

July 25, 2006

Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510  
Attn. MTB

SUBJECT: Senate Bill Nos. S.2324 and S.2325

Dear Committee members:

Flightcom Corporation is concerned about two bills before the US Senate (S.2324 and S.2325) that would temporarily suspend the duty on imports of certain passive audio headphones and certain ANR/ANC headphones. These bills were introduced during the 2<sup>nd</sup> Session of the 109<sup>th</sup> Congress in 2006, were sponsored by Bose Industries, introduced by Senator Kerry and sponsored by Senator Kennedy. We were made aware of these bills by a representative from the U.S. International Trade Commission who was seeking our input while preparing a report for the Senate Finance Committee on the likely effects of the duty suspensions, should these bills be enacted. We are concerned that restrictive language in the bills limiting suspension of duties to a particular technology or headphone design (specifically that of Bose Industries of Massachusetts) would give the manufacturer of the particular technology and/or headphone design written in the bills (Bose Industries) an unfair competitive advantage. Are concerns are summarized as follows:

1. S.2324 is to temporarily suspend the duty on certain audio headphones. Expiration date is not suggested in the bill. HTSUS code 9902.85.19 will be assigned/reserved for this purpose and defined as:

"Audio headphones with an acoustically resistive opening and a port, in parallel, that connect walls separating an interior of the enclosure from an exterior of the enclosure outside the earcup (provided for in subheading 8518.30.20). Rates of Duty – General (Free) – Special - No change/ No change. Effective Period - On or before 12/31/2009."

2. S.2325 is to reduce temporarily the duty on certain audio headphones achieving full-spectrum noise reduction. Expiration date is not suggested in the bill. The new duty rate would be 2.5% instead of 4.9% for items that are:

"Audio headphones achieving full-spectrum noise reduction by using electronics that equalize all audio signals, including those passing through an acoustically resistive opening and a port, in parallel, that connect walls separating an interior of the enclosure from an exterior of the enclosure outside the earcup (provided for in subheading 8518.30.20)."

Bill S.2324 defines the headphones that would qualify for a suspension of duties as "**Audio headphones with an acoustically resistive opening and a port, in parallel, that connect walls separating an interior of the enclosure from an exterior of the enclosure outside the earcup.**" This language specifically defines Bose's proprietary technology and excludes not only our company but every company that manufactures audio headphones and competes with Bose in the Military and General Aviation markets.

Bill S.2325 defines the headphones that would qualify for a reduced duty as "**Audio headphones achieving full-spectrum noise reduction by using electronics that equalize all audio signals, including those passing through an acoustically resistive opening and a port, in**

***parallel, that connect walls separating an interior of the enclosure from an exterior of the enclosure outside the earcup.***” Again the language specifically defines Bose’s proprietary technology and excludes not only our company but every company that manufactures audio headphones achieving “full-spectrum noise reduction by using electronics” and competes with Bose in the Military and General Aviation markets.

We believe that all companies manufacturing products referenced in the bill should be entitled to a fair duty tariff for imported products that are complimentary and similar for their intended use. Our company engineers and manufactures passive and active noise reduction/cancellation headphones and intercoms and would be greatly impacted by the passage of any bill that would give one of our primary competitors an unfair competitive advantage.

We are requesting that S.2324 be amended to permit all headphones under the current HTSUS code number 8518.30.20 to qualify for a temporary suspension of duty and that S.2325 be amended to permit all headphones under the current HTSUS code number 8518.30.20 to qualify for a reduced duty. If the language cannot be amended, we are requesting that Bose Industries not be permitted to recode their headphones under HTSUS code 9902.85.19 and that the Senate not pass either bill.

Upon request, we would be happy to supply the committee with a list of other companies that would be adversely impacted by the passage of bills S.2324 and S.2325 in their current form.

Thank you for taking the time to review our comments.

Sincerely,

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