MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress ¹

[Date approved: October 10, 2006]²

Bill No. and sponsor:  S. 3086 (Mr. Sam Brownback of Kansas).

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

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


Retroactive effect:  None.

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

Machines designed to form composite materials into aircraft nose wheel wells, to trim such materials and to fasten such wheel wells to airframes (provided for in subheading 8465.94.00).

Check one:  
  Same as that in bill as introduced.
  X Different from that in bill as introduced (see Technical comments section).

Product information, including uses/applications and source(s) of imports:

The subject machines are large industrial apparatuses used for shaping composite materials to form aircraft nose wheel wells. These machines fasten using one-sided fasteners and trim composite materials for an aircraft nose wheel well, then attach the formed materials to the adjoining outer airframe skin and understructure assemblies surrounding the aircraft nose wheel well. The machines are imported from 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).
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.

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<th>HTS subheading: 8465.94.00</th>
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<td>Col. 1-General rate of duty</td>
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<td>Estimated value of duty</td>
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<td>Customs revenue loss</td>
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<th>Contacts with domestic firms/organizations (including the proponent):</th>
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<td>Name of firm/organization</td>
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<tr>
<td>Spirit AeroSystems, Inc. (Proponent)</td>
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<tr>
<td>Dave Adams, 316-523-4312</td>
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<td>Boeing Co.</td>
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<td>Greg Dole, 703-465-3619</td>
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<td>Electroimpact, Inc.</td>
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<td>John Hartmann, 425-348-8090</td>
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<td>Gemcor II</td>
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<td>Bill Mangus, 716-674-9300</td>
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<td>Triumph Group, Inc.</td>
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<td>Jeffry Frisby, 336-766-9036</td>
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<tr>
<td>Vought Aircraft Industries, Inc.</td>
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<td>Janie Haga, 972-946-0749</td>
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Technical comments:

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 parts of the subject machines are not included in this bill.

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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.
August 24, 2006  

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.
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,

Mick McKeown, D.M.D.
Vice President, Washington Operations
Vought Aircraft Industries, Inc.
To suspend temporarily the duty on Brotje nose wheel well 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 nose wheel well machines.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. BROTJE NOSE WHEEL WELL MACHINES.

(a) In General.—Subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States is amended by inserting in numerical sequence the following new heading:

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| 9902.84.65 | Brotje nose wheel well machines (provided for in subheading 8465.94.00) ...... | Free | No change | No change | On or before 12/31/2009 |
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(b) Effective Date.—The amendment made by subsection (a) applies to goods entered, or withdrawn from
warehouse for consumption, on or after the 15th day after
the date of the enactment of this Act.