

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. 3091 (Mr. Sam Brownback of Kansas).

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

Other bills on product (109th Congress only): S. 3092 and S. 3094.³

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

Retroactive effect: None.

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

Horizontal machining centers for working metals, the foregoing with an X-axis traverse of 700 mm or greater, a Y-axis traverse of 900 mm or greater and a Z-axis traverse of 900 mm or greater (provided for in subheading 8457.10.00).⁴

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 subject machines are horizontal machining centers (HMC). Machining centers are essentially combination boring, milling, and drilling machines; they are computer numerically controlled⁵ and have some form of automatic cutting tool change capability. In an HMC, the direction of attack of the spindle (the motor that turns the cutting tool, such as an end mill bit) is horizontal to the workpiece, as opposed to being vertical to the workpiece. The subject HMCs have an automatic tool changer, which is a mechanical arm with a gripper at each end that can grab a tool from the spindle, return it to a magazine that holds numerous tools, grab a different tool from the magazine, and place it on the spindle. The subject HMCs have an X-axis traverse of 700 mm or greater, a Y-axis traverse of 900 mm or greater, and a Z-axis traverse of 900 mm or greater, so that the machine can operate in any direction. These traverse distances allow the HMCs to machine the typical large components of aircraft. The principal sources of U.S. imports are Japan, Germany, Taiwan, Korea, and China.

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 Based upon suggested article descriptions in those bills.

⁴ The proponent did not provide information with which to develop a workable tariff description, but did provide the manufacturer and model numbers of the product. Spindle travel distances specified in this information appear to be a defining feature that can be used to delineate the goods of interest. Based on that information, we believe the tariff classification of the imported product would differ from that in the proposed bill.

⁵ 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: 8457.10.00					
	2006	2007	2008	2009	2010
Col. 1-General rate of duty	4.2%	4.2%	4.2%	4.2%	4.2%
Estimated value <i>dutiable</i> imports	\$95,000,000	\$95,000,000	\$95,000,000	\$95,000,000	\$95,000,000
Customs revenue loss	\$3,990,000	\$3,990,000	\$3,990,000	\$3,990,000	\$3,990,000

Source of estimated dutiable import data: Commission estimates based on U.S. import data.

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
AMT–The Association for Mfg. Technology Pat McGibbon, 703-893-2900	07/24/2006	No	No	No
Boeing Co. Greg Dole, 703-465-3619	08/08/2006	No	No	No
Cincinnati Technologies Mark A. Logan, 859-534-4883	08/18/2006	Yes	Yes	Yes
PaR Systems Dennis DesMarais, 651-286-1171	08/03/2006	No	No	No
Prima North America, Inc. Terry VanderWert , 763-433-3700	08/04/2006	No	No	No
Triumph Group, Inc. Jeffry 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:⁶

It is suggested that the proposed article description be modified as shown on page 1. The Commission recommends deleting “Okuma,” which is the name of the company that manufactures the subject product. The additional language clarifies the purpose and use of the machine. The specified HTS classification is different than that in the original bill, based upon the limited information provided by the proponent as to the purpose of the machine.⁷ The machines are labeled in the product descriptions from the manufacturer’s Internet site as horizontal machining centers that have an automatic tool changer and are computer numerically controlled. Therefore, it may be classified as a machining center in HTS subheading 8457.00.10, rather than as a machine tool for milling in HTS subheading 8459.61.00. With regard to the coverage of the bill, it should be noted that a provision for parts of this machine is not included.

⁶ 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.

⁷ See U.S. Customs Service and Border Protection, *What Every Member of the Trade Community Should Know About: Machine Tools*, March 2006, pp. 27-28.

August 23, 2006

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

Re: Proposed legislation suspending U.S. tariffs on imports of certain machine tools

Dear Mr. Fravel:

On behalf of Cincinnati Technologies I am advising you that we do object to the following proposed legislation identified in the Bills: S. 3090, 3091, 3092, 3093, 3094, and 3112.

We are U.S. based producers of equipment for these applications. Our manufacturing facilities are located in Hebron, KY, Fond du Lac, WI and Rockford, IL.

Should there be any questions, please don't hesitate to contact me at your convenience. My direct office phone is 859 534 4883 and my email is mark_logan@cinmach.com.

Sincerely,

Mark A. Logan
Cincinnati Technologies
Vice President Business Development & Marketing



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,



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

109TH CONGRESS
2^D SESSION

S. 3091

To suspend temporarily the duty on Okuma horizontal milling 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 Okuma horizontal milling 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. OKUMA HORIZONTAL MILLING MACHINES.**

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

“	9902.84.59	Okuma horizontal milling machines (provided for in subheading 8459.61.00)	Free	No change	No change	On or before 12/31/2009	”.
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8 (b) EFFECTIVE DATE.—The amendment made by
9 subsection (a) applies to goods entered, or withdrawn from

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- 1 warehouse for consumption, on or after the 15th day after
- 2 the date of the enactment of this Act.

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