



Vice President, Washington Operations

August 24, 2006

Letter No. C-72600/L6-057

The Honorable Charles E. Grassley  
Chairman  
Senate Committee on Finance  
SD-219 Dirksen Senate Office Building  
Washington, DC 20510-6200

RE: Vought Aircraft Industries, Inc. Opposition to Senate Bills Regarding Temporary Suspension of Tariffs on Certain Products (S. 3085, 3086, 3087, 3088, 3090, 3091, 3092, 3093, 3094 and 3112)

Dear Senator Grassley:

Vought Aircraft Industries, Inc. was recently contacted by the International Trade Commission (ITC) to review and provide a response to the above referenced legislation in support of a study being conducted on behalf of the Senate Committee on Finance.

We have completed our assessment of the proposed legislation granting temporary suspension of tariffs on specific brands and types of manufacturing equipment designed for producing large aircraft structure and provided our response to the ITC. Our ITC contact recommended that we also provide your committee with a written statement of our position.

This letter serves to inform you of Vought's opposition to this legislation. Our company opposes these bills because they appear to be carefully targeted legislation structured to provide a cost avoidance and thus, a competitive advantage, to specific Kansas aerostructures manufacturer(s). The inclusion of brand names and descriptions of certain pieces of equipment in these bills appear substantiate our position regarding this legislation.

We also believe that the prospective cost savings to the targeted company(ies) far exceeds the \$500,000 revenue loss estimate provided by the congressional sponsor and mentioned in your original request to us.

Vought has already purchased and installed one Brotje Automated Frame Riveter that includes the Upper Heads and Lower Rams for Skin Fastener Machines, as described in Senate Bills 3087 and 3085, respectively. In accordance with existing tariff schedules, our tariffs and related fees on this one installation were over \$300,000. We have two additional machines on order that will arrive in 2007. Our tariffs for these machines are estimated at more than \$700,000.

Although passage of Bills 3087 and 3085 could result in a cost avoidance to Vought, we believe that the competitive disadvantage *for all other U.S. aerostructures manufacturers* created by the combined effect of this series of bills compromises the integrity of the free enterprise system within our industry.

In addition to the competitive issues this legislation would invoke, we also take issue with the proposed tariff suspension in terms of the significant loss of revenue it would allow. In light of the record-setting deficits our nation is now facing, it is difficult to justify such a loss for the benefit of a few private-sector companies. Based on our own experience in the procurement of this type of equipment from foreign manufacturers, our export specialists believe the total loss in income to the U.S. government could approach \$1 Billion.

The U.S. aerospace industry faces significant competitive challenges in the global marketplace. These challenges are the result of governmental participation and underwriting of the costs of doing business for aircraft manufacturers in Europe and the Far East. This involvement of public support in private industry creates an "uneven playing field" for American companies. We believe that it is in the best interest of the United States, and our domestic aircraft manufacturing industry, that we keep a "level playing field" among U.S. aerospace manufacturers.

On behalf of the management and employees of Vought Aircraft Industries, Inc., please accept our sincere thanks for your personal sacrifice in service to our nation and its citizens.

Sincerely,

A handwritten signature in black ink, appearing to read "Mick McKeown". The signature is stylized with a large, looped initial "M" and a cursive "McKeown".

Mick McKeown, D.M.D.  
Vice President, Washington Operations  
Vought Aircraft Industries, Inc.



August 14, 2006

Att: Senate Finance Committee  
219 Dirksen Senate Office Building,  
Washington, DC, 20510

Re: Senate Bills S. 3085, S. 3086, S. 3087, S. 3088 and S.3112, Tariff Relief

To Whom It May Concern:

Electroimpact, Inc. designs and manufactures automated assembly equipment for the aerospace industry. We employ 280 people in our facility outside of Seattle, Washington; the majority of which are engineers and highly skilled technicians. Our primary products include automated drilling and riveting machines, which are in direct competition to the products in the above noted bills. The aerospace automated assembly machine market is a niche market with a limited number of customers. We sell nearly exclusively in the area of capital equipment to the major airframe manufacturers. While small, this market is quite competitive and global in nature. We compete in the US, Asia and the European markets.

We are strongly opposed the above proposed bills. The bills are intended to provide relief to one of our major competitors in this market. We, as a US manufacture, are not provided with similar benefits when we compete in our primary competitors' home markets of the EU. The highly competitive nature of this market demands slim margins for what are many times high-risk projects. The proposed tariff relief is therefore indeed not insignificant.

As more and more US companies are turning to offloading our manufacturing overseas, the development and expertise in manufacturing technology is critical to sustaining our competitive advantage in the US. Providing competitive advantages to our foreign competition in the form of tariff relief, when these are not reciprocated to us within the competitors home markets, certainly does not seem equitable and is not in the strategic interest of the US or US industry.

Regards:

John Hartmann  
Vice President  
Electroimpact, Inc.