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SENATE

{ REPORT  
No. 95-419

## TEMPORARY SUSPENSION OF THE DUTY ON CERTAIN LATEX SHEETS, AND OTHER MATTERS

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SEPTEMBER 9 (legislative day, SEPTEMBER 8), 1977.—Ordered to be printed

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Mr. LONG, from the Committee on Finance,  
submitted the following

### REPORT

[To accompany H.R. 2850]

The Committee on Finance, to which was referred the bill (H.R. 2850) to suspend until the close of June 30, 1978, the duty on certain latex sheets, having considered the same, reports favorably thereon with amendments to the text and an amendment to the title and recommends that the bill, as amended, do pass.

#### I. SUMMARY

The first section of H.R. 2850 would permit, through June 30, 1978, duty-free entry of imports of certain latex foam rubber sheets, used to make mattresses, which are now dutiable at 6 percent ad valorem.

Section 2 of H.R. 2850 would temporarily permit, through June 30, 1979, duty-free entry of imports of synthetic rutile, used to make white pigments for paint, paper, and plastic, which are now dutiable at 7.5 percent ad valorem.

Section 3 of H.R. 2850 would provide that film, strips, sheets, and plates of certain plastic or rubber must be usefully processed in a commercial sense before they can be classified as "processed" for purposes of the Tariff Schedules of the United States.

#### II. REASONS FOR THE BILL

There is no domestic production of sheets of molded pin core latex foam rubber used to make foam mattress blanks. Enactment of the first section of H.R. 2850 would eliminate an unnecessary cost, the existing duty, to domestic mattress manufacturers.

Section 2 of H.R. 2850 is a committee amendment containing the substance of H.R. 3387, 95th Congress. It would continue a duty suspension on synthetic rutile which was enacted in October 1974 and terminated on June 30, 1977. Enactment of section 2 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.

Section 3 of H.R. 2850 is a committee amendment containing the substance of H.R. 5285, 95th Congress. Noncommercially useful processing of imports of acrylic sheets often results in such imports being assessed lower duties than imports of the sheets would be assessed if they were not considered processed. Enactment of section 3 of H.R. 2850 would permit imports of acrylic sheet to be classified as processed only if the sheets were usefully processed in a commercial sense.

### III. GENERAL EXPLANATION

#### A. *Latex rubber sheets*

The first section of H.R. 2850 would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (TSUS) by adding a new item 912.12 providing duty-free treatment for imports from countries accorded nondiscriminatory (MFN) tariff treatment of sheets of molded pin core latex foam rubber over 0.90 inch but not over 1.50 inches in thickness entered, or withdrawn from warehouse, for consumption before July 1, 1978. MFN imports of sheets of molded pin core latex foam rubber over 0.90 inch but not over 1.50 inches in thickness are now dutiable at 6 percent ad valorem under TSUS item 770.70 unless they come from a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences. Duty-free treatment under the bill would apply to imports of latex sheets entered after the date of enactment and, upon request, to imports entered after May 9, 1977, and before the date of enactment.

Sheets of molded pin core latex foam rubber, approximately 1 inch thick, are produced by slicing latex rubber mattress blanks which have been precut to sizes corresponding to twin, full, queen and king-size beds. Pinholes of up to  $\frac{1}{4}$  inch in diameter extend through the latex sheet to enable it to breathe. Two latex sheets are used to form a sandwich with a polyurethane mattress blank core and, in this manner, a combination latex-polyurethane foam mattress is formed.

Foam mattresses account for approximately 15 percent of the mattresses sold in the United States, innerspring mattresses accounting for approximately 85 percent. Foam mattresses can be either polyurethane, latex, or polyurethane-latex. Polyurethane, which is domestically produced, dominates the foam mattress market with latex and polyurethane-latex taking up a small part of total mattress sales.

The Subcommittee on International Trade of the Committee on Finance held hearings on H.R. 2850 on July 14, 1977. A report from the Department of Commerce indicating no objections and an information report from the U.S. International Trade Commission were received. No objections to this provision have been received by the committee from any source.

### *B. Synthetic rutile*

Section 2 of H.R. 2850, which is a committee amendment containing the substance of H.R. 3387, 95th Congress, would amend TSUS item 911.25 to extend duty-free treatment for entries of synthetic rutile made after June 30, 1977, but before July 1, 1979. Imports of synthetic rutile from countries accorded nondiscriminatory (MFN) tariff treatment are now dutiable under TSUS item 603.70 at 7.5 percent ad valorem. Those imports are eligible for duty-free treatment if they come from a designated beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences.

Synthetic rutile is derived from ilmenite, an ore of titanium containing about 55 percent titanium dioxide. The processing of ilmenite results in synthetic rutile with a titanium dioxide content approaching that of natural rutile which contains about 96 percent titanium dioxide. The lower cost of synthetic rutile as compared to natural rutile is resulting in increasing quantities of ilmenite being upgraded to produce synthetic rutile.

Production of titanium dioxide pigments, coloring agents used in paint, paper, and plastics, comprise by the far the largest use of natural and synthetic rutile. Thus far synthetic rutile has been used only in producing titanium dioxide pigments, but it will probably be used in the future in making titanium metal, welding rod coatings, and in other current uses of natural rutile.

Before 1977, there was no domestic production of synthetic rutile. In early 1977, a single domestic producer began operations in Alabama and expects to produce 110,000 short tons annually. While that plant has the capacity to supply synthetic rutile for sale, it presently supplies only the needs of the company which owns the plant.

Total imports of synthetic rutile have increased steadily since 1973. In 1976, 83,421 short tons, valued at \$12,352,000, were imported. Australia supplied over one-half of the synthetic rutile imported in 1976. Japan, India, and Taiwan also supplied the U.S. market.

The Subcommittee on International Trade held hearings on H.R. 3387 on July 14, 1977. A report stating no objections to the enactment of H.R. 3387 was received from the Department of Commerce and an information report was received from the U.S. International Trade Commission. No objections to this legislation have been received by the committee from any source.

### *C. Acrylic sheets*

Section 3 of H.R. 2850, which is a committee amendment containing the substance of H.R. 5285, 95th Congress, would amend headnote 2(iv)(D) to subpart B of part 12 of schedule 7 of the TSUS. That headnote is applicable to TSUS items 771.42 and 771.45 and as amended by this bill requires that sheets of acrylic resin be classified under one of those items, rather than under item 774.60, unless they have been "usefully processed". Imports of flexible sheets of acrylic resin are now dutiable under TSUS item 771.42 at a column 1 rate of duty (applicable to imports of countries accorded nondiscriminatory (MFN) tariff treatment) of 6 percent ad valorem and a column 2 rate of duty (applicable to imports from non-MFN countries (most Communist countries)) of 25 percent ad valorem. Imports of nonflexible sheets of acrylic resin are now dutiable under TSUS item 771.45 at a

column 1 rate of duty of 8.5 cents per pound (approximately equivalent to an ad valorem rate of 6.9 percent based on 1976 imports) and a column 2 rate of duty of 50 cents per pound. Sheets of acrylic resin which have been "processed" are now dutiable under TSUS item 774.60 at a column 1 rate of duty of 8.5 percent ad valorem and at a column 2 rate of duty of 80 percent ad valorem. Column 1 imports of acrylic resin from designated beneficiary developing countries are eligible for duty-free treatment under the Generalized System of Preferences.

The vast majority of imports covered by this bill consist of flexible sheets of acrylic resin, used for magnetic tape, photographic film, and clothing, and nonflexible sheets of acrylic resin, used as a substitute for wood, metal, and glass. Current Customs Service practice permits such imports, even if "processed" only by drilling superfluous holes in the border of the sheet which is discarded upon final processing, to enter under the duty for processed sheets. The duty on processed sheets is often less than the duty which would be charged on imports of such sheets if they were not processed.

Japan is the principal foreign supplier of acrylic sheet imports to the United States. The share of U.S. consumption of acrylic sheets supplied by imports is estimated to be about 12 percent.

The Subcommittee on International Trade held a public hearing on H.R. 5285 on July 14, 1977. Favorable testimony on the bill was heard. An information report was received from the U.S. International Trade Commission.

#### IV. COST OF CARRYING OUT THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the committee estimates that enactment of the first section of the bill will result in an annual customs revenue loss of less than \$3,000. Enactment of section 2 of the bill will result in an annual customs revenue loss of \$926,000. The enactment of section 3 of the bill will result in a small increase or decrease in annual customs revenues depending upon fluctuating product prices and foreign currency exchange rates.

In compliance with section 403 of the Congressional Budget Act of 1974, the Director of the Congressional Budget Office has submitted a statement to the committee that the Director has examined the revenue estimates prepared by the committee and agrees with them.

#### V. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the committee states that H.R. 2850, as amended, will not regulate any individuals or businesses.

#### VI. VOTE OF THE COMMITTEE

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that the bill, as amended, was ordered favorably reported by voice vote.

## VII. CHANGES IN EXISTING LAW

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is in *italic*, existing law in which no changes are proposed is shown in roman).

## TARIFF SCHEDULES OF THE UNITED STATES

## SCHEDULE 7.—SPECIFIED PRODUCTS; MISCELLANEOUS AND NONENUMERATED PRODUCTS

Item	Articles	Rates of duty	
		1	2
<b>PART 12.—RUBBER AND PLASTICS PRODUCTS</b>			
	Subpart B.—Rubber and Plastics Waste and Scrap; Rubber and Plastics Film, Strips, Sheets, Plates, Slabs, Blocks, Filaments, Rods, Tubing and Other Profile Shapes		
	Subpart B headnotes:		
	1. This subpart covers rubber or plastics products (other than waste or scrap) in the following forms:		
	(a) blocks and slabs in bulk forms;		
	(b) film, strips, sheets, and plates, all the foregoing (whether or not printed, embossed, polished, or otherwise surface-processed) made or cut into rectangular pieces over 15 inches in width and over 18 inches in length; and		
	(c) filaments, rods, seamless tubing, and profile shapes, all the foregoing whether or not polished or otherwise surface processed, or cut into lengths which are over 15 inches.		
	2. This subpart does not cover—		
	(i) printed matter provided for in part 5 of schedule 2;		
	(ii) man-made fibers, as defined in part 1E of schedule 3;		
	(iii) articles provided for in subpart A of this part;		
	(iv) film, strips, sheets, and plates, which—		
	(A) have been made or cut into non-rectangular shapes of any size, or		
	(B) measure not over 15 inches in width, or		
	(C) measure not over 18 inches in length, or		
	(D) have been ground on the edges, drilled, milled, hemmed, or [otherwise processed] <i>otherwise usefully processed</i> (except surface-processed); or..		

## APPENDIX TO THE TARIFF SCHEDULES

Item	Articles	Rates of duty		Effective period
		1	2	
<b>PART 1.—TEMPORARY LEGISLATION</b>				
	Subpart B.—Temporary Provisions Amending the Tariff Schedules			
911.25	Synthetic rutile (provided for in item 603.70, part 1, schedule 6)-----	Free	No change	On or before [6/30/77] 6/30/79.
912.10	Derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, multiple free-wheel sprockets (provided for in item 732.36, part 5C, schedule 7)-----	Free	No change	On or before 12/31/76.
912.12	Sheets, over 0.90 inch but not over 1.50 inches in thickness, of molded pin core latex foam rubber (provided for in item 770.70, part 12A, schedule 7).-----	Free	No change	On or before 6/30/78.