

December 4, 2009

**Before the United States Senate Committee on Finance**

**Comments in Support of S.2146,  
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 105 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.2146, a bill that would reduce temporarily to 1 percent *ad valorem* the duties on imports of certain alternating current electric motor assemblies used in the production of Lasko's "box" fans. In 2006 Congress enacted legislation to suspend the duties on the subject motor assemblies. The requested duty reduction would continue the benefit of the 2006 duty suspension legislation, while ensuring that the \$500,000 annual revenue loss limit for duty suspension legislation is not exceeded during the period of the reduction. The reasons for Congress' suspension of duties on these motor assemblies in 2006 remain valid and support the requested duty reduction. Motor assemblies of this type are not manufactured in the United States. Consequently, Lasko must import them in order to continue manufacturing finished box fans in the United States. Prior to their suspension in 2006, the duties that Lasko paid on the imported motor assemblies added to its production costs, making it more difficult for the company to compete with low-cost, finished fans imported from China and elsewhere. Full reimposition of duties on the subject motor assemblies would adversely affect Lasko's ability to compete with low-priced imported electric fans.

**The Subject Motor Assemblies**

The motor assemblies that are the subject of S.2146 are a capacitor-start, single phase alternating current electric motor assembly equipped with a patented motor mount cooling ring, used by Lasko in the manufacture of its box-type portable electric fans. These motor assemblies currently benefit from a temporary duty suspension. For purposes of duty reduction legislation, these motor assemblies are described as follows:

AC electric motors of an output exceeding 74.6 W but not exceeding 105 W, single phase; each equipped with a capacitor, a rotary speed control mechanism, and a motor mounting cooling ring (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, they have been classifiable under subheading 9902.85.07.

The subject motor assemblies are specifically manufactured for use in Lasko's box-type portable electric fans. The use of a motor mounting cooling ring on a single-phase, capacitor-start motor assembly operating within the narrow wattage range specified in subheading 9902.85.07 is patented by Lasko. Such motor assemblies are consequently useless for any application other than in Lasko's box-type fans. 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. Reduction of the duties on the subject motor assemblies would continue the effect of the previously enacted suspension of duties and would help offset such cost increases, enabling Lasko to avoid such cost-cutting measures as outsourcing fan production.

Lasko only began importing the electric motor assemblies subject to this request when the market began demanding fans made with capacitor-start, four pole motor assemblies. Prior to October 2000, Lasko operated a subsidiary company which produced two, four, and six shaded pole motor assemblies that were used in Lasko's fan products. That company could not, however, manufacture capacitor-start, four pole motor assemblies and eventually went out of business. Without the ability to produce the type of four pole capacitor motor assemblies that it needs for its fans, and because no other U.S. manufacturer produces them, Lasko was forced to turn to foreign sources of supply.

Lasko understands that another U.S. manufacturer may be in the process of beginning production of box-type fans. The use of a cooling ring on a box-type fan motor assembly, however, is an application that is patented by Lasko. Thus, no other domestic portable electric fan manufacturer is, or will be, able to import motor assemblies manufactured to the specifications of subheading 9902.85.07. 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 finished fans in the United States, making competition difficult. Amendment of the previously enacted duty suspension to allow for a reduction of duty on the subject motor assemblies will enable Lasko to continue to compete more effectively against imported fans.

**S.2146 Is Non-Controversial**

Reducing the duties on the subject motor assemblies merely continues the scope of the duty suspension enacted in 2006. Thus, such a reduction would be non-controversial, as was the suspension of such duties in 2006. As noted above, there are no U.S. manufacturers of the subject motor assemblies. Because of the narrow scope of Subheading 9902.85.07, the subject motor assemblies are only suitable for use in Lasko's box-type electric fans, and cannot be incorporated into other finished products. Thus, the reduction 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 box-type fans. The extension of subheading 9902.85.07 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.2146 Will Not Result In A Revenue Loss of More Than \$500,000**

The revenue lost through the reduction of duty if S.2146 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.2146 will result in a revenue loss of significantly less than that amount.

For all of the foregoing reasons, S.2146 should receive favorable consideration.

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