MISCELLANEOUS MINOR TARIFF AND TRADE BILLS

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

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[Listed below are agency reports and written comments received on specific bills]

MISCELLANEOUS MINOR TARIFF AND TRADE BILLS

MONDAY, MARCH 5, 1979

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRADE,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The subcommittee met at 10:10 a.m., pursuant to notice, in room 334, Cannon House Office Building, Hon. Sam M. Gibbons presiding.

Mr. GIBBONS. The subcommittee will be in order.

This is a hearing announced by the Subcommittee on Trade on February 27, regarding various trade proposals. As indicated in that announcement, the bills on which testimony will be heard will be bills to provide duty-free entry, duty increase, duty reduction, temporary suspensions of duty and private relief bills, a number of which were approved by the House in the 95th Congress, but were not enacted into law.

We will first hear from the interested executive branch agencies who will be followed by witnesses from the general public. Due to the time limitations on the subcommittee it will be necessary that the witnesses summarize their statements with the assurance that their full statements will be printed in the record.

I ask unanimous consent to place in the record a copy of the press release, dated February 27, and reports of the executive agencies.

There being no objection, so ordered.

[The press release follows. Reports of executive agencies appear in the appendix.]

[Press release of Feb. 27, 1979]

CHAIRMAN CHARLES A. VANIK (D-OHIO), SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES PUBLIC HEARING ON CERTAIN BILLS TO PROVIDE DUTY-FREE ENTRY, DUTY INCREASE, DUTY REDUCTION, TEMPORARY SUSPENSIONS OF DUTY, AND PRIVATE RELIEF

The Honorable Charles A. Vanik (D-Ohio), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee on Trade would conduct a public hearing on March 5, 1979, on certain bills to provide duty-free entry, duty increase, duty reduction, temporary suspensions of duty, and private relief. The hearing will be held in Room 334, Cannon House Office Building at 10:00 a.m.

At the end of this release is a list of the tariff bills on which testimony will be received, and which for the most part are bills approved by the House in the 95th Congress, but were not enacted into law. A later hearing will be scheduled on miscellaneous trade bills not covered by this hearing.

Officials from interested Executive branch agencies will be the first witnesses. Testimony will be received by the Subcommittee from the interested public following the appearances of the Executive branch witnesses.

In view of the limited time available, witnesses will be allocated 5 minutes to summarize their written statements. The full statement will be included in the printed record. Also, in lieu of a personal appearance, any interested person or organization may file a written statement for inclusion in the printed record.

Requests to be heard must be received by the Committee by the close of business, March 2. The request should be telephoned to John M. Martin, Jr., Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102, Longworth House Office Building, Washington, D.C. 20515; telephone: (202) 225-3625.

In this instance, it is requested that persons scheduled to appear and testify submit 30 copies of their prepared statements to the Committee office, Room 1102, Longworth House Office Building, the morning of the hearing. These statements are for the use of the Subcommittee Members and staff. Persons who wish their statement distributed to the press should bring it to the hearing at least 50 additional copies.

Persons submitting a written statement in lieu of a personal appearance should submit at least three (3) copies of their statement by the close of business, March 9, 1979. If those filing statements for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may submit 50 additional copies for this purpose if provided to the Committee during the course of the public hearing.

Each statement to be presented to the Subcommittee or any written statement submitted for the record must contain the following information:

1. The name, full address and capacity in which the witness will appear.
2. The list of persons or organizations the witness represents, and in the case of associations, their total membership and where possible, a membership list.
3. The bill or bills on which the witness will be testifying and whether the testimony will be in support or opposition to it; and
4. A topical outline or summary of the comments and recommendations in the full statement.

DUTY-FREE BILLS

H.R. 802 (Mr. White): To extend from eight months to twenty-four months the period in which domesticated animals may pasture in foreign countries and be accorded duty-free status upon reentry into the United States.

A bill to extend indefinitely the period during which certain dyeing and tanning materials may be imported free of duty.

DUTY REDUCTION BILLS

H.R. 1211 (Mr. Emery): To amend the Tariff Schedules of the United States to provide for a lower rate of duty for certain fish netting and fish nets.

H.R. 2081 (Mr. Charles Wilson of Texas): To reduce temporarily the rate of duty on ceramic insulators used in spark plugs.

A bill to reduce the rate of duty on unmounted underwater lenses.

DUTY INCREASE BILLS

H.R. 593 (Mr. Mitchell of New York): To amend the Tariff Schedules of the United States in order to increase the rate of duty on certain boxes, cases, and chests lined with textile fabrics.

DUTY SUSPENSION BILLS

H.R. 297 (Mr. Drinan): To suspend for two years the duty on wood excelsior from Canada.

H.R. 1319 (Messrs. Akaka and Heftel): To extend the period for duty free entry of a 3.60 meter telescope and associated articles for the use of the Canada-France-Hawaii Telescope Project at Mauna Kea, Hawaii.

H.R. 1436 (Messrs. Preyer, Gudger, Holland, Jacobs, and Vander Jagt): To suspend until the close of June 30, 1980 the duty on certain nitrocellulose.

H.R. 1587 (Mr. Frenzel): To suspend the duty on gypsum building boards and lath until the close of June 30, 1981.

H.R. 1660 (Mr. Duncan of Tennessee): To continue until the close of June 30, 1981 the existing suspension of duties on certain forms of zinc.

A bill to suspend for a three year period the duty on 2-Methyl 4-chlorophenol.

H.R. 2297 (Mr. Duncan of Tennessee): To continue until the close of June 30, 1982, the existing suspension of duties on synthetic rutile.

A bill to temporarily continue the suspension in the rate of duty applicable to crude feathers and downs, and for other purposes.

MISCELLANEOUS

H.R. 1212 (Mr. Fuqua) : For the relief of the University of Florida, Gainesville, Florida.

H.R. 1488 (Mr. Moorhead of California) : For the relief of Vista Unlimited, Incorporated.

Mr. GIBBONS. I understand that it has been arranged that Mr. Miller of the Department of Commerce will state generally the agency's position on most of these bills. In the interest of conserving time, if any agency has a view different from the other agencies, they should so indicate.

H.R. 802

The first group of bills are duty-free bills, the first of which is H.R. 802 introduced by Mr. White to extend from 8 months to 24 months the period in which domesticated animals may pasture in foreign countries and be accorded duty-free status upon reentry into the United States.

We will take these up one at a time.

Mr. Miller, what do you make available?

STATEMENT OF BRUCE MILLER, POLICY MANAGER FOR GENERAL IMPORT POLICY STAFF, OFFICE OF INTERNATIONAL TRADE POLICY, DEPARTMENT OF COMMERCE

Mr. MILLER. Mr. Chairman, the administration does not have a position on this bill at this time.

Mr. GIBBONS. No bill position. Have you ever had a position on it? Do you remember any past positions you have had? This bill has been around a number of times as I recall.

Mr. MILLER. The administration testified on this bill in opposition. We do not have an administration position for this hearing.

Mr. GIBBONS. All right. Fine.

The next bill will be the bill to extend indefinitely the period during which certain dyeing and tanning materials may be imported duty-free. This is one of the bills which passed the 95th Congress but which was not enacted into law. A similar bill was proposed by the administration last year. What are your comments this year?

This was Mr. Burke's bill last year, Mr. Shannon's bill this year. Are you familiar with that bill?

Mr. MILLER. The administration does not object to the enactment of this legislation.

Dyers, tanners, oil well drillers and textile operators are dependent on imports to supply virtually all their demand since there is no domestic production of these materials. We are aware of no opposition to it.

H.R. 1211 AND H.R. 2081

Mr. GIBBONS. The next bills are H.R. 1211 and H.R. 2081.

H.R. 2081 was one of the bills passed last year in the 95th Congress. What are your comments?

Mr. MILLER. The administration has no position on this legislation at this time.

Mr. GIBBONS. Are you talking about spark plugs now? Is that right? All right. How about fish nets, H.R. 1211?

Mr. MILLER. The administration has no position on that bill at this time.

H.R. 593

Mr. GIBBONS. We now have H.R. 593 introduced by Mr. Mitchell of New York to amend the tariff schedules of the United States in order to increase the rate of duty on certain boxes, cases, and chests lined with textile fabrics.

Mr. MILLER. Mr. Chairman, the administration has no position on this legislation at this time.

H.R. 297

Mr. GIBBONS. Next is H.R. 297 introduced by Mr. Drinan to suspend for 2 years the duty on wood excelsior imported from Canada.

Mr. MILLER. Mr. Chairman, the administration opposes the enactment of H.R. 297. According to the international obligations of the United States in the GATT, all tariff reductions must be on a most-favored-nation basis. The proposed legislation is discriminatory in its application in that it applies only to wood excelsior pads imported from Canada. Therefore, enactment of the proposed legislation would be in contravention of our international obligations.

H.R. 1319

Mr. GIBBONS. The next bill for consideration is H.R. 1319 introduced by Mr. Akaka and Mr. Heftel to extend the period for duty-free entry of a 3.60 meter telescope and associated articles for the use of the Canada-France-Hawaii Telescope Project at Mauna Kea, Hawaii. What are your comments?

Mr. MILLER. Mr. Chairman, the administration does not have a position on this legislation at this time.

H.R. 1436

Mr. GIBBONS. We have the next bill, H.R. 1436, to suspend until the close of June 30, 1980, the duty on certain nitrocellulose. What is your position? What is the position of the administration?

Mr. MILLER. Mr. Chairman, the administration has no objection to the enactment of H.R. 1436. The domestic demand for nitrocellulose for use in the manufacture of lacquers and cellophane had traditionally been met by two U.S. manufacturers. However, the largest terminated production of nitrocellulose in early 1978 and the sole remaining producer is not able to meet domestic demand. We believe, therefore, that circumstances warrant the unilateral——

Mr. GIBBONS. Good.

H.R. 1587

The next bill introduced by our colleague Mr. Frenzel is No. H.R. 1587 to suspend the duty on gypsum building boards and lath until the close of June 30, 1981. You cannot buy the stuff anywhere that I know of without a long, long delay. I know, I am trying to remodel my house and I cannot get it.

Mr. MILLER. Unfortunately, Mr. Chairman, the administration does not have a position for this hearing.

Mr. GIBBONS. This is ridiculous. You can't buy the stuff anywhere in the United States without waiting 3 or 4 months, yet you pay a duty. I am just remodeling a simple frame house. Every building contractor in the State of Florida says you have to wait 3 or 4 months to get gypsum board. You better get on the stick and get with some of these things, you know.

When are you going to make up your mind?

Mr. MILLER. As soon as we can, sir. We will work with the committee staff.

Mr. GIBBONS. How long will that take?

Mr. MILLER. Well, we will have to get OMB clearance.

Mr. GIBBONS. Is there any body in the United States that can produce this?

Mr. MILLER. Mr. Chairman, I really don't know. We have an analyst that is doing——

Mr. GIBBONS. I don't know why we're worried about this. You really can't buy the stuff. You have to go out and beg, borrow, black market and steal the stuff. It is just not available.

H.R. 1660

The next bill is H.R. 1660 introduced by Mr. Duncan to continue until the close of June 30, 1981, the existing suspension of duties on certain forms of zinc as concentrates used by the domestic zinc manufacturers as new materials in the production of zinc metals. This bill also passed last year.

What are your comments, sir?

Mr. MILLER. Mr. Chairman, the administration favors the enactment of H.R. 1660. We believe that extending the existing temporary duty suspension on certain zinc articles will have a net beneficial effect. U.S. slab zinc producers are partially dependent on imports to meet their raw materials need and the cost savings which result from suspension of duties directly contribute to the ability of the U.S. slab zinc producers to compete with foreign producers.

In addition, U.S. industry sources report that the current U.S. production capacity is insufficient to meet the demand. They note that although U.S. production of these articles could be expanded it is doubtful that that expansion would be during the term of the proposed legislation dut to the 5 to 10 year timespan and large capital expenditures necessary for such expansion.

Mr. GIBBONS. All right.

H.R. 2580

The next bill is H.R. 2580 which Mr. Shelby has introduced to suspend for a 3-year period the duty on 2-methyl, 4-chlorophenol. We have our in-house resident scientist over here to correct me.

Mr. MILLER. Mr. Chairman, the administration has no objection to the enactment of the duty suspension. PCOC is an intermediate chemical used in the production of two herbicides. There is no domestic production of PCOC and the sole producer of the herbicides must rely totally on imports for its resource needs.

H.R. 2297

Mr. GIBBONS. The next bill is H.R. 2297 introduced by Mr. Duncan of Tennessee to continue until the close of June 30, 1982, the existing suspension of duties on synthetic rutile.

What are your comments?

Mr. MILLER. Mr. Chairman, the administration has no objection to the enactment of H.R. 2297. The duty suspension would continue the elimination of the unnecessary cost on a resource material which is not presently produced commercially in the United States and for which there is a growing demand. The United States is dependent on imports to meet its needs for both natural and synthetic rutile which are functional equivalents. There is no domestic source of natural rutile. Currently known technique create undesirable environmental side effects which have forestalled commercial production.

We know of only one domestic firm which has the equipment to manufacture synthetic rutile with an annual capacity of 110,000 tons. The firm is currently not producing material because of pollution process problems. At this point therefore, there is no domestic production of this material. Duty-free entry of this material helps to control the production costs of paint, paper, and plastic producers utilizing the oxide pigments which are made from synthetic rutile.

H.R. 2492

Mr. VANIK [presiding]. Our final duty suspension bill is H.R. 2492 to correct an anomaly in the rate of duty applicable to articles of apparel in which feathers or downs are used as filling and to extend until June 30, 1984, the duty provisions applicable to crude feathers and downs and for other purposes.

Mr. MILLER. Mr. Chairman, the administration does not have a position on this legislation at this time.

Mr. VANIK. There is no position by the administration.

Are there any further questions?

Mr. GIBBONS. No.

Mr. GUARINI. When you say there is no position, you have not made up your mind or does it refer to something else?

Mr. VANIK. It is not substantial. Go ahead. How do you account for that?

Mr. MILLER. No position means a variety of things. In some instances the bills have not been received by the administration and we did not even have time to begin an analysis. In other instances, particularly previous legislation, the Office of Management and Budget was not able to give the executive branch wide clearance. In some cases where the administration had a position last year one of the agencies asked that the position be reviewed if it appears that the situation has changed.

Mr. GUARINI. Will you take a position on all these subject matters eventually or do you stand by, say, a no position posture?

Mr. MILLER. No. We will attempt—at least the Department of Commerce will attempt, as it has in the past, to work with the committee staff and get letters stating our views to the committee with OMB clearance.

Mr. GUARINI. When you say favorable and no objection, does that signal the same thing?

Mr. MILLER. Yes.

H.R. 1212 AND H.R. 1488

Mr. VANIK. Our last two bills are private relief bills. H.R. 1212 and H.R. 1488.

Mr. GUARINI. Do you have any comments on those?

The first bill, H.R. 1212, relates to the relief of the University of Florida, Gainesville, Fla.

Mr. MILLER. The administration does not have a position on that legislation, Mr. Chairman.

Mr. VANIK. The other bill is the bill relating to the relief of Vista Unlimited, Inc., introduced by Mr. Moorhead and authorized by the Secretary of Commerce to make a direct loan to Vista Unlimited, Inc., of Burbank, Calif., in the amount of $473,000.

Mr. MILLER. Mr. Chairman, the administration has no position on that legislation either.

Mr. VANIK. All right. I think that concludes our list. I would urge you to get your reports in on these bills just as early as possible because we want to take care of this as early as possible so that we can clear the way for our other very pressing schedule.

At this time we will move to the public witnesses. The first bill we will take up is the duty-free bills to extend indefinitely the period during which certain dyeing and tanning materials may be imported free of duty. Our first witness is Eugene L. Kilik, president of the Tanners' Council of America.

Mr. Kilik, we will be very happy to hear from you at this point.

STATEMENT OF EUGENE L. KILIK, PRESIDENT, TANNERS' COUNCIL OF AMERICA

Mr. KALIK. Thank you, Mr. Chairman

Mr. VANIK. This bill was the one that was introduced by Mr. Burke last year, our former colleague. Is it identical?

Mr. KALIK. Yes.

Mr. VANIK. The position has not changed?

Mr. KALIK. Yes, sir, the position has not changed.

Mr. VANIK. Your entire statement will be considered as submitted and you may excerpt from it or you may read from it in any way you desire.

Mr. KALIK. Thank you very much, Mr. Chairman.

I am here today to speak in support of the duty suspension bill to amend the tariff schedules of the United States in order to extend indefinitely the period during which certain dyeing and tanning materials may be imported free of duty into the United States.

Legislation for the temporary suspension of duties on certain dyeing and tanning extracts first was enacted in 1957; and with various changes, including the addition of other dyeing and tanning extracts, the suspension of duties has been extended on a number of occasions, with the last such extension terminating on June 30 of last year. The termination has caused unneeded expense and inconvenience for the industry, and we hope that prompt passage of this bill will ease the difficult situation.

We request permanent duty-free treatment of extract because in two prior periods the bill was introduced and passed in the House

but not enacted in the Senate prior to the expiration date of the duty suspension bill already in effect because of various nongermane amendments added by the Senate. A new bill was introduced subsequently and ultimately passed, effective retroactively, to the prior expiration date. During the hiatus between the two bills, however, hundreds of shipments arrived and many tanners had to post hundreds of thousands of dollars in bonds for importing these materials. Additional costs were incurred in filing special customs forms and applying for refunds, and this short-term loss of dollars placed unwarranted burdens on the American industrial consumers. This condition exists today.

Now none of the materials covered by this legislation are produced in the United States. These materials are natural. They are vegetable materials containing tannin. Tannin combines with protein in skins to make leather. Quebracho is the wood of the quebracho tree found only in Argentina and Paraguay. The only users for most of these materials are leather tanners. Therefore, suspension of duty on these commodities is noncontroversial because there is no competing American industry which could be adversely affected. These duties are only an added cost which would be passed on to the eventual leather consumer—the purchaser of shoes and other leather products. Permanent suspension of these duties will enable American tanners to compete with imported products and will benefit consumers by holding down the price of leather. This legislation has never aroused opposition in Congress or among Federal agencies.

The Tanners' Council of America urges that tanning extracts be placed on the duty-free list permanently. The requirement that a new bill be introduced every 3 years to renew the exemption has caused needless delay and expense in light of the fact that these materials are vital to the leather and shoe industries in particular, as well as to the oil industry.

With past experience in mind, the council urges you to take prompt action on this bill so it may be enacted immediately. For your information, Mr. Chairman, I have included in the text of my written statement statistics that will delineate the various vegetable tanning extracts imported into the United States primarily for use by the leather industry. I hope you will find the enclosed information useful.

Thank you very much.

[The prepared statement and attachments follow:]

STATEMENT OF EUGENE L. KILIK, PRESIDENT, TANNERS' COUNCIL OF AMERICA

My name is Eugene L. Kilik. I am president of the Tanners' Council of America (Council), a trade association for the leather tanning and finishing industry. I am here today to speak in support of the duty suspension bill to amend the tariff schedules of the United States in order to extend indefinitely the period during which certain dyeing and tanning materials may be imported free of duty into the United States. The Council represents 90 percent of the American leather tanning and finishing industry, and its members unanimously support enactment of this lgislation. This bill also is supported by American shoe manufacturers.

19 U.S.C. Section 1202, Schedule 4, Part 9A provides for temporary suspension of duties on imports of certain dyeing and tanning materials. Legislation for the temporary suspension of duties on certain dyeing and tanning extracts first was enacted in 1957; and with various changes, including the addition of other dyeing and tanning extracts, the suspension of duties has been extended on a number of occasions, with the last such extension terminating on June 30, 1978 (H.R. 7716, Public Law 94-108, October 8, 1975). The extensions have renewed the duty ex-

emption at three year intervals. The termination has caused unneeded expense and inconvenience for the industry and we hope that prompt passage of this bill will ease the difficult situation.

We request permanent duty-free treatment of extract because in two prior periods, the bill was introduced and passed in the House but not enacted in the Senate prior to the expiration date of the duty suspension bill already in effect because of various non-germane amendments added by the Senate. A new bill was introduced subsequently and ultimately passed, effective retroactively, to the prior expiration date. During the hiatus between the two bills, however, hundreds of shipments arrived; and many tanners had to post hundreds of thousands of dollars in bonds for importing these materials. Additional costs were incurred in filing special customs forms and applying for refunds, and this short term loss of dollars placed unwarranted burdens on the American industrial consumers. This condition exists today.

None of the materials covered by this legislation are produced in the United States. These materials are natural. They are vegetable materials containing tannin. Tannin combines with protein in skins to make leather. Quebracho is the wood of the Quebracho tree found only in Argentina and Paraguay. The only users for most of these materials are leather tanners. In fact, 94–96 percent of all imports of these tannins are consumed by the tanning industry every year. Therefore, suspension of duty on these commodities is noncontroversial because there is no competing American industry which could be adversely affected. These duties are only an added cost which would be passed on to the eventual leather consumer—the purchaser of shoes and other leather products. Permanent suspension of these duties will enable American tanners to compete with imported products and will benefit consumers by holding down the price of leather. This legislation has never aroused opposition in Congress or among federal agencies. In fact, the trade subcommittee received no unfavorable comments on this bill.

The Tanners' Council of America urges that tanning extracts be placed on the duty-free list permanently. The requirement that a new bill be introduced every three years to renew the exemption has caused needless delay and expense in light of the fact that these materials are vital to the leather and shoe industries in particular, as well as to the oil industry (Quebracho is used also in drilling oil wells) and are noncontroversial in terms of their impact on other American industries.

With past experience in mind, the Council urges you to take prompt action on this bill so it may be enacted immediately. For your information, Mr. Chairman, I include in the text of my written statement statistics that will delineate the various vegetable tanning extracts imported into the United States primarily for use by the leather industry. I hope you will find the enclosed information useful.

Thank you for your attention.

APPENDIX A

TANNINS OF PRIMARY IMPORTANCE TO THE DOMESTIC LEATHER INDUSTRY—U.S. IMPORTS

TSUSA No.: Commodity: Primary source—Country	Net quantity (pounds)	Dollar value
TSUSA No. 4702300: Chestnut, divi-divi, hemlock other than crude or processed:		
France, Italy:		
Year:		
1970	19,907,300	1,769,940
1971	19,665,275	1,898,005
1972	19,446,138	1,893,341
1973	12,225,330	1,351,416
1974	18,504,276	1,988,565
1975	11,502,528	1,505,000
1976	11,243,675	1,495,000
1977	5,314,054	1,004,000
1978	3,230,496	723,158
TSUSA No. 4705030: Quebracho wood crude or processed: Argentina, Paraguay:		
Year:		
1970	4,579,173	405,177
1971	6,382,177	578,238
1972	4,610,063	444,062
1973	1,231,711	160,473
1974	7,288,981	924,910
1975	7,453,205	1,172,000
1976	4,767,349	775,000
1977	4,127,762	577,000
1978	2,222,448	422,300

APPENDIX A—Continued

TANNINS OF PRIMARY IMPORTANCE TO THE DOMESTIC LEATHER INDUSTRY—U.S. IMPORTS—Continued

TSUSA No.: Commodity: Primary source—Country	Net quantity (pounds)	Dollar value
TSUSA No. 4705040: Wattle, crude or processed: RSA, Brazil:		
Year:		
1970	4,289,330	175,839
1971	4,683,267	252,542
1972	6,173,193	465,495
1973	2,991,166	168,213
1974	7,163,437	713,281
1975	6,476,735	769,000
1976	8,945,662	1,201,000
1977	4,100,072	526,000
1978	4,240,493	684,177
TSUSA No. 4705740: Quebracho not crude or processed: Argentina, Paraguay:		
Year:		
1970	35 643 720	3 160 622
1971	37 623 394	3 943 045
1972	41 726 594	3 979 561
1973	26 902 759	2 891 630
1974	23 666 325	3 041 954
1975	17 829 681	2 826 000
1976	15 789 124	2 709 000
1977	28 373 902	4,971,000
1978	19,899,051	3,962,765
TSUSA No. 4705760: Wattle, not crude or processed: RSA, Brazil:		
Year:		
1970	13,170,490	948,284
1971	19,987,085	1,588,529
1972	26,152,329	2,272,707
1973	12,550,860	1,309,527
1974	13,089,980	1,486,862
1975	8,567,445	1,187,000
1976	9,563,546	1,549,000
1977	20,080,023	2,928,000
1978	26,553,909	4,432,528

Source: U.S. Department of Commerce, Imports for Consumption.

APPENDIX B

1978 IMPORTS, VEGETABLE TANNING EXTRACTS (OTHER THAN CHESTNUT, QUEBRACHO, WATTLE)

TSUSA No.	Commodity	Primary source—Country	Net quantity (pounds)	Dollar value
4702500	Canaigre, etc., not crude or processed	France, Italy, United Kingdom	423,474	111,646
4705070	Mangrove, etc., crude or processed	Italy, Syria	2,003,369	304,665
4705500	Myrobalan and sumac, not crude or processed	France, Albania	553,244	205,176
4705790	Mangrove, not crude or processed	RSA, France	99,207	19,283

Source: U.S. Department of Commerce, Imports for Consumption.

APPENDIX C

U.S. GOVERNMENT STOCKPILE, VEGETABLE TANNINS—CHESTNUT, QUEBRACHO, WATTLE

[Stockpiles and sales in long tons]

Fiscal years	Chestnut			Quebracho			Wattle		
	Stockpile inventory	Sales	Value, millions	Stockpile inventory	Sales	Value, millions	Stockpile inventory	Sales	Value, millions
1970	[1] 27,719	1,000	$0.097	191,033	1,663	$0.376	35,806	1,445	$0.271
1971	26,297	1,437	.197	188,103	2,930	.711	34,289	1,517	.324
1972	25,151	1,186	.258	184,818	2,996	.753	32,529	1,500	.339
1973	23,832	892	.217	180,647	4,010	1.053	29,724	2,797	.750
1974	22,924	975	.251	175,815	4,938	1.311	25,420	4,068	1.157
1975	21,886	975	.289	170,578	5,130	2.027	21,545	3,998	1.545
1976	21,465	501	.177	164,658	5,657	2.522	18,021	3,808	1.639
To July 1 to Sept. 30, 1976	21,465			164,595	63	.029	18,021	0	0
1977 to Sept. 30, 1977[2]	20,034	1,573	.557	160,786	3,254	1.527	16,626	0	0
1978 to Sept. 30, 1978[2]	[3] 18,417	1,508	.752	153,495	6,196	3.077	16,404	0	0
1979 to Feb. 28, 1979	[3] 18,385	0	0	[3] 153,413	0	0	16,404	0	0

[1] Inventory at end of fiscal year (June 30).
[2] Inventory at end of fiscal year (Sept. 30).
[3] Adjusted.

Source: General Services Administration.

Mr. VANIK. Are there any questions?

Mr. GUARINI. How much is the income every year? How much material?

Mr. KILIK. In the statistics——

Mr. GUARINI. In pounds.

Mr. KILIK. In pounds?

Mr. GUARINI. In dollars.

Mr. KILIK. In dollars it is about $10 million.

Mr. GUARINI. In other words, the full amount of all the dyeing and tanning materials that are imported would amount to $10 million a year?

Mr. KILIK. Yes; and some of them come under the GSP provisions as well.

Mr. GUARINI. Do we make any synthetic material equivalent to this in our country?

Mr. KILIK. We do make some synthetic materials, not equivalent but there are some substitute materials that are used.

Mr. GUARINI. Which are made by the domestic industry?

Mr. KILIK. Yes.

Mr. GUARINI. Opposed to how much we import, is it a small amount or is it——

Mr. KILIK. Yes; the synthetics are a small amount generally higher in price and there are problems environmentally as well. There are problems.

Mr. GUARINI. Is the synthetic as good as the natural?

Mr. KILIK. No; the synthetics are usually used as an add-on to change the characteristics of the leather.

Mr. GUARINI. All right. Thank you.

Mr. VANIK. No further questions. Thank you very much.

Our next witness will be Mr. David F. Emery, a Member of Congress.

STATEMENT OF HON. DAVID F. EMERY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. EMERY. Thank you very much, Mr. Chairman.

Those of you who may remember, I introduced this piece of legislation (H.R. 1211) last year as well and failed in committee by one vote. I have a brief statement which I would like to read for the record, and then I will be happy to answer questions.

Mr. VANIK. Do you have a full statement you want to make?

Mr. EMERY. I do have a statement.

Mr. VANIK. It will be inserted in the record as submitted.

Is Mr. David King here, counsel for the American Netting Manufacturers Organization?

Why don't you sit there, too.

Mr. EMERY. Mr. Chairman, Mr. King I believe is going to testify in opposition to the bill, and I would prefer if I had an opportunity to make my remarks in advance.

Mr. VANIK. Sure.

Mr. EMERY. Mr. Chairman, I will summarize since the testimony will be submitted to the record.

The problem basically is that a variety of fish nets are used by American fishermen. These nets of domestic manufacture are generally considered to be inferior in quality by most fishermen, and most fishermen have found that in order to make the necessary investment that will last a reasonable amount of time and do the job, they have been forced to purchase nets made abroad. One reason for this is the fact that the Japanese chemical industry over the last few years invested considerable amounts of time, money, and energy to perfect certain monofilament netting material. Some of the characteristics are long-lasting knots that won't slip and the tendency not to fray or to tear under various ocean conditions.

Also, many nets that are manufactured overseas are manufactured with larger mesh, if you will—larger than any known American manufacturer either cares to make or is able to make. Consequently, many fishermen are forced to pay tariffs in excess of $50,000, $60,000, or even $75,000 in order to purchase the nets that have a value of about $200,000.

I would like to read just a short section of my testimony to give you an idea of the tremendous economic impact that this high tariff has on the domestic fishing industry.

> The gill net, one of the least expensive nets, costs approximately $4,000 and weighs around 500 pounds. The tariff is 32.5 percent of $4,000 plus 25 cents per pound for a total of $1,425. Computed in the same manner, the duty on a purse seine net costing up to $200.000 and weighing 50.000 pounds is $77,500. Data collected by Dr. Jim Wilson of the University of Maine indicates that the current tariff on purse seines represents a 19-percent hidden tax which Maine's herring fishermen must overcome in order to compete with Canadian subsidized herring imports.

Without belaboring the point, the problem is simply that most fishermen in my State and most any State will be more than happy to purchase the domestic material whenever that domestic material is available. The problem is that the quality is inferior so that what our fishermen need is simply not available. All we are asking is for an opportunity to reduce the overhead on the American fishing industry which is substantial. We have difficulties with Canada, we have difficulties in providing other meaningful protection for the American fishing industry—on imports and foreign vessels. The fishing industry is just beginning to get its head above water for the first time in several decades, and it would be a very meaningful break for domestic fishermen if they were allowed even a small reduction in that tariff. We are of course asking that it be reduced by 50 percent.

Mr. VANIK. You are arguing for an industry that is much larger, for the whole New England industry. It is more than the Maine problem.

Mr. EMERY. Yes. It is really talking for the entire Nation. Don Young who represents Alaska cosponsored this bill, and his interests are the same on the west coast as mine. I don't know of any fishing industry in the country that would not benefit from this.

Mr. VANIK. Your position is that the material would be imported regardless of systematic burden?

Mr. EMERY. That is right.

Mr. VANIK. These nets that are produced abroad, regardless of what the tariff is, they happen to have them.

Mr. EMERY. Fishermen feel very strongly that if they are going to make a substantial investment they would be better off buying a net

and swallowing the cost of that tariff simply because there is no sense to make an investment in a net that will be destroyed in a relatively short period of time. So, they are really forced by circumstances to buy these nets. Of course that $77,000 amounts to a very substantial investment for the man who has been having problems with fish quotas and has to pay a mortgage and exorbitant rates on equipment. It is just a very, very heavy burden that other nations don't have, and it will be a tremendous help if we could reduce it.

One final point I would like to make. It was suggested last year before this committee that this matter be discussed in international trade negotiations, the so-called Tokyo round. Now these negotiations have been going on for some time, and, as I understand it, this matter has not been resolved. When these negotiations come to a close it seems obvious to me that if we are going to make any concessions at all it has to come from this committee.

[The prepared statement follows:]

STATEMENT OF HON. DAVID F. EMERY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Good morning Mr. Chairman. It is indeed a pleasure to be back before your Subcommittee to testify in favor of my bill H.R. 1211, which would amend the U.S. Tariff Schedules in order to provide for a lower rate of duty on certain fish netting and fish nets. H.R. 1211 reduces by 50 percent the tariff on imported synthetic twine and netting of types provided for in Item 355.45, Schedule 3, part 4, Subpart C of the U.S. Tariff Schedules.

My purpose in reintroducing this bill is to focus continuing attention on what I believe to burdensome tariffs placed on twine and netting used by inshore and offshore fishermen. I will show how these tariffs are too high and how, in some cases, are no longer needed.

Fishermen who harvest within the three mile territorial sea are called inshore fishermen. They often employ what is called a gill net. This net's mesh size is regulated by state laws, and, consequently, because of local variations on small mesh size regulations, the inshore fisherman buys his nets almost exclusively from domestic manufacturers. Where local regulations allow, however, the inshore fisherman nearly always turns to imported mono-filament nets of dual or triple knot design. My inshore fishermen claim that the imported fiber is stronger and that it does not permit the knots to slip as easily as the domestic fiber. Even though the tariff is high, they tell me they would not switch back to the domestic product.

The inshore fishermen, however, are not the ones most hurt by the tariff on imported synthetic twine and netting. It is the offshore fishermen, those who harvest within the 3-mile to 200-mile zone, whose purse seine nets are considerably more expensive and heavier than gill nets, that bear the greatest financial burden.

Purse seines need a mesh size up to 64 inches. At present, these cannot be constructed or purchased from U.S. netting manufacturers, since the U.S. mesh manufacturing capability is only 24 inches, with some modifications. What this means, essentially, is that the present tariff on imported twine and netting really protects no one, since the U.S. industry does not manufacture a product which meets the specific qualifications desired by the offshore fishery.

Where the U.S. mesh size does meet the desired qualifications, however, offshore fishermen continue to employ nets constructed from imported twine, as they are convinced these nets are of higher quality, and therefore result in a higher catch capacity. This belief is, as I stated before, upheld by members of the inshore fishery who use the imported twine whenever they are able.

I have spoken personally with net manufacturers from my district who say they cannot sell their domestically manufactured twine to local fishermen. Invariably, Maine fishermen will choose to pay the extra price for imported twine, rather than go with the domestic product.

The twine manufacturers claim that there is no objective documented evidence to demonstrate that imported twine and netting is superior in quality to their domestically manufactured product. Given the fact that fishermen continue to purchase nets constructed of imported man-made fiber netting, regardless of the

stiff tariff imposed, I personally don't need any further evidence. It is obvious that fishermen believe that the imported product is superior.

Mr. Chairman, I am the first one to support an economic environment which protects our domestic industries. I was one of the sponsors of the 200-mile limit bill. There is no question in my mind that tariffs are essential in specific cases, such as the domestic shoe and textile industry, in order to allow a U.S. industry to compete with cheap labor or a subsidized product from another country. In the case of imported twine, however, I feel the tariff is burdensome, and as I stated with regards to large mesh sizes, unnecessary. Consider the following data:

The gill net, one of the least expensive nets, costs approximately $4,000 and weighs around 500 lbs. The tariff is 32.5 percent of $4,000 plus 25 cents per lb. for a total of $1,425. Computed in the same manner, the duty on a purse seine net costing up to $200,000 and weighing 50,000 lbs. is $77,500. Data collected by Dr. Jim Wilson of the University of Maine indicates that the current tariff on purse seines represents a 19 percent hidden tax which Maine's herring fishermen must overcome in order to compete with Canadian subsidized herring imports. I believe that such costs are more than the fishermen should be expected to bear.

I am, obviously, most concerned about the detrimental effects which tariffs impose on the commercial fishing industry, but I realize that the economic status of the domestic twine manufacturers must also be taken into consideration.

There are currently fourteen twine manufacturers in the United States who employ, in total, approximately 2,000 workers. Compare this figure with the 17,000 fishermen in Maine and 165,000 in the United States, most of whom depend on some form of nets. There is a large difference in the size of these firms, some of which hire less than ten people, while others hire over one hundred.

The twine industry produces twine for such diverse products as auto tires, commercial ropes, and military camouflage nets. I was not able to obtain figures from the Department of Defense which pinpoint what percentage of resources the twine manufacturers invest in camouflage nets. I do not believe, however, from speaking with persons who are familiar with the industry, that a reduction in the tariff will result in economic ruin. Instead, I am convinced that the twine manufacturers are overprotected at the expense of the fishing industry.

For the past three years, Mr. Chairman, I have been a member of the Merchant Marine and Fisheries Committee's Subcommittee on Fisheries and Wildlife. Conservation and the Environment. I grew up in Rockland, Maine, a town which is still one of the two largest landing ports in the State. I feel I understand the commercial fishing industry and that my knowledge of its particular problems is considerable. There is no doubt in my mind that the current tariff structure is both burdensome and unnecessary.

I urge the Subcommittee to carefully consider the economic ramifications of the present tariff structure on the commercial fishing industry and the reasons why a fisherman, despite the stiff tariff and his own tenuous economic position, would continue to purchase nets constructed of imported man-made fiber. Surely, the imported fiber must be of a quality substantially different from the domestically produced product.

Mr. VANIK. Mr. Gibbons.

Mr. GIBBONS. I agree with you.

Mr. EMERY. I appreciate the support that you gave us last year, and I hope that we will be able to do something this time.

Mr. VANIK. Mr. Vander Jagt.

Mr. VANDER JAGT. No. questions.

Mr. VANIK. Mr. Martin.

Mr. MARTIN. No questions.

Mr. VANIK. Mr. Guarini.

Mr. GUARINI. From what you say our country is not able to compete with Japan in the quality of nets that are produced. That is very unfortunate.

Mr. EMERY. Well, I guess my comment would be we are capable of it, but we simply have not done it. The Japanese have made the commitment in technology and money and chemicals and the manufacturer and the material. We do not have the in-house capability at this time

to manufacture either the twine or the net size that the fishermen need. It is not that we could not do it, we simply have not done it.

Mr. GUARINI. By reducing the duty we would only encourage further the inability of our country and aid Japan by buying from Japan.

Mr. EMERY. I am not sure that the problem is one of protecting an important American industry. After all, the netting industry manufactures other things such as large nets for the military and other uses. I think that you will find that the percentage of income from manufacturing fishing nets is very small in the net and twine industry, so I don't think you are talking about losing thousands of jobs or millions of dollars worth of income. I think what you are talking about is an economic decision you have to make in this country. Should we divert resources willfully and purposefully for manufacturing the netting material for a specialized use, or should we just buy it from overseas when it is available? I believe that is up to you to decide, but it just seems to me that if the fishing net industry in this country wanted to manufacture those nets, they could do it. Certainly if they wanted to do it we could probably extract the cost, and our tariff would be less than the cost we are paying for the tariff. I leave it up to the netting industry. If we want to manufacture it, our fishermen will buy it. If they don't do it, we have no choice but to go elsewhere.

Mr. GUARINI. Are there any that depend solely on fish nets for their business?

Mr. EMERY. There may be but I am not aware of it.

Mr. GUARINI. Thank you very much.

Mr. VANIK. Thank you very much.

Mr. Archer, do you have any questions?

Mr. ARCHER. No.

Mr. GIBBONS. Did they hide behind the high tariff?

Mr. EMERY. It simply would appear to me that if the netting industry wished to go into manufacturing that kind of net they could do it. Certainly the difference between the cost of domestic production now and the $77,500 tariff which is added on to the cost of purchasing a net is a profitable margin. I would suspect that given the small number of nets which fishermen purchase, it is just not economically feasible for the industry to do it. Consequently, the netting manufacturers have made a decision not to do it. The fishermen are squeezed between need and an exorbitantly high tariff.

Mr. VANIK. Thank you very much.

Mr. EMERY. Thank you.

Mr. VANIK. Mr. King.

STATEMENT OF DAVID S. KING, COUNSEL, AMERICAN NETTING MANUFACTURERS ORGANIZATION

Mr. KING. Mr. Chairman and members of the committee, I am David King and I am here representing the American Netting Manufacturers Association who manufacture over 90 percent of the domestic fish netting. I have already submitted a written statement.

Mr. VANIK. Your entire statement will be made part of the record.

Mr. KING. Mr. Chairman, our position is that this tariff is definitely needed to enable our particular industry to survive. We do not agree

that the netting industry has enough other resources that it can fall back on if the netting operation should go under. That is not our position. Most of our organization's operations uniquely involve fish netting.

This is an old and very respected and reliable industry. It is small, but is an essential link in the chain that connects the vast oceanic food resources with the American consumer. The problem, as we explained 2 years ago when this bill was before this subcommittee, is that in Japan, which is our chief competitor in fish netting, you have a system of vertical integration. There are no Japanese antitrust laws as we understand them in this country. As a result, the manufacturers can purchase their nylon, which is almost the sole component, at a ridiculously low price, whereas in this country we have to deal at arm's length with our main suppliers and buy nylon from them on the same terms as everybody else. That, plus the high cost of labor, are the two factors that create a remarkable disparity in price.

Now the domestic industry is making progress. We are inching our way forward, but to bring about this drastic reduction in protection at this time, this slashing by one-half the existing duties, we are convinced will result in either the destruction of our industry or its reduction to a skeleton operation which, I might add would destroy the normal competitive forces now in operation, and would feed the fires of inflation.

We call attention to the fact that 66 percent of the imports of netting are from Japan. We already have a $12 billion trade deficit with this country, so the enactment of this bill would only tend to exacerbate that situation. I think that the movement should be in the opposite direction.

In my prepared statement I do present some figures which you can examine. In effect they show that the percentage increase in importations has been significantly higher than the percentage increase in domestic production. As you can see, domestic production increased 18.8 percent in 1978 over 1977, but foreign imports, during this same period, increased 25.3 percent. There is one other factor that should be mentioned. We have a special problem involving the tuna netting. Tuna netting does not even show up on these statistics and yet it represents almost 40 percent of the entire domestic market. The reason why the tuna netting does not show up on these statistics in the Department of Commerce or any of the other statistics is that the purchases are made in the Panama Canal Zone.

The fisheries are taking advantage of a loophole in the tariff law. I won't go into the details of that here because they are only tangential to the business before this subcommittee. Suffice it to say that the tuna fleet purchasing, as I say, about 40 percent of all the netting used in this country, goes to the Panama Canal Zone, and brings the netting back absolutely free of duty. Moreover, this netting does not show up in the official statistics at all.

Now when you add that netting to the netting that is reported by the Department of Commerce, you reach a conservative figure representing the penetration of the domestic market by foreign imports of 50 percent. Fifty percent is very, very consequential. It gets to the point that if it goes any further it is going to make the domestic industry subject to being destroyed.

Now when you add to that the fact that the recognition of the People's Republic of China which is now a fait accompli, will open up new trade relationships and that there is talk of putting Chinese imports in the most favored nation column for import duties, we can reasonably anticipate that there will be substantial Chinese importations. So if we factor this increase into the 50-percent penetration that we have now, it is anybody's guess as to what we are going to end up with; probably between 55 and 60 percent. At that point the domestic industry will find itself in an even more precarious position.

Now if on top of that we were to substantially reduce the import duty, the rate of duty, I think in all reasonableness I can say that this would be the demise of many of the companies that are now producing fish nets.

Then, on top of all of this, is the additional reasoning that this subcommittee has heard many times, and that is that there is an essential incongruity in proceeding by way of unilateral reduction of duties in view of the fact that we have now spent 4 years or more in working out a systematic reduction in duties through the MTN's. The GATT negotiators are winding up their work at the present time, which we can assume has been done well. We can safely assume that they have balanced all the equities and economic factors to be taken into consideration, and, most importantly, that they have gotten their quid pro quo for whatever trade concessions we were willing to make.

Now if we proceed unilaterally at this point, we are not only negating all of the good work that they have done but presumably we are throwing away trade concessions for which we could secure a quid pro quo if we were doing it according to the pattern that was set forth in the Trade Act of 1974.

[The prepared statement follows:]

STATEMENT OF DAVID S. KING, ATTORNEY, ON BEHALF OF THE AMERICAN NETTING MANUFACTURERS ORGANIZATION

Mr. Chairman and members of the Subcommittee on Trade: I am David S. King, a member of the law firm of Williams & King, Washington, D.C. The firm represents the American Netting Manufacturers Organization (ANMO), and I am appearing here in opposition to H.R. 1211, a bill to amend the Tariff Schedules of the United States to provide for a lower rate of duty for certain fish netting and fish nets. ANMO is a nationwide organization whose members manufacture in excess of 90 percent of all domestically-produced fish netting. A current ANMO membership list is appended to this statement, as well as a summary of the materials contained herein.

H.R. 1211 seeks to reduce by one-half the present import duty on fish nets. The bill's objectives, however, find no justification whatsoever, either for economic or for any other reasons. Moreover, the timing of H.R. 1211 is particularly inappropriate in that: (1) the domestic fisheries are currently prospering, (2) the domestic fish netting business is barely holding its own, and (3) the U.S. multilateral trade negotiations are, at this very moment, winding up their over four-year effort to reach agreement with our trading partners on a sound and equitable schedule of tariff rates.

Regarding the current prosperity of the U.S. fisheries, little need be said. The recent revision of the fisheries laws, which now grant to the U.S. fishing vessels special fishing rights within the newly-created 200-mile economic zone, has opened up an entirely new dimension in the commercialization of our offshore marine resources. The papers and trade journals, in recent months, have been filled with accounts of record catches and newly constructed super fishing vessels ready to go forth and exploit these oceanic treasures.

The fish netting industry, on the other hand, has not fared so well. Their present plight is evidenced by the import production figures here set forth. The production figures are taken from a questionnaire submitted to over 90 per-

cent of the industry, covering 1976, 1977, and 1978, and adjusted upwards by 10 percent. The import figures are those published by the Department of Commerce. All figures except percentages are in pounds.

FISH NETTING AND NETS, 1976–78

Year	Imports	Domestic production	Apparent consumption	Import penetration (percent)
1976	1,152,087	3,681,181	4,833,268	23.8
1977	1,453,186	4,350,188	5,803,374	25.0
1978	1,821,984	5,168,099	6,990,083	26.1

Note: Percentage increase over previous year: Imports—1977, 26.1 percent; 1978, 25.3 percent. Domestic production—1977, 18.2 percent; 1978, 18.8 percent.

Over 66 percent of these imports are from Japan, with whom we have a $12 billion trade deficit. Japanese exporters need no further incentive to invade our markets.

It can readily be seen from the above figures that during the last two years imports of fish netting have increased much more rapidly than domestic production.

Furthermore, while the above figures show a foreign penetration of the domestic market of about 26 percent in 1978, this percentage does not include foreign fish netting purchased by the U.S. tuna fleet in places like the Pamana Canal Zone, upon which U.S. duty is never paid, and which is never reported as imports. If these offshore purchases are added to the reported imports, penetration of the domestic fish netting market by foreign imports is boosted to approximately 50 percent.

The fact is that tuna netting represents 35 percent to 40 percent of the entire domestic fish netting market, and that this entire market has been captured by the Japanese, the Koreans, and the Taiwanese who have successfully exploited the tariff loophole mentioned above. As a result, domestic manufacturers now produce no tuna netting whatsoever.

The figures show, therefore, that between 60 percent and 65 percent of the domestic market is represented by non-tuna netting, and that about 26 percent of that 60 percent to 65 percent goes to foreign producers, leaving to the domestic producers not more than approximately 50 percent of the total domestic market. It can be reasonably assumed that with the recognition of the People's Republic of China and the implementation of the Administration's recently announced intention to seek mfn treatment for China's products, the future influx of Chinese fish netting will further exacerbate the situation. By any standard of measurement, this places the domestic fish netting industry in a precarious position.

For this reason, it seems apparent that any proposal to reduce present duty rates on fish netting is completely unrealistic, and would produce dangerous results. A substantial reduction of duties at this point would either wipe out our domestic fish netting industry altogether, or reduce it to a mere skelton operation. This, in turn, would stifle normal competition, and feed the fires of domestic inflation.

Quite apart from the lack of economic justification for a reduction in applicable rates of duty on imported fish netting, is the additional argument against such a proposal, based on its untimeliness and inappropriateness. It will be recalled that the Ways and Means Committee did more than any other body to fashion the Trade Act of 1974. That legislation gives the President the authority to reduce tariffs on a reciprocal basis with our trading partners, after receiving advice from a variety of public and private sources on the merits of reductions and how far such reductions should go.

Within a matter of weeks, we are told, the results of the intensive negotiations that have been conducted in Geneva over the past four years will be known. We do not know whether the tariff on fish netting and nets wil be reduced by negotiation, or by how much. But whatever the result, it will have been arrived at by a procedure that has been carefully and rationally constructed by Congress, and duly executed by the Administration.

The enactment of H.R. 1211 would completely negate the guiding principles and procedures laid down by the Trade Act of 1974. It would bypass the careful weighing and balancing of economic interests called for by the statute, and would ignore the years of painstaking work done by the President's Special Rep-

resentative for Trade Negotiations, pursuant to his statutory mandate. Finally, it would deny to this nation any reciprocal benefits which might come from a willingness on our part to make certain trade concessions. Congress, it would seem, has already indicated in rather forceful terms, that unilateral action by the Congress is not the preferred method for reducing import duties.

For these reasons AMMO respectfully requests that H.R. 1211 be unfavorably acted on by this subcommittee.

SUMMARY OF POINTS MADE IN STATEMENT SUBMITTED BY DAVID S. KING ON BEHALF OF THE AMERICAN NETTING MANUFACTURERS ORGANIZATION

1. The U.S. fisheries are currently prospering.

2. The U.S. fish netting industry is not prospering and would suffer severely if present import duties were reduced.

(*a*) For each of the past two years, foreign imports of netting have increased at a rate of approximately 26 percent per year, whereas domestic production has increased at a rate of only 18.8 percent.

(*b*) Foreign imports (mainly Japanese) are currently penetrating the domestic market at the rate of approximately 50 percent if the offshore purchases of tuna netting are included.

(*c*) The domestic fish netting manufacturers have already lost their entire tuna netting market (35–40 percent of the total market) and over 26 percent of the remaining market.

3. Congress has already decreed how tariff reductions are to be effectuated through the rational and careful procedures contained in the Trade Act of 1974, and on a reciprocal basis with our trading partners.

4. The results of the Multilateral Trade Negotiations (MTN) will be known within a matter of weeks. Whether or not, and by how much, the tariff on fish netting and nets has been reduced as a result of these negotiations, the result will have been arrived at through the carefully devised procedures of the Trade Act of 1974. A unilateral reduction of any tariff now, or for the foreseeable future, would negate a basic principle governing U.S. trade policy over the past four years.

AMERICAN NETTING MANUFACTURERS ORGANIZATION

MEMBERSHIP LIST

Bayside Net and Twine Company, Inc.
Brownsville, Texas

Blue Mountain Corporation
Blue Mountain, Alabama

The Brownell Net Company
Moodus, Connecticut

First Washington Net Factory, Inc.
Blaine, Washington

FNT Industries
Menominee, Michigan

Harbor Net and Twine Company, Inc.
Hoquiam, Washington

Koring Brothers, Inc.
Long Beach, California

Mid Lakes Manufacturing Co.
Knoxville, Tennessee

Nylon Net Company
Memphis, Tennessee

A. B. Carter Co., Carter Traveler Co.
West Point, Georgia

Carron Net Co., Inc.
Two Rivers, Wisconsin

FABLOK Mills, Inc.
Murray Hill, New Jersey

Farrell-Calhoun, Inc.
Memphis, Tennessee

Flexabar Corporation
Northvale, New Jersey

Hagin Frith & Sons Company
Willow Grove, Pennsylvania

Northwest Net & Twines, Inc.
Everson, Washington

Samson Ocean Systems
Boston, Massachusetts

Shuford Mills, Inc.
Hickory, North Carolina

Mr. VANIK. Well, Mr. King, on this bill I think we need more information. We don't have any report or anything from the ITC or we don't have the Panamanian problem which you suggest is something that we have. So as far as I am concerned I think I want to know more about this and I think the staff should be directed to get that supplemental information in hand.

Mr. Gibbons.

Mr. GIBBONS. Where are these American nets manufactured?

Mr. KING. They are scattered over the Nation. There is an operation in Alabama, one in Tennessee, one in Michigan, two in Connecticut, one in Maine, one in California, three in the State of Washington, and one in Texas.

Mr. GIBBONS. Are these independent companies or are they just subsidiaries of larger companies?

Mr. KING. Essentially they are independent. One or two are affiliated with a larger operation, but the rest are not.

Mr. GIBBONS. Why can't they manufacture the large type nets like the Japanese manufacture?

Mr. KING. Well, their position has always been that there is no net that they cannot manufacture if they can overcome this price differential. I have already explained that in buying the chemical ingredients that compose the nylon out of which the netting is fabricated, the Japanese have it all over us.

Mr. GIBBONS. Those are all petroleum chemicals and all derived from the same base of petroleum?

Mr. KING. Yes.

Mr. GIBBONS. Are they based on world price?

Mr. KING. Considerably less than world price. When our manufacturers go to Monsanto or Du Pont they just pay the same price that anybody else would pay. They are not complaining, but are explaining that is just the way it is. When our counterparts in Japan pay a price it is considerably less than what we would pay, because of vertical integration.

Mr. GIBBONS. Why don't our manufacturers buy the raw materials from the Japanese if it is so cheap?

Mr. KING. Well, that creates some problems, too. I think one of the factors is they would like a continuity of supply and reliability of supply.

Mr. GIBBONS. The Japanese are not reliable suppliers?

Mr. KING. Well, certainly during the war they were not reliable.

Mr. GIBBONS. You cannot argue that.

Mr. KING. There is another argument and I think it is sound. At the end of the war vast amounts of U.S. funds were poured into Japan, and it was as a result of that very lavish investment plus technology that the Japanese were able to make some very substantial capital installations that our own domestic industry has not been able to duplicate. We have never had a source of financing that was as generous as that which the Japanese had 30 years ago. We are still trying to catch up; I think we will, but we don't want to die in the meantime.

Mr. VANIK. Mr. Archer.

Mr. ARCHER. I have no questions.

Mr. VANIK. Mr. Guarini.

Mr. GUARINI. Are there companies that are substantially dependent upon fish netting, fish nets, for their well being? Would this cause a grave impact or hardship on the financial integrity of these companies?

Mr. KING. Are you talking, sir, about the fisheries that buy the nets or are you talking about——

Mr. GUARINI. I am talking about the companies that produce the nets that are competing with the Japanese firms.

Mr. KING. The answer to the question is "Yes," they are dependent on this; they would be destroyed if their netting market were destroyed.

Mr. GUARINI. And you are saying the American industry would be gravely imperiled by the reduction?

Mr. KING. That is correct. There is no question about it.

Mr. GUARINI. Thank you.

Mr. VANIK. Mr. Martin.

Mr. MARTIN. I have no questions.

Mr. VANIK. Mr. Moore.

Mr. MOORE. Thank you, Mr. Chairman.

Did I understand, Mr. King, a moment ago you said the Japanese can get the chemicals with which they make their nets more cheaply than can the Americans because of vertical integration?

Mr. KING. That is correct.

Mr. MOORE. Vertical integration of what, Japanese oil companies?

Mr. KING. Yes; the oil, the chemical and the netting companies all form part of one—I don't know if the word syndicate would be appropriate but it is a vertical integration structure which enables them to buy at cost.

[The following was subsequently received for the record:]

SUPPLEMENTAL RESPONSES SUBMITTED BY WITNESS DAVID S. KING, ON BEHALF OF THE AMEBICAN NETTING MANUFACTURERS ORGANIZATION

Congressman Gibbons propounded the following question:

Why don't our manufacturers buy the raw materials from the Japanese if it is so cheap?

Mr. King here offers the following answer, supplementing the answer given:

There are several further reasons why this is not done. The first reason is that although the price of the raw material in Japan may be low, the cost of transporting it to the United States adds considerably to the cost. The freight cost differential between 300 miles and 8,000 miles is comparatively high, considering the fact that shipments from Japan require one more process of loading and unloading. The most important reason for not buying from the Japanese, however, is that since the Japanese nylon producers are locked in so tightly with the Japanese netting producers, the former will never agree to any arrangement that will cause the latter to be reduced to a competitive disadvantage. The Japanese might sell nylon to the U.S. producers, but only under unfavorable terms. The following are illustrative:

(*a*) They deliberately limit available supply to netting not conforming to U.S. specifications;

(*b*) They charge U.S. producers a price that they know would not enable the said producers to be competitive;

(*c*) They send inferior merchandise;

(*d*) They provide no facilities for U.S. purchasers to obtain price adjustments for individual shipments that do not meet quality control standards (which occasionally occur, even with the most reliable manufacturers);

(*e*) They reserve the right to cut off supply if things get out of hand.

The record shows that purchasing netting components from the Japanese, which has been done from time to time, in the past, has never worked out satisfactorily. One of our ANMO members, for example, bought Japanese tennis netting components, but had to abandon the practice for the above mentioned reasons.

Chairman Vanik indicated that the committee desired more information on the so-called offshore purchases problem. Mr. King offers the following in response to the Chairman's request:

For some years now the U.S. tuna fishing vessels in the Pacific Ocean have been exploiting an administrative loophole in the U.S. tariff structure. The tuna fleet is home-ported in Southern California but spends months at sea in the South Pacific tuna fishing grounds. On their voyage to and from the fishing grounds, many of the ships have been stopping at foreign ports along the way to buy stores and equipment, including fish netting which is, of course, essential to their operations.

Pursuant to a law (19 U.S.C. 1466) that was in effect even before the 1930 Tariff Act, the purchase of such foreign equipment is dutiable when the vessels return to home port in the United States. Without such a law, the tariff on

such equipment that is actually imported into the United States would be ineffective in protecting American industry from injurious foreign competition.

But the law has not been effectively enforced by U.S. Customs despite a long history of efforts by the U.S. netting industry to plug the loophole. Customs has claimed, first, that it was not clear that 19 U.S.C. 1466 was meant to apply to purchases by fishing vessels. Further, Customs asserted that fish netting was not "equipment", and so the law did not apply to it. The American Netting Manufacturers Organization (ANMO), composed of firms that produce over 90 percent of all U.S. fish netting, has consistently challenged Customs' interpretation of the law.

These questions were finally unequivocally resolved by the enactment, in 1971, of an amendment to 19 U.S.C. 1466, and by regulations belatedly issued by Customs in 1977. The amendment and new regulations make it clear that the law does apply to fishing vessels that engage in foreign purchases and that fish netting is definitely vessel equipment.

However, by regulations proposed in April of 1978, Customs again seeks to frustrate the clear Congressional intent of 19 U.S.C. 1466 by exempting from its provisions purchases of equipment in the Panama Canal Zone, American Samoa, Guam, Guantanamo Naval Station, the Virgin Islands, and Puerto Rico. When queried as to why they propose such exemptions, Customs officials give the excuse that "prior rulings" have exempted such places from the effect of 19 U.S.C. 1466.

American netting manufacturers have been fighting against injurious import competition (mainly Japanese) for over ten years. A successful dumping action was brought against Japanese imports in 1972, and, due to the plight of the netting industry, the tariff on imported fish netting was one of the few untouched in the last (Kennedy) round of multilateral trade negotiations. Nevertheless, import penetration is calculated to be 26 percent, even without including the "offshore purchases" referred to above. If such "hidden imports" were included, import penetration would be as much as 50 percent.

As a result of Customs' recalcitrance, the efforts by ANMO to obtain effective enforcement of the law have not resulted in any meaningful gains. Large-scale netting operations persist in the Panama Canal Zone (which Customs insists is exempt) and are commencing in American Samoa and Guam (which Customs also insist are exempt). These are not manufacturing operations, and so no measurable benefit in the form of increased employment or infusion of capital is realized in these possessions. These operations are simply sales or forwarding organizations where bales of Far Eastern-made netting are shipped for delivery to the fishing vessels. ANMO estimates that well over $100,000 in foreign netting sales per month are effected in the Panama Canal Zone alone. On an annual basis, purchases there and in other "exempt" possessions are estimated to be over $3 million, which results in $1.5 million in tariff revenue lost to the U.S. Treasury!

Since October 30, 1978, ANMO, through its Washington, DC, counsel, Williams & King, has had on file with the U.S. Customs Service headquarters in Washington its strong plea to close the netting loophole with respect to most of the U.S. possessions named in the proposed regulations. Since May 22, 1977, a similar petition with respect to the Panama Canal Zone has been on file with Customs. To date nothing has been done, and the U.S. netting industry continues to lose substantial sales which it can ill afford to lose.

ANMO further states that the problem of the offshore purchases of tuna netting has not been resolved, and that as late as Monday, February 26, 1979, representatives of ANMO met with representatives of the Treasury Department, including the Assistant Secretary of the Treasury for Congressional Relations. No assurance whatsoever was given to representatives of ANMO that the problems would be resolved through administrative action. Thus, approximately 40 percent of the domestic industry's legitimate market is taken away from the domestic fish netting industry through the aforesaid loophole in the law. This is a poor time, indeed, to further reduce import duties.

Mr. MOORE. Thank you, Mr. Chairman.

Mr. VANIK. Thank you very much.

Thank you, Mr. King.

Our next bill is H.R. 1660, Mr. Duncan from Tennessee, to continue until the close of June 30, 1981, the existing suspension of duties on certain forms of zinc.

Our witnesses are Charles R. Carlisle, treasurer, Lead-Zinc Producers Committee, accompanied by Stanley Nehmer, consultant, and also Edward L. Merrigan, counsel, National Association of Recycling Industries.

STATEMENT OF CHARLES R. CARLISLE, TREASURER, LEAD-ZINC PRODUCERS COMMITTEE, ACCOMPANIED BY STANLEY NEHMER, CONSULTANT

Mr. CARLISLE. Good morning, Mr. Chairman.

For the record I am Charles Carlisle, vice president of St. Joe Minerals Corp.

Mr. VANIK. Your entire statement will be submitted in the record.

Mr. CARLISLE. I will summarize it in about a minute.

I am appearing on behalf of seven companies in the Lead-Zinc Producers Committee. These companies produce all of the zinc metal, all of the primary zinc metal, produced in the United States and virtually all of the zinc ores and concentrates.

With me are Mr. Nehmer and Mr. Sandry of Economic Consulting Services, Inc., here in the city. We are here, Mr. Chairman, to urge swift enactment of H.R. 1660 which would suspend duties on zinc ores, concentrates, and certain other zinc-bearing materials. We are delighted that Mr. Miller, representing the administration, noted that the administration favors enactment of this bill.

This bill is identical to one which passed both Houses last session without any opposition, as happened in the case of some of the other bills before you this morning. In the closing hours of the last Congress a nongermane amendment was added over in the Senate; the thing was snarled and Congress adjourned without passing this bill.

Mr. Chairman, the zinc industry in the United States is in bad condition. We are the only zinc industry in the world which has to pay a duty on our raw materials, our zinc ores and concentrates. The suspension which H.R. 1660 would carry out would give significant help to a hard-pressed industry.

Thank you very much, sir.

[The prepared statement follows:]

STATEMENT OF CHARLES R. CARLISLE ON BEHALF OF THE LEAD-ZINC PRODUCERS COMMITTEE

SUMMARY

The Lead-Zinc Producers Committee supports enactment of H.R. 1660 to continue until June 30, 1981, the suspension of duties on zinc ores, concentrates, and certain other zinc-bearing materials.

The bill is needed to assure domestic zinc smelters and refiners continued access to raw materials on a basis competitive with that available to foreign producers. Domestic zinc smelting and refining operations have been seriously injured by excess imports of slab zinc. They would be further harmed by the reimposition of duties on raw materials, especially since competitors in foreign countries are not charged similar duties on their imports of such materials. Domestic zinc mines sell virtually all production to domestic smelting and refining operations and, therefore, benefit from any action taken to enhance the viability of the U.S. zinc smelting and refining industry.

STATEMENT

I am Charles R. Carlisle, Vice President, St. Joe Minerals Corporation. I am here today on behalf of the seven member companies of the Lead-Zinc Producers Committee in support of H.R. 1660.

The following companies are members of the Lead-Zinc Producers Committee:

AMAX Inc.
AMAX Center
Greenwich, Connecticut 06830

ASARCO Incorporated
120 Broadway
New York, New York 10005

The Anaconda Company
Subsidiary of: Atlantic Richfield Corporation
1849 West North Temple
Salt Lake City, Utah 84116

The Bunker Hill Company
Subsidiary of: Gulf Resources & Chemical Corporation
477 Madison Avenue
New York, New York 10022

The National Zinc Company
Subsidiary of: Englehard Minerals & Chemicals Corporation
Bartlesville, Oklahoma 74003

New Jersey Zinc Company
Subsidiary of: Gulf & Western Natural Resources Group
1 Gulf & Western Plaza
New York, New Jork 10023

St. Joe Minerals Corporation
250 Park Avenue
New York, New York 10017

The Lead-Zinc Producers Committee urges continuation of the present suspension of duties on zinc ores, concentrates and other materials covered in H.R. 1660. This measure would continue in effect until the close of June 30, 1981 the duty suspension originally enacted in Public Law 94–89, of August 9, 1975. The present suspension of duties expired on June 30, 1978. H.R. 1160 would provide retrocative duty suspension to that date.

The 95th Congress had previously accepted H.R. 9911, the predecessor to H.R. 1660. H.R. 9911 passed the House on September 18, 1978 and the Senate on September 30. However, due to amendments in the Senate version unrelated to zinc, H.R. 9911 was reintroduced in the House for approval on October 10, 1978. Unfortunately, the Congress adjourned before it could take final action on this legislation.

U.S. Zinc smelters and refiners need continued access to zinc ores and concentrates at world market prices. Prior to the enactment of public Law 94–89 containing the previous suspension, the U.S. was the only major producing country in which imposed a tariff on these raw material imports. This placed U.S. zinc smelters and refiners at a competitive disadvantage in the acquisition of these materials. While other problems facing domestic zinc smelters and refineries are of much greater significance, continuation of this suspension of duties is important to the industry. Failure to continue the suspension would reimpose duties (equal to approximately $13.40 per ton of contained metal) and further compound the difficult financial problems of zinc producers. This would come at a time when these producers are experiencing losses or reduced rates of return on their slab zinc operations as a result of continuing high imports of slab zinc. Hence, continued suspension of duties on ores and concentratse benefits the mines by helping to maintain a viable domestic zinc smelting and refining industry.

U.S. imports of zinc ores and concentrates amounted to 144,986 short tons (zinc content) in 1975, 97,115 tons in 1976, 122,805 tons in 1977, and 117,194 tons in 1978, the last two and a half years being under the suspension now in effect. Zince ore and concentrate imports in 1978 were supplied mainly by Canada, Honduras, and Peru, which together accounted for 83.1 percent of total imports. (See Table 1 attached).

U.S. reported mine production in 1978 was 337,619 short tons of zinc ores, down 26 percent from 457,633 tons in 1977, and down 30 percent from 484,513 ons in 1976. This decline doubtless reflects the decline in U.S. production of refined zinc, which is continuing at this time as domestic producers curtail production in the face of excess imports of refined slab zinc. Principal zinc mining states are Tennessee, Missouri, Idaho, New Jersey, Colorado, Pennsylvania and New York. (See Table 2 attached).

Mr. Chairman, continuation of the suspension of duties provided for by H.R. 1660 is important to domestic producers of refined zinc. In turn, the health of the U.S. zinc smelting and refining industry is crucial to the health of U.S. zinc mines. Presently, U.S. zinc smelters and refiners are running below capacity, as high imports of refined slab zinc continue to enter the U.S. market. Domestic zinc mine operations have felt this impact also, as they too are forced to curtail production which would be shipped to domestic smelters. Continuaiton of the duty suspension on zinc ores and concentrates, by helping the smelters, also helps domestic mines which are highly dependent on sales to the domestic industry.

Mr. Chairman and members of the Committee, I thank you for giving us this opportunity to appear, and urge that you recommend early enactment of H.R. 1660.

TABLE 1.—ZINC ORE AND CONCENTRATES: U.S. IMPORTS BY COUNTRY

[Short tons/zinc content]

	1973	1974	1975	1976	1977	1978
Total imports:	199,031	240,043	144,986	97,114	122,805	117,194
Canada	124,240	162,480	98,699	69,899	58,576	73,359
Percent of total	(62.4)	(67.7)	(68.0)	(72.0)	(47.6)	(62.6)
Mexico	33,876	24,184	9,332	2,626	4,288	1,059
Percent of total	(17.0)	(10.0)	(6.4)	(2.7)	(3.4)	(0.9)
Peru	12,982	13,861	4,904	794	1,034	9,497
Percent of total	(6.5)	(5.7)	(3.3)	(0.8)	(0.8)	(8.1)
Honduras	6,029	6,229	13,361	16,308	17,370	14,486
Percent of total	(3.0)	(2.5)	(9.2)	(16.8)	(14.1)	(12.4)
Australia	7,281	5,607	4,044	2,291	4,343	1,483
Percent of total	(3.6)	(2.3)	(2.7)	(2.3)	(3.5)	(1.2)
Other	14,623	27,682	14,646	5,196	37,194	17,310
Percent of total	(7.3)	(11.5)	(10.1)	(5.3)	(30.2)	(14.8)

Source: ABMS and U.S. Bureau of Mines.

TABLE 2.—U.S. ZINC MINE PRODUCTION BY STATE

[In short tons]

	1973	1974	1975	1976	1977	1978
Colorado	58,339	49,489	48,460	50,621	40,267	26,348
Idaho	45,107	39,469	40,926	46,586	30,998	35,073
Missouri	82,350	91,987	74,867	85,530	81,689	65,419
New Jersey	33,027	32,848	31,105	33,767	33,464	32,325
New York	81,455	93,077	76,612	73,671	70,839	(2)
Pennsylvania	18,857	20,288	21,030	22,280	22,825	21,297
Tennessee	64,172	85,671	83,293	82,512	90,438	98,298
Other	94,543	87,044	93,002	91,546	79,100	58,859
Total	478,850	499,873	469,355	484,513	449,620	337,619

[1] All 1978 figures are preliminary. Figure for New York is withheld.
[2] Withheld; included in other.

Source: U.S. Bureau of Mines, Mineral Industry Survey.

Mr. VANIK. Mr. Merrigan.

STATEMENT OF EDWARD L. MERRIGAN, COUNSEL, NATIONAL ASSOCIATION OF RECYCLING INDUSTRIES

Mr. MERRIGAN. Mr. Chairman, I am here as counsel for the National Association of Recycling Industries. We simply say "amen" to what the Lead-Zinc Producers have testified to. The recycling side of the industry is interested in this and our only concern is that the treatment of the imports on the virgin side and the recycling side be equal. As Mr. Carlisle pointed out, this same bill actually passed both the House and the Senate four times on the last day of the last session and simply died because of nongermane amendments which could not be agreed to. As a result, we have been paying these duties at a very bad time in the industry's economic history, and we sincerely hope Congress will now pass this legislation without further delay.

Thank you very much.

Mr. VANIK. Your industry is important. It does not bother you because you are recycling on both products which are domestic and imported.

Mr. MERRIGAN. We depend first on zinc recycling in the United States and recycled zinc-bearing materials imported from overseas.

Mr. VANIK. In scrap form?

Mr. MERRIGAN. In scrap form.

Mr. VANIK. Then we recycle here in our facilities?

Mr. MERRIGAN. Yes; Mr. Chairman.

Mr. VANIK. What is the difference in the cost between recycled and primary?

Mr. MERRIGAN. The primary materials are usually the price leaders and we follow.

Mr. VANIK. Any questions, Mr. Gibbons?

Mr. GIBBONS. No.

Mr. VANIK. Mr. Archer.

Mr. ARCHER. No.

Mr. VANIK. Mr. Guarini.

Mr. GUARINI. Much has happened with the price of zinc in the recent month, has it not? Is the present picture much more favorable?

Mr. CARLISLE. The price has gone up from roughly around 35, 34.5 cents to 37.5 cents a pound at this time. We are just now beginning, some of us, to get our noses above water, but my company last year lost about $10 million in its zinc production.

Mr. GUARINI. The future outlook is very bright as I understand it because they anticipate raw materials to go up considerably in the future. Is that a fair statement?

Mr. CARLISLE. I don't know that I would go quite that far. We think that there will be increased consumption of zinc. My company is planning to put a brand new zinc smelter which will be very competitive but how bright the future is I would not know. I would not say it would be very bright.

Mr. VANIK. Mr. Martin.

Mr. MARTIN. No questions, Mr. Chairman.

Mr. VANIK. Mr. Moore.

Mr. MOORE. Where are the primary production smelters? Where are they located?

Mr. CARLISLE. We have two in the State of Pennsylvania, Mr. Chairman. We have one at Sauget, Ill. We have one in Texas, one in Oklahoma. There are about six smelters scattered around the United States.

Mr. MOORE. Where are the recycling operations?

Mr. MERRIGAN. The recycling operations are mainly near the big cities where they are collected in the United States and also from overseas. Of course the importers are in the big cities on both coasts.

Mr. VANIK. Do they have any problems with the EPA rules?

Mr. MERRIGAN. When Mr. Carlisle was saying that life is getting brighter in the lead-zinc industries, I was really wondering quietly, since just last week I was in the Court of Appeals on this subject. The new OSHA regulations will require the entire rebuilding of the lead-zinc recycling industry and literally threaten to destroy the industry.

Mr. CARLISLE. I just can't resist that opening. We spent about $35 million on an old plant, Mr. Chairman, and we will probably have to close that plant down and replace it with a new one. We have a serious problem with the EPA regulation.

Mr. VANIK. It concerns me. I know we have a problem getting coke plants built in the country. We send coal to Japan to be made into coke and it comes back here. We have to look into this issue because we are losing some industries because of our forcing them out. I don't

think it helps the environment of the world simply to push products into other parts of the world.

Mr. CARLISLE. It is a combination of forces. We have lost about half of our zinc smelting plants in the last decade.

Mr. VANIK. Thank you.

Our next bill is H.R. 1436 to suspend until the close of June 30, 1980, the duty on certain nitrocellulose. We have Dr. C. Robert Hiles on behalf of National Paint & Coatings Association; Carl T. Cooper, vice president and general manager, Guardsman Chemicals, Inc., and John Emmerling, president, Lenmar, Inc.

All your statements will be admitted into the record as submitted. You may excerpt these statements or read from them or present them in any way you see fit.

I think this is one of those bills that passed both Houses last year. Am I right on that?

You may proceed, Dr. Hiles.

STATEMENT OF C. ROBERT HILES, PRESIDENT, LILLY INDUSTRIAL COATINGS, INC., ON BEHALF OF THE NATIONAL PAINT & COATINGS ASSOCIATION, INC.

Mr. HILES. Before I begin my formal testimony I would like to thank the chairman and the members of the subcommittee for the opportunity to appear before you this morning. This issue is of great importance to our industry.

I am appearing as an executive officer of the National Paint & Coatings Association, Inc., a trade association representing the U.S. paint and coatings industry. I am accompanied by Carl T. Cooper, vice president and general manager of Guardsman Chemicals, Inc., and John Emmerling, president of Lenmar, Inc. Our statements have been submitted to the committee. We wish to individually summarize briefly the positions of the coatings industry. As representatives of large and small manufacturers, our hope is to thus provide the subcommittee with a broad viewpoint reflecting the urgency of the relief sought through passage of H.R. 1436.

The National Paint & Coatings Association supports passage of this bill which would suspend until June 30, 1980, the duty on certain nitrocellulose imported into the United States, retroactive to October 15, 1978. We appreciated your support of similar legislation last year.

Many manufacturers, anticipating tariff relief in the 95th Congress, absorbed this increased cost in 1978. This action, taken in the interest of controlling inflation and remaining competitive in the marketplace, has placed even greater urgency on the need for relief provided in H.R. 1436.

Nitrocellulose can be divided into two classes, depending upon its nitrogen content. The "smokeless" type contains a minimum of 12.6 percent nitrogen by weight and is used primarily as an explosive or propellant. This type is of no concern to us and is not affected by H.R. 1436. The "soluble" type of nitrocellulose contains between 8 and 12 percent nitrogen and is an essential ingredient in many fast-drying, durable lacquer coatings. Nitrocellulose lacquers are the principal

coating systems used for finishing wood furniture. It is also used in manufacturing automotive refinishes, primers, and for a great variety of fast-drying coatings for metal and plastics. Nitrocellulose supplies the luster of lacquer-like shine to these coatings products. It is also used in the manufacture of printing inks, paper coating, cellophane, and fingernail polishes.

Presently there is no substitute for nitrocellulose in coatings products.

In 1977 there were two domestic suppliers of nitrocellulose—DuPont and Hercules, Inc. In 1978 DuPont phased out production of nitrocellulose, leaving only one domestic supplier. Hercules cannot meet the demand and supports the recommended relief in H.R. 1436.

In 1978 there was a shortfall of domestic nitrocellulose to U.S. coating manufacturers of some 20 percent or about 8 million pounds. Manufacturers were forced to import nitrocellulose to meet customer demands for these coatings. Of the 16.5 million pounds of "soluble" type nitrocellulose classified in the tariff schedules of the United States under the "basket" category for cellulosic plastics imported in 1978, almost 50 percent was imported by the paint and coatings industry.

The tariff duty of 9.7 cents per pound on imported nitrocellulose resulted in a minimum 10-percent increase in cost over the prevailing U.S. price. These manufacturers, through no fault of their own, were placed at a competitive disadvantage in the marketplace.

In addition, concern for worker safety, due to the flammability of nitrocellulose, prohibited small manufacturers from stockpiling needed supplies. In some instances, this resulted in an interruption of normal production, inability to maintain full employment and an inability to meet customer demands.

In 1979 the shortfall of nitrocellulose is even more critical. The economic burden on manufacturers is, in many cases, overwhelming and the need for passage of H.R. 1436 is urgent.

Retroactivity to October 15, 1978, will ease the economic burden on manufacturers and help keep the cost of thousands of consumer products and commodities stable. In some cases manufacturers have paid the tariff as direct importers—in other cases they have paid the tariff to import firms. Manufacturers have absorbed these costs to reman competitive in the marketplace. We submit for the record documentation to this effect, along with documentation that import firms support retroactivity and will refund these costs to their customers.

Without this retroactive tariff relief, manufacturers will be forced to reflect these costs in the selling price of coatings. The need to pass these costs on to consumers and industrial customers will fuel inflation without providing comparable benefit to the consuming public. This would result in higher prices at retail for certain lacquers, primers and spray paints. Indirectly it would affect the prices of furniture, boats, toys, certain building materials and thousands of small consumer items, even the wooden pencils that we use.

The temporary suspension of the tariff provided by H.R. 1436 will allow Hercules time to expand production and encourage other domestic manufacturers to enter the marketplace.

Our industry is concerned with inflation. We strive to provide quality products at fair market value to our customers and the consumer. We support the free enterprise system and are concerned over the ability

of all manufacturers to remain competitive in the marketplace. Enactment of this legislation will be a major step toward helping our industry continue to achieve these goals.

We respectfully urge passage of H.R. 1436 to suspend the tariff until June 30, 1980, and provide essential economic relief immediately through retroactivity to October 15, 1978.

Again, thank you for your efforts during the 95th Congress on behalf of manufacturers facing this economic hardship and for the opportunity to urge passage of H.R. 1436.

[The prepared statement and attachments follow:]

STATEMENT OF THE NATIONAL PAINT AND COATINGS ASSOCIATION, INC., DR. C. ROBERT HILES, PRESIDENT OF LILLY INDUSTRIAL COATINGS, INC.

I am Dr. C. Robert Hiles, President of Lilly Industrial Coatings, Inc. While the need to import nitrocellulose has had a major impact on my own company, today I appear as an Executive Officer of the National Paint and Coatings Association, Inc. In this capacity I will present the much broader concerns of the coatings industry. The National Paint and Coatings Association represents the manufacturers of more than ninety (90) percent of the dollar volume of paint, varnishes, lacquers, chemical coatings and allied products produced in the United States. Industry sales amount to more than $4.5 billion annually, providing employment for more than 68,000 persons at the manufacturing level alone and more than 200,000 at the retail level.

NCPA appreciates this opportunity to support passage of H.R. 1436, a bill to temporarily suspend until June 30, 1980, the duty on certain nitrocellulose imported into the United States, retroactive to October 15, 1978. We wish to express our appreciation to this committee for your past support of legislation to suspend the duty on nitrocellulose. While this legislation (H.R. 9911) passed the House on October 15, 1978, it died in the Senate. Many manufacturers anticipating relief via legislation in the 95th Congress to lift the tariff, absorbed this increased cost in 1978. This action, taken in the interest of controlling inflation and remaining competitive in the marketplace, has placed even greater urgency on the need for the relief provided in H.R. 1436.

Presently, there is no substitute for nitrocellulose in coatings products. It is an essential ingredient in many paints and in coatings systems for wood furniture, and a wide variety of fast drying finishes for metal, plastic and other substrates.

By way of background, nitrocellulose is the oldest of the synthetic resins. It is prepared by the reaction of cellulose, from cotton linters or wood pulp, with an aqueous mixture of nitric acid and sulfuric acid. Normally, nitrocellulose is shipped wet down with 30 percent alcohol. As shipped, it appears like damp cotton lint. In the coatings plant nitrocellulose is dissolved in compatible solvent mixtures. Large closed mixers or dispersers are used in this process. Finished lacquer products are made by adding resins, pigments and plasticizers to the nitrocellulose solutions.

Nitrocellulose can be divided into two classes, depending upon its nitrogen content. The "smokeless" type of nitrocellulose contains a minimum of 12.6 percent nitrogen by weight and is used primarily as an explosive or propellant. This type of nitrocellulose is of no concern to us and is not affected by H.R. 1436. The "soluble" type of nitrocellulose contains between 8 and 12 percent nitrogen and is used principally in the manufacture of a large number of fast drying, durable lacquer coatings. Nitrocellulose lacquers are the principal coating systems used for finishing wood furniture. Nitrocellulose is also used in manufacturing automotive refinishes, primers, and for a great variety of fast drying coatings for metal and plastics. Nitrocellulose supplies the luster or lacquer-like shine to these coatings products. Nitrocellulose is also used in the manufacture of other products including printing inks and fingernail polishes.

Precise data on past U.S. production of "soluble" nitrocellulose is unavailable due to the fact that there were two domestic suppliers—and the proprietary nature of this type of information. However, a conservative estimate from one industry source gives some idea of cellulosic resins consumed by the paint and coatings industry.

The following figures are given in terms of millions of pounds:

Nitrocellulose*	
1967	36
1973	48
1974	43
1975	40
1976**	43

*This declining trend reflects a disruption in the furniture industry caused by the 1974–1975 economic recession. Estimated 1976 figures indicate a return to growth in consumption.

**Preliminary Estimate. Source: Chemical Information Services, Stanford Research Institute, Chemical Economics Handbook, (Menlo Park, California, March, 1977 P.K.)

The "'soluble" type of nitrocellulose is classified in the tariff schedules of the United States under the "Basket" category for cellulose plastics, item number 445.25, part 4A, schedule 4 of the tariff schedules of the United States with a Column 1 duty rate of 9.7 cents per pound and a Column 2 duty rate of 40 cents per pound. The legislation addresses and we are interested only in the Column 1 rate. The 9.7 cents per pound duty represents approximately a 10 percent surcharge over the prevailing price for domestically produced nitrocellulose.

In 1977, there were two major suppliers of nitrocellulose to the U.S. paint and coatings industry. While there were no specific industry figures due to their obvious proprietary nature, rough estimates of past nitrocellulose production attributed approximately 60 percent to Hercules, Inc., with the remaining 40 percent to Hercules, Inc., with the remaining 40 percent to E. I. Dupont de Nemours and Company, Inc.

DuPont phased out production in 1978, leaving only one domestic supplier of nitrocellulose to the coatings industry—Hercules, Inc. Hercules, aware that they would be unable to meet the demand for nitrocellulose supported legislation to lift the tariff in 1978, and continue to support legislation to lift the tariff in 1979, so noted in attached correspondence.

In 1978, there was a shortfall of domestic supply for nitrocellulose to American Coatings manufacturers of some 20 percent or about 8 million pounds. Manufacturers, due to lack of availability of domestic nitrocellulose, were forced to import nitrocellulose to meet customer demands for these coatings. Of the 16.5 million pounds of "soluble" type nitrocellulose classified in the tariff schedules of the U.S. under the "Basket" category for cellulosic plastics imported in 1978, almost 50 percent was imported by the paint and coatings industry. See Table 1 attached.

The tariff duty of 9.7 cents per pound on imported nitrocellulose resulted in a minimum 10 percent increase in cost over the prevailing U.S. price. These manufacturers, through no fault of their own, were placed at a competitive disadvantage in the marketplace.

In addition, concern for workers safety due to the flammability of nitrocellulose prohibited small manufacturers from stockpiling needed supplies. In some instances this resulted in an interruption of normal production, inability to maintain full employment, and an inability to meet customer demands.

In 1979 the shortfall of nitrocellulose is even more critical. The economic burden on manufacturers is overwhelming and the need for enactment of H.R. 1436 is urgent.

Passage of H.R. 1436 would amend the tariff schedules of the U.S. to provide for the temporary suspension of the Column 1 rate of duty on "soluble" nitrocellulose until the close of June 30, 1980. The Column 1 rate of duty would be canged to free from the current rate of 9.7 cents per pound. It is noted that neither the Column 2 rate of duty, which applies to designated communist-dominated countries, nor the duty on "smokeless" nitrocellulose would be affected.[1]

Retroactivity to October 15, 1978 is essential to ease the economic burden on manufacturers and keep the cost of thousands of consumer products and commodities stable. In some cases, manufacturers have paid the tariff as direct importers, in other cases they have paid the tariff to import firms. They have of necessity absorbed these costs to remain competitive in the marketplace. We submit for the record documentation to this effect, along with documentation that import firms support retroactivity and will refund these costs to their customers.

If legislative relief is not afforded these manufacturers retroactive to October 15, 1978, they will of necessity, be forced to reflect these costs in the selling price of coatings. Passing these costs on to consumers and industrial customers

[1] The "smokeless" type of nitrocellulose appears in part 12 of schedule 4 of the tariff schedules under tariff item number 485–30, Smokeless Powders.

will fuel inflation without providing comparable benefit to thee consuming public. It would result in higher prices at retail for certain lacquers, primers and spray paints. Indirectly, it would effect the prices of furniture, boats, toys, certain building materials—and thousands of small consumer items, such as pencils. In addition, enactment of H.R. 1436 will allow Hercules time to expand production and encourage other domestic manufacturers to enter the marketplace.

Our industry is concerned with inflation. We strive to provide quality products at fair market value to our customers and the consumer. We support the free enterprise system and are concerned over the ability of all manufacturers to remain competitive in the marketplace. Enactment of H.R. 1436 will be a major step toward helping our industry to continue achieving these goals.

Therefore, on behalf of the domestic coatings manufacturers, the National Paint and Coating Association respectfully seeks early passage of H.R. 1436. We respectfully urge that this legislation be passed suspending the tariff until June 30, 1980, and providing essential and immediate economic relief through retroactivity to October 15, 1978.

Again, I wish to thank this subcommittee for your past concerns and efforts to provide this relief from economic hardships to manufacturers during the 95th Congress, and appreciate this opportunity to urge passage of H.R. 1436.

Thank you.

HERCULES INC.,
Wilmington, Del., December 6, 1978.

NATIONAL PAINT AND COATINGS ASSOCIATION,
Government and Industry Relations,
Washington, D.C.

Attention: Stella Miller, Director.

DEAR STELLA: We would understand from your letter of November 29, 1978 to Robert Whitney of Hercules that Representative Preyer plans, in the next session of Congress, to reintroduce a bill calling for removal of the duty on nitrocellulose until June 30, 1980.

Hercules has no objection to a temporary suspension and urges enactment of the new bill. Our position is unchanged from that in two separate memos last year: (1) to Charles Vanik, Chairman of the House of Representative Subcommittee on Trade, Committee of Ways and Means, dated February 2, 1978, and (2) to Senator Abraham Ribicoff, Chairman, International Trade Subcommittee, Senate Committee on Finance, dated July 26, 1978. Copies of the aforementioned letters are enclosed.

If we can supply any additional information to you on this subject, please contact Don Kirtley, who will be our key coordinator on this issue.

Sincerely,

JEROME D. TOWE,
Market Manager, Nitrocellulose.

Enclosures.

HERCULES INC.,
Wilmington, Del., February 2, 1978.

Hon. CHARLES A. VANIK,
Chairman, Subcommittee on Trade,
Committee of Ways and Means,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. VANIK: Congressman Preyer has introduced H.R. 9628, a bill to temporarily suspend the duty on nitrocellulose. This bill will receive consideration by your sub-committee. Hercules Incorporated is the only remaining domestic producer of nitrocellulose supplying this product for sale. We have no objection to this temporary suspension and urge enactment of the bill. While we are endeavoring to supply the domestic demand for nitrocellulose in an equitable manner, we feel that those we are unable to supply should not have to pay a duty on imported material which may make their products less attractive in a very competitive industry.

If we can supply any additional information to you on this subject, please do not hesitate to contact me.

Sincerely,

JEROME D. TOWE,
Sales Manager, Nitrocellulose.

TABLE I.—IMPORT OF THE "SOLUBLE" TYPE OF NITROCELLULOSE UNDER THE "BASKET" CATEGORY FOR ITEM NO. 445.25, PART 4A, SCHEDULE 4

Month	1977		1978	
	Pounds	Amount	Pounds	Amount
January	4,595	$3,211	535,645	$323,127
February	3,564	1,692	1,028,727	661,305
March	331	1,068	2,385,531	1,484,111
April	3,968	8,020	1,672,673	1,169,560
May	10,951	781	1,964,766	1,376,576
June	330	932	1,450,758	1,027,976
July	NA	NA	1,722,988	1,166,802
August	1,271	3,223	753,128	541,783
September	NA	NA	721,691	515,352
October	1,331	1,909	1,426,515	990,833
November	3,168	2,295	1,173,406	848,470
December	30,838	17,576	1,720,508	1,240,286
Total	65,960	58,048	[1] 16,556,336	11,346,181

[1] 50 percent or over 8,000,000 pounds were imported by paint and coatings manufacturers.

Source: U.S. International Trade Commission, Chemical Division.

[Telegram]

Woodridge, N.J., March 1, 1979.

NATIONAL PAINT AND COATING ASSOCIATION,
Rhode Island Ave. NW.,
Washington, D.C.

(Attention Miss Stella Miller)

Regarding H.R. 1436 we have maintained separate accounts of amounts charged to our customers because of the cost of the tariff on nitrocellulose. We are prepared to refund these extra charges to our solution customers retroactive to the date of retroactivity specified in H.R. 1436.

Cellofilm Corp. by Robert Rossomando, vice president.

[Telegram]

Woodridge, N.J., March 2, 1979.

NATIONAL PAINT AND COATING ASSOCIATION,
Rhode Island Ave. NW.,
Washington, D.C.

(Attention Ms. Stella Miller)

Regarding H.R. 1436 we have invoiced to our customers as a separate item the tariff charges on nitrocellulose imported into this country. We are prepared to refund these tariff charges to our customers retroactive to the date of retroactivity specified in H.R. 1436.

Fayette Chemical Corp., Peter Sullivan, vice president.

THE LILLY CO.,
High Point, N.C., March 2, 1979.

MRS. STELLA L. MILLER,
Director, Government Relations,
Washington, D.C.

DEAR STELL: The Lilly Company supports passage of H.R. 1436 and concurs in the request to make the removal of the tariff on nitrocellulose retroactive to October 15, 1978.

Due to duPont's discontinuance of production of nitrocellulose, all during the year of 1978 and to date, our company has had to augment domestic supplies by purchasing abroad. Our experience is paralleled by most firms in the coatings industry using nitrocellulose.

As we had hopes that the duty on nitrocellulose would be removed, this tariff has never been reflected in the seling price of our products. Lilly cannot continue this practice indefinitely. Removal of the tariff would thus have a dampening effect on the continuing inflationary price trend of coatings.

Your very truly,

D. H. MONROE.

Mr. VANIK. Mr. Preyer, we have your bill under consideration now. Do you want to make a brief statement on it?

STATEMENT OF HON. RICHARDSON PREYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. PREYER. Mr. Chairman, thank you.

I heard what these gentlemen were saying. If you don't mind, I might just join them here.

Mr. VANIK. You made a very effective plea for this last year. We did our best to get it through the House and the Senate as far as I know.

Mr. PREYER. We appreciate the consideration of the committee. I thought I would spare you a speech this year and submit a statement that I thought you might appreciate more than my belaboring it.

Mr. VANIK. The statement will be admitted without objection.

Mr. PREYER. Thank you.

[The prepared statement follows:]

STATEMENT OF HON. RICHARDSON PREYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. Chairman, I am reintroducing legislation to temporarily suspend, until June 30, 1980, the duty on nitrocellulose imported into the United States.

Nitrocellulose is a resin, which serves as the basis for a large number of fast drying, durable lacquer coatings and is used for automotive refinishing, for primer and other fast drying coatings for metal and plastics. It is also used for nonfurniture wood finishes, paper coatings and many novelty coatings. However, one of the principal uses for nitrocellulose, and the one for which there is not substitute, is in the manufacture of finishes for wood furniture. This is vital to the furniture manufacturers of the State of North Carolina and the nation.

As you will recall, an earlier proposal to temporarily lift the import tariff was favorably reported by your Subcommittee during the 95th Congess and passed by both the House and Senate. Because of the addition of a controversial amendment in the Senate and the confusion of the closing days of the 95th Congress, the bill did not receive final action.

The circumstances requiring the lifting of the tariff have not changed. One of the two domestic suppliers of nitrocellulose decided to halt production of the material. During 1978, the available supply of the resin fell short of demand by 20 percent and the shortage is expected to be even more critical this year.

The remaining domestic supplier, Hercules, Inc., has agreed to meet the demand, but needs time to bolster its production capacity. In the meantime, American coating manufacturers have been forced to import nitrocellulose and must pay a 9.7 cents a pound tariff. The result is a minimum 10 percent increase over existing domestic prices and a handicap in the marketplace. Manufacturers have absorbed most of the price increase thus far.

Because of the critical need for the resin and the fact the manufacturers have absorbed the tariff costs to date, I have asked for a retroactive suspension to Oct. 15, 1978.

The only domestic supplier of the resin supports the legislation and because of its non-controversial nature and the importance of passage, I hope the committee will take prompt action in reporting the bill to the floor.

Mr. VANIK. Anything further?

I think we have a situation here where we have already acted on this legislation. I don't think any new circumstance developed.

Do you have anything further to put in the record?

STATEMENT OF CARL T. COOPER, VICE PRESIDENT AND GENERAL MANAGER, GUARDSMAN CHEMICALS, INC.

Mr. COOPER. Mr. Chairman, I believe the situation has been expressed very well.

Mr. VANIK. We will put your statement in the record in its entirety as though it was submitted, Mr. Cooper.

[The prepared statement follows:]

STATEMENT OF GUARDSMAN CHEMICALS INC., SUBMITTEED BY MR. CARL E. COOPER, VICE PRESIDENT, HIGH POINT, NORTH CAROLINA

SUMMARY

Cellulose nitrate was developed in the late 1800's and was adapted by the automotive and furniture industries in the early 1920's. Because of ease of application and fast dry productivity was greately increased. It remains the standard today in most industrial applications.

With such a long life span these coatings have been ferociously marketed. Because of low profits and a need for a large capital investment in pollution control. One of the two domestic suppliers ceased operations.

The remaining domestic supplier fell short of meeting the needs of nitrocellulose in this country by some 20 to 30 percent.

The remainder had to be imported, and at this time any future needs or growth will be dependant on foreign resources.

These imports carry a 9.7 cents a pound tariff plus very heavy transport and brokerage fees.

A concerted effort was made by the remaining domestic supplier to fairly distribute his capacity to the coatings manufacturers. In the panic of a shortfall situation an imbalance of dependency on the much more expensive imported nitrocellulose (due to tariff) versus domestic, caused an imbalance in a very competitive market. Speaking for my company this created a condition which forced us to absorb the cost of importing nitrocellulose.

The remaining supplier of nitrocellulose supports the temporary removal of the tariff. We cannot continue to absorb these cost and must pass them on to the consumer. Since this is inflationary by its very nature we urge you to pass H.R. 1436.

Thank you for this opportunity to bring my problem before you, and the time you have given me.

STATEMENT

Cellulose nitrate or nitrocellulose was developed in the late 1800's. It was derived from smokeless gunpowder by changes in the nitration process. Because of the fast dry properties of its solutions, relative ease of application and ease of compounding, nitrocellulose lacquers proved to be very practical coatings. These coatings were first adopted by the automotive industry as a replacement for oleresinous varnish. Subsequently they were used in the furniture industry, allowing great increases in rates of production. Overall improvements in the general balance of properties of the coatings were also obtained. Nitrocellulose has remained the primary film former in the coating industry since that time and remains so to this day.

The great number of suppliers of nitrocellulose based coatings and the relative ease of manufacture of a finished lacquer product caused nitrocellulose coatings to become a commodity item. These coatings have been so ferociously marketed that price structures for nitrocellulose have deteriorated to that of an essentially profitless commodity. This situation caused the coatings manufacturer to rigidly resist nitrocellulose cost increases. One of the major nitrocellulose manufacturers processing and pollution control costs were somewhat less favorable than his competitor's. They ultimately declared that they were unable to profitably continue in the business of manufacturing nitrocellulose, and indeed did close down their operation. There was great speculation when this major supplier of nitrocellulose withdrew from the market place as to whether the one remaining domestic supplier would be able to meet the needs of the market with their existing manufacturing capability. The industry was assured at first that there would be adequate capacity, and this was reinforced by statements from representatives of the people who were ceasing manufacture. However, as time wore on it became obvious that the shortfall would develop and that shortfall would be substantial—in the neighborhood of 20 to 30 percent of the supply.

Present estimated total consumption of nitrocellulose is approximately 50 million pounds. The immediate industry reaction to the awareness of a shortfall was to determine what alternative foreign sources of nitrocellulose existed. It was

determined that sources existed in Germany, Britain, France, Italy, Norway, Sweden, and Japan and the scramble was on to line up potential sources of supply. After the initial scramble to assure themselves of additional supply, there came a rude awakening. The first was that all imported nitrocellulose bore a 9.7 cents per pound tariff charge. That, coupled with very heavy transport costs plus brokerage fees, put a tremendous imbalance on the nitrocellulose pricing structure. Although a concerted effort was made on the one domestic supplier to fairly distribute and allocate their supplies to the coatings industrty, in an atmosphere of confusion and concern of supply it became quite evident that some companies were much more dependent on imported nitrocellulose than others. There are some that were completely dependent on imported nitrocellulose to meet their needs. This created a condition in an already competitive and suppressed market area of forcing most manufacturers to absorb all the increased costs of importing nitrocellulose.

Although the worldwide market for nitrocellulose seems to be adequate, the need to import a sizable proportion of foreign remains necessary at this time.

Guardsman is importing a good amount of nitrocellulose at this time from France and Japan and we are presently looking to West Germany for additional needs. Any future growth or expansion in nitrocellulose coating will be dependent on foreign resources at this time.

Nitrocellulose is dissolved in organic solvents, these are by-products of the petroleum industry and at this very moment we are faced with shortage, allocations and spiraling costs.

We are constantly working toward meeting the Environmental Protection Agency's guidelines for the control of solvent emissions in the industry. This will require unusually heavy expenditure in research dollars to meet the commitments. Research is also needed to remove the industry as much as possible from the petroleum industry, since there are higher priorities for this item which is in short supply.

My company does not have this technology at this time. It will be of a revolutionary nature to achieve this goal.

It is with this background information that I request of you the much needed relief of the tariff on nitrocellulose. The bill to do this is H.R. 1436 and is supported by the existing domestic supplier.

There are very few items purchased by the consumer today which does not have a decorative or protective coating applied to them.

With the aforementioned problems facing my company we cannot continue to absorb the cost of importing nitrocellulose. It must eventually be passed on to the consumer.

We therefore request your support for H.R. 1436 and the temporary suspension of the tariff on certain nitrocellulose.

Mr. VANIK. Do you have anything to add, Mr. Emmerling?

STATEMENT OF JOHN EMMERLING, PRESIDENT, LENMAR, INC.

Mr. EMMERLING. I represent a small company and my purpose really was to show the impact on a small industry. Essentially I think——

Mr. VANIK. You are not opposed to the legislation?

Mr. EMMERLING. No.

Mr. VANIK. Thank you very much. Your statement will be included in the record.

[The prepared statement follows:]

STATEMENT OF JOHN EMMERLING, PRESIDENT, LENMAR, INC.

I, John Emmerling, appear here today to testify in support of H.R. 1436. I am the president and co-owner of Lenmar. Inc. a Baltimore, Maryland manufacturer of lacquer type coatings and associated products. My firm is a privately held small business which was established twenty-six years ago. Our principal products are aerosol bases, general use industrial coatings, military coatings, and floor lacquers.

Nitrocellulose, or cellulose nitrate as it is also known, is a raw material generated from renewable resources. It is the prime ingredient of most of the prod-

ucts Lenmar makes. Traditionally, lacquers have been used on wood furniture, wood flooring and on an enormous variety of paper, leather, wood and metal products. Additionally, nitrocellulose lacquer is especially suitable for use in aerosol containers for spraying household articles, industrial products, farm equipment and many other surfaces. My company is the largest producer in the world of nitrocellulose bases for aerosol lacquers and enamels. Aerosol enamels using our bases are nationally advertised on television and sold throughout the entire United States. Our general industrial lacquers are specialty products which find their way into every type of industry. Some are used to protect industrial equipment; many more eventually reach the consumer in products ranging from television sets and fingernail polish to airplanes. The General Services Administration is a purchaser of nitrocellulose lacquer products for use as wood flooring sealers, office furniture, aircraft finishes and spray lacquers packaged in aerosol cans.

Prior to December 1977 there were two domestic suppliers of nitrocellulose. One supplier discontinued manufacturing the industrial grade. The remaining sole source was and is still unable to meet the existing demand. The domestic supply has been on allocation since September 1977 forcing users to import nitrocellulose in order to meet production schedules and thus remain in business.

In my own situation, my firm consumed approximately 700,000 lbs. in the year 1977. Our policy at that time had been to purchase half of our needed supply from each of the domestic producers. During 1978, our sole domestic source supplied us with 50 percent of our needs and we made up the difference by importing 435,000 pounds. The total tariff paid by Lenmar in 1978 was approximately $43,000. In addition to the direct cost of the tariff, there are hidden costs associated with it that are not readily apparent nor easily enumerated. An example of a hidden extra cost would be the prime plus interest rate on money borrowed (to the extent of the tariff) in order to maintain a cash flow position. Other negative economic factors associated with using foreign material add to the burden. The flow of the foreign material has been extremely erratic leading to a feast or famine situation. At times it has been necessary to stock larger than normal supplies, incurring increased storage expenses, extra fire risk and high inventories. None of these costs can be immediately passed on to the consumer; therefore, retroactive relief is appropriate.

The inflationary aspects concerning the importation of foreign nitrocellulose are clear. It is only with severe difficulty that my company addresses itself to the 7½ percent price rise goal mandated by President Carter. Without relief, we will have to raise prices—an action that will in a small but real way be reflected in the cost of housing, the cost of consumer goods and the cost of government. Retroactivity will not result in any monetary gain but will only partially compensate for associated losses. For example, government contracts held at the time the shortage developed were not renegotiated but were completed at the original bid price.

Finally, one other effect that the shortage imposed was an upset in the normal competitive position of some firms dealing in lacquer products. I have just described my company's position in the market. We are 50 percent dependent on imports. Other firms who had a history of purchase solely from the supplier who ceased to manufacture nitrocellulose are now 100 percent dependent on foreign supply, and bear an economic burden proportionally greater. Firms who purchased solely from the existing supplier need not import at all—and thus are now enjoying a favorable competitive position. Any action that would tend to restore the former balance would be beneficial.

SUMMARY

In view of the fact that the current domestic supply of nitrocellulose is inadequate, the present tariff appears to be protecting an industry that ceased needing protection in December of 1977. The inflationary impact of the tariff is extremely broad based, touching every level of consumption from wide spread consumer use to government and military use. I, therefore, urge favorable consideration of H.R. 1436 to temporarily suspend the tariff until June 30, 1980 and to retroactively suspend the tariff to October 15, 1978. The harsh economic sacrifices made by nitrocellulose users since December 1977 justifies retroactivity to October 15, 1978. This small relief would only partially restore our losses. The current inflation rate justifies the future temporary suspension as a benefit to our national interest.

Mr. VANIK. We will move now to some questions.

Mr. Gibbons?

Mr. GIBBONS. No questions.
Mr. VANIK. Mr. Vander Jagt.
Mr. VANDER JAGT. No questions.
Mr. VANIK. Mr. Guarini.
Mr. GUARINI. No questions.
Mr. VANIK. Mr. Martin.
Mr. MARTIN. No questions.
Mr. VANIK. Mr. Moore.
Mr. MOORE. One question.
Why did du Pont phase out its production for this market?
Mr. HILES. Well, they announced that in order to meet the environmental rules such a capital investment was required that it was not economic.
Mr. MOORE. You say Hercules is continuing to expand to meet this demand?
Mr. HILES. Hercules has announced expansion of their productive facilities that supposedly by mid-1980 will be in production.
Mr. MOORE. I suppose that increased production will still not take care of all the needs.
Mr. HILES. We would still have to import.
Mr. MOORE. Do you know of any other plants in the industry where it is domestic?
Mr. HILES. No, sir, not at this time.
Mr. MOORE. Thank you.
Mr. VANIK. Thank you. We very much appreciate your testimony.

H.R. 2492

The next bill is H.R. 2492 introduced by Mr. Jenkins to correct an anomaly in the rate of duty applicable to articles of apparel in which feathers or downs are used as filling and to extend until June 30, 1984, the duty provisions applicable to crude feathers and downs.
We have with us John C. England on behalf of the Feather and Down Association and Michael Sebastian, chairman of the Down Apparel Division, and Fred Shippee, technical director, American Apparel Manufacturers Association.

STATEMENT OF JAMES C. ENGLAND, FEATHER AND DOWN ASSOCIATION

Mr. ENGLAND. My name is James England. I am an officer with Hudson Feather Products, Inc., in Hoboken, N.J. We are here today to discuss the continuation of the suspension of duty on feathers and downs coming into the United States. The original suspension was enacted by the Congress in 1974 with the endorsement of all the executive agencies.
The reason for this original legislation still exists. We have an anomaly in the tariff schedules of the United States. The anomaly goes like this. Finished articles, namely jackets and sleeping bags which are filled with down, come into the United States at a duty rate of 7 percent. If it is a GSP country, it comes in duty-free.
The raw feathers and downs which are processed in the United States and sold to domestic manufacturers, enter at either 15 or 20 percent duty rate which means that offshore manufacturing of finished

products is indeed encouraged. We asked for a permanent suspension in 1974 and instead we were given a 5-year suspension. It is unfortunate that we had to come to you at this eleventh hour and ask for a speedy enactment of this legislation but we did not pick the date of the expiration of the suspension. The suspension expires June 30, 1979; consequently we believed it was appropriate to come before this Congress rather than the last Congress. Hopefully, the Congress will move very quickly to get this legislation enacted.

We have looked at Mr. Jenkins' bill, H.R. 2492, and support the section which extends the suspension of duties on the raw feathers and downs. The other section which changes the duty rate on jackets we have no position on at this time. We have asked Mr. Guarini of New Jersey to introduce a bill separate and apart from this in order that we can segregate these bills.

While we don't oppose it, we anticipate that the section in the Jenkins bill which would in effect raise the duties on the jackets and sleeping bags coming into the United States will meet opposition from certain retail groups and the American Importers Association and other groups. We don't want to get involved in the controversy. We think that our case is clear and simple. We are being discriminated against by the tariff schedules of the United States. We don't want to get into the other issue at this time. We support a simple continuation of the suspension.

This is not to say that if the bills were segregated we would not support the other section of the Jenkins bill, but we feel that it is going to be a very protracted affair to get the Jenkins bill enacted into law. In the meantime, what would happen to us would be that imports after June 30 would be subject to a 15- and 20-percent duty, or at least the processors would be subject to that duty, and, of course, those costs would be passed on to the manufacturers of the finished products.

That is all I have to say at this time.

[The prepared statement follows:]

STATEMENT OF JAMES C. ENGLAND ON BEHALF OF FEATHER & DOWN ASSOCIATION

Mr. Chairman, members of the committee, my name is James C. England. I am appearing today on behalf of the Feather and Down Association. With me is Donald C. Evans, Jr., of Williams & Jensen.

In 1974, Congress passed legislation suspending the rate of duty applicable to crude feathers and downs. That legislation expires on June 30 of this year. Consequently, prompt action by Congress is necessary to continue this suspension that corrects an anomaly in our tariff law that discriminated against American companies by making it cheaper to manufacture outside the U.S. On behalf of the Association, I urge the continuation of the suspension in the rate of duty. This action will permit the members of the Association and their customers to compete effectively against imported products that contain foreign processed feathers and down.

This urgent problem concerns only waterfowl feathers and downs, that is, ducks and geese. The United States is far from self-sufficient in waterfowl feathers and downs and must import about 80 percent of total demand, the primary suppliers being Eastern and Western Europe and China. Only about 20 percent is produced domestically by those who grow ducks and geese for meat.

Waterfowl feathers and downs are ideal for the manufacture of products such as pillows, comforters, sleeping bags, and outerwear garments such as parkas and skiing jackets. Chicken feathers, which are produced in huge quantities in this country, are far less suitable for such purposes.

The members of the Association import most of the waterfowl feathers and downs brought into this country. They also process virtually all of the imported and domestic waterfowl feathers and downs utilized in the United States. In

addition to processing, the members of the Association manufacture the vast majority of the feather and down pillows and comforters sold in this country. They also sell processed feathers and downs to manufacturers of such products as sleeping bags and outerwear garments.

To understand the need for immediate action to continue the suspension in the rate of duty, it is useful to discuss the situation prior to the 1974 legislation. Prior to that legislation feathers and downs were subject to a 15% duty. However, finished items made with waterfowl feathers and downs (such as pillows, comforters, sleeping bags, and outerwear garments) were separately classified in the tariff schedules. The duty on these finished items was significantly lower than the 15% duty on feathers and downs.

The anomaly under prior law was clear; the rate of duty on the component parts was substantially higher than duty on the finished product of a sleeping bag or outerwear garment. As the administrative agencies' reports and the legislative history enacting the original suspension recognized, "domestic manufacturers of sleeping bags and outerwear garments are placed in the position of competing against foreign suppliers of finished products who pay about one-half the duty rate imposed on feathers and downs. This duty structure therefore encourages U.S. imports of manufactured articles. Thus there is a built-in incentive for U.S. manufacturers to establish facilities abroad." House Report 94–993. Further, the law prior to the 1974 suspension was unusual in that Congress has generally provided that the duty on finished articles is higher than the duty on component parts.

The original suspension alleviated the increasing difficulty domestic manufacturers of sleeping bags and outerwear garments had of competing against foreign suppliers of finished products. Of course, domestic processors of feathers supply these manufacturers. Nonetheless, the level of wearing apparel importation has grown from $8.4 million in 1974 to $61 million in 1977. Unless the suspension of the rate of duty is continued, the rise in imports will be even more significant.

Moreover, the Association knows of substantial new investment abroad in plants designed to process waterfowl feathers and downs and to use them in the manufacture of finished products. Without a continuation of the suspension of duty, American companies will give serious consideration to establishing processing plants overseas. In addition, it is probable that the Russians and Chinese will use their processed feathers and downs to manufacture and export finished products. Without timely Congressional action to continue the suspension of duty these foreign processing plants will have a distinct advantage in fulfilling the domestic and foreign markets now enjoyed by U.S. processors.

The suspension of duty on crude feathers and downs has encouraged the export of American made sleeping bags and outerwear garments, i.e., the duty free treatment of raw materials makes it easier to compete overseas. A continuation of the suspension would allow the export potential of American manufacturers to be fulfilled.

Finally, the current law suspension of duty on crude feathers and downs has not adversely affected domestic producers of waterfowl feathers and down. The approximately 200 domestic suppliers raise birds primarily for meat and due to expanding demand for outer-wear garments, the suspension of duty has little effect on them.

In summary, the current law suspension of duties expires on June 30 of this year. Unless Congress takes prompt action to simply continue the suspension, the curious anomaly evidenced in old law would again be present, foreign manufacturers will gain an increasing dominance in the market, domestic manufacturers will be encouraged to establish facilities abroad with the commensurate loss of American jobs, and the export potential of American companies would be severely jeopardized at the time we need help with our balance of payments.

Thank you Mr. Chairman and members of the Committee for your attention and support.

SUMMARY OF TESTIMONY AND OTHER REQUESTED INFORMATION

The following is a brief summary of the testimony of James C. England, Hudson Feather & Down Products, Inc., 931 Madison Street, Hoboken, New Jersey 07030, on behalf of the Feather & Down Association, Inc. concerning the continuation of the suspension in the rate of duty applicable to crude feathers and downs:

In 1974, to correct an anomaly in our tariff laws that assessed component parts at a higher duty than finished products, Congress enacted legislation suspending the rate of duty applicable to crude feathers and downs. That

legislation expires on June 30, 1979. The Feather & Down Association urges the Congress to promptly enact a simple continuation of this suspension.

A list of the members of the Feather & Down Association is attached.

DIVISION I.—REGULAR MEMBERS

Mr. Elias Buchman, American Feather Products, 10–148 Merchandise Mart Plaza, Chicago, Illinois 60657, (312) 644–9400.
Mr. Alex Buchman, Barclay Home Products, 295 Fifth Avenue, New York, New York 10016, (212) 689–2369.
Mr. Sumner Stroyman, Comfort Pillow & Feather Co., 28–34 Howard Street, W. Somerville, Massachusetts 02144.
Mr. Buryl Lazar, Globe Feather & Down Company, 1030 West North Avenue, Chicago, Illionis 60622, (312) 751–2900.
Mr. Leo Hollander, Hollander Pillow Corp., 78 Morris Avenue, Newark, New Jersey 07105, (201) 624–6000.
Mr. Morris Schachne, Hudson Feather & Down Products, 931 Madison Street, Hoboken, New Jersey 07030, (201) 792–0303.
Mr. Samuel Blum, Knickerbocker Feather Corp., 233 Norman Avenue, Brooklyn, New York 11222, (212) 389–6464.
Mr. Joseph Werthaiser, Midwest Feather Company, Woodrow & South Street. Cincinnati, Ohio 45204, (513) 921–3313.
Ms. Rose E. York, New York Feather Co., 1040 Avenue of the Americas, New York, New York 10018, (212) 840–7900.
Mr. John Hansen, Northern Feather, Inc., 39 Backus Street, Newark, New Jersey 07105, (212) 964–4268.
Mr. Gerald Hanauer, Pacific Coast Feather Company, 1964 Fourth Avenue South, Seattle, Washington 98134, (206) 624–1057.
Mr. John H. Silverthorne, Pillowtex Corporation, 4033 Mint Way, Dallas, Texas 75237, (214) 333–3225.
Mr. Michael Puro, Purofied Down Products, 319 Fifth Avenue, New York, New York 10016, (212) 679–7500.
Mr. Fred Frenkel, Sanidown Corporation, 178 Walworth Street, Brooklyn, New York 11205, (212) 624–7614.
Mr. Mark Palmer, Skorecky Feather Company, 355 N. Laflin Street, Chicago, Illinois 60605, (312) 226–6688.
Mr. Saul Sumergrade, N. Sumergrade & Sons Company, 449 Communipaw Avenue, Jersey City, New Jersey 07304, (212) 962–4510.
Mr. Ben Ludin, York Feather & Down Corporation, 10 Evergreen Avenue, Brooklyn, New York 11206, (212) 497–4120.

DIVISION I.—ASSOCIATE MEMBERS

Barnhardt Farms, Urbanna, Virginia 23175, (804)–758–5334, principal: Jim Barnhardt.
China Products Northwest, 2207 Seattle Tower, Seattle, Washington 98101, (206)–622–6010, principal: Ron Phipps.
Daunen Handels Ag In Zurich, Brandschenkestrasse 6, 8002 Zurich, Switzerland, 25–18–80, principal: Aladar Spiegel.
Freund, Freund & Co., Inc. (Ticking), 102 Franklin Street, New York, New York 10013, (212)–CA6–3754, principal: Jacob Freund.
Samuel Gelbart Inc., 565 Fifth Avenue, New York, New York 10017, (212)–687–1992, principal: Samuel Gelbart.
Manhattan Feather & Down Company, 121 Percheron Lane, Roslyn Heights, New York 11577, (516)–MA1–1456/7, principal: Viktor Glaser.
R. J. Mayer & Co., Inc., 1382A Lexington Avenue, New York, New York 10028, (212)–369–7821, principal: Richard Mayer.
Metro Tag & Label Co., Inc., 253 West 26th Street, New York, New York 10001, (212)–929–3600, principal: Dan Wainick.
Rohfedern, A. G., Postfach 21, 8043 Zurich, Switzerland, principal: Mr. L. Weisz.
M. J. Saracena Corporation, 111 Prospect Street, Stamford, Connecticut 06901, (203)–348–2653, principal: Michael J. Saracena.
Wellman, Inc., 75 Federal Street, Boston, Massachusetts 02110, (617)–482–0102, principal: Ernest Wright.
Befedag A. G., 25 W. 24th St., Apt. 4E, New York, New York 10011, (212)–255–7093, principal: Knud A. E. Olsen.
London Export USA Ltd., 21 Charles Street, Westport, Connecticut 06880, (203)–226–3583, principal: Neil K. Gerhardt.

DIVISION II.—REGULAR MEMBERS

Mr. David M. Brettschneider, AMF Head Sports Wear, Inc., 9198 Red Branch Road, Columbia, Maryland 21045, (301)–730–8300.
Mr. Philip D. Neslin, Black Manufacturing Co., Inc., 1130 Rainier Avenue South, P.O. Box 3234, Seattle, Washington 98144, (206)–329–1750.
Mr. Richard C. Abrams, Down East, Inc., 156 Ridge Street, Freeland, Pennsylvania 18224, (717)–636–0181.
Mr. Juel Fee, Raven Industries, Inc., Post Office Box 1007, Sioux Falls, South Dakota 57101, (605)–336–2750.
Miss Clara Wells, Sierra Designs, Inc., 247 Fourth Street, Oakland, California 94607, (415)–835–4950.
Mr. Gary M. Burke, Sportcaster Company, Inc., P.O. Box 4000, Pioneer Square Station, Seattle, Washington 98104.
Mr. Lawrence Operan, Tempco Quilters, 1051 First Avenue South, Seattle, Washington 98134, (206)–623–4194.
Mr. Frank V. Tehan, Trailwise, 2407 Fourth Street, Berkeley, California 94710, (415)–548–0568.
Mr. Peter A. Bauer, White Stag Mfg. Co., 5100 S.E. Harney Drive, Portland, Oregon 97206, (503)–777–1711.
Mr. Roswell Brayton, Woolrich, Inc., Woolrich, Pennsylvania 17779, (717)–769–6464.
Mr. Robert M. Lamphere, Down Products Corp., Subsidiary of Woolrich, 6900 W. 117th Ave., P.O. Box 343, Broomfield, Colorado 80020, (303)–469–3391.

DIVISION II.—ASSOCIATE MEMBERS

Mr. A. E. Huettel, Merchandise Development, Montgomery Ward, 393 Seventh Avenue, New York, New York 10001, (212)–971–1000.
Mr. Martin Perlman, Pack-In Products, Inc., 6945 Tujunga Avenue, North Hollywood, California 91605, (213)–877–7191.
Mr. Richard J. Barnett, Sears, Roebuck and Co., Department 766, Sears Tower, Chicago, Illinois 60684, (312) 875–7427.
Mr. C. G. Wells, Wells Lamont Corporation, 6640 West Touhy, Chicago, Illinois 60648, (312)–763–1100.

Mr. VANIK. All right.

Is there any further statement by Mr. Sebastian?

STATEMENT OF MICHAEL D. SEBASTIAN, CHAIRMAN, DOWN APPAREL DIVISION, AMERICAN APPAREL MANUFACTURERS ASSOCIATION

Mr. SEBASTIAN. Yes; thank you, Mr. Chairman.

I am president of Royal Down Products, Inc., which is a quite small down fill apparel manufacturer. I am also chairman of the down apparel division of the American Apparel Manufacturers Association. Our members manufacture approximately two-thirds of all domestically produced apparel. The down apparel division is comprised of manufacturers of down-containing apparel products and their suppliers, the processors of raw down and feathers.

My statement today is in support of H.R. 2492, the legislation introduced by Congressman Jenkins which would continue the tariff suspension on raw down and would correct a tariff schedule anomaly in respect to down-filled apparel. This statement is supported by the Man-Made Fiber Producers Association who are also involved in the production of down-containing garments.

We support the extension of the duty suspension on raw feathers and down which was first enacted approximately 5 years ago because it enables us as domestic manufacturers to compete more favorably with foreign produced products. The consumer desire for down-filled apparel products has grown, we believe, far beyond the expectations that

existed 5 years ago and we anticipate this demand to continue as a greater awareness of our products develops.

The amount of raw feathers and down available from domestic production is pitifully small and cannot ever hope to significantly satisfy the domestic demand for down, not only for apparel but for sleeping bags, pillows, comforters, and other items. Of the estimated 22 million pounds of raw feathers and down needed to meet current requirements, less than 20 percent can be found from domestic sources and most of that comes from a very few commercial farms which raise water fowl as a food product and which supply some raw down literally as a byproduct. We have been and will continue to remain dependent on foreign sources where water fowl food is more popular than in our country for the down needed for our apparel production.

The other part of Congressman Jenkins' bill also is important to us. The tariff schedules were written long before down-filled apparel became a popular item in the United States or elsewhere. It may be an interesting note that in 1936 the first U.S. patent was issued to a company selling the first down-filled jacket made in the United States or practically in the world. We estimate domestic production of down-filled jackets, vests, and parkas at between 4 and 5 million a year. Imports, we believe, reach the same figures.

This down-filled apparel is classified for customs purposes as items of feathers under tariff schedule No. 748.40. As such, they are assessed a duty of 7 percent or come in duty free under the generalized system of preferences. Also, since they are classed as items of feathers, they are not subject to our bilateral apparel-textile agreements under the multifiber arrangements.

I submit, however, that a down jacket, parka or vest is an item of wearing apparel and should be treated as such. Congressman Jenkins' bill, by inserting the headnote in part 6 of schedule 3 of the tariff schedules, would simply assure that these items in the future will be treated as apparel and not feathers.

I might point out that there is solid precedent for this legislation. Footnote 2 in subpart B of schedule 3, in regard to bedding, states that "Feathers or downs used as filling in quilts or comforters * * * shall be disregarded in determining the component material of chief value in the bedding."

This headnote assures that down-filled quilts and comforters are treated as bedding and not as feathers. We seek only the same treatment for apparel items.

Mr. Chairman, this bill is of great importance to our industry and we would appreciate favorable consideration by this committee. Thank you for this opportunity to present our position.

Mr. VANIK. Thank you very much, Mr. Sebastian.

Mr. Shippee?

Mr. SHIPPEE. I don't have a statement to make. Thank you.

Mr. VANIK. You are in support of the legislation?

Mr. SHIPPEE. Yes. I also represent the association which Mr. Sebastian is here speaking for today.

Mr. VANIK. Mr. Gibbons.

Mr. GIBBONS. No questions.

Mr. VANIK. Mr. Vander Jagt.

Mr. VANDER JAGT. Thank you, Mr. Chairman.

I would like to thank our witnesses for very excellent testimony. You present a good case for relief. Unfortunately the ITC has not reported on this matter, and we would like to operate with the facts; so we will be glad to work with you in trying to resolve the problem that you outline so ably.

Mr. VANIK. Mr. Guarini.

Mr. GUARINI. Thank you, Mr. Chairman.

How much is involved, Mr. Sebastian, in each of these two items, the feathers and downs, and the apparel that is supported? What is the volume in terms of dollars?

Mr. SEBASTIAN. I do not know the value on raw down but on down apparel I would estimate that domestic sales are approximately $250 million with imports accounting for approximately $80 million of that figure.

Mr. ENGLAND. I think the imports of the jackets are probably in the neighborhood of $50 to $55 million. The feathers are $40 to $50 million, the raw feathers.

Mr. GUARINI. Is it only the jackets that this bill pertains to or are there other items of apparel?

Mr. ENGLAND. Well, the second section of the Jenkins bill would apply only to items of wearing apparel. What that bill does is to pull wearing apparel out of the general basket classification of articles whose chief value is feathers, which would certainly include down.

Mr. SEBASTIAN. At the present time, Mr. Guarini, the tariff schedules break out the sleeping bags and the items of apparel, and anything that is not a sleeping bag or an item of apparel goes into the basket. However, they are not treated as items of apparel even though they are so identified because they are under schedule 7 rather than under schedule 3 which is where all other apparel items appear.

Mr. GUARINI. Is it a correct statement that the feathers and downs were involved in legislation in the past and that this apparel is a new addition to the exclusion that you request?

Mr. SEBASTIAN. I am sorry, I didn't hear you.

Mr. GUARINI. Is it true that feathers and downs was the only subject matter in the past, and what you are doing is getting an additional classification exclusion which would be apparel and sleeping bag?

Mr. SEBASTIAN. It is not really an exclusion, it is a transfer. The apparel items, we are not asking for an exclusion on them, we are asking for the use of a mechanism which exists for bedding material right now which is when bedding comes into this country if that bedding contains feathers, the feathers or down are not considered by Customs to determine the item of achieved value. Therefore, those comforters come in as textile items.

Mr. GUARINI. So it is a——

Mr. SEBASTIAN. That is correct.

At the time the original bill was introduced some years ago, ski jackets and down jackets for other purposes were not an important item of commerce. Down-filled jackets have only become popular and consequently important to our industry in the past few years.

Mr. GUARINI. Are those areas of classification in competition with industry in our country today?

Mr. SEBASTIAN. I am sorry, sir. I cannot hear you.

Mr. GUARINI. The apparel sleeping bags that the bill has been expanded to include, are those areas in competition with the existing industry in our country today?

Mr. SEBASTIAN. Yes; but it is our viewpoint, speaking for the Feather and Down Association, I might say, or at least I think that our company still belongs to Mr. Shippee's association, we don't have a position on that section of the Jenkins bill at all. We just feel that it is going to lend itself to such an enormous amount of controversy and it is going to protract the legislation so long that we would like to see both sections considered separately on their merits. We frankly don't have the time to wait until the controversy—which could go in their favor—on that issue is decided. We need our section of the legislation immediately. Prompt consideration of a continuation of the suspension is our only request.

Mr. GUARINI. You think it would be a better idea to have this in two forms, two bills?

Mr. ENGLAND. Without question.

Mr. VANIK. Thank you. Mr. Moore.

Mr. MOORE. Thank you very much.

Mr. VANIK. Thank you very much. We certainly appreciate your statements.

The next bill is H.R. 1587 of Mr. Frenzel to suspend the duty on gypsum building boards and lath until the close of June 30, 1981.

The witnesses here are Joseph Hobson, vice president, governmental affairs, and John M. Dickerman, legislative counsel, National Lumber and Building Material Dealers Association.

STATEMENT OF JOSEPH HOBSON, VICE PRESIDENT, GOVERNMENTAL AFFAIRS, NATIONAL LUMBER AND BUILDING MATERIAL DEALERS ASSOCIATION

Mr. HOBSON. I am Joseph Hobson. Mr. Dickerman is not with us this morning.

Mr. VANIK. Mr. Frenzel, I might say that Mr. Gibbons made a tremendous statement in support of your bill.

Mr. GIBBONS. It affects me I will say personally. I am trying to remodel a little house down in Florida and I find you cannot buy gypsum board anywhere.

Mr. FRENZEL. I would rather have my support motivated by self-interest than any other way.

Mr. VANIK. Your entire statement will be put in the record and you may summarize it or read it or whatever you wish.

Mr. HOBSON. Mr. Chairman, we appreciate the opportunity to be here this morning in support of H.R. 1587 for the suspension of the duty on gypsum board and lath until the close of June 30, 1981.

If I may, we would respectfully request an opportunity to submit a further statement to the committee.

Mr. VANIK. Without objection, so ordered. Remember, we are going to move forward with this legislation.

Mr. HOBSON. We want to secure certain data that we were not able to gather for the hearing this morning. If we could have that permission, it would be helpful in support of this bill.

Therefore, I would like to tell you that the National Lumber and Building Material Dealers Association, located here in Washington, is

a federation of 27 local, State, and regional associations representing the lumber and building distribution industry, with about 15,000 companies throughout the country in every State.

The firms that we represent are supply homebuilders, contractors, remodelers, industrial firms and consumers, with a wide range of lumber items as well as virtually every other type of building product and material, including gypsum board and lath under consideration here this morning. Our industry as a whole does in excess of $25 billion in business each year but the individual companies, by any definition, must be classified as small businessmen.

Originally, it had been our intention when the time came for H.R. 1587 to be scheduled for a hearing, to present to this committee a current report on gypsum supplies and delivery schedules supported by an association witness who regularly deals with the products in and to the trade. We had understood that hearings might occur this summer. However, unfortunately, the notice of this earlier hearing came to our attention quite late last week. There was neither time to conduct a field survey of current conditions nor to bring in an informed witness for today's hearing. Therefore, we submit the following: That we wish to reemphasize this association's support for H.R. 1587 and to submit the statement that the chairman has given us permission for.

[The prepared statement follows:]

ADDITIONAL STATEMENT OF THE NATIONAL LUMBER AND BUILDING MATERIAL DEALERS ASSOCIATION

During the March 5, 1979 hearing on HR 1587, which had been called on quite short notice, permission was requested by our Association to file an additional statement prior to the record being closed. Such permission was granted.

In this interim period, we have further analyzed the demand and supply characteristics have on the desirability of Congress temporarily suspending the tariff on these products as provided in HR 1587.

GYPSUM INDUSTRY BACKGROUND

The gypsum industry is both capital intensive and energy intensive. Thus the return on invested capital for gypsum manufacturers, tax policies relative to investment in production facilities, environmental laws and regulations as well as energy supply costs and the feasibilities of energy substitutions, (coal for oil, etc.) all play vital roles in the supply side. The volume and timing of home building, commercial and industrial building, and remodeling and repair play important roles on the demand side.

A well-informed spokeman for the gypsum industry early last year was asked to explain the reasons for the shortages of wallboard then being widely experienced. He pointed out that:

(*a*) Since 1970 nine gypsum plants had closed because they were unprofitable.

(*b*) Gypsum company returns on assets and return on stockholders' equity were discouraging from 1970 to 1977.

(*c*) Costs were up sharply during that period. Energy costs are about 20% of gypsum production costs. From 1972 to this year, energy costs have increased 230%. The major fuel used, natural gas, went up 350%. Labor, taxes, equipment, raw materials, paper and transportation all increased.

(*d*) Capacity dropped in the mid-1970's. For example, 1973 wallboard production of 15.1 billion square feet declined to 10.8 billion in 1975; then it struggled back to 15.37 billion by 1977. 1978 production reached 16.4 billion. Yet 1978 was widely reported as a critically short gypsum supply year.

THE FUTURE—PARTICULARLY 1979–1980

What will be the demand for gypsum in 1979? No one can know with certainty.

Some forecasters predict housing will decline as much as 15%; others are more optimistic insisting the demand for housing will continue its basic surge in spite

of expensive mortgage money. They point out it is the typical family's only demonstrated hedge against inflation.

When new housing slows down, experience shows that remodeling and additions tend to accelerate, becoming a substitute market. It is significant that gypsum wall-board as well as gypsum lath are heavily in demand for the remodeling and additions market.

A leading gypsum company, having analyzed its sales, reports as follows:

	Percent
One and two-family residential	44
Multifamily residential	12
Remodeling and repair	18
Nonresidential construction	17

Remodeling grew from a $20 billion market five years ago to $35 billion last year. Further growth of remodeling is expected no matter what happens to new home volume. If new home starts decline, the remodeling market will grow even more as families temporarily compromise their aspirations.

To an undetermined degree, therefore, what slack in gypsum demand might otherwise occur due to a possible new housing slow down may well be taken up by expanding remodeling and repair market.

CURRENT DEMAND

Three months of severe winter weather resulted in a corresponding slow-down in construction of all types. Logically this reduced short term demand for gypsum products should ease pressures on inventories and order files. To some extent this has occurred but experienced persons are predicting that complaints of shortages will again be heard—long and loud—as we move into the construction season this spring and summer.

Our members report a mixed picture ranging from delays of 30 to 90 days in delivery from manufacturers in some areas to only 2 to 3 weeks delivery in others. Some dealers are anticipating severe problems in securing adequate supplies of gypsum within the next 90 days.

Due to the short notice for the hearing on HR 1587, we were unable to mount a national survey but one of our larger federated regional associations had previously sent out a February survey on the subject. This was the Northeastern Retail Lumbermens Association based in Rochester, New York with jurisdiction in the seven northeastern states (New York, Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island). Ninety percent of the respondents to that survey reported experiencing shortages of gypsum products. A summary of the responses with a few of the comments is attached.

Tabulation of the results of a February, 1979 availability of materials survey of home builders by the NAHB Economics Department reflects the following national and regional gypsum materials availability:

[In percent]

	National	East	North central	South	West
No shortage	29.4	34.6	28.9	26.4	33.3
Some shortages	54.5	50.0	57.9	51.4	62.5
Serious or acute shortage	12.6	15.4	13.2	22.2	4.2

The most acute shortages are currently in the South and East. In any event, if we add those reporting "Serious or acute shortages" to those reporting "Some Shortage", on a national basis seventy percent of the builders report shortages of some degree over the last three month period in spite of the known fact that these include months of reduced building activity in most of the nation.

CONCLUSION

We respectfully submit that these data support our recommendation for enactment of H.R. 1587. While we have not stressed the hardships of price increases accompanying shortages of supply nor have we compared, for example, foreign gypsum prices with U.S., suffice it to point out that even though reportedly more expensive than U.S. gypsum products, Canadian supplies, if allowed in without duty, would at least assist U.S. consumers to the extent of eliminating the cost of

the duty and would fill a supply gap permitting buildings to be completed on schedule instead of experiencing costly and inflationary completion delays caused by gypsum shortages.

SUMMARY OF REPLIES TO GYPSUM SURVEY

In February of 1979 a Survey of Gypsum Products was sent to the retail lumber dealer members of the Northeastern Retail Lumbermens Association. 155 replies were returned by March 1 and were used in the compilation of data for this survey.

The results of the Survey Questions and selected replies and comments are listed below:

1. *Are you experiencing shortages of gypsum products?*

Yes, 90 percent; no, 10 percent.

All size and thicknesses of wallboard, particularly moisture resistant and fire code are reported in short supply.

2. *Are you on allocation from your supplier?*

Yes, 78 percent; no, 22 percent.

"We are receiving no products at all."

"No allocation system in effect. Delivery at discretion of salesman."

"Very hard to figure out what allocation figures they use."

"Our allocation is based on last year's purchase."

"Very hard on dealers who were left out when some manufacturers stopped production."

"We receive many promises but little material."

"Two suppliers will not even take orders."

"We are at mercy of salesperson."

"Canadian supply is filling the gap."

3. *What percentage of last year's allocation are you receiving?*

48 percent receiving same percentage.

19 percent receiving 35 percent or less.

24 percent receiving 35 percent–75 percent.

9 percent receiving 75 percent–95 percent.

"Our sales of the product seem to be up 28 percent."

"Delivery slower."

"Allocation did not go into effect until November, 1978."

"Switched from domestic to Canadian."

4. *Are there any problems or abuses in the sale of gypsum noted in your area?*

Yes, 29 percent; no, 52 percent; no answer, 19 percent.

"Applicators receiving all they need."

"Yards such as ours which are geared for consumers are treated with indifference."

"Manufacturers ship what they want when they want to."

"Wide price variances depending on supplier."

"Wallboard distributors and suppliers are getting first allocations."

5. *Do you have any suggestions for improving the gypsum supply?*

Yes, 38 percent; no, 62 percent.

"Gypsum industry seems to be in chaos."

"Produce more."

"Open more plants."

"Increase the amount manufactured."

"I sincerely believe that if retail yards and drywall contractors got the same percentage that it would be fair. Drywall contractors appear to get special treatment."

"One suggestion is not to make ⅝ inch."

"Big cause is closing of plant."

"Companies should live up to their delivery dates."

"Pursue the Canadian market."

"Gypsum supplier should inventory greater quantities."

"A more equitable distribution system."

"Force the manufacturers to disclose the current situation as it exists and where the stock that is being produced is going."

"Manufacturers should not abandon an old established account that has always promptly paid their bills."

"Give the lumber dealers a fair share regardless of previous purchases."

"Build new plants."

"Conduct an investigation."

6. *Do you normally buy from the same supplier?*
Yes, 85 percent; no, 15 percent.
7. *General comments:*
"If short in February, what will be the condition in July?"
"Help."
"Manufacturer seems to be getting very independent."
"Shortage is due to the high rate of housing starts in 1978, I believe will curtail mid 1979 and return production to normal."
"Credibility of producers is at an all time low."
"It is amazing, with the shortage of gypsum how an applicator in our area can now sell the products to retail customers, advertising prices far below the normal market, yet we are still on allocation."
"Board is coming in to middle men wholesalers. It increases our cost."

Mr. VANIK. Thank you very much.
Any questions, Mr. Gibbons?
Mr. GIBBONS. No. I just agree with him.
Mr. VANIK. Mr. Vander Jagt.
Mr. VANDER JAGT. No questions, Mr. Chairman.
Mr. VANIK. Mr. Frenzel.
Mr. FRENZEL. Mr. Chairman, I would like to make a statement. First of all, I want to thank Mr. Hobson for his testimony, but I also want to say that I submitted this bill by request. Mr. Hobson's empire has found increasingly that not only is the gypsum board expensive, but it is very difficult to get. It duplicates Mr. Gibbons' experience in Florida. Unfortunately, the administration also was not prepared this morning to testify or to bring in any information.

I can only tell you that right now the duty on gypsum board is 6 percent ad valorem for column 1, which does not sound like very much; yet, for a material that is very expensive and in short supply, the tariff does add an extra burden that is unnecessary. Mr. Chairman, I hope that our record will be kept open so that the administration—in fact, I would ask unanimous consent that it be kept open so the administration can give us a recommendation and a revenue estimate. I think this is a very important bill with respect to the homebuilding and home improvement industry which we would like to see remain healthy and active.

Mr. VANIK. Let's hold the record open 10 days.
Mr. MARTIN. No questions.
Mr. VANIK. Thank you very much for your testimony. We appreciate it.
Mr. HOBSON. Thank you.
Mr. VANIK. The next bill is H.R. 1319, to extend the period for duty-free entry of a 3.60-meter telescope and associated articles for the use of the Canada-France-Hawaii telescope project at Mauna Kea, Hawaii.
Mr. Zelenko, we will be very happy to hear you.

STATEMENT OF BENJAMIN ZELENKO, COUNSEL, CANADA-FRANCE-HAWAII TELESCOPE CORP.

Mr. ZELENKO. Mr. Chairman and members of the subcommittee, I am Benjamin L. Zelenko with the law firm of Weisman, Celler, Spett, Modlin & Wertheimer, with offices at 1025 Connecticut Avenue NW., Washington, D.C., and in New York City. I appear today on behalf of the Canada-France-Hawaii Telescope Corp., the principal

beneficiary of H.R. 1319, a measure sponsored by Representatives Akaka and Heftel of Hawaii.

H.R. 1319 would extend for 2 years the period for duty-free entry of a 3.60-meter telescope and associated articles for the use of the Canada-France-Hawaii telescope project at Mauna Kea, Hawaii. In 1975 when the Congress initially approved duty-free entry privileges, it concluded that the telescope project was of substantive benefit to the American scientific community and in the interest of international cooperation. The approval by the Committee on Ways and Means and the Committee on Finance was unanimous in each instance (H. Rept. No. 93–1213; S. Rept. No. 93–1355). Favorable reports on the legislation were received from all interested executive branch agencies, and no other objections to the legislation were expressed.

The National Science Foundation referred to Mauna Kea, Hawaii, as "one of the best optical telescope sites in the United States for sky coverage, atmospheric clarity, and low level of interference from human activities." The National Aeronautics and Space Administration reported that Mauna Kea "may be one of the best (observing sites) in the world." The Department of State expressed the generally held policy of all executive agencies when it stated:

> The France-Canada-Hawaii telescope project is a valuable international cooperative undertaking by which a major astronomical observatory and facility of real benefit to U.S. scientists is to be established in Hawaii through the joint efforts of France, Canada, and Hawaii.
>
> It would be of considerable benefit to the corporation and to the success of the project, a unique undertaking in international cooperation, if [duty-free legislation] were enacted.

We believe that the telescope project enjoys the continuing support of interested executive branch agencies and that their endorsement of the proposed legislation will be forthcoming.

There is no question but that the project's progress to date has been significantly furthered by duty-free entry privileges granted by Public Law 93–630. However, a modest extension of the period of duty-free entry is vital to permit completion of the project. With the permission of the Chair, I submit for the record a copy of the second status report of the Canada-France-Hawaii Telescope Corp., which describes the progress of the project thus far and explains the need for an additional period of duty-free relief.

I respectfully urge that H.R. 1319 receive favorable action by the subcommittee, and I shall be pleased to answer any questions members of the subcommittee may have.

Thank you.

Mr. VANIK. Well, Mr. Zelenko, we have just run out of time on the authority of the bill.

Mr. ZELENKO. That is correct, Mr. Chairman.

May I have permission to insert the second status report?

Mr. VANIK. Without objection, the second status report is received.

[The document follows:]

SECOND STATUS REPORT OF CANADA-FRANCE-HAWAII TELESCOPE CORP., UNDER PUBLIC LAW 93–630

On May 6, 1976, the Canada-France-Hawaii Telescope Corp., filed an initial status report with the Honorable Al Ullman, chairman, House Ways and Means Committee, and the Honorable Russell B. Long, chairman, Senate Finance

Committee. This constitutes a second report which refers to activities of the telescope project over the past 3½ years and describes implementation of duty-free entry privileges granted by the Congress under Public Law 93–630.

The Canada-France-Hawaii Corp., is a non-profit organization incorporated under the laws of the State of Hawaii in January 1974. It comprises an international scientific cooperative venture among the National Research Council of Canada, the Centre National de la Recherche Scientifique of France and the University of Hawaii. The terms of the cooperative undertaking among these agencies were set forth in a Memorandum of Understanding signed in October 1973. The Corporation was established for the purpose of supervising the construction and operation of a major astronomical observatory and related facilities near the summit of Mauna Kea (elevation 14,000 feet) on the island of Hawaii. The proposed optical telescope of 3.6 meters in diameter will rank among the largest astronomical instruments and because of its site will provide astronomers some of the most superior viewing conditions available in the world.

Because of the likelihood that import duties would add unnecessary costs and complications to the project, the completion of which was deemed to be of significant benefit to the American scientific community and an important international scientific endeavor, the Congress approved legislation granting duty-free entry of articles required by the Telescope Project for a limited period of time. (Public Law 93–630, approved January 3, 1975). Accordingly, this report will examine briefly the technical and financial status of the project, the import experience under Public Law 93–630, the economic benefits to the United States and the future plans of the project.

TECHNICAL STATUS OF TELESCOPE PROJECT

Optical parts

The primary mirror was polished in Canada at the Dominion Astrophysical Observatory, Victoria, B.C. Completed at the end of 1977, it was accepted by the Corporation in March 1978. This critical component of the telescope turned out to be very high quality, allowing the Canada-France-Hawaii Telescope to be a highly competitive instrument. The secondary mirror is in the polishing phase in Victoria. Both mirrors will remain in Canada until they can be mounted on the telescope during 1979.

Mechanical parts and control system

The shop assembly of the telescope was completed in November 1976, at La Rochelle, France, but the air-dome protecting the telescope collapsed during a storm very soon thereafter, causing a four-month delay in the project. Shop testing of the integrated mechanical-electronic control system was conducted in La Rochelle for a full year, from April 1977 to March 1978, in order to minimize the corrective actions to be taken later at the high elevation of Mauna Kea. The telescope was dismantled in May and June 1978, crated in July and shipped to the island of Hawaii on July 28, 1978. It arrived in mid-September.

Dome and dome equipment

The dome was virtually completed in the spring of 1977. Finishing touches, installation of handling equipment, improvement of the bogies-train and other secondary work has proceeded since then.

Instrumentation

Because of the very fast evolution of technology in the field of astronomical instruments, and because the instrumentation package remained to be defined at the time of the signing of the Memorandum of Understanding, progress has been slower than for the telescope project as a whole. As of October 1, 1978, out of the $4.1 million dollars earmarked for instrumentation, only $1.9 million has been committed. This amount includes an infrared photometer, a low resolution spectrograph for quasars and other faint sources, a high-resolution spectrograph at the coudé focus, and a photographic assembly for the wide field prime focus.

A nebular spectrograph for the Cassegrain focus has been designed but not ordered, its cost having turned out to be above budget. Also, most detectors involving very modern technology have not yet been ordered because of the belief that far superior detectors will be available on the market in a matter of two or three years.

FINANCIAL STATUS OF THE PROJECT

Initially, the total project had been estimated at 91 million French francs as of February 1, 1973. Taking into account the inflation rates in the three participating countries from that date and the average exchange rate during the actual period of construction (1 French franc equal 0.21 U.S. dollars) the cost of the project in current U.S. dollars can be estimated at $29 million. Table 1, appended hereto, shows the breakdown of the total cost, respectively as projected in February 1973 and as currently estimated. It is to be noted that both the total expenditure and the amount for instrumentation remain unchanged.

STATUS OF IMPORTS UNDER PUBLIC LAW 93-630

Prior to the date of this report, the only significant items imported have been the prefabricated industrial steel for the building and dome (from Canada), and the base frame of the telescope (from France) at an approximate total value of $2.5 million. The amount now has increased to $7.5 million with the arrival of the telescope structure and control system in mid-September 1978. The optics of the telescope ($0.9 million from outside the U.S.) will be imported in 1979. Also, it is expected that about two-thirds of the instrumentation built in Canada and France ($2.4 million) will enter before June 30, 1980. Taking into account two manufacturing contracts already awarded to the University of Hawaii (an infrared photometer and a secondary chopping mirror) as well as the many components of U.S. origin included in the various instruments (computers, peripherals, optical grating, etc.), the value of the portion of instrumentation remaining to be imported after the statutory deadline of June 30, 1980 is now estimated at $1.2 million.

INDUSTRIAL RETURN TO THE UNITED STATES

The industrial return for the U.S. has been substantially higher than originally expected. Of the $26.0 million committed as of October 1, 1978, about $7.5 million is committed in the U.S. with the rest expended in third countries. During the period of construction of the building and dome, over 20,000 man-hours have been supplied by local labor in Hawaii. The number of permanent staff positions to be opened on the island of Hawaii for the operation and maintenance of the telescope is 29. Thus, the benefit to the U.S. economy is clearly apparent.

PLANNING FOR THE NEXT TWO YEARS

The telescope arrived in Hawaii in mid-September 1978. On-site erection of the mechanical structure will be conducted under a six-month contract, from October 1978 through March 1979. Several elements (optical, fine mechanical, cabling, control) have to be added after the completion of the assembly of the main structure. It is expected that the telescope can be operational at the end of 1979 at the earliest; however, on-site testing could reveal the necessity for minor modifications, delaying completion to the first half of 1980. As for the instrumentation package, it does not appear likely that it can be fully developed before the expiration date of June 30, 1980 established by P.L. 93-630 for duty-free entry privileges.

CONCLUSION

In a letter dated May 9, 1974 to the Senate Finance Committee, the Department of State expressed support for legislation conferring duty-free privileges for the Telescope Project in this manner:

"The France-Canada-Hawaii telescope project is a valuable international cooperative undertaking by which a major astronomical observatory and facility of real benefit the United States scientists is to be established in Hawaii through the joint efforts of France, Canada and Hawaii."

"It would be of considerable benefit to the corporation and to the success of the project, a unique undertaking in international cooperation, if (duty-free legislation) were enacted."

Today, more than three and a half years following enactment of Public Law 93-630, there is no question that the progress of the Telescope Project has been vitally assisted by the legislation.

TABLE 1.—COST OF THE PROJECT IN CURRENT U.S. DOLLARS

[In millions of U.S. dollars]

	Projected, February 1973	Updated projection, October 1978
Studies (design)	1.6	3.3
Telescope optics	2.2	1.6
Telescope structure (including shop and site testing)	5.1	5.5
Drive and controls	.8	1.7
Aluminizing tank	.5	.4
Instrumentation	4.1	4.1
Telescope building	4.9	5.8
Dome	3.2	3.2
Field costs	1.9	2.0
Handling equipment	.9	.5
Workshop and laboratory equipment	.6	.4
Offices and housing	.6	.3
Subtotal	26.4	28.8
Contingency	2.6	.2
Total	29.0	29.0

Note: As of Oct. 1, 1978, the amount committed was $26,000,000, and the amount paid was $23,900,000.

Mr. VANIK. Are there any questions?

Mr. Gibbons.

Mr. GIBBONS. No questions.

Mr. VANIK. Mr. Vander Jagt.

Mr. VANDER JAGT. No questions.

Mr. VANIK. Mr. Frenzel.

Mr. FRENZEL. I have no questions.

Mr. VANIK. There are no questions. Thank you.

Mr. ZELENKO. Thank you very much.

Mr. VANIK. Our next bill is H.R. 2580, to suspend for a 3-year period the duty on 2-methyl, 4-chlorophenol.

Is Mr. Shelby here?

STATEMENT OF HON. RICHARD SHELBY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. SHELBY. Yes, Mr. Chairman.

Mr. VANIK. Is Mr. Walter Flowers here?

Mr. SHELBY. He called me this morning and asked to express his regrets for not being able to appear today.

Mr. VANIK. We will hear from you.

Mr. SHELBY. First of all, I have a prepared statement that I would like submitted for the record.

Mr. VANIK. Without objection, your statement will be made part of the record.

Mr. SHELBY. In addition to my statement, I also have a statement from Mr. Jeffrey M. Bricker, the vice president of manufacturing of the Fallek-Lankro Corp. of Tuscaloosa, Ala. This legislation would primarily affect this corporation.

Mr. VANIK. Without objection, his statement will be admitted in the record at this point.

[The following was submitted for the record:]

STATEMENT OF JEFFREY M. BRICKER, FALLEK-LANKRO CORP.

My name is Jeffrey M. Bricker. I am a member of the Board of Directors of the Fallek-Lankro Corporation ("Fallek-Lankro"), and the Vice President Manufacturing of the Fallek Chemical Corporation ("Fallek Chemical"). I appear in support of H.R. 2580 which, would suspend for three years the duty on the chemical 2 Methyl, 4-Chlorophenol also known as Paracloro-orthocresol ("PCOC"). This bill is the same as H.R. 5551 (except as to the period of suspension) as was passed by the House of Representatives in the last session.

PCOC is covered under Schedule 4, Subpart B, Item 403.6000 of the TSUS. It is dutiable at a rate of 12.5% ad valorem plus 1.7¢ per pound. At the current F.O.B. United Kingdom price Fallek-Lankro is currently being assessed a duty of 8.9¢ per pound of PCOC.

Fallek-Lankro is an Alabama corporation established in March, 1976; it is owned equally by Fallek Chemical of New York, and the Diamond Shamrock Corporation of Cleveland, Ohio (through its ownership of Diamond Shamrock Europe, Ltd.). Fallek-Lankro has invested approximately $15 million in a modern, up-to-date plant in Tuscaloosa, Alabama. The plant became operational in September-October 1977 and has already added significantly to the domestic production capability for agricultural chemicals.

The products manufactured and sold by Fallek-Lankro are phenoxy acids, which, in combination with other chemicals, have been long used as herbicides for the growing of cereal grains throughout the world. Fallek-Lankro concentrates its marketing efforts on two acids: 2-methyl-4 chlorophenoxy-acetic acid ("MCPA"), and 2-(chloro 2-methyl phenoxy) propionic acid ("MCPP"). We are the sole domestic producer of MCPA and MCPP. All other MCPA and MCPP used in this country must be imported.

In order to produce MCPA and MCPP we require PCOC as an intermediate. There is no other way which we can make these products. It was originally intended that Fallek-Lankro produce most of the required intermediates, including PCOC, as well as MCPA and MCPP. While this still is our objective, it was concluded, as we moved forward with the project planning, that available capital and technical support for the project would be stretched too thin if an attempt were made to construct simultaneously the MCPA and MCPP plant and the additional facilities for manufacture of PCOC. Therefore, it was decided to build first the plant for MCPA and MCPP and procure the required PCOC and other intermediates from other sources. Then, when the company had established a viable market for these products, it would build a PCOC plant. The construction of this latter plant would obviate the need to import PCOC.

PCOC is unique in that it is not produced in the United States. To the best of our knowledge, it is not now being used in the United States by any other manufacturer. We know of no ongoing importation of PCOC, except by Fallek-Lankro.

Because of the unavailability of domestically produced PCOC, we had to go outside the United States to make arrangements to secure a supply of the required PCOC. This we did and importation began in the summer of 1977.

Several months prior to plant start-up we began to be faced with a serious situation involving the cost of production of MCPA and MCPP. Over the last several years there has been a continual erosion in the United States selling prices of most agricultural chemicals, and in particular the phenoxy acid herbicides, mostly due to import pricing pressure from Europe. Unfortunately for Fallek-Lankro there has been no corresponding decrease in our cost of production, including the costs of raw materials. As indicated in Appendix A, the selling prices for MCPA and MCPP have declined by approximately 34% and 30% respectively since 1975, while there has only been about a 6.8% decrease in the delivered cost for PCOC.

Based upon our experience since we began production, we believe that the relief in duty payments which H.R. 2580 would provide could amount to approximately $450,000 per annum during the life of the proposed law.

As it now stands, the duty alone is approximately equal to 25% of the cost of the raw materials used in the production of PCOC—obviously a meaningful amount. Therefore the relief would be afforded by H.R. 2580 if passed would be a significant factor in rectifying the problem of the relationship of the cost of

PCOC and the sales prices of MCPA and MCPP. Under present market conditions, without duty suspension, the production of MCPA and MCPP may have have to be curtailed. Since these two products are the primary items in our product line, the economic consequences of such a curtailment is to place the viability of the entire company in doubt.

If our enterprise were to fail, then not only the investment of time, money and effort we have made already would be lost, but significant benefits to the American farmer and economic benefits to Tuscaloosa will also be lost. From the standpoint of the American farmer, Fallek-Lankro provides a domestic source for MCPA; for Tuscaloosa, Fallek-Lankro represents a source of employment and money being spent in the local economy. This is especially important for Tuscaloosa which experienced a paper mill shutdown (Gulf States) in March 1978, and another local chemical producer has cut back its production force due to a shutdown in part of its product line (Reichold Chemicals). Since 1976, we are informed that there has been a loss of about 4,000 manufacturing jobs in the Tuscaloosa area.

Further, Fallek-Lankro's facilities are adjacent to a related company, Alabama Western Chemical Corporation ("Alabama Western"), which produces cresylic acid for general industrial uses and salt cake for the paper industry. When construction began on Fallek-Lankro's facilities, an investment of some $1.3 million was simultaneously committed by Alabama Western for a process enhancement so that orthocresol could be extracted from the creslylic acid it produces for use as a raw material by Fallek-Lankro. Orthocresol is the basic constituent of PCOC. This, therefore, ties the continued success of Alabama Western to the success or failure of Fallek-Lankro. This relationship is significant in view of the fact that Alabama Western employs some 35 persons, and the plant site it occupies (as well as that occupied by Fallek-Lankro) was, until 1975, unused owing to the bankrupcy of its former operators.

Fallek-Lankro now employs over 50 persons; Alabama Western employs some 35, a total of 85 jobs. If the Fallek-Lankro project succeeds and a PCOC plant is built, then we foresee a further 30 jobs being added to this total. This is the most direct and immediate benefit to Tuscaloosa of the project. However, also felt has been the beneficial impact that the infusion of the capital costs of construction of the two projects has already meant to the area. Economic benefits continue to accrue as Fallek-Lankro spends dollars to maintain its daily operational needs and creates further jobs.

To summarize, we urge that H.R. 2580 be reported favorably to the full Committee because:

1. It will make it possible economically for the interim importation of an essential chemical intermediate for the production of two important herbicides which will benefit the American farmer.

2. It will result in the maintenance of current and substantial employment in the Tuscaloosa area.

3. It will result in other immediate, as well as future economic benefits, through the infusion of money to the local economy.

4. It will not result in any substantially adverse affect on any United States companies, since PCOC is not produced in the United States and the end products (MCPA and MCPP) are produced in this country only by Fallek-Lankro Corporation.

5. Any loss in custom's duties will be more than offset by the gains to be realized from the project; if the project fails there will be no significant continuing import of PCOC in any case.

6. The suspension of the duty will help to make possible the construction of PCOC production facilities in the United States, thereby creating further jobs, as well as a domestic source of this chemical.

In addition to benefitting the American farmer. this is a unique opportunity to promote the expansion of the economy of a depressed employment area without any significant reduction in the customs revenue or any adverse effect in the economy because the subject product (PCOC) is not produced in the United States and the end products (MCPA and MCPP) are produced in this country only by Fallek-Lankro Corporation.

APPENDIX A

TO ACCOMPANY STATEMENT OF JEFFREY M. BRICKER, FALLEK-LANKRO CORP., SUBMITTED TO THE COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON TRADE, U.S. HOUSE OF REPRESENTATIVES

PRICE/COST COMPARISON

Year	Price per pound		Cost per pound (delivered duty paid) PCOC
	MCPA	MCPP	
1975	$1.65	$1.76	$0.81
1976	1.35	1.42	.81
1977	1.25	1.32	.78
1978	1.09	1.25	.755

	Percent decrease of price paid for PCOC compared with percent decrease in selling price of MCPA and MCPP		
	MCPA	MCPP	PCOC
1975			
1976	18.0	19.3	0
1977	8.0	7.0	3.7
1978	12.8	5.6	3.12
Overall	33.9	29.0	6.8

Mr. SHELBY. Thank you, Mr. Chairman.

Mr. VANIK. We will be very happy to hear from you.

Mr. SHELBY. Mr. Chairman, just briefly the Fallek-Lankro Chemical Corp. is a chemical company in Tuscaloosa, Ala., which has an investment of about $15 million primarily making herbicides for the agricultural community. There is a chemical called PCOC which they are having to import. The duty on PCOC is at a rate of 12.5 percent ad valorem plus 1.7 cents per pound. This is the same legislation this committee passed last year in the House of Representatives. The administration has testified in support of this legislation. The U.S. Senate added to this legislation a tariff reduction on certain dog food and returned this bill to the House. Since this action occurred in the closing hours of the 95th Congress, the House was unable to consider this measure.

I believe that if we can pass this bill, that this company in Alabama will be able in the near future to manufacture domestically this same chemical. This is their plan.

Mr. VANIK. Do you have any idea about the revenue impact?

Mr. SHELBY. I believe it is about $400,000 a year.

Mr. VANIK. It seemed to me that last year when we had talked about this there was some problem. I don't remember what it was but there was some objection, I thought, between the producer on the west coast——

Mr. SHELBY. No. When this bill was before this committee last Congress there was some information from one of the agencies that another manufacturer planned to produce this product. However, the agency has provided a revised statement indicating that there was no domestic production of PCOC.

Mr. VANIK. How many employees in their plant?

Mr. SHELBY. Fifty employees at the present time and the company hopes to hire another 50 when plant facilities are available to bring PCOC on stream. We have a situation in Tuscaloosa where we lost 4,000 jobs in a town of 80,000 people in the last 4 years.

Mr. VANIK. Well, I realize the impact of that.

Mr. SHELBY. This company could certainly add additional jobs by producing this chemical in Tuscaloosa, Ala. I know this legislation in the interim would help work toward this goal.

Mr. VANIK. Mr. Vander Jagt.

Mr. VANDER JAGT. No questions.

Mr. VANIK. Mr. Guarini.

Mr. GUARINI. No questions.

Mr. VANIK. Mr. Archer.

Mr. ARCHER. No questions.

Mr. VANIK. Mr. Frenzel.

Mr. FRENZEL. I think the dog food amendment is a constructive example for us all. The dog food company solved the problem by not using U.S. materials in the product any more.

Mr. SHELBY. I was not a Member when this matter was considered in the previous Congress and not familiar with the details of the dog food amendment.

Mr. FRENZEL. We won't have any trouble with that amendment this year. We want to prevent his company from taking the same national economic alternative that the dog food company did in a situation where we ought to be favorably equipped.

Mr. SHELBY. Thank you.

Mr. Chairman, that is all I have to say. I wanted to be brief.

Mr. VANIK. Change the position. There is no objection on this.

Mr. SHELBY. That is my understanding.

Mr. VANIK. Thank you very much for your statement. We certainly appreciate it.

Mr. SHELBY. Thank you.

Mr. VANIK. One of the real reasons we are having these early hearings, we want to get this so that we can try to get this legislation over to the other body.

Mr. SHELBY. I understand.

Mr. VANIK. So that the other body doesn't use these bills as carrier pigeons for all the extraneous amendments, we are endeavoring to put together a package so that we reduce the opportunity for such amendment, so I hope you can help us in that area.

Mr. SHELBY. I will do everything I can.

Mr. VANIK. That destroys this whole procedure if we are always threatened.

Mr. SHELBY. Mr. Chairman, I certainly agree.

Mr. VANIK. It is a kind of blackmail we have to live with in our legislative system.

Mr. SHELBY. Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF HON. RICHARD C. SHELBY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

H.R. 2580—A BILL TO SUSPEND FOR A 3-YEAR PERIOD THE DUTY ON 2-METHYL 4-CHLOROPHENOL

Mr. Chairman and members of the Subcommittee on Trade of the Ways and Means Committee, I wish to thank you for scheduling hearings on H.R. 2580, a Bill I introduced to suspend for three years the duty on the chemical 2-Methyl, 4 Chloro Phenol (PCOC). This Bill is vitally important to the owners and employers of an agricultural chemical plant located in my district. This Bill is the same as H.R. 5551 which was introduced by my predecessor Congressman Walter Flowers and was passed by the House of Representatives last year.

The Fallek-Lankro Corporation, an Alabama corporation, organized for the principal purpose of producing certain agricultural herbicides, brought to my attention a severe problem they were having in obtaining an economical supply of PCOC. This chemical, vital to their operation is not produced in the United States. Therefore, it must be imported for their use.

This results in the assessment of a rate duty on PCOC of 12.5% ad valorem plus 1.7¢ lb. The very high amount of duty, when added to the cost of the raw materials for PCOC, makes it uneconomical to produce the major two herbicides of its product line, MCPA and MCPP. The long range solution to this problem, I have been informed, is that Fallek-Lankro Corporation plans to construct a domestic PCOC manufacturing capability. However, until that time, is is hoped that the temporary suspension of duty for PCOC can be granted, and thereby enable the manufacturer to bridge the gap between now and the completion of the propose PCOC facility.

The vitality of this project is important to my district. Fallek-Lankro and a related company, the Alabama Western Chemical Corporation, represent an augmented effort to revitalize a dormant 190 acre industrial site in Tuscaloosa through infusion of substantial sums of capital and creation of needed employment.

Alabama Western produces cresylic acids, which if upgraded, would be a source of certain other raw materials for the proposed herbicide production. The Fallek-Lankro Corporation has invested approximately $15 million in a modern, up-to-date plant in Tuscaloosa, Alabama; and Alabama Western constructed the required cresylic enhancement at a cost of about $1,300,000. These plants became operational in October 1977 and have already added significantly to the domestic production capability for agricultural chemicals, Fallek-Lankro now employs over 50 persons; Alabama Western employs some 35, a total of on-site employment of 85 jobs.

This is especially important for my district. We, unfortunately, have experienced the shut down of two major industries and a cut back in another large chemical company. The operation of the Gulf States paper mill was terminated last March and the Olympia Mill was closed the prior fall. The Reichold Chemical plant has reduced its production force due to a shutdown in its product line. In the last two years there has been a loss of over 3,000 manufacturing jobs in the Tuscaloosa area. Therefore, while it has always been desirable to have job opportunities arise in our district, it is even more important to us now. The City of Tuscaloosa has a similar interest in the success of the project since it facilitated the financing of the Fallek-Lankro Corporation through the issuance of Industrial Development Revenue Bonds of the City of Tuscaloosa.

In summary, the benefits accruing to my district from the Fallek-Lankro Corporation are very important and we certainly want to see them materialize. The passage of this Bill would greatly help in ensuring a great deal of economic and industrial activity both now and in the future and I hope you will see fit to act favorably on it.

Mr. VANIK. Thank you very much for your testimony.

Now is there anyone here to testify on H.R. 802 to extend from 8 to 24 months the period in which domesticated animals may pasture in

foreign countries and be accorded duty-free status upon reentry into the United States?

No testimony.

Is there any testimony on H.R. 2081 introduced by Mr. Charles Wilson of Texas to reduce temporarily the rate of duty on ceramic insulators used in spark plugs?

We have heard this bill.

Mr. FRENZEL. Didn't that pass last year?

Mr. VANIK. We passed that last year so there is no testimony here on that pro or con.

Is there any testimony on the bill to reduce the rate of duty on unmounted underwater lenses?

We have passed that bill last year. There is no testimony here pro or con.

Is there any testimony on H.R. 593, Mr. Mitchell of New York, to amend the Tariff Schedules of the United States in order to increase the rate of duty on certain boxes, cases and chests lined with textile fabrics?

The Chair hears none, pro or con.

Is there any testimony on H.R. 297 by Mr. Drinan to suspend for 2 years the duty on wood excelsior from Canada? On this issue, did we pass this last year? I thought there was some competition that was involved in that. Apparently not.

Mr. FRENZEL. No objection.

Mr. VANIK. No objection by anyone.

Is there any testimony on H.R. 2297 by Mr. Duncan of Tennessee to continue until the close of June 30, 1982, the existing suspension of duties on synthetic rutile?

We passed that last year.

I thought we discussed rutile last year. Mr. Duncan has submitted a statement for the record in support of the bill.

H.R. 1212, Mr. Fuqua, for the relief of the University of Florida, Gainesville, Fla.

What is that bill?

The carillon bells we have already considered.

Mr. FRENZEL. We did that.

Mr. VANIK. We are doing it for the University of Florida.

The last bill is Mr. Moorhead's bill, H.R. 1488, for the relief of Vista Unlimited, Inc.

Now what is that bill? I didn't know we were loaning money. Does anyone have any idea what that is? I was puzzled when it appeared because I didn't know we had any authority to authorize a loan.

The assistance bill provides for a loan to an adversely impacted industry. I didn't realize that under our authority we would be dealing with relief to specific industry.

Mr. FRENZEL. Is this the one the Commerce Department turned down?

Mr. VANIK. We don't introduce prior bills. We ought to be careful. Maybe there is good reason. We should have the author here.

Well, there being no further testimony or statements to be submitted to the subcommittee at this time, the subcommittee is——

Mr. MOORE. Mr. Chairman, I apologize. Were all these bills we considered today, the majority of the bills, passed last year? Are there any new pieces of legislation?

Mr. VANIK. About eight of the bills that passed last year that we would like to get through the subcommittee and find a single bill package. Whether or not we can add any of the others will depend on the subcommittee's decision at the time of markup.

Mr. MOORE. When will we be able to have hearings again on this type thing?

Mr. VANIK. We will have to undoubtedly have later hearings and I will try to accommodate the issues that were omitted. It is my hope that we can have an early markup and get this first piece of legislation through and then perhaps later on in the session have another hearing to take up the issues that we may overlook which were not ready for consideration at this time.

Mr. MOORE. Thank you.

Mr. VANIK. There being no further business before the subcommittee, the subcommittee will stand adjourned subject to the call of the Chair.

[Whereupon, at 11:48 a.m., the hearing was adjourned.]

44-053—79——5

APPENDIX

The following agency reports have been received by the subcommittee up to the time of publication. In addition, any written comments received on specific bills have been inserted following the reports. The material is arranged numerically by House bill number.

H.R. 297

To suspend for two years the duty on wood excelsior imported from Canada

DEPARTMENT OF COMMERCE

This is in response to your request for the views of this Department on H.R. 297, a bill "To suspend for two years the duty on wood excelsior imported from Canada."

If enacted, H.R. 297 would amend the Tariff Schedules of the United States (TSUS) to provide duty-free entry, for a two-year period beginning on the date of enactment of this legislation, for wood excelsior, including excelsior pads and wrappings, imported from Canada. Imports of these articles currently enter the United States under TSUS item 200.25 and are dutiable at the column-1 (most-favored-nation) rate of 8 percent *ad valorem*. The applicable rate of duty on these imports from countries other than Canada would remain unchanged.

The Department of Commerce would have no objection to the enactment of H.R. 297 provided it were amended as suggested below.

A temporary duty suspension on excelsior would assist a domestic manufacturer of excelsior pads in its attempt to diversify its source of supply and to reduce costs and would not adversely affect domestic suppliers of like or directly competitive products.

In this regard, a U.S. manufacturer of excelsior pads currently procures most of its aspen or poplar excelsior from the sole domestic supplier which is located in Wisconsin. However, due to transportation difficulties, this pad manufacturer also has purchased excelsior from a Canadian supplier when the American source is unable to provide adequate supplies. Consequently, the proposed duty suspension would reduce the costs associated with the procurement of Canadian excelsior. We note further that the Wisconsin manufacturer does not believe that it would be adversely affected by the proposed duty suspension on excelsior.

Three domestic manufacturers of excelsior pads and wrappings would benefit from the proposed duty suspension on excelsior, but they could be adversely affected by similar treatment of imported pads and wrappings which compete directly with domestically-produced pads and wrappings. Accordingly, it would appear that the legislation was not intended to cover excelsior pads and wrappings and that these products, therefore, should be deleted from the coverage of the proposed duty suspension.

According to the international obligations of the United States under the General Agreement on Tariffs and Trade (GATT), all tariff reductions must be implemented, as regards other GATT member countries, on a non-discriminatory, most-favored-nation basis. Inasmuch as the proposed legislation, as presently drafted, is discriminatory in that it applies only to certain products imported from Canada, enactment of H.R. 297 would be in contravention of our international obligations under the GATT.

For these reasons, the Department of Commerce believes that H.R. 297 should be amended to exclude excelsior pads and wrappings and to delete the reference to Canada in order that the duty suspension may apply to all countries accorded most-favored-nation treatment.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

DEPARTMENT OF THE TREASURY

The Department of the Treasury would like to take this opportunity to submit its views to your Committee on H.R. 297, "To suspend for two years the duty on wood excelsior from Canada."

The bill would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item, 904.00. This item would suspend the column 1 duty on wood excelsior from Canada for two years commencing from the date of its enactment. The column 2 duty would remain unchanged.

The Department does not favor the granting of a unilateral duty suspension as proposed by H.R. 297 and, therefore, opposes the bill's enactment. The Department would, however, favor the bill if it were amended to provide a most-favored-nation duty suspension.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

STATEMENT OF HON. ROBERT F. DRINAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Chairman, I am pleased to testify in support of H.R. 297, a bill to suspend the duty on wood excelsior for a period of two years. In the 95th Congress, identical legislation was favorably reported by this Subcommittee on May 27, 1977. After the full Committee reported this bill to the House as amended, the House passed it by voice vote. Unfortunately, the Senate Finance Committee failed to take the necessary action before the end of the 95th Congress for this legislation to become law.

I bring this bill to the attention of the Subcommittee once again for its consideration. Let me begin by saying that I am in complete agreement with the changes proposed by Mr. William McLaughlin of Quality Pad Company, Incorporated of Gardner, Massachusetts. For instance, I would favor amending the bill to encompass all imported excelsior, regardless of its origin. I would also favor excluding excelsior pads from suspension of the current tariffs.

Wood excelsior, composed of shredded wood, is a soft bulky material used to fill furniture and as a packing material to prevent damage to fragile products in transit. Excelsior is frequently wrapped in heavy paper to create excelsior pads.

Since excelsior is an extremely bulky and rather inexpensive material, it is uneconomical to ship it very far. Consequently, imports of excelsior have been minimal in recent years. The value of all excelsior imported from abroad from 1974 through 1976 totalled only $7,441. Imported excelsior currently bears a duty of 8 percent. The Customs Service collects an average of $850 each year in duties on excelsior.

The northeastern part of the United States, though rich in lumber, has no ready excess to suppliers of excelsior. This problem is particularly acute with respect to fine, dry excelsior made from aspen which is required to meet Federal contract specifications. According to available information, the sole domestic source of this variety of excelsior is American Excelsior, which has six plants scattered through out the western United States. The plant closest to the northeast is located in Wisconsin, over 1,000 miles away. Massachusetts users must pay freight costs exceeding 60 percent of the cost of the excelsior itself in order to obtain this necessary raw materials.

An alternative excelsior supplier is located in eastern Canada, less than 250 miles from my state. Shipping costs from this supplier are substantially lower for northeastern excelsior users. But this desirable savings is offset in part by the current duty on imported excelsior. As a result northeastern excelsior users find it impossible to obtain this raw material at a reasonable cost.

According to the International Trade Commission during consideration of this bill in the last Congress, the enactment of this legislation would have a "negligible impact" on the domestic excelsior industry. Wood excelsior is on a

list of products for which the ITC has recommended reduced duties. The loss of revenue resulting from the suspension of this duty would be minimal. The enactment of H.R. 297 would enable northeastern excelsior users to obtain needed raw materials at a fair price without adverse consequences to any segment of the American economy.

I agree with the ITC that the proposed suspension should expire on a predetermined date. I would also propose limiting the suspension to imported excelsior—the raw material—excluding exelsior pads and wrappings which are manufactured products.

I urge the Subcommittee to report H.R. 297 to the full Committee with the changes agreed to above, and included in the statement that follows. At this time I would like to have included in the record of these hearings the following written statement by Mr. William J. McLaughlin, President of the Quality Pad Company, Incorporated of Gardner, Massachusetts in support of this bill.

I will be happy to provide the Subcommittee with any additional information it may need to complete consideration of H.R. 297.

Thank you.

QUALITY PAD CO., INC.,
Gardner, Mass., March 1, 1979.

Hon. ROBERT F. DRINAN,
Rayburn Office Building,
Washington, D.C.

DEAR CONGRESSMAN DRINAN: The continued loss of jobs in Massachusetts and the need to secure relief should a fifty year old business survive prompts our requesting your assistance.

Being a small Massachusetts manufacturer we are faced with a very unusual problem regarding the ability to obtain raw materials.

Currently we purchase "Excelsior" from the American Excelsior Company, Marinette, Wisconsin. The cost to ship Excelsior to Massachusetts is equal to the product cost itself. Attempts to secure Excelsior elsewhere in the United States leads to the fact that American Excelsior is our only available source.

Recently we found a company within 250 miles of our plant with Excelsior and available capacity at a favorable price and with greatly reduced freight cost. The company is Magog Excelsior Pad Company of Magog, Quebec.

The problem is an 8% duty on incoming raw materials. We realize that the duty is acceptable in many instances, however, without competition and the lack of another source for our basic raw material leads to one of several possibilities:

1. We are faced with being forced out of business as a small business concern because of the damaging 8% duty on raw materials or if our current material source should meet with a catastrophe, we would be restricted from remaining in business. This is true because Excelsior is not available elsewhere.

We believe Legislation or an Executive order could and should eliminate the duty on raw Excelsior. This duty is unnecessary providing little if any revenue while jeopardizing much needed jobs in Massachusetts.

Very truly yours,

WILLIAM J. MCLAUGHLIN, *President.*

H.R. 593

To amend the Tariff Schedules of the United States in order to increase the rate of duty on certain boxes, cases, and chests lined with textile fabrics

DEPARTMENT OF COMMERCE

This is in reply to the request of the Subcommittee on Trade for the views of this Department on H.R. 593, a bill "To amend the Tariff Schedules of the United States in order to increase the rate of duty on certain boxes, cases, and chests lined with textile fabrics."

If enacted, H.R. 593 would amend the Tariff Schedules of the United States (TSUS) to establish a 16⅔ percent *ad valorem* rate of duty for certain boxes, cases and chests lined with textile materials, imported from countries eligible for column-1, most-favored-nation (MFN) tariff treatment. Such items imported from other countries subject to column 2, statutory tariff treatment would be dutiable at 33½ percent *ad valorem*. The proposed legislation would have the effect of significantly increasing the rates of duty for lined boxes, cases and chests.

Presently, unlined boxes, cases and chests enter under TSUS item 204.40 at an MFN rate of 16⅔ percent and a statutory rate of 33⅓ percent *ad valorem*. Imports of lined boxes, cases and chests enter under TSUS item 204.50 at an MFN rate of two cents per pound plus four percent *ad valorem* and a statutory rate of five cents per pound plus twenty percent *ad valorem*. The *ad valorem* equivalent rates based on 1978 imports, for these lined items ranged from 4.1 percent to 6.7 percent under column–1 and were about twenty-two percent under column–2.

The Department of Commerce is opposed to enactment of H.R. 593.

The Department does not have available to it evidence that increased protection from import competition for the domestic industry producing certain boxes, cases and chests lined with textile fabrics covered in this bill is needed. Data necessary to determine whether the domestic industry is being seriously injured or threatened with serious injury by increased imports would, the Department believes, require a thorough investigation of competitive conditions in the industry.

With respect to situations in which a domestic industry believes it is experiencing serious import injury or threat thereof, Congress has provided administrative remedies in the Trade Act of 1974. Under this statute, domestic industries, firms, or groups of workers may petition for relief from imports and assistance to help them adjust to imports. We believe this procedure, which involves a thorough investigation by the U.S. International Trade Commission, is the appropriate recourse for the domestic industry producing certain boxes, cases and chests lined with textile fabrics if it feels it is faced with injurious import competition. We note further that only through this process can proper attention be given to the competitive situation with respect to products included in the coverage of the bill.

The Department notes, moreover, that the tariff on the TSUS item in this bill is subject to concessions made by the United States under the General Agreement on Tariffs and Trade and is bound against increase. Hence, any increase in the duties on these articles would render this country subject to claims for compensation or to retaliation by affected countries, thus disadvantaging other U.S. industries. The Department believes it is inappropriate to jeopardize our trading interests in a case in which injury has not been demonstrated.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

STATEMENT OF HON. DONALD J. MITCHELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman and members of the committee, I appreciate the opportunity to testify in support of a legislative remedy to a problem which is having serious consequences for the domestic jewelry box industry.

My measure is designed to make a simple adjustment in the tariff rate schedule pertaining to jewelry boxes and in the process hopefully put on the brakes to prevent the further steady downward decline of one of our industries and the jobs it provides for our people.

Under the present tariff rate schedule, finished jewelry boxes have a lower tariff rate than do unfinished jewelry boxes. That simply does not make sense. It should be the other way around.

Historically, I'm told the situation developed because there was a separate classification for all kinds of specialty boxes and consequently a comprehensive overview of the relationship of one kind to another was not taken. What we now have is a situation which is just the reverse of what it should be with a higher tariff assigned to the unfinished boxes than that which is assigned the finished boxes. The foreign competition, alert to the anomaly, is taking advantage of it. It should come as no surprise to learn that finished jewelry boxes represent the bulk of the traffic across the waters to our shores. In many cases, a virtually worthless piece of cloth is added to the box abroad so it will qualify for the finished designation and thus the lower tariff rate.

What we should have is a higher rate for finished boxes. This would not put an end to imports but would alter the percentage relationship between finished and unfinished boxes. Instead of finished boxes monopolizing imports, unfinished boxes requiring further work here in the United States, work done by our people who are in desperate need of jobs, would undoubtedly take over the lead position. Mr. Chairman, the domestic jewelry box industry is in real trouble. Its very existence is threatened.

It wasn't too long ago that Mele Manufacturing, the largest domestic firm, which is headquartered in my district, enjoyed 70% of the U.S. market and employed 800 people.

The firm has witnessed a steady loss of business to imports and now has less than 25% of the market with made in U.S.A. products. Its workforce has declined dramatically and many of the remaining jobs are shaky at best.

We have an opportunity to save an ailing domestic industry and protect much needed jobs by making a simple and sensible adjustment in the tariff rate schedule. I urge that we do so.

H.R. 802

To extend from eight months to twenty-four months the period in which domesticated animals may pasture in foreign countries and be accorded duty-free status upon reentry into the United States

DEPARTMENT OF COMMERCE

This is in further response to your request for the views of this Department on H.R. 802, a bill "To extend from eight months to twenty-four months the period in which domesticated animals may pasture in foreign countries and be accorded duty-free status upon re-entry into the United States."

If enacted, H.R. 802 would amend item 100.03 of the Tariff Schedules of the United States (TSUS) to extend the period within which domesticated animals straying across U.S. boundaries or driven across for temporary pasturage, may, together with their offspring, be accorded duty-free treatment upon re-entry into the United States.

The Department of Commerce opposes the enactment of H.R. 802.

We are unaware of any economic need for extending the current eight month duty-free re-entry period to twenty-four months. It is our understanding that this provision of the tariff schedules was intended to facilitate summer pasturage of domestic animals in territories adjacent to the United States. The current eight month period accorded these animals for such feeding purposes appears sufficient.

Moreover, by extending the pasturing period to twenty-four months, the age, weight and marketability of the returning animal would be significantly affected. A shift in the bulk of resource input during the growing phase of these animals could result in an economic loss to U.S. feed producers and feed-lot operators. Under these circumstances the Department believes that extension of the time period for duty-free entry of pasturing cattle is not warranted.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

DEPARTMENT OF THE TREASURY

The Department of the Treasury would like to take this opportunity to submit its views on H.R. 802, "To extend from eight months to twenty-four months the period in which domesticated animals may pasture in foreign countries and be accorded duty-free status upon reentry into the United States."

Cattle weighing 700 pounds or more and pasturing in a foreign country for more than eight months are subject to a tariff quota of 1.5 cents per pound for the first 400,000 head entered in the 12-month period beginning April 1 in any year. Further, only 120,000 of the first 400,000 shall be entered in any quarter beginning April 1, July 1, October 1, or January 1. Cattle outside this quota are dutiable at 2.5 cents per pound. The current exemption was introduced in 1930 to permit summer pasturage outside the United States or to permit United States producers in time of drought to send their cattle outside the United States, and it still serves these purposes.

Extension of the time period to twenty-four months would permit feeder cattle to be sent to Canada and only returned to the United States for slaughter. Thus, extending the time period is unjustified and unnecessary in terms of the original purposes for the exemption.

In addition, the bill would provide no guidance for the Customs Service with regard to entry into the United States of offspring of the animals born in a foreign country.

In view of the foregoing, the Department opposes enactment of the bill.

The Office of Management and Budget advised that there was no objection from the standpoint of the Administration's program to the submission to your

Committee of a similar report on H.R. 706, an identical bill from the 95th Congress.

STATEMENT OF PETER P. ARAUJO, ABRCO CUSTOMHOUSE BROKERS, INC., EL PASO, TEX.

As a custom house broker with ten years of experience in the handling of cattle, it is my firm belief that the proposed change of item 100.83 in the tariff schedules to allow 24 months of temporary pasturage abroad would be a reasonable convenience in order to have the availability of other pasturelands outside the United States in the event of a drought or other kinds of emergencies.

Back in October of 1974, a situation arose wherein item 100.03 needed to be extended for 24 months, instead of the 8-month limitation as the law was written. Many U.S. cattlemen who went bankrupt at that time because of the drought conditions would have had an escape valve to enable themselves to pull out of the bad economic situation. At the present time there could be no damage in having the 24-month period available, and it could be a substantial help in a time of disastrous climatic conditions.

Through our experience in dealing with the ranchers, we understand that cattle will gain less than a pound per day and, as expenses being what they are in transporting the cattle to and from such pasture, these expenditures could only be offset by an extended period of pasturage time. An eight-month period presently negates any advantage of transporting the cattle across the border, whereas a twenty-four month period would allow for an economic turn around in a rancher's cattle operations.

STATEMENT OF STEWART BAGBY, BAGBY LAND AND CATTLE CO., INC., EL PASO, TEX.

The Southwest part of the United States is a very large drought-prone area. Year by year there is less grazing land for cattle because of the growth of the cities and the spread of farming operations. In contrast, there are times when northern Mexico has above average rainfall and would be able to pasture over one million cattle on its excess grass which is not being used by Mexican ranchers.

The proposed change in the tariff laws which is suggested by H.R. 802 could open the door so that in times of drought in the southwestern United States, U.S. cattlemen would be in a position to rescue their herds from potential losses by pasturing them on the grazing lands available in northern Mexico, particularly in the areas of Chihuahua and Durango. At the same time we would be helping our neighbors to the south by making use of their pasturelands which are lying fallow. This legislation would, as a side effect, open the door for good relations between the United States and Mexico and to closer cooperation between the cattlemen of both countries.

The extension in the time period from eight to twenty-four months for duty-free reentry is necessary because the cost of freight and crossing charges presently negate the cheap cost of a small gain in weight of the cattle during an eight-month period. The longer time period is indispensable. In talking about weight gain of cattle, we are talking about gaining on grass, which is very different from farm and feedlot gains in the United States. Where farm and feedlot gains are roughly two and a half pounds per day per animal, grass gains are roughly seven-tenths of a pound per day per animal. The average cost of freight and crossing of cattle to and from pasture in Mexico would be between $40 and $50 per head at current rates.

I have been in the cattle business on the United States-Mexican border for over thirty years, as was my father for that many years. I have seen many times where such a provision in the tariff laws would save many cattle operators in the Southwest. My father related to me that he and his neighbors moved their cattle from Hudspeth County and Presidio County to northern Mexico on a number of occasions to save their cattle; that is, before the existence of present day regulations.

Present costs of the pasture in Mexico compare very favorably to the costs of pasture in the United States. Pasture in Mexico runs approximately $20 to $30 per acre per year, while pasture in the United States runs $60 to $90 per acre per year.

I would find the change from eight months to twenty-four months very useful.

STATEMENT OF HON. RICHARD C. WHITE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

I am most appreciative to have this opportunity to submit written testimony on H.R. 802, the legislation I introduced this congress to extend from eight months to twenty-four months the period in which domesticated animals may pasture in foreign countries contiguous to the border of the United States and be accorded duty-free status upon re-entry into the United States.

Legislation of this nature was originally suggested to me in 1974 by several cattlemen in my district who have ranch operations located near El Paso, and close to the international border with Mexico. At that time domestic supplies of cattle were relatively high, and the ranchers contended that there were approximately ten million more cattle in the United States than could be supported by the available pasture lands. The prevalent drought conditions that year only exacerbated the shortage of available grazing land in the Southwest and posed the potential threat of large losses of cattle from the herds and economic ruin to the cattlemen.

There presently exists a safety valve for climatic conditions injurious to domesticated animals. Under item 100–03 of the tariff schedules of the United States, producers can temporarily pasture their animals (i.e. cattle, horses, swine, sheep and goats) in foreign countries contiguous to the border of the United States and bring them back to the United States without payment of import duties, if certain time limitations are met. The duty-free condition became effective in 1930 and was used considerably during the drought period of 1937–38 to alleviate the shortage of domestic pasture in the Southwest.

At the time of enactment of the duty-free period for temporary pasturage of domesticated animals by Mexico and Canada, the eight-month time limitation was possibly very adequate for the producers to utilize as a safety valve during unfavorable climatic conditions. Today, however, it is used very sporadically, if at all, because the increased costs of transportation over the last fifty years negate any advantage that would be gained in pasturing the cattle outside of the United States for such a short period of time. The costs of transportation of cattle to the available pasture lands in northern Mexico cannot be recovered in eight months.

This can be demonstrated by examining the following figures. Freight costs are approximately $1.25 a mile for a 50,000 pound load of cattle across the border, which breaks down into an expenditure of roughly $40 to $50 per head of cattle per round trip transport. During an eight month period of grazing time on Mexican pasture, a small-sized steer of some two hundred pounds will have barely doubled in weight. On the other hand, a twenty-four month period allows the steer to more than triple its weight, thereby offsetting the costs of transport from the United States to Mexico and back to its home ranch.

It is also not economically viable for the ranchers to pasture their cattle outside the United States for a period longer than eight months, and then pay the import duties which would be assessed on the period exceeding the time limitation for duty-free re-entry. At a tariff quota of 1.5 cents per pound (as applied to a steer weighing seven hundred pounds or more), a charge of $10.50 in duties for each steer would be incurred, at the very minimum.

According to the International Trade Commission's report to the committee last Congress, the loss of revenue to the United States would be negligible if this bill were enacted into law. Yet the change in the duty-free status provision would be far from negligible for the cattlemen in my district, as it could mean the difference between economic ruin and economic stability in the face of unstable climatic conditions.

The need for this legislation was clearly demonstrtaed in 1975, when it was originally submitted to the Congress. Although the levels of domestic stock of cattle are lower today, I maintain that the need for a safety valve of this nature continues to exist. A period of drought would diminish any gains that have been realized by the lower ratio of cattle per acre of grazing land. Furthermore, this is not a real increase in acreage, as the continuing encroachment of urban sprawl makes less and less pasture land available to the cattle ranchers each year.

The economics of the cattle industry are very volatile, running in boom-bust cycles of several years, and it is not unreasonable to expect an upswing in the domestic stock of cattle within the next three or four years. Although the need to resort to foreign pasture land for grazing purposes is not that demanding of a situation currently, the availability of item 100.03, with an extension from eight

to twenty-four months, would provide a much-needed assistance to distressed cattlemen when the economics of the industry again fall on hard times.

I would now request from the committee its permission to insert into the record of the hearings the statements of two men from my district. Mr. Stewart Bagby, owner of Bagby Land and Cattle Company, Inc., in El Paso, Texas is involved in the day to day operation of a cattle ranch. Mr. Peter P. Araujo, manager of Abaco Customhouse Brokers, Inc. of El Paso, Texas, deals with the economics of the Bond Pasturing Industry as a custom house broker. Their testimony speaks very eloquently to the need for enactment of this legislation.

H.R. 1211

To amend the Tariff Schedules of the United States to provide for a lower rate of duty for certain fish netting and fish nets

DEPARTMENT OF COMMERCE

This is in reply to the request of the Subcommittee on Trade for the views of this Department on H.R. 1211, a bill "To amend the Tariff Schedules of the United States to provide for a lower rate of duty for certain fish netting and fish nets."

This bill would reduce the column-1 (most-favored-nation) rate of duty on imports of fish netting and fish nets entered under item 355.45 from 25 cents per pound plus 32.5 percent ad valorem to 12.5 cents per pound plus 16.25 percent ad valorem. The calculated ad valorem equivalent (AVE) of the column-1 rate of duty on the basis of 1978 data is about 40 percent, and the proposed legislation would reduce the AVE to about 21 percent.

The Department of Commerce is opposed to the enactment of H.R. 1211.

We note that while this legislation is designed to increase the competitive capability of the domestic fishing industry by reducing the cost of fish nets, the bill would likely result in an increase in foreign competition for the domestic fish net and netting industry. In such circumstances, we believe that a unilateral reduction of the duty is not warranted, but rather any duty reduction should be accomplished in the context of the Multilateral Trade Negotiations (MTN).

In this regard, the President, in determining the advisability and the extent of any duty reduction for nets and netting, has had the opportunity to weigh the benefits to the U.S. economy accruing from both the reciprocal concessions gained on behalf of U.S. exports and the lower costs to the U.S. fishing industry against potential costs which might arise as a result of reduced import protection for the U.S. net and netting industry. A unilateral duty reduction would not provide such an opportunity to balance the various interests involved.

Moreover, in light of the likely increase in foreign competition for the domestic fish net and netting industry, we believe that any duty reduction on fish nets and netting should be implemented over a period of years to permit domestic net and netting producers the opportunity to adjust gradually to the increase in foreign competition. While such staging of tariff reductions is required by the Trade Act of 1974 for tariff concessions resulting from trade negotiations, no such staging would be provided were the duty reduced pursuant to the proposed legislation.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

DEPARTMENT OF THE TREASURY

The Department of the Treasury would like to take this opportunity to submit its views on H.R. 1211, "To amend the Tariff Schedules of the United States to provide for a lower rate of duty for certain fish netting and fish nets."

The bill would amend item 355.45 of the Tariff Schedules of the United States by lowering the column 1 duty for fish netting and fish nets to 12.5 cents per pound plus 16.25 percent ad valorem. The current column 1 duty is 25 cents per pound plus 32.5 percent ad valorem.

The Department is generally opposed to permanent duty reductions. Consequently, the Department does not support the permanent duty reduction provided in H.R. 1211.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 15, 1979.

HON. CHARLES A. VANIK,
Chairman, House Subcommittee on Trade, Washington, D.C.

DEAR MR. VANIK: I would like to request that this letter be added to the permanent hearing record on H.R. 1211, a bill which would reduce by 50% the tariff on imported synthetic fiber fish nets and netting.

As a member of the Merchant Marine and Fisheries Committee and as a Representative with a special interest in and a strong commitment to the U.S. commercial fishing industry, I enthusiastically co-sponsored H.R. 1211 and urge that this Subcommittee report favorably on the bill.

This Congress is grappling with the severe economic problems caused by runaway inflation. We are looking for ways to reduce the impact of inflation and provide some relief to the consumer and to all segments of the economy. Commercial fishing in this country has been extremely hard hit by inflation . . . there have been enormous increases in vessel construction and vessel operating costs. Yet a substantial portion of these increased operating costs have not been the result of inflation, but the reflection of unusually high import duties. Aside from the intial vessel purchase, the single greatest investment a commercial fisherman makes is in his netting . . . this is his only harvesting tool. Oregon fishermen tell me that the duties levied on imported nets and net webbing contribute upwards of half of the final cost of a single net, varying according to the value of the labor in the final net and the weight of the product. The commercial fishing industry in this country imports the majority of the netting used in larger, offshore fisheries for two reasons:

Most of the net configurations used in these operations are not available through domestic twine manufacturers.

When gear is available domestically, fishermen choose to import and pay the substantial tariff because the quality of the imported product is substantially better.

Netting to meet the needs of commercial fishermen is not available domestically because our fishing industry, when compared to subsidized and massive foreign fishing operations, could be classified as an infant industry. As a result, we do not have the domestic technology to keep pace with our competitors.

The boost given to this industry by the 200-mile law is rapidly changing the nature of this "infant industry". To take full advantage of the resources brought so effectively under our control by this new law, the industry will be developing the technology and the capacity to fish high volume underutilized species heretofore taken without regulation by foreign fishing interests. What will it take to build our capacity? Larger boats, more sophisticated netting and processing gear, new fishing techniques. Much of the new equipment will be coming from overseas where the fishing industry is well established and technologically advanced.

To support the promise of the 200-mile law, the Committee on Merchant Marine and Fisheries will be reporting out omnibus development legislation to assist the industry in matching the efforts made by foreign fishing operations. This development package is aimed at providing our fishermen and on-shore processors with a favorable investment climate, stronger domestic and overseas markets and assistance in developing the best available technology to fully utilize the resource.

At the same time, the Administration also has committed itself to a major fisheries development initiative, mobilizing an interdepartmental task force to analyze the present structure of the industry and recommend and implement development programs.

I find it extremely ironic that one arm af our government is contemplating what would amount to significant loan and tax package incentives designed to promote the growth of an underdeveloped industry, while another arm of the government is levying a burdensome tariff on that same industry we are so committed to help. The effect of our current protective tariff on nets and net webbing is to afford protection to a small domestic twine manufacturing industry, employing approximately 2,000 workers—at the expense of the nearly 165,000 commercial fishermen in this country. And the companies which this tariff "protects" are not capable of meeting the needs of the domestic fishing industry.

I would like to offer two examples to illustrate the effect of these tariffs on the cost of fishing gear:

Several years ago Oregon State University's Sea Grant program—a federally funded program—participated in a groundfish catching experiment using a large

mid-water trawl net. The net used in the experiment was imported because it was unavailable through any domestic company. The cost of the net was $5,054 with an additional $2,900 levied in duties which were based on the value of the net, plus a poundage assessment. There is something ludicrous about the Federal government supporting valuable research programs to promote the development of commercial fishing technology in this country—then siphoning off a healthy chunk of that money in the form of a protective tariff—to protect an industry which does not manufacture the type of gear required. The experiment was successful and fishermen on the West Coast are using these large nets, and paying outrageously high duty costs, to purchase what is unavailable back home.

The fishing gear for a single, 80-foot trawler capable of harvesting underutilized, high volume species runs about $25,000. I am not talking about the cost of a vessel, but merely the cost of equipping that vessel with harvesting gear. Eleven thousand dollars of this money is paid in import duties on nets.

And make no mistake, the commercial fisherman will continue to pass these costs on to the American consumer in the form of higher prices for domestically harvested fish food products.

These two examples dramatize the need to examine our current tariff schedule for imported commercial fishing gear. A good place to begin is with the bill currently before this Subcommittee which proposes a 50 percent reduction in the tariffs levied on fish nets and netting. The commercial fishing industry has been asking for this kind of relief for years. A habitual failure on the part of the Administration to negotiate this as a trade issue in Geneva has made it incumbent upon Congress to provide a remedy.

If we are to foster the development of this industry, it will mean that this government must commit itself, not only to funding fishery development programs, but to removing some of the investment disincentives which have prevented this industry from growing. The stranglehold of the present tariff structure is an effective disincentive particularly to typically capital-shy commercial fishermen, creating unnecessary obstacles for an industry which needs to have freer access to advanced technology and specialized equipment.

And finally, this tariff structure ultimately has its impact on the inflation-weary American consumer who must pay higher prices for fish food products.

I ask that the Subcommittee consider the economics of a rapidly expanding U.S. commercial fishing industry and examine the current tariff structure on net and net webbing in that context.

With best wishes,

Sincerely,

LES AUCOIN,
Member of Congress.

STATEMENT OF HON. OLYMPIA J. SNOWE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

I would like to take this opportunity to express my support for H.R. 1211, legislation providing for a tariff reduction from 32.5 percent ad valorem plus 25 cents per pound to 16.25 percent ad valorem plus 12.5 cents per pound on imported synthetic fiber fish nets and netting.

Both inshore and offshore fishermen, such as those in the 2d District of Maine, are greatly burdened by these high tariffs on synthetic nets and netting. Our inshore fishermen commonly use twisted nylon gill nets which are specified by state law, and consequently these fishermen purchase their nets exclusively from domestic manufacturers. However, where state law has been changed to allow the use of more efficient materials, the fishermen will purchase imported mono-filament nets of dual or triple knot design. Despite the higher price of these nets, the fishermen will continue to purchase them over a domestic twisted nylon gill net because of their increased catches and other factors.

Offshore fishermen use predominantly purse seine nets which need a mesh size of 64 inches. They purchase these nets from foreign suppliers because, at this time, purse seine nets are not domestically manufactured in quantity. U.S. mesh manufacturing capability is usually a maximum of 24 inches.

Consequently this tariff on imported twine and netting places an extreme burden on the offshore fishermen because the U.S. industry does not manufacture a product which meets the specific qualifications desired by the offshore industry.

Although I am a proponent of a protected commercial environment for the fishing industry, I believe the U.S. manufacturers are overly protected by this tariff.

Their markets are protected by state conservation regulations specifying type, construction, and style of net to be used. This tariff places the U.S. fishermen, who must use imported products, at a distinct disadvantage when compared with foreign fishermen. For example, my constituents are forced to compete with a highly subsidized Canadian fishing industry.

Fishermen must be able to compete in the 3–200 fisheries zone. Our fishermen do not want subsidies. They want a fair chance to compete. A reduction of the tariff on nets and webbing will help substantially, and overall the U.S. netting manufacturers will suffer little.

Given the greater efficiency of these imports, and the fact that no significant domestic production of certain types of nets and netting is available, I strongly support this 50-percent reduction of tariffs so that our domestic fishermen will be placed in a more equitable position to compete with foreign fishermen and producers.

H.R. 1212

For the relief of the University of Florida, Gainesville, Florida

DEPARTMENT OF THE TREASURY

The Department of the Treasury would like to submit its views on H.R. 1212, "For the relief of the University of Florida, Gainesville, Florida."

The bill would direct the Secretary of the Treasury to admit free of duty forty-nine carillon bells (including all accompanying parts and accessories) for the use of the University of Florida, Gainesville, Florida such bells being provided by Koninkligke Eijsbouts B.V., Asten, The Netherlands.

The bill further provides that if the liquidation of the entry of the bells has become final, such entry shall be reliquidated, and the appropriate refund of duty shall be made. It is our information that the bells, valued at $199,000, dutiable at the rate of 3 percent ad valorem, are presently in transit. The duty on the bells would be approximately $6,000.

The Department generally opposes passage of relief bills, such as H.R. 1212, absent compelling, special circumstances, which would warrant an exception to the existing law. W are not aware of any equitable or other circumstances in this case which would cause us to depart from this position.

If the instant bill were enacted, it would grant to a single institution more favorable treatment than is accorded other institutions of the same class, and would create dissatisfaction in other institutions which are obliged to pay duties on similar articles imported under like circumstances. We also note that during the First Session of the 95th Congress, similar type relief was provided to another institution through the passage of H.R. 1404. Thereafter, H.R. 12216 and H.R. 13490 were introduced to seek similar relief for two other institutions. Neither of the latter two bills passed the 95th Congress. Special relief in the instant case would, however, create an additional undesirable precedent, and cause dissatisfaction among other similarly situated institutions, such as those involved in H.R. 12216 and H.R. 13490.

For these reasons, the Department opposes enactment of H.R. 1212.

In general, we support legislation that would afford duty-free treatment to all similar articles as long as domestic industry is not adversely affected. Therefore, if the Committee is disposed to report favorably on H.R. 1212, we recommend that the suspension of duty on all sets of tuned bells known as chimes, peals, or carillons, except hand bells, be considered in the context of the impact on the domestic industry.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

STATEMENT OF HON. DON FUQUA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman, I appreciate this opportunity to testify in support of H.R. 1212, legislation I have introduced to permit the University of Florida to import, duty-free, 49 carillon bells.

In appearing before you today, I come wearing "two hats." Not only do I have the privilege of representing Gainesville and the University of Florida in Congress but I am also, this year, serving as President of the National University of Florida Alumni Association.

Mr. Chairman, I would like to provide you with a little background on the events which led to my introducing H.R. 1212. In 1951, during the time I was a student there, Century Tower was constructed on the campus of the University of Florida to commemorate the 100th anniversary of the founding of the university. Ever since that date it has been the goal of the University to install carillon bells in the tower to toll the quarter-hour and sound a melodic tone each hour.

Funds for the purchase of the bells were raised by the student body of the University. Approximately $250,000 has been raised and I have just been advised that the bells have been cast and will soon be shipped from the Netherlands. If H.R. 1212 is not enacteed, it is anticipated by the University officials that the import duty they will be forced to pay could amount to $6,000 or $8,000.

The University of Florida is a land-grant college and as Florida's first university it is the bulwark of the State's system of higher education. It is, of course, a state institution and not operated for profit. This last statement is, I believe, a key consideration in why H.R. 1212 deserves approval.

Under the circumstances I have described, I feel it is entirely equitable to waive the import duty and provide this measure of relief to the University.

Speaking, personally, I am proud to appear before you wearing "two hats" and, having attended the University of Florida, I know full well how much this dream of obtaining the carillon bells means to university personnel, students and alumni alike.

Now that the dream is becoming a reality, I am most interested in saving the university whatever funds can be saved and I strongly urge prompt and favorable action on H.R. 1212.

Thank you, Mr. Chairman, for this opportunity to present my testimony to your subcommittee.

H.R. 1319

To extend the period for duty-free entry of a 3.60-meter telescope and associated articles for the use of the Canada-France-Hawaii Telescope Project at Mauna Kea, Hawaii

DEPARTMENT OF STATE

I am informed that HR 1319, an Act "To extend the period for duty free entry of a 3.60 meter telescope and associated articles for the use of the Canada-France-Hawaii Telepscope Project at Mauna Kea, Hawaii" will be considered shortly by the Ways and Means Committee. The Department of State supports the proposed legislation from the standpoint of foreign policy.

The France-Canada-Hawaii telescope project is a valuable international cooperative undertaking by which a major astronomical observatory and facility of real benefit to United States scientists is to be established in Hawaii through the joint efforts of France, Canada, and Hawaii. Eighty-five percent of the total cost of approximately $20 million is to be borne by the Governments of France and Canada. Much of this cost lies in the value of the telescope and related equipment to be installed in the observatory. These items are largely the property of the Governments of France and Canada and would have to be imported. The remaining costs are to be provided or absorbed by the State of Hawaii. No Federal Government funds are committed to this project. It is my understanding that Hawaiian labor and material would be employed in constructing the facility.

A non-profit corporation for scientific and education purposes has been incorporated in Hawaii to construct and operate the observatory. It would be of considerable benefit to the corporation and to the success of the undertaking if H.R. 1319 were enacted to extend the period of duty free entry.

The Department has been advised by the Office of Management and Budget that, from the standpoint of the Administration's program, there is no objection to the submission of these views.

DEPARTMENT OF THE TREASURY

The Department of the Treasury would like to take this opportunity to submit its views on H.R. 1319, "To extend the period for duty-free entry of a 3.60-meter telescope and associated articles for the use of the Canada-France-Hawaii Telescope Project at Mauna Kea, Hawaii."

The bill would grant an extension, of the duty-free important, until June 30, 1982, of a telescope and of related equipment for use at a major astronomical observatory and facility in Hawaii. This project was established through the joint efforts of France, Canada, and the State of Hawaii. The Governments of France and Canada will bear 85 percent of its total cost of $20 million and are the principal owners of the telescope and ancillary instruments to be imported. The remaining costs of the project are to be absorbed by the State of Hawaii. Finally, a non-profit corporation devoted to scientific and educational endeavors has been incorported in Hawaii to construct and administer the facility.

The Canada-France-Hawaii project would enhance the scientific knowledge of the international community and would be a considerable benefit to American scientists without incurring a large expense. Therefore, the Department supports enactment of H.R. 1319.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

H.R. 1488

For the relief of Vista Unlimited, Incorporated

DEPARTMENT OF COMMERCE

This is in reply to your request that the Department of Commerce provide our views on H.R. 1488, a bill "For the relief of Vista Unlimited, Incorporated."

The Department of Commerce is categorically opposed to the enactment of this bill. I will provide some background and explain the basis for this position.

The Commerce Department's Economic Development Administration (EDA) is responsible for programs of assistance to firms and communities which have been adversely affected by imports under Title II of the Trade Act of 1974 (the Act). The Act requires that firms go through two procedures to receive adjustment assistance. A firm must first petition for certification to establish a 2-year eligibility for assistance. Secondly, the firm must apply for the actual assistance. In the case of each of these two procedures the Act sets specific criteria which firms must satisfy. At each stage the Act also requires that EDA act on a petition for eligibility or an application for assistance within sixty days.

H.R. 1488 would waive substantially all of the Act's requirements related to certifications for eligibility and applications for assistance with respect to Vista Unlimited, Incorporated. In effect the bill would legislate assistance to this specific firm under the Act without regard to any of the Act's purposes or requirements. We oppose any such action for the following reasons:

1. this action would violate the purposes and integrity of the Act;
2. this action would afford a single firm favored treatment and would set an undesirable precedent; this would be unfair to all other firms which could not satisfy the requirements of the Act;
3. this action would undermine EDA's credibility and effectiveness in the administration of the Act.

We understand that a company related to Vista Unlimited had been certified under the Act in 1977, but did not succeed with its application for assistance. If Vista Unlimited satisfies relevant requirements under the Act with respect to its relationship to the certified firm, it may apply for assistance under the existing certification. Alternatively, Vista may petition for a separate certification and apply for assistance under that certification. Any such petition or application would receive prompt action in accordance with the Act's requirements. Most importantly, Vista Unlimited would thereby receive the same consideration accorded any other firm under the Act, and the integrity and purposes of the Act would be maintained.

In conclusion, for the reasons stated the Department of Commerce is categorically opposed to the enactment of H.R. 1488.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of our report to the Congress from the standpoint of the Administration's program.

DEPARTMENT OF STATE

The Secretary has asked me to reply to your request for the views of the Department of State on H.R. 1488, a bill dealing with the provision of financial assistance to Vista Unlimited, a California firm, under Section 254 of the Trade Act of 1974 relating to adjustment assistance for firms.

The provisions of our trade legislation governing adjustment assistance for firms are administered by the Economic Development Administration of the Department of Commerce, and we defer to its views regarding the proposed relief.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the submission of this report.

DEPARTMENT OF THE TREASURY

Reference is made to your request for the views of the Department of the Treasury on H.R. 1488, a bill "For the relief of Vista Unlimited, Incorporated."

This bill authorizes and directs the Secretary of Commerce to make a loan under section 254(a) of the Trade Act of 1974 (19 U.S.C. 2344) to Vista Unlimited, Incorporated, of Burbank, California, in the amount of $473,000. This loan would be repayable within ten years following the date of commencement of the loan. Certain other provisions of the Trade Act relating to adjustment assistance for firms would be set aside in connection with this loan.

The bill is concerned with the administrative authority of the Department of Commerce and does not affect those provisions of the Trade Act relating to the Treasury. Therefore, the Department has no comment on the merits of this legislation and defers to the Department of Commerce with regard to the effect this legislation has on its authority.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

H.R. 1587

To suspend the duty on gypsum building boards and lath until the close of June 30, 1981

U.S. INTERNATIONAL TRADE COMMISSION

PURPOSE OF THE LEGISLATION

H.R. 1587, if enacted, would suspend the column 1 rate of duty on gypsum building boards and lath until June 30, 1981. The column 2 rate of duty would remain unchanged. This duty suspension would encompass virtually all products imported under item 245.70, part 3, schedule 2 of the Tariff Schedules of the United States (TSUS).

DESCRIPTION AND USES

The gypsum products covered by this legislation include a variety of panels with a core of gypsum, covered on the face, back, and sides with paperboard. These panels of gypsum board and gypsum lath, commonly referred to as sheetrock (or drywall), are manufactured in thicknesses from ¼ to 1 inch; in widths of 2 or 4 feet; and in lengths of 8, 10, or 12 feet.

Gypsum board and lath are used in building construction, especially for interior walls and ceilings. Regular gypsum board, a 4′ x 8′ panel usually ½ inch in thickness, is by far the leading gypsum board product. It is used primarily for interior walls and ceilings in residential home construction. Second in importance is type X gypsum board which is specially treated for fire proofing and insulating.

Gypsum lath is produced in narrower widths than regular gypsum board and is often used as backing for plaster or other interior finishing material.

TARIFF TREATMENT

The column 1 and column 2 rates of duty for gypsum board and lath imported under TSUS item 245.70 are 6 percent and 30 percent, respectively. Products covered by item 245.70 are eligible for duty-free treatment under the Generalized System of Preferences (GSP).

STRUCTURE OF THE DOMESTIC INDUSTRY

There are 13 manufacturers of gypsum board products. Major producers of gypsum board products are also the leading producers of the crude gypsum needed for manufacture of the board products. The five major producers of gypsum board products in order of volume are: U.S. Gypsum Co., National Gypsum Co., Georgia-Pacific Corp., The Flintkote Co., and the Celotex Corp. These 5 producers account for approximately 85 percent of all board production.

DOMESTIC PRODUCTION

Sales of gypsum board products peaked in 1973 at 13.8 million short tons, slumped during the 1974 and 1975 recession, and increased with the recovery of building construction from 1976 through 1978. Sales in 1978 are estimated to have reached a record 14.5 million short tons. Three of the five major producers are reported to have experienced strikes of varying duration during 1978; however this activity is not believed to have had a significant impact on domestic production. The most recent labor dispute was settled in early 1979.

GYPSUM BOARD PRODUCTS: U.S. SALES, BY PRODUCT, 1974–78

[In thousands short tons]

	1974	1975	1976	1977	1978
Regular gypsum board	8,393	7,507	9,183	10,757	[1] 11,000
Type X gypsum board	2,570	1,600	1,737	2,134	[1] 2,500
Lath	205	143	143	127	[1] 120
Other	718	605	785	938	[1] 900
Total	11,886	9,855	11,849	13,956	[1] 14,520

[1] Estimated by the staff of the USITC.

Source: Compiled from official statistics of the U.S. Bureau of Mines.

IMPORTS

In 1977 imports increased dramatically in response to demand for building construction materials, but still accounted for less than 1 percent of U.S. production. Imports in 1978 continued to rise, totaling 264 thousand short tons, or approximately 2 percent of domestic consumption.

Canada has been the major supplier of gypsum board products but, as shown in the following table, Mexico shipped significant amounts to the United States in 1978. In 1978 Canada accounted for 85 percent and Mexico 15 percent of U.S. imports, respectively. In 1978, 99 percent of Mexico's exports to the United States were admitted free of duty under GSP.

GYPSUM AND PLASTER BOARD AND LATH: U.S. IMPORTS FOR CONSUMPTION, BY PRINCIPAL SOURCES, 1974–78

[In short tons]

Country	1974	1975	1976	1977	1978
Canada	3	8	29	49,986	225,088
Mexico	0	0	0	9,342	39,141
West Germany	0	0	(1)	(1)	5
Spain	0	22	0	0	0
Other	0	0	(1)	6	34
Total	3	30	30	59,335	264,268

[1] Less than 1 short ton.

Source: Compiled from official statistics of the Department of Commerce.

Note: Totals may not add due to rounding.

APPARENT U.S. CONSUMPTION

Most domestic consumption of gypsum board products is supplied by U.S. sources and, until 1978, the United States was a net exporter. Exports have been approximately **1 percent of U.S. consumption** while imports (until 1978) have been less than 0.5 percent. Some "spot shortages" of gypsum board products have been reported intermittently during 1978–79—most frequently in the southeastern United States (e.g., Florida). These shortages may have been aggravated, at least in part, by labor difficulties experienced by three of the major producers. However, there have also been recent reports of some slackening in demand and growing inventories in various parts of the country. The suspension of the 6 percent rate of duty may result in an increase in imports; however, high shipping costs could be more trade restrictive than the present tariff barrier, depending upon the geographic locations of both the potential U.S. consumers and the foreign producers. Under such market circumstances, some lost sales for domestic producers could result from increased imports.

GYPSUM BOARD PRODUCTS: U.S. SALES, IMPORTS, EXPORTS, AND APPARENT CONSUMPTION, 1974–78

[In short tons]

	Sales	Imports	Exports [1]	Apparent consumption [1]
1974	11,886,000	3	120,000	11,766,000
1975	9,855,000	30	100,000	9,755,000
1976	11,849,000	30	118,000	11,731,000
1977	13,956,000	59,335	138,000	13,662,000
1978	[1] 14,520,000	264,268	65,000	14,720,000

[1] Estimated by the staff of the USITC.

Source: Compiled from official statistics of U.S. Bureau of Mines and the U.S. Department of Commerce, except as noted.

POTENTIAL LOSS OF REVENUE

Imports in 1978 were valued at $19.3 million, with a calculated duty of $1.2 million. It is unlikely that annual imports for the next 3 years will greatly exceed those for 1978. If prices follow the relatively stable trend of the last 5 years, potential revenue loss would be approximately $1 to $2 million annually.

TECHNICAL COMMENTS

There are several technical and conforming amendments which we offer for the Committee's consideration:

(*a*) Line 5 of H.R. 1587 refers to an incorrect TSUS item number. The correct location for this proposed new item, in the Appendix to the TSUS, is immediately after TSUS item number 903.80. This situation is a good example of the Commission's rationale in consistently recommending with respect to tariff bills amending the Appendix that the amending language should be phrased in terms of insertion of the proposed new item "in numerical sequence", rather than making specfiic reference to the location of a proposed new item number. Accordingly, we recommend that H.R. 1587 be amended by deleting "immediately after item 903.70" from line 5 and substituting "in numerical sequence" in lieu thereof.

(*b*) We also recommend that the proposed new item number (904.00), in the quoted matter immediately following line 6, be changed to 904.50 to allow for future expansion of this part of the Appendix.

(*c*) We are advised that the terms "gypsum" and "plaster" in the article description for TSUS item 245.70 are virtually indistinguishable for tariff classification purposes. We also understand that there are few, if any, entries of "plaster" boards and lath currently made under item 245.70. In order to facilitate Customs administration of the proposed duty suspension, the article description proposed for item 904.00 should duplicate the article description for TSUS item 245.70. Accordingly, we recommend that the description, in the quoted matter immediately following line 6, be amended by inserting "or plaster" after "Gypsum".

(*d*) If the suggestion in subparagraph (*c*) is adopted, the bill Title should be amended by inserting "or plaster" after "gypsum".

DEPARTMENT OF THE TREASURY

Reference is made to your request for the views of this Department on H.R. 1587, "To suspend the duty on gypsum building boards and lath until the close of June 30, 1981."

The bill would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by adding a new item, 904.00. This

item would suspend through June 30, 1981, the column 1 duty on gypsum building boards and lath, currently set at 6 percent ad valorem in item 245.70. The column 2 rate of 30 percent ad valorem would remain unchanged. The bill provides that this amendment to the Tariff Schedules will apply to articles entered or withdrawn from warehouse for consumption on or after the date of enactment of the bill.

During the 1977–78 building boom, a domestic shortage of these materials, which are used in home construction, existed. Since then the boom has tapered off and the domestic industry has been expanding its capacity. Therefore, these materials are no longer in short supply. The Department, however, has no objection to the bill's enactment.

One technical adjustment is necessary. An item 903.80 is currently listed in the Appendix. Therefore, line 5 of the bill should be changed by substituting "903.80" for "903.70."

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

STATEMENT OF A. VICTOR ABNEE, JR., EXECUTIVE DIRECTOR OF THE GYPSUM ASSOCIATION

The Gypsum Association, representing eleven U.S. gypsum manufacturers which produce over 90 percent of the gypsum products manufactured in the United States, opposes the enactment of H.R. 1587. This bill would suspend the gypsum duty of 6 percent until June 30, 1981. The association would not oppose the suspension of the U.S. tariff if the corresponding Canadian duty of 15 percent on gypsum imported into Canada from the United States is also suspended.

From 1970 to 1977, the gypsum industry staggered under a condition of overcapacity. During this period nine gypsum plants closed, and net return on capital of the industry fell to the point that it was difficult to replace its existing plants. The gypsum industry requires enormous capital investment in productive facilities. Yet the industry struggled to modernize its facilities in the face of extremely adverse economic conditions. No price supports or other trade relief were requested of government by the members of the Association during these bleak years, and certainly no such relief was forthcoming.

In late 1977 and 1978, demand for gypsum wallboard picked up sharply, surprising most of the manufacturers of gypsum as well as their customers. Since it takes about two years to open a gypsum rock mine and construct a gypsum plant, the demand outstripped supply in 1978, and delays in product shipments occurred. Eight of the nine previously closed gypsum plants were reopened to meet this demand. Capacity figures (which the Association has collected only since 1976) show that, even in the face of a Federal income tax system that has been tilted against new investment in capital-intensive industries when inflation creates imaginary (but nevertheless taxed) "profits," capacity has risen to meet demand. These figures are as follows:

Year:	*Capacity (billion sq. ft.)*
1976	16.5
1977	17.0
1978	17.5

The rise of gypsum production during this period was even sharper:

Year:	*Production (billion sq. ft.)*
1976	13.1
1977	15.4
1978	16.4

Keeping in mind that there is a 2-year lag in bringing new plants onstream, 1979 will be a year of major new plant construction that was commenced when the demand for gypsum rose in 1977. At least five new production lines should be completed in 1979.

Thus, major additional capacity is expected for 1979, capacity which assumed that the competitive ground rules (including the gypsum tariff rate) surrounding these high risk investments would remain constant.

Nevertheless, the members of the Association would be happy to endorse the dismantling of the U.S. tariff if the President's Special Trade Representative would negotiate a similar dismantling of the tariffs of our neighbors. The members have no objection to competing with foreign gypsum companies on equal terms. The unilateral surrender to foreign imports that H.R. 1587 contemplates, however, (1) will be injurious to the U.S. gypsum manufacturers and their employees; (2) will exacerbate an already devastating deficit in the U.S. balance of payments; and (3) will be a sharp slap in the face for an industry that has struggled with mining, environmental, workplace and other Federal Regulations of all kinds over the last nine years (many of which regulations its foreign competitors do not have to struggle with) and yet has kept reasonably abreast of market conditions and is just now bringing major additional productive capacity into existence to meet the needs of its customers.

When this bill is considered against the 20% drop in housing starts that occurred in January, 1979, it is our sincere view that the stripping away of the modest tariff that now exists, combined with the 16-percennt currency differential between Canada and the United States, will result in an erosion of the competitive position of U.S. gypsum manufacturers at a time when demand is already slackening and capacity is already increasing. We respectfully request that these manufacturers, if they are to be subjected to this penalty, at least have the opportunity to compete with their foreign based neighbors on equal terms.

H.R. 1660

To continue until the close of June 30, 1981, the existing suspension of duties on certain forms of zinc

U.S. INTERNATIONAL TRADE COMMISSION

PURPOSE OF THE LEGISLATION

H.R. 1660, if enacted, would reinstate the previously-expired suspension of the column 1 rates of duty[1] on certain forms of zinc by adding items 911.00, 911.01, 911.02, and 911.03 to subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (TSUS). This duty-free treatment, which became effective in 1975,[2] suspended the column 1 rates for:

(*a*) Zinc-bearing ores (provided for in item 602.20, part 1, schedule 6) (See item 911.00);

(*b*) Zinc dross and zinc skimmings (provided for in item 603.30, part 1, schedule 6) (See item 911.01);

(*c*) Zinc-bearing materials (provided for in items 603.49, 603.50, 603.54, and 603.55, part 1, schedule 6) (See item 911.02); and

(*d*) Zinc waste and scrap (provided for in item 626.10, part 2H, schedule 6) (See item 911.03).

These duty suspensions expired on June 30, 1978. This legislation would provide duty-free treatment for imports of certain forms of zinc (as described above) entered or withdrawn from warehouse for consumption after June 30, 1978 through June 30, 1981.

DESCRIPTION AND USES

Zinc ore is, in most cases, principally composed of the mineral sphalerite, a zinc sulfide. Zinc dross and zinc skimmings are both zinc- or zinc oxide-containing products formed during the galvanizing process; zinc fume is material that becomes gaseous at high furnace temperatures, becoming solid again at lower temperatures, and then being carried into the flues. These products are all used as sources of zinc metal and zinc products.

Zinc is a bluish-white metal that is chemically active and readily alloyed with other metals. Zinc is produced in five grades, which range from Prime Western Grade (PWG) containing a minimum of 98.0 percent zinc to Special High Grade (SHG) containing a minimum of 99.99 percent zinc. Use as a die casting alloy accounts for 37 percent of total zinc consumption, galvanizing sheet and strip for 22 percent, galvanizing other steel products for 15 percent, use in brass and bronze for 14 percent, and use in other products accounts for the balance.

TARIFF TREATMENT

The current tariff treatment of all products covered by this legislation follows.

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[1] Column 1 rates of duty apply to products of countries entitled to most-favored-nation treatment. Column 2 rates of duty apply to products of all Communist-dominated countries, except Poland, Yugoslavia, Romania, and Hungary, and would remain unchanged by this legislation.

[2] Public Law No. 94–89, sections 1, 3(a), 89 Stat. 438; effective Aug. 9, 1975.

ZINC-BEARING MATERIALS AND ORES: U.S. IMPORT DUTIES, FEBRUARY 1979

Item	Rate of duty		Eligible for GSP
	Col. 1	Col. 2	
Zinc-bearing ores and other zinc-bearing materials:			
602.20	0.67 cents per pound on zinc content.	1.67 cents per pound on zinc content.	Yes.
603.30	0.75 cents per pound	1.5 cents per pound	Yes.
603.49	0.67 cents per pound on zinc content.	1.67 cents per pound on zinc content.	Yes.
603.50:			
Fume	do	do	Yes.[1]
Other	do	do	Yes.[1]
603.54	do	do	Yes.
603.55	do	do	Yes.
Zinc waste and scrap:			
626.10	0.75 cents per pound	1.5 cents per pound	No.

[1] All beneficiary developing countries are eligible except Botswana.

STRUCTURE OF THE DOMESTIC INDUSTRY

There are several hundred zinc mines located in various parts of the United States; 25 mines owned by 12 companies account for 90 percent of the output. The five leading mines are owned by four companies: St. Joe Minerals Corp., AMAX Lead Co., New Jersey Zinc Co., and the Bunker Hill Co., and account for 40 percent of total output.

DOMESTIC PRODUCTION

Domestic production of zinc ore, by gross weight, contained weight, and value, is as follows:

ZINC ORE: U.S. PRODUCTION, 1974–78

Year	Gross weight (thousand tons)	Contained weight of zinc[1] (thousand tons)	Value (millions)
1974	84,826	500	$359
1975	61,721	469	366
1976	90,951	485	359
1977	70,631	450	309
1978	(2)	342	212

[1] This ore also contains lead and other metals.
[2] Not available.

IMPORTS

U.S. imports for consumption of zinc ore, zinc waste and scrap, and other zinc-bearing materials, by weight and value, are as follows:

ZINC ORE, ZINC WASTE AND SCRAP, AND OTHER ZINC-BEARING MATERIALS, 1974–78

Year	Zinc ore (contained weight)	Zinc waste and scrap (gross weight)	Other zinc-bearing materials[1] (contained weight)
Quantity (short tons):			
1974	133,733	2,418	22,098
1975	428,544	1,418	36,485
1976	155,803	1,803	19,372
1977	119,060	10,117	13,205
1978	117,193	8,262	3,648
Value (thousands):			
1974	$31,430	$1,241	$5,069
1975	108,822	468	10,680
1976	50,553	516	7,442
1977	37,271	2,173	5,233
1978	37,170	2,114	1,250

[1] Includes dross, skimmings, and fume.

APPARENT CONSUMPTION

Apparent domestic consumption of ore, scrap, and other zinc-bearing materials was 967,000 short tons in 1973; 894,000 short tons in 1974; 721,000 short tons in 1975; 872,000 short tons in 1976; 814,000 short tons in 1977; and an estimated 770,000 short tons in 1978.

POTENTIAL LOSS OF REVENUE

Based on 1978 imports of the forms of zinc covered in this legislation and the applicable rates of duty, it is estimated that enactment would result in a loss of customs revenues of $1.7 million annually for the duration of the duty suspension.

TECHNICAL COMMENTS

There are several technical and conforming amendments which we offer for the committee's consideration:

(*a*) The bill Title should be amended to change the language referring to the "existing" suspension of duties, since this suspension expired in June 1978.

(*b*) Section 1 (lines 3–6) should be deleted and new language substituted, since this part of Section 1 refers to non-existent (i.e., expired) TSUS provisions; i.e., the items enumerated in line 3. Likewise, line 5 provides that these items are "each amended * * *". Since these provisions have expired, these items cannot be amended but should be added to the Appendix. We suggest the following language: "by inserting in numerical sequence the following items * * *". We recommend that language containing the previously-expired item numbers and article descriptions, etc., be inserted in the usual tabular format.

(*c*) Section 2 appears intended to provide retroactive effect for this duty suspension. The following language is generally used to provide retroactive application for expired duty suspensions in order to lessen the administrative impact on Customs for reliquidation of entries made after the expiration date and before the date of a subsequent re-enactment.

SEC. 2. The amendments made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after June 30, 1978. Upon request therefor filed with the customs officer concerned on or before the ninetieth day after the date of enactment of this Act, the entry of any article—

(1) which was made on or after June 30, 1978, and before the date of enactment of this Act, and

(2) with respect to which there would have been no duty if the amendments made by the first section of this Act applied to such entry.

shall, notwithstanding the provisions of section 514 of the Tariff Act of 1930, or any other provisions of law, be liquidated or reliquidated as though such entry has been made on the date of enactment of this Act.

DEPARTMENT OF COMMERCE

This is response to your request for the views of this Department on H.R. 1660, a bill "To continue until the close of June 30, 1981, the existing suspension of duties on certain forms of zinc."

If enacted, H.R. 1660 would reinstate, until the close of June 30, 1981, the previous suspension of column-1 tariffs applicable to imports from countries accorded most-favored-nation (MFN) tariff treatment for certain zinc articles which had been provided for in items 911.00, 911.02 and 911.03 of the Appendix to the Tariff Schedules of the United States (TSUS). Imports from other countries subject to the statutory (column 2) rates of duty would not be affected.

Imports of the zinc articles affected by H.R. 1660 are currently entering under items 602.20, 603.30, 603.49, 603.50, 603.54, 603.55 and 626.10 of the TSUS. Based on 1978 imports, the calculated ad valorem equivalent rates of duty on imports from countries accorded MFN duty treatment range between 4.2 and 6.8 percent.

The Department of Commerce favors enactment of H.R. 1660.

Although the previous temporary suspension of duties on certain zinc articles has expired, we believe that reinstating the previous temporary suspension of duties would have a net beneficial effect on the domestic interests involved. The U.S. slab zinc producers are partially dependent on imports to meet their raw material needs, and the cost savings which result from the suspension of duties directly contribute to the ability of the U.S. slab zinc producers to compete with foreign producers.

Imports of the affected zinc articles have consistently declined from 472,838 short tons in 1975 to 132,859 short tons in 1978—the period covered by the previous duty suspension. During the same period, the import-to-consumption ratio declined from fifty-one percent in 1976 to thirty percent in 1978.

Despite the decline in imports U.S. industry sources report that current U.S. production capacity is insufficient to meet domestic demand. They note that although U.S. production of these articles could be expanded, it is doubtful if this expansion could be effected during the duration of this proposed legislation due to the five to ten year time span and large capital expenditures necessary for such expansion.

In the event this legislation were enacted, it would have no impact on the revenues to, or the administrative costs of, this Department.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

DEPARTMENT OF THE TREASURY

Reference is made to your request for the views of this Department on H.R. 1660, "To continue until the close of June 30, 1981, the existing suspension of duties on certain forms of zinc.

The bill would amend items 911.00, 911.02, and 911.03 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202). It would extend the current column 1 suspension of duty on certain forms of zinc from June 30, 1978 until June 30, 1981.

Domestic producers are currently unable to obtain enough zinc ore mined in the United States to meet their needs. Therefore, domestic industry supports this legislation. The Department supports enactment of H.R. 1660 because the inability of domestic producers to obtain zinc ore at reasonable prices would add significantly to inflationary pressure.

The Office of Management and Budget advised that there was no objection from the standpoint of the Administration's program to the submission to your committee of a similar report on H.R. 9911 an identical bill in the 95th Congress.

STATEMENT OF HON. JOHN J. DUNCAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

On January 31, 1979, I introduced H.R. 1660, a bill to continue until the close of June 30, 1981, the existing suspension of duties on certain forms of zinc. In support of that legislation, I have prepared this brief statement for the record to explain why the expeditious passage of this bill is needed.

Many of the Members of this Committee are probably familiar with this bill, and remember that I have made statements in its behalf before, not only in this Committee but on the floor of the House as well. The 95th Congress passed this legislation as H.R. 9911 on September 18, 1978. The Senate passed the legislation days later on September 30, but due to the fact that certain amendments unrelated to zinc were added to the Senate version, reintroduction was made necessary on October 10. In those very busy days before adjournment, we were unfortunately, unable to take action again, and the bill failed to become law.

My review of this legislative history is to emphasize the fact that the Congress has recognized before the importance of this bill to future of our domestic zinc industry. I can say with certainty that no other significant basic industry in the United States has undergone a more dramatic decline than the zinc industry. This is important because zinc is an essential raw material in an industrial society such as ours. For many years, we had to rely heavily on imported supplies because U.S. mines do not have the capacity to meet domestic demand. As no other nation imposes a duty on imported zinc, such an imposition on American imports means a higher cost to the producer which makes it less competitive in the world market. Also, since U.S. producers depend on zinc imports to stay economically viable, when they suffer it has an adverse effect on our own zinc mines. Very little domestically mined zinc is exported, and those mines are almost totally dependent on strong domestic producers for a market. This bill H.R. 1660, is compatible with the goal of keeping both our producers and our zinc miners economically healthy.

Therefore, Mr. Chairman, I urge this Subcommittee to give expeditious and favorable consideration to this bill.

Thank you.

H.R. 2081

To reduce temporarily the rate of duty on ceramic insulators used in spark plugs

DEPARTMENT OF COMMERCE

This is in reply to your request for the views of this Department concerning H.R. 2081, a bill "To reduce temporarily the rate of duty on certain ceramic insulators used in spark plugs."

If enacted, H.R. 2081 would amend the Tariff Schedules of the United States (TSUS) to reduce to four percent ad valorem the duty on spark plug ceramic insulators, having an aluminum oxide content of not less than 96 percent. The duty reductiono, effective until the close of June 30, 1980, would be applicable to imports from countries accorded column-1, most-favored-nation (MFN) treatment. The column-2 (statutory) rate of duty, applicable to imports from other countries, would not be affected by the bill.

The intent of this legislation is to reduce temporarily the duty on certain spark plug insulators to the rate of duty applicable to complete spark plugs.. Imports of such ceramic insulators are currently dutiable under TSUS item 535.14 at the column-1 rate of 15 percent ad valorem.

The Department of Commerce has no objection to the enactment of H.R. 2081.

The sole U.S. importer (Stitt Spark Plug Company) of these particular spark plug insulators produces spark plugs for stationary, integral compression engines for use in booster compressor stations on natural gas pipelines. This producer is unable to manufacture economically its own insulators due to the comparatively small market for these spark plugs (approximately three million units per annum). Furthermore, this particular ceramic insulator is not manufactured in the United States. The only other U.S. manufacturer of this type of spark plug produces insulators with a lower alumina oxide content solely for its own use.

Consequently, the Department believes that enactment of H.R. 2081 would reduce the resource costs of a domestic manufacturer and would have no foreseeable adverse economic impact on other U.S. producers.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

H.R. 2297

To continue until the close of June 30, 1982, the existing suspension of duties on synthetic rutile

U.S. INTERNATIONAL TRADE COMMISSION

PURPOSE OF THE LEGISLATION

H.R. 2297, if enacted, would continue the existing suspension of the column 1 rate of duty on synthetic rutile through June 30, 1982. The current suspension of duty provided for in item 911.25, subpart B, part 1, Appendix to the Tariff Schedules of the United States (TSUS), will expire at the close of June 30, 1979.

DESCRIPTION AND USES

Synthetic rutile is derived from ilmenite through a process of upgrading which involves substantial chemical change. Ilmenite, an ore of titanium, contains about 55 percent titanium dioxide. The upgrading process results in a product with a titanium dioxide content approaching that of natural rutile, also an ore of titanium, which contains about 96 percent titanium dioxide. Since natural rutile is much more costly than ilmenite, increasing quantities of ilmenite are being upgraded to produce synthetic rutile.

Titanium dioxide pigments comprise the largest single use of natural and synthetic rutile. Thus far, synthetic rutile has only been used to make titanium dioxide pigments, but it will probably be utilized in the future to make titanium metal, welding rod coatings, and to replace natural rutile in other current uses.

TARIFF TREATMENT

Synthetic rutile is provided for in item 603.70, part 1, schedule 6 of the TSUS, a residual provision for other metal-bearing materials of a type commonly used for the extraction of metal or as a basis for the manufacture of chemical compounds, at a column 1 rate of duty of 7.5 percent ad valorem and a column 2 rate of duty of 30 percent ad valorem.

The column 1 rate of duty on synthetic rutile was initially suspended in October 1974 [1] through June 30, 1977. This duty suspension was reinstated, retroactively, in November 1977 [2] through June 30, 1979. The column 2 rate of duty has remained unchanged.

Articles entered under item 603.70 are eligible for duty-free treatment under the Generalized System of Preferences.

STRUCTURE OF THE DOMESTIC INDUSTRY

At the beginning of 1977, Kerr-McGee Industries initiated production of synthetic rutile in a plant at Mobile, Alabama, with an announced capacity of 110,000 short tons per annum. Output is intended partly for the firm's own use and partly for sale. No other domestic producer is known.

U.S. PRODUCTION

Production numbers are not available from the U.S. Bureau of Mines. Since its opening in 1977, the plant of the only U.S. producer has been running at a little more than one-half capacity and was temporarily closed during most of 1978 and early in 1979. In view of this erratic performance, independent data on production was not developed.

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[1] Public Law No. 93–470, section 1, 88 stat. 1422; effective Oct. 26, 1974.
[2] Public Law No. 95–160, section 2(a), 91 stat. 1271; effective July 1, 1977.

IMPORTS

Imports of synthetic rutile in 1974–78 are shown in the table below. Data for imports prior to 1973 are not available, but imports are believed to have been much less.

SYNTHETIC RUTILE: U.S. IMPORTS FOR CONSUMPTION, BY COUNTRY, 1974–78

Source	1974	1975	1976	1977	1978
Quantity (short tons):					
Australia	14,454	34,222	43,866	17,351	23,546
Japan	26,442	16,878	24,108	3,691	675
India	10,976	6,614	11,011	5,500	11,011
All other		353	4,437	19	356
Total	51,872	58,066	83,421	26,561	35,588
Value (thousands):					
Australia	$1,851	$6,218	$6,955	$2,103	$3,771
Japan	2,712	3,599	2,733	682	142
India	1,348	900	1,668	750	1,393
All other		92	996	6	69
Total	5,911	10,810	12,352	3,541	5,375

Note: Data may not add to totals shown because of rounding.

Source: U.S. Bureau of Mines, 1974–75; U.S. Department of Commerce, 1976–78.

APPARENT U.S. CONSUMPTION

Domestic consumption through 1976 was approximately equal to imports. Domestic consumption after 1976 is hard to estimate accurately because of the absence of data on U.S. production.

POTENTIAL LOSS OF REVENUE

Revenue loss on 1978 imports of synthetic rutile, valued at $5,375,000, is estimated at approximately $403,000 based on a 7.5 percent ad valorem duty.

TECHNICAL COMMENTS

Line 8 of H.R. 2297, as introduced, should read:
"* * * for consumption after June 30, 1979." instead of:
"* * * for consumption, after June 30, 1977.".

DEPARTMENT OF COMMERCE

This is in response to your request for the views of this Department on H.R. 2279, a bill "To continue until the close of June 30, 1982, the existing suspension of duties on synthetic rutile."

If enacted, H.R. 2297 would amend the appendix of the Tariff Schedules of the United States (TSUS) to extend until the close of June 30, 1982, the existing duty-free entry for imports of synthetic rutile from countries accorded most-favored-nation (MFN) tariff treatment (TSUS column 1). Imports from other countries subject to the statutory (column 2) duty of 30 percent ad valorem would not be affected. The present suspension of the MFN duties is due to expire at the close of June 30, 1979.

If the duty suspension is not continued, imports of synthetic rutile would enter under TSUS item 603.70 and would be dutiable at the MFN rate of 7.5 percent ad valorem. Imports of natural rutile (TSUS item 601.51) enter duty-free under both columns 1 and 2.

The Department of Commerce has no objection to the enactment of H.R. 2297.

The duty suspension would continue the elimination of an unnecessary cost on a resource material which is not presently produced commercially in the United States and for which there is a growing demand. The United States is dependent on imports to meet its needs for both natural and synthetic rutile, which are functionally equivalent. There is no domestic source of natural rutile and the currently known techniques of obtaining synthetic rutile from abundant domestic resources of ilmenite create undesirable environmental side effects which have forestalled commercial production.

In the event this legislation were enacted, it would have no impact on the revenues to, or the administrative costs of, this Department.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

DEPARTMENT OF STATE

The Secretary has asked me to reply to your request for the views of the Department of State on H.R. 2297, a bill providing duty free entry for synthetic rutile.

The Department of State has no objection to the enactment of the proposed legislation.

The United States is dependent on imports to meet its requirements for synthetic rutile. The duty applicable to imports of such rutile was initially suspended by Public Law 93–470, effective October 26, 1974. The duty was lifted on the basis of a determination that it would remove an unnecessary raw material cost for domestic processors and would assist United States firms in obtaining needed supplies on the world market thereby helping to maintain production and employment levels in domestic manufacturing, particularly in the paint and pigment industries. The considerations underlying the initial suspension of the duty continue to be valid. The extension of the duty suspension would be beneficial to United States international trade relations.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the submission of this report.

DEPARTMENT OF THE TREASURY

Reference is made to your request for the views of this Department on H.R. 2297, "To continue until the close of June 30, 1982, the existing suspension of duties on synthetic rutile."

The bill would amend item 911.25 of the Appendix to the Tariff Schedules of the United States, 19 U.S.C. 1202. It would extend the duty-free treatment of synthetic rutile from column 1 countries from June 30, 1979 until June 30, 1982.

The Department would have no objection to the enactment of the proposed legislation. The Department notes, however, that the retroactive provision in subsection (b) would be unnecessary unless H.R. 2297 is not enacted by June 30, 1979. After that date, only those articles entered before enactment would be affected because entries after June 30, 1977 and before July 1, 1979 are included under the existing suspension of duties on synthetic rutile.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

STATEMENT OF HON. JOHN J. DUNCAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

On February 21, 1979, I introduced H.R. 2297, a bill to continue until the close of June 30. 1982, the existing suspension of duties on synthetic rutile. I have prepared this statement for the record to explain my strong support for extending the tariff suspension.

Synthetic rutile is used in the production of titanium dioxide, a whitening agent for paint, plastic, paper, etc. There is little domestic production of synthetic rutile, and the demand for it is growing, because of the health hazards associated with the use of lead in providing white pigments.

Congress enacted a temporary suspension of the 7.5-percent duty in 1974 and extended it in 1977. H.R. 2297 would extend the suspension for 3 years, until June 30, 1982.

The reasons for suspending the duty on synthetic rutile are as compelling today than they were in 1974. When this Committee recommended passage of the duty suspension on synthetic rutile in 1974, it stated "that temporary suspension . . . would aid the United States in obtaining a greater share of the limited world supply, thereby helping to maintain production and employment levels in domestic manufacturing, particularly in the paint and pigment industries." Our current battle with inflation provides an additional reason to extend the duty

suspension. Without the extension the cost of this raw material would increase by 7.5 percent after June 30 this year. It is my understanding that the Executive Branch does not oppose this legislation.

I believe H.R. 2297 is worthy of the Committee's favorable consideration.

STATEMENT OF GULF & WESTERN NATURAL RESOURCES GROUP, DIVISION OF GULF & WESTERN INDUSTRIES, INC.

Gulf & Western Natural Resources Group enthusiastically endorses H.R. 2297, a bill introduced by Congressman John J. Duncan of Tennessee on February 21, 1979. H.R. 2297 would continue until the close of June 30, 1982, the existing suspension of duty on synthetic rutile which expires on June 30 of this year. Congress originallysuspended the 7.5 percent duty on synthetic rutile in 1975 (Public Law 93–470) and extended that suspension in 1977 (Public Law 95–160).

We believe that the 3-year extension, provided in Mr. Duncan's bill, would well serve the national interest for the following reasons: (1) It would avoid an unnecessary raw material cost to American producers of titanium dioxide pigments, thereby helping to offset inflationary pressures; (2) It would aid the United States in obtaining a larger share of the limited world supply of source material for titanium dioxide pigments, thereby helping to maintain production and employment levels in domestic industry; and (3) It would not adversely affect any domestic industry, since there is no commercial production of synthetic rutile in the United States at the present time.

Gulf & Western Natural Resources Group, a division of Gulf & Western Industries, Inc., is headquartered in Nashville, Tennessee, and has titanium dioxide plants in Ashtabula, Ohio and Gloucester City, New Jersey. Titanium dioxide is an indispensable compound used in the production of most whitening agents found in paint, paper and plastics. There is generally no practical substitute for titanium dioxide—as a whitening agent. Lead is no longer widely used for this purpose because of health considerations.

Natural rutile, an ore which has a high titanium content, is generally the preferred raw material in the production of titanium dioxide pigments. There are no significant natural rutile deposits in the United States. Australia is essentially the world's sole source for natural rutile on a commercial basis. However, the supply of natural rutile from Australia is limited. As a consequence of this shortage, a process for upgrading ilmenite sands to be the functional and chemical equivalent of natural rutile was developed around 1971. Such "synthetic rutile" has been used increasingly as a source material for titanium dioxide since then.

Because synthetic rutile was not an article of trade at the time the Tariff Schedules of the United States went into effect in 1963, it falls into a "basket' tariff classification having a 7.5 percent duty (TSUS 603.70). Natural rutile, however, is duty-free (TSUS 601.51). It is reasonable to assume that Congress would have provided the same tariff treatment for both natural and synthetic rutile had Congress had an opportunity to consider the matter when it adopted the Tariff Schedules.

The Administration has recognized the soundness of extending the duty suspension, expressing its support for H.R. 2297 during the hearing on March 5, 1979. Without an extension of the duty suspension the cost of synthetic rutile would increase by 7.5 percent after the duty suspension expires on June 30, 1979. That increased cost would not only be harmful to industrial users of synthetic rutile in the United States, but would also have a ripple effect throughout the economy. For the foregoing reasons we urge that the Committee give favorable consideration to H.R. 2297.

SCM CORP., CHEMICAL/METALLURGICAL DIVISION,
Towson, Md., March 5, 1979.

JOHN M. MARTIN, JR.,
Chief Counsel, House Committee on Ways and Means,
Washington, D.C.

DEAR MR. MARTIN: The Chemical/Metallurgical Division of SCM Corporation is writing to express its support of the further three year extension of the tariff duty suspension for synthetic rutile, set forth in H.R. 2297, introduced by Congressman John Duncan of Tennessee.

Rutile is the basic source material for the production of titanium dioxide pigments by the chloride process. Except for duPont, which has developed a chloride process to utilize raw materials with lower titanium dioxide enrichments, producers of titanium dioxide pigments are dependent on rutile. Synthetic rutile is the only supplemental raw material which is economic for these chloride process plants.

We emphasize the importance of the chloride process, because the other process, known as the sulfate process, uses source materials having lower percentages of contained Ti02, and thereby produces higher levels of pollutants than the chloride process. As a result, it has been quite a number of years since any facilities using this sulfate process have been constructed in the United States.

We believe it makes no practical or legal sense to treat synthetic rutile for tariff purposes in any way different from natural rutile. Synthetic rutile is functionally the same as natural rutile and chemically the same, except for the nature and amount of the impurities. Natural rutile has no tariff duty, as is the case with most basic raw materials which are imported to be processed and fabricated. A duty imposed on synthetic rutile would increase the cost of production proportionate to its use as the source material, and thus increase the price of the pigments and the price to the consumers of the products into which the pigments are incorporated.

Synthetic rutile became an article of commerce in the early 1970's, after the Tariff Schedules of the United States had been adopted. We believe that had synthetic rutile been recognized as an article of commerce at the time, the TSUS would have accorded them duty free entry. This duty free treatment is indicated by the treatment accorded titanium bearing slag, which has been imported free of duty since 1951. See T.D. 52764, dated June 22, 1951.

This titanium bearing slag has a 70-percent titanium dioxide content, which is produced by smelting from ilmenite having a 37-percent titanium dioxide content. Production of synthetic rutile is similar, in that one starts with ilmenite and processes it to a higher TiO_2 content. Although there are differences in the ore and the processes, both the slag and synthetic rutile production involves substantial chemical change to increase the titanium dioxide content of ilmenite to a higher titanium dioxide content and the duty free treatment accorded titanium slag should apply to synthetic rutile as well.

It is interesting to note that of the various raw materials that could be used for the production of titanium dioxide pigments, only synthetic rutile would carry a duty if the presently proposed legislation is not adopted. All the other raw materials, as listed in the 17th Annual Conference of Metallurgists, Montreal, August 30, 1978 by W. W. Bartle; are duty free:

Raw material:	*Percent of TiO₂*
Canadian ilmenite	37
Norwegian ilmenite	44
South African ilmenite	49
West Australia ilmenite (Capel)	55
West Australia ilmenite (Eneabba)	60
Indian ilmenite (Quilon)	62
Titania slag (Sorel)	70
Titania slag (Richards Bay)	85
Leucoxene	89
Synthetic rutile (Capel, W. A.)	93
Rutile	95

The last two materials are required for the chloride process (other than duPont). The United States has been entirely dependent upon imports for its supply of rutile and at the present time is entirely dependent upon imports for its supply of synthetic rutile.

The original suspension was recommended by the Ways and Means Committee in H.R. Rep. No. 93–973, 93d Cong., 2d sess., which reported as follows:

"Your committee believes that temporary suspension of the duty on synthetic rutile would aid the United States in obtaining a greater share of the limited world supply, thereby helping to maintain production and employment levels in domestic manufacturing, particularly in the paint and pigment industries. Temporary removal of the duty, as provided under the bill, would also serve domestic consumer and ecological considerations."

The continuation of the duty suspension, recommended in Sen. Rep. No. 95–419, 95th Cong., 1st sess., stated as follows:

"Enactment . . . would continue the elimination of an unnecessary cost of a raw material, synthetic rutile, which is not domestically produced in sufficient quantities and for which there is a growing demand."

We believe that the reasons for the original duty suspension continue to be present and persuasive and that deevlopments since the last legislative action support the continued extension of the duty suspension. Indeed, when it becomes appropriate for the Congress to reconsider the concept of "concentrates" of an ore, which are traditionally free of duty, it would be logical to consider synthetic rutile as such a concentrate. The imposition of a duty, we submit, would merely increase the cost of the products to the manufacturers and to the consumers at a time when there is national concern about inflation.

Since the present duty suspension expires June 30, 1979, we respectfully request prompt and favorable action on H.R. 2297.

Very truly yours,

SAMUEL FRIEDMAN,
General Counsel.

H.R. 2492

To correct an anomaly in the rate of duty applicable to articles of apparel in which feathers or downs are used as filling and to extend until June 30, 1984, the duty provisions applicable to crude feathers and downs

AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.,
Washington, D.C., March 7, 1979.

Hon. CHARLES A. VANIK,
Chairman, Subcommittee on Trade, House Ways and Means Committee, Washington, D.C.

DEAR MR. CHAIRMAN: The American Textile Manufacturers Institute fully supports H.R. 2429, a bill "to correct an anomaly in the rate of duty applicable to articles of apparel in which feathers or downs are used as filling and to extend until June 30, 1984, the duty provisions applicable to crude feathers and downs" on which the Subcommittee took testimony March 5.

Down-filled apparel, including jackets, vests and parkas, is a growing market in this country. Imports are currently filling one-half of the domestic demand.

Adoption of H.R. 2429 will assure the correct classification of these items as articles of apparel rather than as items of feathers. This will bring them properly within the purview of the Multifiber Arrangement.

We urge the passage of H.R. 2429.

Respectfully,

W. RAY SHOCKLEY,
Executive Vice President.

MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.,
Washington, D.C., March 8, 1979.

Hon. CHARLES A. VANIK,
Chairman, Subcommittee on Trade, House Ways and Means Committee, Washington, D.C.

DEAR CHAIRMAN VANIK: The Man-Made Fiber Producers Association wishes to offer strong support for H.R. 2492, a bill introduced by Rep. Ed Jenkins, D-Ga. which would extend the duty suspension on raw down for 5 years and correct an anomaly in the Tariff Schedules of the United States of America in regard to the classification of down-filled apparel.

Our Association represents the manufacturers of over 90 percent of the man-made fibers produced in this country. Man-made fiber, in turn, accounts for 73 percent of the fibers used in apparel, home furnishings and industrial applications in the United States. Our members manufacture the fiber which is used in the outer shells and inner linings of most of the items of down-filled apparel manufactured in the United States.

Estimates are that domestic production of down-filled jackets, vests and parkas, which are clearly textile products, amounts to between 4 and 5 million units a year and that imports are about the same levels. These imports capture an overwhelmingly large share of the United States market because of the anomaly in the Tariff Schedules which allows most of these jackets to be classified as articles of feathers instead of apparel. This occurs because the down contained in the apparel is the material of chief value. Even under current Tariff Schedules, if the price of down were at a lower level the value of fabric and other textile materials would generally be the article of chief value and the down-containing apparel would be classified as apparel.

Furthermore, the present classification system places a great burden on Customs since they must determine how much of the filling material is true down and how much is lower priced feathers and man-made fibers. Then Customs must compare the cost of the down and the feathers with the cost of the fabric and other textile materials used in making these garments to determine which is of chief value.

Fundamentally, however, the problem with this Tariff Schedule anomaly is that it allows articles which are clearly apparel to enter this country as feathers, classified in Schedule 7 instead of Schedule 3. With this anomaly these garments carry a duty of only 7 percent or are duty-free under the Generalized System of Preferences, and as now classified they are not subject to the bilateral textile agreements under the Multifiber Arrangement.

H.R. 2492 would correct this inequity by inserting a headnote in Schedule 3 which would stipulate that "feathers or downs used as filling in articles of apparel shall be disregarded in determining the component material of chief value or chief weight in the apparel item."

Such a headnote would provide the same treatment for apparel as is now accorded down-filled quilts and comforters. Footnote 2 in Subpart 2 of Schedule 3 makes the same application to down-filled quilts and comforters and, as a result, Customs classifies these down-filled articles in Schedule 3. The same treatment should be accorded down-filled apparel.

This Association also supports the continued duty suspension for raw down contained in H.R. 2492 and urges the Committee to approve the bill as submitted.

Also, Mr. Chairman, we are greatly concerned with a proposal which would greatly reduce the duty on fishnets and which would adversely affect American producers. As a result, our Association is opposed to H.R. 1211 which would reduce by half the duty on fiish netting which currently is 25¢ per pound, plus 32.5 ad valorem. Essentially all fish net manufactured in this country and overseas is composed of man-made fiber. The American Netting Manufacturers Organization estimates import penetration of fish net at 26.1 percent in 1978, up from 23.8 percent two years earlier. Also, it estimates the growth of imports at 25.3 percent last year compared to domestic production increase of 18.8 percent. American industry is fully capable of meeting needs for this product and a reduction in duty would only lead to much greater imports and constitute a severe handicap for domestic industry.

We appreciate the opportunity to comment on these two bills and we would be pleased to provide any further information you may need.

Sincerely,

CHARLIE W. JONES, *President.*

STATEMENT OF THE NATIONAL RETAIL MERCHANTS ASSOCIATION

The National Retail Merchants Association (NRMA) is a nonprofit, national trade association of approximately 3,500 members that operate more than 35,000 department and specialty stores throughout the nation providing consumers with a variety of merchandise, both domestic and imported, including feather and down products. Therefore, NRMA is vitally interested in proposed legislation which would affect the tariff status of crude feathers and down.

NRMA urges the Subcommittee to support legislation which would continue the suspension of duty on crude feathers and down beyond the current June 30, 1979 deadline. Such legislation would be beneficial to the American consumer and would enable American manufacturers of down products to fairly compete with imported products.

Since the enactment of Public Law 93–480, which suspended duty on crude feathers and down, U.S. demand for down-filled products and raw materials has steadily grown, and sales of American-made down products have increased. NRMA believes this to be a healthy result and good reason for continuation of the current duty suspension.

Continuation of the present duty-free status of crude feathers and down would be extremely beneficial to U.S. down product manufacturers and processors who currently purchase all of the available domestic crude stock and also purchase great amounts of imported material because of the increased demand for down-filled products.

If pre-1975 tariffs on crude feathers and down are resumed, American manufacturers of finished down products will suffer from the same anomalous situation which prompted the initial suspension of duty on crude materials. Before enactment of Public Law 93–480, tariffs on feathers and down were higher than on finished down products. Without the ability to obtain needed imports of crude materials, U.S. industry could not fairly compete against imports of finished down products since the cost of raw material for foreign manufacturers was less than the imported price of crude feathers and down. Public Law 93–480 reduced

the cost of necessary materials thereby permitting American manufacturers of down products to take advantage of existing demand and to make prices competitive with imported finished products. Moreover, the suspension of duty on crude feathers and down encouraged exportation of American-made down products. In short, continued suspension of duty on crude feathers and down will promote competition, halt inflation, and thereby benefit American industry and the consumer. On the other hand, if tariffs are resumed on crude feathers and down it is conceivable that American manufacturers of down products might be encouraged to relocate overseas where the costs of raw materials and labor are less. The end result may be loss of jobs in the American feather and down industry, an extremely undesirable proposition.

For the foregoing reasons, NRMA urges the Subcommittee to support legislation continuing suspension of duty on crude feathers and down.

H.R. 2580

To suspend for a three-year period the duty on 2-methyl, 4-chlorophenol

DEPARTMENT OF COMMERCE

This is in reply to the request of the Subcommittee on Trade for views of this Department on H.R. 2580, a bill "To suspend for a three-year period the duty on 2-methyl, 4-chlorophenol."

If enacted, H.R. 2580 would amend the Appendix to the Tariff Schedules of the United States (TSUS) by establishing new item 907.78 to suspend for a 3-year period the column-1 tariff on imports of 2-methyl, 4-chlorophenol from countries accorded column-1 (most-favored-nation) tariff treatment. The column-2 tariff, applicable to imports from other countries, would not be affected by the bill.

Para-Chloro-Ortho-Cresol (PCOC)—the chemical name for 2-methyl, 4-cholophenol—currently enters the United States under TSUS item 403.60, a so-called "basket" category of benzenoid chemicals, and is dutiable at a column-1 rate of 1.7 cents per pound plus 12.5 percent ad valorem. The calculated ad valorem equivalent on the basis of the 1978 value of imports entered under this item is 13.1 percent.

The Department of Commerce has no objection to the enactment of H.R. 2580.

PCOC is an intermediate chemical used primarily in the production of two herbicides: 4 cholor-2-methyl-phenoxy acetic acid (MCPA) and 2-[4-chloro-2 methyl phenoxy] propionic acid (MCPP). At present there is no domestic production of PCOC, and the sole U.S. producer of MCPA and MCPP must rely totally on imports of PCOC for its resource material needs. Therefore, a duty suspension would help to control the production costs for the U.S. producer of MCPA and MCPP on an item for which there is no domestic production.

In the event this legislation were enacted it would have no impact on the revenues to, or the administrative costs of, this Department.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

H.R. 2703

To provide duty-free treatment to certain dyeing and tanning materials

DEPARTMENT OF COMMERCE

This is in reply to the request of the Subcommittee on Trade for the views of this Department on H.R. 2703, a bill "To provide duty-free treatment to certain dyeing and tanning materials."

If enacted, H.R. 2703 would amend the Tariff Schedules of the United States (TSUS) to eliminate the existing duty on imports of certain dyeing and tanning materials. The duty elimination would be extended both to countries receiving column-1 (most-favored-nation) tariff treatment, and to other countries receiving column-2 (statutory) tariff treatment. In addition, this bill would provide for retroactive duty-free treatment of entries or withdrawals from warehouse of these dyeing and tanning materials during the period from the close of June 30, 1978, until the date of enactment.

The affected dyeing and tanning materials were subject to temporary duty suspension legislation from 1957 to the close of June 30, 1978, with the exception of logwood extracts, which received temporary duty-free treatment from 1973 to the close of June 30, 1980. These dyeing and tanning materials currently enter under TSUS items 470.15, 470.23, 470.25, 470.55, 470.57 and 470.65 at column-1 duty rates ranging from three to six percent ad valorem (with a 1978 trade-weighted average duty of 3.2 percent ad valorem on dutiable items) and column-2 duty rates of 15 percent ad valorem. The value of all imports entering under these TSUS items totaled $6.4 million in 1976, $9.6 million in 1977, and $9.75 million in 1978.

The Department of Commerce would favor the enactment of H.R. 2703 provided the retroactive provisions were deleted.

Since there is little or no domestic production of these materials, the United States is dependent on imports for virtually all of its requirements of these dyeing and tanning materials. These items are used chiefly by the leather industry to convert raw hides and skins into leather, and also by the oil drilling industry as a thinner for fluids used in rotary drilling operations.

Moreover, we are not aware of any industry opposition to a permanent duty suspension on these dyeing and tanning materials. The two principal U.S. importers of these dyeing and tanning materials favor the intent of this bill, as do the principal consumers—tanners, oil well drilling operators, and textile operators.

With respect to the retroactive provision of this bill, however, the Department does not favor reimbursement of duties collected on entries and withdrawals after June 30, 1978, and prior to the date of enactment of this bill. Such reimbursement would constitute windfall gains to the U.S. importer in that there is no available indication or assurance that any revenue gains would be passed on to the benefit of U.S. consumers of these dyeing and tanning materials.

In the event this legislation were enacted, it would have no impact on the revenues to, or the administrative costs of, this Department.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.