

August 14, 2006

Before the United States Senate Committee on Finance

**Comments in Support of S.3686,
a Bill to Temporarily Suspend Duties for Alternating Current Electric Motors of an
Output Exceeding 37.5 Watts but not Exceeding 72 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.3686, a bill that would suspend, for a period of three years, the current Harmonized Tariff Schedule of the United States ("HTSUS") 3.3% *ad valorem* duty rate on imports of AC electric motors of an output exceeding 37.5 Watts but not exceeding 72 Watts; each equipped with a capacitor, a speed control mechanism, a motor mount of plastics and a self-contained gear mechanism for oscillation. The subject motors are used in the manufacture of 12 and 16 inch oscillating portable electric fans.

Motors of the type covered by S.3686 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 has always had to import the capacitor-start motors used in its 16 inch oscillating fans, as no U.S. manufacturer produces them. By contrast, Lasko used to manufacture motors for its 12 inch oscillating fans itself. Prior to 1992, Lasko operated a subsidiary company, R & S Manufacturing Corporation, which produced shaded pole motors for use in Lasko's 12 inch oscillating fan products. In 1992, the market began to demand that Lasko use capacitor-start motors (like those used for 16 inch fans) in its 12

inch oscillating fans. Neither R & S nor any other U.S. manufacturer could produce that type of motor, so Lasko was forced to turn to foreign sources of supply. Lasko continues to rely on foreign sources today, because there is still no U.S. source for capacitor-start motors used in 12 inch oscillating fans.

Lasko is the only manufacturer of portable oscillating electric fans in the United States. 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.3686 Is Non-Controversial

Temporarily suspending duties on the motors described by S.3686 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 portable electric oscillating fans.

S.3686 Will Not Result In A Revenue Loss of More Than \$500,000

The revenue lost through a temporary suspension of duty if S.3686 is enacted will be less than \$500,000. Lasko has submitted information to the International Trade Commission demonstrating that, on a four-year projected basis, S.3686 will result in a revenue loss of significantly less than that amount. As noted above, Lasko is the only U.S. manufacturer of portable electric oscillating fans. It does not believe that the type of motor described by S.3686 is imported for any application other than the manufacture of Lasko's 12 and 16 inch oscillating fans.

For all of the foregoing reasons, S.3686 should receive favorable consideration.

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