

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

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

[Date approved: October 10, 2006]²

Bill No. and sponsor: S. 3085 (Mr. Sam Brownback of Kansas).

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

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

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

Retroactive effect: None.

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

Parts or subassemblies of machines designed for use in attaching aircraft skin panels of composite materials to airframes (provided for in subheading 8466.92.50).

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 automated machines for which the imported goods are intended are used to install fasteners into aircraft exterior skin panels made of composite materials. The fasteners hold the composite material panels to a substructure component of the airframe. Because of its large size, the machine likely is imported as parts or subassemblies, in particular the heads and lower rams. The principal source of such parts and subassemblies is Germany.

Estimated effect on customs revenue:

We note that machines used for the purpose described above are not purchased on a regular or annual basis by aircraft manufacturers. Also, we note that we are basing this entire report on our understanding of somewhat incomplete or unclear information available from the proponent firm.

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.

HTS subheading: 8466.92.50					
	2006	2007	2008	2009	2010
Col. 1-General rate of duty					
Col. 1-General rate of duty	4.7%	4.7%	4.7%	4.7%	4.7%
Estimated value <i>dutiable</i> imports	\$10,000,000	\$8,500,000	\$0	\$0	\$0
Customs revenue loss	\$470,000	\$399,500	\$0	\$0	\$0

Source of estimated dutiable import data: Commission estimates based on industry information; figures for 2008 through 2010 reflect industry information that no imports are currently projected.

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?
Spirit AeroSystems, Inc. (Proponent) Dave Adams, 316-523-4312	07/24/2006	No	No	No
Boeing Co. Greg Dole, 703-465-3619	08/08/2006	No	No	No
Electroimpact, Inc. John Hartmann, 425-348-8090	08/01/2006	Yes	Yes	Yes
Gemcor II Bill Mangus, 716-674-9300	08/03/2006	No	No	No
Triumph Group, Inc. Jeffry Frisby, 336-766-9036	08/07/2006	No	No	No
Vought Aircraft Industries, Inc. Janie Haga, 972-946-0749	08/07/2006	Yes	Yes	Yes

Technical comments:³

It is suggested that the proposed article description be modified as shown on page 1. The Commission recommends deleting “Brotje,” which is the name of the company that manufactures the subject product. The suggested language clarifies the purpose and use of the machine. It should be noted that a provision for finished machines is not included, because the complete machines are not imported as a unit. We defer to Customs as to whether its ability to administer the proposed measure would be enhanced if an importer certification requirement might be added, so that Customs need not assess whether a given part is being entered for use in a machine intended for the specified use.

³ 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.



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.



Vice President, Washington
Operations

Letter No. C-72600/L6-056
August 24, 2006
Page Two

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,

A handwritten signature in black ink, appearing to read "Mick McKeown". The signature is written in a cursive, somewhat stylized script.

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

109TH CONGRESS
2^D SESSION

S. 3085

To suspend temporarily the duty on Brotje upper heads and lower rams for skin fastener 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 Brotje upper heads and lower rams for skin fastener 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. BROTJE UPPER HEADS AND LOWER RAMS FOR**
4 **SKIN FASTENER 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:

“	9902.84.66	Brotje upper heads and lower rams for skin fastener machines (provided for in subheading 8466.92.50)	Free	No change	No change	On or before 12/31/2009	”.
---	------------	------------------------------------------------------------------------------------------------------------	------	-----------	-----------	-------------------------	----

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.

○