

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 110th Congress¹**

[Date approved: May 5, 2008]²

Bill No. and sponsor: H.R. 2362 (Mr. Brian Bilbray of California and Mr. Mike Thompson of California).

Proponent name,³ location: Acushnet Company, Fairhaven, MA.

Other bills on product (110th Congress only): S. 1707 (Mrs. Dianne Feinstein of California and Mrs. Barbara Boxer of California).

Nature of bill: To reduce permanently the duty on certain golf club components.

Retroactive effect: None.

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

[Heading/ Subheading	Article Description	General	Rates of Duty Special	Col. 2]
	[Golf clubs and other golf equipment; parts and accessories thereof:]			
[9506.31.00	Golf clubs, complete	4.4%	Free (A, AU, BH, CA,CL, E, IL, J, JO, MA, MX, P, SG)	30%]
[9506.32.00	Balls	Free		30%]
9506.39	Other:			
9506.39.10	Golf club driver heads . .	2.2%	Free (A, AU, BH, CA,CL, E, IL, J, JO, MA, MX, P, SG)	30%
9506.39.50	Other	4.9%	Free (A, AU, BH, CA,CL, E, IL, J, JO, MA, MX, P,SG)	30%

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

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

Golf club driver heads are used to produce finished golf clubs, specifically drivers. A golf club driver's main use is in making longer shots off the tee or down the fairway. A driver consists of three major integral parts: the club head (at the bottom of the club), the shaft, and the grip. Driver club heads are usually made of hollow steel, titanium, or composite materials. The shaft enters the head at the top corner

¹ Industry analyst preparing report: Ralph Watkins (202-205-3492); Tariff Affairs contact: Dan Shepherdson (202-205-2598).

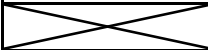
² Access to an electronic copy of this memorandum is available at http://www.usitc.gov/tata/hts/other/rel_doc/bill_reports/.

³ The sponsor/proponent identified two additional beneficiaries of this bill. USITC staff sent inquiries to the additional beneficiaries and received responses from two. Two submitted a written representation that they would benefit from this bill. In addition, USITC staff identified one additional beneficiary of this bill that was not identified by the sponsor/proponent, and that beneficiary submitted a written representation that it would benefit from this bill.

nearest to the player through a hollow tube, known as a hosel, in such a way that the face of the head is roughly at a right angle to the shaft. A typical driver head is somewhat spherical in shape with a slightly bulging club face and a flattened sole. Driver club heads are each designed with a face having differing loft (the angle between a vertical plane and the club face when the club is at rest). The loft of a driver club head face (not the upward direction of a golf swing) makes a golf ball leave the ground on an ascending outward trajectory.

The principal import source of heads for golf club drivers as well as other parts of golf clubs (shafts, grips, and club heads other than for drivers) is China. Taiwan is the leading alternative source for club heads.

Estimated effect on customs revenue:

HTS subheading: <u>9506.39.10</u>					
	2009	2010	2011	2012	2013
Current Col. 1- General rate of duty	4.9%	4.9%	4.9%	4.9%	4.9%
Proposed Col. 1- General rate of duty	2.2%	2.2%	2.2%	2.2%	2.2%
Estimated value <i>dutiable</i> imports	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000
Customs revenue loss 1/	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000

1/ The estimated customs revenue loss is based on the difference between the current general rate of duty of 4.9 percent ad valorem that applies under HTS subheading 9506.39.00 and 2.2 percent ad valorem, which is the general rate of duty that would apply under new HTS subheading 9506.39.10, a permanent reduction of 2.7 percentage points.

Source of estimated dutiable import data: Commission estimates, based on a survey by the National Golf Foundation.

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)		
Acushnet Company (Proponent) Roland Giroux, 508-979-3661 Roland_Giroux@AcushnetGolf.com	02/12/08	No	Yes	No
Callaway Golf Mike Dow, 690-930-5101 Mike Rider, MikeR@callawaygolf.com	02/1/08	No	No	No

Name of firm/organization	Date contacted	Claim US makes same or competing product(s)?	Submission attached?	Opposition noted?
Cleveland Golf Gary Marion, 714-889-1306 Don Reino, DonReino@ClevelandGolf.com	02/1/08	No	No	No
FocusGolf Michael Johnson, 864-527-7862 Kieran McLaughlin, Kieran@focusgolf.co.uk	02/1/08	No	No	No
Golfsmith International, Inc. David Varney, 512-821-4841	02/5/08	No	No	No
Innovex Golf, Inc. Jeff Butcher, 425-338-9633 jeff@innvexgolf.com	02/5/08	No	Yes	No
Karsten Manufacturing Corp. Dawn Grove, 602-687-5086 dawng@karsten.com	02/8/08	No	Yes	No
Mizuno USA, Inc. Chuck Couch, 770-441-5553 chuck.couch@mizunousa.com George Zaharatos, gzaharatos@kpmg.com	02/8/08	No	No	No
Nickent Golf Eric Yang, 888-642-5368 John Claffey, jclaffey@nickentgolf.com	02/1/08	No	No	No
Nike, Inc. Scott Mohr, 503-671-6005	02/5/08	No	No	No
Sporting Goods Manufacturers Association Bill Sells, 202-349-9417 Bsells@sgma.com	12/13/07	No	No	No
Sonartec Golf Co. Andrew Tarlow, 760-930-2454.	02/5/08	No	No	No
Tad Moore Golf Tad Moore, 706-884-6113	02/1/08	No	No	No
TaylorMade-adidas Golf Co. Ray Buchegar, 202-783-3333 ray@federalrelations.com Amit Kumar, 760-918-6103 amit.kumar@tmag.com	02/14/08	No	Yes	No
Wilson Sporting Goods Co. Sofia Larry, 800-662-0444	02/5/08	No	No	No

Technical comments:⁴

The Commission staff believes that the bill, as drafted, would violate the Harmonized System Convention of the World Customs Organization (WCO). WCO rules require the harmonization of tariff classification descriptions through the 6-digit level of the classification hierarchy. WCO members are permitted to tailor classifications to their national needs at the 8-digit (tariff line) and 10-digit (statistical annotation) levels of the classification hierarchy. The bill, as drafted, would violate WCO requirements because it establishes a new 6-digit HS subheading for parts of golf clubs (i.e., subheading 9506.35). In addition, the bill, as drafted, does not specify and enact the applicable rates of duty for the special subcolumn or for column 2 in the new subheadings.

In order to address these issues, the Commission staff suggests that section 1(a) of the bill be redrafted as follows:

“(a) In General. – Chapter 95 of the Harmonized Tariff Schedule of the United States is amended by striking subheading 9506.39.00 and inserting in numerical sequence the following new subheadings, with subheading 9506.39 having the same degree of indentation as the article description for subheading 9506.32.00:

“9506.39	Other:			
9506.39.10	Golf club driver heads . .	2.2%	Free (A, AU, BH, CA,CL, E, IL, J, JO, MA, MX, P, SG)	30%
9506.39.50	Other	4.9%	Free (A, AU, BH, CA,CL, E, IL, J, JO, MA, MX, P,SG)	30%”.

Proposed new subheading 9506.39.10 would permanently reduce the rate of duty that applies to golf club driver heads from 4.9 percent ad valorem to 2.2 percent ad valorem. Golf equipment, and parts and accessories of golf clubs and golf equipment, other than golf club driver heads, would be provided for in proposed new subheading 9506.39.50, which contains the rates of duty that applied under the predecessor subheading for such articles, 9506.39.00.

Finally, the Commission staff notes that it may be difficult for Customs to distinguish between heads for drivers and heads for other types of golf clubs.

⁴ 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.

Acushnet Company

From: Roland_Giroux@acushnetgolf.com
Sent: Tuesday, February 12, 2008 5:49 PM
To: Watkins, Ralph
Cc: JBrew@kelleydrye.com; matt.stanton@beamglobal.com; Chad_Van_Ess@acushnetgolf.com
Subject: Re: Duty reduction for golf club driver heads

Dear Mr. Watkins,

Further to your inquiry, Acushnet Company does not currently manufacture heads for golf club drivers. Our golf club driver heads are produced overseas and are assembled into final clubs in our Carlsbad, California facility. Accordingly, we support the legislation HR 2362 reducing the duty on imported golf club driver heads as a means of addressing the current inverted tariff structure. We would benefit from the reduced duty in that we would pay a smaller duty on the driver heads (2.2%, as we understand the proposed legislation) than the current 4.9% duty currently payable. We have been working with other leaders in the US golf industry to develop a proposal that would provide relief from this inverted tariff, help encourage domestic assembly of golf clubs, discourage a tide of finished club imports and support American jobs.

Please let us know if additional information is required.

Best regards,
Roland Giroux
Assistant General Counsel
Acushnet Company

Innovex Golf, Inc.

From: jeff@innovexgolf.com
Sent: Monday, February 04, 2008 6:22 PM
To: Watkins, Ralph
Subject: RE: Reduction of import duties on golf club driver heads (HR 2362)

Hi Ralph,

Innovex is growing and our new driver just won approval by the USGA. We just launched a new website and the energy around Innovex should make for a great 2008.

See below for answers to the stated questions.

Regards,

Jeff Butcher
President
Innovex Golf, Inc.
www.innovexgolf.com
866.402.6097

4. Does your company support the proposed reduction of duties on driver heads?
Yes

Karsten Manufacturing Corp. (PING)

From: Dawn Grove (5086) [dawng@karsten.com]
Sent: Friday, February 08, 2008 3:54 PM
To: Watkins, Ralph
Subject: RE: Reduction of import duties on golf club driver heads (HR 2362)

Dear Mr. Watkins,
Here are our responses per your request.
Dawn Grove

1. No, PING designs golf club driver heads but no longer manufactures them in the United States. PING continues to both design and manufacture the majority of its other golf club products in Arizona, and continues to assemble and customize its drivers in the United States.

2. No

3. N/A

4. Yes, we support the correcting of the inverse tariff problem, which places companies that provide jobs here for the assembly of clubs at a competitive disadvantage with companies that import wholly made clubs. We at PING strive to produce premium quality, custom-fit golf clubs in the United States of America whenever physically and competitively possible for the good of our employees and our country.

TaylorMade-adidas Golf Company

From: Kumar, Amit (TAYLORMADE) [amit.kumar@tmag.com]
Sent: Thursday, February 14, 2008 11:17 PM
To: Watkins, Ralph
Cc: OurManInDC@FederalRelations.com
Subject: RE: Reduction of import duties on golf club driver heads (HR 2362)

Dear Mr. Watkins,

This e-mail responds to questions 1-6 in your e-mail dated February 1, 2008 ("Reduction of import duties on golf club driver heads (HR 2362)"). I understand answers to these 6 questions will be made part of the public record.

1. Does your company manufacture heads for golf club drivers?

TaylorMade-adidas Golf Company ("TMaG") designs and develops heads for golf club drivers. We source production of club heads through various vendors.

2. Do you know of companies that do manufacture driver heads in the United States?

To the best of my knowledge, I don't not know of companies that manufacture driver heads in the United States.

3. If yes, what are the names and plant locations of such companies?

Not applicable.

4. Does your company support the proposed reduction of duties on driver heads?

Yes, TMaG supports the proposed reduction of duties on driver heads. TMaG believes the proposed reduction would incentivize assembly activity in the United States.

Thank you,
Amit

Amit D. Kumar
Director of Legal Affairs
TaylorMade-adidas Golf Company
5545 Fermi Court
Carlsbad, California 92008
Phone: (760) 918-6103
Fax: (760) 918-2355
E-mail: amit.kumar@tmag.com

110TH CONGRESS
1ST SESSION

H. R. 2362

To reduce the duty on certain golf club components.

IN THE HOUSE OF REPRESENTATIVES

MAY 17, 2007

Mr. BILBRAY (for himself and Mr. THOMPSON of California) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To reduce the duty on certain golf club components.

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 GOLF CLUB COMPONENTS.**

4 (a) IN GENERAL.—Chapter 95 of the Harmonized
5 Tariff Schedule of the United States is amended by strik-
6 ing subheading 9506.39.00 and inserting in numerical se-
7 quence the following new subheadings and superior text
8 thereto, with such superior text having the same degree
9 of indentation as the article description for subheading
10 9506.32.00, as in effect on the day before the date of the
11 enactment of this Act:

“	9506.35	Parts of golf clubs				
	9506.35.10	Golf club driver heads	2.2%		No change	No change

9506.35.20	Other parts of golf clubs	4.9%	No change	No change	”.
9506.39	Other	4.9%	No change	No change	

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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