

December 4, 2009

Before the United States Senate Committee on Finance

**Comments in Support of S.2145,
a Bill to Extend the Temporary Suspension of Duty on
Certain Alternating Current Electric Motor Assemblies of
an Output Exceeding 74.6 Watts but not Exceeding 85 Watts**

These comments are submitted on behalf of Lasko Products, Inc., a United States manufacturer of portable electric fans. Lasko employs approximately 819 workers at plants located in Pennsylvania, Tennessee and Texas. The discussion below responds to the Finance Committee's November 2, 2009 press release calling for written comments on various proposed miscellaneous tariff measures introduced in 2009.

Lasko supports the enactment of S.2145, a bill that would extend the suspension of duty payments, for a period of two years, on imports of AC electric motor assemblies of an output exceeding 74.6 Watts but not exceeding 85 Watts; each equipped with a capacitor, a speed control mechanism, a motor mount of plastics and a self-contained gear mechanism for oscillation. The requested legislation would merely extend the current suspension of duty on imports of the subject motor assemblies, enacted by Congress in 2006. The subject motor assemblies are only suitable for use in the manufacture of Lasko's 16 and 18-inch oscillating portable electric fans.

Motor assemblies of the type covered by S.2145 are not manufactured in the United States. Consequently, Lasko must import them in order to continue manufacturing oscillating portable electric fans in the United States. The duties that Lasko paid before the suspension of duty on the subject motor assemblies in 2006 increased its production costs, making it difficult for the company to compete with low cost finished electric fans imported from China and elsewhere. As explained below, extension of the temporary suspension of duty on the subject motor assemblies will not adversely impact any U.S. industry, nor will it result in a material reduction in duty revenue collections. Continued suspension of duties on these motor assemblies will, however, help to improve Lasko's ability to compete in the U.S. market against low-priced imported finished electric fans.

The Subject Motor Assemblies

The motor assemblies that are the subject of S.2145 are a specific type of capacitor-start, single phase alternating current electric motor assembly with a self-contained gear mechanism for oscillation and an adjustable speed control mechanism. These motor assemblies are already subject to a duty suspension enacted in 2006. For purposes of duty suspension legislation, these motor assemblies are currently described as follows:

AC electric motors of an output exceeding 74.6 W but not exceeding 85 W, single phase; each equipped with a capacitor, a speed control mechanism, a motor mount of plastics and a self-contained gear mechanism for oscillation (provided for in subheading 8501.40.40)

Prior to suspension of duties, imports of these motor assemblies were classifiable under subheading 8501.40.40 of the Harmonized Tariff Schedule of the United States. Since 2006, such imports have been classifiable under subheading 9902.85.06.

The subject motor assemblies are specifically manufactured for use in Lasko's portable oscillating electric fans. Subheading 9902.85.06 is narrowly drafted to include only motor assemblies that are equipped with a capacitor and speed control and oscillation mechanisms, are mounted in plastic, and operate within a narrow wattage range. As has been the case since 2006, all small motors subject to Heading 8501 which are not manufactured to the specifications of the motor assemblies used by Lasko remain dutiable at entry into the United States (unless such motors are subject to duty-free entry pursuant to a separate subheading).

Why a Temporary Duty Suspension is Necessary

Despite increased foreign competition, particularly in recent years, Lasko has made a concerted effort to continue manufacturing its products in the United States. 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 assemblies, as no U.S. manufacturer produces them. In addition, Lasko has experienced increased production costs due to the rising prices of component materials such as plastic, aluminum, and copper. Continued suspension of duties on the subject motor assemblies would help offset such cost increases and would enable Lasko to avoid such cost-cutting measures as outsourcing fan production.

Lasko is the only manufacturer of portable oscillating electric fans in the United States. The majority of Lasko's competition in the U.S. market comes from China. These imports from China undercut the prices at which Lasko can sell its product in the United States, making competition difficult. The reimposition of duties on the subject motor assemblies will adversely impact Lasko's ability to compete against finished imported fans.

S.2145 Is Non-Controversial

Extending the temporary suspension of duties on the motor assemblies described by S.2145 will not injure any U.S. industry. As noted above, there are no U.S. manufacturers of the subject motor assemblies. Because of the narrow scope of Subheading 9902.85.06, the subject motor assemblies are only suitable for use in Lasko's

portable oscillating electric fans, and cannot be incorporated into other finished products. Thus, the extension of the temporary suspension of duty on those motor assemblies will not harm members of the domestic electric motor industry. Instead, it will have the sole effect of making Lasko more competitive against imported portable electric oscillating fans. The extension of subheading 9902.85.06 will merely maintain the status quo of the last three years, during which the duty free importation of the subject motor assemblies has not harmed any domestic industry.

S.2145 Will Not Result In A Revenue Loss of More Than \$500,000

The revenue lost through the continued temporary suspension of duty if S.2145 is enacted will be less than \$500,000. Lasko has submitted information to the International Trade Commission demonstrating that, on a five-year projected basis, S.2145 will result in a revenue loss of significantly less than that amount. As noted above, Lasko is the only U.S. manufacturer of portable electric oscillating fans. It does not believe that the type of motor assembly described by S.2145 is imported for any application other than the manufacture of Lakso's 16 and 18-inch oscillating fans.

For all of the foregoing reasons, S.2145 should receive favorable consideration.

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