

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

[Date approved: July 26, 2005]²

Bill No. and sponsor: H.R. 1202 (Mr. Ryan (WI)).

Proponent name, location: Johnson Controls, Inc.,
Milwaukee, WI.

Other bills on product (109th Congress only): None.

Nature of bill: Temporary duty suspension through December 31, 2007.

Retroactive effect: From January 1, 2005.

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

Unidirectional (cardioid) electret condenser microphone modules for use in motor vehicles of headings 8701 through 8705 (other than such modules designed for handheld, microphone stand, or lapel use), the foregoing each including wire leads for external connection, whether or not including a multi-pin board level type connector but not including a battery compartment; having a typical frequency response of 250 Hz through 7 kHz with no more than a 20 decibel deviation over that frequency range and an electrostatic discharge immunity of 4,000 V (contact) and 8,000 V (air); and capable of operation and storage in the temperature range of -40°C through 85°C and at a humidity of not over 95 percent (provided for in subheading 8518.10.80).

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:

A unidirectional cardioid condenser electret microphone uses a magnetically polarized insulating material to collect sound from a single source or direction while rejecting ambient sounds from surrounding sources. This type of microphone can be found in a wide array of commercial applications and consumer products. However, the subject product is a specialty microphone designed for use in automobiles and is imported into the United States as a module.

The proponent's particular product is a microphone module used in its "BlueConnect Hands-Free Telematics System." Its purpose is to pick up the sound of the human voice in automotive applications such as voice activated navigation systems and hands-free telephone applications while filtering out surrounding sounds. Software is then used to convert the voice message into a digital format.

The goods are imported from Austria. However, it is likely that in the future the goods may also be imported from South Korea. There is no known U.S. production of the product, although one responding firm indicated that it produces a competing product in the United States.

¹ Industry analyst preparing report: Queena Fan (202-205-3055); 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.

Estimated effect on customs revenue:

HTS subheading: <u>8518.10.80</u>					
 	2005	2006	2007	2008	2009
Col. 1-General rate of duty (AVE) <u>1/</u>	4.9%	4.9%	4.9%	4.9%	4.9%
Estimated value <i>dutiable</i> imports	\$10,000,000	\$9,000,000	\$8,000,000	\$8,000,000	\$8,000,000
Customs revenue loss	\$490,000	\$441,000	\$392,000	\$392,000	\$392,000

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.

The estimated dutiable import data are based on official U.S. government statistics and estimates provided by the proponent. Because goods under HTS subheading 8518.10.80 consist of a wide array of products, Commission staff believes that the subject product only accounts for a fraction of total imports under the entire category.

Contacts with domestic firms/organizations (including the proponent):³

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
		(Yes/No)		
Johnson Controls, Inc. (William Kohler, ph. 734-254-7330)	5/25/2005	No	Yes	No
Gentex Corporation (Bill Ryckbost, ph. 616-772-1800)	6/13/2005	Yes	No	Yes
Magna Donnelly (Niall Lynam, ph. 616-786-5148)	6/09/2005	No	Yes	No

³ Other companies contacted that have not responded with views on the proposed legislation include: AKG Acoustics, ATX Group, Audio Technica, Audix, Behringer, Blue Microphones, Crown, Delphi, Electrovoice, Findlay Industries, Harman Becker, ionAudio, Lear Corporation, MAudio, Marshall Electronics, Nady Systems, Neumann, Rode Microphones, Roland, Samson, Sennheiser, Shure, Sony, Visteon, and VTech Industries.

Technical comments:⁴

We have suggested some minor modifications of the article description to make the language more consistent with other HTS provisions. The definition of the subject product may pose some administrative concerns for Customs and Border Protection (CBP) officials. While it may be possible to identify the subject product based on its physical characteristics, CBP may need to require further information from importers to support their claim of importing subject products because the requirements of the duty suspension description are complex and go beyond ordinary commercial invoices (which are in the brokers' possession until formally requested by CBP). The fact that this category is drafted as an "actual use" provision (goods for use in motor vehicles) means CBP must verify that use by following goods into the stream of commerce.

⁴ 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.

Johnson Controls, Inc. [Proponent]
Request for a Three-Year Tariff Suspension
Microphones Imported From Austria for Use in Automotive Interiors

- ❖ **Johnson Controls.** Johnson Controls, Inc. (“JCI”) is a Fortune 500 company and the world’s largest producer of automotive interiors. At over 260 locations around the world, JCI’s 120,000 employees (including over 21,500 in the United States) develop and produce seating systems, instrument panels, door systems, overhead systems, and automotive electronics. JCI provides a broad range of automotive interiors to vehicle manufacturers around the world.
- ❖ **Tariff Suspension on Microphones.** JCI is seeking a temporary suspension of duties on microphones that it imports from Austria for use in its automotive interiors. The microphones allow a person to speak into the microphone and command it to dial a phone number or find a street address. The microphone recognizes the human voice. Special software converts the voice command into digital format, and the computers in the automobile carry out the command. The ability to distinguish human voice from other noise in an automobile is one of the most critical features of microphones JCI imports from Austria.
- ❖ **No U.S. Supplier.** Johnson Controls is not aware of any U.S. company that produces a substitute product. Johnson Controls always tries to “dual source” its key components, but it has found that only the Austrian microphones meet the specifications that its customers require.
- ❖ **Benefit to U.S. Workers.** The automotive market is a global market, and the industry in the United States is under stress to stay competitive. JCI is seeking a temporary suspension of the duty on microphones to help keep its U.S. manufacturing competitive. JCI uses Austrian microphones subject to the tariff in automotive interiors manufactured in Holland, MI, Oklahoma City, OK, and West Carrollton, OH. These three plants employ 1,260 workers.
- ❖ **Benefit to JCI.** High tariffs on automotive parts make JCI’s car interiors produced in the United States less competitive compared to interiors produced in other countries. If the 4.9% duty on microphones JCI imports from Austria were suspended, JCI’s tariff savings would be in the hundreds of thousands of dollars each year that the suspension is in effect.
- ❖ **Description of Tariff Suspension Request.** JCI has carefully crafted the description for tariff suspension so that it is limited to the type of microphones it imports from Austria. JCI is requesting a three-year suspension for:

Microphones for use in automotive interiors having a typical frequency response of 250 Hz through 7 kHz (± 10 dB at 1kHz), ESD immunity of 4kV (contact) and 8kV (air), which are capable of operation and storage in the temperature range of -40 – +90 °C and humidity of 0 – 95%
- ❖ **Conclusion.** Your support of a temporary tariff suspension for microphones would help protect U.S. jobs and maintain the competitiveness of the U.S. automotive parts industry in the global market.

Magna Donnelly, E-mail, June 12, 2005

-----Original Message-----

From: Niall.Lynam@magnadon.com [mailto:Niall.Lynam@magnadon.com]
Sent: Sunday, June 12, 2005 6:02 PM
To: Fan, Queena
Subject: Fw: Proposed temporary duty suspension on microphones (HR 1202)

Ms. Queena Fan
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U.S. International Trade Commission
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June 12 2005

Reference: Proposed Bill HR 1202; 109th Congress to temporarily suspend the 4.9 percent tariff on imports of unidirectional (cardioid) electret condenser microphone modules for use in motor vehicles

Dear Ms. Fan,

Magna Donnelly is a supplier of automotive products with facilities in Michigan (see www.magnadon.com)

We are a major supplier of interior mirrors used on vehicles produced world-wide, including in the USA.

We are a supplier to the likes of General Motors of interior mirrors equipped with microphones for use with automotive telematics systems such as GM's OnStar(R) system.

These microphone-equipped mirrors are assembled in Holland, MI.

As such, we are supportive of Proposed Bill HR 1202.

While we may not directly benefit from passage of this Bill, the opportunity to import microphone elements tariff-free from overseas will help make US assembly of products that include these components competitive.

Sincerely,

Dr. Niall R. Lynam
Senior Vice President
Chief Technical Officer
Magna Donnelly

109TH CONGRESS
1ST SESSION

H. R. 1202

To suspend temporarily the duty on unidirectional (cardioid) electret condenser microphone modules for use in motor vehicles.

IN THE HOUSE OF REPRESENTATIVES

MARCH 9, 2005

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

A BILL

To suspend temporarily the duty on unidirectional (cardioid) electret condenser microphone modules for use in motor vehicles.

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 MICROPHONES FOR USE IN AUTO-**
4 **MOTIVE INTERIORS.**

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

“	9902.85.18	Unidirectional (cardioid) electret condenser microphone modules for use in motor vehicles provided for in headings 8701 through 8705 (other than such modules designed for handheld, microphone stand, or lapel use), the foregoing each including wire leads for external connection, whether or not including a multi-pin board level type connector but not including a battery compartment; having a typical frequency response of 250 Hertz through 7,000 Hertz with no more than a 20 decibel deviation in that frequency range and an electrostatic discharge immunity of 4,000 V (contact) and 8,000 V (air); and capable of operation and storage in the temperature range of -40°C through 85°C and a humidity of not over 95 percent (provided for in subheading 8518.10.80)	Free	No change	No change	On or before 12/31/2007	”.
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1 (b) EFFECTIVE DATE.—

2 (1) IN GENERAL.—The amendments made by
3 subsection (a) shall apply to goods entered, or with-
4 drawn from warehouse for consumption, on or after
5 January 1, 2005.

6 (2) RETROACTIVE APPLICATION.—Notwith-
7 standing section 514 of the Tariff Act of 1930 or
8 any other provision of law, and subject to paragraph
9 (4), the entry of any article—

10 (A) that was made on or after January 1,
11 2005, and

12 (B) to which duty-free treatment would
13 have applied if the amendment made by this

1 section had been in effect on the date of such
2 entry,
3 shall be liquidated or reliquidated as if such duty-
4 free treatment applied, and the Secretary of the
5 Treasury shall refund any duty paid with respect to
6 such entry.

7 (3) ENTRY.—As used in this subsection, the
8 term “entry” includes a withdrawal from warehouse
9 for consumption.

10 (4) REQUESTS.—Liquidation or reliquidation
11 may be made under paragraph (2) with respect to
12 an entry only if a request therefor is filed with the
13 Bureau of Customs and Border Protection, within
14 180 days after the date of the enactment of this Act,
15 that contains sufficient information to enable the
16 Bureau of Customs and Border Protection—

17 (A) to locate the entry; or

18 (B) to reconstruct the entry if it cannot be
19 located.

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