

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 111th Congress¹**

[Date approved: April 23, 2010]²

Bill No. and sponsor: S. 2645 (Mr. Jim Bunning of Kentucky).

Proponent name,³ location: Hitachi Automotive Products (USA), Inc., Harrodsburg, KY.

Other bills on product (111th Congress only): None.

Nature of bill: Temporary duty reduction through December 31, 2011.⁴

Retroactive effect: None.

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

Inverters (provided for in subheading 8504.40.95) for converting DC battery output to three-phase AC output and designed to power an electric drive motor, certified by the importer for use in hybrid electric vehicles.

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:

This product is an inverter designed for use in hybrid electric vehicle (HEV) power systems. The subject inverter converts direct current (DC) battery output in order to provide three-phase alternating (AC) output to the electric drive motor of the HEV. This device controls the rotational speed of the electric motors, which in turn power the road wheels of the HEV. The proponent's inverters will be imported from Japan.

¹ Industry analyst preparing report: Linda White (202-205-3427); Tariff Affairs contact: Jan Summers (202-205-2605).

² Access to an electronic copy of this memorandum is available at http://www.usitc.gov/tariff_affairs/congress_reports/.

³ The sponsor/proponent did not identify any additional beneficiaries of this bill.

⁴ The title of the proposed legislation states that it would provide a temporary duty suspension; however, the proposed new HTS heading would provide a temporary duty reduction (see technical comments section).

Estimated effect on customs revenue for the subject product classifiable in HTS subheading 8504.40.95:

	2010	2011	2012	2013	2014
Col. 1-General rate of duty	1.5%	1.5%	1.5%	1.5%	1.5%
Estimated value <i>dutiable</i> imports ^a	\$49,000,000	\$112,000,000	\$142,000,000	\$142,000,000	\$142,000,000
Customs revenue loss ^{b c}	\$245,000	\$560,000	\$710,000	\$710,000	\$710,000

a/ Dutiable import estimates were based on industry information.

b/ The estimated customs revenue loss is based on a temporary reduction of the general rate of duty from 1.5 percent ad valorem to 1 percent ad valorem, a reduction of 0.5 percentage points (see technical comments section).

c/ At the request of Congress, customs revenue loss is provided for 5 years, although the effective period of the proposed legislation may differ.

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)		
Hitachi Automotive Parts (USA), Inc. (Proponent) Doug Bowling, 859-734-8087	02/08/2010	No	No	No
American Honda Motor Company, Inc. Toni Harrington, toni_harrington@hna.honda.com	01/21/2010	No	No	No
Chrysler Group LLC Kathleen Hennessey, kmh17@chrysler.com	01/21/2010	No	No	No
Delphi Automotive LLP Dina Vizzaccaro, dina.vizzaccaro@delphi.com	01/21/2010	No	No	No
Denso International America, Inc. Bill Steffan, bill_steffan@denso-diam.com	01/21/2010	No	No	No
Ford Motor Company J. T. Young, jyoun134@ford.com	01/21/2010	No	No	No
General Motors Company Tori Barnes, victoria.barnes@gm.com	01/21/2010	No	No	No
Motor & Equipment Manufacturers Association Catherine Boland, cboland@MEMA.org	01/21/2010	No	No	No
Nissan North America Yuko Hanada, yuko.hanada@Nissan-Usa.com	01/21/2010	No	No	No
Robert Bosch LLC Norman Johnson, norman.johnson@us.bosch.com	01/21/2010	No	No	No
Toyota Motor Sales, USA, Inc. David Vennett, dvennett@tma.toyota.com	01/21/2010	No	No	No

Name of firm/organization	Date contacted	Claim US makes same or competing product(s)?	Submission attached?	Opposition noted?
		(Yes/No)		
Visteon Corp. Lydia Brennan, lbrennan@visteon.com	01/21/2010	No	No	No

Technical comments:⁵

It is suggested that the article description of the proposed heading be amended to read as shown on page 1. The appropriate HTS subheading reference was moved so that it would immediately follow the product of interest (inverters) to clarify that this subheading applies to the subject goods and not to the end-use product (hybrid electric motor vehicles). The duty rate in the general rates of duty column should appear as “1%” rather than as “1.0%” to conform to HTS usage.

We note that the title of the bill (which has no legal significance) states that it is a bill to suspend temporarily the duty on the subject product. However, the proposed new heading is drafted to provide a duty reduction to 1 percent ad valorem, which would be a reduction of 0.5 percentage point. The customs revenue loss shown in the table above was obtained based upon the bill as drafted, although the proponent has indicated it had desired a duty suspension. The bill’s title could be modified if the new HTS heading is enacted as drafted, to reduce confusion.

⁵ 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.

111TH CONGRESS
1ST SESSION

S. 2645

To suspend temporarily the duty on hybrid electric vehicle inverter.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 2, 2009

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

A BILL

To suspend temporarily the duty on hybrid electric vehicle inverter.

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. HYBRID ELECTRIC VEHICLE INVERTER.**

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	Inverters for converting DC battery output to three phase AC output used to power an electric drive motor, certified by the importer for use in hybrid electric vehicles (provided for in subheading 8504.40.95)	1.0%	No change	No change	On or before 12/31/2011	”.
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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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