

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

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

[Date approved: September 18, 2006]²

Bill No. and sponsor: S. 3088 (Mr. Sam Brownback of Kansas).

Proponent name, location: Spirit AeroSystems, Inc., Wichita, KS.

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

Nature of bill: Temporary duty suspension through December 31, 2009.

Retroactive effect: None.

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

Integrated panel assembly cell riveter machines for riveting skin panel assemblies to airframe components (provided for in subheading 8463.90.00).

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:

The integrated panel assembly cell (IPAC) is a computer numerically-controlled (CNC) machine,³ a 9-axis riveting system for producing aircraft panel assemblies. The IPAC rivets outer aluminum aircraft skin panels with airframe understructure assemblies. The finished panel has the outer aluminum skin riveted to structural components such as ribs, stringers, and frames, and other parts then need to be attached to the outer skin. The IPAC performs the following functions: loads the workpieces, clamps workpieces together, drills holes for rivets, inserts rivets and rivets the parts together, inserts a sealant at the appropriate time, and moves the workpiece to the next station. The system includes an operator station with computer controls and video monitors. The source of the IPAC machines is Germany.

¹ Industry analyst preparing report: Dennis Fravel (202-205-3404); Tariff Affairs contact: Jan Summers (202-205-2605).

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

³ The CNC control system achieves fully automatic programmable positioning and feed rate control of the machine's axis movement relative to the workpiece, as well as automatic control of other functions.

Estimated effect on customs revenue:

HTS subheading: 8463.90.00					
	2006	2007	2008	2009	2010
Col. 1-General rate of duty	4.4%	4.4%	4.4%	4.4%	4.4%
Estimated value <i>dutiable</i> imports <u>1/</u>	\$0	\$12,500,000	\$0	\$0	\$0
Customs revenue loss	\$0	\$550,000	\$0	\$0	\$0

1/ The proponent expects to import the subject machines during 2007 only. Such large industrial machines are normally purchased by a small number of firms and generally are not imported on an annual basis.

Source of estimated dutiable import data: Commission estimates based on industry information.

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)		
Spirit AeroSystems, Inc. (Proponent) Dave Adams, 316-523-4312	07/24/2006	No	No	No
Boeing Co. Greg Dole, 703-465-3619	08/08/2006	No	No	No
Electroimpact, Inc. John Hartmann, 425-348-8090	08/01/2006	Yes	Yes	Yes
Gemcor II Bill Mangus, 716-674-9300	08/03/2006	No	No	No
Triumph Group, Inc. Jeffrey Frisby, 336-766-9036	08/07/2006	No	No	No
Vought Aircraft Industries, Inc. Mick McKeown, 972-946-0749	08/07/2006	Yes	Yes	Yes

Technical comments:⁴

It is suggested that the proposed article description be modified as shown on page 1. The Commission recommends deleting “Brotje,” which is the name of the company that manufactures the subject product. The suggested language clarifies the purpose and use of the machine. It should be noted that parts of the subject machines are not included in this bill.

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.



Vice President, Washington
Operations

August 24, 2006

Letter No. C-72600/L6-056

Mr. Dennis Fravel
International Trade Analyst
U.S. International Trade Commission
500 E Street, SW
Washington, D.C. 20436

RE: Vought Aircraft Industries, Inc. View on Senate Bills Regarding Temporary Suspension Of Tariffs on Certain Products (S. 3085, 3086, 3087, 3088, 3090, 3091, 3092, 3093, 3094 and 3112)

Dear Mr. Fravel:

First, I want to thank you on behalf of Vought Aircraft Industries, Inc. for including us in your analysis of the above referenced bills. We also appreciate your patience in the preparation of our response.

This letter serves to inform you of Vought's opposition to this legislation. Our company opposes these bills because they appear to be carefully targeted legislation structured to provide a cost avoidance and thus, a competitive advantage, to specific Kansas aerostructures manufacturer(s). The inclusion of brand names and descriptions of certain pieces of equipment in these bills appear substantiate our position regarding this legislation.

We also believe that the prospective cost savings to the targeted company(ies) far exceeds the \$500,000 revenue loss estimate provided by the congressional sponsor and mentioned in your original request to us.

Vought has already purchased and installed one Brotje Automated Frame Riveter (Skin Fastening Machine AP1611) that includes the Upper Heads and Lower Rams for Skin Fastener Machines, as described in Senate Bills 3087 and 3085, respectively. In accordance with existing tariff schedules our tariff for this machine was 4.4% on the total value of the machine and 4.7% of the total value for the upper heads and lower rams (parts). Our tariffs and related fees on this one installation were over \$300,000. We have two additional machines on order (Skin Fastening Machines AP1618 and AP1619) that will arrive in 2007. Our tariffs for these machines are estimated at more than \$700,000. These two additional Brotje autoriveters are the only equipment subject to tariffs that Vought has ordered.



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Although passage of Bills 3087 and 3085 could result in a cost avoidance to Vought, we believe that the competitive disadvantage *for all other U.S. aerostructures manufacturers* created by the combined effect of this series of bills compromises the integrity of the free enterprise system within our industry.

In addition to the competitive issues this legislation would invoke, we also take issue with the proposed tariff suspension in terms of the significant loss of revenue it would allow. In light of the record-setting deficits our nation is now facing, it is difficult to justify such a loss for the benefit of a few private-sector companies. Based on our own experience in the procurement of this type of equipment from foreign manufacturers, our export specialists believe the total loss in income to the U.S. government could approach \$1 Billion.

The U.S. aerospace industry faces significant competitive challenges in the global marketplace. These challenges are the result of governmental participation and underwriting of the costs of doing business for aircraft manufacturers in Europe and the Far East. This involvement of public support in private industry creates an "uneven playing field" for American companies. We believe that it is in the best interest of the United States, and our domestic aircraft manufacturing industry, that we keep a "level playing field" among U.S. aerospace manufacturers.

On behalf of the management and employees of Vought Aircraft Industries, Inc., please accept our thanks for your diligent efforts in support of the United States Congress.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mick McKeown', written in a cursive style.

Mick McKeown, D.M.D.
Vice President, Washington Operations
Vought Aircraft Industries, Inc.

109TH CONGRESS
2^D SESSION

S. 3088

To suspend temporarily the duty on Brotje IPAC (integrated panel assembly cell) machines.

IN THE SENATE OF THE UNITED STATES

MAY 25, 2006

Mr. BROWNBACK introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To suspend temporarily the duty on Brotje IPAC (integrated panel assembly cell) machines.

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. BROTJE IPAC (INTEGRATED PANEL ASSEMBLY**
4 **CELL) MACHINES.**

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

“	9902.84.63	Brotje IPAC (integrated panel assembly cell) machines (provided for in sub-heading 8463.90.00)	Free	No change	No change	On or before 12/31/2009	”.
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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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