

BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Comments In Support of H.R. 5094, a Bill to Reduce Temporarily the Duty on Certain Alternating Current Motor Assemblies of an Output Exceeding 74.6 Watts But Not Exceeding 105 Watts Equipped With A Capacitor Rated Not Over 4 Microfarads

Lasko Products, Inc. supports the enactment of H.R. 5094, a bill that would reduce temporarily from 4.0% to 1.0% the duty on imports of an alternating current motor assembly used in Lasko's production of certain household "box" fans.

Lasko is a United States manufacturer of portable electric fans for household use. Lasko employs approximately 908 workers at plants located in Pennsylvania, Tennessee, and Texas. The company is currently celebrating its 106th year in business. It is still family owned and operated.

Enactment of H.R. 5094 will significantly enhance Lasko's ability to compete against finished electric fans imported from China and elsewhere, thereby enabling Lasko to avoid cost cutting measures that could lead to the loss of American jobs and investment. The motor component of the assembly described in H.R. 5094 is not manufactured in the United States. Consequently, Lasko must import the assembly in order to continue manufacturing finished box fans in the United States. In that context, import duties on this motor assembly were suspended through December 31, 2009 pursuant to the 2006 MTB. Since January 2010, the duties that Lasko has paid on this motor assembly have increased its production costs, adversely affecting the company's ability to compete with low-cost finished box fans imported largely from manufacturers in China.

The temporary duty reduction from 4.0% to 1.0% on the subject motor assembly will not harm any U.S. industry because no manufacturer in the United States can produce the motor component of the assembly. Nor will it result in an excessive reduction in duty revenue collections -- reducing the rate of duty rather than suspending it ensures that the annual revenue loss will be less than \$500,000. A duty reduction on this motor assembly will, however, help to improve Lasko's ability to compete in the U.S. market against low-priced imported box fans.

The Subject Motor Assembly

The motor assembly that is the subject of H.R. 5094 is a specific type of capacitor-start, single phase alternating current electric motor assembly equipped with a rotary speed control mechanism and a patented motor mount cooling ring. It is used by Lasko to manufacture some models of its box-type portable household electric fans. A significant product characteristic is that the start-up capacitor has a capacitance that is not greater than 4 μF ("microfarads").

H.R. 5094 is thus narrowly drafted to apply only to motor assemblies comprising AC electric motors within a specific and relatively narrow power output range equipped with a capacitor rated not over 4 microfarads, a rotary speed control mechanism, and a motor mount cooling ring. Motor assemblies meeting this description can only be used in the production of box fans for household use.

Imports of this motor assembly are classifiable under subheading 8501.40.40 of the Harmonized Tariff Schedule of the United States. Pursuant to the 2006 MTB, they were classifiable under subheading 9902.85.07. For purposes of the legislation, the motor assembly is described as follows:

AC electric motors of an output exceeding 74.6 Watts but not exceeding 105 Watts, single phase; each equipped with a capacitor rated not over 4 microfarads, a rotary speed control mechanism, and a motor mount cooling ring.

As has been the case since 2006, all small motors classifiable under HTSUS Heading 8501 that do not fit this description would remain dutiable at 4.0% (unless they are separately subject to specific duty suspensions or reductions).

Why a Temporary Duty Reduction is Necessary

Despite increased foreign competition, particularly from China, Lasko has made a concerted effort to continue manufacturing its products in the United States. As part of this effort, Lasko has made capital investments in its manufacturing facilities exceeding \$6.4 million over the past three years. Lasko uses over 65 injection molding machines, three body manufacturing cells, ten assembly lines, and five automatic palletizing lines to produce its various electric fan products in the United States. Its U.S. factories run five (and sometimes seven) days per week, 24 hours per day.

Lasko attempts to source as many manufacturing components as possible in the United States. However, it is necessary for Lasko to import the subject motor assembly, as no U.S. manufacturer produces the motor component. In addition, Lasko has experienced increased production costs from the rising prices of component materials such as plastic, aluminum, and copper. A reduction of import duties on the subject motor assembly would help offset cost increases and would help Lasko to avoid such cost-cutting measures as outsourcing fan production.

There is only one U.S. manufacturer of box fans other than Lasko. The majority of Lasko's competition in the U.S. market comes from China in the form of finished box fans. These imports undercut the prices at which Lasko can sell its finished fans in the United States, making competition difficult. A reduction of the duty on the subject motor assembly will enable Lasko to compete more effectively against imported fans, preserve its investment in U.S. manufacturing, and save American jobs.

H.R. 5094 is Non-Controversial

Reducing import duties on the motor assembly described in H.R. 5094 will not injure any U.S. industry. As noted above, there are no U.S. manufacturers of the motor component of the assembly described in the bill, and the motor assembly cannot be sourced from a U.S. manufacturer. Thus, the narrow scope of H.R. 5094 ensures that its enactment will not harm members of any domestic industry. Instead, enactment of H.R. 5094 will have the sole effect of making Lasko more competitive against imports of finished box fans, thereby preserving American jobs.

H.R. 5094 Will Not Result In a Revenue Loss of More Than \$500,000

The annual revenue lost through a temporary reduction of duty if H.R. 5094 is enacted will be less than \$500,000. Moreover, as noted above, there is only one other U.S. manufacturer of box fans and that manufacturer cannot use a motor assembly with a motor mount cooling ring because Lasko holds a patent on the cooling ring device. Consequently, the Committee can be confident in Lasko's projection that the revenue lost through temporary suspension of duty would be less than \$500,000.

For all of the foregoing reasons, Lasko supports H.R. 5094 and urges its favorable consideration.

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