

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION  
of the 109<sup>th</sup> Congress<sup>1</sup>**

[Date approved: September 28, 2005]<sup>2</sup>

**Bill No. and sponsor:** H.R. 1924 (Mr. Hulshof)

**Proponent name, location:** Ford Motor Co.  
Dearborn, MI

**Other bills on product (109<sup>th</sup> Congress only):** None.

**Nature of bill:** Temporary duty reduction through Dec. 31, 2008.

**Retroactive effect:** None.

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

Transaxles, each incorporating an integral electronic controller, the foregoing designed for use in hybrid motor vehicles of heading 8703 (provided for in subheading 8708.40.20)

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

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

In a conventional vehicle, a transaxle combines the transmission and differential of a motor vehicle into a single unit that connects directly to the axles of the driving wheels. The transaxle provides the gear ratios required to operate the vehicle under a variety of speed and load conditions. In a hybrid vehicle, this component mixes the power from the engine and the battery and delivers it to the vehicle wheels. During vehicle deceleration, the transaxle converts the kinetic energy into electric power that is sent to the battery. The transaxle incorporates an electronic controller that manages the operation of the transaxle. These transaxles are imported from Japan.

<sup>1</sup> Industry analyst preparing report: Deborah A. McNay (202-205-3425); Tariff Affairs contact: Jan Summers (202-205-2605).

<sup>2</sup> Access to an electronic copy of this memorandum is available at [http://usitc.gov/tata/hts/other/rel\\_doc/bill\\_reports/index.htm](http://usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm)

**Estimated effect on customs revenue:<sup>3</sup>**

<b>HTS subheading: 8708.40.20</b>					
	2005	2006	2007	2008	2009
Col. 1-General rate of duty	2.5%	2.5%	2.5%	2.5%	2.5%
Estimated value <i>dutiable</i> imports	\$51,771,440	\$51,771,440	\$51,771,440	\$51,771,440	\$51,771,440
Customs revenue loss 1/ 2/	\$1,254,422	\$1,254,422	\$1,254,422	\$1,254,422	\$1,254,422

1/ The proposed legislation would temporarily reduce the column 1-general rate of duty for this subheading to 0.077%; see technical comments, below.

2/ Discussions with industry representatives suggest that the intent may have been a temporary duty rate of 0.77%, which would result in a revenue loss of \$895,646.

Source of estimated dutiable import data: Commission staff and industry estimates.

**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?
Ford Motor Co. (Proponent) J.T. Young, 202-962-5379	6/2005-8/2005	No	No	No
Motor and Equipment Mfg. Association Meredith Tunick, 202-312-9249	6/21/2005	No	No	No
Bosch Norm Johnson, <i>norman.johnson@us.bosch.com</i>	6/22/2005	No	No	No
Delphi Dina Vizzaccaro, <i>dina.vizzaccaro@delphi.com</i> ; John Anderson, 202-824-0401	6/20/2005 6/22/2005	No	No	No
Denso John Voorhorst, <i>john_voorhorst@denso-diam.com</i>	6/22/2005	No	No	No

<sup>3</sup> Both Toyota and Nissan have announced plans to start manufacturing hybrid vehicles in the United States in 2006; Toyota plans to build up to 48,000 hybrid Camry vehicles in Georgetown, KY, by late 2006. Ford plans to add three hybrid models to its current hybrid line-up by 2008. The estimated import value and revenue loss provided in this report do not reflect any increase in imports that may result from this future production. However, the value of U.S. imports—and consequently the revenue loss—may increase if these manufacturers import components that are classified within this proposed heading for their U.S. hybrid vehicle production.

General Motors Shirley Zebroski, 202-775-5082	6/22/2005	No	No	No
Honda Toni Harrington, 202-661-4400	6/22/2005	No	Yes	No
Johnson Controls Mark Wagner, 202-393-3224	6/20/2005	No	No	No
Toyota David Vennett, <i>dvennett@tma.toyota.com</i>	6/20/2005	No	No	No
Visteon Lydia Allen, <i>Lallen@visteon.com</i>	6/21/2005	No	No	No

**Technical comments:<sup>4</sup>**

It is suggested that the word “each” be inserted before “incorporating” in the proposed description, and that the words “the foregoing” be inserted to clarify grammatically that it is the transaxle rather than the controller that is designed for a hybrid motor vehicle. There may be some confusion about the intended reduced general duty rate, which in the bill as drafted should have been written as “0.077%”; however, discussions with the proponent suggest that the intent may have been to apply a temporary general rate that would properly be written as “0.77%”—resulting in an annual customs revenue loss of \$895,646 rather than the higher figure set forth in the table above. Last, with respect to the descriptor “hybrid,” which is not defined in the bill or in a legal provision of the HTS, no additional criteria are suggested because no confusion about the nature of these vehicles has been noted during the preparation of this report.

---

<sup>4</sup> 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.

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1924

To reduce temporarily the duty on certain transaxles.

---

## IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 2005

Mr. HULSHOF introduced the following bill; which was referred to the  
Committee on Ways and Means

---

## A BILL

To reduce temporarily the duty on certain transaxles.

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. CERTAIN TRANSAXLES.**

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:

“	9902.87.02	Transaxles, incorporating an integral electronic controller, designed for use in hybrid motor vehicles of heading 8703 (provided for in sub-heading 8708.40.20) .....	.077%	No change	No change	On or before 12/31/2008	”.
---	------------	---	-------	-----------	-----------	-------------------------	----

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

○