

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress ¹**

[Date approved: September 28, 2006]²

Bill No. and sponsor: S. 3602 (Mr. Jim Bunning of Kentucky).

Proponent name, location: Marmon-Herrington, Louisville, KY.

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

Nature of bill: Permanent duty-free treatment.

Retroactive effect: None.

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

<u>HTS subheading</u>	<u>Article description</u>	<u>Col. 1 rate of duty</u>
8708.50.40	For vehicles of heading 8703: Axles of double reduction (planetary) design with capacity of 5,896 kg or more but not over 11,793 kg and hub reduction from 3.46:1 to 3.95:1, designed for use with brakes with linings measuring approximately 41.9 cm x 17.8 cm	Free
8708.50.45	Axles of single reduction design with capacity of 3,628 kg or more but not over 5,896 kg, with spindle length of 140 mm, each with inner bearing seat of approximately 79.94 to 79.97 mm and outer bearing seat of approximately 76.17 to 76.19 mm	Free
8708.50.60	Other	2.5%
8708.50.70	For other vehicles: Axles of double reduction (planetary) design with capacity of 5,896 kg or more but not over 11,793 kg and hub reduction from 3.46:1 to 3.95:1, designed for use with brakes with linings measuring approximately 41.9 cm x 17.8 cm	Free
8708.50.75	Axles of single reduction design with capacity of 3,628 kg or more but not over 5,896 kg, with spindle length of 140 mm, each with inner bearing seat of approximately 79.94 to 79.97 mm and outer bearing seat of approximately 76.17 to 76.19 mm	Free
8708.50.90	Other	2.5%

¹ Industry analyst preparing report: Deborah McNay (202-205-3425); 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.

8708.99.66 Transfer cases with torque input designs from 11,012 kg/m or more but not over 29,614 kg/m, with air-actuated 2-speed function, each with housing designed for use with torque-proportioning differential output shafts

Free

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 motor-vehicle axles of double and single reduction design and of motor vehicle transfer cases. Axles of double reduction design have two sets of reduction gears that provide slow rotation and high torque, characteristics often desired for heavy trucks, other commercial vehicles, and off-road vehicles. Single reduction axles, by implication, obtain reduction through a single set of gears. These axles reduce the input speed (from the engine or driveshaft, for example) to a lower output speed (to the wheels). Transfer cases split the engine torque from the transmission and send it to both the front and rear axles to create a four-wheel drive system. In the case of the proponent’s goods, these motor-vehicle components are packaged after importation into kits that are largely used to convert motor vehicles into four-wheel drive vehicles for off-road use. The principal import sources of these products are Austria and Hungary.

Estimated effect on customs revenue:

Total Estimated Revenue Loss for this Bill					
 	2006	2007	2008	2009	2010
Customs revenue loss	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000

Source of estimated dutiable import data: Industry and Commission estimates.

HTS subheading: <u>8708.50.40</u>					
 	2006	2007	2008	2009	2010
Col. 1-General rate of duty (AVE)	2.5%	2.5%	2.5%	2.5%	2.5%
Estimated value <i>dutiable</i> imports	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
Customs revenue loss	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500

Source of estimated dutiable import data: Industry and Commission estimates.

HTS subheading: <u>8708.50.45</u>					
	2006	2007	2008	2009	2010
Col. 1-General rate of duty (AVE)	2.5%	2.5%	2.5%	2.5%	2.5%
Estimated value <i>dutiable</i> imports	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Customs revenue loss	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000

Source of estimated dutiable import data: Industry and Commission estimates.

HTS subheading: <u>8708.50.70</u>					
	2006	2007	2008	2009	2010
Col. 1-General rate of duty (AVE)	2.5%	2.5%	2.5%	2.5%	2.5%
Estimated value <i>dutiable</i> imports	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
Customs revenue loss	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500

Source of estimated dutiable import data: Industry and Commission estimates.

HTS subheading: <u>8708.50.75</u>					
	2006	2007	2008	2009	2010
Col. 1-General rate of duty (AVE)	2.5%	2.5%	2.5%	2.5%	2.5%
Estimated value <i>dutiable</i> imports	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Customs revenue loss	\$87,500	\$87,500	\$87,500	\$87,500	\$87,500

Source of estimated dutiable import data: Industry and Commission estimates.

HTS subheading: <u>8708.99.66</u>					
	2006	2007	2008	2009	2010
Col. 1-General rate of duty (AVE)	2.5%	2.5%	2.5%	2.5%	2.5%
Estimated value <i>dutiable</i> imports	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000
Customs revenue loss	\$112,500	\$112,500	\$112,500	\$112,500	\$112,500

Source of estimated dutiable import data: Industry and Commission estimates.

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?
Marmon-Herrington (Proponent) BJ Shannon (Alston & Bird), 202-756-3344	08/18/2006	No	No	No
Accuride Corporation Terrence J. Keating, 812-926-5070	08/30/2006	Yes	Yes	Yes
American Axle & Manufacturing Carrie Gray, 313-758-4880	08/30/2006	No	No	No
ArvinMeritor Jerry Rush, 248-435-1000	08/30/2006	No	No	No
Axle Tech International Peter Rogers, 248-435-1085	08/30/2006	No	No	No
Dana Corporation Edward McNeal, 419-535-4500 Matthew T. McGrath, 202-628-4700	08/30/2006	Yes	Yes	Yes
Fabco Automotive Stefan Kohlgruber, 925-454-9500	08/30/2006	No	No	No

Technical comments:³

The modified article descriptions shown on page 1 are suggested, taking into account information from the proponent and discussions with Customs and Border Protection (CPB) import specialists, to reflect language recommendations by CPB designed to improve its ability to administer the new provisions. We note that the separate provisions set forth above cover the various axles and the transfer cases if they are presented to CBP separately, and are packaged as kits after entry; if instead the proponent imports a finished kit, we suggest that the draft provisions be reexamined in light of CBP’s input on the appropriate classification of such kits.

The Commission suggests that the proposed HTS subheadings should be introduced as temporary duty suspension provisions rather than permanent changes to the HTS, to allow CPB to evaluate its ability to administer the provisions and to compile import data and determine the revenue impact. However, if the provisions are enacted as permanent measures, it would be helpful to add the symbol “BH,” after the free duty rate in each special rate of duty subcolumn to indicate the rate provided under the U.S.-Bahrain Free Trade Agreement. Also, the “Free” duty rate in the special subcolumn for new 8708.50.40, 8708.50.70, and 8708.99.66 should be deleted, because all goods of preference-eligible countries are eligible for the proposed general duty rate of free for these subheadings without elaborate documentation. Last, if the transfer cases are being removed from existing HTS subheading 8708.99.67, normal practices in the HTS dictate that the latter should be redesignated to reflect its reduced coverage; the provision could be redesignated as 8708.99.68.

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.

109TH CONGRESS
2^D SESSION

S. 3602

To provide duty-free treatment for certain parts of motor vehicles.

IN THE SENATE OF THE UNITED STATES

JUNE 29, 2006

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

A BILL

To provide duty-free treatment for certain parts of motor vehicles.

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 AXLES WITH DIFFERENTIAL AND**
4 **PARTS FOR POWER TRAINS.**

5 (a) CERTAIN AXLES.—Chapter 87 of the Harmonized
6 Tariff Schedule of the United States is amended—

7 (1) by striking subheading 8708.50.50 and in-
8 serting in numerical sequence the following new sub-
9 headings and superior text thereto, with the article
10 description for subheadings 8708.50.40 and

1 8708.50.60 having the same degree of indentation as
 2 the description for subheading 8708.50.10:

“	8708.50.40	For vehicles of heading 8703: Axles of either double reduction (planetary) design with 13,000 to 26,000 lb capacity, hub reduction from 3.46:1 to 3.95:1, and for use with brakes with 16.5 x 7 inch linings, or of single reduction design suited to run with both hydraulic disc and air brake hubs and with 8,000 to 13,000 lb capacity	Free	Free	25%	
	8708.50.60	Other	2.5%	Free (A, AU, B, CA, CL, E, IL, J, JO, MA, MX, P, SG)	25%	”; and

3 (2) by striking subheading 8708.50.80 and in-
 4 serting in numerical sequence the following new sub-
 5 headings and superior text thereto, with the article
 6 description for subheadings 8708.50.70 and
 7 8708.50.90 having the same degree of indentation as
 8 the article description for subheading 8708.50.10:

“	8708.50.70	For other vehicles: Axles of either double reduction (planetary) design with 13,000 to 26,000 lb capacity, hub reduction from 3.46:1 to 3.95:1, and for use with brakes with 16.5 x 7 inch linings, or of single reduction design suited to run with both hydraulic disc and air brake hubs and with 8,000 to 13,000 lb capacity	Free	Free	25%	
	8708.50.90	Other	2.5%	Free (A, AU, B, CA, CL, E, IL, J, JO, MA, MX, P, SG)	25%	”.

9 (b) CERTAIN PARTS FOR POWER TRAINS.—Chapter
 10 87 of the Harmonized Tariff Schedule of the United
 11 States is amended by inserting in numerical sequence the
 12 following new subheading, with the article description for

1 subheading 8708.99.66 having the same degree of inden-
 2 tation as the description for subheading 8708.99.64:

8708.99.66	Transfer cases with torque input designs from 7,400 lb-ft to 19,900 lb-ft, with air-actuated 2-speed function, and with housing designed for use with torque-proportioning differential output shafts	Free			25%	
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3 (c) EFFECTIVE DATE.—The amendments made by
 4 subsections (a) and (b) apply to goods entered, or with-
 5 drawn from warehouse for consumption, on or after the
 6 15th day after the date of the enactment of this Act.

