

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION  
of the 109<sup>th</sup> Congress<sup>1</sup>**

[Date approved: September 18, 2006]<sup>2</sup>

**Bill No. and sponsor:** S. 3094 (Mr. Sam Brownback of Kansas).

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

**Other bills on product (109<sup>th</sup> Congress only):** S. 3091 and S. 3092.<sup>3</sup>

**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 (provided for in subheading 8457.10.00).<sup>4 5</sup>

**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 horizontal machining centers (HMC) are essentially combination boring, milling, and drilling machines, which are computer numerically controlled<sup>6</sup> 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 principal sources of U.S. imports are Japan, Germany, Taiwan, Korea, and China.

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

<sup>2</sup> Access to an electronic copy of this memorandum is available at [http://usitc.gov/tata/hts/other/rel\\_doc/bill\\_reports/index.htm](http://usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm).

<sup>3</sup> Based upon the suggested article descriptions in those bills.

<sup>4</sup> 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; thus, a broader description was developed.

<sup>5</sup> The product description and its tariff classification changed as a result of subsequent information supplied by the proponent to Commission staff.

<sup>6</sup> 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:**

<b>HTS subheading: 8457.10.00</b>					
	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 <sup>1/</sup>	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000
Customs revenue loss	\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000

<sup>1/</sup> Because information on the subject product was limited, dutiable imports are estimated for HTS statistical reporting numbers 8457.10.0060 and 8457.10.0065 combined.  
Source of estimated dutiable import data: Commission estimates based on official U.S. import statistics.

**Contacts with domestic firms/organizations (including the proponent):**

Name of firm/organization <sup>1/</sup>	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	Yes	Yes	Yes
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
Mazak USA Chuck Birkle, 859-342-1700	08/11/2006	No	No	No
Monarch Machine Tool Richard Clemens, 607-753-6001	08/24/2006	No	No	No
PaR Systems Dennis DesMarais, 651-286-1171	08/03/2006	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

<sup>1/</sup> The Commission did not contact Kingsbury Machine or Dalian (listed as Dah Lih), firms cited in the submission from the Association for Manufacturing Technology, because those companies' principal markets are in the automotive sector, not that for aircraft.

**Technical comments:<sup>7</sup>**

It is suggested that the proposed article description be modified as shown on page 1. The Commission recommends deleting “Handtmann,” which is the name of the company that manufactures the subject product. 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.<sup>8</sup> The language we suggest is based upon 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 of HTS subheading 8457.10.00, rather than a machine tool for milling of HTS subheading 8459.21.00. Further, it is likely that the Handtmann machines are machining centers, as that is the sole type of machine that Handtmann produces according to their Internet site. With regard to the coverage of the bill, it should be noted that a provision for parts of this machine is not included.

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<sup>7</sup> 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.

<sup>8</sup> 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.

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Development

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Vice President-Technology

August 15, 2006

Claudia Bridgeford  
Trade Assistant  
219 Dirksen Sentate Office Bldg  
Washington, DC 20510

Dear Ms. Bridgeford:

I am writing you today to express concern over the possible passage of bill S. 3094. AMT - The Association For Manufacturing Technology is a trade association made up of American manufacturers of machine tools. AMT has 35 members who would be adversely affected if this bill were to pass. These 35 companies produce competing products that can also be classified within HS code 8459.21.00. I have included contact information for 6 of these companies that we believe make similar products described in the bill in large companies. These companies include: Ingersoll, Haas, Cellular Concepts Company (Cell-Con), Kingsbury Corporation, Monarch Machine Tool, and MAG. Attached you will find contact information for these companies.

Sincerely,



Patrick McGibbon  
Vice President-Strategic Information and Research  
AMT - The Association For Manufacturing Technology  
(703) 827-5255  
[pmcgibbon@amtonline.org](mailto:pmcgibbon@amtonline.org)

cc: Dennis Fravel - ITC

## Contacts

Ingersoll Production Systems  
1301 Eddy Avenue  
Rockford, IL 61103  
(815) 637-8500

Haas Automation, Inc.  
2800 Sturgis Road  
Oxnard, CA 93030  
(805) 278-1800

Cellular Concepts Co. (Cell-Con)  
20580 Hoover Road  
Detroit, MI 48205-1064  
(313) 371-4800

Kingsbury Corporation  
80 Laurel Street  
Keene, NH 03431-4207  
(603) 352-5212

Monarch Machine Tool, Inc.  
Monarch Machine Tool, Inc.  
PO Box 749  
Cortland, NY 13045  
(607) 753-6001

MAG Industrial Automation Systems  
2200 Litton Lane  
Hebron, KY 41048  
(586) 566-2400

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Sincerely,

A handwritten signature in black ink, appearing to read 'PMcGibbon', enclosed within a hand-drawn oval shape.

Patrick McGibbon  
Vice President-Strategic Information and Research  
AMT - The Association For Manufacturing Technology  
(703) 827-5255  
[pmcgibbon@amtonline.org](mailto:pmcgibbon@amtonline.org)

cc: Dennis Fravel - ITC

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](mailto: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.



Letter No. C-72600/L6-056  
August 24, 2006  
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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  
2D SESSION

# S. 3094

To suspend temporarily the duty on Handtmann multi-axis drilling and routing 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 Handtmann multi-axis drilling and routing 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. HANDTMANN MULTI-AXIS DRILLING AND ROUT-**  
4 **ING 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:

“	9902.84.59	Handtmann multi-axis drilling and routing machines (provided for in subheading 8459.21.00) .....	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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