



MEMORANDUM ON PROPOSED TARIFF LEGISLATION of the 112th Congress

Date approved

I. Background

Bill number:

Sponsor name:

Sponsor state:

Interested entity:

Name

City

State

Other bills on product (112th Congress only):

Nature of bill:

Expiration date:

Current or previous chapter 99 heading:

Retroactive date:

CAS number (if applicable):

Industry analyst:

Telephone:

Tariff Affairs contact:

Telephone:

Note:

1. Access to an electronic copy of this memorandum is available at http://www.usitc.gov/tariff_affairs/congress_reports/.
2. In regard to the country(ies) of origin listed in section III, this report focuses on dutiable imports and does not take into account any tariff preference programs or special rates of duty.

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

Drive axles with differential, whether or not provided with other transmission components (provided for in subheading 8708.50.61)

(If enacted, the tariff relief provided for in this bill would be available to any entity that imports the product that is covered by the bill.)

Description above compared with bill as introduced:

- Same
 Different (see Technical Comments section)

III. Other product information, including uses/applications and source(s) of imports

A drive axle (live axle) is a crossbar or assembly that supports the vehicle and also drives the wheels connected to it. The attached differential is a geared assembly that allows the transmission of motion between drive axles, giving one axle the ability to turn faster than the other. These axles are to be used on vehicles such as trucks and buses. Japan and Germany are the leading source of dutiable U.S. imports of these drive axles.

IV. Estimated effect on customs revenue

Subject product HTS subheading(s)	8708.50.61				
Item	2013	2014	2015	2016	2017
Col.1-general rate of duty (%) or percentage point reduction	2.5	2.5	2.5	2.5	2.5
Estimated value of <i>dutiable</i> imports (\$)	69,700,000	69,700,000	69,700,000	69,700,000	69,700,000
Customs revenue loss (\$)	1,742,500	1,742,500	1,742,500	1,742,500	1,742,500

Note: Customs revenue loss is provided for 5 years, although the effective period of the proposed legislation may differ. Regarding the HTS subheading listed in the article description of the bill, the Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only U.S. Customs and Border Protection is authorized to issue a binding ruling on this matter. The Commission believes that Customs should be consulted prior to enactment of the bill.

Dutiable imports were based on (more than one may apply):

- Official statistics of the U.S. Department of Commerce
 Provided by industry sources
 Industry information
 Commission estimates

Duty reduction notes:

- This bill is not a duty reduction
 This bill is a temporary duty reduction. Rates are shown below.

Col.1-general duty rate (%) Temporary rate (%) Percentage point reduction (%)

V. Technical comments

H.R. 5335 and S. 2510 would temporarily suspend the duty only on drive axles designed for use in off-road construction loaders and backhoes. Thus, the heading proposed in H.R. 4950 would overlap the coverage of those bills.

VI. Continuation

Other Bills... - continued:

H.R. 5335 (Mr. Bruce L. Braley, IA); S. 2510 (Mr. Tom Harkin, IA)

VII. Contacts with domestic firms/organizations

#	Firm/organization and contact name	Telephone number	Claims same or competing product made in the United States	Submission attached	Opposition noted
1	Nova Bus (Interested entity) Frank Ciesla	518-957-2040	No	No	No
2	American Axle and Manufacturing Bill Smith	313-758-4884	No	No	No
3	AxleTech International Lou Bogart	248-637-5626	No	No	No
4	BorgWarner Scott D. Gallett	248-373-3996	No	No	No
5	Chrysler Kristina Pisanelli	202-414-6700	No	No	No
6	Dana Holding Toni Simonetti	734-629-1279	No	No	No
7	Ford Motor Company Michael Sheridan	202-785-6014	Yes	Yes	Yes
8	General Motors Brad Welling	202-775-5041	No	No	No
9	Hendrickson Mark Slingluff	630-910-2800	No	No	No
10	Honda Kent Dellinger	202-664-4411	No	No	No
11	Marmon-Herrington Jason MacGregor	502-253-0277	No	No	No
12	Meritor Jerry Rush	248-435-7907	Yes	Yes	Yes
13	Motor and Equipment Manufacturers Association (MEMA) Catherine Boland	202-312-9241	No	No	No
14	Nissan Yuko Hanada	571-205-4217	No	No	No
15	Toyota Yuri Unno	202-463-6802	No	No	No
16	ZF Bryan Johnson	734-582-8011	No	No	No



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Ford Motor Company
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June 11, 2012

Please see following Ford's responses to questions regarding proposed duty suspension bills for certain automotive parts. Ford respectfully requests that this information be treated as Business Confidential.

- USITC Question: Does your firm have any interest in the proposed duty suspension legislation (e.g., support, oppose, neutral)?
 - Ford Response: Ford does not affirmatively support any of the proposed duty suspension legislation, as explained in more detail in our responses to the following questions. Ford is neutral on H.R. 4954, because our business is not involved with diesel engines of this displacement, less than 1 liter. Ford opposes the three remaining provisions (H.R. 4950, 4951, and 4952) as written, because they apply to all products that are classified under these headings, and, thus may confer a windfall duty reduction benefit to those of Ford's direct competitors that may import parts classified under these tariff headings. Ford believes that these provisions could be more narrowly defined so that only those parts to be imported by the requestor of these provisions would benefit.
- USITC Question: Does your firm produce any of the products described in the bills or competing products in the United States? Is there other U.S. manufacturing of the products described in the bills or competing products? If so, could you provide the names of the firms that make these products?
 - Ford Response: Ford does produce in the United States that would be classified in the tariff headings covered by H.R. 4950 – 4952 (parts of transmissions). Ford also purchases parts that are covered by these tariff headings from suppliers in the United States.
- USITC Question: Does your firm import the products described in these bills? If so, what countries are the major sources of imports for each of these products?
 - Ford Response: Yes, Ford does import some parts that are covered by the tariff headings in these duty suspension bills. The majority of Ford's imports are from NAFTA party countries (Canada and Mexico) and these

parts usually qualify for NAFTA trade preference. Ford does import a very small volume of parts classified under the tariff headings from non-NAFTA countries, but the potential duty savings to Ford is negligible, and Ford is more concerned about a windfall duty advantage to Ford's foreign based OEM competitors which rely on large percentage of imported inputs to assemble in the U.S.

- Will your firm benefit from this bill? If so, can you provide an estimate of the value of imports that will benefit from this bill in each of the next five years? No, Ford will not benefit from these duty suspension bills.
 - Apart from H.R. 4954, Ford is very concerned that its foreign based competition will get a windfall benefit from duty suspension on the transmission parts covered by H.R. 4950 – 4952, which could put Ford at a cost and competitive disadvantage for its own US production as well as the US suppliers of these parts that Ford does business with. If these bills were more narrowly drawn so that imports to be used by the requesting company would be the only effective beneficiaries, rather than the broad based universe of affected imports that the bills as currently drafted would benefit, Ford's position on these bills would be neutral.

If you have any further questions, or need additional information, please do not hesitate to contact the undersigned at the contacts provided above in the letterhead.

Sincerely,

Paul Vandever

Paul Vandever
International Trade Attorney

Cc: Simonetta Verdi, Ford Motor Company



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July 12, 2012

The Honorable Dave Camp
Chairman, House Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Camp:

On behalf of Meritor, a global leader in providing drivetrain and braking solutions for the commercial vehicle and industrial sectors and their related aftermarkets, I am writing to express our opposition to three proposed bills, HR 4950, 4951 and 4952, that would suspend tariffs on certain products used in these vehicle sectors.

As you may know, Meritor, headquartered in Troy, Michigan, is a world leader in supplying brakes, axles, drivelines and suspensions for commercial vehicles, off-highway, military, construction, bus and coach, fire and emergency, and other industrial applications and their related aftermarkets. Our manufacturing facilities are located in states around the country including Ohio, Indiana, North Carolina, South Carolina, Tennessee and Kentucky. It is in these domestic facilities that our company produces drive axles with differential, non-driving axles and gear boxes. We are concerned the legislation to suspend the duty on these products will give a substantial benefit to our foreign competitors and put Meritor's domestic production at a competitive disadvantage. As a result, we wish to register our opposition to the following bills:

H.R. 4950 – a bill to suspend temporarily the duty on certain drive-axles

H.R. 4951 – a bill to suspend temporarily the duty on non-driving axles.

H.R. 4952 – a bill to suspend temporarily the duty on gear boxes

If you have any questions or would like additional information about our product offering in these areas, please do not hesitate to contact me. I can be reached at (248) 435-7907 or jerry.rush@meritor.com.

Thank you for the opportunity to register our opposition.

Sincerely,

Jerry Rush
Senior Director
Government and Community Relations

CC: Deborah A. McNay
U.S. International Trade Commission

112TH CONGRESS
2D SESSION

H. R. 4950

To suspend temporarily the duty on certain drive-axes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 26, 2012

Mr. OWENS introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To suspend temporarily the duty on certain drive-axes.

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 DRIVE-AXLES.**

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:

“	9902.01.00	Drive axes with differential, whether or not provided with other transmission components (provided for in subheading 8708.50.61)	Free	No change	No change	On or before 12/31/2015	”.
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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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