

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

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

[Date approved: May 3, 2010]²

Bill No. and sponsor: S. 2232 (Mrs. Dianne Feinstein of California).

Proponent name,³ location: CamelBak, Petaluma, CA.

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

Nature of bill: Temporary duty suspension through December 31, 2011.

Retroactive effect: None.

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

Insulated hydration systems, each comprising a bag with outer surface of textile materials, having an interior flexible container of plastics designed for storing and dispensing potable beverages through attached flexible tubing and with liquid capacity of 1.3 liters or more but not over 2 liters, such bags also having cargo capacity of not over 1819 cm³ (provided for in subheading 4202.92.04 or 4202.92.08).

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 are hands-free hydration systems integrating specially designed insulated beverage carriers into bags or backpacks so that the beverages can be consumed even while the bags' users hike or pursue other activities. According to the proponent, the hydration systems of interest for purposes of this bill have a hydration capacity of from 1.3 to 2 liters, as well as a cargo capacity of not more than 1819 cubic centimeters (111 cubic inches). However, the bill was drafted more broadly and does not contain any capacity limitations, so that as drafted it would cover goods of HTS subheading 4202.92.04 and an unknown portion of all goods of subheading 4202.92.08. The proponent reportedly designs these products for athletes who wish to carry little weight or gear, among them serious athletes such as distance runners, tri-athletes, or cyclists; children; and persons who want the hydration capability at a low price point and do not plan to carry other items. The products are typically sold in retail stores dedicated to sporting goods and outdoor activities. The subject products are imported from the Philippines, Vietnam, Israel, China, and Mexico.⁴ Total dutiable imports from these countries under HTS subheading 4202.92.04 were \$55,000, \$484,000, \$1,000, \$3.2 million, and \$3.5 million, respectively, in 2009; duty-

¹ Industry analyst preparing report: Don Sussman (202-205-3331); 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 Although the Philippines is a designated beneficiary developing country for purposes of the Generalized System of Preferences (GSP), HTS subheading 4202.92.08 is not designated as eligible for GSP benefits. Goods of Mexico under the terms of general note 12 to the HTS may be eligible for duty-free entry under the North American Free Trade Agreement, provided that they originate wholly within the three countries that are members of that agreement or comply with the terms of tariff classification rule 9 for chapter 42, as set forth in HTS general note 12(t). Products of Israel may be eligible for duty-free entry under the U.S.-Israel Free Trade Area; see HTS general note 8.

free imports from Philippines and from Israel were approximately \$4.1 million and \$640,000, respectively. Total dutiable imports under HTS subheading 4202.92.08 were approximately \$138.9 million, of which \$134.5 million came from China and \$1.2 million from Vietnam; Hong Kong supplied \$1.2 million of products classifiable in this subheading and Thailand about \$1 million.

Estimated effect on customs revenue for all the subject products covered in this bill:

	2010	2011	2012	2013	2014
Total customs revenue loss	\$959,000	\$1,029,000	\$1,134,000	\$1,183,000	\$1,204,000

Estimated effect on customs revenue for the subject product classifiable in HTS subheading 4202.92.04:

	2010	2011	2012	2013	2014
Col. 1-General rate of duty	7%	7%	7%	7%	7%
Estimated value <i>dutiable</i> imports ^a	\$9,000,000	\$10,000,000	\$11,500,000	\$12,200,000	\$12,500,000
Customs revenue loss ^b	\$630,000	\$700,000	\$805,000	\$854,000	\$875,000

a/ Dutiable import estimates were based on official Government statistics; information from industry sources indicated a higher level of imports might occur, but these figures greatly exceeded recent years' reported dutiable imports. It is believed that the official data likely overstate actual imports of the product described by the proponent as being of interest, a narrower category than is covered by the rate line.

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

Estimated effect on customs revenue for the subject product classifiable in HTS subheading 4202.92.08:

	2010	2011	2012	2013	2014
Col. 1-General rate of duty	7%	7%	7%	7%	7%
Estimated value <i>dutiable</i> imports ^a	\$4,700,000	\$4,700,000	\$4,700,000	\$4,700,000	\$4,700,000
Customs revenue loss ^b	\$329,000	\$329,000	\$329,000	\$329,000	\$329,000

a/ Dutiable import estimates were provided by industry sources.

b/ 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)	
CamelBak (Proponent) Jennifer Mulveny, 202-471-3234	01/29/2010	No	No	No
Cascade Designs, Inc. Joe McSwiney, 206-676-1440	02/17/2010	Yes	Yes	Yes
Outdoor Industry Association Alex Boian, 303-327-3509	01/29/2010	No	No	No
Travel Goods Association Nate Herman, 703-797-9062	01/29/2010	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, to conform more closely to normal HTS usage and to set forth units of measure in metric terms only. As noted above, the proponent expressed an intent to cover a narrower range of goods than was suggested by the proposed heading in the bill, and we have incorporated this information in the suggested article description.

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.

From: Joe McSwiney [mailto:Joe.McSwiney@CascadeDesigns.com]
Sent: Wednesday, February 17, 2010 3:00 PM
To: Sussman, Donald
Cc: Alex Boian
Subject: Bills S2231, S2232, S2265, S2266, S2275

Mr, Sussman,

I refer to Senate Bills S2231, S2232, S2265, S2266, S2275. These bills seek to suspend tariffs on a variety of insulated hydration systems with textile coverings (i.e. packs) and tubes attached. Cascade Designs Inc. manufactures a full range of accessory hydration systems under the brand Platypus® in our plants in Seattle for supply to the consumer market and to OEM pack customers. When combined with a pack, our product is equivalent to the product designated for tariff suspension.

The proposed tariff suspension will give significant advantage to packs shipped complete with hydration systems over packs imported or manufactured in the US without hydration systems included. Given that our consumer market for accessory hydration systems consists entirely of sales to owners of packs without included hydration systems, the consumer will be motivated to prefer packs that include imported hydration systems and our market for the US manufactured accessory hydration systems will be accordingly diminished. Furthermore, potential OEM customers will be motivated to switch to procuring imported packs with imported hydration systems to avail of the tariff suspension and this will reduce competitiveness of US made hydration system components. We also export from our plants in Seattle and the viability of this activity is dependent on a healthy domestic market. Therefore the proposed Bills will put US manufacturing jobs and US exports at risk.

We respectfully request that the proposed bills are not allowed to proceed. Let me know if you require additional information or action from Cascade Designs Inc. to support your decision.

Sincerely,

Joe Mc Swiney
President
CASCADE DESIGNS Inc.
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Platypus® MSR® Therm-a-Rest® SealLine® Tracks® Varilite® SkyLounger®
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111TH CONGRESS
1ST SESSION

S. 2232

To suspend temporarily the duty on certain hydration systems.

IN THE SENATE OF THE UNITED STATES

OCTOBER 29, 2009

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

A BILL

To suspend temporarily the duty on certain hydration systems.

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 HYDRATION SYSTEMS.**

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	Insulated hydration systems with an outer surface of textile materials whose interior incorporates a flexible plastic container of a kind for storing and dispensing potable beverages through attached flexible tubing (provided for in subheading 4202.92.04 or 4202.92.08)	Free	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.

