

Statement of Honeywell International Inc.

**on
H.R. 4148**

**A Bill to Suspend Temporarily the U.S. Duty on
Potassium Fluoride Tantalum Grade**

**As Provided for in 2826.19.0010
of the
Harmonized Tariff Schedule of the United States**

**before the
Committee on Ways and Means
U.S. House of Representatives**

June 7, 2002

Honeywell International Inc. (Honeywell) appreciates the opportunity to comment on H.R. 4148, introduced by Representative J.D. Hayworth of Arizona. This measure provides for the temporary suspension of the U.S. import duty on potassium fluoride tantalum grade, classified under 2826.19.0010 of the Harmonized Tariff Schedule of the United States (HTSUS).

Granting a suspension of the duty on the product subject to this legislation is justified and appropriate. To our knowledge there is no U.S. commercial production of the exact product in question. For this reason passage of H.R. 4148, while having a positive impact on the competitiveness of Honeywell and its U.S. customers, would not have a detrimental effect on a U.S. industry.

Description of Honeywell

Honeywell is a US\$24-billion diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; specialty chemicals; fibers; plastics; and electronic and advanced materials. Honeywell employs approximately 115,000 people in 95 countries and is traded on the New York Stock Exchange under the symbol HON, as well as on the London, Chicago and Pacific stock exchanges. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. Additional information on the company is available on the Internet at www.honeywell.com.

Description of the Product and Its Uses

Potassium fluoride tantalum grade is used as a reducing agent for sodium in the production of metallic tantalum out of tantalum oxide; the metallic tantalum is used in capacitor manufacturing. Honeywell's potassium fluoride tantalum grade is a free-flowing crystalline material. Potassium fluoride is a highly hygroscopic material.

Suspending the Duty on the Subject Chemical is Warranted

There is no known US manufacture of the same or a legitimately substitutable potassium fluoride tantalum grade as the material subject to this legislation.

Until 2000 another US firm, JT Baker Inc. (Baker), did supply a US-produced tantalum grade material to one US customer. However, Baker then lost that business to Honeywell after Honeywell introduced its new crystalline grade material and received the customer's approval on this product, which provided the customer process improvements and increased output yields beyond the benefits that Baker's material was capable of enabling. Basically, Honeywell won this business away from Baker based on improvements in Honeywell's tantalum grade material's performance.

It should be noted that Honeywell's improved product also replaced our own previous material, which we had been selling into the same customer's tantalum applications and which had been competing directly against the Baker material. The previously (until 2000) sold Honeywell and Baker materials were competitive on a price basis. Perhaps the customer's strongest statement regarding the substantial differences between the "new" Honeywell material – that which is subject to HR 4148 – and the previous Baker and Honeywell products is the fact that the customer is willing to pay a significantly higher price for the newer, superior Honeywell product.

It is for this reason that the customer has not sourced potassium fluoride tantalum grade from Baker since converting to Honeywell's material in the summer of 2000. Since then, that customer, the sole customer Baker was selling its material to, informed and as recently as March and May 2002 reconfirmed to Honeywell that Baker indicated it had discontinued the production of tantalum grade, crystal potassium fluoride.

Lastly, based on import projections for this product for the period covered by H.R. 4148, this legislation also complies with the Committee's "no-cost" requirement.

Summary

To Honeywell's knowledge there is no U.S. commercial production of the exact product in question. This legislation also meets the Committee's "no cost" criterion. For these reasons passage of H.R. 4148, while having a positive impact on the competitiveness of Honeywell and its U.S. customers, would not have a detrimental effect on a U.S. industry. Granting a suspension of the duty on the product subject to this legislation is justified and appropriate.