

August 14, 2006

Before the United States Senate Committee on Finance

**Comments in Support of S.2969,
a Bill to Temporarily Suspend Duties for Alternating Current Electric Motors of an
Output Exceeding 74.6 Watts but not Exceeding 95 Watts**

These comments are submitted on behalf of Lasko Products, Inc., a United States manufacturer of portable electric fans, who employs approximately 850 workers at plants located in Pennsylvania, Tennessee and Texas. The discussion below responds to the Finance Committee's July 11, 2006 press release calling for written comments on various proposed miscellaneous tariff measures for 2006. Lasko supports the enactment of S. 2969, a bill that would suspend, for a period of three years, the current Harmonized Tariff Schedule of the United States ("HTSUS") 4.0% *ad valorem* duty rate on imports of AC electric motors of an output exceeding 74.6 Watts but not exceeding 95 Watts; each equipped with a capacitor and a speed control mechanism. The subject motors are used in the manufacture of "air circulator" type portable electric fans.

Motors of the type covered by S.2969 are not manufactured in the United States. Consequently, Lasko must import them in order to continue manufacturing electric fans in the United States. The duties that Lasko pays on the imported motors increase its production costs, making it difficult for the company to compete with low cost products imported from manufacturers in China and elsewhere. As explained below, enactment of this duty suspension measure will not adversely impact any U.S. industry nor will it result in a material reduction in duty revenue collections. Suspension of duties on these motors will, however, help to improve Lasko's ability to compete in the U.S. market against low-priced imported products.

Why a Temporary Duty Suspension is Necessary

While Lasko attempts to source as many manufacturing components as possible in the United States, it has been experiencing increased production costs due to the rising prices of component materials such as plastic, aluminum and copper. Suspending duties on the subject motors would help offset these cost increases and would enable Lasko to avoid cost cutting measures such as further outsourcing.

Lasko only began importing the electric motors covered by S.2969 when the market began demanding fans made with capacitor-start four pole motors. Prior to October 2000, Lasko operated a subsidiary company, R & S Manufacturing Corporation, which produced two, four, and six shaded pole motor assemblies that were used in Lasko's fan products. R & S could not, however, manufacture capacitor-start four pole motors and eventually went out of business. Without the ability to produce the type of

four pole capacitor motors 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.

There is only one U.S. manufacturer of air circulator fans other than Lasko. 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 product in the United States, making competition difficult. A temporary suspension of duty on the subject motors will enable Lasko to compete more effectively against imported fans.

S.2969 Is Non-Controversial

Temporarily suspending duties on the motors described by S.2969 will not injure any U.S. industry. The motors are AC single phase motors, equipped with capacitors and speed control switches. As noted above, there are no U.S. manufacturers of such motors. Thus, the temporary suspension of duty on those motors will not harm members of the domestic electric motor industry. Instead, it will have the sole effect of making Lasko more competitive against imports of air circulator type fans.

S.2969 Will Not Result In A Revenue Loss of More Than \$500,000

Lasko has submitted information to the International Trade Commission demonstrating that, on a four-year projected basis, S.2967 will result in a revenue loss of significantly less than \$500,000. To Lasko's knowledge, only one other U.S. manufacturer currently imports the type of motor described in the proposed bill. Lasko estimates that this manufacturer's production volume is substantially smaller than Lasko's and on that basis estimates that even combined, the projected losses on duties from both companies will total less than \$500,000.

For all of the foregoing reasons, S.2969 should receive favorable consideration.

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