

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

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

[Date approved: January 30, 2006]²

Bill No. and sponsor: H.R. 3414 (Mr. Gary G. Miller of California).

Proponent name, location: Meade Instruments Corp., Irvine, CA.

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

Nature of bill: Extension and expansion of temporary duty suspension through December 31, 2010.³

Retroactive effect: None.

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

Refracting telescopes with 50 mm or smaller lenses and reflecting telescopes with 76 mm or smaller lenses (provided for in subheading 9005.80.40).

Parts of and accessories for telescopes described in heading 9902.02.13 (provided for in subheading 9005.90.80)

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 products include refracting telescopes with 50 mm or smaller lenses and reflecting telescopes with 76 mm or smaller lenses, and parts and accessories therefor. These telescopes work in different ways to give a close up image of a distant object by producing a real image inside a telescope tube. An eyepiece lens views the image in the same way as a magnifying glass. The viewer looks at a very close real image, which therefore appears large. The degree of magnification depends on the power of the eyepiece lens. In the refracting telescope, an objective lens forms the real image that is viewed by the eyepiece lens. The image is upside down. However, an extra convex lens forms an upright real image that the viewer sees through the eyepiece. In the reflecting telescope, a large concave primary mirror forms the real image that is then viewed by an eyepiece lens. Usually a secondary mirror reflects the rays from the primary mirror so that the real image forms beneath the mirror or to the side, making for more convenient viewing. Reflecting telescopes are important in astronomy because the primary mirror can be very wide, which enables it to collect considerable light, making faint objects visible. These telescopes are principally imported from China and Taiwan.

¹ Industry analyst preparing report: Christopher Johnson (202-205-3488); Tariff Affairs contact: Jan Summers (202-205- 2605).

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

³ The complete products are already covered by a duty suspension through Dec. 31, 2006, under HTS heading 9902.02.13; see technical comments section for explanation of separate heading for parts and accessories.

Parts and accessories for these goods include frames, housings, tubes and mountings, motorized drives, and other items. No imports of these goods were reported during 2004; in 2003, \$9,000 in shipments from Germany were reported under subheading 9005.90.80 (which covers other products in addition to the subject goods). The duty rate applicable to the complete telescopes would apply to any good classifiable in subheading 9005.90.80, so that such parts or accessories would be dutiable at 8 percent ad valorem. Because the subject telescopes are commonly imported in finished form, imports of parts and accessories are expected to be small and irregular, and no additional revenue estimate is included in this report. If this duty suspension had been in effect during 2003 and if the German shipments comprised the subject parts or accessories, the revenue loss would have been about \$720.

Estimated effect on customs revenue:

HTS subheading: <u>9005.80.40</u> ^{1/}						
	2005	2006	2007	2008	2009	2010
Col. 1-General rate of duty	8%	8%	8%	8%	8%	8%
Estimated value <i>dutiable</i> imports ^{2/}	\$5,875,000	\$5,875,000	\$5,875,000	\$5,875,000	\$5,875,000	\$5,875,000
Customs revenue loss ^{1/}	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000

^{1/} This product is eligible for duty-free entry under heading 9902.02.13 through December 31, 2006.

^{2/} No data are included on imports now entering free of duty or at reduced duty rates under U.S. free trade agreements or tariff preference programs; such imports may be affected by changes in the general duty rate on the subject goods.

Source of estimated dutiable import data: industry estimates.

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

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
			(Yes/No)	
Meade Instruments Corp. (Proponent) Mark Peterson, 949-451-1450, x. 238 Claire R. Palmer, 202-247-4438	10/28/2005 11/02/2005	No	Yes	No
Bushnell Corp. Darin Stephens, 913-752-3469	10/28/2005 11/02/2005	No	Yes	No
Celestron International Joseph A. Lupica, Jr., 310-328-9560	11/02/2005	No	No	No

Technical comments:⁴

This bill is drafted to create a new HTS heading in chapter 99 to provide a duty suspension for the two categories of finished telescopes. It should have been written merely to change the expiration date in existing heading 9902.02.13 which now provides a duty suspension through December 31, 2006. (If a heading were needed, it should say “No change” in the special rates of duty subcolumn rather than “Free” as in the draft.) As written, the bill adds a second group of goods—namely, parts and accessories, classified in a different HTS rate line—to the duty suspension for the finished telescopes. Customs’ automated entry system may have difficulty in handling two product groupings, the telescopes and their parts/accessories, in a single chapter 99 provision. If Customs requires or prefers a separate heading, we have provided language on page 1 of this report.

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.

Meade Instruments Corp. (Proponent)

Wilmer Cutler Pickering
Hale and Dorr

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August 31, 2005

The Honorable E. Clay Shaw, Jr.
Chairman
Subcommittee on Trade of the Committee on Ways and Means
U.S. House of Representatives
Washington, DC 2

Re: Miscellaneous Duty Suspension Bill H.R. 3414

Dear Congressman Shaw:

I am writing on behalf of Meade Instruments Corporation, a respected Irvine technology company that employs approximately 300 Californians in manufacturing, marketing, and distribution. On Meade's behalf, we write in support of H.R. 3414, a duty suspension bill that would extend the tariff exemption for certain toy telescopes that was passed into law in section 1221 of H.R. 1047, "the Miscellaneous Trade and Technical Corrections Act of 2004".

Before last year's law, all telescopes were subject to an 8% tariff, regardless of whether they are complex instruments costing tens of thousands of dollars, or toys retailing for less than one hundred dollars. Although "toys" are exempt from tariffs, toy telescopes were not. This is not merely illogical but also unfair: unfair to telescope sellers whose products compete against other toys that are duty-free, and unfair to the young consumers of these telescopes. Moreover, these tariffs did not protect any domestic United States industry.

The continued duty waiver would keep children's telescopes on a level playing field with other "toys." The tariff exemption covers the small refracting and reflecting telescopes that are marketed and sold cheaply to children. Meade would like Congress to continue the tariff break-out and duty suspension for refracting telescopes with 50mm (or smaller) lenses and reflecting telescopes with 76mm (or smaller) lenses. These telescopes typically retail for \$30 to \$80 each.

The remainder of this letter briefly explains how (1) these telescopes are effectively toys; (2) a waiver does not threaten any domestic interests; and (3) a waiver will be revenue neutral. Telescopes of these types are effectively toys, and thus should be exempted from tariff

Refracting telescopes with 50mm lenses, and reflecting telescopes with 76mm lenses, are not designed for scientific or professional use. They are less powerful than such adult telescopes because they are manufactured for the amusement of children. Rather than allowing a professional study of the sky, these simple telescopes permit children to gaze at the sky and imitate serious astronomers. They are also marketed and retailed as toys. The packaging material for the "Meade Jupiter" telescope, for example, reads: "Recommended for ages 8 and up. Adult supervision recommended." Telescopes of this size and power (whether imported and sold by Meade or one of its

competitors) are sold almost exclusively in toy stores such as Toys R Us, or as toys in general retail stores such as Wal-Mart.

This tariff exemption would not threaten any domestic industries

Meade Instruments Corporation and Bushnell/Tasco are the two major domestic toy telescope sellers. The toys sold by these companies involve low-end manufacturing, and thus cannot be cost-effectively manufactured in the United States. Both companies import their toy telescopes. Meade is unaware of any domestic manufacturer, and is moreover unaware of any company that would find it profitable to manufacture such telescopes in the United States. There was no controversy or opposition to the duty suspension on telescopes in the past bill and there is none of which we are aware now.

A tariff exemption for these telescopes will be revenue neutral

According to CBO guidelines, a tariff exemption is considered revenue neutral if the total budget impact will be less than \$500,000. Meade's competitor in this industry is privately held, and thus does not publish sales figures. Nonetheless, Meade's knowledge of the market and familiarity with its competitor makes us quite confident that the revenue impact will be under that figure.

Meade's industry information is that domestic retailers currently import roughly 450,000 refracting telescopes of 50mm or less. The average import value is \$12, meaning that the foregone tariffs would be roughly \$430,000.

Reflecting telescopes of 76mm or less add an insignificant amount to the total. Domestic retailers import roughly 25,000 units. The average import value is \$20, meaning that the foregone tariffs from refracting telescopes will be only an additional \$40,000.

Thus, the total revenue impact of our proposed duty waiver would be roughly \$470,000.

Conclusion

Meade Instruments Corporation respectfully requests that Congress pass a duty suspension bill extending the duty suspension on toy telescopes for the following reasons:

" The 8% duty adversely affects the U.S. companies that import toy telescopes, without benefiting any domestic manufacturers

" These companies create jobs and growth in California, as well as elsewhere in the country

" The duty makes it more difficult for children to choose toy telescopes vs. other toys

" These telescopes are substantially different in construction, use and ability from other telescopes

" There is no opposition to, or controversy with, this duty-suspension request

" The revenue loss to the U.S. government would be de minimis

If you have any questions, comments or concerns, please do not hesitate to contact me or my colleague Claire Palmer (202-663-6781).

Best regards,
Peggy Clarke

Bushnell Performance Optics, November 2, 2005

-----Original Message-----

From: Darin Stephens [mailto:dstephens@bushnell.com]
Sent: Wednesday, November 02, 2005 9:49 AM
To: Johnson, Christopher; Laura Olinger
Subject: RE: Congressional Proposal for Extension of Customs Duty Suspension for Certain Optical Telescopes

Mr. Johnson,

Thank you for the update on this proposed legislation. I spoke with someone, from your office I believe, regarding this legislation several weeks ago. We would not object to this legislation as it would benefit our company on some of the imports we currently have.

The heading is a little unclear to us however. What do the terms, "free", "free", and "no change" mean? When is this bill up for a vote? Could you keep us informed of its progress?

Thanks in advance.
Darin Stephens
Product Line Manager
Astronomical Telescopes
Bushnell Outdoor Products

-----Original Message-----

From: Christopher.Johnson@usitc.gov [mailto:Christopher.Johnson@usitc.gov]
Sent: Wednesday, November 02, 2005 8:37 AM
To: Darin Stephens; Laura Olinger
Subject: FW: Congressional Proposal for Extension of Customs Duty Suspension for Certain Optical Telescopes

Mr. Stephens,/Ms. Olinger:

Ms. Barbara Skinner indicated that one of you may be able to assist me with regard to the attached proposed Congressional bill to extend the suspension of import duties on certain low-cost telescopes. Meade had been the original proponent of the bill. We are responsible for providing a report to House Ways & Means analyzing the potential trade and revenue effects of the bill.

We would appreciate your views of the legislation (for or against) and whether or not you know if there is any remaining US production of the telescopes identified in the attached bill, HR 3414.

Thank you very much,

Chris Johnson.

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109TH CONGRESS
1ST SESSION

H. R. 3414

To suspend temporarily the duty on certain refracting and reflecting
telescopes.

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2005

Mr. GARY G. MILLER of California introduced the following bill; which was
referred to the Committee on Ways and Means

A BILL

To suspend temporarily the duty on certain refracting and
reflecting telescopes.

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 REFRACTING AND REFLECTING TELE-**

4 **SCOPES.**

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:

“	9902.90.05	Refracting telescopes with 50 mm or smaller lenses and reflecting telescopes with 76 mm or smaller lenses, and parts and accessories thereof (provided for in subheading 9005.80.40)	Free	Free	No change	On or before 12/31/2010	”.
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1 (b) **EFFECTIVE DATE.**—The amendment made by
2 subsection (a) applies with respect to goods entered, or
3 withdrawn from warehouse for consumption, on or after
4 the 15th day after the date of the enactment of this Act.

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