



JOHN DEERE

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The Honorable Phil Crane
Chairman
Subcommittee on Trade
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

Re: H.R. 4404, to provide duty-free treatment for certain "log forwarders" as motor vehicles for the transport of goods.

Dear Mr. Chairman:

Deere & Company ("Deere") appreciates this opportunity to comment on H.R. 4404, a bill to provide duty-free treatment for "log forwarders" as motor vehicles for the transport of goods. Deere believes this bill is necessary and appropriate, and strongly supports its enactment.

Deere is a worldwide leader in the manufacture, distribution and financing of a full line of agricultural equipment, as well as construction and forestry equipment, commercial and consumer equipment, and other technological products and services. Deere's forestry equipment subsidiary, Timberjack, designs and manufactures log forwarders at its factory in Finland. A log forwarder is an integral piece of equipment used in the harvesting of timber, primarily to load and haul logs for a short distance from the timberline down to the staging area. Over the past 3 years Deere imported approximately 25 log forwarders per year (28 in 2001) into the U.S. for use by loggers in timber harvesting activities in this country.

Each forwarder consists of a front and rear section. The front section consists of a tractor with an engine, steerable wheels and an ergonomically designed driver's cab. The rear section has a wood gate, and a bunk with steel frames fitted to the front section by two pins. In addition the aft section has a wood handling knuckle boom controlled from the driver's cab in the forward section. The front and rear sections are connected by means of an articulation joint for steering the tractor. The forward section supplies power to the rear section by means of an articulated drive shaft and also supplies hydraulic power to the rear section.

There is no specific heading currently in the Harmonized Tariff Schedule of the United States covering log forwarders. The Finnish Customs Bureau has ruled that Timberjack forwarders are within the scope of Section 8701 ("Tractors") and its subheadings. Deere recently requested a Classification Ruling from the New York

Customs Service office that the Timberjack forwarders were within Section 8701.90 "Tractors suitable for agricultural use . . .", to confirm their duty-free treatment in the U.S. consistent with all other equipment suitable for agricultural use. The New York Customs Office, however, issued a Classification Ruling that the Timberjack forwarders are classified as 8704.23.0000 - "Motor vehicles for the transport of goods" dutiable at a 25 percent rate.

This ruling has created the anomaly of applying import duties to log forwarders to the exclusion of other agricultural equipment imported into the United States. As a practical matter, Deere and other importers have the option of dismantling the forwarder (i.e. separating the front and rear sections) and bringing it into the U.S. as component parts. In doing so, Customs treats them as "Parts and accessories of motor vehicles" dutiable at 2.5 percent. (Thus, the revenue impact of any tariff change should be measured using the 2.5 percent duty rather than the 25 percent duty.) Nonetheless, this practice perpetuates the duty applied to these imports and adds significant expense involved in dismantling the forwarder into two pieces for shipment to the U.S., and then reassembling the unit.

Deere strongly supports enactment of H.R. 4404 in order to restore the duty free treatment to log forwarders intended for all agricultural equipment. While Deere would prefer that log forwarders be treated under the subheading dealing with "Tractors suitable for agricultural use," Deere believes that the creation of a new subheading under "Motor vehicles for the transport of goods" appropriately addresses Customs' concern that the articulated drive shaft providing power to the forwarder's rear section is inconsistent with its definition of "Tractor."

H.R. 4404 is an effective way for Congress to establish a new duty-free classification for log forwarders and parts of log forwarders. H.R. 4404 will result in the tariff treatment of log forwarders imported into the United States being consistent with their tariff treatment in other parts of the world.

For the above reasons, Deere urges the timely enactment of H.R. 4404. Should you have any questions about Deere's views, please contact John Rauber, (202) 223-4817, in Deere's Government Affairs office.

Sincerely,

Thomas K. Jarrett
Director of Taxes

cc: The Hon. Jim Nussle