

BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Comments In Support of H.R. 5101, a Bill to Reduce Temporarily the Duty on Certain Alternating Current Motor Assemblies of an Output Exceeding 37.5 Watts But Not Exceeding 72 Watts Designed To Be Operated By Means of an Infrared Remote Control

Lasko Products, Inc. supports the enactment of H.R. 5101, a bill that would reduce temporarily from 3.3% to 1.0% the duty on imports of an alternating current motor assembly used in Lasko's production of remote controlled household oscillating 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. 5101 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. 5101 is not manufactured in the United States. Consequently, Lasko must import the assembly in order to continue manufacturing finished remote controlled oscillating 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. That suspension was renewed under the 2010 MTB. Prior to suspension in 2006, the duties that Lasko paid on this motor assembly increased its production costs, adversely affecting the company's ability to compete with low-cost finished oscillating fans imported largely from manufacturers in China.

A temporary duty reduction from 3.3% to 1.0% on this motor assembly will not harm any U.S. industry because no manufacturer in the United States can produce the motor component. 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 oscillating fans.

The Subject Motor Assembly

The motor assembly that is the subject of H.R. 5101 comprises a specific type of capacitor-start, single phase alternating current electric motor assembly, a self-contained gear mechanism for oscillation, and a mechanically adjustable speed control mechanism. In addition, this motor assembly contains an electronic speed control mechanism designed to be operated by means of an infrared remote control. This motor

assembly is used by Lasko to manufacture certain of its 12 inch, 16 inch, and 18 inch oscillating portable electric fans.

H.R. 5101 is narrowly drafted to apply only to motor assemblies comprising AC electric motors within a specific and relatively narrow power output range equipped with a motor mount of plastics, a self-contained gear mechanism and a speed control mechanism designed to be operated by means of an infrared remote control. Motor assemblies meeting this description can only be used in the production of remote controlled oscillating fans for household use.

Prior to suspension of duties, imports of this motor assembly were classifiable under subheading 8501.40.20 of the Harmonized Tariff Schedule of the United States. Since 2006, imports of this motor assembly have been classifiable under subheading 9902.85.09. For purposes of the duty reduction legislation, the motor assembly is described as follows:

AC electric motors of an output exceeding 37.5 W but not exceeding 72 W, single phase; each equipped with a capacitor, a motor mount of plastics, a self-contained gear mechanism for oscillation, and a speed control mechanism designed to be operated by means of an infrared remote control (provided for in subheading 8501.40.20).

As has been the case since 2006, all small motors classifiable under HTSUS Heading 8501 that do not fit this description would remain dutiable (unless such motors 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.

Lasko is the only U.S. manufacturer of portable electric oscillating fans for household use. The majority of Lasko's competition in the U.S. market comes from China in the form of finished oscillating 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. 5101 is Non-Controversial

Reducing import duties on the motor assembly described in H.R. 5101 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. 5101 ensures that its enactment will not harm members of any domestic industry. Instead, enactment of H.R. 5101 will have the sole effect of making Lasko more competitive against imports of finished oscillating fans for household use, thereby preserving American jobs.

H.R. 5101 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. 5101 is enacted will be less than \$500,000. Moreover, as noted above, there are no other U.S. manufacturers of oscillating fans for household use. 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. 5101 and urges its favorable consideration.

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