

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress¹**

[Date approved: August 23, 2005]²

Bill No. and sponsor: H.R. 1733 (Ms. Hart and Mr. Murphy)

Proponent name, location: Sony Electronics, Inc., Mount Pleasant, PA (Contact: Christina Tellalian, Sony U.S., Wash. DC, Tel. (202) 429-3653)

Other bills on product (109th Congress only): S. 790.

Nature of bill: Temporary duty suspension through December 31, 2008.

Retroactive effect: None.

Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

Electron guns for high-definition cathode-ray tubes (CRTs) (provided for in subheading 8540.91.50)

Check one: Same as that in bill as introduced
 Different from that in bill as introduced (explain differences in Technical comments section)

Product information, including uses/applications and source(s) of imports:

An electron gun is a part of a CRT that generates free electrons inside the CRT, accelerates them to a very high speed, and aims them at the CRT screen. The beam of electrons passes through an aperture mask, or aperture grille, to strike dots of phosphor on the inside of the CRT screen, causing them to glow. The electron beam travels from side to side in rows, covering most of the screen. The combination of glowing dots is viewed as a video image. In a high-definition CRT, the electron beam must travel a greater angle from left to right than in a conventional CRT because the ratio of width-to-height, or aspect ratio, of a high-definition CRT is greater than the aspect ratio of a conventional CRT. It is not possible to distinguish an electron gun intended for a high-definition CRT from one intended for a conventional CRT by simple inspection at the time of entry.

Electron guns for high-definition CRTs are assembled into high-definition color television picture tubes. Most electron guns are imported from Japan or Mexico. There is no known U.S. production of electron guns for high-definition CRTs, and no U.S. production of such guns for other CRTs is likewise known. Only two producers of these tubes remain in the United States, with a third major producer exiting the industry in early 2004 and one of the remaining producers closing one of its two factories in late 2004.

Estimated effect on customs revenue:

¹ Industry analyst preparing report: John Kitzmiller (202-205-3387); Tariff Affairs contact: Jan Summers (202-205-2605).

² A copy of this memorandum is available at www.usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm.

According to the proponent, a decline in customs revenue will likely occur whether or not the duty suspension is granted. Sony states that without the suspension of duty on high-definition electron guns, it is likely that imports of electron guns for high-definition picture tubes will decrease, as production of tubes will be moved elsewhere and U.S. employment and output will decline. With the duty suspension, imports of electron guns for high-definition picture tubes would likely increase, as production of tubes should also increase and U.S. employment stay constant or grow.

| HTS subheading: <u>8540.91.50</u> | | | | | |
|---|---------------|---------------|-------------|-------------|---------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Col. 1-General rate of duty (AVE) <u>1/</u> | 5.4 percent | 5.4 percent | 5.4 percent | 5.4 percent | 5.4 percent |
| Estimated value <i>dutiable</i> imports | \$3.5 million | \$4.8 million | \$6 million | \$8 million | \$9.5 million |
| Customs revenue loss | \$189,000 | \$259,200 | \$324,000 | \$432,000 | \$513,000 |

1/ The AVE is the ad valorem equivalent of a specific or compound duty rate expressed as a percent, using the most recent import data available.

Source of estimated dutiable import data: Commission estimates based on industry information. Total dutiable imports under this subheading exceeded \$100 million in 2004.

Contacts with domestic firms/organizations (including the proponent):

| Name of firm/organization | Date contacted | US production of same or competitive product claimed? | Submission attached? | Opposition noted? |
|--|----------------|---|----------------------|-------------------|
| | | | | |
| Panasonic/Matsushita Corp. of America Mary Alexander 202-912-3800 | 05/31/05 | No. | No. | No. |
| Sanyo Manufacturing 870-633-5030 | 06/11/05 | No. | No. | No. |
| Sony Electronics, Inc., Mount Pleasant, PA Christina Tellalian 202-429-3653 | 05/31/05 | No. | Yes | No. |
| Texas Instruments Cynthia Johnson 202-628-3133 | 05/31/05 | Yes. | Yes. | Yes. |

Technical comments:³

It is suggested that the article description be written as shown on page one to be consistent with other tariff provisions; the phrase beginning with “for” would connote an “actual use” requirement which Customs must verify within 3 years of the date of entry of any shipment. However, we note that industry information and our consultations with Customs indicate that it is not possible, based on visual or readily apparent physical characteristics, to distinguish between electron guns for a high-definition CRT and electron guns for non-high-definition CRTs. Although there it seems likely there is no domestic production of either type of gun, the customs revenue loss estimate set forth above could increase if goods for non-high-definition CRTs were imported under the duty suspension heading.

³ The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

June 22, 2005

John W. Kitzmiller
International Trade Analyst
Electronic Technology and Equipment Branch
Electronic and Transportation Division
Office of Industries
U.S. International Trade Commission
500 E. St., SW
Washington, D.C. 20436

RE: H.R. 1732, H.R. 1733 and H.R. 1734

Dear Mr. Kitzmiller:

I am writing in response to your telephone call to Dale Zimmerman of Texas Instruments regarding the above referenced legislation. TI has reviewed the legislation. For the reasons stated below, TI opposes the legislation.

The legislation would suspend duties on various components used in displays for TVs. TI, a US corporation headquartered in Dallas Texas, manufactures a display technology which could be competitively disadvantaged if these competing display components enjoyed duty free treatment. If all competing display technologies including those incorporating TI digital mirror devices or DMDs were given duty free treatment than TI would not oppose the legislation.

Texas Instruments has been one of the key innovators in the home entertainment area through our Digital Light Processing™ or DLP™ Products Division. At the heart of TI DLP technology is the Digital Micromirror Device optical semiconductor chip. The DMD switch has an array of over 2,000,000 hinged, microscopic mirrors which act as optical switches to create a high resolution, full color image. Today, TI supplies DLP subsystems to almost all of the world top projection and display manufacturers.

As you may be aware large screen TVs are a growing market. Market projections forecasts for large screen TVs are for 4,600,000 in 2005, 5,600,000 in 6 and 6,800,000. Vastly improved picture quality, thinner form factors and the increasing availability of digital broadcasts are all driving the market for DTVs. Liquid crystal displays, plasma, high definition CRTs and DLP technologies are all competing for DTV market share. DLP based sets represent approximately eighteen percent of the US market of large screen microdisplay TVs today. We believe that we can greatly increase that percentage in the near term. However we will not be able to do so if DMDs or DMD assemblies are burdened with a tariff rate which is higher than the applicable rate for competing technologies.

Thank you for this opportunity to comment on the legislation. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Chalkley". The signature is written in a cursive style with a large, looping initial "G".

Greg Chalkley
Manager, Logistics and Business Services
DLP™ Products
Texas Instruments Incorporated



Sony Electronics Inc.

123 Tice Boulevard, MD: T1-3 Woodcliff Lake, New Jersey 07677

Sent Via E-mail

June 23, 2004

John W. Kitzmiller
Electronics and Transportation Division
Office of Industries
United States International Trade Commission
Room 501-F
500 E Street, S.W.
Washington, D.C. 20436

Re: Key Components for United States Television Manufacturing
Temporary Duty Suspension Legislation, 109th Congress, 1st Session
H.R. 1732, 1733, 1734

Dear Mr. Kitzmiller,

On behalf of Sony Electronics Inc. (“SEL”), thank you for providing us with the opportunity to comment on the captioned temporary duty suspension legislation. SEL strongly advocates the passage of these bills as the means to preserve and promote advanced technology television manufacturing in the United States.

The United States television industry needs help, the same type of help provided by the Mexican government to manufacturers south of the border. These three duty suspension bills are designed to begin leveling the playing field between the U.S. and Mexico, by eliminating the tariff cost disadvantage to U.S. production.

In this submission, SEL will provide general and specific information in support of these bills. First, we will briefly describe SEL’s U.S. based television manufacturing operations and the challenges we face. Next, we will explain how the transition to newer television technologies coupled with NAFTA rules and Mexican government policies have created a clear-cut advantage for TV producers in Mexico. Last, we have attached a Statement of Purpose for each of the individual captioned duty suspension bills.

I. Background – SEL’s United States TV Manufacturing

Most consumers know Sony for its high quality televisions and other display product **display devices**. What is not as commonly known is that SEL has made tremendous investment in the local production of Sony display product **television products**. In fact, SEL is one of the few remaining producers of display

producttelevision products in the U.S. SEL's principal U.S. television and display device manufacturing facility is The Sony Technology Center outside of Pittsburgh ("STC-P"). STC-P includes cathode ray tube ("CRT") and television manufacturing, as well as the American Video Glass Company, a wholly-owned subsidiary which produces CRT glass. CRT's produced by STC-P are used in on-site production. They are also exported to Sony's Mexican Maquiladoras.

STC – P was established in 1991 to serve the North American Market for Televisions. It was originally designed only to produce Direct-View Color Televisions and the Cathode Ray Tubes (CRTs) which drive them. The plant has concentrated on larger television sizes (now 34" and above) for which the high cost of shipping from low-labor cost areas such as Mexico and China kept the plant competitive. The plant still exists for no other reason than that it was able to establish itself as a world-class manufacturing facility with a total delivered cost to the consumer that could not be beat, notwithstanding labor costs in areas such as Mexico that are one tenth those of the Pittsburgh region.

STC-P not only succeeded in satisfying its initial business plan, it exceeded all expectations. Due to an enterprising staff, location to market and proximity to quality local parts suppliers, STC-P's scope of operations has grown markedly. STC-P is now the world's only vertically integrated TV manufacturing plant, producing the glass for CRT's and the CRT's for TV's. Those TV's include both Direct View and projection types.

STC-P was also the world headquarters for Sony's projection television business for many years. Four years ago, STC-P began producing a new advanced display projection TV based on flat panel LCD technology. Recently, however, one half of STC-P's LCD projection television production was moved to Mexico due to cost advantages, including those that we seek to address through the subject duty suspension legislation. The CRT projection television business will be moved to Mexico in its entirety within the next few weeks.

In addition to the above TV technologies, STC-P fought vigorously to obtain plasma TV production for the plant. These flat screen TV's assembled in our factory have been a big success in the market place. Unfortunately, Sony is moving beyond plasma to the production of direct view LCD TV's. STC-P would like to attract the assembly of these TV's, now slated for production in Mexico. But, this depends upon cost considerations including the duties on LCD flat panel assemblies, the subject of one of the three proposed duty suspension bills.

The STC-P site employs approximately 2,300 people, the vast majority of whom are involved in the production of TV's and the glass and CRT's for televisions. The annual payroll is in excess of 100 million dollars. In addition, peak temporary employment is 1700 people. The cumulative capital investment into STC-P is 760 million dollars. Recent capital improvements include the investment in January, 2004 of 10 million dollars in the conversion of the CRT manufacturing facility for the production of wide screen (digital format) CRT models. Coupled with that investment, the American Video Glass Company recently spent 3.5 million dollars to be able to produce the wide screen (16:9) glass panels for the digital format CRT's. In April of 2003, 1.4 million dollars was spent for the establishment of LCD projection TV assembly lines.

SEL continues to do everything possible to preserve its investment in STC-P and maintain U.S. production and employment. Thus, in 2001 we sought and obtained from the U.S. Foreign Trade Zone Board status as a foreign trade subzone ("FTZ"). This enables STC-P to utilize the inverted duty rates that apply to products in their condition as withdrawn from the zone. However, the tariff classification

rules that apply to STC-P's TV products in their condition as withdrawn from the subzone ("unfinished," so as to garner a zero percent duty rate) force STC-P to constructively segregate, declare and pay duty on critical video components such as LCD display panel assemblies. Moreover, a finished television produced in STC-P and withdrawn from the zone for U.S. domestic consumption does not qualify for NAFTA duty free treatment under U.S. law (and is dutiable at 5% ad valorem), even though that same television would qualify for the NAFTA preference if exported to Canada or Mexico. These facts have put STC-P at a competitive disadvantage.

II. The Impact Of Advanced Television Technologies To U.S. Production

A. Introduction

The U.S. television industry, already beleaguered by low cost competition, is now struggling to cope with the transition from traditional CRT television technologies to newer high definition and flat panel screen technologies. This transition has created new disincentives to U.S. production based on the following:

1. Flat panel assemblies, i.e., Liquid Crystal Device ("LCD") panel assemblies, are not produced in North America so

- This critical TV display device must be imported from overseas with a 4.5% duty rate; and
- The duty rate applies to a high customs value because the assembly is expensive and does not contain local value added.

2. There is a great cost incentive to produce in Mexico because:

- Flat panel screen TV's assembled in Mexico qualify for NAFTA (LCD) or will soon qualify (other flat panel technologies) for NAFTA under newly negotiated rules of origin intended to go into effect on January 1, 2006; and
- Mexico provides duty free treatment under its Sectoral Program ("PROSEC") for the display devices (i.e., flat panel assemblies) imported for production from overseas.

3. New flat panel screen TV's are smaller and lighter so that they are less expensive to ship to market over long distances. This means that U.S. producers are losing one of the very few significant cost advantages that they had in their favor, proximity to market. As NAFTA opens up transportation service opportunities, Mexican manufacturers will be able to leverage substantial distribution cost savings.

We do not expect the U.S. government to redress cost differences that are a consequence of the market place, labor and transportation cost variances, for example. However, we need the government to rectify cost differentials caused directly by policies that favor Mexican products by allowing them a lower U.S. duty cost than their U.S. alternatives. The fact is that producers in Mexico can make televisions for the U.S. market without bearing any duty burdens.

B. The High Duty Cost Associated With Foreign Flat Panel Displays

Even accounting for NAFTA, the current Mexican duty advantage was not as pronounced in the heyday of traditional CRT TV's. For the most part, the NAFTA rules of origin required a North American CRT in order to obtain duty free originating status. The production of CRT glass is a complicated, low yield operation that, on a relative basis, is not highly labor intensive. Therefore, higher labor costs in the U.S.

were offset by the need for technical expertise and quality control, as well as proximity to reliable supplies of water and energy. In addition, as CRT glass and glass inputs are very heavy, there was an incentive to build CRT plants close to glass supplies and to market. Though assembly in Mexico of TV's with U.S. made CRT's qualified the televisions for NAFTA, the duty savings advantage was not completely determinative of TV production. As to the customs duties allocable to TV's produced in the U.S., local CRT production accounted for a significant percentage of value added. This and other local content meant that the duty on imported TV parts was a manageable burden. And, at least in theory, Mexican competitors should have also faced a duty burden on foreign TV parts based on Article 303 of NAFTA.

NAFTA Article 303 created restrictions on duty deferral programs such as Mexican Maquiladoras (also known as "Maquilas"). It required goods made in a Maquila and exported to the U.S. to be entered in Mexico duty paid, at least on the non-NAFTA inputs. Still, most TV assembly moved to Mexico because the Mexican government created the PROSEC program as a way of neutralizing the impact of Article 303. Mexico used the PROSEC program to zero-out the duty rates on the foreign inputs. As a result, TV's could be produced in Mexico with no U.S. or Mexican duty consequence.

The duty cost disparity has widened with the introduction of advanced technology TV's. Today's emerging TV technology leaders are direct view televisions based flat panel technology (plasma and LCD) and projection TV's based on LCD or semiconductor technologies (Digital Light Processing or "DLP" and Liquid Crystal on Silicon or "LCoS," to name two). Plasma and LCD panels are not made in North America and according to all available industry information, production will not occur here in the foreseeable future because capital investment requirements are far too steep. Imported flat panel assemblies contribute a significant portion of a TV's value, especially in direct view TV's. Therefore, the duty burden on a per TV unit basis for U.S. produced televisions is much more expensive than it was for traditional CRT based technologies. As discussed in the next section, Mexican producers do not bear this duty burden.

C. The Impact Of NAFTA And PROSEC

The NAFTA rules of origin, current and future, for flat panel screen TV's have also changed the climate that once encouraged U.S. television production. As stated above, the NAFTA rules for CRT TV's generally required that the CRT be North American. Virtually all NAFTA qualifying CRT's have been produced in the U.S. Especially for the largest, most expensive TV's, there were clear logistics efficiencies to putting TV production near CRT production, as described above. What has changed and what continues to change is that television manufacturers can import from overseas flat panel assemblies and still qualify their TV's for NAFTA, an about face from the CRT TV rules.

Non-NAFTA LCD panel assemblies for direct view and projection TV's are already used to produce duty free NAFTA qualifying TV's in Mexico. This is due to the Sharp Microelectronics Technology, Inc. V. United States court decision that was affirmed by the U.S. Court of Appeals for the Federal Circuit in 1997. That case held that LCD assemblies are not classified in the HTSUS provision that would have disqualified televisions from meeting the NAFTA rule, i.e., the provision for "flat panel screen assemblies" in 8529.90.5300. Rather, the assemblies were held classifiable under heading 9013 (covering Liquid Crystal Devices) and, thus, the requisite NAFTA tariff shift was and is met using foreign LCD's.

Similarly, optical light engines and assemblies for projection televisions based on semiconductor technology are classified in non-disqualifying HTSUS provisions. As a consequence, these

semiconductor based TV's made in Mexico with non-NAFTA inputs qualify for duty free treatment under NAFTA when imported into the U.S.

The exact same result will soon occur with respect to plasma panel assemblies, a technology that competes directly with LCD direct view television technology, the business that STC-P would like to obtain if only it could reduce tariff costs. The governments of the U.S., Canada and Mexico have agreed to amend NAFTA to eliminate the reference to the disqualifying provision under which plasma panels are now classified, 8529.90.5300. Commencing January 1, 2006, Mexican TV's made with a Japanese or Korean plasma panel will qualify for NAFTA. Further, based on the energetic activities of the Mexican government, foreign made plasma panels may not disqualify plasma televisions now being produced. The Mexican government has been negotiating strenuously for a more liberal interpretation of the current classification guidelines for plasma panel assemblies. Together with the association of Mexican Maquiladoras, the Mexican government may yet persuade the U.S. Bureau of Customs and Border Protection to apply a much more liberal *de facto* NAFTA standard.

With NAFTA liberalization, Mexico has secured for its manufacturers a direct competitive advantage. The advantage exists because Mexico has already provided duty free treatment for the key flat panel display assemblies imported for use in the production of NAFTA qualifying TV's, the same as it had previously done for CRT based TV's. The net result is that U.S. manufacturers pay duty on the key components while Mexican manufacturers do not. When a Mexican TV is both duty free under NAFTA and not encumbered with duty for non-North American components, its cost will be lower than the cost for the same TV produced in the United States. This is a completely untenable situation for the U.S. industry, of which SEL is a key member.

D. The Comparative Cost Of Bringing A Mexican Television To Market Has Never Been Lower

When most people think of advanced technology televisions, they think of models that can be hung on walls or ceilings. It is true, new TV's are thinner, lighter, more streamlined than ever before. Even projection TV's now have a surprisingly narrow profile. This size and weight reduction makes shipping over long distances much cheaper. As this technological transition has occurred, cross-border access restrictions have been removed by Presidential Proclamation pursuant to NAFTA so as to permit qualified Mexican-domiciled motor carriers to obtain authority to operate in the United States. As remaining legal hurdles are surmounted and Mexican truckers do, indeed, obtain authority to operate beyond the twenty-five mile border zone, logistics handling costs will be further minimized. In the end, the NAFTA advantage for Mexican television production will have been all but sealed.

SEL does not oppose NAFTA or free trade. On the contrary, we support the idea that healthy competition should resolve questions about where to establish and maintain production, provided that such competition is on a fair and reasonable, **tariff neutral** basis. Today's scenario is anything but tariff neutral. Mexican producers avail themselves of PROSEC and NAFTA and pay no duties. American producers, like SEL's STC-P must pay duty. The three duty suspension bills that we support are intended solely and exclusively to level the playing field for STC-P as it faces off against competing plants in Mexico.

III. Conclusion

Clearly the elimination of duties in Mexico coupled with NAFTA eligibility was a significant driver in moving almost the entire American CRT television industry to Mexico. Now, PROSEC and new NAFTA

rules have created the same type of unfair competitive dynamic calculated to drive remaining TV production out of the U.S. It is not too late to correct this situation and help preserve one of the last television set manufacturers in the United States. The passage of the pending temporary duty legislation will go a long way to accomplishing this goal. It will also help support numerous domestic suppliers of materials and services, everything ranging from plastics and packaging to employment services.

We appreciate the opportunity to provide these comments. If you have any questions please contact me at 201-930-7222 or Richard Haroian at 858-942-3061.

Respectfully submitted,

David Newman
Director, Law Department
Sony Electronics Inc.
201-930-7222

**Electron Guns For High Definition
Direct View Televisions
Temporary Duty Suspension
H.R. 1733
Statement of Purpose**

The purpose of the High Definition (“HD”) Electron Gun Temporary Duty Suspension legislation is to save manufacturing jobs in the United States. Right now, U.S. television manufacturing is under siege from foreign competition. In order for the industry to remain viable it must convert to the manufacture of advanced display TV’s that are not as price point sensitive as the cheaper TV’s produced in countries such as China. There is a struggling business of manufacturing advanced display televisions in the U.S. using the tried and true Cathode Ray Tube (“CRT”), but it is in danger of premature collapse. It is being squeezed between very low cost foreign CRT televisions and the emergence of new technology flat panel screen TV’s.

The high definition (wide screen) CRT TV business is the last generation of the venerable CRT television. CRT TV production and sales will soon be overtaken by flat panel screen TV’s as the latter become much cheaper to make and sell. Now that flat panel screen TV’s with non-NAFTA flat panel assemblies can enter the U.S. duty free from Mexico, their selling costs have already declined. Duty suspension for electron guns for high definition CRT TV’s will provide an incentive to sustain local production of high definition CRT’s and the TV’s made with them.

Background

Direct View CRT TV’s have had several distinct advantages over other technologies, including flat panel technologies such as plasma. They offer contrast, black level and viewing angle superiority. Direct View TV’s also have the best record of long term reliability. In the new wide screen format, these advantages lend themselves well to high definition TV viewing. On the other hand, CRT TV’s are very large and bulky. Traditional CRT’s were not made in large projection television sizes because TV glass is incredibly heavy. A 40 inch Direct View TV weighs over 300 pounds and requires three people to deliver to a customer. Even a 36 inch TV weighs in at well over 200 pounds.

Direct view flat panel screen TV’s, sleek and light, were never in the same class or kind and never competed with CRT TV’s. For one thing, they were extremely expensive. But now, their prices are dropping dramatically. Even direct view LCD TV prices are dropping, as panel manufacturers are able to produce more large sized panels out of a single sheet of glass. Second, flat panel screen televisions were not as bright. Nor did they have a record of reliability. This has begun to change as the technology is refined. All of the North American production of direct view LCD TV’s is performed in Mexico as is virtually all production of plasma TV’s. The reason for this is not lower labor costs alone. It is also lower duty costs because of NAFTA and Mexican government initiatives, as will be explained below.

On the other end of the competitive spectrum, because the cost of producing the mature CRT technology continues to drop, the sets have become more accessible and the market continues to be flooded by

foreign competitors, accelerating price erosion. In North America, virtually all CRT TV production is in Mexico, again for reasons that include NAFTA and Mexican government programs that promote its domestic industry. Only one company, Sony Electronics Inc. continues to produce televisions (without video recording or reproducing apparatus) in the U.S.

Electron guns for high definition CRT's are a critical input in the production HD CRT TV's. **These electron guns are not produced in the U.S.** and must be procured from foreign sources in order to manufacture CRT's and the television sets that contain them in the U.S. Currently, the tariff provision for these inputs 8540.91.50 HTSUS, dutiable at 5.4% ad valorem.

This provision covers "Thermionic, cold cathode or photocathode tubes (for example, vacuum or vapor or gas filled tubes, mercury arc rectifying tubes, cathode-ray tubes, television camera tubes); parts thereof: Parts: Of cathode-ray tubes: Other."

Rationale For Duty Suspension

American TV manufacturers have made Herculean efforts to squeeze costs out of production in order to remain competitive with producers in such low cost locations as China, Korea and Mexico. However, duty amounts attributable to the key inputs like the electron guns tip the scales against U.S. production.

Duty suspension of the high definition electron guns would help level the playing field against foreign competitors. With respect to competing televisions of all technologies, under the Mexican PROSEC duty [suspension] program, key inputs are exempted from duty in Mexico as a means to compensate for the NAFTA Article 303 duty deferral provisions which would otherwise require payment of duty upon withdrawal of the manufactured TV from a Mexican Maquiladora for export to the U.S. Upon import of those TV's into the U.S. under NAFTA, zero duty is paid. In other words, through PROSEC, Mexico has provided exactly the same type of duty exemption that is the subject of this bill, duty relief on critical TV manufacturing inputs.

Though the duty savings to be achieved through this legislation will be quite modest on a per unit basis (less than a dollar per TV), every dollar saved by a U.S. manufacturer is significant to the viability and preservation of its plant and manufacturing jobs. The news has been full of articles about the steady decline of the U.S. TV industry. Fierce foreign competition has forced the closing and scaling back of numerous facilities and manufacturing lines, including CRT glass and CRT production facilities.

Continued U.S. TV production is dependent on even small cost savings. Further, these savings can translate into the preservation of production of other TV products because retention of wide screen TV production allows fixed cost allocation across a wider range of products. If a U.S. producer loses individual lines, like high definition direct view CRT TV production, the plant's fixed cost burden falls on fewer products. This is how cost competitiveness and ultimately production is lost to foreign competitors.

There Is No Domestic Source For HD Electron Guns

Duty suspension for the HD electron guns will not harm any U.S. industries because these inputs are not produced in the U.S. On the other hand, duty suspension will create an incentive to keep TV production in the U.S., thereby also creating a demand for locally procured TV parts.

Conclusion

Today, no duty is paid on the non-North American inputs for TV's imported from Mexico. U.S. TV manufacturers should no longer be subject to this unfair disadvantage and should get the same duty free treatment for critical inputs that has flowed from NAFTA implementation.

109TH CONGRESS
1ST SESSION

H. R. 1733

To suspend temporarily the duty on electron guns for high definition cathode ray tubes (CRTs).

IN THE HOUSE OF REPRESENTATIVES

APRIL 20, 2005

Ms. HART (for herself and Mr. MURPHY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To suspend temporarily the duty on electron guns for high definition cathode ray tubes (CRTs).

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TEMPORARY SUSPENSION OF DUTY.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of
5 the Harmonized Tariff Schedule of the United States is
6 amended by inserting in numerical sequence the following
7 new heading:

| | | | | | | | |
|---|------------|--|------|-----------|-----------|-------------------------|----|
| “ | 9902.85.40 | Electron guns actually used for high definition cathode ray tubes (CRTs) (provided for in subheading 8540.91.50) | Free | No change | No change | On or before 12/31/2008 | ”. |
|---|------------|--|------|-----------|-----------|-------------------------|----|

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section applies with respect to goods entered, or with-
3 drawn from warehouse for consumption, on or after the
4 15th day after the date of the enactment of this Act.

○