrics (indicated below). Customs duties also could possibly be deferred or reduced on foreign-status production equipment.

Authority to admit imported fabrics to Subzone 230D in non-privileged foreign status (19 CFR 146.42) – under which the fabrics’ customs classification could change through transformation under FTZ procedures – would only involve micro-denier suede upholstery fabrics finished with a hot caustic soda solution process (classified within HTSUS Headings 5407, 5512, 5515, 5516, 5801, 5903, 6001, 6005, and 6006), polyurethane fabrics backed with ground leather (5903.20.2500), upholstery leather (Heading 4107), and wet coagulation process, 100 percent polyurethane coated fabrics (5903.20.2500), as detailed in the notification (duty rate ranges from free to 17.2%).

Public comment is invited from interested parties. Submissions shall be addressed to the FTZ Board’s Executive Secretary at the address below. The closing period for their receipt is **[INSERT DATE 40 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

A copy of the notification will be available for public inspection at the Office of the Executive Secretary, Foreign-Trade Zones Board, Room 21013, U.S. Department of Commerce, 1401 Constitution Avenue, NW, Washington, DC 20230-0002, and in the “Reading Room” section of the FTZ Board’s website, which is accessible via www.trade.gov/ftz.

For further information, contact Pierre Duy at Pierre.Duy@trade.gov or (202) 482-1378.

Dated: January 13, 2016

Andrew McGilvray
Executive Secretary

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