

July 31, 2006

**OSRAM SYLVANIA PRODUCTS INC. SUPPORTS S. 3177, S. 3178, S. 3179, and S. 3180,
WHICH WOULD SUSPEND DUTIES ON CERTAIN RARE EARTH COMPOUNDS**

Osram Sylvania Products Inc. uses rare earth compounds in the production of various lighting products in the United States. Our principal manufacturing facilities are located in Kentucky, Pennsylvania, Indiana, Rhode Island, and New Hampshire, with headquarters and research facilities in Massachusetts and additional offices throughout the United States. Rare earth compounds are blended and fired with other materials to produce lighting phosphors, which are primarily used in the production of energy-efficient fluorescent lighting.

Because phosphor production is a vital component of our business, we are grateful to Senator Jim Bunning for introducing S. 3177, S. 3178, S. 3179, and S. 3180 to temporarily suspend the duties on certain rare earth compounds used in our manufacturing plants to produce phosphors.

To the best of our knowledge, the sole potential domestic supplier of the rare earth compounds covered by these duty suspension bills ceased domestic production seven or eight years ago. As of today, there are currently no U.S. producers of the compounds covered by the legislation that meet the purity levels required to make phosphors for lighting applications.

At present, the United States allows duty-free imports of certain yttrium oxide and europium oxide compounds under TSUS Nos. 2846.99.02.21 and .22 and certain rare-earth oxide and chloride compounds under TSUS Nos. 2846.90.20 and .40. However, the United States imposes a 5.5% tariff on imported compounds of rare earth metals under TSUS No. 2846.10.00.00 and a 3.7% tariff on imported compounds of other rare earth metals under TSUS No. 2846.90.40.00. The proposed legislation would simply extend duty-free treatment to those compounds now subject to duty under TSUS No. 2846.

The four bills, respectively, suspend the applicable duties on the following materials:

- a) lanthanum phosphate compounds;
- b) yttrium europium oxide compounds having a purity of at least 90% yttrium oxide;
- a) lanthanum, cerium and terbium phosphate compounds; and
- d) yttrium cerium phosphate compounds.

We compete in an extremely competitive market around the world. The European Union has eliminated duties on these and other rare earth compounds. In addition, our company faces competition in the U.S. market from a major competitor that produces its phosphor products in Japan, which then enter the United States duty free as part of a finished product. The existence of duties makes it harder to compete both in the United States and abroad. In an increasingly competitive market, Osram Sylvania Products Inc. finds itself at a competitive disadvantage as a result of these duties.

In order to help preserve good-paying jobs in the United States and to help Osram Sylvania Products Inc. prevail in an increasingly competitive market, we urge the Senate Finance Committee to favorably report the proposed legislation.