# VARIOUS TARIFF BILLS

## HEARING

BEFORE THE

## SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

## COMMITTEE ON FINANCE

## UNITED STATES SENATE

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

**H.R. 422, H.R. 1550, H.R. 1904, H.R. 2692, H.R. 2849, H.R. 2850, H.R. 2882, H.R. 3093, H.R. 3259, H.R. 3373, H.R. 3387, H.R. 3790, H.R. 3946, H.R. 4018, H.R. 4654, H.R. 5037, H.R. 5052, H.R. 5146, H.R. 5176, H.R. 5263, H.R. 5285, H.R. 5289, H.R. 5322, H.R. 5858, S. 594, S. 1302, and S. 1519**

JULY 14, 1977

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# CONTENTS

## PUBLIC WITNESSES


| | Page |
|---|---|
| Bendix Corp., Walter L. Light, director of operations, Bicycle and Ignition Division | 60 |
| Butterweck, Paul, director of production materials purchasing, Merck & Co., Inc., accompanied by John Moyna, senior attorney, Merck & Co., Inc | 55 |
| Cooper Airmotive, Inc., Norman Wollberg, regional vice president and director of field sales, accompanied by Thomas Kinkaid, director of materials, Purex Corp | 54 |
| Huffman Manufacturing Co., Stuart Northrop, president | 59 |
| Koch Refining Co., John D. Roper, vice president | 106 |
| Light, Walter L., director of operations, Bicycle and Ignition Division, the Bendix Corp | 60 |
| Matsunaga, Hon. Spark, a U.S. Senator from the State of Hawaii, accompanied by Mike Masaoka | 90 |
| Merck & Co., Inc., Paul Butterweck, director of production materials purchasing, accompanied by John Moyna, senior attorney, Merck & Co., Inc | 55 |
| Northrop, Stuart, president, Huffman Manufacturing Co | 59 |
| Rarig, Frederick, associate general counsel for regulatory affairs, Rohm & Haas Co., accompanied by Walter Lee | 84 |
| Rohm & Haas Co., Frederick Rarig, associate general counsel for regulatory affairs, accompanied by Walter Lee | 84 |
| Roper, John D., vice president, Koch Refining Co | 106 |
| Schwinn Bicycle Co., Jay C. Townley, director of product safety and governmental affairs | 62 |
| Townley, Jay C., director of product safety and governmental affairs, Schwinn Bicycle Co | 62 |
| Williams, Hon. Harrison A., Jr., a U.S. Senator from the State of New Jersey | 88 |
| Wollberg, Norman, regional vice president and director of field sales, Cooper Airmotive, Inc., accompanied by Thomas Kinkaid, director of materials, Purex Corp | 54 |


## APPENDIX

### Communications Received by the Committee Expressing an Interest in This Hearing


| | |
|---|---|
| Communications relating to H.R. 422: | |
| Wollberg, Norman A., regional vice president, Cooper Airmotive, Inc. | |
| Kinkaid, Thomas, director of material management, Airwork Services, Division of Purex Corp | 111 |
| Communications relating to H.R. 3259: | |
| Kemp, Hon. Jack, a Representative from the State of New York | 112 |
| Smathers, George A., on behalf of the American Horse Council | 113 |
| Communications relating to H.R. 3387: | |
| Bosacki, Emil C., manager, Titanium Dioxide Department, American Cyanamid Co | 114 |
| New Jersey Zinc Co | 115 |
| SCM Chemical/Metallurgical, Samuel Friedman | 116 |
| Communications relating to H.R. 3790: Butterweck, Paul, director of purchasing, Merck Manufacturing Division, Merck & Co., Inc | 128 |
| Communications relating to H.R. 3946: American Textile Manufacturers Institute, Inc., Jack A. Crowder | 131 |

Page
Communications relating to H.R. 4018: Evans, Hon. Thomas B., a Representative from the State of Delaware ..... 133
Communications relating to H.R. 5176: Aherne, Robert A., president, Finn-Cal Sweetener Co ..... 134
Communications relating to H.R. 5263: Kamler, Philip, president, American Association of Bicycle Importers, Inc ..... 135
Communications relating to H.R. 5285: E. I. du Pont de Nemours & Co ..... 149
Communications relating to H.R. 5289: Gibbons, Hon. Sam, a Representative from the State of Florida ..... 150
Communications relating to H.R. 5322: Leiter, Milton, vice president, Maryland Fiber Corp ..... 152
Communications relating to S. 843: Anderson, Wendell R ..... 154
Communications relating to mixed animal feed: Schmoyer, James G., Allen Products Co., Inc ..... 155

## ADDITIONAL INFORMATION

Committee press release announcing this hearing ..... 1
The various tariff bills related to this hearing ..... 4

# VARIOUS TARIFF BILLS

THURSDAY, JULY 14, 1977

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
COMMITTEE ON FINANCE,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10 a.m., in room 2221, Dirksen Senate Office Building, Hon. Abraham Ribicoff (chairman of the subcommittee) presiding

Present: Senators Long, Ribicoff, Bentsen, Matsunaga, and Roth, Jr.

Senator RIBICOFF. The committee will be in order.

Today, we hold hearings on a group of tariff bills. We are attempting to clear our calendar of all legislation before the August recess, and we anticipate that virtually all of our time this fall will be devoted to the consideration of the energy tax proposal, which is now in the House.

Because of this schedule, we are expediting consideration of tariff bills by holding hearings now on a number of bills that are still on the House Calendar.

Before I begin, I would like to announce that, at the request of the President, the subcommittee will not receive testimony on S. 594, a bill to authorize the President to designate certain countries as eligible for duty-free treatment on a generalized system of preferences. It is anticipated that those hearings will be held in the near future.

[The committee press release announcing this hearing and the various bills related to this hearing follow. Oral testimony commences on page 54.]

[Press release]

COMMITTEE ON FINANCE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
U.S. SENATE,
*July 1, 1977.*

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE TO HOLD HEARINGS ON MISCELLANEOUS TARIFF BILLS

The Honorable Abraham Ribicoff (D., Conn.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee will hold public hearings on miscellaneous tariff bills. Many of these bills have been reported favorably by the House Committee on Ways and Means and are now on the House calendar. The Subcommittee is holding hearings on those bills and bills already on the Finance Committee calendar to expedite their consideration. The hearings will be held at 10:00 A.M., Thursday, July 14, 1977, in Room 2221 of the Dirksen Senate Office Building.

The Subcommittee invites testimony on the following bills:

H.R. 422—To provide duty-free treatment of any aircraft engine used as a temporary replacement for an aircraft engine being overhauled within the

United States if duty was paid on such replacement engine during a previous importation period.

H.R. 1550—To reduce temporarily the rate of duty on ceramic insulators used in spark plugs.

H.R. 1904—To suspend until July 1, 1980, the duty on intravenous fat emulsion.

H.R. 2692—To suspend until July 1, 1980, the duty on intravenous fat emulsion.

H.R. 2692—To suspend until the close of June 30, 1980, the duty on wood excelsior.

H.R. 2849—To suspend until July 1, 1978, the rate of duty on mattress blanks of rubber latex.

H.R. 2850—To suspend until the close of June 30, 1978, the duty on certain latex sheets.

H.R. 2982—To suspend until the close of June 30, 1980, the duty on synthetic tantalum/columbium concentrate.

H.R. 3093—To provide duty-free treatment for certain copying lathes used for making rough or finished shoe lasts and for parts of such lathes.

H.R. 3529—To continue to suspend for a temporary period the import duty on certain horses.

H.R. 3373—To extend for an additional temporary period the existing suspension of duties on certain classifications of yarns of silk.

H.R. 3387—To continue until the close of June 30, 1979, the existing suspension of duty on synthetic rutile.

H.R. 3790—To suspend until the close of June 20, 1980, the duty on concentrate of poppy straw used in producing codeine or morphine.

H.R. 3946—To suspend for a temporary period the rate of duty on wool not finer than 46s.

H.R. 4018—To suspend until the close of June 30, 1980, the duty on certain doxorubicin hydrochloride antibiotics.

H.R. 4654—To reduce until the close of June 30, 1980, the rate of duty on unmounted underwater lenses.

H.R. 5037—For the relief of Jack R. Misner.

H.R. 5052—Providing for the temporary suspension of duty on photographic color couplers and coupler intermediates.

H.R. 5146—To provide for the duty-free entry of competition bobsleds and luges.

H.R. 5173—To lower the duty on levulose until the close of June 30, 1980.

H.R. 5263—To suspend until the close of June 30, 1980, the duty on certain bicycle parts.

H.R. 5285—With respect to the tariff treatment accorded to film, strips, sheets, and plates of certain plastics or rubber.

H.R. 5289—For the relief of Joe Cortina of Tampa, Florida.

H.R. 5322—To provide for duty-free treatment for istle.

H.R. 5858—To permit the free entry of Canadian petroleum (including reconstituted crude petroleum) and crude shale oil, provided that an equivalent amount of the same kind and quality of domestic or duty-paid foreign crude petroleum (including reconstituted crude petroleum) and crude shale oil has been exported to Canada.

S. 594—To authorize the President to designate any of certain countries as eligible for the tariff preferences extended to developing countries under Title V of the Trade Act of 1974 if the President determines that such designation is in the national economic interest.

S. 1302—To provide a temporary suspension of the duty on chlorendic acid.

S. 1519—To suspend until the close of December 31, 1978, the duty on certain field glasses, opera glasses, binoculars and other telescopes.

*Requests to testify.*—Chairman Ribicoff stated that witnesses desiring to testify during these hearings must make their requests to testify to Michael Stern, Staff Director, Committee on Finance, 2227 Dirksen Senate Office Building, Washington, D.C. 20510, not later than Friday, July 8, 1977. Witnesses will be notified as soon as possible after this cutoff date as to when they are scheduled to appear. If for some reason the witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance.

*Consolidated testimony.*—Chairman Ribicoff also stated that the Subcommittee urges all witnesses who have a common position or with the same general interest

to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Subcommittee. This procedure will enable the Subcommittee to receive a wider expression of views than it might otherwise obtain. Chairman Ribicoff urged very strongly that all witnesses exert a maximum effort, taking into account the limited advance notice, to consolidate and coordinate their statements.

*Legislative Reorganization Act.*—In this respect, he observed that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Chairman Ribicoff stated that in light of this statute and in view of the large number of witnesses who desire to appear before the Committee in the limited time available for the hearing, all witnesses who are scheduled to testify must comply with the following rules:

(1) All witnesses must include with their written statement a summary of the principal points included in the statement.

(2) The written statements must be typed on letter-size paper (not legal size) and at least 75 copies must be submitted before the beginning of the hearing.

(3) Witnesses are not to read their written statements to the Subcommittee, but are to confine their five-minute oral presentations to a summary of the points included in the statement.

(4) Not more than five minutes will be allowed for the oral summary.

Witnesses who fail to comply with these rules will forfeit their privilege to testify.

Written statements.—Witnesses who are not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearings. These written statements should be submitted to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building not later than Thursday, July 21, 1977.

95TH CONGRESS
1ST SESSION

# H. R. 422

IN THE SENATE OF THE UNITED STATES

MARCH 22 (legislative day, FEBRUARY 21), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To amend the Tariff Schedules of the United States to provide duty-free treatment of any aircraft engine used as a temporary replacement for an aircraft engine being overhauled within the United States if duty was paid on such replacement engine during a previous importation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart A of part 1 of schedule 8 of the Tariff Schedules
4 of the United States (19 U.S.C. 1202) is amended by

1 inserting immediately after item 801.10 the following new
2 item:

| | | | | | |
|---|---|---|---|---|---|
| " | 801.20 | Any aircraft engine or propeller, or any part or accessory of either, previously imported, with respect to which the duty was paid upon such previous importation, if (1) reimported without having been advanced in value or improved in condition by any process of manufacture or other means while abroad, after having been exported under loan, lease, or rent to an aircraft owner or operator as a temporary replacement for an aircraft engine being overhauled, repaired, rebuilt, or reconditioned in the United States, and (2) reimported by or for the account of the person who exported it from the United States.. | Free | Free | ". |

3 SEC. 2. The amendment made by the first section of
4 this Act shall apply with respect to articles entered, or
5 withdrawn from warehouse, for consumption on or after the
6 date of the enactment of this Act.

Passed the House of Representatives March 21, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 1550

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To reduce temporarily the rate of duty on certain ceramic insulators used in spark plugs.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting immediately after item 909.01 the following new item:

| | | | | | | |
|---|---|---|---|---|---|---|
| " | 909.10 | Ceramic insulators having an alumina oxide content of not less than 96%, if used in spark plugs (provided for in item 535.14, part 2D, schedule 5)..... | 4% ad val. | No change | On or before 6/30/80 | ". |

1 SEC. 2. The amendment made by the first section of
2 this Act shall apply with respect to articles entered, or with-
3 drawn from warehouse, for consumption on or after the date
4 of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 1904

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend until July 1, 1980, the duty on intravenous fat emulsion.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 1 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by inserting immediately before item 907.80 the following
6 new item:

| | | | | | | |
|---|---|---|---|---|---|---|
| " | 907.75 | Intravenous fat emulsion (provided for in item 440.00, part 3C, schedule 4) | Free | Free | On or before 6/30/80 | ". |

1 SEC. 2. The amendment made by the first section of this
2 Act shall apply with respect to articles entered, or withdrawn
3 from warehouse, for consumption on or after the date of the
4 enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 2692

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend until the close of June 30, 1980, the duty on wood excelsior.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 1 of the Appendix to the Tariff Sched-
4 ules of the United States (19 U.S.C. 1202) is amended by
5 adding immediately after item 903.80 the following new
6 item:

| | | | | | | |
|---|---|---|---|---|---|---|
| " | 904.00 | Wood excelsior, including excelsior pads, and wrappings (provided for in item 200.25, part 1A, schedule 2)..... | Free | No change | On or before 6/30/80 | ". |

1 SEC. 2. The amendment made by the first section of this
2 Act shall apply with respect to articles entered, or withdrawn
3 from warehouse, for consumption on or after the date of the
4 enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 2849

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend until July 1, 1978, the rate of duty on mattress blanks of rubber latex.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 1 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by inserting immediately after item 912.07 the following
6 new item:

| | | | | | |
|---|---|---|---|---|---|
| " | 912.08 | Mattress blanks of rubber latex (provided for in item 727.86, part 4A, schedule 7) | Free | No change | On or before 6/30/78 ". |

7 SEC. 2. (a) The amendment made by the first section
8 of this Act shall apply with respect to articles entered, or
9 withdrawn from warehouse, for consumption on or after the
10 date of the enactment of this Act.

1 (b) Upon request therefor filed with the customs
2 officer concerned on or before the ninetieth day after the
3 date of the enactment of this Act, the entry or withdrawal
4 of any article—
5 (1) which was made after May 9, 1977, and before
6 the date of the enactment of this Act, and
7 (2) with respect to which there would have been
8 no duty if the amendment made by the first section of
9 this Act applied to such entry or withdrawal,
10 shall notwithstanding the provisions of section 514 of the
11 Tariff Act of 1930 or any other provision of law, be liqui-
12 dated or reliquidated as though such entry or withdrawal
13 had been made on the date of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

94-218 O - 77 - 2

95TH CONGRESS
1ST SESSION

# H. R. 2850

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend until the close of June 30, 1978, the duty on certain latex sheets.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 1 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by inserting immediately after item 912.10 the following
6 new item:

| | | | | | |
|---|---|---|---|---|---|
| " | 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 ". |

7 SEC. 2. (a) The amendment made by the first section
8 of this Act shall apply with respect to articles entered, or
9 withdrawn from warehouse, for consumption on or after the
10 date of the enactment of this Act.

1 (b) Upon request therefor filed with the customs officer
2 concerned on or before the ninetieth day after the date of
3 the enactment of this Act, the entry or withdrawal of any
4 article—
5 (1) which was made after May 9, 1977, and
6 before the date of the enactment of this Act, and
7 (2) with respect to which there would have been
8 no duty if the amendment made by the first section of
9 this Act applied to such entry or withdrawal,
10 shall, notwithstanding the provisions of section 514 of the
11 Tariff Act of 1930 or any other provision of law, be liqui-
12 dated or reliquidated as though such entry or withdrawal
13 had been made on the date of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 2982

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend until the close of June 30, 1980, the duty on synthetic tantalum/columbium concentrate.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 1 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by inserting immediately after item 911.25 the following:

| | | | | | |
|---|---|---|---|---|---|
| " | 911.27 | Synthetic tantalum/columbium concentrate (provided for in item 603.70, pt. 1, schedule 6)..... | Free | No change | On or before 6/30/80 ." |

6 SEC. 2. The amendment made by the first section of this
7 Act shall apply with respect to articles entered, or withdrawn
8 from warehouse, for consumption on or after the date of the
9 enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 3093

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To provide duty-free treatment for certain copying lathes used for making rough or finished shoe lasts and for parts of such lathes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart F of part 4 of Schedule 6 of the Tariff Schedules
4 of the United States (19 U.S.C. 1202) is amended—
5 (1) by inserting immediately after item 674.40 the
6 following new item:

| | | | | | |
|---|---|---|---|---|---|
| " | 674.41 | Copying lathes used for making rough or finished shoe lasts from models of shoe lasts and, in addition, capable of producing more than one size shoe last from a single size model of a shoe last.. | Free | Free | "; |

7 (2) by inserting immediately after item 674.42 the
8 following new item:

| | | | | | |
|---|---|---|---|---|---|
| " | 674.48 | Work and tool holders and other parts of, and accessories used principally with, copying lathes provided for in item 674.41..... | Free | Free | "; and |

1 (3) by striking out "machine tools;" in the superior
2 heading to items 674.50 through 674.56, inclusive, and
3 inserting in lieu thereof "machine tools (other than
4 copying lathes provided for in item 674.41) ;".
5 SEC. 2. Item 911.70 of the Appendix to such Schedules
6 is repealed.
7 SEC. 3. (a) The amendments made by the first section
8 of this Act shall apply with respect to articles entered, or
9 withdrawn from warehouse, for consumption on or after the
10 date of the enactment of this Act.
11 (b) Upon request therefor filed with the customs officer
12 concerned on or before the ninetieth day after the date of
13 the enactment of this Act, the entry of any article—
14 (1) which was made after June 30, 1976, and
15 before the date of the enactment of this Act, and
16 (2) with respect to which there would have been
17 no duty if any of the amendments made by the first
18 section of this Act applied to such entry,
19 shall, notwithstanding the provisions of section 514 of the
20 Tariff Act of 1930 or any other provision of law, be liqui-

1 dated or reliquidated as though such entry had been made on
2 the date of the enactment of this Act.
3 (c) The amendment made by section 2 of this Act
4 shall take effect on the date of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 3259

IN THE SENATE OF THE UNITED STATES

MARCH 22 (legislative day, FEBRUARY 21), 1977
Read twice and referred to the Committee on Finance

# AN ACT

To continue to suspend for a temporary period the import duty on certain horses.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That items 903.50 and 903.51 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) are each
5 amended by striking out "6/30/76" and inserting in lieu
6 thereof "6/30/78".
7 SEC. 2. (a) The amendments made by the first section
8 of this Act shall apply to articles entered, or withdrawn
9 from warehouse, for consumption on or after the date of
10 enactment of this Act.
11 (b) Upon request therefor filed with the customs officer

1 concerned on or before the ninetieth day after the date of en-
2 actment of this Act, the entry or withdrawal of any article—
3 (1) which was made after June 30, 1976, and
4 before the date of the enactment of this Act, and
5 (2) with respect to which there would have been no
6 duty if any amedment made by the first section of this
7 Act applied to such entry or withdrawal,
8 shall, notwithstanding the provisions of section 514 of the
9 Tariff Act of 1930 or any other provision of law, be liqui-
10 dated or reliquidated as though such entry or withdrawal
11 had been made on the date of the enactment of this Act.

Passed the House of Representatives March 21, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 3373

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To extend for an additional temporary period the existing suspension of duties on certain classifications of yarns of silk.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That items 905.30 and 905.31 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) are each
5 amended by striking out "11/7/75" and inserting in lieu
6 thereof "6/30/80".

7 SEC. 2. (a) The amendment made by the first section
8 of this Act shall apply with respect to articles entered, or
9 withdrawn from warehouse, for consumption on or after the
10 date of the enactment of this Act.

11 (b) Upon request therefore filed with the customs officer

1 concerned on or before the 90th day after the date of the
2 enactment of this Act, the entry or withdrawal of any
3 article—
4 (1) which was made after November 7, 1975, and
5 before the date of the enactment of this Act, and
6 (2) with respect to which there would have been
7 no duty if the amendment made by the first section of
8 this Act applied to such entry or withdrawal,
9 shall, notwithstanding the provisions of section 514 of the
10 Tariff Act of 1930 or any other provision of law, be liqui-
11 dated or reliquidated as though such entry or withdrawal
12 had been made on the date of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 3387

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To continue until the close of June 30, 1979, the existing suspension of duty on synthetic rutile.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) item 911.25 of the Appendix to the Tariff Sched-
4 ules of the United States (19 U.S.C. 1202) is amended
5 by striking out "6/30/77" and inserting in lieu thereof
6 "6/30/79".
7 (b) The amendment made by subsection (a) shall
8 apply with respect to articles entered, or withdrawn from
9 warehouse, for consumption, after June 30, 1977.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 3790

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend until the close of June 30, 1980, the duty on concentrate of poppy straw used in producing codeine or morphine.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 1 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by inserting immediately before item 907.80 the following
6 new item:

| | | | | | | |
|---|---|---|---|---|---|---|
| " | 907.70 | Concentrate of poppy straw (however provided for in part 3 of schedule 4) when imported for use in producing codeine or morphine.... | Free | Free | On or before 6/30/80 | ". |

1 SEC. 2. The amendment made by the first section of this
2 Act shall apply with respect to articles entered, or with-
3 drawn from warehouse, for consumption on or after the date
4 of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 3946

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend for a temporary period the rate of duty on wool not finer than 46s.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 1 of the Appendix to the Tariff Sched-
4 ules of the United States (19 U.S.C. 1202) is amended—
5 (1) by adding immediately after headnote 3 the
6 following new headnote:
7 "4. For so long as items 905.10 and 905.11 are in
8 effect, headnotes 3, 4, and 5 of subpart C of part 1 of
9 schedule 3 shall be suspended (except insofar as they relate
10 to hair of the camel) and in lieu thereof—

"(a) for purposes of items 307.40—

"(i) the classification provisions for wool not finer than 46s shall apply to any package of wool containing not over 10 percent by weight of wool finer than 46s but not containing wool finer than 48s; and

"(ii) the citation for imports classifiable under item 307.40 shall be such item number followed by the item number for the part of the contents of the package which determines the rate of duty; and

"(b) for purposes of item 905.11, a tolerance of not more than 10 percent of wools not finer than 48s may be allowed in each bale or package of wools imported as not finer than 46s."; and

(2) by adding immediately before item 905.30 the following new items:

| | | | | | |
|---|---|---|---|---|---|
| " | | Wool (provided for in part 1C, schedule 3): | | | |
| | 905.10 | All wool provided for in items 306.00 through 306.24 | Free | Free | On or before 6/30/80 |
| | 905.11 | Wool not finer than 46s provided for in items 306.30 through 306.34 | Free | Free | On or before 6/30/80 ". |

1 SEC. 2. The amendments made by the first section of
2 this Act shall apply with respect to articles entered, or with-
3 drawn from warehouse, for consumption on or after the date
4 of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

94-218 O - 77 - 3

95TH CONGRESS
1ST SESSION

# H. R. 4018

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend until the close of June 30, 1980, the duty on certain doxorubicin hydrochloride antibiotics.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 1 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by inserting immediately before item 907.60 the following
6 new item:

| | | | | | |
|---|---|---|---|---|---|
| " | 907.20 | Doxorubicin hydrochloride (provided for in item 407.85, part 1, or in item 437.32 or 438.02, part 3, schedule 4, depending on source) | Free | No change | On or before 6/30/80 ". |

1 SEC. 2. The amendment made by the first section of this
2 Act shall apply with respect to articles entered, or withdrawn
3 from warehouse, for consumption after the date of enact-
4 ment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 4654

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To reduce until the close of June 30, 1980, the duty on unmounted underwater lenses.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting immediately before item 912.07 the following new item:

| | | | | | |
|---|---|---|---|---|---|
| " | 912.06 | Underwater lenses, not mounted (provided for in item 708.03, part 2A, schedule 7)..... | 7% ad val. | No change | On or before 6/30/80 ". |

1 SEC. 2. The amendment made by the first section of
2 this Act shall apply with respect to articles entered, or with-
3 drawn from warehouse, for consumption on or after the
4 date of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5037

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

For the relief of Jack R. Misner.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That in order to permit Jack R. Misner, of North Tonawanda, New York, to complete the renovation of the schooner Panda (entry numbered 902261, September 25, 1972) within the United States (which renovation has been delayed because of material shortages), the Secretary of the Treasury, notwithstanding the provisions of subpart 5C of schedule 8 of the Tariff Schedules of the United States (19 U.S.C. 1202), shall extend the expiration date of the temporary importation bond covering the schooner Panda until the close of September 18, 1977.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5052

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

Providing for the temporary suspension of duty on photographic color couplers and coupler intermediates.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting immediately before item 907.60 the following new items:

| | | | | | | |
|---|---|---|---|---|---|---|
| " | 907.10 | Cyclic organic chemical products in any physical form having a benzenoid, quinoid, or modified benzenoid structure (provided for in item 403.60, part 1B, schedule 4) to be used in the manufacture of photographic color couplers | Free | No change | On or before 6/30/80 | |
| " | 907.12 | Photographic color couplers (provided for in item 405.20, part 1C, schedule 4) | Free | No change | On or before 6/30/80 | " |

1 SEC. 2. The amendment made by the first section of this
2 Act shall apply with respect to articles entered, or withdrawn
3 from warehouse, for consumption on or after the date of
4 the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5146

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To amend the Tariff Schedules of the United States to provide for the duty-free entry of competition bobsleds and luges.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subpart D of part 5 of schedule 7 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by striking out item 734.97 and inserting in lieu thereof the following:

| | | | | |
|---|---|---|---|---|
| " | 734.98 | Bobsleds and luges of a kind used in international competition... | Free | Free |
| | 734.99 | Other..... | 9% ad val. | 45% ad val. ". |

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 on or after the date of enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,

*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5176

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To lower the duty on levulose until the close of June 30, 1980.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting after item 907.80 the following new item:

| | | | | | |
|---|---|---|---|---|---|
| " | 907.90 | Levulose (provided for in item 493.66, part 13B, schedule 4)..... | 1.9875¢ per lb. | 1.9875¢ per lb. | On or before 6/30/80 ". |

SEC. 2. The amendment made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,

*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5263

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To suspend until the close of June 30, 1980, the duty on certain bicycle parts.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) item 912.05 of the Appendix to the Tariff Sched-
4 ules of the United States (19 U.S.C. 1202) is amended—
5 (1) by inserting ", and parts thereof" immediately
6 after "Generator lighting sets for bicycles"; and
7 (2) by striking out "12/31/76" and inserting in
8 lieu thereof "6/30/80".

(b) Item 912.10 of the Appendix to such Schedules is amended to read as follows:

| | | | | | |
|---|---|---|---|---|---|
| " | 912.10 | Caliper brakes, drum brakes, coaster brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, multiple free wheel sprockets, cotterless type crank sets, rims, parts of all the foregoing, and parts of bicycles consisting of sets of steel tubing cut to exact length and each set having the number of tubes needed for the assembly (with other parts) into the frame and fork of one bicycle (provided for in item 732.36, part 5C, schedule 7) | Free | No change | On or before 6/30/80 ". |

SEC. 2. (a) The amendments made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after the date of the enactment of this Act.

(b) Upon request therefor filed with the customs officer concerned on or before the 90th day after the date of the enactment of this Act, the entry or withdrawal of any article (other than any derailleur) to which item 912.05 or 912.10 of the Tariff Schedules of the United States (as in effect on December 31, 1976) applied and—

(1) which was made after December 31, 1976, and before the date of the enactment of this Act, and

1 (2) with respect to which there would have been
2 no duty if any of the amendments made by the first
3 section of this Act applied to such entry or withdrawal,
4 shall notwithstanding the provisions of section 514 of the
5 Tariff Act of 1930 or any other provision of law, be liqui-
6 dated or reliquidated as though such entry or withdrawal
7 had been made on the date of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5285

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To amend the Tariff Schedules of the United States with respect to the tariff treatment accorded to film, strips, sheets, and plates of certain plastics or rubber.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subpart B of part 12 of schedule 7 of the Tariff Sched-
4 ules of the United States (19 U.S.C. 1202) is amended by
5 striking out "otherwise processed" in headnote 2 (iv) (D)
6 and inserting in lieu thereof "otherwise usefully processed".
7 SEC. 2. The amendment made by the first section of
8 this Act shall apply with respect to articles entered, or with-
9 drawn from warehouse, for consumption on or after the date
10 of the enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5289

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

For the relief of Joe Cortina of Tampa, Florida.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That, notwithstanding the provisions of section 514 of the
4 Tariff Act of 1930 (19 U.S.C. 1514) or any other provi-
5 sion of law, the entries listed in section 2 of this Act, cover-
6 ing certain musical instruments, shall be liquidated or
7 reliquidated and, if appropriate, refund of duties made. Not-
8 withstanding the provisions of General Headnote 3(e)
9 of the Tariff Schedules of the United States (19 U.S.C.
10 1202) or any other provision of law, for purposes of the
11 liquidations or reliquidations authorized by this Act, such

1 entries shall be appraised at invoice unit prices net, packed,
2 and shall be subject to duty at the applicable rates set forth
3 in column 1 of such schedules.

4 SEC. 2. The entries referred to in the first section of this
5 Act are as follows:

| Entry number: | Date of entry |
|---|---|
| 100284 | July 14, 1972. |
| 100607 | July 27, 1973. |
| 101233 | August 18, 1972. |
| 101426 | September 1, 1972. |
| 101756 | September 14, 1972. |
| 102217 | October 15, 1973. |
| 102394 | October 7, 1971. |
| 102483 | October 15, 1971. |
| 102687 | November 15, 1971. |
| 102708 | July 8, 1973. |
| 102711 | November 17, 1971. |
| 102781 | October 20, 1972. |
| 103117 | December 16, 1971. |
| 103252 | November 8, 1972. |
| 103275 | December 28, 1971. |
| 103576 | November 22, 1972. |
| 103638 | November 27, 1972. |
| 104335 | December 21, 1972. |
| 104601 | March 8, 1972. |
| 104920 | January 16, 1973. |
| 105205 | April 10, 1972. |
| 105998 | May 15, 1972. |
| 105998 | March 2, 1973. |
| 106002 | May 15, 1972. |
| 106730 | June 21, 1972. |
| 106731 | June 21, 1972. |
| 106888 | June 29, 1972. |
| 103114 | December 16, 1971. |
| 108444 | June 11, 1973. |

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5322

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

# AN ACT

To provide duty-free treatment for istle.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) subpart G of part 15 of schedule 1 of the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by striking out—

| | | | |
|---|---|---|---|
| " 192.65 | Istle: | | |
| 192.70 | Crude | Free | Free |
| | Processed | 20% ad val. | 20% ad val. " |

6 and inserting in lieu thereof the following:

| | | | |
|---|---|---|---|
| " 192.66 | Istle | Free | Free ". |

7 (b) Item 903.90 of the Appendix to such Schedule is
8 repealed.

94-218 O - 77 - 4

1 SEC. 2. The amendments made by the first section of this
2 Act shall apply with respect to articles entered, or withdrawn
3 from warehouse, for consumption on or after the date of the
4 enactment of this Act.

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
*Clerk.*

95TH CONGRESS
1ST SESSION

# H. R. 5858

## IN THE HOUSE OF REPRESENTATIVES

MARCH 31, 1977

Mr. QUIE (for himself, Mr. ANDREWS of North Dakota, Mr. FRASER, Mr. HAGEDORN, Mr. STANGELAND, Mr. VENTO, Mr. OBERSTAR, Mr. MARLENEE, Mr. FRENZEL, and Mr. NOLAN) introduced the following bill; which was referred to the Committee on Ways and Means

# A BILL

To amend the Tariff Schedules of the United States to permit the free entry of Canadian petroleum (including reconstituted crude petroleum) and crude shale oil, provided that an equivalent amount of the same kind and quality of domestic or duty-paid foreign crude petroleum (including reconstituted crude petroleum) and crude shale oil has been exported to Canada.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That part 10 of schedule 4 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by adding immediately after item 475.10 a new item number which reads as follows:

| | | | | |
|---|---|---|---|---|
| " | 475.12 | Crude petroleum (including reconstituted crude petroleum) and crude shale oil, if a product of Canada, provided that an equivalent amount of the same kind and quality of domestic or duty paid foreign crude oil has been exported to Canada from the United States during the 30-day period preceding the date of entry | Free | ..... ". |

1 SEC. 2. Part 10 of schedule 4 of the Tariff Schedules
2 of the United States (19 U.S.C. 1202) is further amended
3 by adding to schedule 4, paragraph 2, the following new
4 headnote:

"(c) Entries of merchandise under item 475.12 shall be permitted only if there is compliance with such regulations as the Secretary of the Treasury may prescribe, and there is filed in connection with the entry therefor documentation satisfactory to the appropriate customs officer that an equivalent amount of domestic or duty paid foreign crude petroleum (including reconstituted crude petroleum) or crude shale oil of the same kind and quality (1) has been exported from the United States to Canada during the 30 days preceding the date of entry, and (2) has not been offset against another entry of the same merchandise.".

95TH CONGRESS
1ST SESSION

# S. 594

IN THE SENATE OF THE UNITED STATES

FEBRUARY 3 (legislative day, FEBRUARY 1), 1977

Mr. BENTSEN introduced the following bill; which was read twice and referred to the Committee on Finance

# A BILL

To amend the Trade Act of 1974 in order to authorize the President to designate any of certain countries as eligible for the tariff preferences extended to developing countries under title V of such Act if the President determines that such designation is in the national economic interest.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 502 (b) of the Trade Act
4 of 1974 is amended to read as follows:
5 "Paragraphs (2), (4), (5) and (6) shall not prevent
6 the designation of any country as a beneficiary developing
7 country under this section if the President determines that
8 such designation will be in the national economic interest
9 of the United States and reports such determination to the

1 Congress with his reasons therefor; except that the Presi-
2 dent may not make any such determination with respect to
3 any country to which paragraph (2) applies if such country
4 has participated, or is participating, in any action the effect
5 of which is to withhold supplies of any vital commodity
6 resource from international trade.".

95TH CONGRESS
1ST SESSION

# S. 1302

IN THE SENATE OF THE UNITED STATES

APRIL 19 (legislative day, FEBRUARY 21), 1977

Mr. HUDDLESTON introduced the following bill; which was read twice and referred to the Committee on Finance

# A BILL

To amend the Tariff Schedules of the United States to provide a temporary suspension of the duty on chlorendic acid.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) subpart B of part 1 of the Appendix to the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by inserting after item 905.31 the following new item:

| | | | | | | |
|---|---|---|---|---|---|---|
| " | 906.00 | Chlorendic acid (provided for in items 403.80 and 425.99)..... | Free | Free | On or before 12/31/78 | ". |

6 (b) The amendments made by this Act apply to articles
7 entered, or withdrawn from warehouse, for consumption
8 after the date of enactment of this Act.

95TH CONGRESS
1ST SESSION

# S. 1519

IN THE SENATE OF THE UNITED STATES

MAY 13 (legislative day, MAY 9), 1977

Mr. MATSUNAGA introduced the following bill; which was read twice and referred to the Committee on Finance

# A BILL

To amend the Tariff Schedules of the United States in order to suspend until the close of December 31, 1978, the duty on certain field glasses, opera glasses, binoculars and other telescopes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting immediately after item 912.05 the following new item:

| | | | | | |
|---|---|---|---|---|---|
| " | 912.06 | Field glasses, opera glasses, prism binoculars, and other telescopes not designed for use with infra-red light (provided for in item 708.51, 708.52, or 708.53, part 2A, schedule 7).. | Free | No change | On or before 12/31/78 ". |

1 SEC. 2. The amendment made by the first section of this
2 Act shall apply with respect to articles entered, or withdrawn
3 from warehouse, for consumption on or after the date of the
4 enactment of this Act.

Senator RIBICOFF. The first bill is H.R. 422. Mr. Norman Wollberg, please, accompanied by Mr. Thomas Kinkaid.

**STATEMENT OF NORMAN WOLLBERG, REGIONAL VICE PRESIDENT AND DIRECTOR OF FIELD SALES, COOPER AIRMOTIVE, INC., ACCOMPANIED BY THOMAS KINKAID, DIRECTOR OF MATERIALS, PUREX CORP.**

Mr. WOLLBERG. Thank you, Senator.

On behalf of Cooper Airmotive, Inc. and the Airwork Service Division of the Purex Corp., we wish to thank the committee for the consideration and attention accorded our problem and its proposed legislative solution, H.R. 422.

Cooper Airmotive and Airwork overhaul and repair aircraft engines for domestic, international, and foreign corporations. Our companies are in direct competition with foreign overhaul shops located in Canada, England, and South America.

A predecessor bill, H.R. 2181, was introduced to the 94th Congress January 28, 1975, by Congressman Corman. Unfortunately, no final action was taken on the bill prior to the closing of the 94th Congress.

H.R. 422 is presently before the Senate Finance Committee. This bill will amend the tariff schedules of the United States to provide duty-free treatment of any engine used as temporary replacement for an aircraft engine being overhauled in the United States if duty was paid on such replacement engine on original importation.

Briefly, this means that if we utilize a lease engine for which duty has been already paid upon entry into the United States, the engine may be used for temporary needs outside the United States and subsequently reenter duty free.

We operate a fleet of lease engines to induce repair jobs into our shops from within and without the United States. If we presently ship a lease engine outside the United States for temporary use, present tariff schedules require that we pay duty on it upon its return to its domicile in the United States. H.R. 422 would relieve this problem, and, as stated above, would permit us to compete on equal terms with foreign competition.

Briefly, we went to Customs and asked for relief from this repetitive situation, and they informed us that they could only interpret the statute as it was written and suggested that we resort to legislative action to correct the situation. This was back in 1973.

Between 1973 and the present date, we have lost considerable business by being unable to provide rental engines to operators operating outside of the continental limits of the United States.

We believe it is in the interest of the Government, the U.S. business, to further the balance of payments and to enable us to get out and sell in the foreign market. Our industry is forecasting foreign sales of $30 to $40 million over the next 5 years. We believe that this bill would enable us to do just that, and would correct the problem that we are facing.

With that, I will conclude, Mr. Senator.

Senator RIBICOFF. Do you have any comments, sir?

Mr. KINKAID. No, sir.

Senator RIBICOFF. Senator Bentsen?

Senator BENTSEN. Thank you very much, Mr. Chairman. I apologize for the lateness of my arrival. This reorganization of the Senate has led to a great deal of efficiency. I only have three committees this morning. I left chairing one to be here, and I will go back to that one. I came here because of my deep interest in trying to see this corrected.

It just does not seem right to have this kind of penalty put on the use of the lease engine, and obviously has substantially hurt our competitive position with other foreign countries that are in this business. I strongly support the request.

Thank you, Mr. Chairman.

Senator RIBICOFF. How many engines such as this are involved? How many engines are there generally involved?

Mr. KINKAID. The engines we own in our company?

Senator RIBICOFF. Which would come under the purview of this particular arrangement.

Mr. KINKAID. In our company there are eight different types of engines that fall into this category. We may have as many as 35 engines.

Senator RIBICOFF. If there is no further testimony, the hearing on H.R. 422 is closed.

H.R. 3790, to suspend until the close of June 30, 1980, the duty on concentrate of poppy straw used in producing codeine or morphine. Mr. Paul Butterweck.

## STATEMENT OF PAUL BUTTERWECK, DIRECTOR OF PRODUCTION MATERIALS PURCHASING, MERCK & CO., INC., ACCOMPANIED BY JOHN MOYNA, SENIOR ATTORNEY, MERCK & CO., INC.

Mr. BUTTERWECK. Thank you, Mr. Chairman, for the opportunity to testify. I am director of purchasing of Merck & Co., Inc., which has its headquarters in Rahway, N.J.

I would like to request that my written statement, which already has been submitted, be made a part of the record.

Senator RIBICOFF. Without objection, the entire statement will be put into the record as if read.

Mr. BUTTERWECK. I would like to briefly summarize that information in that written testimony.

Merck is one of the three registered bulk manufacturers of codeine and morphine and will be directly affected by the passage of H.R. 3790, for we purchase concentrate of poppy straw as a raw material for these medicinal products which are considered by the medical profession as necessary drugs in the treatment of pain.

Merck urges passage of this duty-suspension legislation for the following five reasons:

One, there is only enough opium, the traditional raw material for these medicinals, available to satisfy approximately 50 percent of the U.S. requirements. Thus, in 1975, the Drug Enforcement Administration approved of the importation of concentrate of poppy straw on an emergency basis, to supplement supplies to prevent a medical shortage from developing.

Two, supplies of concentrate of poppy straw are only available from abroad. Poppy straw is not grown in the United States, and

there are no adequate facilities in the United States capable of processing poppy straw into concentrate. Accordingly, the present duty is not needed to protect American industry and the suspension will not impact on U.S. employment.

Three, suspension of the duty would benefit the consuming public by helping to hold down raw material costs, which are inevitably reflected in the price of finished products ate the consumer level.

Four, the duty on Indian opium, the only current source of this traditional raw material, was suspended at the start of 1976. Suspension of the duty on concentrate of poppy straw, which also uses as its source the opium poppy plant, would merely provide it with equal treatment under the duty regulation.

Imposing a duty on concentrate of poppy straw is not consistent with other actions taken by our Government over the past several years to encourage the importation of this raw material to avoid a national medical emergency.

Some brief background may be helpful by way of further clarification of the raw material supply situation. First, at the urging of the U.S. Government, Turkey stopped cultivation of poppies from 1971 to 1975. Prior to this, they lanced the poppy capsule to collect the opium latex. This left India as the only source from whom we are allowed, under international treaties, to purchase opium.

Because of rising demand and several poor crop years, India has not been able to meet world demands for opium.

Senator RIBICOFF. Where does this material, poppy straw, come from? What country?

Mr. BUTTERWECK. Turkey.

Senator RIBICOFF. That is where it comes from?

Mr. BUTTERWECK. Yes, sir.

Senator RIBICOFF. That is about our only source of supply?

Mr. BUTTERWECK. That is the only source from which we can now buy the poppy straw, yes.

Senator RIBICOFF. This is an absolute essential for use in medical supplies?

Mr. BUTTERWECK. Yes, sir. Opium is the preferred source of raw material. There is not enough opium to supply the world demands. We are about 50 percent short in the United States.

Senator RIBICOFF. Can it be used in the illicit drug trade?

Mr. BUTTERWECK. It is much more difficult to have this dry capsule get into the illicit trade. To give you an example, we had to buy six boatloads of poppy straw from Turkey. To process such a large amount illicitly is virtually impossible, but opium which is much more concentrated, can find its way more easily into the illicit trade from the foreign fields in which it is cultivated.

It is far more difficult to divert any of the dry poppy straw capsule. That is why the U.N. and the U.S. Government urged Turkey not to lance the capsule in order to get the opium, which was much easier to divert under the Turkish control system.

Senator RIBICOFF. Your entire statement will go in the record.

Senator Long?

Senator LONG. I have no questions.

Senator RIBICOFF. Thank you very much.

Mr. BUTTERWECK. Thank you very much.

[The prepared statement of Mr. Butterweck follows:]

STATEMENT OF PAUL BUTTERWECK, DIRECTOR OF PURCHASING, MERCK CHEMICAL MANUFACTURING DIVISION, MERCK & CO., INC.

SUMMARY

Merck urges passage of this proposed suspension legislation for the following reasons:

1. Merck purchases crude opium and concentrate of poppy straw as raw materials for use in the production of codeine and morphine, which the medical profession consider essential drugs in the treatment of pain. There is only enough opium, the traditional raw material source of these drugs, available to satisfy approximately 50% of U.S. requirements. Thus, concentrate of poppy straw was approved for importation on an emergency basis by the Drug Enforcement Administration to supplement this country's supply of crude opium and satisfy the remaining 50% of U.S. requirements.

2. Bulk manufacturers of these drugs have been forced to import this raw material from abroad because there are no adequate facilities in the U.S. capable of producing this material.

3. The present duty is not needed to protect American industry and the proposed suspension, therefore, will have no adverse impact on domestic production or U.S. employment.

4. Supension of this duty should benefit the consuming public by helping to hold down raw material processing costs, which are inevitably reflected in the price of finished products at the consumer level. This benefit should more than offset any loss of revenue to the U.S. government.

5. Imposition of this duty serves only to penalize arbitrarily and unnecessarily the importation of an essential raw material and is, therefore, not consistent with other actions taken by our government over the last few years encouraging the importation of this material to avoid a national medical emergency.

STATEMENT

My name is Paul Butterweck. I am Director of Purchasing of the Merck Chemical Manufacturing Division of Merck & Co., Inc., which has its principal place of business in Rahway, New Jersey. Merck, as one of the three authorized importers of crude opium and concentrate of poppy straw for bulk manufacture into codeine and morphine, will be directly affected by the passage of H.R. 3790.

The proposed bill would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) by adding a new item 907.70, which would suspend for three years, until June 30, 1980, the duty on concentrate of poppy straw, a raw material used in producing essential medical drugs. This essential raw material must be obtained from foreign sources because of a lack of adequate production facilities in the U.S. capable of producing the required supply. Concentrate of poppy straw is the crude extract of poppy straw containing the phenanthrine alkaloids of the opium poppy in either liquid, solid or powder form. It is considered the most appropriate equivalent to imported crude opium, which has been in short supply over the last few years.

Merck supports wholeheartedly this proposed legislation which would eliminate an unnecessary penalty on the importation of a vital raw material needed to produce drugs essential to the continuation of an adequate level of medical care in this country. Merck and the other U.S. bulk manufacturers of codeine and morphine have been forced to import concentrate of poppy straw as an additional raw material source of these essential drugs to supplement the current worldwide short supply of crude opium, the traditional raw material used in the production of these drugs. There is currently only enough crude opium available to satisfy approximately 50 percent of total U.S. requirements.

U.S. companies have had no alternative but to import concentrate from various foreign sources in both eastern and western Europe, where the expertise and extra extraction capacity to process poppy straw to concentrate exists. None of the three authorized bulk manufacturers of codeine and morphine in this country have adequate extraction facilities to process the volume of poppy straw necessary to supplement this country's supply of imported crude opium. Duties on crude opium from India incidentally, which is now the only country, of the seven authorized to grow opium for export, actually exporting such material at this time, were suspended at the start of 1976.

If Indian and Turkish poppy straw could be imported directly into the U.S. for processing into concentrate and did not have to be shipped to other countries for such processing, there would be no duty at all on the poppy straw itself from

these countries as both India and Turkey are beneficiary developing nations. This processing into concentrate in other countries, however, subjects the full value of the final processed product to the imposition of duty even though approximately 80 percent of the value of this end product is actually attributable to the underlying Indian or Turkish poppy straw. This inequity could be avoided if U.S. companies possessed the capability (which, unfortunately, they do not) to process poppy straw.

This proposed legislation, therefore, will have no adverse impact on domestic production of concentrate. Nor will it have any adverse affect on U.S. employment. As far as Merck is concerned, and this would most likely be the case with the two other U.S. bulk manufacteurers as well, the same employees who have worked with crude opium in the past will now work interchangeably with concentrate as well to supplement crude opium as the basic raw material used in the manufacture of these needed drugs, without any resulting loss of jobs.

Merck and the other two U.S. bulk manufacturers of codeine and morphine produce bulk drugs which are then sold to a larger group of formulators who manufacture and sell at the consumer level a number of antitussive and analgesic end products containing these bulk drugs. As a bulk manufacturer, Merck is neither involved with the sale of the end products to consumers nor does it have any control over prices charged for such products at the consumer level. Merck, therefore, is not in a position to state with any actual certainty the impact that this suspension legislation will have on consumer pricing. Merck does agree, however, with the statement made by the State Department, in their letter of September 10, 1976 to the Committee on Ways and Means commenting on the identical suspension bill introduced during the last session of Congress by Congressman Schneebeli (H.R. 14140), namely that removal of such an unnecessary cost on the acquisition of a needed raw material should certainly help to hold down the cost, and resulting price, of the processed end product. The benefit to the consuming public (including the government which is itself a consumer of these drugs) in helping to hold down unnecessary increases in price should more than offset the loss in duty revenue to the U.S. government resulting from the passage of this legislation.

Concentrate of poppy straw is potentially classifiable under any one of four separate items in Schedule 4, part 3 of the Tariff Schedules of the United States ("Drugs and Related Products"). Very little of it has been imported to date, however, and it is not clear under which specific item number in this schedule it will be placed; for this reason the proposed suspension legislation properly uses the language "however provided for in Schedule 4" to cover all potential items under which this material might be classified.

Natural codeine, morphine and their related derivatives have unique properties which make them superior to other drugs and the drugs of choice in many treatment situations. Testimony before the Senate Human Resources Subcommittee on Health and Scientific Research during hearings on drug shortages in December 1974, before the Senate Judiciary Subcommittee on Juvenile Delinquency in March 1975, and, as recently as March of this year, at the Drug Enforcement Administration's hearings on the domestic cultivation of Papaver bracteatum acknowledged the essential nature of these drugs to the delivery of adequate medical care in this country. Codeine, the active ingredient in approximately 95 percent of all the end products derived from crude opium and concentrate of poppy straw, is used primarily in analgesics for the relief of pain and antitussives for the relief of cough.

The uniqueness of these drugs and their acknowledged essentiality to the medical profession has contributed to a steady growth in demand for them. This steady growth in demand, combined with the uncertainty of raw material supply, made it difficult in recent years for Merck and the other United States bulk manufacturers of codeine and morphine to obtain sufficient crude opium to meet United States medical needs. By way of background, imported crude opium has been the traditional and only raw material source of these drugs in the U.S. during the last 50 years or more. Inventories dwindled and a critical situation would have developed had additional sources of supply to supplement crude opium imports not been found. In fact, a supply crisis was averted in late 1973 only when Congress recognized the urgent need and authorized the release of 238 tons of opium from the government's own strategic materials stockpile (P.L. 93-218). As a further emergency measure, the DEA in early 1975 declared a crude opium supply emergency and authorized the importation of concentrate of poppy straw as an additional raw material source of codeine and morphine

to supplement this country's imports of crude opium. In the *Federal Register* announcement proposing the authorization of the importation of concentrate, the DEA stated the basis for its action as follows:

"In order to remedy the shortage of raw materials, the United States Government has taken and will continue to take various steps, which may be spread over a period of time and coordinated to close the gap between the supply and demand for opium poppy derivatives without tilting the balance in the opposite direction. The first step was the release of stockpiled opium. The second measure is to supplement the imbalance with quantities of raw material other than crude opium, and at the same time maintain control equal to the system now applicable to crude opium. The most appropriate equivalent of crude opium is concentrate of poppy straw. . . . Accordingly . . . the Administrator has determined that beginning January 1, 1975, and until further notice, concentrate of poppy straw may be imported on the basis that an emergency exists in which raw materials for the production of opium poppy alkaloids are inadequate."[1]

This legislation suspending the duty on concentrate is a further necessary step that Congress should take at this time. Imposition of this duty is not consistent with other governmental actions over the last few years encouraging the importation of this raw material by U.S. companies to avoid a national medical emergency. As noted, U.S. bulk manufacturers were forced to import concentrate of poppy straw, rather than simply poppy straw, because of the lack of adequate extraction facilities in this country to process concentrate from poppy straw. Without resorting to these outside foreign sources, a serious shortage of this raw material, so necessary to the production of essential medical drugs, would have occured, and this could have had a serious impact on the level of medical care in the United States.

In summary, Merck urges passage of this suspension legislation, therefore, as there will be no adverse impact on any domestic industry and as the imposition of this duty serves only to penalize arbitrarily and unnecessarily the importation of an essential raw material of necessity obtainable almost exclusively from foreign sources and the absence of which might affect detrimentally the level of medical care in the United States.

The House Ways and Means Committee has reported favorably on H.R. 3790 (House Report No. 95-427) and in its report the Committee notes that no objections to the legislation have been received from any source.

Thank you for the opportunity to appear here today and testify with respect to this proposed legislation.

Senator RIBICOFF. The next bill is H.R. 5263, to suspend until the close of June 30, 1980, the duty on certain bicycle parts.

Mr. Northrop, Mr. Townley, and Mr. Light.

## STATEMENT OF STUART NORTHROP, PRESIDENT, HUFFMAN MANUFACTURING CO.

Mr. NORTHROP. Thank you, Senator Ribicoff. I am president of the Huffman Manufacturing Co. I speak this morning also on behalf of the Bicycle Manufacturers Association of America. On my left is Mr. Jay Townley from the Schwinn Bicycle Co. He is director of Product Safety and Governmental Affairs, and since the two of us are in support of this bill, we wish to appear together, and, in the interests of expediency, cover just a few points with you together.

This bill H.R. 5263, is essentially the same as H.R. 12254, which was introduced in the last Congress and, strangely enough, was passed overwhelmingly by both the House and the Senate. Unfortunately it passed the Senate in the last day of Congress, on the evening of the last session, and three nongermane amendments were added so it had to be brought back again to the House and unfortunately it could not be acted upon in the last minutes.

[1] DEA Proposal Re Addition of Concentrate of Poppy Straw to Schedule II and Authorization of its Importation, *Federal Register*, Volume 39, No. 246, Friday, December 20, 1974, page 44033.

Therefore, we are here today as a victim of an accident of time. We are here on behalf of a bill that both the House and the Senate overwhelmingly passed a year ago.

Senator RIBICOFF. Will this bill help the domestic bicycle industry?

Mr. NORTHROP. Yes, sir. The essential point of the bill, Senator, is that without this bill, the specific components would be subjected to a 15-percent duty, but when these same components come in on a bicycle manufactured outside of the country, the duty is only 5.5 percent on those same components, so that we suffer in this country from the serious disadvantage.

Senator RIBICOFF. I am curious, I do not have children to buy bicycles for. I do have grandchildren. It seems that every bicycle shop that you go to, there are many more imported bicycles than domestic bicycles. Can you tell us how many imported bicycles are sold in the United States and how many domestically produced bicycles?

Mr. NORTHROP. Yes, sir. That is covered in our written testimony.

Today, the foreign manufacturers have captured about 20 percent of the U.S. market, consumer market. They did have, in the past—it has varied over the past few years, because this product is very sensitive to duty. They have captured as much as 37 percent of the U.S. market, and we work at a disadvantage without this 15 percent elimination of the duty on these specific components.

We are only asking for it on the specific components.

Senator RIBICOFF. I think we understand the situation. We will try to act. We have the distinguished chairman here. Maybe he can bring it up on the floor before the last day of the session.

Do you have any questions, Mr. Chairman?

Senator LONG. No.

Senator RIBICOFF. Thank you very much. We understand your situation. Your entire testimony will go into the record as if read.

Mr. NORTHROP. Thank you, Senator.

## STATEMENT OF WALTER L. LIGHT, DIRECTOR OF OPERATIONS FOR THE BICYCLE AND IGNITION DIVISION OF THE BENDIX CORP.

Mr. LIGHT. Mr. Chairman, I am director of operations for the bicycle and ignition division of Bendix Corp. We would like to take an exception to this House bill, 5263, an exception to the inclusion of coaster brakes in the House bill.

Bendix manufactures coaster brakes in Mexico. We have manufactured them in the United States for more than 30 years and due to competition, especially West Germany and from Japan, we had to move our production to Mexico to meet the price competition.

Since in Mexico, we have not been able to make a profit on coaster brakes. Consequently, our business has been falling to the Japanese and now the Japanese have 66 percent of the coaster brake market in the United States.

The West German coaster brake, which was, at one time, 20 percent of the market, has fallen to 3 percent of the U.S. market. We have problems in Mexico as Mexico is a developing country, so we have petitioned the executive branch to add coaster brakes to the GSP. We feel that this is the only way that we can make coaster brakes profitable in Mexico and stay in business.

If H.R. 5263 were enacted, which would remove the duty on not only coaster brakes coming in from Mexico but also West Germany and Japan, we feel that we could not be competitive and therefore we could not stay in business.

Senator RIBICOFF. If this were done, the coaster brakes would still be manufactured in Mexico, but not manufactured in the United States, or would you be able to ship them back to the United States?

Mr. LIGHT. No, we cannot. We have had a couple of companies investigate making coaster brakes in the United States and they have turned it down because they could not compete with the Japanese price. We would still continue to make coaster brakes in Mexico, if we could make a profit.

Senator RIBICOFF. We are talking about company coaster brakes. What are the numbers? What is the market in the United States?

Mr. LIGHT. Between 4 and 5 million coaster brakes a year.

Senator LONG. How many?

Mr. LIGHT. Four to five million. It depends on the year.

I would like to point out a couple of things, Senator. One is that we buy $2 to $3 million—Bendix buys $2 to $3 million worth of raw materials and components from U.S. manufacturers which are shipped to Mexico and then incorporated into the coaster brake.

Now, if we go out of business, the coaster brake business, this would hurt these domestic suppliers.

Senator RIBICOFF. What is your response to this?

Mr. NORTHROP. Yes, we would like to make it clear that there are no coaster brakes manufactured in this country. There are four major manufacturers of coaster brakes abroad.

Senator RIBICOFF. I am just curious. Did not the plant in Bristol, Conn., make coaster brakes?

Mr. LIGHT. They went out of the business in the early 1950's.

Mr. NORTHROP. We find it very strange that a company is appearing here against the bill that, if, passed will remove the duty from their products. It is obvious they have a scheme to obtain a competitive advantage over the other three foreign free world coaster brake manufacturers.

No U.S. manufacturers are involved in that. The scheme is simply to seek a competitive advantage for their Mexican coaster brake over the other three foreign coaster brakes.

Senator LONG. Is that not what the GSP is all about? Is that not the whole idea of GSP?

Mr. LIGHT. To help developing countries.

Senator LONG. The whole idea of GSP is to let developing countries, like Mexico, to be used as a base from which you can manufacture something and bring it in here to develop.

If we do not help Mexico provide some jobs for their people down there, we had better find a place for them up here, because if those people cannot make a living down there they are all going to try to come to the United States. It is an unfortunate situation.

While the Russians have themselves an iron fence to keep people in, we need an iron fence to keep people out, because everybody wants to come here. I do not blame them a bit. This is about the nicest place to come, but the poor souls cannot make a living where they are, and

then they do not have much choice but to come knocking on the door or to cross that river and head on to the United States.

The whole idea of the GSP was, of course, not so much to help the problem of illegal aliens in the United States as to help those nations down there to provide an opportunity for their people. That is what the idea of preference is.

You are saying that while you were put out of business here in this country, you can go to a GSP country and still produce the brake. But if we pass this bill the way it is, that puts your company out of business in Mexico.

The question is, when you put the GSP in did you want to help those people out?

Mr. LIGHT. We have a hearing on the GSP next Monday, and I will give oral testimony to see whether or not this will be included. I think the big point here is, since the first 4 months of this calendar year, the Japanese have now two-thirds of the market in the United States, and if we are out of the business, I think they will have a monopoly on the coaster brakes in the United States, and I think we are going to see, if that happens, the price of coaster brakes are going to go up. I just do not see how they can keep that price as low as they have.

Senator RIBICOFF. Is the quality the same?

Mr. LIGHT. We think we have the best coaster brake. The performance and so forth is very good.

Senator RIBICOFF. In your bicycles, do you use Bendix products?

## STATEMENT OF JAY C. TOWNLEY, DIRECTOR OF PRODUCT SAFETY AND GOVERNMENTAL AFFAIRS, SCHWINN BICYCLE CO.

Mr. TOWNLEY. From the standpoint of Schwinn Bicycle we use both Japanese and the domestic source. What he has said about domestic manufacturers, we understand GSP very well. What we are looking for, that this treatment is to afford duty free treatment of items not manufactured in the United States, we must buy in the foreign market. We would disagree there would be a monopoly on the part of the Japanese producers. There are producers in Europe.

I am sure Bendix acknowledges that in its own testimony, I would point out, from the standpoint of GSP, Singapore is a developing country, as is Mexico. Samana, the Japanese manufacturer, has a plant in Singapore where they now make their regular gears, but could very easily convert over and make coaster brakes.

If coaster brakes go on the GSP, it is quite possible you would simply see Samana shifting production to Singapore, and there would be no advantage.

Our view is, if you pass on the bill as it is now with coaster brakes in it, taking off the 15-percent duty, a fair and equitable treatment for the American bicycle manufacturer and all of the countries that produce coaster brakes, we would be able to compete.

Senator RIBICOFF. How much would you pay for a coaster brake?

Mr. TOWNLEY. Under $3. The price now is somewhere around $2.60. I am not in that end of the business.

Senator RIBICOFF. What is the general price of coaster brakes, between $2.60 and the $3 level?

Mr. TOWNLEY. That is correct. Right now, you would find, too, that Bendix out of Mexico would be competitive in the marketplace. Mr. Light would have to acknowledge that as well. We have seen a serious devaluation of the yen, dropping from somewhere from $2.80 down to $2.63 as of this morning, which is something that happens in the situation we face in having to deal overseas.

We could compete as domestic manufacturers of bicycles; we feel that putting coaster brakes in this bill, taking off the 15-percent duty, is fair and equitable to all parties concerned.

Senator RIBICOFF. I think I understand the situation.

Do you have any further questions?

Senator LONG. Perhaps this gentleman would like to respond to that.

Mr. LIGHT. I would like to reemphasize one point here and that is we do purchase U.S. raw materials and components to build our coaster brake, even though it is manufactured in Mexico.

Senator RIBICOFF. What do you do, assemble them in Mexico?

Mr. LIGHT. We manufacture coaster brakes in Mexico, but buy steel bearings, nuts, bolts, washers and so forth from U.S. suppliers. It amounts from anywhere from $2 to $3 million per year, depending on our volume.

If we are out of business, the American economy would be losing that. The Japanese or West Germans, to my knowledge, have no U.S. materials in their coaster brake.

Mr. TOWNLEY. Mr. Chairman, as a point, the American bicycle industry, in 1975, had nine domestic manufacturers. In 1976, we had eight. This year, another small manufacturer has gone out of business completely. We have seven domestic manufacturers in the industry.

Schwinn accounts for about 11 percent of the market, so we are not a huge factor as to what happens in the industry. We are a middle-sized manufacturer. We have lost money in our bicycle manufacturing operations in 1975 and 1976. In 1977, we are seeing economic stability, I mean stability. We are fighting back.

Technically, we are trying to develop the means to produce a better product and keep the quality up. The duty-free treatment we are talking about here was granted to this industry two times before. We feel it is fair and equitable from an economic standpoint.

The workers that we have to lay off—this has been very real numbers, as we have put into our testimony before this committee last year, and also this year.

Senator RIBICOFF. How many employees do you have?

Mr. TOWNLEY. Right now we have 1,400 employees in manufacturing.

Senator RIBICOFF. Where do you manufacture?

Mr. TOWNLEY. Chicago, Ill.

Senator RIBICOFF. Your company?

Mr. NORTHROP. We have 2,400 employees in Ohio and California.

Mr. TOWNLEY. I would point out that during the economic period I was referring to, the years we lost in the bicycle operation, at the end of 1974, we had 2,100 manufacturing employees. We had to lay over 800 of them off when the market fell apart in 1975.

We had other layoffs through 1975 and 1976. These are the American workers that are affected, plus the American workers that lost their jobs in the two bicycle manufacturing concerns that have gone bankrupt and went completely out of business in the last years.

Senator LONG. Here is what you are talking about. This is typically the kind of problem that we have here. When a major industry comes in with the same kind of problem, we will usually hear their pleas and do something to keep them in business. We do that to the steel industry. If needs be, we would do it for the automobile industry.

I am going to talk to Mr. Strauss, our Special Trade Representative. I am concerned about the textile industry. If they are big enough to merit the attention of Congress—I say that facetiously, because that is not a fair statement. The point is, if they are large enough to have a nationwide impact, then the Congress would take a look at the problem and say that those jobs are important to the United States and we are not going to let that industry be liquidated.

A smaller industry, such as yours, confronted with the same problem does not get the same treatment I am not sure that is quite right.

It seems to me that perhaps there ought to be an association, or something, where the smaller concerns can stand together and say, "Look, these jobs we produce, we provide jobs, too. Our workers like to eat, and work for a living like everybody else in these big industries."

If that were the case, the approach we would use would not be to take off duty protection but to move in the other direction and stay either with the quota or tariff and say, "Let us talk about this. We think those jobs are sufficiently worth retaining for this country that we are going to keep them."

If we follow the approach you are advocating here on behalf of Schwinn, I would not be the least bit surprised to see 5 years from now the people speak about the problems of the industry to be mere distributors for the Japanese and the Germans. Here is a producer, once producing here; now he has moved out of his operation down to Mexico in order to stay alive at all, asking that we not pass this bill without an amendment that would permit him to stay alive.

I am not sure that what those 3,800 workers you are speaking for here might find if we buy your argument. That is a death sentence for their jobs during the next 5 years.

Mr. TOWNLEY. What we are proposing here, and what has been done in 1970 and 1974 relative to this duty-free treatment, is exactly your point, in the sense there is an inequity between complete bicycles and the parts that we must have to produce in this country.

If you look in the TSUS schedules, complete bicycles come in in the major area of competition of the domestic manufacturer, 26 and 27 inch, 732.18 Those bikes come in at 5 percent ad valorem, foreign competition. The components, for the most part, we must have, we have no domestic sources of supply for in the complete bike here. It comes in at 15 percent.

So the foreign manufacturer can use those same parts, assemble a bicycle in Japan or Taiwan or Europe, bring it in at 5 percent of the value. If we are to compete with him here, we have to pay 15 percent for those same components.

That is the inequity in the schedules, in the tariff schedules, that this legislation was designed to cover and to take care of, in that we are only asking that 15 percent be removed on those components that are not made in the United States. In the case of coaster brakes, there is no domestic source of supply. The decision Bendix made is theirs to explain. The situation is theirs to explain. Still there are no domestic sources.

Senator LONG. It is not a case of black and white. You are talking about shades of gray. Bendix has testified that the components that go into the coaster brake are made in the United States. There is more equity to their position than simply a matter of trying to protect the GSP country.

But if the GSP is going to mean anything, then if we yank all the tariffs off everything, the GSP is not going to be anything either.

Mr. LIGHT. We are not objecting to this bill, only to the inclusion of coaster brakes.

Senator LONG. You are only objecting insofar as it does not put you out of business.

Mr. TOWNLEY. We have had to pay duty on a retroactive basis from January 1, 1977, on the items that are in the legislation, the eight original items carried in the treatement accorded to us last year. That is hundreds of thousands of dollars flowing out of this industry to nobody's good and the detriment of our economic stability; and taking Bendix's testimony into consideration—which obviously we do not agree with—we are concerned about the time elements, the passage of the legislation, because if it carries over into the second session of the 95th Congress and duties are continued to be collected, we cannot use that money, do not earn interest on it. It certainly is away from us that does not help the economic situation that we have for our manufacturing situation.

So the time situation also puts a bind on everybody here.

Senator RIBICOFF. I think I understand the situation.

Senator LONG. Let me ask you this. If you say the coaster brakes are about $2.45, what is the value of the other components?

Mr. LIGHT. Coaster brakes are about $3.

Senator LONG. What would be the value of all imports on the bicycle?

Mr. TOWNLEY. When Schwinn looked at it, we had 50 percent of an average 10-speed bicycle, the cost of imported material 25 percent, or half of the importation was in the duty-free area. At this point, unless counsel who is sitting behind me can remember the number, I would have to guess you are talking at $25 to $30 of a possible $62 to $65, without including domestic—I am talking about only materials.

Senator LONG. I am not sure I understand you. What percent, in terms of cost, what percent of the cost of a bicycle is represented by the coaster brake?

Mr. TOWNLEY. By the coaster brake?

Senator LONG. Yes.

Mr. TOWNLEY. 5 to 10 percent.

Senator LONG. 5 to 10 percent.

Is that your impression?

Mr. LIGHT. We are not in the bicycle business. I do not know the figures. All we produce is the coaster brake.

Senator LONG. You are asking for a bill that ordinarily we would like to pass on unanimous consent. If a single Senator wants to object to that bill, or wants to oppose it, it just must not slide through on the consent calendar. It just sits there, and it waits until something comes along that has sufficient significance to it that it becomes a part of some other bill.

I would question your position to oppose an amendment that would involve coaster brakes. It seems if we did what you are asking with regard to 90 to 95 percent of the items that go into it, I would wonder whether it would serve your purposes at Schwinn to make this fight to get the other 5 percent and wind up with a bill not passing.

Mr. TOWNLEY. I have just been reminded that coaster brakes would represent approximately 20 percent of the total dollars involved to the industry relative to the bill. I would point out from the duty-free treatment the industry was accorded through December 1976, the derailleurs—which is another component that was accorded duty-free treatment—has been taken off the bill already, because of objections raised by a number of parties over on the House side.

Senator LONG. What is it?

Mr. TOWNLEY. It is a multispeed shifting mechanism on the 10-speed bicycle.

Senator LONG. Why was that taken off? Who were the people who objected over there?

Mr. TOWNLEY. There was objection on the part of a manufacturer in the United States who had a small percentage of the production of these units in the country. The component, therefore, was taken off. What the industry gave up was a large chunk of the value of items. We still have to go overseas in order to get the quality we want. We are stuck with a situation of paying 15 percent on those.

The coaster brakes in the bill represent a substantial offsetting factor, as far as the domestic manufacturers are concerned. If we have to continue to pay 15 percent on coaster brakes, plus picking up 15 percent on derailleurs, we would begin to put ourselves in a position where that would have to be reflected in either higher costs of our product to the consumer, or finding some other way to compete with our foreign competition.

I repeat, the 10-speed bicycle from the foreign countries is going to come in at 5.5 percent ad valorem. We are paying 15 percent for our components to compete in this country.

Mr. NORTHROP. The U.S. industry has never objected to paying the duty when the component is manufactured in the United States. That is why derailleurs, which in previous bills were covered and duty free, now have had the duty came back without the objection of the industry.

Senator LONG. I think it is clear enough to me. Thank you very much, gentlemen.

Senator RIBICOFF. Thank you.

[The prepared statements of Messrs. Northrop, Light, and Townley follow. Oral testimony continues on p. 84.]

PREPARED STATEMENT OF BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA, INC., BY STUART J. NORTHROP, PRESIDENT, HUFFMAN MANUFACTURING CO.

Mr. Chairman and Members of the Commitee. I am Stuart J. Northrop, President of the Huffman Manufacturing Company, Dayton, Ohio. Huffman is a member of the Bicycle Manufacturers Association of America, Inc. ("BMA"),

on whose behalf this statement is presented. BMA is a non-profit, voluntary trade association whose regular members are domestic bicycle manufacturers. Collectively, the BMA companies[1] manufacture approximately 80 percent of the bicycles produced in this country.

H.R. 5263 essentially represents a continuation, for a limited period, of the suspension of duty on certain bicycle component parts originally suspended as of January, 1971. The original bill was introduced by former Congressman Richard H. Fulton in 1970 and covered a three year period. In 1974, by Public Law 93-490, it was extended through 1976. The original bill and Public Law 93-490 covered generators, lighting sets in TSUS 912.05 and derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click-twist grips, click stick levers, and multiple free-wheel sprockets in TSUS 912.10.

Inasmuch as Public Law 93-490 was scheduled to expire on December 31, 1976, a bill to extend the duties for an additional and limited period—H.R. 12254—was introduced in 1976. That bill overwhelmingly passed the House and was next considered by the Senate where it also overwhelmingly passed. Unfortunately that Senate action transpired during the evening hours of the last session of the past Congress and the Senate passage included the addition of three non-germane amendments. Thus, further House action was required. Victimized by the element of time, H.R. 5263 was just about to be presented on the House floor in the late and last moment of the session when the House adjourned.

Thus the instant bill is again before you only because of the "accident of time" after its substantive provisions were acted upon positively and overwhelmingly by both Congressional bodies. H.R. 5263 added coaster brakes, alloy butted frame tubing, frame lugs, alloy cotterless crank sets, and alloy rims to the suspension list, none of which are domestically produced. The bill before you today—H.R. 5263—was the subject of hearings before the Trade Subcommittee of the House Ways and Means Committee and, on June 16, 1977 was favorably reported by the full committee. The bil covers 12 of the bicycle parts contained in the prior bill.[2] With the expiration of the duty suspension on bicycle parts on December 31, 1976, H.R. 5263 provides for duty suspension retroactive to January 1, 1977 and extending until June 30, 1980.

As a predicate to discussing the specific bases for the relief sought it is appropriate to present a brief picture of the economic posture of the United States bicycle manufacturing industry. Collectively, the industry is a small one, comprised of only seven companies. For the most part their businesses are limited to the production and sale of bicycles. Beginning in the early 1970's bicycles sales reached record levels to the point where those years are commonly referred to as the "bicycle boom." However, in 1975, the "boom" turned to "bust", as a dramatic drop-off of sales and the difficult economic recession combined to debilitate the industry to the point where the very survival of a number of its segments could not be presumed. In fact, last year alone, the H. P. Snyder Manufacturing Company was forced to close its doors after 81 continuous years of bicycle production, and the Iverson Cycle Corporation and its parent, Stelber Industries, Inc., were forced into Chapter XI and now Chapter X bankruptcy. As between 1974 and 1975, bicycle sales dropped more than 50 percent.

Over recent months the industry generally has started a recovery from those "depression" years, and while the sales levels during the "boom" years will not again be approached, a number of U.S. manufacturers are beginning a period of sales recovery. Nevertheless, for some domestics, their viability remains ques-

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[1] Appendix A is a list of BMA member companies.

[2] The Report of the House Ways and Means Committee on H.R. 5263 reveals a change in the description of three of the covered bicycle parts. As originally introduced and considered by the Trade Subcommittee and the full Ways and Means Committee, H.R. 5263, as well as its predecessor H.R. 12254, provided for suspension of duty on alloy cotterless crank sets, alloy rims, and alloy butted frame tubing. These are specialized products not made in this country and imported primarily for use in expensive bicycles. The Ways and Means Report reveals, for the first time, a change in the description of those items respectively as follows: "cotterless type crank sets"; "rims"; "and parts of bicycles consisting of sets of steel tubing cut to exact length and each set having the number of tubes needed for the assembly (with other parts) into the frame and fork of one bicycle (provided for in item 732.36, part 5C, schedule 7)."

BMA did not ever urge or even suggest such changes but inasmuch as the originally described products would be included within the "new" descriptions, we do not object to the changes. Similarly, we have absolutely no objection to a return to the original descriptions other than the fact that such a change would delay final action on the bill because it would require conference consideration and resubmission to both Congressional bodies. It is also possible that there may be domestic sources of steel, as opposed to "alloy" crank sets, rims, and frame tubing.

tionable and it is clear that without passage of H.R. 5263, the outlook for the entire domestic bicycle manufacturing industry would be threatened and, for some, possibly fatally.

Within that framework, the urgent need for the institution and continuation of duty suspension on certain bicycle components is obvious and the discrimination against domestic bicycle producers inherent in the existing tariff schedules is starkly revealed.

Under the tariff schedules, the involved bicycle parts are assessed a duty of 15 percent. In contrast, completed bicycles manufactured abroad and imported into this country are assessed a duty of only 5.5 percent.[3] That this tariff bias discriminates against and disadvantages the competitive posture of American manufacturers is thus evident. An imported bicycle incorporating the very same components as an American bicycle is bestowed with a 9.5 percent cost advantage on those component parts. The deplorable anomaly thus created presents the domestic manufacturer with the unacceptable choice of passing the additional costs on to the consumer or absorbing those costs thereby reducing margins to an intolerable level. Either way, the American producer suffers and that disadvantage cannot be assimilated.

Yet, the bias inherent in the existing tariff schedules is not the only basis for passage of H.R. 5263. The components which are the subject of the bill are domestically unavailable to American bicycle producers because they are not manufactured in this country.[4] Therefore, the American bikemaker has no choice but to utilize foreign-made components and in turn be subject to the discriminatory duty.

Unfortunately, the difference in the duty assessments on component parts and fully-assembled bicycles is not the only competitive advantage enjoyed by foreign manufacturers. Wage rates in countries such as Taiwan and Korea which have greatly increased their bicycle production in recent years cannot be offset by the high productivity and efficiency of their American counterparts. Moreover, foreign producers do not have to undertake expenditures for workmen's compensation, occupational safety, pollution control and a vast array of social legislation which increases the cost of doing business in this country. However, even if they did, the governments of our foreign competitors aid their local industries by openly subsidizing their operations and permitting such anticompetitive practices as market division and price fixing which have long been prohibited by law in the United States.

Thus, despite the fact that the domestic bicycle manufacturing industry is generally regarded as the most fully automated and technologically efficient in the world, the capital investment of these American companies have not been able to counter the ever-increasing assault of bicycles manufactured abroad. In fact, imports have gradually eroded the market share held by the domestic industry. In the period between 1965 and 1976, imports steadily increased their penetration of the U.S. market from a low of 18 percent to a high of 37 percent of the market. For the first five months of this year, the number of import units are up 28.7 percent from the same period in 1976. The bicycle is a very import-sensitive product and import penetration on bicycles is extensive. That the United States has been selected as the target market for exports of bicycles is clear from the fact that the United States receives nearly one-half of the world's total exports of bicycles, with some 90 other nations sharing the remaining 50 percent.

BMA acknowledges that the day may well come where one or more of the components addressed by H.R. 5263 is available from domestic sources, but that day has not arrived and cannot be foreseen anytime very soon. However, it is with an eye toward the development of domestic capacity that H.R. 5263 only envisions the temporary extension of duty suspension. While this limited extension is vital to the bicycle manufacturers, it creates no prejudice for domestic industries which may wish to undertaken development and subsequent production of components. At the end of the temporary duty suspension period the Congress can again review the situation and if, at that time, a domestic

[3] The duty on completed bicycles imported into the United States ranges from 5.5 to 11 percent. However, the majority of bicycles imported are of a character which subject them to only the nominal 5.5 percent duty, and the overwhelming majority, and perhaps almost all the imported bicycles utilizing the components covered by H.R. 5263, are only subject to the 5.5 percent duty. Pursuant to TSUS 732.18, if both wheels of the bicycle are over 25" in diameter, and are valued over $16.66⅔, the duty is 5.5 percent. Thus, bicycle duty at rates over 5.5 percent are virtually irrelevant to the matter of H.R. 5263.

[4] See Note 2, supra.

supply of a given component is available, appropriate changes in the duty situation can readily be made to accommodate the change in circumstances.

At the present time, continuation of the suspension of duties is not only clearly warranted, but is an absolute necessity for the domestic industry. BMA urges you to pass H.R. 5263 and thereby avoid undermining an industry which is just now beginning to unlock the shackles of the delibiating depression of recent years which claimed some domestic manufacturers as its victims. The tariff inequities are manifest and, given the unavailability in this country of components which are necessary to the production of bicycles, the passage of H.R. 5263 is vital to our struggling industry.

Thank you for your consideration and for providing this opportunity to comment.

[APPENDIX A]

REGULAR MEMBERSHIP—BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA, INC.

1. AMF Wheel Goods Division, P.O. Box 344, Olney, Ill. 62450.
2. Columbia Manufacturing Co., Inc., Westfield, Mass. 01085.
3. Huffman Manufacturing Co., P.O. Box 1204, Dayton, Ohio 45401.
4. LRV Industries, 2536 North Seaman Street, South El Monte, Calif. 91733.
5. Murray Ohio Manufacturing Co., Franklin Road, Brentwood, Tenn. 37207.

PREPARED STATEMENT OF WALTER L. LIGHT, THE BENDIX CORP.

Mr. Chairman and members of this Subcommittee, my name is Walter L. Light. I am Director of Operations for the Bicycle and Ignition Division of The Bendix Corporation (Bendix) in South Bend, Indiana. In this capacity, I am directly responsible for our coaster brake plant in Mexico. With me is our special counsel, John B. Rehm.

On behalf of Bendix, I wish to urge this Subcommittee to amend H.R. 5263, which would suspend the duty on various bicycle parts, by deleting the reference to coaster brakes. We oppose H.R. 5263 so long as it covers coaster brakes, but we would not object to the bill without that reference.

In Elmira, New York, Bendix operated the last plant that made coaster brakes in this country. It was forced to close its plant in 1972 because of foreign competition, after it had been making coaster brakes for over 30 years. There is presently no domestic manufacture of coaster brakes, and we know of no plans for such manufacture. Indeed, we understand that certain American companies have recently considered making coaster brakes again in the United States, but they have concluded that it would not be profitable.

In 1973, Bendix began the manufacture of coaster brakes in San Louis Potosi, Mexico. For ease of reference, I will hereafter refer to the Bendix coaster brakes made in Mexico simply as Mexican coaster brakes. The Mexican plant uses a large quantity of U.S. raw materials and components in making these brakes. Almost all the coaster brakes are sold to U.S. bicycle manufacturers, as well as national and regional distributors of bicycles and bicycle parts.

Even after the move to Mexico, the coaster brake proved to be unprofitable. In particular, the Japanese coaster brake became much more competitive in the U.S. market than we anticipated—in terms of both volume and price. As a result, the price of the Mexican coaster brake had to be kept at an unprofitable level. Moreover, the rate of inflation in Mexico grew faster than expected, thus increasing the cost of the coaster brakes. The resulting cost-price squeeze has been very damaging to the Mexican plant.

Over the last two years, the coaster brake made in Japan has become the dominant factor in the U.S. market. Indeed, by the Spring of this year Japanese coaster brakes accounted for about two-thirds of domestic consumption, with Mexican coaster brakes accounting for a little less than a third. This has occurred in spite of a reduction that was made in the price of the Mexican coaster brake the first of the year. The once competitive West German coaster brakes now occupy only about 3 percent of the market.

Accordingly, Bendix has petitioned the Executive Branch to add Mexican coaster brakes to the list of articles eligible for duty-free treatment under the Generalized System of Preferences—or GSP. We believe that only with this duty advantage can Mexican coaster brakes be certain to compete successfully in the U.S. market. If this can occur, the Mexican plant stands a good chance of becoming profitable. If GSP treatment is not obtained, we will probably have to close the plant.

But if H.R. 5263 should be enacted, then we will have lost any chance of obtaining preferential tariff treatment for the Mexican coaster brakes. The suspension of duty under H.R. 5263 would cover coaster brakes made in any foreign country that is entitled to most-favored-nation treatment. In other words, GSP treatment would be beneficial only if the present 15-percent rate of duty should cotninue to apply to coaster brakes made in all other countries. With the duty-free entry of coaster brakes made in Japan, the Mexican plant would in all likelihood be doomed.

You may well ask why this should be of concern to this Subcommittee. The reasons why we believe you should be concerned are three-fold. First, Bendix annually purchases from U.S. companies about $2 million worth of raw materials and components that are used for the Mexican coaster brakes. If the Mexican plant were forced to shut down, these American companies would be hurt by the loss of a significant amount of business. Moreover, they would lose the opportunity to sell even more goods as the Mexican plant produces a greater volume of coaster brakes.

Second, it is evident that the Mexican coaster brakes offer the only real competition for those made in Japan. Should the Mexican plant close down, the Japanese manufacturer would have an effective monopoly in the U.S. market—with all the potential consequences of such a position. In particular, we believe that the price of the Japanese coaster brake would be significantly increased, especially since our analysis of this coaster brake suggests that it is making very little, if any, profit at its present price. Such a price increase could affect the sales of domestic manufacturers and would certainly hurt the consumer. We understand that at least one domestic bicycle manufacturer is concerned about the consequences of leaving the Japanese manufacturer the sole supplier.

Third, Bendix possesses a unique engineering expertise with respect to coaster brakes. It has made such expertise available to the domestic bicycle manufacturers to help them solve problems of design and testing. For example, when the Consumer Product Safety Commission was developing bicycle braking standards, Bendix's engineering assistance to the domestic bicycle manufacturers proved to be particularly valuable. This expertise would be lost if the Mexican plant were to close.

In other words, we believe that the costs of suspending the duty on all foreign-made coaster brakes would outweigh the benefits. In the short run, it might permit American bicycle manufacturers to obtain foreign coaster brakes somewhat more cheaply. In the long run, with Mexican coaster brakes no longer available, U.S. producers of raw materials and components would lose valuable business. In addition, the U.S. bicycle manufacturers would be vulnerable to the Japanese monopoly and would probably have to pay a higher price for the Japanese coaster brakes. That price increase might well be greater than the duty saving. Moreover, the domestic manufacturers would be deprived of Bendix's engineering expertise.

Accordingly, we believe that it is in the interest of American business to have coaster brakes deleted from H.R. 5263. If this is done and if GSP treatment can be obtained, the Mexican plant should prove viable. Its continued manufacture of coster brakes would be of decided benefit to American business, including the bicycle manufacturers themselves.

Thank you, Mr. Chairman. This concludes our testimony, and we would be happy to answer any questions that members of this Subcommittee may have.

REMARKS IN SUPPORT OF H.R. 5263, TO SUPPLEMENT TESTIMONY OF MR. JAY C. TOWNLEY, SCHWINN BICYCLE CO., CHICAGO, ILL.

SUMMARY OF ARGUMENT

1. H.R. 5263 is essentially identical to a bill which passed both Houses of Congress late in the last session but was not enacted due to the addition of non-germane amendments by the Senate.

2. What H.R. 5263 does: (a) Extends for forty-two months the duty suspension on eight parts which has been in effect since 1971. (b) Adds four additional parts to the duty-free category. (c) Deletes derailleurs from T.S.U.S. Item Number 912.10.

3. Reasons for the duty suspension: (a) The Tariff Schedules create a distinct disadvantage to American bicycle manufacturers in that most imported parts are assessed at 15 percent ad valorem while most imported bicycles are assessed at 5.5 percent ad valorem. (b) The parts encompassed by the bill, as introduced,

have no domestic sources of supply. Schwinn must rely on foreign sources of these components with or without tariff relief.

Schwinn Bicycle Company submits these comments in support of H.R. 5263 to supplement the oral testimony of Mr. Jay C. Townley, Schwinn's Director of Product Safety and Governmental Affairs, which was presented to the Committee on July 14, 1977. Schwinn respectfully requests that the Senate Finance Committee favorably report this bill at the earliest opportunity. The duty-free bicycle parts categories expired on December 31, 1976 and thus American bicycle manufacturers are currently paying duty on the parts covered by the bill.

Schwinn is an Illinois corporation with its sole place of business in Chicago, Illinois. Since 1895, Schwinn has produced and sold high quality bicycles and component parts and has established a reputation for high standards of performance and workmanship. In 1976, Schwinn's sales accounted for 11.8 percent of all bicycles sold in the United States. Schwinn has perhaps the best vantage point of any American bicycle producer in commenting on the problems of foreign competition, imports and exports. Like other domestic producers, Schwinn imports a great many foreign parts which are either unavailable, not of sufficient quality or not available in sufficient quantities in the domestic market. In addition, Schwinn also imports complete bicycles including its Schwinn-approved "Traveller", "LeTour" and "Volare" models. These are high quality lug-framed bicycles ranging in price from approximately $142 to $495. However, Schwinn is primarily a domestic manufacturer of bicycles and wants to foster the well-being of the American bicycle industry. It is in pursuit of this goal that we are advocating the extension of the duty suspension on certain bicycle parts.

*A. History of the Tariff Suspension of Bicycle Parts*

In 1970, Representative Fulton of Tennessee first proposed the tariff suspension for certain bicycle parts. Public Law 91-689, commonly known as the "Fulton Bill," created two duty-free categories in the traiff schedules, T.S.U.S. Items No. 912.05 and 912.10 which encompassed nine parts: generator lighting sets, derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, and multiple free-wheel sprockets. These duty-free categories were extended for an additional three-year period in 1974 by Public Law 93-490. A copy of the relevant tariff schedule is included as Exhibit A.

*B. Background of H.R. 5263*

The proposed legislation now before this Committee was introduced by Representative Dan Rostenkowski of Illinois on March 21, 1977 and is essentially the same as H.R. 12254 which the Representative introduced in the 94th Congress. That earlier bill passed the House of Representatives overwhelmingly, was unanimously recommended by the Senate Finance Committee and passed the Senate on the last day of the legislative session. Unfortunately, two non-germane amendments were appended to the bill in the waning hours of the day. The House did not have an opportunity to review the amendments prior to adjournment and hence the bill died.

H.R. 5263 has four principal provisions. First, the suspension of tariffs on eight parts which was in effect until December 31, 1976 would be extended until June 30, 1980. This is clearly the most important feature of the legislation. Second, four parts—coaster brakes, certain butted frame tubing, cotterless crank sets, and rims—would be added to duty-free category. These new parts fit substantially within the rationale of the original tariff suspension legislation.[1]

Third, the words "and parts of all the foregoing" would be inserted in T.S.U.S. Items No. 912.05 and 912.10. This language would allow subcomponents of the duty-free parts to also be exempt from duty. The Customs Service takes the position that unless subcomponents are specifically mentioned in a tariff classification, they are not included. See for example, Ruling Number ORR 209-71 issued by Mr. A. P. Schiffin, Director of Tariff Classification Rulings, regarding parts of caliper brakes which appears as Exhibit B. While this issue has a minor financial impact on Schwinn and other manufacturers, it often causes considerable confusion in liquidating entries through Customs.

[1] Some changes in the description of these additional parts were made by the staff of the House Ways and Means Committee. For instance, "alloy rims" was changed to read simply "rims". There is some domestic production of steel rims although alloy rims are only manufactured abroad. "Alloy cotterless crank sets" was altered to "cotterless type crank sets" and "alloy butted frame tubing" was changed to "parts of bicycles consisting of sets of steel tubing cut to exact length and each set having the number of tubes needed for the assembly (with other parts) into the frame and fork of one bicycle."

Fourth, H.R. 5263 would provide for retroactive application to January 1, 1977. The duty-free bicycle parts categories expired on December 31, 1976. Inasmuch as both Houses of Congress last year expressed support for H.R. 12254, Schwinn requests that duty collected on the enumerated bicycle parts between January 1, 1977 and the enactment of this legislation be refunded.

### *C. Reasons for the Duty Suspension*

#### *1. Tariff Disparity Between Parts and Complete Bicycles*

There are two basic reasons for the continuing tariff suspension on bicycle parts. First and most importantly, there is an anomalous disparity in the tariff schedules between the treatment afforded bicycle parts which are imported into this country for assembly into American-made bicycles and the treatment given to imported, foreign-made bicycles. Most bicycle parts fall within T.S.U.S. Item No. 732.36 and are assessed at a rate of 15 percent ad valorem. Complete bicycles, on the other hand, fall within T.S.U.S. Item No. 732.02 through 732.26 and are assessed at rates from 5½ to 11 percent. The vast majority of these imports fall within T.S.U.S. Item No. 732.18: "Bicycles—Having both wheels over 25 inches in diameter—Valued over $16.66⅔ each."

This category carries a rate of 5.5 percent ad valorem for column 1 countries. This strange feature of the tariff schedules creates an inequitable competitive disadvantage for American bicycle manufacturers. For example, Schwinn imports spokes from Germany for use in its bicycle production in Chicago. These spokes are assessed at 15 percent ad valorem. If the very same spokes were incorporated into a European bicycle and sent to this country, they would be assessed, as part of the complete bicycle, at 5.5 percent of their value. Obviously, this gives foreign manufacturers a significant cost advantage in marketing their bicycles. A suspension of tariffs on the parts embodied in T.S.U.S. Items No. 912.05 and 912.10 partially compensates for this ongoing disparity.

Absent the legislative relief embodied in H.R. 5263, eight parts which have for the last six years been entered into this country duty-free will be subject to 15 percent ad valorem duty. The increased cost to the manufacturer, particularly in light of the unsettled state of the American bicycle manufacturing industry, will inevitably have to be passed on to the consumer in the form of higher prices. The more costly American-made bicycles are, the more favorable will be the position of foreign-made bicycles in the American market. The truth of this assertion is best illustrated by the interest of the American Association of Bicycle Importers in the consideration of H.R. 5263. In opposing the legislation, the AABI implicitly confirms that the defeat of this bill and the expiration of the duty-free categories will increase the cost of American bicycles and hence improve the business interests of foreign bicycle manufacturers and importers.

The report which accompanied the original tariff suspension (Senate Finance Committee Report No. 91-1536, December 30, 1970) stated that the purpose of the bill was "* * * to improve the competitive ability of domestic manufacturers of bicycles by temporarily suspending the duty on imports of certain bicycle parts and accessories, thereby reducing their costs." 1970 U.S. Code Cong. and Admin. News, p. 6115.

At that time imports comprised approximately 28 percent of the total U.S. market. Since that time market share percentages have varied greatly. Encouraged by the Kennedy Round staged reduction of tariffs on complete bicycles from 1968 through 1972, bicycle imports climbed on a level of 37 percent of the total U.S. market in 1972. In subsequent years these market share percentages have subsided substantially but imports still constitute a significant portion of the American market and in 1976 occupied only slightly less than the percentage they did in 1970 when the suspension on certain bicycle parts was first introduced. See Exhibit C for complete statistics from 1895 through 1976.

#### *2. Lack of Domestic Sources of Supply*

The second major reason for enacting the "Fulton Bill" in 1970 was the fact that the parts included were not generally available from domestic sources of supply. It seemed pointless to assess duties on parts, and hence raise the cost of the bicycle to manufacturers and to consumers alike, when the manufacturers were compelled to purchase parts from abroad anyway. Schwinn is still dependent on foreign sources of supply for the twelve parts covered by H.R. 5263[2] and therefore with or without the passage of H.R. 5263 Schwinn will still, out of

[2] See page 3 regarding the changes made in the House of Representatives.

necessity, purchase all of the twelve parts included in this bill from its Asian and European suppliers.

In 1975 alone, Schwinn purchased $6,098,990 worth of parts currently in the duty-free categories. If the tariff suspension had not been in effect, this would have resulted in additional payments to the U.S. Customs Service of $928,968.90. See Exhibit D for a detailed breakdown of Schwinn's 1975 purchases of parts covered by the old duty-free categories. As will be explained in more detail below, Schwinn lost money in its bicycle production operations in 1975 and 1976. There is no feasible way in which this additional duty could have been absorbed by the Company. Of necessity, consumer prices would have been raised to absorb these increased costs.

It is also significant to look at the statistics on Schwinn's importation of four parts which H.R. 5263 would add to the duty-free categories. In 1975 Schwinn purchased 261,352 coaster brakes from Mexico and Japan at a cost of $741,717. Schwinn paid duty on these entries of $11,257.55, yet there is not a single source of coaster brakes in the United States at this time. Schwinn submits that this situation is a strong illustration of the need for duty suspension of the twelve selected parts in H.R. 5263.

*D. Financial Condition of Schwinn and the American Bicycle Industry*

The relief offered by this tariff suspension bill is of critical importance to Schwinn particularly at this point of time. Schwinn and other bicycle manufacturers are facing an unsettled period in their history. In the late 1960's and early 1970's, demand for bicycles, both imported and domestic, exploded. However, the famed "bicycle boom" has evidently run its course. In 1974 total market consumption slumped by over 1,000,000 units to 14,105,775. In 1975 the total market was down almost 50 percent to 7,293,784 units. Schwinn alone experienced a staggering 36 percent decline in 1975. Schwinn's American production again declined in 1976.

The effect of the reduced sales on the workers at Schwinn in the last few years has been devastating. Included as Exhibit E are Monthly Reports on Labor Turnover for 1972 through 1976 which Schwinn filed with the Illinois Department of Labor. In 1972 monthly employment levels were consistent and steady in the 1,900 to 2,200 range. During every month of 1973, over 2,200 Chicago workers were on the Schwinn payrolls. This trend continued through much of 1974 until market demand lagged drastically in the fall. With no orders to fill, Schwinn was forced to lay off over 1,000 employees in late 1974. January, 1975 was the worst month in this period with only 841 workers on the payrolls.

Although many of these workers were rehired, there have been periodic layoffs throughout 1975 and 1976 and as recently as March, 1977. The official labor reports clearly show that the monthly average of employees at Schwinn during 1975 was 1,525. The 1976 average sunk to 1,440—a far cry from the 2,200 of 1973.

As sobering as these figures are, they do not reflect the full scope of our recent difficulties. In an effort to keep as many Schwinn workers as possible on the job, the Company was forced to resort to many four-day work weeks throughout 1975 and 1976. In February of this year our factories and offices were closed down for a full week because of lack of orders.

When Schwinn and other manufacturers speak of economic hardship and serious erosion of our work force, it is not based on abstract philosophizing or unsubstantiated theories. Schwinn has faced the unpleasant prospect of laying off large numbers of its workers on a month-by-month, week-by-week basis.

The financial picture at Schwinn has been similarly distressing. The bicycle manufacturing operations resulted in a significant loss in 1975-1976. It is clear that Schwinn would not have been able to absorb the approximately $2,000,000 in additional duties which would have resulted if the tariff suspension had not been in effect in those years. These additional costs would, of necessity, have been passed on to the consumers.

Other manufacturers have experienced even greater difficulties. Iverson Cycle Corporation filed Chapter XI proceedings in bankruptcy in March of 1976. H. P. Snyder Company, a subsidiary of O. F. Mossberg & Sons, Inc., terminated its bicycle production on May 7, 1976 after 81 continuous years in business. Shortly thereafter, on June 18, 1976, that company also filed a petition under Chapter XI of the bankruptcy laws.

It is clear that the small and dwindling American bicycle manufacturing industry has suffered a severe depression. Without the extension of the duty suspension, the American bicycle manufacturers will be forced to make a decision between equally unacceptable choices. They must either absorb the increased

duty, even though many manufacturers have been operating at a loss in recent years, or they must increase the cost of their product to the consumer. This latter action would cause a senseless inflation of prices and would inevitably result in a loss of sales for American bicycle manufacturers.

## CONCLUSION

For all the foregoing reasons, Schwinn Bicycle Company respectfully requests that the Senate Finance Committee favorably report H.R. 5263 at the earliest opportunity. Time is of the essence. Duties on the covered parts are now being collected causing serious cash flow and administrative difficulties for bicycle manufacturers. Schwinn submits that the logic which justified the tariff exemption of 1970 and 1974 is stronger than ever in the troubled market of 1977.

## EXHIBIT A

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1975)

APPENDIX TO THE TARIFF SCHEDULES
Part 1. - Temporary Legislation

Page 613

9 - 1 - 0
911.13 - 912.10

| Item | Stat Suf-fix | Articles | Units of Quantity | Rates of Duty 1 | Rates of Duty 2 | Effective Period |
|---|---|---|---|---|---|---|
| 911.13 | 1/ | Copper bearing ores and materials (provided for in items 603.30 or 603.50, part 1, schedule 6)..... | 1/ | Free of duty imposed on copper content under items 602.30 or 603.50 | No change | On or before 6/30/75 |

| Item | Stat Suf-fix | Articles | Units of Quantity | Rates of Duty 1-a | Rates of Duty 1-b | Rates of Duty 2 | Effective Period |
|---|---|---|---|---|---|---|---|
| 911.14 | 1/ | Cement copper and copper precipitates (provided for in item 612.02, part 2C, schedule 6)..... | 1/ | Free | No change | No change | On or before 6/30/75 |
| 911.15 | 1/ | Black copper, blister copper, anode copper (provided for in item 612.03, part 2C, schedule 6)..... | 1/ | Free | No change | No change | On or before 6/30/75 |
| 911.16 | 1/ | Other unwrought copper (provided for in item 612.06, part 2C, schedule 6)..... | 1/ | Free | No change | No change | On or before 6/30/75 |

| Item | Stat Suf-fix | Articles | Units of Quantity | Rates of Duty 1 | Rates of Duty 2 | Effective Period |
|---|---|---|---|---|---|---|
| 911.75 | 00 | Synthetic rutile (provided for in item 603.70, part 1, schedule 6)..... | Lb..... | Free | No change | On or before 6/30/77 |
| ❶ 911.40 | 1/ | Catalysts of platinum and carbon (provided for in item 676.05, part 3C, schedule 6) when imported for use in producing caprolactam..... | 1/ | Free | Free | On or before 10/31/75 |
| 911.70 | | Copying lathes used for pin or cam or fine hand shaping from models of size larger and, in addition, capable of producing more than one size shape lost from a single size model of shape lost (provided for in item 674.32, part 4F, schedule 6), and parts thereof provided for in items 674.50, 674.51, and 674.55..... | ..... | Free | Free | On or before 6/30/76 |
| | 50 | *Copying lathes*..... | | | | |
| | 70 | *Parts*..... | | | | |
| 912.05 | 00 | Generator lighting sets for bicycles (provided for in item 653.30, part 3A, schedule 6)..... | Units..... | Free | No change | On or before 12/31/76 |
| ❶ 912.08 | 1/ | Open-top hopper cars exported for repairs or alterations (provided for in item 690.15, part 5A, schedule 6)..... | 1/ | Free | No change | On or before 6/30/75 |
| 912.10 | | Derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click-lock clamps, click stick levers, multiple freewheel sprockets (provided for in item 732.36, part 5D, schedule 2)..... | ..... | Free | No change | On or before 12/31/76 |
| | 50 | *[illegible]*..... | | | | |
| | 70 | *[illegible]*..... | | | | |

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1/ See footer [illegible].
❶ Note. The shaded area indicates that the effective period for special tariff treatment has expired.

EXHIBIT B

CUSTOMS INFORMATION EXCHANGE,
*New York, N.Y., March 26, 1971.*

Reference: Item 732.36, TSUS.
Subject: Brake cables, brake shoes and levers for caliper brakes classified under item 732.36, TSUS.

In a letter dated February 16, 1971, you inquired as to the dutiable status of brake cables, brake shoes, and levers for caliper brakes.

For the purpose of this reply it is assumed that the subject merchandise is not the product of any of the communist countries listed in the attached copy of General Headnote 3(e), Tariff Schedules of the United States (TSUS).

It is the opinion of the Bureau that while the subject articles are parts of caliper brakes they are excluded from free entry under item 912.10, TSUS, because there is no provision for parts thereunder.

Accordingly, such parts are classified under the provision for other, parts of bicycles in item 732.36, TSUS, with duty at the rate of 18 percent ad valorem.

Sincerely yours,

A. P. SCHIFFLIN,
*Acting Director,*
*Division of Tariff Classification Rulings.*
PAUL KESPER,
*Acting Director.*

NOTE.—This circular may be released to the public only if the name and address of recipient and other identifying material are deleted.

**Exhibit C**



# U.S. Bicycle Market Statistics – 1895 To 1976

| | | | | | Total U.S. Market Shipment Estimates | | | | Schwinn Bicycle Company | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | U.S. Resident Population (Thousands) | Domestic Industry Shipment 5 Cycles | Exports USA 5 Cycles | Imports USA 5 Cycles | Bicycles | 5 Cycles per 1,000 Population | Lowest Reported % of Total Market | Imports % of Total Market | Shipments Bicycles | Bicycles per 1,000 Population | Percent of Market | Percent of Industry |
| 1893 | [illegible] | 600,000 | | | [illegible] | [illegible] | [illegible] | | | | | |
| 1894 | [illegible] | [illegible] | | | | | | | Estimates Total 198,592 Average of 24,828 Per Year | | | |
| 1897 | [illegible] | [illegible] | | | [illegible] | [illegible] | [illegible] | | | | | |
| 1895 | [illegible] | | | | | | | | | | | |
| 1899 | [illegible] | [illegible] | | | [illegible] | 15.8 | [illegible] | | | | | |
| 1900 | [illegible] | [illegible] | | | [illegible] | 15.9 | [illegible] | | | | | |
| 1901 | [illegible] | | | | | | | | | | | |
| 1902 | [illegible] | | | | | | | | | | | |
| 1903 | 80,632 | | | | | | | | 53,443 | 7 | | |
| 1904 | 82,165 | 250,487 | | | 252,487 | 3.0 | 100.0 | | 59,219 | 2 | 1.0 | 0.0 |
| 1905 | 83,873 | | | | | | | | 73,379 | 5 | | |
| 1906 | 85,437 | | | | | | | | 46,691 | 3 | | |
| 1907 | 87,000 | | | | | | | | 54,224 | 6 | | |
| 1908 | 88,709 | | | | | | | | 31,085 | 4 | | |
| 1909 | 90,492 | 233,707 | | | 233,707 | 2.6 | 100.0 | | 46,454 | 5 | 19.8 | 19.8 |
| 1910 | 92,407 | | | | | | | | 32,242 | 2 | | |
| 1911 | 92,924 | | | | | | | | 32,931 | 3 | | |
| 1912 | 95,331 | | | | | | | | 32,542 | 8 | | |
| 1913 | 97,227 | | | | | | | | 35,191 | 8 | | |
| 1914 | 97,118 | 358,399 | | | 398,593 | 4.0 | 100.0 | | 59,582 | 6 | 15.0 | 15.0 |
| 1915 | 100,549 | | | | | | | | 53,336 | 5 | | |
| 1916 | 101,966 | 526,376 | | | 526,376 | 5.2 | 100.0 | | 95,337 | 9 | 18.2 | 18.2 |
| 1917 | 103,266 | 606,913 | | | 606,914 | 5.9 | 100.0 | | 82,601 | 8 | 13.6 | 13.6 |
| 1918 | 103,203 | 567,207 | | | 567,207 | 5.5 | 100.0 | | 46,865 | 5 | 8.3 | 8.3 |
| 1919 | 104,512 | 479,143 | | | 479,163 | 4.6 | 100.0 | | 46,024 | 4 | 9.6 | 9.6 |
| 1920 | 106,464 | 780,000 | | | 780,000 | 7.3 | 100.0 | | 46,497 | 4 | 5.9 | 5.9 |
| 1921 | 108,541 | 149,192 | | | 149,192 | 1.4 | 100.0 | | 14,763 | 1 | 9.9 | 9.9 |
| 1922 | 110,055 | 150,000 | | | 150,000 | 1.4 | 100.0 | | 23,580 | 2 | 15.7 | 15.7 |
| 1923 | 111,950 | 525,000 | | | 525,000 | 4.7 | 100.0 | | 49,185 | 4 | 9.4 | 9.4 |
| 1924 | 114,112 | 350,000 | 6,967 | | 343,033 | 3.0 | 102.0 | | 32,715 | 3 | 9.5 | 9.3 |
| 1925 | 115,829 | 260,000 | 7,710 | | 252,290 | 2.2 | 101.0 | | 29,023 | 3 | 11.5 | 11.2 |
| 1926 | 117,399 | 300,000 | 5,344 | | 294,656 | 2.5 | 101.8 | | 22,382 | 2 | 7.6 | 7.5 |
| 1927 | 119,039 | 255,000 | 4,832 | | 250,168 | 2.1 | 101.9 | | 22,149 | 2 | 8.9 | 8.7 |
| 1928 | 120,501 | 348,000 | 5,089 | | 342,911 | 2.8 | 101.5 | | 24,960 | 2 | 7.3 | 7.2 |
| 1929 | 121,770 | 308,000 | 6,108 | | 301,892 | 2.5 | 102.0 | | 29,520 | 2 | 9.8 | 9.6 |
| 1930 | 123,077 | 300,000 | 3,745 | | 296,255 | 2.41 | 101.2 | | 23,955 | 2 | 7.9 | 7.9 |
| 1931 | 124,040 | 260,000 | 1,434 | | 258,566 | 2.08 | 100.6 | | 20,739 | 17 | 8.0 | 8.0 |
| 1932 | 124,840 | 260,000 | 795 | | 259,205 | 2.08 | 100.3 | | 17,132 | 14 | 6.6 | 6.6 |
| 1933 | 125,579 | 320,000 | 1,033 | 5,000 | 323,967 | 2.58 | 98.3 | 1.5 | 46,390 | 37 | 14.2 | 14.7 |
| 1934 | 126,374 | 512,450 | 1,177 | 7,500 | 518,773 | 4.11 | 98.8 | 1.4 | 85,896 | 69 | 16.5 | 7.0 |
| 1935 | 127,250 | 457,000 | 1,120 | 13,000 | 468,880 | 3.68 | 98.0 | 1.9 | 107,217 | 84 | 14.0 | 16.3 |
| 1936 | 129,053 | 1,219,115 | 2,322 | 17,000 | 1,233,033 | 9.63 | 99.8 | 1.4 | 201,442 | 157 | 16.3 | 16.3 |
| 1937 | 128,825 | 1,131,000 | 3,840 | 16,000 | 1,143,160 | 8.87 | 98.9 | 1.4 | 158,657 | 1.31 | 13.8 | 14.9 |
| 1938 | 129,825 | 851,526 | 3,037 | 16,500 | 864,939 | 6.66 | 98.5 | 1.9 | 121,720 | 94 | 14.1 | 14.3 |
| 1939 | 130,880 | 1,252,986 | 6,720 | 12,214 | 1,258,280 | 9.61 | 99.6 | 1.0 | 159,907 | 1.45 | 15.1 | 15.2 |
| 1940 | 131,954 | 1,290,995 | 11,795 | 11,359 | 1,290,559 | 9.78 | 100.0 | 0.9 | 224,595 | 1.71 | 17.4 | 17.4 |
| 1941 | 133,121 | 1,829,073 | 28,132 | 6,041 | 1,824,382 | 13.57 | 101.2 | 0.3 | 346,487 | 2.60 | 19.0 | 18.3 |
| 1942 | 133,920 | 550,848 | 6,506 | 548 | 551,890 | 4.14 | 101.1 | 0.1 | 112,849 | 84 | 20.3 | 20.1 |
| 1943 | 134,245 | 178,938 | (b) 20,948 | 101 | 158,121 | 1.18 | 1.31 | 0.1 | 16,335 | 12 | 10.3 | 9.2 |
| 1944 | 132,885 | 172,965 | (b) 24,229 | 63 | 148,799 | 1.12 | 116.0 | | 18,929 | 14 | 12.7 | 10.9 |
| 1945 | 132,481 | 534,655 | 13,509 | 3,575 | 524,721 | 4.11 | 121.3 | 0.7 | 78,145 | 54 | 15.0 | 17.7 |

(Continued on Other Side)

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# U.S. Bicycle Market Statistics—1895 To 1976

(Continued)

| * | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | TOTAL U.S. MARKET (RESIDENT AND NON-RESIDENT) | | | | SCHWINN BICYCLE COMPANY | | | |
| YEAR | U.S.A. RESIDENT POPULATION (THOUSANDS) | DOMESTIC INDUSTRY SHIPMENT BICYCLES | EXPORTS U.S.A. BICYCLES | IMPORTS U.S.A. BICYCLES | BICYCLES | BICYCLES PER 1000 POPULATION | DOMESTIC INDUSTRY % OF TOTAL MARKET | IMPORTS % OF TOTAL MARKET | SHIPMENTS BICYCLES | BICYCLES PER 1000 POPULATION | PERCENT OF MARKET | PERCENT OF INDUSTRY |
| 1946 | 140,054 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1947 | 143,446 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1948 | 146,093 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 36.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1949 | 149,665 | [illegible] | [illegible] | [illegible] | [illegible] | 9.75 | 37.7 | [illegible] | [illegible] | [illegible] | 34.3 | [illegible] |
| 1950 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1951 | 152,264 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1952 | 155,761 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1953 | 158,313 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1954 | 161,191 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1955 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1956 | 167,259 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1957 | 170,323 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1958 | 174,882 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1959 | 177,830 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1960 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1961 | 183,643 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1962 | 185,822 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1963 | 188,280 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1964 | 192,119 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1965 | 194,493 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1966 | 198,196 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1967 | 200,000 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1968 | 200,735 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1969 | 202,253 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1970 | 205,211 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1971 | 207,026 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1972 | 209,444 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1973 | 211,520 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1974 | 212,200 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1975 | 213,905 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1976 | 215,119 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

(1) All census figures based on July 1 population. Source—Series P25 #385 current population reports—Bureau of Census.

*Footnotes:*

(a) Preliminary Tariff Commission figures
(b) Includes Lend Lease shipments
(c) Includes bicycles from Communist dominated countries
(d) Includes imported Traveler and Voyager bicycles
(e) Includes imported Traveler, Voyager, Super Le Tour and Le Tour bicycles

**Sources and Descriptions:*

Column #1 — Population from U.S. Department of Commerce Bureau of Census—Resident Population.

Column #2 — U.S. Domestic Industry—in some years may represent production and in some years may represent shipments. It is believed that all figures are fairly representative of domestic industry output. Figures are from following sources:
1895 1917—Statistical compilation of old Cycle Trades Assn.
1919 1939 1940 1909 1914 1918 1933 1937—U.S. Department of Commerce Bureau of Census
1916 1917—War Industries Board
1921 1927 1928 1931 1932 1944 1946—U.S. Tariff Commission for Industry Exports and Imports
1919 1920 1929 1930 1935 1936—New Departure Div. of General Motors Corp.—important supplier of coaster brakes
1933 1934 1938 1939 1940 1945—Bicycle Institute of America.

Column #3 — Figures from U.S. Department of Commerce through U.S. Tariff Commission.

Column #4 — Total U.S. Market—Apparent Consumption. Industry figures minus Exports plus Imports—per U.S. Tariff Commission formula.

Column #5 — Bicycles per 1000 Population—Total Market. Column #3 divided by Column #1.

Column #6 — Domestic Industry % of Total Market. Column #2 divided by Column #3.

Column #7 — Imports % of Total Market. Column #4 divided by Column #3.

Column #8 — Schwinn Bicycle Company Bicycles are yearly shipments of all bicycles from company records.

Column #9 — Schwinn Bicycle Company Bicycles per 1000 Population. Column #8 divided by Column #1.

Column #10 — Schwinn Bicycle Company % of Market. Column #8 divided by Column #3.

Column #11 — Schwinn Bicycle Company % of Industry. Column #8 divided by Column #2.

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## EXHIBIT D

### ROSTENKOWSKI BILL—SCHWINN IMPORT STATISTICS

| Part | Volume purchases in 1975 | Cost |
|---|---|---|
| Parts currently duty free under TSUS item Nos. 912.05 and 912.10: | | |
| 1. Generator lighting sets | 111,127 | $353,010 |
| 2. Derailleurs | 984,743 | 2,031,633 |
| 3. Caliper brakes | 1,141,199 | 2,019,778 |
| 4. Drum brakes | 2,347 | 10,069 |
| 5. 3-speed hubs incorporating coaster brakes | 4,494 | 52,500 |
| 6. 3-speed hubs not incorporating coaster brakes | 47,042 | 272,844 |
| 7. Click twist grips | 0 | 0 |
| 8. Click stick levers | 0 | 0 |
| 9. Multiple freewheel sprockets | 508,952 | 1,359,156 |
| Subtotal | | 6,098,990 |
| Parts which H.R. 12254 adds to duty-free category: | | |
| 1. Coaster brakes | 261,352 | 741,717 |
| 2. Alloy butted frame tubing (sets for 1 bicycle) | 775 | 11,400 |
| 4. Frame lugs (for 1 bicycle) | 775 | 4,007 |
| 4. Alloy cotterless crank sets | 775 | 44,175 |
| 5. Alloy rims (pairs) | 775 | 6,123 |
| Subtotal | | 807,422 |
| Total | | 6,906,412 |

# EXHIBIT E

| STATE | REPORT NO. | IND. | | | AREA | LOCAL OFF |
|---|---|---|---|---|---|---|

OMB No. 44-R1[illegible]
Approval expires January 31, 1973

## MONTHLY REPORT ON JOB OPENINGS AND LABOR TURNOVER

U.S. DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
and
THE MANPOWER ADMINISTRATION
WASHINGTON, D.C. 20212

Enter the data requested and return in the enclosed envelope as soon as the information is available each month

ILLINOIS DEPARTMENT OF LABOR
BUREAU OF EMPLOYMENT SECURITY
RESEARCH AND STATISTICS SECTION
[illegible] CANAL ST.
CHICAGO, ILLINOIS 60606
TELEPHONE [illegible]

CHANGE NAME AND MAILING ADDRESS IF INCORRECT—INCLUDE ZIP CODE

1972

[illegible] 37[illegible]-51 X 751 [illegible]

SCHWINN BICYCLE CO-PERS MGR
1356 N ACSTNER CHICAGO ILL 60639

The Bureau of Labor Statistics, the Manpower Administration, and the State agencies cooperating in their statistical programs will hold all information furnished by the respondent in strict confidence.

LOCATION _____ (City) _____ (County) _____ (State)

Before entering data see explanations on other side

| YEAR AND MONTH | I. LABOR TURNOVER DURING CALENDAR MONTH | | | | | | | | | | II. EMPLOYMENT (one pay period) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | PERIOD COVERED (Cols. 4 through 11) | | ALL EMPLOYEES | | | | | | | | TOTAL NUMBER who worked during or received pay for any part of the pay period which includes the 12th of the month |
| | | | SEPARATIONS (during calendar month) | | | | | ACCESSIONS (during calendar month) | | | |
| | From— | Through | Total Separations (Sum of cols. 5 thru 9) | Quits | Discharges | Layoffs | Other Separations | Total Accessions (Sum of cols. 10 & 11) | New Hires | Other Accessions | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1971 Dec. | 1 | 31 | 42 | 40 | 0 | 0 | 2 | 20 | 20 | 0 | 1936 |
| 1972 Jan. | 1 | 31 | 44 | 38 | 0 | 0 | 6 | 91 | 91 | 0 | 1933 |
| Feb. | 1 | 29 | 48 | 44 | 0 | 0 | 4 | 94 | 94 | 0 | 1959 |
| Mar. | 1 | 31 | 52 | 51 | 0 | 0 | 1 | 88 | 86 | 2 | 1989 |
| Apr. | 1 | 30 | 82 | 77 | 0 | 0 | 5 | 102 | 102 | 0 | 1993 |
| May | 1 | 31 | 76 | 72 | 2 | 0 | 2 | 140 | 140 | 0 | 2027 |
| June | 1 | 30 | 83 | 79 | 0 | 0 | 4 | 110 | 110 | 0 | 2112 |
| July | | | | | | | | | | | |
| Aug. | 1 | 31 | 143 | 140 | 0 | 0 | 3 | 162 | 160 | 2 | 2140 |
| Sept. | | | | | | | | | | | |
| Oct. | 1 | 31 | 106 | 98 | 2 | 0 | 6 | 148 | 147 | 1 | 2198 |
| Nov. | 1 | 30 | 92 | 83 | 7 | 0 | 2 | 88 | 87 | 1 | 2255 |
| Dec. | 1 | 31 | 32 | 31 | 0 | 0 | 1 | 26 | 21 | 5 | 2291 |

| YEAR AND MONTH | III. JOB OPENINGS for which workers from outside the firm were actively being sought as of close of last business day of most recent month. (If "NONE," enter "0", do not leave blank.) | | | | IV. YOUR COMMENTS |
|---|---|---|---|---|---|
| | CURRENT JOB OPENINGS (unoccupied and ready for immediate filling) | | NUMBER OF OPENINGS WITH FUTURE STARTING DATES (not included in column 13) | DO NOT USE Expl. Code | Enter main factors responsible for any significant month-to-month changes in SECTIONS I, II, and III. Examples are: More business, Strike, Fire, Weather, Temporary summer help, Seasonal increases |
| | Number of Current Job Openings | No. included in col. 13 remaining unfilled for a month or longer | | | |
| | (13) | (14) | (15) | (16) | (17) |
| 1971 Dec. | 10 | 5 | 0 | | |
| 1972 Jan. | 9 | 4 | — | | |
| Feb. | 10 | 3 | — | | |
| Mar. | 14 | 7 | — | | |
| Apr. | 12 | 5 | — | | |
| May | 16 | 6 | — | | |
| June | 13 | 6 | — | | |
| July | 12 | 4 | — | | |
| Aug. | | | | | |
| Sept. | — | — | — | | |
| Oct. | 10 | 6 | — | | |
| Nov. | 8 | 3 | | | |
| Dec. | | | | | |

| STATE | REPORT NO | IND | AREA | OCCUPATION |
|---|---|---|---|---|

Office of Management and Budget No. 44-R1064
Approval expires January 31, 19[illegible]

US DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
and
THE MANPOWER ADMINISTRATION
WASHINGTON D.C. 20212

# MONTHLY REPORT ON JOB OPENINGS AND LABOR TURNOVER

Return to:
ILLINOIS DEPARTMENT OF LABOR
Bureau of Employment Security
145 North Canal Street
Chicago, Illinois 60606
Telephone: 933-4493

CHANGE NAME AND MAILING ADDRESS IF INCORRECT—INCLUDE Z.P. CODE

01632 379-81 X 781 003032

SCHWINN BICYCLE CO-PERS MGR
1856 N KOSTNER CHICAGO ILL 60639

The U.S. Department of Labor, the Manpower Administration, and the State agencies operating manpower programs will hold all information furnished to the respondent in strict confidence

LOCATION _____ (City) _____ (County) _____ (State)

Before entering data see explanations on other side

| YEAR AND MONTH | PERIOD COVERED From (Cols 4 through 11) | Through | I. LABOR TURNOVER DURING CALENDAR MONTH — ALL EMPLOYEES: SEPARATIONS during the month | | | | | ACCESSIONS during the month | | | II. EMPLOYMENT (Pay period ending closest to the 15th of the month) TOTAL NUMBER who worked for the firm received pay any part of pay period which includes the 12th of the month |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | Total Separations (Sum of Cols 5 thru 9) (4) | Quits (5) | Discharges (6) | Layoffs (7) | Other Separations (8) | Total Accessions (Sum of Cols 10 & 11) (9) | New Hires (10) | Other Accessions (11) | (12) |
| 1972 Dec. | 1 | 31 | [illegible] | 31 | [illegible] | [illegible] | 1 | [illegible] | [illegible] | 5 | [illegible] |
| 1973 Jan. | 1 | 31 | 75 | 57 | 8 | [illegible] | [illegible] | [illegible] | 62 | 4 | [illegible] |
| Feb. | 1 | 28 | 66 | 60 | 0 | 0 | 6 | 62 | 61 | 1 | 2237 |
| Mar. | [illegible] | 31 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Apr. | 1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1 | [illegible] |
| May | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| June | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| July | 1 | 31 | 48 | 37 | 1 | 0 | 5 | 74 | 74 | 1 | 2210 |
| Aug. | 1 | 31 | 127 | [illegible] | 0 | [illegible] | [illegible] | 112 | [illegible] | 1 | 2205 |
| Sept. | 1 | 30 | 93 | 86 | 0 | 0 | 7 | 93 | 91 | 2 | 2204 |
| Oct. | 1 | 31 | 97 | 95 | 1 | 0 | 1 | 115 | 114 | 1 | 2209 |
| Nov. | 1 | 30 | 54 | 52 | 0 | 0 | 2 | 43 | 42 | 1 | 2209 |
| Dec. | 1 | 31 | 42 | 42 | 0 | 0 | 0 | 16 | 16 | 0 | 2226 |

III. JOB OPENINGS for which workers from outside the firm were actively being sought at close of the last work day in most recent month. (III-1 Quits, Enter 0 if not applicable.)

IV. YOUR COMMENTS

| YEAR AND MONTH | CURRENT JOB OPENINGS (unoccupied and ready for immediate filling) Number of Current Job Openings (13) | No. include jobs remaining unfilled for a month or longer (14) | NUMBER OF OPENINGS WITH FUTURE START DATES (not included in column 13) (15) | DO NOT USE (16) | Explain any significant month-to-month changes in Sections I, II and III. Examples are: Work Stoppages, Strike, Fire; Weather, Temporary summer help, Seasonal layoffs (17) |
|---|---|---|---|---|---|
| 1972 Dec | 1 | 4 | | | |
| 1973 Jan. | 7 | 2 | — | | |
| Feb. | 6 | 1 | — | | |
| Mar. | 2 | — | — | | |
| Apr. | 2 | — | — | | |
| May | 2 | — | — | | |
| June | 14 | 5 | | | |
| July | 15 | 5 | | | |
| Aug | 10 | 4 | | | |
| Sept. | 10 | 4 | | | |
| Oct | 6 | 5 | | | |
| Nov. | 4 | 2 | | | |
| Dec | 10 | 2 | | | |

2

| STATE | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|

Office of Management and Budget
Budget No. 44-R1064
Approval expires January 31, 1975.

MONTHLY REPORT ON JOB OPENINGS AND LABOR TURNOVER

U.S. DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
and
THE MANPOWER ADMINISTRATION
WASHINGTON, D.C. 20212

Enter the data only if indicated in the instructions or if requested by the Bureau of Labor Statistics

CHANGE NAME AND MAILING ADDRESS IF INCORRECT—INCLUDE ZIP CODE

01632 375-51 X 761 003022

SCHWINN BICYCLE CO-PERS MGR
1656 N KOSTNER CHICAGO ILL 60639

Return to:
ILLINOIS DEPARTMENT OF LABOR
Bureau of Employment Security
165 North Canal Street
Chicago, Illinois 60606
Telephone 791-4498

1974
Copy

For information on this form see the Manpower Administration, and the Bureau of Labor Statistics joint pamphlet. All information will be held in strict confidence.

LOCATION _____

Before entering data see explanations on other side

| YEAR AND MONTH | I. LABOR TURNOVER DURING CALENDAR MONTH: PERIOD COVERED (Cols. 4 through 11) From | Through | ALL EMPLOYEES: SEPARATIONS (during month): Total Separations (Cols. 5 thru 8) | Quits | Discharges | Layoffs | Separations | ACCESSIONS (during month): Total Accessions (Cols. 10 & 11) | New Hires | Accessions | II. EMPLOYMENT (Incl. PR) (NONE): TOTAL NUMBER who worked during the pay period which includes the 12th of the month |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1973 Dec. | 1 | 31 | 42 | 42 | 0 | 0 | 0 | 18 | 18 | 0 | 2226 |
| 1974 Jan. | 1 | 31 | 61 | 56 | 0 | 0 | 5 | 48 | 47 | 1 | 2209 |
| Feb. | 1 | 28 | 52 | 46 | 1 | 0 | 4 | 72 | 6 | 2 | 2210 |
| Mar. | 1 | 31 | 67 | 62 | 0 | 0 | 5 | 100 | 99 | 1 | 2252 |
| Apr. | 1 | 30 | 71 | 66 | 0 | 0 | 5 | 60 | 60 | 0 | 2258 |
| May | 1 | 31 | 60 | 58 | 0 | 0 | 2 | 65 | 65 | 0 | 2208 |
| June | 1 | 30 | 64 | 79 | 0 | 0 | 5 | 108 | 107 | 1 | 2249 |
| July | 1 | 31 | 53 | 52 | 0 | 0 | 0 | 72 | 75 | 0 | 2267 |
| Aug. | 1 | 31 | 31 | 30 | 0 | 0 | 0 | 62 | 62 | 0 | 2261 |
| Sept. | 1 | 30 | 42 | 42 | 0 | 0 | 0 | 26 | 26 | 0 | 2258 |
| Oct. | 1 | 31 | 464 | 30 | 0 | 432 | 2 | 3 | 3 | 0 | 2074 |
| Nov. | 1 | 30 | [illegible] | 17 | 10 | [illegible] | 2 | 4 | 4 | 0 | [illegible] |
| Dec. | 1 | 31 | 59 | 1 | 3 | 55 | 2 | 2 | 2 | 0 | 1328 |

| YEAR AND MONTH | III. JOB OPENINGS (for which workers were being sought at close of most recent month) (If NONE, enter 0 in first Current Job Openings column and skip to IV): CURRENT HAPPENINGS (unfilled and ready for immediate hire) Number of Current Job Openings | Not included in current month's report (Col. 1) | SIGNIFICANT OPENINGS FOR THE START OF NEW DATES (Not included in Column 1) | DO NOT USE Exp. Code |
|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) |
| 1973 Dec. | | | | |
| 1974 Jan. | | | | |
| Feb. | | | | |
| Mar. | | | | |
| Apr. | | | | |
| May | | | | |
| June | | | | |
| July | | | | |
| Aug. | | | | |
| Sept. | | | | |
| Oct. | | | | |
| Nov. | | | | |
| Dec. | | | | |

DO NOT COMPLETE PART III

IV. YOUR COMMENTS

Enter comments on reasons for any significant month-to-month changes in SECTIONS I, II, and III. Examples are:

Strike — Weather
Fire — Temporary summer help
Seasonal Increases

(17)

LAYING OFF SOME
CHANGE IN PROD

Dennis J. Bozzo, Jr. — Pers Mgr — 312-[illegible]

BEST COPY AVAILABLE

State | Report No. | Ind

Approval expires Jan. 31,

U.S. DEPARTMENT OF LABOR
Bureau of Labor Statistics
and
The Manpower Administration
Washington, D.C. 20212

# MONTHLY REPORT ON LABOR TURNOVER

Enter the data requested and return in the enclosed envelope as soon as the information is available each month.

Return to:
ILLINOIS DEPARTMENT OF LA
BUREAU OF EMPLOYMENT SECURITY
165 North Canal Street
Chicago, Illinois 60606
Telephone: 793 4497, 4498

(Change name and mailing address if incorrect - include ZIP code)

01632 379-51 X 761 003022

SCHWINN BICYCLE CO-DEPT HRD
1856 N KOSTNER CHICAGO ILL 60639

1975 OK COPY

The Bureau of Labor Statistics, the Manpower Administration, and the State agencies cooperating in their statistical programs will hold all information furnished by the respondent in strict confidence

LOCATION ___ (City) ___ (County) ___ (State)

Before entering data see explanations on other side

| YEAR AND MONTH | I. LABOR TURNOVER DURING CALENDAR MONTH: PERIOD COVERED (Col. 3 minus col. 1) From | Through | ALL EMPLOYEES: SEPARATIONS (During calendar month) Total separations (sum of cols. 5 thru 8) | Quits | Discharges | Layoffs | Other separations | ACCESSIONS (During calendar month) Total accessions (sum of cols. 10 & 11) | New hires | Other accessions | II. EMPLOYMENT (one pay period) TOTAL NUMBER (Exclude those who received no pay for Jan. pay period which includes the 12th of the month) |
|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1974 Dec. | 1 | 31 | 54 | 1 | 3 | 2 | 2 | 2 | 2 | 0 | 1328 |
| 1975 Jan. | 1 | 31 | 44 | 8 | 6 | 26 | 4 | 70 | 0 | 70 | 841 |
| Feb. | 1 | 28 | 26 | 5 | 8 | 10 | 3 | 71 | 3 | 68 | 1354 |
| Mar. | 1 | 31 | 29 | 4 | 6 | 18 | 1 | 20 | 3 | 17 | 1366 |
| Apr. | 1 | 30 | 32 | 29 | 1 | 2 | 0 | 354 | 3 | 351 | 1363 |
| May | 1 | 31 | 64 | 60 | 1 | 0 | 3 | 332 | 136 | 196 | 1932 |
| June | 1 | 30 | 45 | 41 | 0 | 6 | 1 | 163 | 160 | 3 | 2054 |
| July | 1 | 31 | 148 | 0 | 0 | 148 | 0 | 36 | 36 | 0 | 2049 |
| Aug. | 1 | 31 | 451 | 24 | 37 | 390 | 5 | 1 | 1 | 0 | 1721 |
| Sept. | 1 | 30 | 47 | 6 | 22 | 16 | 3 | 47 | 3 | 44 | 1505 |
| Oct. | 1 | 31 | 236 | 8 | 12 | 212 | 3 | 8 | 4 | 4 | 1495 |
| Nov. | 1 | 30 | 17 | 2 | 5 | 9 | 1 | 16 | 1 | 15 | 1317 |
| Dec. | 1 | 31 | 16 | 0 | 6 | 9 | 1 | 7 | 2 | 5 | 1322 |

| YEAR AND MONTH | III. YOUR COMMENTS: Enter main factors responsible for any significant month to month changes in SECTIONS I and II. Examples are: *more business, strike, fire, weather, temporary summer help, seasonal increases, etc.* (14) |
|---|---|
| 1974 Dec. | |
| 1975 Jan. | INVENTORY |
| Feb. | |
| Mar. | |
| Apr. | RECALL FROM LAYOFFS IN LATE APRIL |
| May | " " " & HIRES - MORE BUSINESS |
| June | " " " " " - MORE BUSINESS |
| July | |
| Aug. | DECREASE IN SALES |
| Sept. | |
| Oct. | |
| Nov. | |
| Dec. | |

Person to be addressed if questions arise regarding this report: Alberto J. Schwarzbe | Position: Personnel Manager | Telephone no. 227-2000

DL 1219

| State | Report No. | Int | | |
|---|---|---|---|---|
| | | | | |

O.M.B. No. 44-R1064
Approval expires Jan. 31, 1976

U.S. DEPARTMENT OF LABOR
Bureau of Labor Statistics
and
Manpower Administration
Washington, D.C. 20212

# MONTHLY REPORT ON LABOR TURNOVER

Enter the data requested and return in the enclosed envelope as soon as the information is available each month.

Return to:
ILLINOIS DEPARTMENT OF LABOR
Bureau of Employment Security
910 South Michigan Avenue
Chicago, Illinois 60605
Telephone: (312) 793-4497

(Change name and mailing address if incorrect—include ZIP code)

01632 379-51 X 761 003022

SCHWINN BICYCLE CO-PERS MGR
1856 N KOSTNER CHICAGO ILL 60639

1976 OUR COPY

The Bureau of Labor Statistics, the Manpower Administration, and the State agencies cooperating in these statistical programs will hold all information furnished by the respondent in strict confidence.

MIL-LOA
NAT-LOA
RATIFIED
LABORS

LOCATION ..... (City) RICHARD ROAD MILLOA (County) CONT. LOA (State)

Before entering data see explanations on other side

| YEAR AND MONTH | I. LABOR TURNOVER DURING CALENDAR MONTH | | | | | | | | | | | II. EMPLOYMENT (one pay period) | DO NOT USE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | PERIOD COVERED (Col. 4 through 13) | | ALL EMPLOYEES | | | | | | | | | | |
| | | | SEPARATIONS (during calendar month) | | | | | ACCESSIONS (during calendar month) | | | | | |
| | From— | Through | Total separations (sum of cols. 5 thru 8) | Quits | Discharges | Layoffs | Other separations | Total accessions (sum of cols. 10 – 12) | New hires | Recalls | Other accessions | TOTAL NUMBER who worked during or received pay for any part of the pay period which includes the 12th of the month. | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) |
| 1975 Dec. | 1 | 31 | 16 | 0 | 6 | 9 | 1 | 7 | 2 | 0 | 5 | 1322 | |
| 1976 Jan. | 1 | 31 | 20 | 7 | 5 | 5 | 6 | 23 | 3 | 20 | – | 1235 | |
| Feb. | 1 | 29 | 22 | 7 | 8 | 3 | 4 | 15 | 3 | 12 | – | 1321 | |
| Mar. | 1 | 31 | 18 | 3 | 12 | – | 3 | 284 | 9 | 275 | – | 1365 | |
| Apr. | 1 | 30 | 41 | 9 | 29 | – | 3 | 251 | 133 | 118 | – | 1656 | |
| May | 1 | 31 | 191 | 30 | 76 | 82 | 3 | 134 | 134 | – | – | 1838 | |
| June | 1 | 30 | 322 | 17 | 21 | 282 | 2 | 9 | 6 | 3 | – | 1579 | |
| July | 1 | 31 | 16 | 12 | 4 | – | – | 11 | 2 | 9 | – | 1410 | |
| Aug. | 1 | 31 | 96 | 14 | 12 | 68 | 2 | 23 | 2 | 21 | – | 1348 | |
| Sept. | 1 | 30 | 17 | 9 | 3 | 2 | 3 | 30 | 1 | 29 | – | 1356 | |
| Oct. | 1 | 31 | 26 | 13 | 10 | 2 | 2 | 39 | 1 | 38 | – | 1376 | |
| Nov. | 1 | 30 | 12 | 6 | 3 | 1 | 2 | 55 | 18 | 34 | 1 | 1471 | |
| Dec. | 1 | 31 | 16 | | | | | | | | | | |

| YEAR AND MONTH | III. YOUR COMMENTS Enter main factors responsible for any significant month to month changes in SECTIONS I and II. Examples are: *more business, strike, fire, weather, temporary summer help, seasonal increases, etc* (11) |
|---|---|
| 1975 Dec. | |
| 1976 Jan. | |
| Feb. | |
| Mar. | |
| Apr. | |
| May | |
| June | |
| July | |
| Aug. | |
| Sept. | * DOES NOT INCLUDE 6 TEAM-FRIENDS TO RECALL VAN RICHEL |
| " | ** " " " 33 " " " " " " |
| Nov. | *** " " " 37 " " " " " " |
| Dec. | |

| Person to be addressed if questions arise regarding this report | Position | Telephone no. |
|---|---|---|
| DENNIS L. FORMISTER | PERSONNEL MANAGER | 292-2900 |

## INSTRUCTIONS FOR COMPLETING THIS FORM

### I. LABOR TURNOVER

PERIOD COVERED - Information on labor turnover, columns 4 through 12, is requested for the most recent *entire calendar month* specified in column 1, or, if this is not possible, for a period, which most closely covers that calendar month. In either case, enter in column 2 and 3 the beginning and ending dates for the monthly period for which turnover data are reported.

#### SEPARATIONS (ALL EMPLOYEES)

Column 4 TOTAL SEPARATIONS - Enter the sum of columns 5 through 8.

Column 5 QUITS - A quit is a termination of employment *initiated by the employee* for any reason except to retire, to transfer to another establishment of the same firm, or for service in the Armed Forces. Include a person who fails to report after being hired (if previously counted as an accession) and an unauthorized absence (if on the last day of the month the person has been absent more than 7 consecutive calendar days.

Column 6 DISCHARGE - A discharge is a termination of employment *initiated by the employer* for such reasons as incompetence, violation of rules, dishonesty, laziness, absenteeism, insubordination, failure to pass probationary period, etc. Inability to meet a company's physical standards should be reported in other separations, column 8.

Column 7 LAYOFFS - A layoff is a suspension from pay status (lasting or expected to last more than 7 consecutive calendar days without pay) initiated by the employer *without prejudice to the worker* for such reasons as: lack of orders, model changeover, termination of seasonal or temporary employment, inventory-taking, introduction of labor saving devices, plant breakdown, shortage of materials, etc. *Include temporarily furloughed employees and employees placed on unpaid vacations*

Column 8 OTHER SEPARATIONS - Include only terminations of employment for military duty lasting or expected to last more than 30 calendar days, retirement, death, permanent disability, failure to meet required physical standards, and transfers of employees to another establishment of the company. NOTE: If you include any other types of separations in this column, mention the number and type under Comments. Employees involved in labor-management disputes should not be counted as separations.

#### ACCESSIONS (ALL EMPLOYEES)

Column 9 TOTAL ACCESSIONS - An accession is any permanent or temporary addition to the employment roll whether of new or former employees, or transfers from another establishment of the company. Enter in column 9 the sum of columns 10 thru 12. Employees involved in labor-management disputes should not be counted as accessions when they return to work.

Column 10 NEW HIRES - New hires are temporary and permanent additions to the employment roll of (1) anyone who has never before been employed in this establishment or (2) former employees you did *not* call back. Persons transferred from other establishments of the company should be reported in "other accessions."

Column 11 RECALLS - Recalls are permanent or temporary additions to the employment roll of persons specifically recalled to a job in the same establishment of the company following a period of layoff lasting more than seven consecutive days. Employees called from a layoff in a different establishment of the company are to be classified as a transfer and reported in column 12 - OTHER ACCESSIONS.

Column 12 OTHER ACCESSIONS - Include all additions to the employment roll other than new hires and recalls. This includes transfers from other establishments of the company, and former employees returning from military leave or other absences without pay who have been counted as separations. Employees involved in labor-management disputes should not be counted as accessions when they return to work.

### II. EMPLOYMENT

PERIOD COVERED - Employment information, column 13 is requested for one pay period (preferably one week) which includes the 12th of the calendar month for which labor turnover data are reported.

Column 13 TOTAL NUMBER - Enter the total number of persons on the payroll of the establishment(s) covered in this report who worked full or part-time or received pay for any part of the pay period (preferably one week).

Include salaried officers of corporations, executives and their staffs, and employees engaged in force-account construction but exclude proprietors, members of unincorporated firms, and unpaid family workers. Include persons on vacations and sick leave if they received pay directly from your firm for the pay period covered.

*Exclude* persons on leave without company pay the entire period and pensioners and members of the Armed Forces carried on the rolls but not working during the pay period covered.

### III. COMMENTS

Column 15 YOUR COMMENTS - Enter the main factors responsible for significant month-to-month changes in Labor Turnover (columns 4 through 12) and Employment (column 13).

Senator RIBICOFF. Next is H.R. 5285.

Mr. Frederick Rarig, please?

## STATEMENT OF FREDERICK RARIG, ESQ., ASSOCIATE GENERAL COUNSEL FOR REGULATORY AFFAIRS, ROHM & HAAS CO., ACCOMPANIED BY WALTER LEE

Mr. RARIG. Thank you very much, Mr. Chairman. I am Frederick Rarig, associate general counsel of Rohm & Haas Co. I have with me Mr. Walter Lee, who is an expert in the production and distribution of acrylic products. I do not believe you want to go deeply into the technology of acrylics. We are prepared to go quite a ways, if indeed you are.

We are dealing, gentlemen, with two decisions of the Congress. One was taken in 1932 at the very infancy of the acrylic industry to provide a duty, a specific duty, for acrylic sheets, which is essentially a raw material. This was done under what became TSUS 771.45.

The other decision of the Congress fixes the duty on partially fabricated plastic sheets under 774.60.

We are sure, gentlemen, that the Congress never intended that the provision of the classification for partially fabricated sheets should render meaningless the determination embodied in setting the specific duty for acrylic sheet under TSUS 771.45, but this, we submit, is exactly what has happened as a result of a decision in 1973 of the Commissioner of Customs.

The Commissioner held that the drilling of useless holes in the selvage edge of acrylic sheet was all the processing required to remove this raw material from TSUS 771.45.

Senator RIBICOFF. Is not Rohm & Haas a drug company?

Mr. RARIG. We are a chemical specialty company. We have a minor part of our business in the drug field. We are pioneers in the development of the acrylic plastic technology in this country, Mr. Ribicoff.

H.R. 5285 will correct this situation, which renders the specific classification of acrylic sheet meaningless, by simply adding the requirement that the processing which is required to bring a raw material out from under a specific classification into the basket classification, 774.60, must be a useful act of processing. We suggest that this must mean that it converts a raw material into an item of commerce different from—substantially different from—the raw material.

Otherwise, the economic considerations and the national security considerations, all of the deliberations that went into determining what degree of protection should be provided to the acrylic industry becomes a useless exercise by the simple strategem of drilling useless holes, which requires the investment of virtually no money at all, in the edge of a raw material.

Our request for legislative relief in this situation, which deprives us of any basis for dealing with our tariff status, has been attacked, as you are probably aware, by the State Department, the Treasury Department, the Commerce Department, and the ITC. I will not discuss their criticisms in detail, but I would like to point out that none of these departments has defended the ruling of the Commissioner of Customs. No one has suggested that any interest—other than administrative convenience, an administrative agency's convenience and, I submit, expediency, is served by refusing to reestablish what we are sure was the original intention of the Congress.

No one has suggested that the situation is defensible or that we have been treated fairly, and we submit that this condition leaves us in an impossible position in trying to deal intelligently with the impact of very substantial foreign competition.

The situation is such that acrylic sheet loses its entire identity by reason that it can be shipped in under a basket clause, and it is impossible for us to know what our international trade position is.

Senator RIBICOFF. Where do these sheets come from?

Mr. RARIG. They are coming from various places all over the world; most effectively, from a competitive point of view, they are coming from Japan and Taiwan.

Senator RIBICOFF. What percentage of the American market comes from imports?

Mr. RARIG. I believe it is in the range, at the present time, overall, of 10 to 15 percent but in the significant area, which is the heart of the commercial business involving acrylic sheet, in the range of .100 inches in thickness up to one-quarter inch or one-half inch in thickness, a much larger segment of that part of the market, which is the bread and butter segment of the market, has been occupied by imports from Japan and Taiwan.

We were successful in convincing the International Trade Commission that Japan had been guilty of dumping acrylic sheet in the United States by virtue of the impact of its imports on this segment of the market.

Senator RIBICOFF. How many manufacturers are there in the United States similarly situated?

Mr. RARIG. There are basically four manufacturers: ourselves, Dupont Co., Polycast, Swedcast, Cy-Ro. There are five.

We are not arguing the issue of tariff protection. We are arguing against something more insidious. We are arguing against being deprived of the capacity to deal intelligently with the issue of tariff protection.

As we face the trade negotiations, we are confronted by a situation where we could pour a great deal of energy into endeavoring to establish that we are entitled to continue the present level of projection for acrylic sheet. The exercise is meaningless—acrylic sheet can be converted into a drilled sheet that comes in under a different subject. The content of our effort is simply eviscerated by the possibility of doing something meaningless that involves no economic commitment, no significant economic commitment, such as drilling useless holes in the edge of a sheet.

It is a very fundamental thing. It seems incredible that we have to bother you with this. It seems such a minor matter. But we are sincerely convinced that only you can reassert what we are sure was your obvious intention, that these classifications would be meaningful.

Senator RIBICOFF. I think I understand it.

Senator LONG?

Senator LONG. I must confess I do not understand it. Some years ago I asked the Chief of Staff to have a meeting on these classifications, to go get one of these things that we are talking about and show us what it was we are talking about. If you can take a look at it, you can know what it is.

Is that a picture?

Mr. RARIG. May I show it to you?

Senator LONG. I wish you had brought a piece of it.

Mr. RARIG. I wish I had, too. I am sorry I did not. This is a picture of an acrylic sheet as it comes out of the mold.

As it says on it, this is the selvage edge. This is surplus. You can cut off 2 inches of this to get to the dimension that you purchased.

This is perhaps a 4-by-8 sheet. The dimensions are probably 2 or 3 inches longer in each direction. These two holes are drilled in the surplusage, and it is the drilling of these holes that adds absolutely nothing, performs no function whatsoever.

Senator RIBICOFF. That is cut away?

Mr. RARIG. That is cut away and discarded. If anything, it weakens the sheet for fabricating and processing, because frequently in the processing of it, they grip the sheet along the edge, and anything that weakens the edge might possibly interfere with the fabrication. It certainly does not add to the value of the sheet. That performs no function whatsoever.

Senator RIBICOFF. Those holes place it in a different category?

Mr. RARIG. It is a stratagem to avoid the tariff classification. The rate of duty has some significance to us, but it is not terribly significant. A lot of acrylic sheet comes in under GSP, but the most serious part of it is that we lose the identity of our sheet; we lose control over it.

Senator LONG. What do you think the answer is?—to treat it as though a hole had not been drilled into it to begin with?

Mr. RARIG. That this drilling of holes should be held to be an insufficient processing to take the sheet of the classification for acrylic sheet into the classification of a partially processed sheet.

Senator RIBICOFF. The holes themselves do not contribute to an end product?

Mr. RARIG. They do not contribute to an end product. For many years, Senator, the Customs Service ruled consistently with our analysis, and they always classified the sheet under the acrylic sheet classification; they refused to accord any significance whatsoever to the drilling of those holes.

In 1973, they were overruled by the Assistant Commissioner of Customs. That is when the difficulties began.

Thank you very much.

[The prepared statement of Mr. Rarig follows:]

PREPARED STATEMENT OF F. J. RARIG, SECRETARY AND ASSOCIATE GENERAL COUNSEL OF ROHM & HAAS CO.

Mr. Chairman: We urge you to support H.R. 5285 as an important step in restoring the original intent of Congress when it provided for a duty rate on plastic sheets "wholly or in chief value of acrylic resin" under paragraph 3 of the Tariff Act of 1930 and continued that classification under Item 771.45 TSUS of the Customs Simplification Act.

H.R. 5285 provides that plastic sheet for which a duty has been specifically provided shall not be classified as partially processed sheet by the drilling of holes along the edge of the sheet unless the holes serve as useful purpose. This legislation will give us some relief from several decisions of the Commissioner of Customs which, in our view, have emasculated the clear intent of Congress as presently expressed in Item 771.45 TSUS which specifically provides a rate of duty for acrylic plastic sheet.

H.R. 5285 is needed to reverse a 1973 decision of the Assistant Commissioner of Customs which upheld an alleged practice of classifying acrylic sheet with holes drilled along the edge, no matter what the purpose of the holes, in basket Item 774.60 TSUS, instead of in the specific Item 771.45 TSUS. This decision of the Commissioner overruled repeated rulings by the Customs Service that the drillings of useless holes in the edge of acrylic sheet did not justify classifying acrylic sheets under basket Item 774.60 TSUS.

Congress legislates with appreciation for the fact that tariff classification of a basic material such as acrylic sheet is of enormous economic significance. Millions of dollars are invested and great enterprises are undertaken in reliance upon the clear and obvious meaning of the language employed by the Congress. We contend that the Customs Service has, in the case of acrylic sheet, drastically altered the economic status of such sheets and injured the acrylic industry by classifying imports of such sheets not on the basis of their chemical composition

but on the basis of the presence or absence of useless holes drilled in the selvage of such sheets.

The holes drilled in the selvage of acrylic sheet in order to secure classification of the sheet as a partially finished sheet are drilled in a portion of the sheet which may be used to clamp it in place during certain fabricating steps. This edge area is definitely "selvage", an edge which is meant to be cut off and discarded. The drilled holes perform no function whatsoever in the preparation of commercial items from the plastic sheet.

The enormous disparity in the economic significance of the billion dollar plants required to synthesize acrylic monomers from air and natural gas and economic significance of drilling a few useless holes in the selvage of a commercial sheet of acrylic resin seems totally to have escaped the Commissioner of Customs. The drill and bit required to drill the holes in the selvage represent an investment of a few dollars whereas the plants required to synthesize methyl methacrylate monomer and to polymerize it into polymethyl methacrylate sheet represent an enormous long-term investment.

Congress must have addressed its attention to the economic significance of what it was doing when it provided for a certain level of protection for an investment of billions of dollars. It cannot have intended that the policy represented by that decision should be or could be negated by an administrative action of the Customs Service according more importance to the drilling of useless holes than to the establishment of continuous process facilities for the synthesis of a general material which plays a vital role in the American economy.

The Commissioner of Customs could have maintained the substance and integrity of the intent of Congress by ruling that the processing of acrylic sheet required to convert it to a processed or partially processed item under Item 774.60 TSUS must be related to a function of the processed item, that is, the processing must contribute to the esthetic or commercial value of the item permitted to be classified under Item 774.60 TSUS. The Commissioner chose to impose no requirement of usefulness thus condoning—even ratifying—a scheme to evade the tariff on acrylic sheet.

We submit that it would be consistent with the original intent of Congress if you would make clear in adopting H.R. 5285 that the usefulness to be imparted to the sheet should constitute a contribution to its value comparable to the intrinsic value of the sheet itself.

If the act of processing which removes acrylic sheet from a specific tariff classification to a basket classification is of trivial value, giving effect to it will permit the frustration of the decision of Congress to accord acrylic sheet a meaningful measure of protection under the tariff laws and will frustrate the undertaking of American industry to provide in the U.S. market a commodity which the Congress previously considered worthy of tariff protection.

Judicial decisions apparently require the Customs Service to impose the lowest possible rate of duty. This judicial edict puts a premium on tricks and subterfuges by importers to make a shambles of the Tariff Schedules.

To assist the Customs Service in carrying out the intent of Congress so that it may prevail against the ingenuity of importers to emasculate that intent, Congress should make clear that an eo nominee classification of a commodity by the Congress is to be given great weight by the Customs Service and it should make clear that such classification is to prevail against ingenious schemes to bring commodities within basket clauses which bear no rational relationship to the economics of the industry affected by the Tariff Schedules.

Senator RIBICOFF. I understand Senator Williams wants to make a statement. We have heard testimony on H.R. 422. If you would like to add something, Senator Williams, you are more than welcome at this point.

## STATEMENT OF HON. HARRISON A. WILLIAMS, JR., A U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator WILLIAMS. I appreciate that. I know others have appeared. The Jersey company that gave rise to H.R. 422 has been here. I am sure their operation has been explained.

This bill has passed before. It has great merit, in my judgment. I know the company. I have been there. It is an excellent company in the southern part of our State. It employs about 600 people. They are excellent in reconditioning these engines. They are a vital employer in an area of our State where they make a significant contribution.

Senator RIBICOFF. Senator Bentsen has been here and expressed definite sympathy for this bill before you came, sir.

Senator WILLIAMS. If I could file my statement——

Senator RIBICOFF. If you would submit your testimony for the record.

[The prepared statement of Senator Williams follows:]

PREPARED STATEMENT OF THE HONORABLE HARRISON A. WILLIAMS, JR.

Thank you very much, Mr. Chairman, for allowing me to appear today to urge the adoption of H.R. 422.

A similar measure, H.R. 2181, passed the House of Representatives during the 94th Congress.

The measure, with amendments, passed the Senate near the end of the 94th Congress.

However, the two Houses were not able to resolve their differences.

Firms in the United States engaged in aircraft engine overhaul and repair must as a necessary part of their customer service provide, for temporary use, engines to replace those undergoing overhaul or repair.

For instance, if a customer has a malfunctioning engine on an aircraft in use abroad, the U.S. firm will send him a rental engine.

The foreign operator will install the replacement engine in his aircraft and ship the defective engine to the U.S. firm.

The U.S. firm then repairs the original engine and ships it back to the customer who then returns the rental engine to the U.S. firm.

Current law requires that a duty be assessed on foreign-made replacement engines not only when first imported but each time such a loaned engine is reimported upon return of the original engine overhauled or repaired by a U.S. firm.

The requirement of successive duty payments on each reimportation of "loaner" aircraft engines after the duty has been paid on original importation serves no purpose and is a cost disincentive to U.S. based firms providing engine overhaul and repair services.

H.R. 422 will correct this inequity by allowing for the duty-free treatment of any aircraft engine used as a temporary replacement for an aircraft engine being overhauled within the United States if such duty was paid on such replacement engine during a previous importation.

This bill inserts a new item 801.20 to handle this specific problem without any further opening up of the Tariff Schedule.

The wide use of turbine engines in corporate as well as airline aircraft has resulted in making the aircraft overhaul and repair industry a multimillion dollar one.

Turbine engines typically require an overhaul—that is, servicing—every 5 years according to industry averages.

It is estimated that the aircraft engine overhaul and repair business could generate as much as $20,000,000 in sales in this year alone.

Present law prevents American businessmen from competing on equal terms in the highly competitive aircraft engine overhaul and repair industry, since they cannot use foreign-made engines as "loaners."

Enactment of this measure would enable American business and labor to meet the international competition in this industry on equal terms.

Presently, our aircraft overhaul and repair centers must compete with centers in Great Britain, Sweden, France, Brazil, Taiwan, and Australia for much of their business.

Even on this continent, our aircraft engine service shops face heavy competition from companies such as Rolls Royce of Canada and United Aircraft of Canada.

These Canadian enterprises are not operating under the same disadvantage as American enterprises.

Once a foreign manufactured good is imported into Canada and duty is paid, the goods become nationalized and are regarded from that time forward as Canadian manufactured goods for customs purposes.

At a time when unemployment is unacceptably high, when we are losing too much business and too many jobs to foreign competition, we can by enacting this measure help to insure that America's aircraft engine overhaul and repair industry remains vital and competitive and continues to provide employment opportunities for our people.

Airwork services division of Purex Corp., which is engaged in the aircraft engine overhaul and repair business, alone employs over 600 people in my State, New Jersey.

The enactment of this bill will allow the aircraft engine overhaul and repair industry, now adversely affected by our tariff regulations, to adjust to foreign competition.

Based on current operation of the aircraft engine overhaul and repair business, the annual customs revenue loss resulting from enactment of this bill would be approximately $2.5 million, a modest amount.

When the present customs regulations were originally drafted, the now commonplace type of transactions involving loaner engines were not contemplated.

Had they been, I am confident the exemption sought today would have been included in those regulations.

A viable U.S. aircraft engine overhaul and repair industry able to compete in the world market would obviously help improve the balance of payments situation of our country.

Enactment of this measure will promote competitive opportunities for U.S. business in foreign markets and promote economic growth and employment in the United States.

At a time when we urgently need to expand investment and employment opportunities for our people and promote export development, I urge you to approve this measure which will assist us greatly in achieving these goals.

Senator RIBICOFF. We will now take up S. 1519. Our colleague, Mr. Matsunaga accompanied by Mr. Masaoka.

## STATEMENT OF HON. SPARK MATSUNAGA, A U.S. SENATOR FROM THE STATE OF HAWAII, ACCOMPANIED BY MIKE MASAOKA, WASHINGTON, D.C.

Senator MATSUNAGA. Mr. Chairman and members of the subcommittee. On May 13 of this year, I introduced S. 1519 to suspend tariffs on certain imported binoculars and telescopes. I did this with the understanding that the Department of State and the Office of the Special Trade Representative for Trade Negotiations fully expect this 20-percent ad valorem tariff to be removed during the negotiations in Geneva under the General Agreement on Tariffs and Trade—GATT.

Consequently, my bill provides for only a temporary suspension of this tariff. The suspension will end on December 31, 1978. By that time, the tariff reduction negotiations should have concluded, and the executive branch should have reached a permanent decision to eliminate the tariff.

In the meantime, however, I believe that a temporary suspension is needed to treat our trading partners equally and to relieve the American consumer of the tariff cost.

Last year, Taiwan and South Korea obtained duty-free treatment of their exports to this country under the 1974 Trade Act generalized system of preferences. With this tariff preference, these two low-wage countries will displace our traditional optical suppliers from the American market. Our traditional suppliers from the industrially advanced nations of Japan, West Germany, Canada, and the United Kingdom,

will find themselves at a marketing disadvantage under this excessive tariff on binoculars and telescopes. Over the years, these countries have developed optical instruments that satisfy the specifications of American importers. Many of these instruments are even marketed under the trade names of American importers, and these historic lines of trade with old trading partners is being disrupted by the preferential treatment of an obsolete tariff.

Moreover, regardless of the circumstances, many Americans will continue to purchase high-quality, name-brand, optical instruments from Japan and West Germany. In 1977, it is projected that Americans will pay about $3 million in tariffs on imported binoculars and telescopes, because of this out-of-date 20-percent ad valorem tariff which provides no protection to American industry.

Senator RIBICOFF. Do I understand that there are no American companies that make these items?

Senator MATSUNAGA. That is correct. Everything is imported.

Senator RIBICOFF. There used to be American companies?

Senator MATSUNAGA. There used to be, but not any more.

At present, the Department of Commerce reports no known commercial production in the United States of the prisms used in these imported binoculars and telescopes. Indeed, in the small domestic commercial production which does occur, imported prisms are used, and the small domestic production has been directed at the most expensive, high-quality, high-performance instruments, custom designed for an extremely select market. It cannot be denied that this tariff, which is invariably passed on to American customers, has outlived its intended function.

I therefore urge quick and favorable action on my bill, S. 1519, to relieve American consumers of an unnecessary tax burden and to provide equal treatment for our traditional trading partners.

Thank you.

Senator RIBICOFF. Senator Long?

Senator LONG. Senator Matsunaga, are you aware of the position of the Commerce Department in regards to this bill?

Senator MATSUNAGA. As I understand it, they are opposed to the measure. They are opposed for this reason: they want to use it as a bargaining chip, you might call it, during the trade conference.

Senator LONG. As I understand it, their view is, if we are going to do this for the Japanese producers, we ought to get something for it. We are much more amenable to permitting Japanese products coming in than they are amenable to permitting ours.

For example, Louisiana—we would like to export more of our rice. Senator, it is my judgment they could make a lot more money if they put some of those rice farms into golf courses. I did not see a single Japanese in the first 15 winners in the British Open. Of the top 12 golfers, 11 of them were citizens of the United States.

The Japanese people are not that poorly coordinated. They have the potential of being competitive. I do not think we could put a baseball team the same size as the Japanese team on the field and hope to defeat them. They are very well coordinated and efficient people.

Senator MATSUNAGA. I agree with the Senator from Louisiana, but my concern——

Senator LONG. The success of our witness and his colleague from Hawaii getting elected from Hawaii is pretty good evidence itself.

Senator MATSUNAGA. Coordination begins almost as an infant in the use of chopsticks. [Laughter.]

Senator LONG. That being the case, it is all right with me to pass the bill provided, but I would like to get something for it. I would like to take a look at some of these areas where we might do a little business with them.

Let me ask you this. If we pass this bill, is there any hope we might get a little more business for Hawaii out of all of this?

Senator MATSUNAGA. Yes. I believe so. We do a lot of business with Japan, as the Senator probably knows. Because of the fact that we will do things such as this, we will definitely put the Japanese in a better mood to buy more papayas and pineapples; and we do sell other items, such as Hawaiian aloha garments.

Senator LONG. I think that is great. I find myself thinking as one of my colleagues who used to sit on this committee—I do not like a combine that I am not in on.

What would persuade the Japanese to put more of their land into recreational purposes so their people can be better golfers and they can enjoy more family outings and, with the current commitment, we will provide them with whatever rice they need to do that.

I am satisfied you can make more money on land near Tokyo, you can make more money with a golf course than you can with a rice paddy.

What is the process, might I ask, of getting a little reciprocity here so that Louisiana gets in on this?

Senator MATSUNAGA. The Senator must remember that I am on his side, although I may not look like it.

My primary concern is the American consumer. The industry needs no protection because we do not manufacture the prisms here.

Senator LONG. I am concerned about the American producer. I am hoping to talk to Bob Strauss today to do something about your sugar cane producers and my sugar cane producers, and while I am all in favor of buying something from the other guy, provided the price is right, I would like to sell something all at the same time, at least, to do some business in one respect or the other.

I sort of liked this idea that we ought to get something out of it. You tell me how Hawaii is going to get something out of it, that is fine.

Senator MATSUNAGA. We are a part of the United States.

Senator LONG. Do you think the benefit might reach far enough to benefit Louisiana or Connecticut, directly or indirectly?

Senator MATSUNAGA. As I understand it, Mr. Chairman, Japan is our biggest buyer of agricultural products, second perhaps only to Canada, and Japan buys 95 percent of its soybeans that it consumes from the United States. I do not know what amount of rice they purchase from Louisiana, but they do import a considerable amount of rice from the United States.

Senator RIBICOFF. If the Senator would yield, I note that this is a very skillfully drawn proposal. The suspension ends of December 31, 1978. That does give an opportunity for the trade negotiations in Geneva to take this item into account in trading back and forth in

GATT, because by the time GATT is over with, we will have reached December 31, 1978, God willing, and we will be in a position of balancing that out, rice against telescopes and binoculars.

I think that the justification that the Senator makes is, when all is said and done, Taiwan and South Korea, where they are supposed to be less developed countries, are not so much less developed countries they are not chasing everybody else out of the trade picture, but our shoes, television sets—as a matter of fact, they are giving the Japanese a pretty good run for their money throughout the world.

They have become a major problem for the United States as well, in the whole trade field.

Senator LONG. They made a problem for everyone because they are working just as the Japanese are working. Can you tell me whether those people in Japan have made welfare more attractive than work like we have here in the United States in some instances?

It seems to me that my impression is that they have everybody working rather than on welfare. I was over there about 10 years ago and those people were working like beavers. We were at an International Monetary Fund Conference at the time and one of these New York bankers over there said, give these people a few years and they are going to be giving people some headaches in world trade. These people over here are working.

Of course, our friends in South Korea and Taiwan apparently have acquired the same contagion. It seems to be spreading over that part of the world, the idea that you can get ahead by working for a living, especially if you work real hard and apply yourself.

That apparently is a problem for us.

Senator RIBICOFF. Let me answer that. I always dislike to disagree with my chairman, for whom I have the highest respect, but there is a difference here. The average wage rate and fringe benefits in Japan have approached that of the United States and a great problem that we are facing, not only in the United States, but the wage level in South Korea and Taiwan are on the 50-cent-an-hour level. It is not a question of the hard work that is involved and productivity but the disproportion of wage rates are of such magnitudes that it makes it almost impossible for any place else in the industrial world to compete with Taiwan and South Korea.

There are no minimum wage laws, there are no minimum hour laws that we have in the United States and many other part in the industrial world—all of which give a competitive advantage to these countries. I think you are going to find that in the trade negotiations in Geneva, the industrial part of the world is going to be very hard put to have a two-track system of dealing with one another on one hand and the impacts that they are having today from Taiwan and South Korea and I will depend on you, with your persuasiveness, when it comes to the executive session to see if you can overcome any arguments that the distinguished chairman may have.

Senator LONG. Let me ask one basic question, which is very much involved in all of this. What can we do to solve the most fundamental problem, that is, the South Koreans and the Taiwanese probably could pay much more substantial wages to their people if they wanted to do so.

Senator Ellender went there several years ago and said we were using American money to create industries over there. He asked one of these manufacturers who was paying his workers a mere pittance by American standards to produce a commodity to be shipped into the American market, why do you not give these people a pay raise?

To which the producer said, why, what would be the point in it? If they can work for 5 cents an hour, why should I pay 6 cents?

It would seem to me that that might be part of the problem, Senator, and I wonder if it is good for the Free World to hold the wage rate so low?

Senator MATSUNAGA. As the chairman probably knows, in Japan, the industries are highly unionized now, just as it is in the United States, and that has helped considerably. Perhaps, we should send some of our ingenious union organizers to Taiwan and Korea.

Senator LONG. Thank you very much.

Senator RIBICOFF. Thank you very much.

S. 843, to permit the free entry of Canadian petroleum and crude shale oil.

Mr. John Roper.

Mr. MASAOKA. I just want to make one comment. Japan used to buy a lot of rice from the United States, but our wheat growers were more persuasive. They started selling so much wheat to the Japanese that now the Japanese Government has a program that tries to get the Japanese to eat more rice. It is a question of whose ox, I suppose, is being gored.

In this particular instance, the wheat growers in the Midwest have done a pretty good job

Senator RIBICOFF. That is Senator Dole against Senator Long.

Mr. MASAOKA. Thank you very much.

[The prepared statement of Mr. Masaoka follows. Oral testimony continues on p. 106.]

PREPARED STATEMENT OF MIKE M. MASAOKA

This statement is submitted by and on behalf of the Ad Hoc Committee of American Importers of Binoculars and Telescopes, the American Japanese Trade Committee, the Japan Binocular Manufacturers Association, and the Japan Telescopes Manufacturers Association, to urge early and favorable consideration of S. 1519, which was introduced on May 13 by Senator Spark M. Matsunaga, "to amend the Tariff Schedules of the United States in order to suspend until the close of December 31, 1978, the duty on certain field glasses, opera glasses, binoculars, and other telescopes."

The Ad Hoc Committee of Importers is composed of some 20 United States companies engaged in the importation and sale of binoculars and telescopes, mostly from Japan but also from the Republic of Korea (South Korea) and the Republic of China (Taiwan). The Trade Committee is made up of American citizens of Japanese ancestry who are involved in the import-export trade of the United States, especially with Japan and the Far East. The two Japanese trade associations are headquartered in Tokyo and represent most of the companies who manufacture and export these optical instruments to the United States. Both Japanese organizations are registered with the Department of Justice pursuant to the Foreign Agents Registration Act.

An identical companion bill, H.R. 5203, was introduced by Congressman Abner Mikva of Illinois, on March 17.

TSUS IDENTIFICATION AND RATES

At the present time, binoculars and telescopes are identified as "Refracting or reflecting telescopes, whether monocular or binocular; astronomical instruments not specifically provided for; frames and mounting for any of the foregoing articles, and parts of such frames and mountings: Telescopes: Not designed

for use with infra-red light:" in Schedule 7—"Specified Products, Miscellaneous and nonenumerated products," Part 2—"Optical Goods; Scientific and Professional Instruments; Watches, Clock, and Timing Devices; Photographic Goods; Motion Pictures; Recordings and Recording Media" in the Tariff Schedules of the United States (TSUS).

Three tariff items are specifically involved in this measure, S. 1519.

Item 708.51 refers to "Field glasses and opera glasses (except prism binoculars), dutiable in Column 1 at 8.5 percent ad valorem.

Item 708.52 refers specifically to "Prism binoculars," dutiable in Column 1 at 20 percent ad valorem.

Item 708.53 refers to "Other," such as telescopes, dutiable in Column 1 at 20 percent ad valorem also.

The proposed bill would amend Subpart B of Part 1 of the Appendix to the TSUS (19 U.S.C. 1202) by inserting immediately after Item 912.05, the following new "Item," as follows: "912.06. Field glasses, opera glasses, prism binoculars, and other telescopes not designed for use with infra-red light (provided for in Item 708.51, 708.52, or 708.53, Part 2A, Schedule 7)" so that Column 1 imports of binoculars and telescopes "On or before 12/31/78" would be allowed to enter the United States duty-free.

Though the legislation authorizes duty-free treatment of all binoculars and telescopes, as well as field and opera glasses and "other" telescopes and parts, beginning the day after enactment through December 31, 1978, for the purposes of this Statement all of the affected optical instruments will be referred to as binoculars and telescopes.

Duty-free treatment beyond December 31, 1978, applies, pursuant to the trade agreement which is to be negotiated under the Trade Act of 1974 that authorizes the President to grant an extension of the duty-free treatment beyond the December 31, 1978, date.

Such an extension—we believe—would be granted by the President should he find—as no doubt he will—that in the "trial" or "experimental" period from the date of the enactment of this measure to December 31, 1978, unemployment was not increased by the additional imports of these optical instruments and that many American citizens benefited from the lower prices and increased use of binoculars and telescopes.

## OBJECTIVES OF PROPOSED BILL

The major objective of S. 1519 is to suspend the 20 percent ad valorem duties on all binoculars and telescopes for approximately 18 months, or until December 31, 1978, during which it is hoped that the current so-called Tokyo Round of tariff negotiations is completed in Geneva. Then, if the facts justify such action, the President may, by proclamation, make the suspension permanent and thereby cause binoculars and telescopes to be imported into the United States on a duty free basis. Among the precedents for such action is Public Law 89-204, 89th Congress, H.R. 6431, September 27, 1965, authorizing the duty free admission of certain forms of ferronickel, unwrought nickel, and nickel powder.

While Japan is the major supplier of the American binocular and telescope market, other suppliers include the Federal Republic of Germany (West Germany), Italy, the United Kingdom, the British Crown Colony of Hong Kong, Taiwan, and Korea. From time to time there have been other suppliers, including the Netherlands, France, Sweden, Finland, Belgium, Austria, Yemen, Portugal, and Israel.

Since last year, the British Crown Colony of Hong Kong, Taiwan, (Republic of China), and Korea (Republic of Korea), among others, are designated as beneficiaries of the so-called Generalized System of Preferences (GSP) that was established by the Trade Act of 1974 and their binoculars and telescopes are entered into the United States duty-free, that is without the payment of customs.

Many United States importers have—over the years—established mutually profitable commercial and business relations with the industrialized nations that are not beneficiaries of GSP privileges, such as Japan, the United Kingdom, West Germany, Italy, and Israel. At great expense to themselves and hard work over the years, they developed and expanded the American market for these optical instruments. They now find that the 20 percent ad valorem duty-free advantages of imports from such GSP countries, especially Korea, Taiwan, and Hong Kong, have created artificial and unduly difficult and burdensome wholesale and retail selling problems which, had it not been for the Federal Government's action in

granting these GSP benefits, would not now threaten the marginal profitability and continued operation of their relatively small enterprises as viable and promising entities.

The proposed interim period for the temporary suspension of duties authorized by S. 1519 provides the minimum time needed for most of these small enterprises to adjust to the dangerous economic situation created by the GSP tariff privileges accorded to Taiwan, Hong Kong, and Korea, among others. Without the benefit of this temporary suspension, many of these small businesses might go bankrupt, with the resultant loss of employment to their workers.

If, as we contend and believe, this brief 18-month abandonment of the duties does not result in damage or injury to any American industry or company and/or the discharge of any American workers, then the President may make the temporary suspension permanent.

The number of business establishments involved may be small as compared to many American industries, and the number of workers who may lose their jobs also may be small compared to the major companies in the country, but in times of a recession that refuses to recover as quickly as anticipated, during an inflationary trend that fails to respond as hoped for, and an unprecedented period of unemployment in the midst of inflation and recovery, even a few numbers count for much. In fact, one can hardly calculate the escalating effects of even a few companies and workers, for they add up when other like situations are concerned and remain unresolved.

Beyond the issue of bankruptcy and unemployment in this country, because of the cost differentials so markedly in favor of the developing countries even before duty-free entry opportunities, such as almost unlimited "cheap" labor, the industrially advanced nations are being forced to accept additional disadvantages in exporting to the United States, with the American consumer—as is so often the case—the ultimate biggest loser.

Moreover, this 20 percent ad valorem tariff represents an additional handicap to such countries as Israel, Switzerland, and Canada, among others, in developing a consistent market demand for their binoculars and telescopes in the United States.

By temporarily suspending the tariffs on all binoculars and telescopes, and thus equalizing the customs treatment accorded to all imports of these optical instruments, the prices on these imports—already reasonable and attractive—will be reduced and many more Americans than ever will be able to enjoy better vision and a new dimension of distance, beauty, and clarity. Sports-lovers, both spectators and participants, nature watchers, star gazers, and leisure time and recreational activists, will—as consumers—have a greater selection to choose from and at lower prices.

And, since it is our understanding that there is no domestic commercial production of binoculars and telescopes of any consequence, no American industry will be threatened and no American workers displaced.

David J. Dunford, Chief, Trade Agreements Division, Department of State, advised last October (1976) that "According to information * * * from the Department of Defense, prism binoculars are listed on the General Service Administration's General Supply Schedule. The present Schedule lists several foreign suppliers as the sources for binoculars for any government agency, including the Department of Defense. No domestic suppliers are included on this list, which confirms our early information that prism binoculars are no longer manufactured in the United States * * * According to the Department of Defense, purchasing office, even though these (listed) firms are potential suppliers, the Department of Defense has purchased very few prism binoculars in the most recent years as they have an adequate supply on hand."

Indeed, when the National Aeronautical and Space Administration required 20 high-powered binoculars (specifically 20 x 60mm) for the recent Apollo-Suyez space project, a Japanese manufacturer produced the binoculars to specifications.

SENATOR MATSUNAGA'S EXPLANATORY REMARKS

When Senator Spark M. Matsunaga, of Hawaii, introduced S. 1519 on May 13, he explained his motivations in these words, as recorded in the "Congressional Record" for that date:

"Mr. President, I am introducing legislation to suspend tariffs on certain imported binoculars and telescopes. Americans today make widespread use of binoculars and telescopes for sports and recreation. Better technology and production has decreased the cost of quality instruments, and this moderate pricing has opened a wide consumer market in America.

"While American demand has increased, imported binoculars and telescopes have been subject to a 20 percent ad valorem tariff. The original tariff was established at a time when the American optical industry was experiencing technical difficulties in producing quality optical instruments. The national interests at that time warranted protection of the industry. At present, however, the Department of Commerce reports no known commercial production in the United States of the kind of prisms used in these binoculars and telescopes which are presently being imported. Indeed, the small domestic commercial production which does occur, uses imported prisms, and the small domestic production has been directed at the most expensive, high quality, high performance instruments for an extremely select market.

"The reasons for tariff protection in this area no longer exist. However, imported binoculars and telescopes still have a 20 percent ad valorem tariff imposed upon them, and this tariff is invariably passed on to the consumers. As a consequence, American consumers continue to pay a protective tariff which protects no one.

"The suspension provided by my bill will be only temporary. The suspension will end on December 31, 1978. By that time the tariff reduction negotiations in Geneva should be over, and the executive branch should reach a permanent decision on this matter. I believe that the administration will then agree to the permanent elimination of tariffs on telescopes and binoculars.

"In the meantime, the temporary suspension of the tariff at this time, will lead to great savings for American consumers, and I urge support of my bill."

SUMMARY IMPORT STATISTICS

According to Bureau of th Census data (IM-146), over the past five years Japan has been by far the major supplier of prism binoculars to the United States. Last year (1976), for instance, Japan provided 1,305,859 units, valued FOB Japan at $18,382,909, of the total imported from all countries of 1,657,782 units, valued FOB at $23,653,517. This is a record for this half-decade.

As with prism binoculars, Japan is by far the major American supplier of telescopes, again according to Bureau of Census data (IM-146). In 1976, Japan accounted for 1,486,219 telescopes, valued FOB Japan at $10,866,326, of the import total of 2,118,716, valued FOB at $11,375,062. In 1974, though, Japanese exports to this country were valued at $12,567,400 for 1,696,849 units.

In field and opera glasses, except prism binoculars, Japan supplies almost half of all the imports (634,574 of 1,142,252) with its value FOB Japan almost as great as the import total ($1,090,228 of $1,389,556). For Japan, 1976 was the fourth worst year in the last five. This data is also from the Bureau of Census (IM-146).

More detailed breakdowns, for the past five years (1972-76), are provided in Appendix A, together with information concerning imports from other countries than Japan for this same period.

It should be observed, moreover, that Korean and Taiwanese exports of prism binoculars and telescopes increased dramatically and drastically after GSP privileges were extended them last year. In 1975, for example, prism binoculars from Taiwan amounted to 20,132 units, valued at $210,808. In the first part of 1976, before GSP was extended, exports totaled 6,571 units, valued at $70,797. After GSP was granted, for the remainder of 1976, 84,524 units valued at $976,763 was shipped to the United States. In 1975, prism binoculars from Korea accounted for 45,460 units, valued at $482,951, as compared to 1976, before GSP of 258 units valued at $3,476, and after GSP of 178,304 units valued at $2,090,511. In addition, Hong Kong prism binocular exports to United States in 1975 consisted of 16,308 units, valued at $124,534, compared to 7,649 units in 1976 before GSP valued at $50,307 and 75,303 units after GSP valued at $901,898.

Though 1975 was a "bad" year for binocular and telescopes imports into the United States, 1976 was a much better year for all exporters, including Japan. But, even in their first GSP year, before "tooling up" for increased production and increased exports, shipments from Korea, Taiwan, and Hong Kong were already escalating dramatically. And, unlike Japan whose exports are shipped worldwide, Taiwan, Korea, and Hong Kong shipped their bonocular and telescope production almost exclusively to the United States.

SOME BREAKDOWNS ON JAPANESE BINOCULARS

According to the Japan Binocular Manufacturers Association, there are approximately 300 different kinds of prism binoculars, which are the most popular by an overwhelming margin, based on combinations of the following:

(a) model, (b) magnification, (c) field or view, and (d) radius of stereoscopic vision.

At any rate, a general category and price breakdown for American imports of Japanese prism binocualars for the latest available period, November 1975 to April 1976 may be instructive. The data was compiled by the Japanese association.

More than half (56.5 percent) of all Japanese prism binoculars exported to this country are in the 7 x 35 category, with 8.9 percent in the 7 x 50 category, 4.4 percent in the 8 x 30 category, 7 percent in the so-called zoom category, and all "others" 23.2 percent.

As for the individual "unit" price, FOB Japan port, 64.3 percent of all exports destined for the United States are in the $10 to $20 range, 24 percent in the "less than" $10 range, 10.4 percent in the $20 to $30 range, 1.2 percent in the $30 to $40 range, and 0.1 percent in the $40 "and more" range.

In 1975, the latest full year for available figures, the Japanese Ministry of Finance reveals that 17 percent of all prism binoculars manufactured in Japan are sold in Japan, with 83 percent being exported. Of the quantity exported, 42 percent was shipped to the United States. Since 67 percent of the exports in 1956 and 46 percent in 1966 were shipped to this country. It appears that the percentage share of the import market for the Japanese is declining.

Some 85 percent of all Japanese binoculars sold in the American market are identified with the American buyers' brand name, with only 15 percent carrying the name of the Japanese manufacturer or exporter.

Unlike in South Korea where one huge integrated plant manufactures all the binoculars and telescopes for export, or in Taiwan where a single integrated plant is by far the dominant producer, the Japanese binocular industry is made up of small businessmen and small factories. Ten manufacturers (13.7 percent) employ five or fewer workers, 19 (26 percent) employ from six to ten workers, 30 (41 percent) employ from 11 to 30 workers, one (1.4 percent) employs from 51 to 100 workers, and one (1.4 percent) employs more than 101 workers. In all, only 73 manufacturers are involved in this particular industry in Japan.

## Some Breakdowns on Japanese Telescopes

As for telescopes, we have learned from the Manufacturers Association that Japan exports to the United States three major types: (a) monocular, (b) terrestrial, and (c) astronomical.

In the past five years (1972 to 1976), in terms of volume terrestrial telescopes were the most popular, but in dollar value the astronomical telescopes were the most expensive. The reasons are obvious, for the astronomical instruments for star and space searching require much for efficient and expensive lenses than the more limited terrestrial for recreational, sports, and general purposes.

At any rate, the following export data is provided by the Japan Telescopes Manufacturers Association:

TELESCOPES FROM JAPAN

| Year and type | Quantity (unit) | Value |
|---|---|---|
| 1972: | | |
| Monocular | 65,771 | $9,840 |
| Terrestrial | 503,466 | 1,811,786 |
| Astronomical | 54,560 | 2,071,440 |
| 1973: | | |
| Monocular | 79,353 | 498,313 |
| Terrestrial | 422,508 | 1,668,113 |
| Astronomical | 45,063 | 1,813,256 |
| 1974: | | |
| Monocular | 57,204 | 384,380 |
| Terrestrial | 406,797 | 1,924,056 |
| Astronomical | 61,334 | 2,915,263 |
| 1975: | | |
| Monocular | 44,679 | 321,690 |
| Terrestrial | 277,848 | 1,305,883 |
| Astronomical | 28,760 | 1,435,540 |
| 1976: | | |
| Moncular | 95,558 | 752,133 |
| Terrestrial | 420,064 | 2,204,203 |
| Astronomical | 59,498 | 3,019,666 |

Whatever differences there are in United States import data and Japanese export figures may be explained by different exchange rates used, different shipping and receiving dates, the inclusion or exclusion of certain "parts", etc.

One importer estimated that 90 percent of all Japanese telescopes in the United States wholesale for less than $200, with about 50 percent selling wholesale for about half that price ($100) or even less. This is considerably more expensive than the average wholesale price for Japanese binoculars, which is considerably less than $20 at wholesale.

Again, according to the Telescopes Manufacturers Association, there are 34 companies in all that manufacture telescopes, several of which make both binoculars and telescopes. Sixteen companies employ from 61 to 100 workers, eight employ from 31 to 50, and four employ 10 to 30, with six employing more than 101 workers. Five of the six largest employers are also makers of cameras, such as Nikon, Cannon, Fuji, and Asahi, so no breakdowns on those who work on telescopes alone are avaliable. But, as for binoculars, most of the companies involved are relatively small and in the small business category.

While most of its telescopes production enters into international commerce, and most is exported to the United States, it is noteworthy that it appears that Japanese telescopic imports to this land are declining over the past five years in both volume (units) and dollar value FOB.

Data supplied by the Japan Telescopes Manufacturers Association indicates that in 1972, of total production for export, 59.3 percent was shipped to this country in terms of volume and 53.9 percent in value. One year later, in 1973, these percentage figures were 56.5 percent and 54.9 percent. In 1974, they were 54.8 percent and 54.9 percent, respectively. In 1975, the last year for which data is available, Japanese exports to the United States and to the rest of the world were about equal, 50 percent to the U.S.A. in volume terms and 49.1 percent in dollar value terms.

With Korea, Taiwan, and Hong Kong now enjoying GSP duty-free treatment, it can be reasonably anticipated that their exports destined for the United States will increase substantially every year, while those from Japan will decrease significantly, unless there is an equalization in duty-free opportunities for the Japanese, and other more industrially advanced countries.

And, even though the tariff may be removed completely for all binoculars and telescopes, these less developed nations will continue to enjoy the advantages of low wages and other production costs because of the character of their industry and workers.

IMPORTS TRULY AMERICAN INSPIRED

In discussing duty-free treatment for Japanese binoculars and telescopes, it should be kept in mind always that what are involved is not low-priced cheap toys but rather relatively moderate priced precision instruments, constructed to professional standards, that aid the vision and extend considerably the range of the human eye—without unnecessarily straining our physical resources and without burdensome weight and bulk.

Prior to World War II especially, and until the Japanese mostly introduced in the post-war period, at the prodding of American trade specialists who were trying to encourage Japan to diversify its export lines from textiles and sundry goods mainly, reasonably priced, attractive binoculars and telescopes, these optical items were considered to be in the luxury class, available only to wealthy sportsmen, professional astronomers, and officers in the military and naval forces.

Though unknown to most Americans, many of the innovations in design and effectiveness were suggested to the Japanese producers by enterprising American businessmen-importers who saw in these optical instruments a new market that catered to the more affluent and curious, not to mention the sportsminded and nature-lovers. And, even today, practically all of the Japanese imports carry American brand names, were designed at least in part by Americans, and manufactured to American specifications. Several United States companies have developed a worldwide trade in these Japanese binoculars and telescopes.

Truly, these imports are more American than most suspect: having been designed and developed for the use of Americans, to enhance the American way of life, by Americans who have pioneered jointly with the Japanese in perfecting binoculars and telescopes for use and enjoyment by what may be described as the

average American. American importers "educated" their fellow Americans to consider these optical instruments as a utilitarian extension of their field of vision.

Today, millions of Americans have come to consider binoculars and telescopes as vital and indispensable factors in their lives. Picture the millions in this country without these popularly priced optical instruments—at such spectator games as football, baseball, track and field, horse and dog racing, soccer; watching birds and studying wildlife; hunting animals; observing ships and vessels at sea; looking for mountains and other natural guideposts; searching the heavens for stars and the galaxies; etc.

Today, too, more and more of the older people look to these binoculars and telescopes to widen their horizon of vision and to help restore their "distance-looking", notably for the once active, now sedentary senior citizens.

In a very real sense, to many the widespread use of binoculars and telescopes have contributed to a better understanding of nature and the world and to a more pleasant, beautiful, and abundant life.

Almost every major department store and sports shop, among others, stock these popularly priced lines of binoculars and telescopes, many from those for "beginning" children to the "serious amateur" adult astronomer.

Several of our larger 'chains", such as Sears, Montgomery Ward, K-Mart, Penney's, among others, import directly, as well as purchasing from American importers.

Tasco, of Miami, Florida, a major importer, proudly boasts that its optics are "Designed in America, Crafted in Japan, Acclaimed the World Over" "For greater viewing pleasure". Its catalogue features radio zoom, manual zoom, extra power, theater and sports, and roof prism binoculars, spotting scopes, and pocket size and other refractor and reflector telescopes "for land, sea, and sky viewing", as well as accessories.

Bushnell, of Pasadena, California, another major importer, features six different binoculars in its Buyer's Guide (All Purpose, Action Sports, Poor Light, Distant Detail, Special Purpose compact hunting, and Special Purpose zoom variable power), as well as its new patented Insta-Focus binoculars. Mentioned too are its Family Fun Telescopes and its pocketscopes.

Another type of major importer is exemplified by Meade Instruments, of Contra Mesa, California, that specializes in mail order business for the "serious amateur" especially in telescopes.

By and large though, of the binoculars and telescopes that are sold in the United States most are to the average, ordinary sportsperson who wants to see more clearly the athletes themselves and their personal actions on the playing fields, or the bird watcher or nature lover, or the youthful space pioneer who was inspired by recent television and motion pictures to look to the heavens and the stars.

CONCLUDING SUMMARY AND APPEAL

We respectfully request early and favorable consideration of S. 1519, Senator Matsunaga's bill to authorize the temporary suspension of the 20 percent ad valorem duty on binoculars and telescopes until December 31, 1978, after which we trust that the President will make permanent the suspension and allow duty free entry of these optical instruments for the indefinite future.

As far as we have been able to ascertain, there is no significant or substantal industry in the United States manufacturing binoculars and telescopes, as attested to by the Departments of Commerce, State, and Defense. What little production—if any—that there is in this country is for specialized uses and is constructed from imported parts and lenses. Such instruments, as might be expected, are expensive and not for the general trade. Indeed, even the Defense Department purchases its military needs from approved foreign companies, including those in Japan.

Therefore, the elimination of the 20 percent tariff would not adversely affect a single United States company or business, and/or result in the loss of employment for even a single worker.

Although Japan is by far now the major supplier of the American market, much of its imports were designed by Americans deliberately for the United States market and carry American brand names. Also, considerable worldwide transshipment commerce in these Japanese made optical instruments has been developed to the benefit and profit of these United States enterprises.

As Japanese imports have tended to level off and even to decline in the past five years, because GSP privileges have been granted to such less developed countries as Hong Kong, Taiwan, and South Korea, exports from these nations are threatening to escalate rapidly and to monopolize the U.S. market. American importers from such industrially developed friendly counties as Canada, Israel, West Germany, France, Japan, and others are small business enterprises and they need this temporary suspension period in which to adjust to the new competition from these GSP nations; otherwise they may be forced into bankruptcy and to discharge all of their workers. The number of American companies is small compared to most other industries, and the increased unemployment miniscule. But, in today's context of slow recovery, with the ever-present fear of runaway inflation, and with increasing unemployment, even a few contribute to the total pessimism and adversity.

At the same time, such allies as Canada, Israel, and West Germany, not to forget Japan too, are hard put to compete practically and to develop a consistent market in the United States for their binoculars and telescopes. Now, with the added advantage of duty-free entry, with their continuing advantage of much lower and cheaper production costs, Korea, Taiwan, and Hong Kong may soon enjoy a monopoly status. These trading partners, as well as the American consumers, can ill afford to lose their United States market, from which is earned the dollars with which to purchase American grain, foodstuffs, and various manufactured products. Failure to accord duty free opportunities to these few major allies could seriously deteriorate even further the deficit United States trade balance, for the dollars paid for these higher priced, though still moderate, and attractive optical instruments generate the dollar purchase of much more in United States merchandise and products than their exporting FOB prices.

The 20 percent ad valorem duty on binoculars and telescopes is excessive and exorbitant, especially when contrasted to certain cameras that are dutiable at 7.5 percent (35mm cameras valued at over $10) and certain field and opera glasses that are dutiable at 8.5 percent (TSUS Item No. 708.51).

That the current duty is inordinately high is confirmed in the revenue collected last year from the imposed tariff on these imports. The Department of State estimated the revenue produced from the duty to be $6,300,000 in 1976, while the Special Trade Representative estimated them to be about $3,000,000. While no explanation was given for this vast difference in estimates for the recent peak year for binocular and telescope imports, the fact remains that the revenue derived was so great because the customs duty was so exorbitant.

Actually, though, when compared to the total receipts collected by the Customs Service last year of $4.209 billion, this is an infinitestimal amount, especially when contrasted to what the American consumer will gain, and what it means in keeping small American importers and retailers of binoculars and telescopes in business and their hundreds and perhaps thousands of workers employed.

No doubt too that the ever-threatening inflation may be curbed somewhat by the increased imports, at lower prices, induced by a temporary suspension of customs tariff.

After all, the exportation and importation of these optical instruments from Japan and elsewhere are so competitive here in the United States marketplace that most—if not all—of whatever is involved in duty free entry will be passed on—in the main—to the ultimate consumer-user. A 20 percent reduction—one-fifth of the value—in the landed cost is considerable, no matter how one looks at it. And, the competitive nature of this business is such that a few cents difference may determine whether a sale is made or not, at both wholesale and retail levels.

That there is no American competition to these imports, and that they should be made available at the lowest possible prices is in the national interest, are recognized in the post-war history of these tariffs. Prior to the Kennedy Round of tariff negotiations, pursuant to the Trade Expansion Act of 1962, the duty on these optics was 30 percent ad valorem. Following the negotiations, in successive stages the duty rate was decreased to its current 20 percent. The proposed Matsunaga bill is a logical and reasonable extension of this historic treatment, to remove in its entirety the remaining 20 percent tariff rate.

The Executive has expressed the hope that the Congress might permit this particular duty to be reserved as a bargaining weapon in the forthcoming Tokyo Round of tariff negotiations. To frustrate duty-free entry to these binoculars and telescopes at this time in order to preserve a negotiating posture, even if successful, would not achieve the zero tariff rate objective of S. 1519.

Under authority of existing law, as reported by the Finance Committee staff report entitled "United States International Trade Policy and the Trade Act of 1974", dated January 29, 1976, it is revealed that "The United States delegation has proposed for discussion (in the GATT) three alternative formulas aimed in carrying degrees at l inear tariff reductions, the approach used in the Kennedy Round. The first U.S. proposal, for example, would reduce tariffs across the board by a common percentage (60 percent). A second U.S. formula provides for an across the board 60 percent linear reduction down to a five percent floor. A third U.S. formula combines a 60 percent linear reduction with a harmonization factor." Under the statute and under the proposed formulas offered by the American negotiating team, the tariffs for binoculars and telescopes could not be reduced more than 60 percent, or down to an eight percent ad valorem rate at most.

At this rate, based on the elapsed time between the 1964 and 1974 tariff reducing authorizations and their negotiating years, it will take some 20 years before the zero rate can be realized.

It is our belief that all legislation should be judged on its own merits, and not held as "hostage" or a "bargaining chip" in the Tokyo Round as requested by the Administration. If such a practice becomes commonplace, then the constitutional doctrine of the separation of powers will have been breached and the Executive will become the dictator of the Legislative Branch.

At a time when Congress is trying to recapture some of its prerogatives that it feels the Executive has arrogated to itself over recent years in the guise of expediency and emergency, surely an arbitrary suggestion that the National Legislature should waive, or even surrender, its right over this senatorial bill should be carefully examined.

Because no American industry is involved and no American worker will be displaced by the enactment of this bill, and because so little monetarily is involved, it has relatively little value as a "bargaining chip" or "negotiating concession". Besides, there are so many more products and articles that are more attractive and valuable for bargaining purposes in the Tokyo Round, with many more nations deeply concerned, that one can hardly conceive of a less influential and less worthy concession.

It may well be that the inclusion of such a minor item as this in the American arsenal or package may cause our trading partners to question the sincerity and the motivation of our offers and proposals. Coming at a time when the President's Special Trade Negotiator has reached an agreement, according to the newspapers of July 12, with the European Community to complete the Tokyo Round by the spring of next year (1978), it ill becomes our magnificent objective to intrude such an insigificant tariff item into the United States effort to secure global reductions in tariffs and in nontariff barriers, including the complete removal if possible of some of the latter unnecessary impediments to world trade and commerce.

In concluding this Submission, may we join with the bill's sponsor, Senator Spark Matsunaga, and others in urging quick and favorable action on S. 1519, "which though relatively minor in value is mighty in its symbolism".

## APPENDIX A

### U.S. IMPORTS FOR CONSUMPTION

[Net quantity and value]

| | 1972 | 1973 | 1974 | 1975 | 1976 |
|---|---|---|---|---|---|
| **TSUS 708.5200 PRISM BINOCULARS** | | | | | |
| Japan: | | | | | |
| Net quantity | 1,372,582 | 1,196,225 | 1,026,967 | 839,153 | 1,305,859 |
| Value | $16,274,294 | $17,122,028 | $16,867,194 | $12,622,356 | $18,382,909 |
| China (Taiwan): | | | | | |
| Net quantity | 143,037 | 156,142 | 109,618 | 20,132 | 6,517 |
| Value | $1,161,239 | $1,535,687 | $1,129,303 | $210,808 | + $70,797 |
| GSP tariff-free entry: | | | | | |
| Net quantity | | | | | 84,524 |
| Value | | | | | $976,763 |
| Hong Kong: | | | | | |
| Net quantity | 62,337 | 105,717 | 56,682 | 16,308 | 7,649 |
| Value | $476,467 | $947,035 | $537,847 | $124,534 | $50,307 |
| GSP tariff-free entry: | | | | | |
| Net quantity | | | 1,552 | | 75,303 |
| Value | | | $15,801 | | $901,898 |
| Korea: | | | | | |
| Net quantity | 17,138 | 26,655 | 67,010 | 45,460 | 258 |
| Value | $160,187 | $277,809 | $813,950 | $482,951 | $3,476 |
| GSP tariff-free entry: | | | | | |
| Net quantity | | | | | 178,304 |
| Value | | | | | $2,090,511 |
| West Germany: | | | | | |
| Net quantity | 7,245 | 7,028 | 9,983 | 11,266 | 15,153 |
| Value | $397,626 | $460,446 | $604,574 | $639,303 | $986,075 |
| France: | | | | | |
| Net quantity | 260 | | 240 | 201 | 2 |
| Value | $14,129 | | $3,780 | $3,890 | $921 |
| United Kingdom: | | | | | |
| Net quantity | 231 | 6 | 1,097 | 193 | 46 |
| Value | $9,754 | $263 | $20,319 | $7,696 | $3,570 |
| Canada: | | | | | |
| Net quantity | | 150 | | | 1 |
| Value | | $2,786 | | | $300 |
| Macao: | | | | | |
| Net quantity | 33,576 | 31,220 | 17,248 | 400 | |
| Value | $252,917 | $326,012 | $205,947 | $4,960 | |
| British West Africa: | | | | | |
| Net quantity | | | 280 | | |
| Value | | | $5,362 | | |
| Liberia: | | | | | |
| Net quantity | | | 960 | | |
| Value | | | $11,695 | | |
| Switzerland: | | | | | |
| Net quantity | 85 | 72 | 4 | | |
| Value | $5,550 | $5,389 | $546 | | |
| Australia: | | | | | |
| Net quantity | 2,832 | | | | |
| Value | $17,424 | | | | |
| Netherlands: | | | | | |
| Net quantity | 48 | | | | |
| Value | $480 | | | | |
| Panama: | | | | | |
| Net quantity | | 600 | | | |
| Value | | $3,372 | | | |
| Spain: | | | | | |
| Net quantity | | 150 | | | |
| Value | | $3,934 | | | |
| Yemen: | | | | | |
| Net quantity | | | | | 200 |
| Value | | | | | $2,300 |
| Portugal: | | | | | |
| Net quantity | | | | | 1,914 |
| Value | | | | | $179,297 |
| Austria: | | | | | |
| Net quantity | | 4 | | | 52 |
| Value | | $310 | | | $4,393 |
| Total: | | | | | |
| Net quantity | 1,639,471 | 1,526,177 | 1,291,641 | 933,113 | 1,675,782 |
| Value | $18,771,365 | $20,699,533 | $20,216,318 | $14,096,498 | $23,653,517 |

APPENDIX A—Continued

U.S. IMPORTS FOR CONSUMPTION—Continued

[Net quantity and value]

| | 1972 | 1973 | 1974 | 1975 | 1976 |
|---|---|---|---|---|---|
| TSUS 708.5300 TELESCOPES NOT DESIGNED FOR USE WITH INFRARED LIGHT | | | | | |
| Japan: | | | | | |
| Net quantity | 1,364,047 | 1,293,072 | 1,696,849 | 1,168,124 | 1,486,219 |
| Value | $7,944,365 | $8,763,852 | $12,567,400 | $9,729,310 | $10,866,326 |
| Canada: | | | | | |
| Net quantity | 681 | 324 | 27,080 | 8,290 | 3,853 |
| Value | $6,130 | $29,728 | $192,638 | $60,802 | $147,795 |
| United Kingdom: | | | | | |
| Net quantity | 560 | 986 | 4,696 | 114 | 401 |
| Value | $14,970 | $32,817 | $5,414 | $14,293 | $32,759 |
| Netherlands: | | | | | |
| Net quantity | | | | | 196 |
| Value | | | | | $2,853 |
| France: | | | | | |
| Net quantity | 1 | 80 | 3 | 5,883 | 2 |
| Value | $858 | $7,235 | $1,779 | $37,865 | $2,565 |
| West Germany: | | | | | |
| Net quantity | 2,925 | 1,015 | 1,902 | 1,719 | 2,431 |
| Value | $138,536 | $22,514 | $57,285 | $55,505 | $104,817 |
| East Germany: | | | | | |
| Net quantity | 5 | 50 | | | 1 |
| Value | $709 | $293 | | | $695 |
| Switzerland: | | | | | |
| Net quantity | 30 | 50 | 113 | 357 | 1 |
| Value | $3,349 | $7,171 | $38,539 | $2,809 | $539 |
| Korea: | | | | | |
| Net quantity | | 2,250 | 6,055 | 8,088 | 5,150 |
| Value | | $24,898 | $69,599 | $9,215 | $17,822 |
| GSP tariff-free entry: | | | | | |
| Net quantity | | | | | 2,660 |
| Value | | | | | $22,010 |
| Hong Kong: | | | | | |
| Net quantity | 333,526 | 72,082 | 89,575 | 113,832 | 27,168 |
| Value | $52,127 | $60,779 | $33,950 | $30,195 | $18,090 |
| GSP tariff-free entry: | | | | | |
| Net quantity | | | | | 584,439 |
| Value | | | | | $118,501 |
| China (Taiwan): | | | | | |
| Net quantity | 1,004 | 120 | 11,957 | 2,007 | [1] 4,459 |
| Value | $6,158 | $432 | $64,833 | $28,229 | $14,373 |
| China (mainland): | | | | | |
| Net quantity | | | | | 27 |
| Value | | | | | $349 |
| Australia: | | | | | |
| Net quantity | | | | 9 | |
| Value | | | | $594 | |
| Sweden: | | | | | |
| Net quantity | 2,039 | | 32 | | 15 |
| Value | $21,996 | | $2,987 | | $1,322 |
| Finalnd: | | | | | |
| Net quantity | 1,666 | 3,950 | | 1,750 | 1,162 |
| Value | $8,249 | $17,839 | | $19,688 | $15,878 |
| Denmark: | | | | | |
| Net quantity | | | | | 2 |
| Value | | | | | $600 |
| Belgium: | | | | | |
| Net quantity | | 1 | 1 | | 404 |
| Value | | $1,760 | $14,554 | | $3,515 |
| Panama: | | | | | |
| Net quantity | | | 200 | 100 | |
| Value | | | $1,966 | $721 | |
| Austria: | | | | | |
| Net quantity | 4 | 6 | | 30 | 42 |
| Value | $296 | $779 | | $2,114 | $3,515 |
| Italy: | | | | | |
| Net quantity | 2 | 1 | 902 | 1,900 | 84 |
| Value | $1,197 | $549 | $3,021 | $3,284 | $550 |
| Morocco: | | | | | |
| Net quantity | | | | 6 | |
| Value | | | | $446 | |
| Bermuda: | | | | | |
| Net quantity | | | 1 | | |
| Value | | | $340 | | |

APPENDIX A—Continued

U.S. IMPORTS FOR CONSUMPTION—Continued

[Net quantity and value]

| | 1972 | 1973 | 1974 | 1975 | 1976 |
|---|---|---|---|---|---|
| Argentina: | | | | | |
| Net quantity | | | 1 | | |
| Value | | | $304 | | |
| Poland: | | | | | |
| Net quantity | 150 | | 516 | | |
| Value | $6,300 | | $2,192 | | |
| Portugal: | | | | | |
| Net quantity | | | 312 | | |
| Value | | | $4,031 | | |
| Israel: | | | | | |
| Net quantity | 9 | 17 | 11 | | |
| Value | $3,035 | $430 | $5,329 | | |
| Soviet Union: | | | | | |
| Net quantity | 8 | | | | |
| Value | $436 | | | | |
| Spain: | | | | | |
| Net quantity | | 5 | | | |
| Value | | $262 | | | |
| New Zealand: | | | | | |
| Net quantity | | 12 | | | |
| Value | | $472 | | | |
| Total: | | | | | |
| Net quantity | 1,706,657 | 1,374,021 | 1,840,206 | 1,312,209 | 2,118,716 |
| Value | $8,208,711 | $8,972,310 | $13,066,161 | $9,995,070 | $11,375,062 |
| TSUS 708.5100 GLASSES, FIELD AND OPERA, EXCEPT PRISM BINOCULARS | | | | | |
| Japan: | | | | | |
| Net quantity | 913,109 | 592,112 | 757,615 | 600,443 | 634,574 |
| Value | $1,211,667 | $1,157,546 | $1,145,854 | $803,304 | $1,090,228 |
| Italy: | | | | | |
| Net quantity | 327,522 | 103,508 | 239,685 | 193,255 | 82,430 |
| Value | $424,566 | $147,934 | $341,185 | $272,220 | $95,294 |
| West Germany: | | | | | |
| Net quantity | 5,921 | 5,488 | 2,716 | 3,844 | 363 |
| Value | $21,883 | $16,050 | $19,872 | $9,422 | $9,522 |
| Hong Kong: | | | | | |
| Net quantity | 233,600 | 55,760 | 78,496 | 154,046 | 23,348 |
| Value | $56,490 | $55,024 | $74,661 | $53,933 | $17,237 |
| TSUS 807.20 entry: | | | | | |
| Net quantity | | | | | 882 |
| Value | | | | | $14,280 |
| GSP tariff-free entry: | | | | | |
| Net quantity | | | | | 399,433 |
| Value | | | | | $141,487 |
| Korea: | | | | | |
| Net quantity | | 3,562 | | | [1] 600 |
| Value | | $37,266 | | | $7,679 |
| France: | | | | | |
| Net quantity | 205 | 48 | 55 | | 84 |
| Value | $2,955 | $1,380 | $1,466 | | $4,752 |
| United Kingdom: | | | | | |
| Net quantity | 37 | | 43 | 89 | 59 |
| Value | $841 | | $833 | $998 | $2,427 |
| Sweden: | | | | | |
| Net quantity | | | | | [2] 463 |
| Value | | | | | $6,028 |
| Canada: | | | | | |
| Net quantity | | 10 | | | 16 |
| Value | | $723 | | | $622 |
| Taiwan: | | | | | |
| Net quantity | | | 1,984 | 1,872 | |
| Value | | | $24,241 | $511 | |
| Switzerland: | | | | | |
| Net quantity | | | 5 | 15 | |
| Value | | | $1,242 | $398 | |
| Total: | | | | | |
| Net quantity | 1,480,394 | 760,488 | 1,080,599 | 953,490 | 1,142,252 |
| Value | $1,718,402 | $1,415,923 | $1,609,354 | $1,140,786 | $1,389,556 |

[1] GSP tariff-free entry.
[2] Entered free of duty.

[Appendix B]

KNOWN AMERICAN IMPORTERS OF JAPANESE BINOCULARS AND TELESCOPES

United States companies that imported Japanese binoculars and telescopes which have indicated their endorsement of this proposed legislation and its probable beneficiaries include the following:

Florida—Tasco Sales Inc., Miami.

Illinois—Sears, Roebuck & Company, Montgomery Ward & Company, and United Binoculars Company, all of Chicago, and Sans & Streiffe, Inc., Brookfield.

Michigan—K-Mart, Troy.

Massachusetts—Swift Instrument, Inc., Boston.

Kansas—Jason Empire, Inc., Overland Park.

New York—J. C. Penney Company, American Thermo-Ware, Asahi Pentax Optical Company, Astra Trading Company, B. R. Import, Bushnell International Corporation, Compass Instrument and Optical Company, Kowa American Corporation, and Metasco, all of New York City, and Cannon Camera Company and Scope Instrument Corporation of Woodside; Swift New York of Jamaica; Unitron Instruments, Inc. of Woodbury; and S. E. Laszlo House of Imports of Brooklyn.

New Jersey—Selsi Company, Carlstadt and Edmund Scientific Company, Barrington.

Texas—Southern Precision Instrument Company, San Antonio.

Missouri—Kalimar Inc., Chesterfield.

California—Bushnell Optical Company, Pasadena; Colonial Optical Company, Inglewood; Studio City Camera Exchange, Studio City; Optech Precision Instruments, Monterey Park; Asanuma Corporation, Carson; Meade Instruments Company, Costa Mesa; O.L.M. International Corporation, South San Francisco; Swift Instruments, San Jose; Optica b/c Company, Oakland; Verano Corporation, Glendora; Westwood Import Company, Inc., and Jack Friedberg & Company, San Francscio; and Walters Telescope Repair, Sun Coast Merchandise Corporation, and Lenco Corporation, all of Los Angeles.

## STATEMENT OF JOHN D. ROPER, VICE PRESIDENT, KOCH REFINING CO.

Mr. ROPER. The company that I represent is Koch Refining Co. We operate a 127,000-barrel-a-day refinery in St. Paul, Minn.

I appreciate the opportunity to present Koch's views of S. 483, introduced by Senator Anderson and cosponsored by Senator Humphrey, providing for elimination of tariff duties on imports of Canadian crude oil made pursuant to crude oil exchanges.

The Canadian National Energy Board decided in 1974 to end the export of Canadian crude oil to the United States in the early 1980's. Many refiners located along the northern tier of the United States are heavily dependent on Canadian imports.

My own company, Koch Refining Company, relies on Canadian crude oil for more than 80 percent of its needs.

With the end of Canadian imports and without any further action to increase supply availability, northern tier refineries will be forced to reduce runs or perhaps to shut down facilities completely. This would obviously have severe consequences for the consumers served by those refineries; there would be shortages of refined petroleum products, particularly home heating oil during the winter.

The Federal Government has recognized that the Canadian export restrictions create serious problems for northern tier refineries and the consumers in that region. The Federal Energy Administration has established an allocation program for Canadian crude oil on the basis of need. This program was conceived as an interim step to provide

northern tier refineries with additional time in which to establish alternative methods of obtaining crude oil.

The program has been extremely successful in providing our refinery with its needed crude supply. However, by its very nature it is temporary. It neither increases quantities available for distribution nor extends the time in which they will be available.

To accomplish these latter objectives, FEA has encouraged U.S. refineries to exchange crude oil with Canadian refineries. An exchange of crude oil usually takes place within the petroleum industry when the geographic movement of the oil is burdensome and costly.

For example, if a Minnesota refiner imports crude oil into the east coast, it is obviously too difficult to transport that oil to his refinery. Therefore, he arranges with another company—with operations in Minnesota and on the east coast—to give him, in Minnesota, the same quantity of oil he imports, while he in turn gives the imported crude oil to that company on the east coast.

Through this "exchange," both companies receive the same quantity of oil, but significant transportation costs are avoided.

Senator RIBICOFF. Where is your refinery located?

Mr. ROPER. St. Paul, Minn.

Senator RIBICOFF. This was before us before. Vice President Mondale had urged this, and we had adopted it. We understand this problem very well, and I would suggest your entire statement go into the record.

I have no questions.

Does the chairman have questions?

Senator LONG. No.

Senator RIBICOFF. We understand this problem. We understand it very well.

Mr. ROPER. Thank you.

I was going to note one thing. The bill, as it is drafted now, there was an error. I would point it out to the committee.

In the explanation of the bill, it does not include duty-paid crude oil; in the text, it does. There needs to be a conformity there.

Senator RIBICOFF. Thank you for calling that to our attention. Staff will modify that.

Mr. ROPER. Thank you, sir.

[The prepared statement of Mr. Roper follows:]

PREPARED STATEMENT OF JOHN DEE ROPER ON BEHALF OF KOCH REFINING CO.

I am John Dee Roper, Vice President of Koch Refining Company. Koch Refining Company, is a wholly-owned subsidiary of Koch Industries, Inc. of Wichita, Kansas, We operate a 127,000 b/d refinery in St. Paul, Minnesota and are engaged in substantial marketing activities in the Minnesota and Wisconsin area.

I appreciate the opportunity to present Koch's views on S. 843, introduced by Senator Anderson, providing for elimination of tariff duties on imports of Canadian crude oil made pursuant to crude oil exchanges.

I. BACKGROUND

As the Committee knows, the Canadian National Energy Board decided in 1974 to end exports of crude oil to the United States in the early 1980's. Many refineries located along the northern tier of the United States are heavily dependent upon Canadian imports. My own company, Koch Refining Company, relies on Canada for more than 80% of its crude oil supply. When I say we rely on Canadian oil I am not saying that Canada provides a convenient source of

supply or that it is more economical to purchase Canadian crude oil. Rather I am saying that Canada is the principle source of crude oil available to our refinery during most of the year. We and other Canadian dependent refineries are unable to obtain sufficient volumes of crude from other sources since there are no existing crude pipelines from the south. Barging up the Mississippi River is a poor alternative, but even barging is impossible when the river freezes during the winter. Alternative methods of transportation are extremely limited. At times we are able to use product pipelines to carry crude oil, but they are not available on a regular basis. I mention these transportation problems in order to make clear that aside from approximately 10,000 b/d of crude oil from North Dakota and Montana, Canada is our only regular source of crude oil supply.

With the end of Canadian imports and without any further action to increase supply availability, northern tier refineries will be forced to reduce runs or perhaps to shut down facilities completely. This would obviously have severe consequences for the consumers served by those refineries; there would be shortages of refined petroleum products, particularly home heating oil during the winter.

## II. FEDERAL ACTION TO ALLEVIATE PROBLEM

### *A. Mandatory Allocation*

The Federal Government has recognized that the Canadian export restrictions create serious problems for northern tier refineries and the consumers in that region. The Federal Energy Administration has established an allocation program for Canadian crude oil on the basis of need.[1] This program was conceived as an interim step to provide northern tier refineries with additional time in which to establish alternative methods of obtaining crude oil. The program has been extremely successful in providing our refinery with its needed crude supply. However, by its very nature it is temporary. It neither increases quantities available for distribution nor extends the time in which they will be available.

### *B. Exchanges*

To accomplish these latter objectives, FEA has encouraged U.S. refineries to exchange crude oil with Canadian refineries. An exchange of crude oil usually takes place within the petroleum industry when the geographic movement of the oil is burdensome and costly. For example, if a Minnesota refiner imports crude oil into the East Coast, it is obviously too difficult to transport that oil to his refinery. Therefore, he arranges with another company (with operations in Minnesota and on the East Coast) to give him, in Minnesota, the same quantity of oil he is importing, while he in turn gives the imported crude oil to that company on the East Coast. Through this "exchange", both companies receive the same quantity of oil, but significant transportation costs are avoided.

Since it is exceedingly difficult to obtain crude from sources other than Canada, U.S.-Canadian exchanges provide Canadian-dependent refineries with much needed supply. Under the regulations of the Canadian National Energy Board any Canadian crude oil exported to the United States via an exchange is not treated as an export under the phase-out program and does not diminish the quantity of oil allocated pursuant to the FEA Mandatory Canadian Allocation Program. Such exchanges do not, of course, result in either a gain or loss of crude oil for Canada or the United States but do permit northern tier refineries and consumers to receive essential supply.

Unfortunately the U.S. Government has not provided full support for these supply arrangements; instead it has imposed three separate taxes on crude oil imports from Canada which make such exchanges uneconomical. In 1975 the U.S. imposed a $2 supplemental fee on each barrel of Canadian crude oil; imported; in 1973 it imposed a $0.21 per barrel base fee; and the U.S. regular Customs duties impose a tariff duty of 5.25 or 10.5 cents per barrel, depending upon the gravity of oil.[2]

Fortunately two of these levies have been removed. In early 1976, as the shortage of Canadian crude began to worsen, the President issued Proclamation 4412[3] which removed the $2 per barrel supplemental fee, effective December 22,

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[1] "Mandatory Canadian Allocation Program," 10 C.F.R. Part 214.
[2] Shedule 4, Part 10 of U.S. Tariff Schedules, 19 U.S.C. §§ 1202 et seq.
[3] Presidential Proclamation 4412, 41 F.R. 1037 (January 6, 1976).

1975, and removed the $0.21 per barrel base fee imposed on all Canadian crude oil imports made pursuant to an exchange for U.S. or duty-paid foreign crude oil.[4] However the President's action did not remove all financial barriers to exchanges.

III. THE PROBLEM: TARIFF DUTIES

As a result of the Petroleum change, Koch has engaged in an exchange with the British Petroleum refinery located in Ontario. However, the one financial barrier which still remains—the tariff duty of 5.25 or 10.5 cents per barrel—limits our ability to use the exchange mechanism more frequently. This duty adds substantial cost to the importation of Canadian crude oil. The amendment proposed in S. 843 would eliminate this tariff and would permit the free entry of Canadian crude when an equivalent amount of the same kind and quality of domestic or duty-paid foreign crude oil was exported to Canada.

Koch strongly supports this measure since it will remove the last financial barrier to these essential exchanges and will provide northern tier refiners and consumers with adequate supplies of crude oil at least for the next five or six years.[5] The proposed amendment is an essential interim measure, and we urge this Committee to act favorably on S. 843 at the earliest possible time.

Thank you very much.

Senator RIBICOFF. If there is no further business, the committee will stand adjourned, subject to the call of the Chair.

[Thereupon, at 11:15 a.m., the subcommittee recessed, to reconvene at the call of the Chair.]

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[4] Section 4(b)(1) of Presidential Proclamation, 41 F.R. 1037 (January 6, 1976).

[5] Koch realizes that the Canadian Allocation Program and the mechanism of crude oil exchanges are only interim measures which must be supplemented by long-term solutions. Koch is presently engaged in developing the Transmountain and Wood River Pipelines which would serve as secure sources of crude oil for its own refinery in Pine Bend and for other northern tier refineries.

94-218—77——8

# APPENDIX

## Communications Received by the Committee Expressing an Interest in These Hearings

### Communications Relating to H.R. 422

July 13, 1977.

Hon. Russell Long,
*Chairman, Committee on Finance,*
*U.S. Senate, Washington, D.C.*

Dear Mr. Chairman: On behalf of Cooper Airmotive, Inc., and the Airwork Service Division of the Purex Corporation, we wish to thank the committee for the consideration and attention accorded our problem and its proposed legislative solution H.R. 422.

Cooper Airmotive and Airwork overhaul and repair aircraft engines for domestic, international and foreign corporations. Our companies are in direct competition with foreign overhaul shops located in Canada, England, and South America.

A predecessor bill, H.R. 2181, was introduced to the 94th Congress January 28, 1975, by Congressman Corman. Unfortunately no final action was taken on the bill prior to the closing of the 94th Congress.

H.R. 422 is presently before the Senate Finance Committee. This bill will amend the tariff schedules of the United States to provide duty free treatment of any engine used as temporary replacement for an aircraft engine being overhauled in the United States if duty was paid on such replacement engine on original importation.

Briefly, this means that if we utilize a lease engine for which duty has been already paid upon entry into the United States, the engine may be used for temporary needs outside the United States and subsequently re-enter duty free.

We operate a fleet of lease engines to induce repair jobs into our shops from within and without the United States. If we presently ship a lease engine outside the United States for temporary use, present tariff schedules require that we pay duty on it upon its return to its domicile in the United States. H.R. 422 would relieve this problem, and, as stated above, would permit us to compete on equal terms with foreign competition.

In early 1973, difficulties were encountered in returning rental engines to the United States that had been previously exported in support of foreign operators. Our people visited with the Department of Treasury, United States Customs Service in Washington, D.C., in an attempt to clarify the issue and obtain an exemption under the existing tariff schedules of the United States, Item 801.00. Although the Customs Service was sympathetic to our cause they stated that they did not have the authority to grant an exemption and could only interpret the statutes as written. When asked for advice the Customs Service recommended that we take steps to introduce legislation that would amend the tariff schedules in order to permit duty free treatment of the rental engines.

We believe that it is the intention of the United States Government to encourage United States business to compete in the world marketplace in order to improve the balance of payments of our country.

Our industry is forecasting foreign sales of $30 to $40 million over the next five years but we must be able to provide rental engines or this business most surely will go to Canada, England or South America. It is important to note that

the relief we are asking for only concerns the rental engines and related accessories which we feel are a necessary tool of the trade in order to attract foreign business.

Thank You.

NORMAN A. WOLLBERG,
*Region Vice President,*
*Cooper Airmotive, Inc.*
THOMAS KINCAID,
*Director of Material Management,*
*Airwork Services, Division of Purex Corp.*

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## COMMUNICATIONS RELATING TO H.R. 3259

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
*Washington, D.C., June 15, 1977.*

Senator RUSSELL B. LONG,
*Chairman, Senate Committee on Finance,*
*Washington, D.C.*

MY DEAR MR. CHAIRMAN: As you know, the House passed the bill, H.R. 3259, a bill to continue the suspension for an additional two years of the import duty on certain horses imposed under items 903.50 and 903.51, on March 21, 1977, having been favorably reported by the House Committee on Ways and Means.

Originally numbered H.R. 9401 in the 94th Congress, this bill was delayed considerably by Committee and Floor debates on the Tax Reform Act of 1976, and was passed by the Senate on October 1, 1976, the last day of the session. Unfortunately, a non-germane amendment, offered by Senator Brooke of Massachusetts, was offered and accepted in the course of the Senate Floor debate, and objection was heard to an unanimous consent request back on the House side to agree to the Senate amendment. This forced the bill into a Conference Committee which was unable to meet before adjournment *sine die.*

H.R. 3259, as passed on the House side, would continue the temporary suspension of import duties on certain horses entering the country for purposes other than for immediate slaughter, and it was signed into law for a two-year period on October 26, 1974, as Public Law 93–484. Until Public Law 93–484 was enacted, a tariff was imposed upon horses entering the United States at a rate of $2.75 per head for horses not valued over $150 and at a rate of 3 percent ad valorem. for horses valued over $150. The tariff posed substantial problems, both for importers of horses and for the U.S. Customs Service. The Customs officers at the various points of entry were faced with the burden of making a determination as to the value of a horse, when in fact acknowledged experts differ as to the worth of any particular horse. Valuations of horses for tariff purposes became inconsistent and, to many owners and importers, unfair.

A second problem arose when a temporary import bond had to be imposed on a horse imported and subsequently claimed in a claiming race. In a race of this sort, any horse can be "claimed" after a race and the owner must forfeit the horse for the going price. Importers then had to forfeit the bond posted upon importation of the race horse, plus a penalty for failure to return the horse to the same port of entry within a one-year period.

A third problem arose in connection with horses imported for breeding purposes not of a breed recognized by the Department of Agriculture, such as the American Quarter Horse. Since only breeds of a recognized nature are excepted from these import quotas, owners of American Quarter Horse race horses were seriously discriminated against.

Since this law expired on June 30, 1976, customs officials have been collecting tariffs from importers and holding them at the border pending the enactment of new legislation again repealing this tariff. I have received positive responses from every agency that this bill was sent to for official comment, including the Customs Service. Any further delay would be a severe blow to importers of race horses for sport, as it has now been almost a year since the customs service has reimposed the import tariffs.

I have been informed that the Senate Finance Committee will meet in executive session on Wednesday, June 22, and I would like to respectfully urge the com-

mittee to take up H.R. 3259 at that time and act favorably upon it, so that it may be brought up on the Senate floor with haste to rectify this increasingly serious situation.

Sincerely,

JACK KEMP, *Member of Congress.*

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STATEMENT OF GEORGE A. SMATHERS ON BEHALF OF THE AMERICAN HORSE COUNCIL

Mr. Chairman, as General Counsel to the American Horse Council, I want to thank you for the opportunity to present this statement.

Let me first acquaint you with the American Horse Council, a national organization representing over two and one half million horsemen and horsewomen throughout the United States. These individuals either through personal membership or membership in the one hundred organizations which belong to the American Horse Council are united in an effort to promote and protect the United States equine industry, a more than $13 billion industry which annually contributes in excess of $1 billion in federal, state and local taxes.

The Council wholeheartedly endorses H.R. 3259 which will suspend the duty on horses imported to the United States until June 30, 1978. Previous suspensions of the duty on horses, as well as previous bills to continue the suspension or to eliminate the tariff, have been vigorously supported by the industry for a variety of reasons.

Before discussing these reasons, I would like to suggest that in view of the relatively short lifespan of the suspension under this bill—until June 30, 1978—it would appear to be a propitious and more efficient use of the legislative process to amend the bill in Subcommittee to provide that the suspension continue until June 30, 1980, or June 30, 1982. This would obviate the need for additional action by this Congress next year. Additionally, we ask the Subcommittee to consider amending the bill to instruct the President of the United States to eliminate the tariff pursuant to the powers granted under the Trade Act of 1974, P.L. 93-618. The tariff raises only a small amount of money and creates many problems that far outweigh any possible benefits.

Perhaps the most commonly heard complaint about the duty is the lack of uniformity in its enforcement. Application of the tariff depends upon the value which a Customs Officer places upon a horse when it enters the U.S. Unfortunately, an Officer has no set rule or simple method upon which he may rely in valuing an animal. The problem is further exacerbated by the understandable lack of experience on the part of the Customs Officers with respect to horses. Acknowledged experts in the field often differ widely in estimates on the worth of a particular horse. It is therefore understandable that persons who have no experience with horses and who are concerned with a myriad of items coming across our borders or entering our ports would have extreme difficulty in making a fair determination as to the value of a horse.

The second difficulty which the tariff presents concerns claiming races, which are used by the racing industry to ensure that horses of equal talent are entered in the same races. A valuable horse would not be entered in a claiming race with a low claiming price even though it may win because it would be claimed at the low price. These claiming races, which are necessary to the racing industry, impose an unfortunate side-effect on foreign horses. When horses enter the U.S. to race, their owners must post a bond with the Customs Service which is returnable when the horse leaves the United States. However, if a horse is claimed, the new owner controls the horse and the previous owner would forfeit the bond even if the horse is removed from the U.S. by its new owner. Thus, the law extracts a duty from some individuals as a result of the racing system in the United States even though it was certainly not the intent of Congress to impose the duty in those instances. It also creates a disincentive to bring race horses into the U.S. for claiming races.

A third problem created by the tariff concerns certain American breeds which have been developed in the United States. The most notable example is the American Quarter Horse which is probably the most widely owned horse in this country. Due to the manner in which the quarter horse is registered with the American Quarter Horse Association, the U.S. Department of Agriculture has refused to recognize it as a purebred animal. Since the tariff laws permit the duty-free importation of purebred horses for breeding purposes, many horses

enter the United States duty free. However, the American Quarter Horse, a uniquely American breed, does not enjoy this privilege. For this reason the tariff discriminates against the owners of one of the most popular breeds in the U.S. and a breed which was developed in this country. The suspension of elimination of the duty would place the owners of the American Quarter Horse on the same footing as the owners of other breeds of horses.

During the mark-up of this legislation in the last Congress, there was concern expressed by some members of the Subcommittee that this bill would benefit slaughter houses and is in some fashion designed to facilitate the entry of horses for slaughter. Nothing could be further from the truth. This bill does not alter the tariff schedules with respect to horses for slaughter. In fact, to our knowledge, there is no market for foreign horses intended for slaughter in the United States. Thus, we wish the record to reflect that this bill is intended to benefit those who breed, raise and own horses for racing, showing or pleasure riding and is not concerned with horses intended for slaughter.

Several years ago the American Horse Council urged the Congress to eliminate this tariff through legislation. The Executive Branch opposed elimination but did not object to suspension of the tariff. Our understanding is that the International Trade Commission believes that abrogation of the tariff would be accomplished more appropriately through the trade negotiations instead of the legislative process.

Our difficulty with this reasoning is that we do not believe the tariff to be of sufficient consequences to foreign governments to warrant its retention as a "chip" in the bargaining sessions now going on in Geneva. In fact, it is the domestic industry itself which is most adversely affected by the tariff, not foreign exporters of horses.

Thus, the tariff should not be considered as a device which protects business interests within the United States. Moreover, it is questionable in our minds as to whether there is a net revenue gain from the tariff, given the difficult in evaluating horses and the attendant administrative burdens.

Consequently, it is our hope the Subcommittee will amend the bill to direct the President of the United States to abolish the tariff as expeditiously as possible through his powers under the Trade Act of 1974. We wish to make it perfectly clear that although we are supporting this bill to suspend enforcement of the tariff, we would greately prefer its total elimination.

Again, I want to thank the Chairman and the members of the Subcommittee for the opportunity to present this testimony. If additional information is necessary, we will be most happy to provide it.

## Communications Relating to H.R. 3387

American Cyanamid Co.
Titanium Dioxide Department,
Bound Brook, N.J., *July 15, 1977.*

Mr. Michael Stern,
*Staff Director, Committee on Finance,*
*Dirksen Office Building, Washington, D.C.*

Dear Mr. Stern: American Cyanamid supports HR-3387. This bill will extend the suspension of duty on synthetic rutile until June 30, 1980. Synthetic rutile is used to produce titanium dioxide pigments, the most widely used white pigment in the manufacture of paint, paper and plastics. The alternate source materials for titanium dioxide are the naturally occurring rutile and ilmenite. Both are imported duty free.

Natural rutile, which contains about 95 percent titanium dioxide, is the ideal source material for titanium dioxide pigment. The small amount if waste material can be discarded with no threat to the environment. Unfortunately, supplies of rutile are limited. Most of the world's production is in Australia and the known deposits are being depleted rapidly. Prices have almost tripled in the last five years and additional increases can be expected.

Titanium dioxide pigments can also be produced from ilmenite ore which contains 45–65 percent titanium dioxide. When used directly in titanium dioxide manufacture, ilmenite causes severe processing and pollution problems due to the high percentage of waste material. Synthetic rutile is prepared from ilmenite by a process which increases the titanium dioxide content to 92–94 percent. This enriched product can be substituted directly for natural rutile to produce titanium dioxide pigments.

Increased usage of synthetic rutile is desirable to extend the limited supply of natural rutile. This will insure U.S. titanium dioxide producers an adequate supply of the most desirable titanium dioxide source material. Greater usage of synthetic rutile will also act as a curb on future price increases on natural rutile.

We urge prompt passage of this legislation.

Very truly yours,

EMIL C. BOSACKI,
*Manager, Titanium Dioxide Dept.*

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PREPARED STATEMENT OF THE NEW JERSEY ZINC CO.

The New Jersey Zinc Company urges favorable consideration of H.R. 3387, which passed the House of Representatives on July 18, 1977 (123 Cong. Rec. H7274–H7276). This bill would extend the duty suspension on synthetic rutile through June 30, 1979. The duty suspension, enacted into law by Pub. L. 93–470 in October 1974, expired on June 30 of this year.

Today, synthetic rutile is one of the primary source materials used by the American titanium pigments industry to produce titanium dioxide, the essential ingredient in lead-free, white pigments found in paints, paper, and plastics. Our company is a member of that industry, operating titanium pigment plants in Ashtabula, Ohio and Gloucester City, New Jersey.

Prior to 1971, natural rutile was virtually the only source material available for the production of titanium pigments. Natural rutile, which is duty-free under TSUS Item 601.51, is an ore having a titanium content of about 95% by weight. There are no natural rutile deposits in the United States. Australia is the only commercial source for natural rutile in the world. However, Australia's natural rutile deposits have been dwindling and the price for that commodity has been increasing while the quality has been decreasing.

Since 1971 developments in metallurgical technology have made it possible to upgrade ilmenite (which normally has a titanium content between 44 percent and 66 percent by weight) on a commercial basis to the point where it is functionally the same as natural rutile. Such upgraded ilmenite is referred to as *synthetic rutile* in the trade. Since ilmenite is relatively plentiful, there has been a marked increase in the use of synthetic rutile as a source material for titanium pigments. Because the upgrading of ilmenite is achieved by a chemical separation process with associated environmental pollution problems and because the pollution control standards prevailing in the United States are rigid, the cost of producing synthetic rutile domestically would generally be prohibitive. There is in fact no significant United States production of synthetic rutile for sale in the domestic market, although one company has recently built a domestic synthetic rutile facility to supply its own titanium dioxide plant. Consequently, most of the synthetic rutile used by the American titanium pigments industry (as well as the titanium metals industry) must be imported.

Synthetic rutile is classified under TSUS Item 603.70, a "basket" category bearing a 7.5 percent duty rate. The 7.5 percent tariff on synthetic rutile is anomalous, not only because natural rutile is duty-free under the Tariff Schedules, but also because of the fact that titanium pigments and metals—the finished product made from both natural and synthetic rutile—are also dutiable at 7.5 percent under TSUS Item 473.70. This is entirely inconsistent with the United States tariff structure under which raw materials or lightly processed materials are generally duty-free or subject to nominal duties, while imports of finished products or high value-added products are dutiable at higher rates.

Another anomaly is readily apparent when one considers that certain synthetic materials used in jewelry, including synthetic rutile of gemstone quality, are dutiable at only 4 percent under TSUS Item 530.71. Again, this is inconsistent with the United States tariff structure which normally imposes higher rates of duty on luxury articles than on industrial articles. There can be no doubt that Congress would not have permitted this incongruous result had it been aware of the problem when the Tariff Schedules were adopted in 1963.

Since synthetic rutile was not an article of trade when the Tariff Schedules were adopted, Congress did not have an opportunity to consider the appropriate tariff treatment for this material. Because natural and synthetic rutile are interchangeable as the raw materials from which titanium pigments are made, there is every reason to believe that Congress would have provided equal tariff treat-

ment for synthetic and natural rutile in the same manner that it provided for equal treatment of both natural and synthetic scheelite under TSUS Item 601.54.

While the foregoing justifies a technical amendment to make synthetic rutile duty-free on a permanent basis, the New Jersey Zinc Company believes that a temporary duty suspension is preferable for the following reasons: (1) a temporary suspension enables United States trade negotiators to obtain a *quid pro quo* for a permanent reduction of the duty on synthetic rutile; and (2) it is possible that a substantial synthetic rutile industry might one day be developed in the United States if technological advances solve the problem of high pollution control costs. This suggests that some margin of tariff protection might be desirable in the future, a possibility that would be preserved by following the temporary suspension approach. In addition, the governmental agencies concerned favor temporary suspension.

The economic justification for continuing the temporary suspension of duty is as strong today as it was when originally enacted in 1974. An increase in the raw material costs of the American titanium pigments industry and titanium metals industry (by virtue of the imposition of a 7.5 percent duty on synthetic rutile after June 30 of this year) would only contribute to inflationary pressures in the United States without any commensurate benefit to any domestic industry. Accordingly, we urge the Congress to prevent such adverse consquences by passing H.R. 3387 (to extend the expiration date of the duty suspension on synthetic rutile until June 30, 1979).

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SCM CHEMICAL/METALLURGICAL,
*July 18, 1977.*

Mr. MICHAEL STERN,
*Staff Director, Committee on Finance,*
*Dirksen Senate Office Building, Washington, D.C.*

DEAR MR. STERN: In response to the press release of your Committee July 1, 1977, with respect to "miscellaneous tariff bills," please find enclosed five copies of our Statement in Support of H.R. 3387, which would continue until June 30, 1979, the existing suspension of duties on synthetic rutile.

We have also supported H.R. 3388, a bill which would have made permanent the duty suspension. We believe this bill has merit as a technical amendment to the TSUS in that, had synthetic rutile been an article of commerce when the tariff schedules were adopted, it would have been classified as a titanium ore. Even though we believe there should be increasing recognition of synthetic ores of this chemical and functional similarity as ores for tariff purposes, the further two year temporary suspension in H.R. 3387 is sound legislation and we give our full support to it.

We very much hope that H.R. 3387 will receive speedy and favorable consideration.

Sincerely yours,

SAMUEL FRIEDMAN.

PREPARED STATEMENT OF CHEMICAL/METALLURGICAL DIVISION, SCM CORP.

This statement supports H.R. 3387, to continue the present suspension of duty on synthetic rutile for an additional period of two years (i.e., until June 30, 1979).

A temporary duty suspension on synthetic rutile was first considered in 1974. After receiving favorable (or no objection) letters from the departments and agencies concerned. the temporary duty suspension was unanimously recommended or adopted by the Ways and Means Committee, the House of Representatives, the Senate Finance Committee, the Senate and the President. The initial period of temporary duty suspension appears as Item 911.25 of the Tariff Schedules of the United States.

The further suspension contained in H.R. 3387 was unanimously reported to the House in H. Rep. No. 95–439 June 16, 1977, attached as a matter of convenience. For the reasons stated in the report, the period of further duty suspension is proposed as two years (i.e., through June 30, 1979).

The need for synthetic rutile to supplement natural rutile (with which it is virtually identical) is as great today as it was when the original duty suspension was granted. Synthetic rutile is with natural rutile a basic source material for titanium dioxide pigments a $700 million industry. We agree with the statement of the Department of the Interior, one of the agencies most directly concerned

(and which has recommended the enactment of H.R. 3387) that "imposition of a tariff now would simply increase the cost of the material to domestic consumers."

We also agree with the statment of the Department of Commerce that "In recent years, competition from foreign producers of pigments has increased for the limited supplies of feed stocks, namely natural and synthetic rutile, while at the same time U.S. pigment producers have faced increased import competition from foreign pigment manufacturers. Suspension of the duties on synthetic rutile has not only helped domestic pigment producers to obtain scarce supplies, but also to maintain their competitive position against imported pigments."

We have prepared a detailed statement in support of this legislation, which is enclosed for the consideration of the Committee and its staff. This statement is sufficiently long so that we do not ask that it be included in the printed record of these proceedings unless the Committee determines to do so.

We submit that the record of consideration by both the Executive Branch departments and agencies and by the Congress is very complete and thorough. The merits of the bill have been fully discussed during the consideration of the bill in the previous and present Congresses.

The temporary duty suspension in the original legislation expired June 30, 1977. Accordingly, we hope that there will be not only favorable but prompt conideration of H.R. 3387.

Respectfully submitted,

SAMUEL FRIEDMAN, Esq.
*Chemical/Metallurgical Division, SCM Corp.*

Attachments.

STATEMENT IN SUPPORT OF A FURTHER 3-YEAR TEMPORARY SUSPENSION OF TARIFF DUTY ON SYNTHETIC RUTILE—H.R. 3387

I.—INTRODUCTION AND OUTLINE CONCLUSIONS

The 7.5 percent ad valorem tariff duty on synthetic rutile has been suspended through June 30, 1977, by Public Law 93-470, effective October 26, 1974. The suspension appears as Item 911.25 of the Appendix to the Tariff Schedules of the United States (TSUS). This Statement sets forth the clear need for a further temporary suspension through June 30, 1980. Attached hereto as Exhibit I is H.R. 3387, introduced February 9, 1977, by Mr. Waggonner to effect this extension.

The further temporary suspension of duty is indicated for the following reasons:

1. Synthetic rutile, almost uniquely, is functionally and chemically an "ore" and should be treated as an ore for tariff purposes for the limited further period here sought.

2. The United States titanium dioxide pigments industry is already at some price disadvantage with some European competition. Increasing the cost of an absolutely basic and necessary source material will further increase this competitive disadvantage, as well as inflate the costs of the many thousands of products which must use and thus are dependent upon $TiO_2$ pigments.

3. The capital intensive investments which will be necessary to keep pace with domestic demand for $TiO_2$ are dependent on profitability. Profit margins are questionable at present and the difficulties should not be increased by a tax on or a limitation of source materials.

4. Had it been an article of commerce at the time the Tariff Schedules were adopted we believe synthetic rutile would have been accorded duty free status. A tariff rate of 7.5 percent for synthetic rutile represents a glaring anomaly in the Tariff Schedules because:

(a) Titanium dioxide pigments—the finished product derived from both natural and synthetic rutile—are dutiable at the same 7.5 percent rate under TSUS Item 473.70; and

(b) The duty rate for this basic industrial source material is substantially higher than the duty rate for synthetic rutile of gemstone quality—a luxury article—which is classified under TSUS Item 520.71 at 4 percent.

We believe that, had Congress previously been confronted with this anomaly, it would certainly have provided a duty rate below that for synthetic gemstones. Further, we believe that a zero rate would have been provided for synthetic rutile because:

(c) Synthetic rutile is functionally and (except for the nature of the impurities) chemically the same as natural rutile which is duty free under TSUS Item 601.51.

(d) A Congressional policy of providing duty free treatment for titanium-rich materials can also be found in TSUS Item 603.62 covering slag which contains more than 40 percent by weight titanium.

5. The further duty suspension here sought is for a limited period of time and the situation can be reviewed at the end of three years in light of the then circumstances.

The 1974 bill was uncontroversial, supported by compelling reasons, unanimously recommended by the Ways and Means Committee and unanimously enacted. It had the backing of the producing industries; and all Government agencies concerned supported the legisition (Interior, State, Treasury and Commerce) or expressed no opposition. The Floor discussion in the House is attached as Exhibit II. Reference is made to the report of the House Ways and Means Committee, H.R. Rep. No. 93-973, 93rd Cong., 2d Session, attached as Exhibit III. Reference is also made to the original industry statement in support of duty suspension dated July 20, 1973 (attached as Exhibit IV) and to the January 14, 1974 letter to the House Ways and Means Committee transmitting an economic analysis dated September 5, 1973 (attached as Exhibits V(a) and V(b)).

Basically, however, synthetic rutile is an ore[1] or concentrate upon which much of the $700 million plus titanium dioxide ($TiO_2$) industry is no less dependent than when the duty suspension was originally adopted. For at least the next two years the major available source of natural rutile will continue to be Australia. Australian exports have been declining slowly while the United States need is increasing: greater dependence on synthetic rutile is thus indicated. None of these developments are unexpected.

Synthetic rutile is produced from ilmenite ($FeTiO_3$) by chemically extracting most of the iron and some of the other impurities from the mineral ilmenite. Thus we have a chemical change involved in producing that which becomes functionally an ore. This process generates huge quantities of waste material consisting mostly of acids and iron salts. Any method of disposing of these pollutants involves both economic and ecological cost, whether they be dumped without processing directly into the environment or further processed at the expense of more raw materials, energy and plant capital investment Heretofore, it has not been economic or desirable to undertake production of synthetic rutile in this country. This year the first United States production of synthetic rutile is expected in a facility constructed by Kerr-McGee Chemical Co. This facility is discussed below.

There have been a few changes in rutile and titanium dioxide production since the suspension of the tariff duty, which it is the purpose of this memorandum to discuss. A principal change is that some United States prices for titanium dioxide have become measurably and significantly higher than competitive prices from abroad. Significant quantities of foreign titanium dioxide of qualities and grades comparable to domestic production are being offered for sale at 2-3 cents per pound under prevailing domestic prices.

It is significant that directly competitive countries which enjoy this price advantage (such as the U.K. and the EEC) classify synthetic rutile as a titanium concentrate free of duty, as is discussed below.

The 7.5 percent duty, if applied to the source material for the United States, would increase U.S. production cost on $TiO_2$ produced therefrom on the order of one cent per pound of product.

We feel it makes no sense to increase the present adverse discrepancy between domestic and foreign prices by an additional 30-50 percent. To the contary, all of the reasons for duty free treatment accorded an ore are present here:

(i) Rutile (natural or synthetic) is required to supply U.S. manufacturing industries;

(ii) it provides both U.S. jobs and products required by domestic industries; and

(iii) the impact of a duty would be to inflate costs at all manufacturing levels from the source material to the many dozens of products in the industries dependent on $TiO_2$, which amount in dollar volume to many times the $700 million plus titanium dioxide industry.

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[1] Synthetic rutile is functionally and (except for the nature of the impurities) chemically the same as natural rutile and in these senses can be described as an ore. See Exhibit VI.

## II.—GLOSSARY OF TERMS

The following glossary of terms may be helpful.

*Natural Rutile*

Rutile (natural $TiO_2$) is a reddish-brown to black mineral commonly found in sand deposits in conjunction with the zicron and ilmenite. Commercial concentrates of rutile contain 94–96 percent $TiO_2$. The present commercial source in the world is Australia. Australian production is not expected to increase substantially in part because the profitability of rutile depends on the advantageous sale of ilmenite and zircon with which it occurs; and in part because of environmental objections to digging up the beach sands in which the ilmenite, zircon and rutile occur. Possible future sources are discussed below.

*Synthetic Rutile*

Synthetic rutile (beneficiated ilmenite) is an "ore" which is prepared by extracting most of the iron and minor impurities from ilmenite. The iron and other products are discarded and the percentage of titanium dioxide is upgraded, usually to 90–95 plus percent titanium dioxide (by weight over 50 percent titanium). The percentage of enrichment is a matter of economics rather than a set amount.

*Ilmenite*

Ilmenite is a black mineral composed of iron, titanium and oxygen. It contains a significantly lower $TiO_2$ content (45–70 percent) than natural or synthetic rutile.

*Titanium Dioxide*

$TiO_2$ accounts for virtually all white pigments in use today. These pigments are indispensable to the paint, paper, rubber, and plastic industries. Domestic shipments of white pigment in 1976 should be about $700 million; the products of which it is a basic ingredient will be valued at many times this figure and are manufactured in each of the States. There are no practical substitutes for $TiO_2$ as a white pigment. $TiO_2$ is inert and nontoxic and eliminates the hazards in lead and other heavy metal sources of pigmentation. (See "The Importance of Titanium Dioxide Pigments to United States Industries," Appendix A to the July 20, 1973 Statement attached as Exhibit IV.) Titanium dioxide is used throughout this memorandum to mean titanium dioxide pigments.

*Titanium Metal*

Natural rutile has been the basic starting material for the production of titanium metal, but synthetic rutile has been used with equal success. Titanium is particularly important for military and commercial aircraft. An intermediate step in the processing of rutile yields the source material ($TiCl_4$) from which titanium sponge is produced. The production capability for $TiO_2$ thus provides an important potential source of titanium metal, and may be important if that strategic metal comes suddenly into great demand.

*$TiO_2$ Production Processes*

Rutile (and synthetic rutile) can be processed efficiently and relatively cleanly into commercial $TiO_2$ pigments by a chloride process in which the $TiO_2$ is produced in a closed chlorine loop and the waste products are therefore limited to the relatively small amount of the rutile concentrate which is not $TiO_2$. (Even though this process is "relatively clean" in pollution costs, as compared with other processes, the pollution control expenses can be significant as compared with costs in countries less advanced in environmental controls).

Economically proven processes for the production of $TiO_2$ from ilmenite involve the production of polluting wastes (iron sulfates or chlorides) in substantially larger amounts than from rutile. The chloride process produces pollutants on the order of 500,000 tons a year, the bulk of which are from the processing of ilmenite, so that total pollutants, including iron sulfates from the sulfate process, exceed a million tons a year.

As Appendix B to the July 20, 1973 Statement (Exhibit IV) concludes:

"The necessity of processing ilmenite or other non-rutile feedstocks to meet the demand for titanium dioxide pigments involves generation of huge quantities of waste material consisting mostly of acids and iron salts. Any method

of disposing of these waste materials involves both economic and ecological costs, no matter whether un-processed wastes are dumped directly into the environment, or whether they are further processed at the expense of more raw materials, energy, and plant capital investment. Any economic incentive toward the use of rutile ore or pre-synthetic rutile-like feedstocks with markedly lower pollution potential will certainly reduce the magnitude of such disposal problems.

## III.—PRODUCTION AND COMPETITIVE CONDITIONS; $TiO_2$ AND RUTILE, U.S. AND WORLDWIDE

### *1. United States Production of $TiO_2$ Pigments*

(a) *Present.* As compared with three years ago, when the duty suspension was originally considered by the Congress and the Executive Branch, the only significant change in United States production of $TiO_2$ has been a net increase in the Dupont Edge Moor, Delaware, plant of 75,000 tons. (The chloride facilities at this site were increased about 125,000 tons, but the adjacent 50,000 ton sulfate facility was closed down.)

The following statement of present United States production is taken from the June 1, 1976, edition of *Paper Trade Journal.*

MAJOR U.S. PRODUCERS

| | Chloride process (short tons) | Sulfate process (short tons) | Total |
|---|---|---|---|
| American Cyanamid, Savannah, Ga | 40,000 | 60,000 | 100,000 |
| Dupont: | | | |
| Antioch, Calif | 30,000 | | |
| Edge Moor, Del | 167,000 | | |
| New Johnsonville, Tenn | 228,000 | | 425,000 |
| Glidden-Durkee:[1] | | | |
| Baltimore, Md | 30,000 | 50,000 | |
| Ashtabula, Ohio | 30,000 | | 110,000 |
| Kerr-McGee, Hamilton, Miss | 55,000 | | 55,000 |
| New Jersey zinc: | | | |
| Ashtabula, Ohio | 29,000 | | |
| Gloucester City, N.J | | 45,000 | 74,000 |
| NL Industries: | | | |
| Sayreville, N.J | | 110,000 | |
| St. Louis, Mo | | 80,000 | 190,000 |
| Total | 609,000 | 345,000 | 954,000 |

[1] Now SCM Corp.

Source: American Paper Institute.

(b) *Future.* Dupont has announced plans to establish a new facility in DeLisle, Mississippi, of 130,000 short tons, with completion expected in the next two years. Kerr-McGee has tentatively announced an additional capacity of 50,000 short tons to be added at its Mobile, Alabama, site. New Jersey Zinc expects to double its Ashtabula, Ohio, chloride plant of 29,000 to approximately 58,000 short tons. NL Industries has just announced a new 100,000 ton chloride plant.

(c) *Uncertainties.* These plans for expansion in capacity will be affected by costs and profits. The most recent forecast we have seen comes from the American Paper Institute, quoted in the June 1, 1976 Paper Trade Journal. API warned that "a postponement of capacity expansion projects as a result of rising environmental restrictions and higher costs for titanium-concentrated raw materials may tighten the market for $TiO_2$ by 1979."

API indicated "that rising raw material costs, large expenditures for pollution controls, uncertainties about environmental legislation, and questionable profitability of $TiO_2$ production could dissuade domestic and foreign producers from carrying out their expansion plans."

The extent of this uncertainty is emphasized by the EPA study quoted below, pages 13–14, to the effect that the estimated costs on a unit basis of compliance with effluent guidelines for both the chloride and sulfate processes were "very nearly 2.5 times current estimated industry profit levels."

*2. World Production of $TiO_2$ Pigments*

World production of titanium dioxide (insofar as we can ascertain) has increased modestly over the last three years. However, as in the United States, substantial expansions are contemplated within the next two or three years.

NL Industries has recently announced its intention to construct by mid-1978 a 40,000 ton chloride plant to augment its 15,000 ton pilot plant in West Germany.

Titanium dioxide is produced in the United States, Finland, France, Germany, Italy, Belgium and the United Kingdom, as well as in Mexico, Canada, Japan and in smaller amounts in some ten other countries. Growth in production is predicted to be about 5 percent a year, which would mean that world capacity must continue to be expanded at a rate of 100,000 to 150,000 tons annually until 1980. (See *Industrial Minerals*, January, 1976, at page 33.)

In the previous submissions the statement was made that the sulfate process, for environmental reasons, would not be employed in any new U.S. facilities. We note that there have been two closings of sulfate plants (Delaware and Mexico) and they have been replaced by plants utilizing the chloride process and that all expansions which are contemplated utilize some type of chloride process. Thus, the dependence upon rutile and synthetic rutile is increasing, as has been expected.

*3. World Competitive Conditions with Respect to $TiO_2$ Pigments*

In the early 1970's there were periods during which the United States demand exceeded production capabilities. Customers were at times upon allocation and titanium dioxide was imported even though foreign prices were higher than domestic prices. At the present time and for the foreseeable future it seems quite clear that both these situations are reversed. Production will exceed demand, both in the United States and worldwide. Significant quantities of imported $TiO_2$ are offered in the United States at 2–3 cents under United States prices. We thus have a new and special situation facing the domestic industries with an excess of production over demand and lower prices abroad. The United States market would appear to be increasingly import sensitive.

The increasing costs of environmental protection compound this price disadvantage of domestic producers compared with most foreign producers.

Except for Japan, the United States is ahead of competitive countries in setting environmental standards in two significant respects. First, it is ahead in point of time; we are establishing standards earlier than the other countries. Second (and again with the exceptior of Japan), U.S. standards are higher and the costs associated with them are higher than in other countries.

We note that the Environmental Protection Agency in EPA-230/1-73-015, Contract No. 68-01-1541, an analysis of the costs of compliance with the effluent guidelines made available to us in January, 1974, includes the following conclusion: "Titanium dioxide stands out in this figure as the product where the estimated treatment costs represent the highest proportion of both selling price and profit margin. (For both the chloride and sulfate process, *the estimated treatment costs on a unit basis are very nearly 2.5 times current estimated industry profit levels.*)" (Emphasis added).

Therefore, there seems every indication of substantial cost of production pressure from the EPA requirements. Thus, we would expect any differential in costs of production, as compared with foreign producers, to increase rather than to decrease within the period of the further suspension which is here sought.

Japan has higher environmental standards than the United States, which seems reflected in their domestic prices. Japanese titanium dioxide, we understand, is approximately 7 cents more expensive in Japan than the United States market and thus is 9–10 cents more expensive than other foreign producers.

Some producers in the world have (and will continue to have) very minimal costs associated with environmental protection. Those countries, other than Japan, are well behind the United States both in point of time and cost impact in undertaking environmental programs.

Titanium dioxide produced in the United States is in direct competition with titanium dioxide produced in Canada and in Europe. As far as we have been able to ascertain, neither Canada, the United Kingdom nor the Brussels Tariff Nomenclature countries impose a duty on the importation of synthetic rutile into their countries. Again so far as we have been able to ascertain, this classi-

fication is on the basis that synthetic rutile is a titanium ore or concentrate under BTN 26.01, and thus has duty free status. Their $TiO_2$ product thus would have a significant competitive advantage if the United States were to reimpose the 7.5 percent ad valorem duty.

*4. World Supply of Natural Rutile*

(a) *Present.* As expected, the Australian exports of natural rutile have been declining slowly, with relatively minor variations from year to year that are dependent on short term factors. Exports over recent years were as follows:

AUSTRALIAN EXPORTS OF RUTILE CONCENTRATE (METRIC TONS)

| | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|
| Total exports | 353,767 | 339,246 | 344,539 | [1] 319,301 |
| United States | 168,096 | 131,910 | 157,183 | 150,986 |
| Percentage | 47.52 | 38.88 | 45.62 | 47.3 |

[1] Preliminary.

Source: Bureau of Mineral Resources, Geology and Geophysics, Canberra, A.C.T. 2600, Feb. 13, 1976, updated for 1975

(b) *Future.* Australian production from the east coast (the only area producing until 1972) is expected to decline. Some of the decline will be compensated for by west coast production from a new mining area at Eneabba where rutile is a work product of ilmenite and zircon mining. On the long term, however, Australian rutile production is expected to continue to decline tons to 20,000 metric tons (87.5 to 1).) Australian rutile production is expected to continue to decline slowly, with exhaustion predicted between 1990 and 2000.

It is quite possible that there may be additional natural rutile available in late 1978 or early 1979 from Africa. The Richards Bay project is well under way and has an announced starting date. This project may make available 50,000 tons of a natural rutile and larger amounts, perhaps 300,000 tons, of a slag, containing 85 percent $TiO_2$. (There is also the possibility of natural rutile from Sierra Leone. Rutile has previously been mined in Sierra Leone but abandoned as uneconomic. Bethlehem Steel's plans to reactivate rutile mining there have not been made definite.)

In predicting future African production account must be taken of the political and economic situations in these areas.

The United States share of the competition for Australian natural rutile has remained relatively stable near 50%, plus or minus 10%, over recent years. See the table above. This percentage is not expected to change significantly.

A substantial gap appears between available natural rutile and United States rutile needs. There are 214,000 short tons of titanium dioxide capacity presently installed in the United States which are substantially dependent on rutile. Using the rule of thumb that 1.2 tons of rutile are required for one ton of $TiO_2$, about 260,000 short tons of rutile are needed for present $TiO_2$ capacity, to which should be added 20–30,000 tons for titanium metal production at current levels. Importations from Australia over the last four years have averaged less than 160,000 metric tons (176,000 short tons) so a capacity gap appears on the order of 84,000 short tons (about one-third). This gap is over 40% when titanium metal production at current levels is included; and it can be expected to increase.

*5. Production of Synthetic Rutile*

(a) *Present.* Three years ago the production units for synthetic rutile in Japan, Western Australia, and India are estimated to have totaled on the order of 55,000 tons.

Present (1975–76) production capabilities of some 170,000 tons are estimated as follows:

*Worldwide synthetic rutile capacity (metric tons) (estimated 1976)*

| | *Tons* |
|---|---|
| Australia (1975) | 35,000 |
| India (1975) | 20,000 |
| Japan (1975) | 30,000 |
| Taiwan (1976) | 30,000 |
| Malaysia | 55,000 |
| Total | 170,000 |

The Taiwan figure includes a second unit, opened during the second half of 1976.

(b) *Future.* Kerr-McGee constructed in 1976 a synthetic rutile plant of 110,000 metric tons design capacity at Mobile, Aalbama. 55,000 metric tons are expected to be immediately consumed by their chloride process plant in Hamilton, Mississippi and the balance of 55,000 metric tons is expected in the short-term to be sold on the open market to other chloride plants. Kerr-McGee has announced that within the next two or three years they will install a new chloride plant at Mobile, Alabama, which will then consume the remaining 55,000 metric tons of upgraded ilmenite produced by this facility. At that time they would then be producing 100 percent for their own use. However, this source may provide for the next two years 55,000 metric tons of synthetic rutile which during this period will not be consumed by the manufacturer.

IV. ANOMALOUS TARIFF TREATMENT OF SYNTHETIC RUTILE

Rutile, of course, is duty free—as are all titanium ores—under TSUS Item 601-5140. In the absence of a suspension of duty, synthetic rutile is classified under TSUS Item 603.70, which is the basket classification for "other metal bearing materials" of all kinds with a 7.5 percent ad valorem duty. It is put into the basket category because chemical changes occur during processing.

It is anomalous, we think, for the United States to assess a duty on a basic source material at the same 7.5 percent rate as the finished product—titanium dioxide pigments under TSUS Item 473.70. Traditionally, imports of raw materials are duty free or subject to nominal duties, while finished products carry a progressively higher duty as value is added. This anomaly is compounded by the circumstance that TSUS Item 473.70 is accorded Generalized System of Preferences (GSP) treatment. With respect to these GSP countries, the United States would be imposing a 7.5 percent duty on source materials entering the United States for manufacture and a zero duty on the final product manufactured abroad.

Synthetic rutile gemstones[2] are dutiable at 4 percent under TSUS Item 520.71. We cannot believe that Congress would consent to a higher duty rate on a source material basic to the titanium dioxide industry than is applicable to a luxury item such as jewelry stones.

The reason for this anomaly is the fact that synthetic rutile, as a source material for titanium dioxide, was not an article of trade when the Tariff Schedules were adopted.[3] In the Customs Simplification Act of 1954 Congress directed the Tariff Commission to undertake a comprehensive study of the tariff status of imported articles and to submit a revision of the pertinent laws which would, among other things, eliminate anomalies and illogical results in the classification of articles. The result was the Tariff Classification Study which was submitted to the responsible legislative committees in 1960. Since synthetic rutile was not an article of trade when that study was performed, there was obviously no discernible anomaly at that time and consequently no opportunity for the Tariff Commission to make a curative revision.

The Tariff Schedules set forth in the Commission's Study were subsequently adopted by the Tariff Classification Act of 1962, becoming effective upon proclamation by the President in 1963. We are confident that, had synthetic rutile been an article of trade when the tariff structure was reviewed in formulating the current Tariff Schedules, synthetic rutile would have been accorded the same duty-free treatment as natural rutile. See TSUS Item 601.51 ("Titanium ore (including ilmenite, ilmenite sand, rutile, and rutile sand")).

It is noted above that titanium bearing slag "containing by weight over 40 percent titanium" (which amounts to over two-thirds $TiO_2$ by weight) is accorded duty-free treatment under TSUS Item 602.62, which codifies a 1951 Bureau of Customs ruling, Exhibit VII. This reflects the judgment of Congress that Materials containing fairly high titanium content should be duty-free.

There is every reason to believe that, if the Congress had had a chance to consider the appropriate tariff treatment of synthetic rutile, it would—at the very least—have adopted a rate less than the rate for the manufactured product, titanium dioxide pigment (currently dutiable at 7.5 percent). Congress would assuredly have provided for a lower rate than that applicaple to the closely-re-

[2] "Synthetic materials of gemstone quality," including synthetic rutile, "cut but not set and suitable for use in the manufacture of jewelry."

[3] Synthetic rutile began to be used as a source material for titanium dioxide on a commercial basis about 1971.

luted product, synthetic rutile of gemstone quality (now dutiable at 4 percent).

Titanium slag is a high $TiO_2$ industrial product processed from ilmenite (so is synthetic rutile). Slag enjoys duty-free entry. It can be said with reasonable certainty that synthetic rutile would have been given duty-free treatment in accordance with the legislative policy underlying the duty-free provisions for natural rutile and for slag. Congress has already seen fit to suspend the duty on synthetic rutile on a temporary basis. We feel the Congress should correct the anomalous tariff treatment of this commodity, if the further temporary duty suspension for synthetic rutile is not enacted.

V. CONCLUSION

There is no logic, consistency, or sense to reimposing over the next three years a tax on a source material so basic to the production of an important product used in wide areas of our economy. This would increase costs in the United States by a duty not imposed by competitive countries.

The United States titanium dioxide industry is more dependent on synthetic rutile, rather than less, than three years ago.

The United States titanium dioxide industry is at a greater disadvantage, rather than less, than three years ago in dealing with competitive titanium dioxide produced abroad. Titanium dioxide capacity appears to exceed demand; thus the United States market would appear more, rather than less, price sensitive and a U.S. tax on the source material would give the foreign product an added cost and price advantage. United States costs are being driven upward by substantially increased environmental protection costs and there is every indication that these costs will continue to increase.

The United States industries dependent on the availability and price of $TiO_2$ (literally in every state) appear no more able than they were three years ago to absorb extra production costs attributable to an increase in the costs of this material.

If anything, the judgments with respect to expansion in U.S. capacity to meet the anticipated further $TiO_2$ demand will be more dependent than ever on the expected return on the major investment that is required. The availability and cost of the basic source materials seems to be more, rather than less, important in these judgments.

Overall, we submit that a further three year suspension in the tariff duty on synthetic rutile is clearly warranted and the bill attached as Exhibit I should be enacted.

[H.R. 3387, 95th Cong., 1st sess.]

A BILL To continue until the close of June 30, 1980, the existing suspension of duties on synthetic rutile

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) item 911.25 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by striking out "June 30, 1977" and inserting in lieu thereof "June 30, 1980."

(b) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse, for consumption, after June 30, 1977.

EXHIBIT II

[From the Congressional Record—House of Representatives, Apr. 8, 1974]

TEMPORARY SUSPENSION OF DUTY ON SYNTHETIC RUTILE

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 11830) to suspend the duty on synthetic rutile until the close of December 31, 1976, which was unanimously reported favorably to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. SCHNEEBELI. Mr. Speaker, reserving the right to object, I take this time to ask the distinguished chairman of the committee about this legislation.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. SCHNEEBELI. I yield to the gentleman from Arkansas.

Mr. MILLS. I appreciate the gentleman's yielding.

Mr. Speaker, the purpose of H.R. 11830, as reported to the House by the Committee on Ways and Means, is to suspend for a temporary period, until the close of the bill (H.R. 11830) to suspend the duty on synthetic rutile until the close of of June 30, 1977, the duty on synthetic rutile.

The Committee on Ways and Means was advised that at the present time, the United States is dependent on imports to meet its needs for both natural and synthetic rutile. Worldwide, both materials, which are functionally equivalent, being principal sources of titanium dioxide pigment used by the paint, paper, and plastics industries are in short supply. Rutile is also used in making titanium sponge, metal, and alloys.

Natural rutile presently enters the United States duty free under item 601.51 of the Tariff Schedules of the United States. Synthetic rutile, on the other hand, is dutiable, under item 603.70 of the TSUS, at 7.5 percent ad valorem under rate column numbered 1—applicable to countries accorded most-favored-nation treatment—and 30 percent ad valorem under rate column numbered 2—applicable to Communist countries, except Poland and Yugoslavia. The pending bill, which was introduced by our colleague on the Committee on Ways and Means, the Honorable Joe D. Waggonner would add a new provision in the appendix to the TSUS to temporarily suspend the 7.5 percent duty under column numbered 1, until the close of June 30, 1977, but would effect no change in the duty under column numbered 2.

Although ilmentite, the natural mineral from which synthetic rutile is derived, is found extensively in the United States, the Committee on Ways and Means is informed that synthetic rutile is not presently produced in this country largely because of major ecological problems associated with the disposal of polluting effluents created in the ilmenite upgrading process and the currently prohibitive costs of curing those problems. The Department of the Interior, in supporting enactment of H.R. 11830, advised the committee that it is now engaged in research to develop environmentally acceptable techniques for deriving synthetic rutile from domestic ilmenite resources, but that "commercial application of these processes is still some time off."

Imports of synthetic rutile, which come principally from Australia and Japan with a lesser amount from India, totaled 9,200 tons in 1972 and 16,000 tons in the first 7 months of 1973. The Committee on Ways and Means is of the opinion that the temporary suspension of duty provided by H.R. 11830 would, in addition to serving domestic consumer and ecological considerations, 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.

In addition to the Department of the Interior, the Departments of State, Treasury, and Commerce submitted favorable reports on this legislation, and the Committee on Ways and Means is unanimous in recommending its enactment. I urge its passage by the House.

Mr. SCHNEEBELI. Mr. Speaker, I support H.R. 11830, which would suspend the duty on synthetic rutile through June of 1977.

Rutile is used in making titanium sponge, metal and alloys, and is a source of titanium dioxide pigment employed in the paint, paper and plastics industries. It is in very short supply, both in its natural and synthetic forms, which can be used virtually interchangeably. Natural rutile can be imported duty free, but synthetic rutile is dutiable at 7.5 percent ad valorem.

Synthetic rutile is produced from ilmenite, a natural mineral found in abundance in the United States. Unfortunately, serious environmental problems have been encountered in the synthetic rutile production process, and the cost of curing those problems has so far proved prohibitive. It is expected that a technological breakthrough will occur, but not in the near future. Therefore, Mr. Speaker, it is proposed that the duty of synthetic rutile be lifted temporarily, to help the United States obtain a greater share of the world's limited supply, and thus serve a number of domestic interests—ecologic as well as economic.

Mr. Speaker, no objection to this legislation has been heard by the committee and the bill was unanimously ordered reported. I urge my colleagues to approve it.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. SCHNEEBELI. I yield to the gentleman from Iowa.

Mr. GROSS. I thank the gentleman for yielding.

This apparently is another American industry that has fallen victim to the overzealous ecologists; is that not true?

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. SCHNEEBELI. I yield to the chairman.

Mr. MILLS. I do not think that is quite the situation. We have historically been dependent upon foreign sources to a great extent for natural rutile. We do not produce the synthetic rutile here, largely because of ecological concerns and the high cost of processing ilmenite into synthetic rutile. There is some rutile produced, as I recall, in the State of Florida, but it is sold in its natural state. There is no production, I am told, of the synthetic rutile in the United States.

Mr. GROSS. On page 2 of the gentleman's report it is indicated that the ecologists have chased producers of synthetic rutile out of business.

Mr. MILLS. If the gentleman will yield further, I will say it has been a problem. I would not say it has chased them out of business; I think the pollution factor and the associated cost have prevented processors from going into business here in the United States.

Mr. SCHNEEBELI. Mr. Speaker, there seems to be no objection to this bill, and I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the bill as follows:

H.R. 11830

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (10 U.S.C. 1202) is amended by inserting after item 911.16 the following new item:

"911.25, Synthetic rutile (provided for in item 603.70, pt. 1, schedule 6), Free, No change, On or before 12-31-76.".

SEC. 2. The amendment made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the enactment of this Act.

COMMITTEE AMENDMENT

With the following committee amendment.

The Clerk read as follows:

Page 1, after line 5, strike out "12-31-76," and insert "6/30/77".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, and was read the third time, and passed.

The title was amended so as to read: "a bill to suspend the duty on synthetic rutile until the close of June 30, 1977."

A motion to reconsider was laid on the table.

EXHIBIT III

[House of Representatives, Report No. 93-973, 93d Cong., 2d sess.]

TEMPORARY SUSPENSION OF DUTY ON SYNTHETIC RUTILE

(April 4, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed)

(By Mr. WAGGONNER, from the Committee on Ways and Means submitted the following)

REPORT

[To accompany H.R. 11830]

The Committee on Ways and Means, to whom was referred the bill (H.R. 11830) to suspend the duty on synthetic rutile until the close of December 31, 1976, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:
Page 1, between lines 5 and 6, strike out "12-31-76." and insert "6/30/77".
Amend the title so as to read:
A bill to suspend the duty on synthetic rutile until the close of June 30, 1977.

PURPOSE

The purpose of H.R. 11830, as reported, is to suspend for a temporary period, until the close of June 30, 1977, the duty on synthetic rutile.

GENERAL STATEMENT

At the present time, the United States is dependent on imports to meet its needs for both natural and synthetic rutile. Worldwide, both materials, which are functionally equivalent, being principal sources of titanium dioxide pigment used by the paint, paper and plastics industries, are in short supply. Rutile is also used in making titanium sponge, metal and alloys.

Natural rutile presently enters the United States duty free under item 601.51 of the Tariff Schedules of the United States (TSUS). Synthetic rutile, on the other hand, at the present time is dutiable under item 603.70 of the TSUS at 7.5 percent *ad valorem* under rate column numbered 1 (applicable to countries accorded most-favored nation-treatment) and 30 percent *ad valorem* under rate column numbered 2 (applicable to communist countries, except Poland and Yugoslavia). H.R. 11830 would add a new provision in the Appendix to the TSUS to suspend the 7.5 percent duty under column numbered 1 for a temporary period, i.e., until the close of June 30, 1977, but would effect no change in the present duty under column numbered 2.

Synthetic rutile is derived from ilmenite, a natural mineral which is found extensively in the United States. Your committee is informed, however, that synthetic rutile is not presently produced in this country largely because of major ecological problems associated with the disposal of polluting effluents created in the ilmenite upgrading process and the currently prohibitive costs of curing those problems. The Department of the Interior advises that it is now engaged in research to develop environmentally acceptable techniques for deriving synthetic rutile from domestic ilmenite resources, which ultimately may alleviate our almost complete dependence on already dwindling world rutile sources. The Department further advises, however, that "commercial application of these processes is still some time off," and expresses its support for enactment of H.R. 11830.

The Department of Commerce likewise has submitted to your committee a report favorable to the enactment of the bill, stating:

"The temporary suspension of duty on synthetic rutile would eliminate the unnecessary cost on a resource material during a period in which research is being conducted to develop a method of obtaining such material from abundant domestic resources of ilmenite without creating harmful environmental side effects. We believe that it is unlikely that the proposed suspension of duty during this period would have an adverse effect on the research efforts or on the domestic industry."

Imports of synthetic rutile come principally from Australia and Japan with a lesser amount from India. U.S. imports from these countries totaled 9,200 tons in 1972 and 16,000 tons in the first seven months of 1973. The total nominal capacity of the plants in the above producing countries is only 65,000 tons per year at the present time, according to statistics submitted by the Department of the Interior to your committee.

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.

No unfavorable comment was received by your committee in response to its press release and announcement of December 21, 1973, issuing an invitation for submission of written statements by the general public on legislation to temporarily suspend the duty on synthetic rutile. No objection to its enactment has been received from the executive departments or from any other source. Favorable reports on the bill have been received from the Departments of State, Treasury, Commerce and Interior.

Your committee is unanimous in recommending passage of H.R. 11830.

EFFECT OF THE BILL ON THE REVENUES AND VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following statement is made relative to the effect on the revenues of this bill. Your committee estimates that the revenue loss resulting from enactment of H.R. 11830 in the first full year of its effectiveness would be not more than $275,000.

In compliance with clause 27(b) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote by your committee on reporting the bill. This bill was unanimously ordered favorably reported by your committee.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TARIFF SCHEDULES OF THE UNITED STATES

Appendix to the Tariff Schedules

| Item | Articles | Rates of duty 1 | Rates of duty 2 | Effective period |
|---|---|---|---|---|
| | PART 1.—TEMPORARY LEGISLATION | | | |
| * | * * * | * | * | * |
| | Subpart B.—Temporary Provisions the Tariff Schedules | | | |
| * | * * * | * | * | * |
| 911.25 | Synthetic rutile (provided for in item 603.70, pt. 1, schedule 6). | Free | No change | On or before 6/30/77. |
| * | * * * | * | * | * |

## COMMUNICATIONS RELATING TO H.R. 3790

PREPARED STATEMENT OF PAUL BUTTERWECK, DIRECTOR OF PURCHASING, MERCK CHEMICAL MANUFACTURING DIVISION, MERCK & CO., INC.

SUMMARY OF TESTIMONY

Merck urges passage of this proposed suspension legislation for the following reasons:

1. Merck purchases crude opium and concentrate of poppy straw as raw materials for use in the production of codeine and morphine, which the medical profession consider essential drugs in the treatment of pain. There is only enough opium, the traditional raw material source of these drugs, available to satisfy approximately 50% of U.S. requirements. Thus, concentrate of poppy straw was approved for importation on an emergency basis by the Drug Enforcement Administration to supplement this country's supply of crude opium and satisfy the remaining 50% of U.S. requirements.

2. Bulk manufacturers of these drugs have been forced to import this raw material from abroad because there are no adequate facilities in the U.S. capable of producing this material.

3. The present duty is not needed to protect American industry and the proposed suspension, therefore, will have no adverse impact on domestic production or U.S. employment.

4. Suspension of this duty should benefit the consuming public by helping to hold down raw material processing costs, which are inevitably reflected in the price of finished products at the consumer level. This benefit should more than offset any loss of revenue to the U.S. government.

5. Imposition of this duty serves only to penalize arbitrarily and unnecessarily the importation of an essential raw material and is, therefore, not consistent

with other actions taken by our government over the last few years encouraging the importation of this material to avoid a national medical emergency.

My name is Paul Butterweck. I am Director of Purchasing of the Merck Chemical Manufacturing Division of Merck & Co., Inc., which has its principal place of business in Rahway, New Jersay. Merck, as one of the three authorized importers of crude opium and concentrate of poppy straw for bulk manufacture into codeine and morphine, will be directly affected by the passage of H.R. 3790.

The proposed 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 907.70, which would suspend for three years, until June 30, 1980, the duty on concentrate of poppy straw, a raw material used in producing essential medical drugs. This essential raw material must be obtained from foreign sources because of a lack of adequate production facilities in the U.S. capable of producing the required supply. Concentrate of poppy straw is the crude extract of poppy straw containing the phenanthrine alkaloids of the opium poppy in either liquid, solid or powder form. It is considered the most appropirate equivalent to imported crude opium, which has been in short supply over the last few years.

Merck supports wholeheartedly this proposed legislation which would eliminate an unnecessary penalty on the importation of a vital raw material needed to produce drugs essential to the continuation of an adequate level of medical care in this country. Merck and the other U.S. bulk manufacturers of codeine and morphine have been forced to import concentrate of poppy straw as an additional raw material source of these essential drugs to supplement the current worldwide short supply of crude opium, the traditional raw material used in the production of these drugs. There is currently only enough crude opium available to satisfy approximately 50 percent of total U.S. requirements.

U.S. companies have had no alternative but to import concentrate from various foreign sources in both eastern and western Europe, where the expertise and extra extraction capacity to process poppy straw to concentrate exists. None of the three authorized bulk manufacturers of codeine and morphine in this country have adequate extraction facilities to process the volume of poppy straw necessary to supplement this country's supply of imported crude opium. Duties on crude opium from India incidentally, which is now the only country, of the seven authorized to grow opium for export, actually exporting such material at this time, were suspended at the start of 1976.

If Indian and Turkish poppy straw could be imported directly into the U.S. for processing into concentrate and did not have to be shipped to other countries for such processing, there would be no duty at all on the poppy straw itself from these countries as both India and Turkey are beneficiary developing nations. This processing into concentrate in other countries, however, subjects the full value of the final processed product to the imposition of duty even though approximately 80% of the value of this end product is actually attributable to the underlying Indian or Turkish poppy straw. This inequity could be avoided if U.S. companies possessed the capability (which, unfortunately, they do not) to process poppy straw.

This proposed legislation, therefore, will have no adverse impact on domestic production of concentrate, nor will it have any adverse effect on U.S. employment. As far as Merck is concerned, and this would most likely be the case with the two other U.S. bulk manufacturers as well, the same employees who have worked with crude opium in the past will now work interchangeably with concentrate as well to supplement crude opium as the basic raw material used in the manufacture of these needed drugs. without any resulting loss of jobs.

Merck and the other two U.S. bulk manufacturers of codeine and morphine produce bulk drugs which are then sold to a larger group of formulators who manufacture and sell at the consumer level a number of antitussive and analgesic end products containing these bulk drugs. As a bulk manufacturer, Merck is neither involved with the sale of the end products to consumers nor does it have any control over the prices charged for such products at the consumer level. Merck, therefore. is not in a position to state with any actual certainty the impact that this suspension legislation will have on consumer pricing. Merck does agree, however, with the statement made by the State Department, in their letter of September 10, 1976 to the Committee on Ways and Means commenting on the identical suspension bill introduced during the last session of Congress by Congressman Schneebeli (H.R 14140), namely that removal of such an unnecessary cost on the acquisition of a needed raw material should certainly help to hold down the cost, and resulting price, of the processed end product. The benefit

to the consuming public (including the government which is itself a consumer of these drugs) in helping to hold down unnecessary increases in price should more than offset the loss in duty revenue to the U.S. government resulting from the passage of this legislation.

Concentrate of poppy straw is potentially classifiable under any one of four separate items in Schedule 4, part 3 of the Tariff Schedules of the United States ("Drugs and Related Products"). Very little of it has been imported to date, however, and it is not clear under which specific item number in this schedule it will be placed; for this reason the proposed suspension legislation properly uses the language "however provided for in Schedule 4" to cover all potential items under which this material might be classified.

Natural codeine, morphine and their related derivatives have unique properties which make them superior to other drugs and the drugs of choice in many treatment situations. Testimony before the Senate Human Resources Subcommittee on Health and Scientific Research during hearings on drug shortages in December 1974, before the Senate Judiciary Subcommittee on Juvenile Delinquency in March 1975, and, as recently as March of this year, at the Drug Enforcement Administration's hearings on the domestic cultivation of Papaver bracteatum acknowledged the essential nature of these drugs to the delivery of adequate medical care in this country. Codeine, the active ingredient in approximately 95% of all the end products derived from crude opium and concentrate of poppy straw, is used primarily in analgesics for the relief of pain and antitussives for the relief of cough.

The uniqueness of these drugs and their acknowledged essentiality to the medical profession has contributed to a steady growth in demand for them. This steady growth in demand, combined with the uncertainty of raw material supply, made it difficult in recent years for Merck and the other United States bulk manufacturers of codeine and morphine to obtain sufficient crude opium to meet United States medical needs. By way of background, imported crude opium has been the traditional and only raw material source of these drugs in the U.S. during the last 50 years or more. Inventories dwindled and a critical situation would have developed had additional sources of a supply to supplement crude opium imports not been found. In fact, a supply crisis was averted in late 1973 only when Congress recognized the urgent need and authorized the release of 238 tons of opium from the government's own strategic materials stockpile (P.L. 93-218). As a further emergency measure, the DEA in early 1975 declared a crude opium supply emergency and authorized the importation of concentrate of poppy straw as an additional raw material source of codeine and morphine to supplement this country's imports of crude opium. In the *Federal Register* announcement proposing the authorization of the importation of concentrate, the DEA stated the basis for its action as follows:

"In order to remedy the shortage of raw materials, the United States Government has taken and will continue to take various steps, which may be spread over a period of time and coordinated to close the gap between the supply and demand for opium poppy derivatives without tilting the balance in the opposite direction. The first step was the release of stockpiled opium. The second measure is to supplement the imbalance with quantities of raw material other than crude opium, and at the same time maintain control equal to the system now applicable to crude opium. The most appropriate equivalent of crude opium is concentrate of poppy straw, * * * Accordingly, * * * the Administrator has determined that beginning January 1, 1975, and until further notice, concentrate of poppy straw may be imported on the basis that an emergency exists in which raw materials for the production of opium popply alkaloids are inadequate."[1]

This legislation suspending the duty on concentrate is a further necessary step that Congress should take at this time. Imposition of this duty is not consistent with other governmental actions over the last few years encouraging the importation of this raw material by U.S. companies to avoid a national medical emergency. As noted, U.S. bulk manufacturers were forced to import concentrate of poppy straw, rather than simply poppy straw, because of the lack of adequate extraction facilities in this country to process concentrate from poppy straw. Without resorting to these outside foreign sources, a serious shortage of this raw material, so necessary to the production of essential medical drugs, would have

[1] DEA Proposal Re Addition of Concentrate of Poppy Straw to Schedule II and Authorization of its Importation, *Federal Register*, Volume 39, No. 246, Friday, December 20, 1974, page 44033.

occurred, and this could have had a serious impact on the level of medical care in the United States.

In summary, Merck urges passage of this suspension legislation, therefore, as there will be no adverse impact on any domestic industry and as the imposition of this duty serves only to penalize arbitrarily and unnecessarily the importation of an essential raw material, of necessity obtainable almost exclusively from foreign sources and the absence of which might affect detrimentally the level of medical care in the United States.

The House Ways and Means Committee has reported favorably on H.R. 3790 (House Report No. 95-427) and in its report the Committee notes that no objections to the legislation have been received from any source.

Thank you for the opportunity to appear here today and testify with respect to this proposed legislation.

## COMMUNICATIONS RELATING TO H.R. 3946

AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.,
*Washington, D.C., July 12, 1977.*

Hon. ABRAHAM RIBICOFF,
*Chairman, Subcommittee on International Trade, Committee on Finance, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: We request that there be included in the record of the Subcommittee's hearings to be held July 14, 1977, the enclosed statements made recently on behalf of ATMI before the Trade Subcommittee of the House Ways and Means Committee in support of H.R. 3946. This Bill would suspend the duty on imported wools not finer than 46s.

A predecessor of H.R. 3946 was approved by the Finance Committee late in the last Congress but was not acted upon by the Senate.

ATMI supports prompt enactment of H.R. 3946, which will enable manufacturers to evaluate their costs of fabric lines to be introduced in the near future. The Bill also has the support of the National Wool Growers Association and the Northern Textile Association.

Sincerely,

JACK A. CROWDER.

Enclosures.

### PREPARED STATEMENT OF WILLIAM L. HODGES III

Mr. Chairman and Members of the Subcommittee: My name is William L. Hodges III. I am Wool Sales Manager of the Tupman Thurlow Co., Inc., Danvers, Mass., President of the Boston Wool Trade Association, and a member of the Wool Committee of the American Textile Manufacturers Institute, Inc. It is in the latter two capacities, as well as speaking for the Wool Council of the Northern Textile Association that I address myself today to H.R. 3946, a bill to suspend the rate of duty on wool not finer than 46s.

The term "46s" refers to the fineness of the fibre, describing wools of medium/coarse diameter. These wools have been free of duty for use in carpets, papermaker felts, lumbermen's socks, etc., for some 20 years as a result of Congressional action. An insignificant quantity of this wool is produced in this country—about 300,000 to 400,000 pounds per year, of a total wool production of approximately 100 million pounds, that is, about a third of one percent.

As a result of the on-going energy crisis, the American public is becoming increasingly aware of the advantages of natural fibres—wool in particular—and we believe that by reducing the cost increment of the imported wool used in domestic/import blends, many fabrics can be produced which will provide warmth and comfort to the consumer, and at the same time, assist the American Wool Grower in selling the grades of his wool which are usually not as eagerly sought after as are the finer grades. While the principal fabrics involved are in blankets, drapery and upholstery cloth, etc., there are many items of apparel, in men's, womens and children's wear, which would also benefit. Because much of our domestic wool contains at least an occasional black or colored hair, it is difficult to produce white or pastel fabrics using these exclusively, thus limiting production to darker colors for fall and winter wear, whereas the substitution of wool produced in such countries as New Zealand being free of black hair for spring and summer wear would enable mills to produce the same fabric year round—a far more economical procedure.

Under present regulations strict accounting must be made for every pound of wool imported free of duty for the purposes enumerated in the second paragraph of this statement, involving a great amount of paper-work on the part of both industry and the government. Under the proposed legislation, this would all be eliminated, saving considerable expense to all concerned.

Mr. Chairman, it is in the light of the foregoing that the proposal has been endorsed by all segments of the Wool Textile Industry, including the Executive Committee of the National Wool Growers Association. We sincerely believe that its enactment by the Congress would enure to the benefit of all concerned, including the American consumer, and are earnestly soliciting such enactment. We appreciate the opportunity to appear before your Subcommittee, and will be happy to respond to any further questions to the best of our ability.

PREPARED STATEMENT OF ROBERT W. KLEMER

Mr. Chairman and Members of the Subcommittee: My name is Robert W. Klemer. I am President of the Faribault Woolen Mill Co. of Faribault, Minnesota. Our firm is in its 112th year of operation under active management of four generations of my family. Our firm is relatively small when compared with many of the large textile firms in the East and South. We employ approximately 150 people at our only plant, located in southern Minnesota. Our principal products have been and continue to be high quality woolen blankets and car or stadium robes.

H.R. 3946 would suspend import duties on coarse wools, 46s grade or lower, production of which is practically non-existent in the United States, well under one-half of 1 percent of domestic production.

The resilient and lofty characteristics inherent in the coarser wools are most desirable for certain types of fabrics, and for many years such wools have been granted duty free status for such items as carpets and industrial felts which require these characteristics.

Because there are other woolen fabrics, namely blankets, coatings, upholstery, and others, for which these qualities are desirable and even essential, I see no logical reason why such wools should not be granted duty free status for any purpose. Accordingly, several years ago I proposed to the American Textile Manufacturers Institute that legislation of this nature be introduced. The Wool Committee of this organization fully endorsed the idea and, subequently, the subject was discussed with the National Wool Growers Association. Their board also gave their approval to proceed with this legislation.

I will try to outline, briefly, for you what passage of this legislation will mean, specifically, to my own company and what benefits will accrue to the American consumer:

1. For blanket use, the principal grades affected by this legislation would be 44s and 46s, for which we pay 8½ cents per pound and 25½ cents per pound duty, respectively. Using equal quantities of these two grades, this averages out at 17 cents per pound. There is at least a 20 percent dead loss in manufacturing which brings this figure up to over 21 cents per pound. Additional costs of overhead burden expenses are applied to this figure and when multiplied by the average pounds in a blanket will increase the wholesale price between $1.50 and $2.00. Since retail outlets presently expect to establish retail prices at double their cost, this means an increase of between $3.00 and $4.00 in the retail price to a customer attributable entirely to the duty paid on the wool content. In many cases, these coarse wools are blended with the medium and finer grades of domestic wools, up to 50 percent, but even here the import duty can mean a $2.00 higher price at retail.

2. Selling at a more competitive price level should substantially increase total consumption of wool blankets and total mill consumption of wool going into the production of such blankets or similar items. This additional demand would benefit the consumption of wool going into the production of such blankets or similar items. This additional demand would benefit the consumption of the medium and finer grades of domestic wool since they are frequently blended with the coarser types. This, in turn, should help to stimulate wool production both worldwide and domestically, especially since wool prices are at very favorable levels to the grower.

3. Additional production of wool is sorely needed, along with other natural fibers, as these sources are renewable and self generating. On the other hand, the sources of the principal synthetic fibers, such as polyester and acrylic, are finite and are completely dependent on oil and gas as their raw material.

4. The desirable characteristics of a quality wool blanket are those which provide bulk, loftiness, and resilience or resistance to matting. Many types of blankets will mat or flatten down in use which destroys their insulating properties. These coarse wools are essential to provide these qualities. Such characteristics are of course desirable in other fabrics such as coating and other outerwear. Since we must use these coarse wools and pay duty on them, and since they are not available domestically, it only results in higher cost to the American consumer for products which I can foresee becoming more important in the future with the increasing energy crisis. With future bedroom temperatures in the 60 degree range, a warm, bulky wool blanket is going to feel mighty comfortable.

Thank you, Mr. Chairman and Members of the Subcommittee, for this opportunity to present our views on this important legislation.

## Communications Relating to H.R. 4018

Congress of the United States,
House of Representatives,
*Washington, D.C., July 14, 1977.*

Hon. Abraham Ribicoff,
*Chairman, Subcommittee on International Trade,*
*Senate Finance Committee, Washington, D.C.*

Dear Mr. Chairman: I want to thank the Finance Committee for moving so expeditiously in considering H.R. 4018, legislation to temporarily suspend the duty on certain doxorubicin hydrochloride antibiotics.

I strongly support this legislation and regret that the legislative activities of the House prevent me from personally offering testimony on this legislation. However, I am enclosing a brief statement which outlines the purposes and impact of the bill and I would appreciate your including this statement in the hearing record.

During House consideration of this legislation, favorable reports were received from the Departments of Commerce, Labor and Treasury, and the Department of State indicated no objection to the measure.

Again, I appreciate your scheduling hearings on this legislation, and I hope the Committee will favorably report it at the appropriate time to the full Senate.

With kindest regards,

Sincerely,

Thomas B. Evans, Jr.,
*Member of Congress.*

Enclosure.

### Prepared Statement of Hon. Thomas B. Evans, Jr., of Delaware

Mr. Chairman, I first want to thank you for scheduling these hearings on H.R. 4018.

As you know, the House Ways and Means Committee has favorably reported this legislation to the full House and I am very hopeful that favorable action on this legislation will occur in the near future. The fact that you are holding hearings on this legislation today will enable this much needed measure to be promptly acted on by the Senate.

As we all know, cancer has become one of the most dread diseases in the United States today. Millions of dollars are being spent by the government and private industries for research aimed at stemming the ever-increasing tide of fatalities from this disease.

One of the most promising avenues in the care and treatment of the cancer patient is in chemotherapy treatment by a variety of drugs aimed at preventing the further spread of cancer and hopefully controlling this disease.

One drug recently introduced into the United States which has demonstrated significant activity in the treatment of cancer is Adriamycin (Doxorubicin Hydrochloride). Because of its method of manufacture, this drug is classified as an antibiotic and comes into the United States from Italy with a 5 percent tariff imposed under Section 437.32 of the Tariff Schedule. My bill, as amended by the House Ways and Means Committee, would suspend this duty until June 30, 1980. The drug is manufactured in Italy and the U.S. patent is held by an Italian pharmaceutical company.

Mr. Chairman, this drug is used in the treatment of acute leukemias, malignant lymphomas, Wilm's Tumor, soft tissue and bone cancer, and cancers of the breast,

lungs, ovaries, bladder and thyroid. Adriamycin is cytotoxic, that is, it kills cells and its activity in killing cancer cells was significant enough to attract the National Cancer Institute as the sponsor for the New Drug Application approved in 1974. The National Cancer Institute itself is the single largest domestic customer for this material. Because of the toxicity of this drug, it is used solely as an antineoplastic agent and is recommended for use by physicians qualified in the area of cancer chemotherapy. Treatment with Adriamycin requires close observation of the patient and extensive laboratory monitoring.

Adriamycin, although it cannot be considered a breakthrough or a cure for cancer, does occupy a specific and well-received place in the field of cancer patient care. Adriamycin is not produced in the United States and it is not in direct competition in the marketplace with other antineoplastic agents. Instead, it augments or supplements other forms of treatment and the use of other antineoplastic drugs.

The nature of this drug is such that it is administered periodically over a period as long as six months. A course of treatment could cost as must as $1,200 to $1,500. As mentioned, the single largest customer in the United States is the National Cancer Institute. This government contract provides that the National Cancer Institute shall receive a reduction in the price of the drug as of the effective date of any suspension of the tariff.

The domestic distributor also intends to register a general price reduction should the tariff be suspended.

The suspension of the tariff will have a significant and immediate effect on the medical costs, which are placing a heavy burden on many cancer patients.

I am pleased that the Departments of Commerce, Labor and Treasury have forwarded to the House Ways and Means Committee favorable reports on this legislation. A report with no objections was received from the Department of State. The Department of Agriculture and the Office of the Special Representative for Trade Negotiations deferred to other agencies.

Mr. Chairman, I urge the Committee to favorably act on H.R. 4018.

## Communications Relating to H.R. 5176

### Prepared Statement of Robert A. Aherne

Mr. Chairman: I am Robert A. Aherne, President of Finn-Cal Sweetener Company of San Francisco, California. It is a pleasure to be able to offer testimony before this Committee in support of H.R. 5176 to lower the Duty on Levulose until December 31, 1980. This bill, having been favorable considered by the House of Representatives Ways and Means Committee, is presently pending before the House.

Finn-Cal Sweetener Company of San Francisco, California, is a California corporation (founded on September 25, 1974). Our business is to market and ultimately produce pure crystalline fructose (also called levulose or "fruit sugar") and liquid fructose as a specialized industrial and retail sweetener to the United States of America food and pharmaceutical industries.

Finn-Cal Sweetener Company is owned by Xyrofin, Ltd. of Baar, Switzerland. We intend to construct a new plant in the Midwestern U.S.A. which will involve capital investments of approximately $19 to $40 million, most components being purchased from U.S.A. sources, thereby providing needed stimulus to our economy.

Until the time that the plant has been constructed, we will be relying on import allocations from Xyrofin, Ltd. to continue our business and test market these products. For this reason, it is vital for Finn-Cal to obtain relief from the present costly and unnecessarily restrictive 20 percent ad valorem customs duty. This duty dates back to 1962 and no longer serves any useful purpose.

There are no domestic manufacturers of pure fructose in the U.S.A., and there are no domestic interests which would be affected unfavorably. The technology to produce pure fructose utilizes refined liquid sugar (either from cane, beets or corn) consequently, there is no displacement of the production of U.S.A. cane, beet sugar or corn which would adversely affect the domestic sugar industry. Further, pure fructose will be from two to three times more costly than commercial sweeteners, therefore, it is not a competitive factor to the corn, beet or cane sweetener industry. Our planned production capacity of approximately 12,000 metric tons per year is less than 1/10 of 1 percent of the total sweetener

industry. Pure fructose is not intended to displace traditional commercial sweeteners. It is intended to be utilized in the development of new food products of a quite specialized type as explained below.

Pure fructose is a natural sugar which has properties relating to health and nutrition. It is a safe and suitable sugar. It has important potential advantages, particularly from the standpoint of diabetes and dental health. There are also several technological properties of pure fructose that can be used in the area of dietary control products. Although use of pure fructose as a sweetener will be limited to specialized areas, it will become a vehicle for new food and pharmaceutical product development and provide a possible alternative to non-caloric sweeteners, i.e., saccharin. Pure fructose will, therefore, further stimulate new jobs and revenue within the food and pharmaceutical companies who will buy this new sweetener. We would appreciate support for this legislation.

Thank you, again, for providing me with the opportunity to offer testimony.

## Communications Relating to H.R. 5263

### Prepared Statement On Behalf of American Association of Bicycle Importers, Inc.

Mr. Chairman and members of the committee: My name is Philip Kamler. I am President of the American Association of Bicycle Importers, Inc. (AABI), a nonprofit trade organization of American bicycle importers. Our respective businesses are American owned and American managed.

We thank you for this opportunity to express our views and to state the position of our Association opposing H.R. 5263, the continuation of the suspension of duty on bicycle component parts for an additional 30-month period to June 30, 1979.

The issues in contention of H.R. 5263, a Bill to Suspend Payment of Duties on Certain Bicycle Parts and Accessories, were never clearly defined or fully expressed to the U.S. House Committee on Ways and Means in previous enactments in 1970 and 1973.

First, the parties to this issue should be defined. Proponents would have you believe that this is an issue between foreign producers and domestic bicycle manufacturers. Nothing could be further from the truth. The parties to this matter are:

1. American businesses whose principal activity is the importation of complete bicycles.
2. The seven American factories producing bicycles.

The American Association of Bicycle Importers, Inc. first came into being in March, 1975, and thus the reasons for opposition to enactment, which were as persuasive in 1970 and 1973 as they are today, could not have expression for the benefit of the Committee on Ways and Means. The issues in contention do not belong nor should they occupy the time of this Committee since the issues involved are particularly to the bicycle industry.

The bicycle industry is like no other industry. Bicycles are assembled in the United States by seven industry factories. However, the bicycles produced by American bicycle manufacturers are not made up of American produced component parts. The principal component parts of an American bicycle are imported from foreign producers. It is reliably reported that these imported parts constitute in excess of 50 percent of the dollar value of all purchased parts installed in domestic bicycles. At the request of the Committee, we would be pleased to submit our analysis of American production costs in documentation of our argument.

We list herewith the imported parts which usually are installed on American bicycles: Tires and tubes, rim strips, spokes, chains, pedals, hand brakes—front and rear, derailleur components and controls, multi-speed free wheels, front hubs, rear hubs, three-speed hubs, and coaster brake hubs.

You may then ask, exactly what does the so-called American bicycle producer actually produce? The answer is that he produces very little.

That brings us to the issue in contention. The proponents have pictured themselves as American producers. The facts indicate they are substantial importers of foreign bicycle parts which they assemble into domestic bicycles. American bicycle importers are industry people whose companies are U.S. tax payers, employ labor, utilize services of American Flag Line steamships, make substantial expenditures for goods and services, and whose principal activity is the import of complete bicycles from foreign producers.

It is our contention that the issue is one of the marketplace—an industry competition between bicycle industry people, each involved substantially with foreign producers for their share of the U.S. market consumption.

Our opposition is predicated upon the fact that the proposed duty suspension would be tantamount to a discriminatory import assessment against American companies whose principal activity is the import of complete bicycles. The effect of the presence of imported bicycles in the United States market has been to keep price levels competitive which had led to increased consumer demand and sales for the entire industry. Imports have contributed to the great bicycle expansion in the United States market without displacing domestic production.

We have already pointed out what is meant by bicycle production. An American bicycle factory and most foreign bicycle factories fabricate only the frame of the bicycle. The great preponderance of all other component parts are purchased from component sub-suppliers. Foreign bicycle manufacturers purchase their components in most cases from the identical foreign components parts sub-suppliers as U.S. factories. Thus, we have the picture of domestic and foreign bicycles varying in essence only in the composition of the bicycle frames while the remaining bicycle components are made up of comparable or even identical foreign component parts. American bicycle manufacturers are thus the largest U.S. importers of parts far exceeding replacement parts importers in the quantity of parts imported. We repeat, American bicycle manufacturers import the preponderance of total U.S. parts imported into the United States.

American importers import complete bicycles and thus, in effect, import large quantities of bicycle components fabricated into these complete bicycles having comparable or identical components as those assembled into U.S. produced bicycles. American importers pay import duties on the entire bicycle of 5½–11 percent including the components upon which duty suspension is sought by domestic manufacturers. Importers do not object to the payment of import duties of 5½–11 percent on complete bicycles but to grant duty suspension to domestic manufacturers on the import of comparable or identical components constitutes a preference in favor of the American manufacurer and acts to discriminate against American business men whose principal activity is complete bicycle importation.

To make the issue even more concrete, let us assume that the f.o.b. value of the components upon which duty suspension is sought is $10 per bicycle and let us asssume an average duty of 8.25 percent (5½–11 percent). An American bicycle importer would then pay duties of $.825 per bicycle. An American bicycle manufacturer, assembler of components, would receive preferential treatment and pay no duties on the importation of $10 value of components under duty suspension and have a $.825 trade competitive advantage over an American importer. Duty suspension must be viewed as discriminatory against the ability of an American bicycle importer to compete in the market place.

The history of duty suspension now speaks for itself. The advantage given to domestic producers are so great that imports of complete bicycles have declined precipitously both in the number of bicycles imported and in the per cent share of market consumption. We submit the following revealing statistics:

| Year | Millions | | | Ratio of imports (percent) |
|---|---|---|---|---|
| | Domestic bicycles | Import bicycles | Total market consumption | |
| 1965 | 4.6 | 1.0 | 5.6 | 18.0 |
| 1972 | 8.7 | 5.2 | 13.9 | 37.0 |
| 1973 | 10.0 | 5.2 | 15.2 | 34.0 |
| 1974 | 10.2 | 4.0 | 14.2 | 28.0 |
| 1975 | 5.6 | 1.7 | 7.3 | 23.0 |
| 1976 | 6.46 | 1.65 | 8.11 | 20.3 |
| 1977 estimated | 7.1 | 1.6 | 8.7 | 18.4 |

From the foregoing, it is obvious that import bicycles have suffered a most devastating decline. Conditions have changed since the previous date of enactment of duty suspension in 1970 and 1973. The number of bicycles imported above declined in each of the five years from 5,200,000 in 1972 to 1,650,000 in 1976. The ratio of imports to total market consumption has declined in *each year* since 1972. Imports represented 37 per cent in 1972 and had shrunk to 20.3 per cent of market consumption in the most recent year 1976. This drastic decline must

be attributed, in an important degree, to preferential treatment given to domestic bicycle producers under the duty suspension bills. (See Exhibit A attached, a graphic illustration of market statistics.)

It is uniformly agreed in the bicycle industry that imports will continue to decline in both numbers and market consumption share in 1977. We have attached as evidence the statement of Mr. W. M. Hannon, President of Murray Ohio Manufacturing Company, concurring with this opinion: (See Exhibit B) "Imported bicycles decreased during 1976 and the import share of the market also decreased."

Based upon most recent market condition information available to us, the import of bicycles indicates a further erosion in 1977 to 1,600,000, or 18.4 per cent of the total market consumption reverting back to the same relative market condition as existed in 1965.

American bicycle production, on the other hand, rebounded strongly in 1976 and domestic production increased from 5,600,000 in 1975 to 6,460,000 bicycles in 1976, a healthy 15 per cent increase in number of bicycles produced. Similarly, domestic industry market share increased from 77 per cent in 1975 to 79.7 per cent in 1976. Domestic industry leaders openly express their optimism. (See Exhibit C, page 8, statement of Stuart J. Northrop projecting continued increasing domestic production to 7,100,000 bicycles in 1977, an increase of 11 per cent).

One becomes quite weary by the maze of conflicting statements issued by domestic industry. We can anticipate projections made in Washington, D.C. before this Committee to forebode "domestic industry extinction" should duty suspension enactment fail. However, domestic industry must also address the New York financial market and in Wall Street one hears most glowing forecasts of a most healthy industry condition. (See Exhibit C, presentation of Stuart J. Northrop, President, Huffman Manufacturing Co.) before the New York Society of Security Analysts, most recently on February 8, 1977, in which he cites the domestic trade organizations, the Bicycle Manufacturers Association of America (see page 8), projection of a domestic production increase of 10 per cent, and his considered most optimistic personal forecasts for domestic bicycle production.

Thus, the market trend indicates a greatly improved condition favorable to domestic bicycle factories. All statistics available, all projections made by proponents and opponents of duty suspension conclude a drastic decline of import bicycles in 1977. The declining position of import bicycles must to an important degree be attributable to preferential treatment to domestic industry under duty suspension.

We submit the market conditions existing in 1970 and 1973 have changed radically and the reasons put forth by the proponents of duty suspension in 1970 and 1973 no longer exist.

The proponents of the original passage of the Bill to suspend duties cited the following basic reasons for the need of their legislation:

1. The paradoxical inequities of tariff treatment of complete bicycles as opposed to component parts.

2. Lack of domestic sources of supply for certain parts. We address ourselves to the second reason and submit that conditions have changed in the interim (1973–1976) period which makes this argument no longer valid. There is new evidence, not existing in 1973, to conclude that:

1. Present domestic capacity does exist.

2. Duty suspension acts to prevent domestic industry from establishing production in the future.

Domestic industry contention that domestic sources do not exist to supply component parts of bicycles listed for duty suspension is without foundation in fact. There can be no argument that there is an American manufacturer of derailleurs, Excel Dynamic Co., Carol Stream, Illinois, and that our presentation of this factual information to the Senate Finance Committee in the 1976 deliberations of H.R. 12254 Duty Suspension passage was an influence in the elimination of derailleurs as a duty suspended item from the present H.R. 5263 Bill. Caliper hand brakes are listed as a proposed duty suspended item. The rationale suggests that no domestic industry exists to produce caliper brakes.

There is information to the contrary on record. In August 1976, Mr. Lynn Williams, President of Williams Engineering Company, Elk Grove, Ill., testified before the Senate Finance Committee hearing on H.R. 12254 Duty Suspension that his company had produced caliper handbrakes and that his company had been forced into bankruptcy as a result of their inability to compete for O.E.M. business. He cited the duty suspension disadvantage as an important cause for

his company's collapse. Presently on information and belief, caliper hand brakes are being manufactured in the United States. We have attached as Exhibit D, an advertisement appearing monthly in the bicycle trade magazine, Bicycle Journal (March 1977), in which the manufacturers, Dia-Compe, Inc., Fletcher, North Carolina, offer caliper brakes to the U.S.A. market and make the following statements: "* * * our new American plant brings Dia-Compe quality closer. As our U.S. production capacity increases, our goal will be to provide easier ordering and faster delivery * * *

In addition to the Dia-Compe center pull brake pictured, we manufacture Dia-Compe side pull brakes; * * *"

This information indicates caliper brake production and continued duty suspension, when domestic production and capacity does exist, is without justification.

Finally, there is the case of Bendix Corporation. This company produced coaster brakes in their Elmira, New York, factory, for many years up until 1973. In 1973, the year that corresponds to the duty suspension reenactment year, the company made the decision to transfer their factory production to Mexico. It is important to keep in mind that the original bill did not list coaster brakes as eligible for duty suspension. The reasoning was apparent, namely that duty suspension would not be granted as long as domestic industry existed.

We are inforced by representatives of the AFL-CIO, United Auto Workers Union Local 604, Elmira, New York, that 250 workers were thrown out of work when the Elmira factory was shut down in 1973. The UAW bitterly opposed this move; nevertheless, Bendix relocated their bicycle coaster brake production to Mexico.

Now we are informed that the renewal duty suspension bill has added the following component parts as eligible for duty suspension: Coaster brakes, alloy butted tubing, alloy cotterless crank sets, and alloy rims.

Heading the list is coaster brakes. The domestic industry has repeatedly stated that the purpose of duty suspension was the protection of the security of American jobs. Shall we now give duty suspension to coaster brakes? Shall we reward domestic industry by granting duty suspension on coaster brakes at the cost of the loss of employment of 250 workers? We urge you to reject the premise of granting duty free importation of foreign parts by the domestic producers, which is facilitated by the benefits available under the duty suspension bill now under consideration. Indeed, this now creates a new category of unemployment: "Duty Suspension-induced unemployment."

CONDITION OF BICYCLE INDUSTRY

When the history of the American bicycle manufacturing industry is written, the 1970's will be known as a period of dramatic change. The early 1970's ushered in a bicycle boom of the greatest proportions ever know to the industry. By year end 1974 and through 1975, overall bicycle consumption had dropped a staggering 50 percent. The decline bottomed out in late 1975, and 1976 saw a new upward thrust of activity for the overall domestic industry.

Important shifts occurred however, which are relevant to this discussion and which should be pointed out in the Committee's deliberations. Until the end of 1975, each domestic producer seemed to share proportionately and equally in the cyclical ups and downs of domestic demand. The period 1972 through 1976 saw the advent of a new market interrelationship. During this period, two companies, Huffman Manufacturing Co. and Murray Ohio Manufacturing Co., developed a market domination capturing a share approximating 60% of the domestic total bicycle production. Based upon the evaluations arrived at by the Huffman Manufacturing Company in the February 8, 1977 presentation to the New York Society of Security Analysts (Exhibit C, page 2), a fair estimate can be developed of the U.S. market share and the number of bicycles produced by each of the seven domestic producers (See Exhibit G). The new development referred to above was simply a market shift of consumer preference. It is important to keep in mind that during the 1972–1976 period, import bicycles declined in both number and percentage of market consumption and so the change that developed involved a strong financial buildup by the two dominant companies at the expense of the five other domestic bicycle producers. We believe a comparative exhibit of the sales and earnings of the two dominant companies tells the story better than words.

COMPARATIVE GROWTH OF 2 LEADING PRODUCERS

| | 1972 | 1973 | 1974 | 1975 | 1976 |
|---|---|---|---|---|---|
| Huffman Manufacturing Co.: | | | | | |
| Sales (thousands) | 67,702 | 89,036 | 12,465 | 93,094 | 107,153 |
| Net profits (thousands) | 1,471 | 2,013 | 2,032 | (4,180) | 3,437 |
| Murray Ohio Manufacturing Co.: | | | | | |
| Sales (thousands) | 117,606 | 133,464 | 168,224 | 122,655 | 150,815 |
| New profits (thousands) | 4,862 | 5,930 | 7,262 | 4,728 | 5,739 |

| | 1976 | 1977 |
|---|---|---|
| Interim report—Huffman Manufacturing Co., 9 mo to Mar. 25, 1977: | | |
| Sales (thousands) | 72,356 | 88,692 |
| Net profits (thousands) | 1,916 | 2,809 |

Huffman Manufacturing Company became the Number One Company and the "Five-year Financial and Operating Review", as listed in their 1976 Annual Stockholders Report (see Exhibit E) reveals a consistent and upward trend of sales activity and profits. The exceptional growth continues into 1977 and Schedule F attached (the most recent financial information published in the New York Times, April 19, 1977), sets forth this continued upward trend in sales from $72,356,000 in 1976 to $88,692,000 for the most current nine-month period. Similarly, the Murray Ohio Manufacturing Company, in their Annual Report to Stockholders (see Exhibit B, in their operations report "Ten Years of Growth"), shows a consistent and uninterrupted annual growth of sales and profits.

We can anticipate that one or more of the five nondominant companies will appear before the Committee and demonstrate losses in sales volume with resulting operations losses. We can foresee a claim of injury made by these companies with an accompanying plea for government assistance in the form of duty suspension relief. We have gone into great detail to explain that these companies have suffered a loss in domestic market share which in no manner can be attributed to bicycle imports. The sales volume and profitability which these five companies have lost has been lost to and taken over by the two dominant American bicycle producers. Importation of bicycles has declined and cannot be considered a cause of this market shift. We respectfully request that arguments for duty suspension relief by the non-profitable domestic manufacturers be considered in the light of the evidence and facts which we have presented.

CONCLUSIONS

Our Association submits that the duty suspension on foreign purchased bicycle components listed in the original Fulton Bill and those listed in the new proposed legislation, H.R. 5263, will have an important impact upon the competitive conditions in the domestic market. The granting of duty suspension on the following bicycle components: (1) Generator lighting sets, (2) caliper brakes, (3) drum brakes, (4) three-speed hubs incorporating coaster brakes, (5) three-speed hubs not incorporating coaster brakes, (6) click twist grips, (7) click stick levers, and (8) multiple three-wheel sprockets, is tantamount to granting a legislative advantage to one segment of the bicycle community and the Association opposes such duty suspension.

We have developed factual information to show the duty suspension preference to American bicycle assemblers at the expense of American bicycle importers is an issue of the market place—a competition among bicycle industry people—each involved substantially with foreign producers for their share of the U.S. market consumption.

We have pointed out that assessing import duties upon American companies importing bicycles represents unequal treatment under the law and must be viewed as discriminatory against the ability of an American bicycle importer to compete in the market place.

We have shown that the advantages granted domestic industries under duty suspension are so great that the statistical record shows a constant and continuing decline of bicycle imports during the period 1972–1976 and continuing

into 1977 in both numbers of bicycles imported and market share percentage. During this period, domestic industry's share of the market has increased sharply and now constitutes 79.7 percent of market consumption.

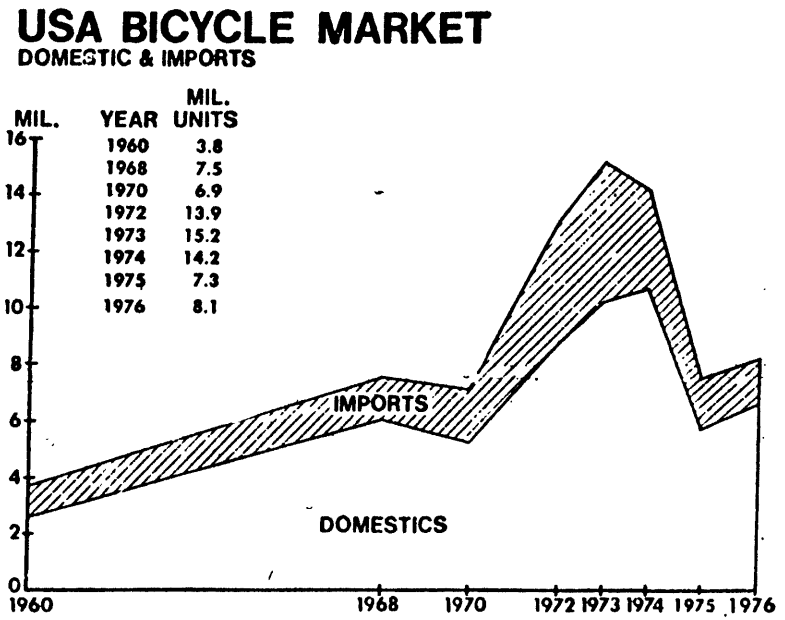
We have cited factual information demonstrating that domestic capacity does exist on component parts upon which duty suspension is sought and we are not speaking in the abstract when we cite an illustration of an American coaster brake manufacturer ceasing operations in the U.S.A. and relocating production to Mexico at the loss of employment of American workers in order to obtain the benefits of duty suspension. We view the acquiesence of the domestic proponents of this bill to this action as contradictory to their arguments that they support imposition of tariffs to protect the security of American jobs.

In view of the foregoing, we find the extension of duty suspension to the following new additional bicycle components to be ominous: (1) Coaster brakes, (2) alloy butted frame tubing, (3) alloy cotterless crank sets, and (4) alloy rims.

We have submitted annual financial reports issued by the two dominant bicycle producers now producing almost 60 percent of the domestic production illustrating a most healthy condition with a 5–10 month period of consistent growth and profitability coupled with glowing forecasts of continued growth. Important market shifts have taken place and have been explained in our submission to assist the Committee in understanding that the operating losses and loss of market share by the non-dominant producers have come about as the result of a new consumer preference and are not related in any way to bicycle importations.

It is the belief of the Association that there is no justification for the continuance and expansion of bicycle parts duty suspension as proposed in H.R. 5263. We submit the market conditions existing in 1970 and 1973 have changed radically and the reasons put forth by the proponents seeking duty suspension in 1970–1973 no longer exist.

EXHIBIT A

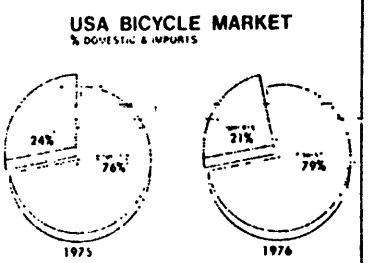



# THE AMERICAN BICYCLE MARKET: WHERE IT'S BEEN, WHERE IT IS NOW . . . HERE'S THE WHOLE STORY IN A CAPSULE

## USA BICYCLE MARKET

DOMESTIC & IMPORTS

| | Million Units | | |
|---|---|---|---|
| Year | Domestic | Imports | Total |
| 1960 | 2.6 | 1.2 | 3.8 |
| 1968 | 6.0 | 1.5 | 7.5 |
| 1970 | 5.0 | 1.9 | 6.9 |
| 1972 | 8.7 | 5.2 | 13.9 |
| 1973 | 10.0 | 5.2 | 15.2 |
| 1974 | 10.2 | 4.0 | 14.2 |
| 1975 | 5.6 | 1.7 | 7.3 |
| 1976 | 6.46 | 1.65 | 8.1 |






94-218—77——10

## Exhibit B

### The Murray Ohio Manufacturing Co.—1976 Annual Report

To Our Shareholders/February 21, 1977: The Annual Report of our Company, showing the results of its operations during the past calendar year, is submitted herewith. Included are the statement of financial position, the statements of income and retained earnings, and the statement of working capital for the year ended December 31, 1976, as audited by Ernst & Ernst.

The net sales for the year were $150,815,365 and the net profit for the year was $5,739,297 which is equivalent to $2.78 per share on the 2,062,620 average shares outstanding. In the year 1975 net sales were $126,655,353 and the net profit for the year was $4,728,287 which is equivalent to $2.30 per share on the average shares outstanding.

The above figures reflect a 19 percent increase in sales and a 21 percent increase in profit.

During the year dividends of $2,252,703 were paid to our shareholders, representing a total payment of $1.10 a share, with 25¢ being paid in each of the first two quarters and 30¢ being paid in each of the last two quarters. Our new quarterly dividend rate of 30¢ per share is the third dividend increase that the company has made in the last four years. This is the forty-first consecutive year in which the Company has paid cash dividends on its outstanding Common Shares.

We are pleased to report that both of our product lines, bicycles and power mowers, experienced a substantial increase in sales in 1976.

Shipments by domestic bicycle manufacturers increased over 10 percent during 1976 and we increased our share of this market. Imported bicycles decreased during 1976 and the import share of the market also decreased. We are optimistic that our bicycle shipments will show a good increase in 1977 if the general economy remains good.

Our power mower shipments have shown a substantial increase every year since we entered this business in 1968. Our power mower increase in 1976 was one of our most dramatic as the dollar volume of these shipments increased over 34 percent. We anticipate that our power mower business will continue to grow during 1977.

Our employees continue to give us fine effort, ingenuity, aggressiveness, teamwork and loyal support. Continuation of this fine relationship causes us to be optimistic for the future of our Company, our shareholders and our employees.

We are enclosing herewith a Proxy Statement and Form of Proxy for the Annual Meeting of the shareholders.

Very truly yours,

W. M. Hannon, *President.*

Enclosures.

## 10 YR OF GROWTH

| Operations | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | $150,815,365 | $126,655,353 | $168,224,637 | $133,464,874 | $117,606,664 | $89,090,072 | $66,392,606 | $66,121,232 | $72,388,716 |
| Cost of products sold | 128,031,116 | 106,560,985 | 142,283,139 | 112,389,593 | 100,512,078 | 75,891,600 | 55,947,500 | 56,175,609 | 61,057,779 |
| Depreciation | 1,476,279 | 1,440,611 | 1,416,253 | 1,277,005 | 1,173,942 | 1,131,428 | 1,148,000 | 1,157,187 | 1,026,180 |
| Interest expense | 1,549,272 | 1,878,782 | 2,179,306 | 1,432,927 | 955,356 | 872,227 | 1,071,576 | 1,168,399 | 789,821 |
| Profit before income taxes | 11,164,297 | 9,272,287 | 14,343,444 | 11,394,465 | 9,229,143 | 6,367,450 | 4,310,142 | 4,178,853 | 6,257,105 |
| Federal and State income taxes | 5,425,000 | 4,544,000 | 7,081,000 | 5,464,000 | 4,367,000 | 2,908,000 | 1,889,000 | 2,090,000 | 3,179,800 |
| Net profit | 5,739,297 | 4,728,287 | 7,262,444 | 5,930,465 | 4,862,143 | 3,459,450 | 2,421,142 | 2,088,853 | 3,077,305 |
| Percent of net profit to net sales | 3.81 | 3.73 | 4.32 | 4.44 | 4.13 | 3.88 | 3.65 | 3.16 | 4.25 |
| Cash dividends paid | $2,252,703 | $2,041,374 | $1,936,149 | $1,629,560 | $1,173,999 | $1,126,446 | $1,124,522 | $1,125,329 | $999,860 |
| Cash dividends paid per share | 1.10 | 1.00 | 0.95 | 0.80 | 0.60 | 0.60 | 0.60 | 0.60 | 0.53 |
| Profit per share | 2.78 | 2.30 | 3.54 | 2.90 | 2.38 | 1.70 | 1.19 | 1.02 | 1.51 |
| Return on shareholders' average equity (percent) | 11.8 | 10.4 | 17.7 | 16.4 | 15.2 | 11.9 | 8.9 | 8.0 | 12.5 |
| Shares outstanding | 2,062,653 | 2,062,603 | 2,053,086 | 2,048,426 | 2,042,616 | 2,040,993 | 2,039,370 | 2,039,370 | 2,039,370 |
| Number of shareholders | 4,663 | 4,713 | 4,503 | 4,133 | 3,701 | 3,479 | 3,575 | 3,434 | 2,004 |
| Number of employees | 2,423 | 2,212 | 3,350 | 3,452 | 3,089 | 2,604 | 2,365 | 2,425 | 2,665 |

THE HUFFMAN MANUFACTURING CO. PRESENTATION BY STUART J. NORTHROP, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TO THE NEW YORK SOCIETY OF SECURITY ANALYSTS

We appreciate being your guests today and we want to make it a worthwhile time for you. We would like to accomplish three things:

1. To give you a basic understanding of the U.S. bicycle industry.
2. To acquaint you with the leading company in that industry—The Huffman Manufacturing Company.
3. To acquaint you with the leading brand of bicycles in America—HUFFY.

I will start with just a few basic facts on the U.S. bicycle industry.

(a) Retail sales of regular bicycles were approximately 8½ million units in 1976. In addition, there were an estimated 1 to 1½ million sidewalk bicycles sold.

(b) Retail sales of these 8½ million regular bicycles exceeded half a billion dollars.

(c) There are seven U.S. manufacturers of bicycles:

| | *Market share*[1] *(in percent)* |
|---|---|
| Huffman (ASE) | Over 30 |
| Murray Ohio (NYSE) | 25–29 |
| AMF (NYSE) | 10–15 |
| Schwinn (privately owned) | 10–15 |
| Chain Bike (privately owned) | 5–9 |
| Columbia/MID (privately owned) | 5–9 |
| Iverson/Stelber (OTC) | 5–9 |

[1] See 1976 Huffman Annual Report.

What factors could lead to our forecast of the U.S. market being grossly in error?

1. A recession in the U.S.A. with a big drop in disposable income.
2. A shortage of gasoline.

We think the 11% actual growth that occurred in 1976 plus the BMA estimate for 1977 of 10% further growth both support our longer term forecast: Here are the figures for 1975, 1976 and 1977:

SHIPMENTS—U.S. BICYCLE MARKET

[Millions of bicycles; calendar years]

| | 1975 | 1976 | | Estimated 1977 | |
|---|---|---|---|---|---|
| | | Number | Percent | Number | Percent |
| Domestic | 5.6 | 6.4 | 15 | 7.1 | 11 |
| Imports | 1.7 | 1.7 | 0 | 1.8 | 6 |
| Total | 7.3 | 8.1 | 11 | 8.9 | 10 |

Source: Bicycle Manufacturers Association.

Specifically with regard to the forecasted 1977 growth, we do not believe that it will be evident in the first quarter. The first quarter of last year was exceptionally strong.

DOMESTIC BICYCLE SHIPMENTS, MONTHLY COMPARISON

| | 1975 | 1976 | Percent change |
|---|---|---|---|
| January | 146,000 | 225,000 | +54 |
| February | 277,000 | 416,000 | +50 |
| March | 458,000 | 632,000 | +38 |
| April | 495,000 | 675,000 | +36 |
| May | 521,000 | 658,000 | +26 |
| June | 653,000 | 613,000 | −6 |
| July | 495,000 | 507,000 | +2 |
| August | 547,000 | 549,000 | 0 |
| September | 590,000 | 542,000 | −8 |
| October | 533,000 | 646,000 | +21 |
| November | 515,000 | 606,000 | +18 |
| December | 375,000 | 396,000 | +6 |
| Total | 5,606,000 | 6,465,000 | +15 |
| 1st half | 2,600,000 | 3,200,000 | |
| 2d half | 3,000,000 | 3,200,000 | |

This table shows the strong first quarter of last year. In addition, it shows the soft summer retail last year and the strong Christmas demand. Please also notice that the bicycle business is not the highly seasonal business which it once was. The good Spring retail bike sales, particularly of lightweight bicycles, has provided very good first half-second half balance for this industry.

A late Spring this year may delay the start of bicycle retail sales by several weeks which also would affect first quarter industry shipments. But the Bicycle Manufacturers Association forecasts increased units for the total year of 1977 and we concur with that forecast.

Let me add here that the 8 million unit industry level is a very satisfactory one for the larger bicycle companies. You need only to look at our 1976 results and those of Murray Ohio, our chief bicycle competitor, to prove that to yourself. This industry, like most others, requires high volumes in order to absorb the high fixed costs and to make a reasonable return on investment. Those companies with large market shares have done very well and those companies with less volume have generally suffered. Two of seven competitors have gone into bankruptcy in the past 18 months. One of these liquidated the business, the other continues under Chapter XI, Schwinn, the highly esteemed privately owned bicycle company, has publicly reported that they lost money on bicycle manufacturing in both 1975 and 1976. Raleigh of England just announced the closing of its new plant in Oklahoma in June of 1977. I repeat * * * those bicycle manufacturers with smaller volume have generally suffered.

I have been asked if being the leader in market share is important in this business. It is nice in any business, but in this business it is vital to have a large market share, whether you are #1, #2 or #3.

With regard to our market share of domestic manufacture, I would like to point out the dramatic increases we have experienced in the past two years.

Market Share: 1974—23 percent; 1975—28 percent; and 1976—Over 30 percent.

Maybe this increase in market share has been duplicated in other industries of similar size, but gains of this magnitude in this space of time in a half billion dollar industry at retail are certainly not common.

We have been asked the reasons for this exceptional growth in market share and we have tried to list the key factors.

Reasons: 1. Marketing Strategy—

A. Major Retailers vs Bike Shops. 1. We have concentrated 100 percent of our efforts on the major retailers, and they have been capturing an ever-increasing market share. The other major manufacturers are doing the same thing.

B. Huffy Brand and Private Label Position. 1. 75 percent vs 25 percent of total market. 2. Over 50 percent of our bicycle sales are in our own brand. 3. Huffy is the largest selling brand in the U.S. Our bikes sell through at retail and stay sold.

## Exhibit D

### Dia-Compe Quality Is Closer Than Ever Before

Dia-Compe products are respected around the world, and our new American plant brings Dia-Compe quality closer. As our U.S. production capacity increases our goal will be to provide easier ordering and faster delivery to all customers. You can depend on Dia-Compe for quality calliper brakes and handlebar stems. Because we are closer to more customers than ever before.

## Exhibit E

### To Our Shareholders, Customers, Employees and the Business Community

Our improved earnings, improved balance sheet and increased market share are clear evidence that the company made significant gains in the past year. Fiscal 1976 had the highest reported net earnings in the Company's history following an unprofitable fiscal 1975. We expect to improve results further in fiscal 1977.

Net sales from continuing operations for our fiscal year ended June 25, 1976, were $107,153,000, a 15 percent increase over the $93,094,000 from continuing operations in fiscal 1975. Earnings from continuing operations were $3,437,000 or $2.08 per share which represents a 210 percent increase over the $1,107,000 or $.67 per share earned from continuing operations in fiscal 1975. The Company had a net loss of $4,180,000 or $2.53 per share in fiscal 1975 after consideration

of a special charge established for the termination costs of the outdoor power equipment line and operating losses for the line in fiscal 1975.

The improved operating results exhibited in fiscal 1976 are a direct result of an improved U.S. bicycle market, reductions in fixed expenses accomplished in fiscal 1975, cost reduction programs, lower interest costs and the Company's increased bicycle market penetration.

Huffman begins its new fiscal year with a healthy backlog and adequate inventories. Industry and Huffman bicyle sales in calendar 1976 should exceed those shipments made a year ago. Excess inventories of bicycles at retail have been reduced or eliminated in the past twelve months. Retail sales of bicycles, in our opinion, will probably equal, and perhaps exceed, retail sales of bicycles in calendar 1975.

Our fiscal 1976 results include a significant increase in our Automotive Products Division's sales and profits as compared to the preceding year, and the improvement is again attributable to better retail sales and elimination of excess warehouse distribution and retail inventories.

As a result of the improved operating results the Board of Directors declared a year-end extra dividend of $.10 per share on the Common Stock and $.02 per share on the Class B Common Stock in addition to the regular quarterly dividend stated before, the management of your Company is totally dedicated to increasing earnings and increasing future dividend payments.

The liquidation of the outdoor-power equipment line has been essentially completed with the Company receiving approximately $8.8-million in cash and notes in excess of current or anticipated expenses. The cash has been applied to reduce short term debt. The reserve of $7.3 million that was established at the end of fiscal 1975 appears to be adequate and we do not anticipate that any additional charges to the income statement will be necessary. The elimination of operating losses as well as reduced debt have had a highly beneficial effect on the Company. Management continues to feel this was a sound decision for the Company and its shareholders.

Because of the cash in-flow described above and the Company's substantially improved profit performance, the balance sheet shows significant improvement. It is anticipated that there will be further improvement during the coming year.

In November, 1975 the Company acquired the assets of a west coast bicycle parts and accessory distributor which was a subsidiary of Steiber Industries, Inc. Sales of bicycle parts and accessories by this distributor at the time of the purchase were and are now approximately $3 million per year. It is estimated that the total bicycle accessory market approximates $100 million annually in sales and that this acquisition combined with our larger eastern bicycle accessory business will help provide us a sound base for growth in this market.

The Federal Bicycle Regulation as administered by the Consumer Product Safety Commission became effective May 11, 1976, except for coaster brakes and chainguards whose standards become effective November 11, 1976. The regulation applies to all bicycles entered into interstate commerce after that date and all Huffman bicycles comply. The domestic industry in the interest of safety had previously complied with BMA/6, a voluntary industry standard. The new regulation will raise the price of a bicycle at retail approximately three to five dollars.

A new agreement with the United Auto Workers at our Delphos, Ohio plant was reached last October. The agreement runs until October, 1978. Labor contracts at our Torrance, California warehouse and Azusa, California plant expire in October, 1976 and April, 1977 respectively. Our Celina, Ohio three year labor contract does not expire until June, 1978.

We had more than adequate supplies of natural gas in fiscal 1976. Our suppliers have indicated that we can expect adequate supplies for this coming Winter, but have made no long term commitments. We have been able to reduce our usage significantly and we continue to study the situation.

At the June 18, 1976 Board of Directors meeting, Stuart J. Northrop, the Company's president, was elected chief executive officer effective July 1, 1976. Mr. Northrop, age 50, succeeds Frederick C. Smith, age 60, who had been chief executive officer since 1961. Mr. Smith will remain as Chairman. Mr. Northrop has been president and chief operating officer since May of 1972.

Our employees continue to give outstanding effort to the Company. In addition, we wish to acknowledge the continued loyal support of our customers, suppliers and shareholders.

STUART J. NORTHROP,
*President and Chief Executive Officer.*
FREDERICK C. SMITH, *Chairman.*

HUFFMAN MANUFACTURING CO., 5-YR FINANCIAL AND OPERATING REVIEW

[All dollar figures except per share amounts, are in thousands]

| Fiscal years ended June 30 [1] | 1976 | 1975 | 1974 | 1973 | 1972 |
|---|---|---|---|---|---|
| Summary of operations: | | | | | |
| Net sales from continuing operations | $107,153 | $93,094 | $124,665 | $89,036 | $67,702 |
| Operating profit | 7,528 | 4,412 | 10,753 | 8,155 | 7,577 |
| Other income (net) | 275 | 53 | 136 | 42 | 61 |
| Interest expense | 1,352 | 2,497 | 2,561 | 1,256 | 889 |
| Earnings from continuing operations before income taxes | 6,451 | 1,968 | 8,328 | 6,941 | 6,749 |
| Federal and State income taxes | 3,014 | 861 | 3,909 | 3,183 | 3,436 |
| Earnings from continuing operations | 3,437 | 1,107 | 4,419 | 3,758 | 3,313 |
| Operating loss from discontinued operations (net of income tax benefit) | | (1,347) | (2,387) | (1,745) | (1,842) |
| Loss on disposal of discontinued operations net of income tax benefit) | | (3,940) | | | |
| Net earnings (loss) | 3,437 | (4,180) | 2,032) | 2,013 | 1,471 |
| Earnings per share: | | | | | |
| Earnings from continuing operations | 2.08 | .67 | 2.68 | 2.35 | 2.31 |
| Net earnings (loss) | 2.08 | (2.53) | 1.23 | 1.26 | 1.02 |
| Common plus class B common dividends paid | 790 | 603 | 573 | 544 | 108 |
| Common dividends per share | .50 | .40 | .40 | .40 | .10 |
| Class B common dividends per share | .10 | .08 | .08 | .08 | .02 |
| Depreciation of plant and equipment | 1,600 | 1,598 | 1,568 | 1,502 | 1,296 |
| Capital expenditures for plant and equipment | 1,695 | 3,537 | 2,072 | 2,337 | 1,213 |
| Average common shares (including class B) outstanding | 1,652,045 | 1,651,224 | 1,650,522 | 1,598,572 | 1,433,909 |
| Financial position at yearend: | | | | | |
| Current assets | 44,269 | 40,041 | 55,082 | 49,238 | 33,922 |
| Current liabilities | 21,747 | 18,107 | 26,693 | 21,191 | 17,625 |
| Working capital | 22,522 | 21,934 | 28,389 | 28,047 | 16,297 |
| Current ratio | 2.0 | 2.2 | 2.1 | 2.3 | 1.9 |
| Net investment in plant and equipment | 8,978 | 8,882 | 10,159 | 9,664 | 8,837 |
| Long-term debt | 10,600 | 12,681 | 13,700 | 14,368 | 6,937 |
| Shareholders equity | 22,863 | 20,216 | 24,985 | 23,527 | 18,334 |
| Equity per share | 13.84 | 12.24 | 15.13 | 14.25 | 12.70 |
| Additional data at yearend: | | | | | |
| Number of shareholders | 2,491 | 2,620 | 2,558 | 2,208 | 1,874 |
| Number of employees | 2,319 | 1,634 | 3,008 | 2,557 | 2,010 |

[1] Fiscal 1976 year end is June 25, 1976.

BEST COPY AVAILABLE



**Exhibit F**

50 THE NEW YORK TIMES, TUESDAY, APRIL 19, 1977

# Companies List Their Sales and Earnings Fig[ures]

For periods ended March 31 unless otherwise indicated. (N) indicates stock is traded on the New York Stock Exchange, (A) American Stock Exchange, and (O) over-the-counter.

| | 1977 | 1976 |
|---|---|---|
| **A. E. STALEY MANUFACTURING (N)** | | |
| Qtr. sales | $275,100,000 | $172,100,000 |
| Net income | 6,220,000 | 10,330,000 |
| Share earns. | 56c | 96c |
| 6 mos. sales | 514,530,000 | 337,430,000 |
| Net income | 12,200,000 | 20,500,000 |
| Share earns. | 1.10 | 1.97 |
| **AG INDUSTRIES (O)** | | |
| Qtr. sales | $14,700,000 | $13,430,000 |
| Net loss | 552,000 | b122,000 |
| Shr earns. | | 4c |
| b-Net profit includes a $38,515 tax credit. | | |
| **AIRCO (N)** | | |
| Qtr. sales | $227,400,000 | $282,900,000 |
| Net income | 14,100,000 | 12,700,000 |
| Shr. earns. | 1.25 | 1.11 |
| **ALANTHUS (O)** | | |
| 6 mos. to Feb. 28 | | |
| Revenues | $17,337,000 | $13,565,000 |
| Net income | 436,123 | 116,975 |
| **ALTCO (O)** | | |
| 6 mos. to Feb. 28 | | |
| Revenues | $3,859,000 | $4,300,000 |
| Net income | 837,978 | 667,519 |
| Shr. earns. | 32c | 28c |
| **AMERACE (N)** | | |
| Qtr. to April 3 | | |
| Sales | $74,715,000 | $65,331,000 |
| Net income | 2,510,000 | 2,337,000 |
| Shr. earns. | 90c | 80c |
| **AMERICAN CYANAMID (N)** | | |
| Qtr. sales | $564,500,000 | $518,400,000 |
| Net income | 31,400,000 | 40,200,000 |
| Shr. earns. | 66c | 84c |
| **AMERICAN MEDICORP (N)** | | |
| Qtr. revenues | $114,355,000 | $98,362,000 |
| Net income | 6,004,000 | 5,029,000 |
| Shr. earns. | 65c | 51c |
| **AMERICAN TELEVISION & COMMUNICATIONS (O)** | | |
| Qtr. revs. | $13,791,701 | $10,620,327 |
| Net income | 1,636,139 | 1,067,976 |
| Share earns. | 45c | 29c |
| 9 mos. revs. | 38,657,779 | 30,475,633 |
| Net income | 4,255,848 | 2,662,475 |
| Share earns. | 1.19 | 74c |
| **A. O. SMITH (N)** | | |
| Qtr. shipments | $181,165,000 | $152,062,000 |
| Net income | 4,734,000 | 3,245,000 |
| Share earns. | [illegible] | 1.07 |
| **ARCHER-DANIELS-MIDLAND (N)** | | |
| Qtr. net income | $15,[illegible],000 | 17,700,000 |
| Shr. earns. | 52c | 62c |
| 9 mos. net inc. | 47,5[illegible] | 48,6[illegible] |
| Shr. earns. | 1.61 | 1.73 |
| **BADGER METER (A)** | | |
| Qtr. sales | $13,[illegible] | $10,[illegible] |
| Net income | 672,[illegible] | 423,[illegible] |
| Shr. earns. | 43c | 31 |
| **BELKNAP (O)** | | |
| Qtr. sales | $26,[illegible] | $25,9[illegible] |
| Net income | [illegible] | 657,[illegible] |
| Shr. earns. | [illegible] | [illegible] |
| **B. F. GOODRICH (N)** | | |
| Qtr. sales | $537,[illegible] | $523,[illegible] |
| Net income | 18,020,000 | 9,400,000 |
| Share earns. | 1.19 | 62c |
| **BOISE CASCADE (N)** | | |
| Qtr. sales | $[illegible] | $[illegible] |
| Net income | 24,0[illegible] | 16,9[illegible] |
| Share earns. | 82c | 56c |
| **BROOKS-SCANLON (O)** | | |
| Qtr. sales | $[illegible] | $12,8[illegible] |
| Net income | 2,760,000 | 1,524,[illegible] |
| Shr. earns. | 1.22 | 67c |
| **BUCKBEE-MEARS (O)** | | |
| Qtr. revenues | $15,0[illegible] | $13,2[illegible] |
| Net income | 147,[illegible] | 32[illegible] |
| Shr. earns. | 5c | 11c |
| **BUCYRUS-ERIE (N)** | | |
| Qtr. shipments | $125,177,[illegible] | $118,[illegible] |
| Net income | 10,624,[illegible] | 10,2[illegible] |
| Shr. earns. | 53c | 5[illegible] |
| **BUDD (N)** | | |
| Qtr. sales | $[illegible] | $266,4[illegible] |
| Net income | 12,400,000 | 6,600,000 |
| Shr. earns. | 1.83 | 1.0[illegible] |
| **BURLINGTON NORTHERN (N)** | | |
| Qtr. revenues | $[illegible] | $[illegible] |
| Net income | 43,[illegible] | 25,5[illegible] |
| Shr. earns. | 3.15 | 2.0[illegible] |
| **CHAMPION INTERNATIONAL (N)** | | |
| Qtr. sales | $[illegible] | $[illegible] |
| Net income | 32,2[illegible] | 30,3[illegible] |
| **CREST FOAM (A)** | | |
| Qtr. to Feb. 28 | | |
| Sales | $3,263,000 | $3,334,000 |
| Net loss | 52,000 | 123,000 |
| **CURTICE-BURNS (A)** | | |
| Qtr. to March 25 | | |
| Sales | $57,[illegible] | $47,421,000 |
| Net income | [illegible] | 573,000 |
| Share earns. | 7c | 47c |
| 9 mos. sales | 155,213,000 | 142,803,000 |
| Net income | 2,715,000 | 2,160,000 |
| Share earns. | [illegible] | 2.17 |
| **CURTIS MATHES (A)** | | |
| Qtr. to Feb. 28 | | |
| Sales | $12,800,000 | $18,200,000 |
| Net income | 160,599 | b547,347 |
| Share earns. | 9c | 18c |
| 9 mos. sales | 38,400,000 | 79,400,000 |
| Net income | 1,600,000 | b1,400,000 |
| Shr. earns. | 93c | 53c |
| Shrs. outstdg. | 1,575,887 | 3,111,750 |
| b-After extraordinary credits of $154,000 in the quarter and $370,517 for the six months. | | |
| **DESOTO (N)** | | |
| Qtr. sales | $77,630,000 | $67,900,000 |
| Net income | 3,330,000 | 1,000,000 |
| Share earns. | 61c | 19c |
| **DR. PEPPER (N)** | | |
| Qtr. sales | $44,660,000 | b$41,200,000 |
| Net income | 4,400,000 | 3,800,000 |
| Share earns. | 22c | 19c |
| b-Restated to reflect an acquisition on a pooling-of-interest basis. | | |
| **DORR-OLIVER (N)** | | |
| Qtr sales & revs. | $33,524,000 | $37,900,000 |
| Net income | 1,577,000 | 2,422,000 |
| Share earns. | 63c | 1.05 |
| **EARLE M. JORGENSEN (N)** | | |
| Qtr. sales | $55,931,000 | $53,297,000 |
| Net income | 3,440,000 | 3,133,000 |
| Share earns. | 1.05 | 66c |
| **E.I. DU PONT DE NEMOURS (N)** | | |
| Qtr. sales | 2,371,000,000 | 2,098,000,000 |
| Net income | 12[illegible] | 137,000,000 |
| Shr. earns. | 2.45 | 2.83 |
| **E. F. JOHNSON (O)** | | |
| Qtr. sales | $19,330,000 | $29,800,000 |
| Net income | 227,000 | 3,233,000 |
| Shr. earns. | 11c | 1.19 |
| **ELI LILLY (N)** | | |
| Qtr. sales | $[illegible] | $362,900,000 |
| Net income | 63,5[illegible] | 61,400,000 |
| Share earns. | 93c | 89c |
| **FISHER FOODS (N)** | | |
| Qtr. sales | $351,8[illegible],000 | $322,400,000 |
| Net income | 1,800,000 | 1,700,000 |
| Share earns. | 25c | 27c |
| **FORT HOWARD PAPER (N)** | | |
| Qtr. sales | $5[illegible] | $5[illegible],900,000 |
| Net income | 11,1[illegible] | 9,9[illegible] |
| Shr. earns. | 8[illegible] | 74c |
| **GALVESTON HOUSTON (O)** | | |
| Qtr. sales | $7,[illegible] | $4,500,000 |
| Net income | 1,[illegible] | 787,[illegible] |
| Share earns. | [illegible] | 68c |
| **GAN[illegible] (N)** | | |
| Qtr. revs. | $[illegible] | $94,5[illegible] |
| Net income | 10,0[illegible] | 8,880,3[illegible] |
| Share earns. | 45c | 40c |
| **GUARDSMEN CHEMICALS (A)** | | |
| Qtr. sales | $11,[illegible] | $10,400,[illegible] |
| Net income | 3[illegible] | 341,[illegible] |
| Shr. earns. | 44c | 3[illegible] |
| **HARRAH'S (N)** | | |
| Qtr. revs. | $3[illegible] | $33,400,00[illegible] |
| Net income | 2,[illegible] | 1,400,[illegible] |
| Share earns. | 21c | 26c |
| 9 mos. revs. | 1[illegible] | 104,[illegible] |
| Net income | 15,[illegible] | 9,[illegible] |
| Share earns. | 1.49 | 1.27 |
| **HOUDAILLE INDUSTRIES (N)** | | |
| Qtr. sales | $[illegible] | $[illegible] |
| Net income | 5,[illegible] | 3,5[illegible] |
| Share earns. | 6[illegible]c | 44c |
| **[illegible] (N)** | | |
| Qtr. sales | $[illegible] | $21,400,[illegible] |
| Net income | 67[illegible] | b1,0[illegible] |
| Share earns. | 2c | [illegible] |
| b-After loss from discontinued operations of $1.2 million in 1977 and $[illegible] | | |
| **HUFFMAN MANUFACTURING (A)** | | |
| Qtr. to March [illegible] | | |
| Sales | $[illegible] | $[illegible] |
| Net income | [illegible] | [illegible] |
| Share earns. | 4[illegible] | 4[illegible] |
| 9 mos. sales | [illegible] | 72,3[illegible] |
| Net income | 2,[illegible] | 1,[illegible] |
| Share earns. | 1.[illegible] | 1.[illegible] |
| **INTERNATIONAL MULTIFOODS (N)** | | |
| Qtr. sales | $235,730,000 | $223,400,000 |
| Net income | 4,700,000 | 5,000,000 |
| Share earns. | 60c | 66c |
| Year sales | 847,000,000 | 8[illegible],133,000 |
| Net income | 20,000,000 | 14,400,000 |
| Share earns. | 2.56 | 2.19 |
| **JOHNSON CONTROLS (N)** | | |
| Qtr. sales | $37,962,000 | $35,509,000 |
| Net income | 3,176,000 | 2,384,000 |
| Share earns. | 73c | 55c |
| **KEARNEY & TRECKER (O)** | | |
| Qtr. sales | $16,030,000 | $16,128,000 |
| Net income | 945,000 | 8[illegible] |
| Share earns. | 24c | 21c |
| 6 mos. sales | 33,319,000 | 31,560,000 |
| Net income | 1,988,000 | 1,304,000 |
| Share earns. | 51c | 34c |
| **KING RADIO (A)** | | |
| Qtr. sales | $12,353,000 | $12,[illegible] |
| Net income | 431,000 | 435,083 |
| Shr. earns. | 24c | 23c |
| Shrs outstdg. | 1,796,279 | 2,100,779 |
| **KNAPE & VOGT MFG (O)** | | |
| Qtr. sales | $11,831,992 | $11,496,941 |
| Net income | 997,490 | 1,180,24[illegible] |
| Shr. earns. | 73c | 79c |
| 9 mos. sales | 32,765,276 | 29,915,771 |
| Net income | 2,532,948 | 2,5[illegible] |
| Shr. earns. | 1.87 | 1.86 |
| **KOPPERS (N)** | | |
| Qtr. sales | $333,100,000 | $337,300,000 |
| Net income | 3,300,000 | b14,400,000 |
| Share earns. | 13c | 57c |
| b-After $3.9 million nonrecurring income. | | |
| **L. B. NELSON (A)** | | |
| Qtr. revs. | $5,000,000 | $4,700,000 |
| Net income | b444,000 | b142,000 |
| Share earns. | 27c | 5c |
| b-After tax credits of $309,000 in 1977 and $37,000 in 1976. | | |
| **LEATH (A)** | | |
| Qtr. sales | $7,700,000 | $9,300,000 |
| Net income | 368,000 | 376,000 |
| Share earns. | 35c | 34c |
| **LEGGETT & PLATT (O)** | | |
| Qtr. to March 26 | | |
| Sales | $33,750,000 | $27,[illegible] |
| Net income | 1,400,000 | 1,330,000 |
| Share earns. | 53c | 49c |
| **LEHIGH PORTLAND CEMENT (N)** | | |
| Qtr. sales | $14,181,000 | $[illegible] |
| Net loss | 2,451,000 | b2,[illegible] |
| b-After $1.45 million loss from discontinued operations | | |
| **[illegible] LABORATORIES (N)** | | |
| Qtr. sales | $[illegible] | $20,[illegible] |
| Net income | 2,888,205 | 1,[illegible] |
| Shr. earns. | 3[illegible] | 2[illegible] |
| 9 mos. sales | 66,093,973 | 57,383,[illegible] |
| Net income | 6,1[illegible] | [illegible] |
| Shr. earns. | 71c | 37c |
| **MASONEILAN INTERNATIONAL** | | |
| Qtr. sales | $[illegible] | $[illegible] |
| Net income | 2,271,000 | 1,[illegible] |
| Shr. earns. | 1.21 | 1.0[illegible] |
| **[illegible] MERCHANDISERS (O)** | | |
| Qtr. sales | $13,400,000 | $11,700,000 |
| Net income | 42[illegible],000 | 34[illegible] |
| Share earns. | 27c | 2[illegible] |
| 6 mos. sales | 25,[illegible],000 | 23,[illegible] |
| Net income | 83[illegible],000 | 6[illegible] |
| Share earns. | 53c | 4[illegible] |
| **McGRAW-EDISON (N)** | | |
| Qtr. sales | $[illegible],475,000 | $[illegible],678,[illegible] |
| Net income | 14,438,[illegible] | 14,284,[illegible] |
| Shr. earns. | 9[illegible]c | 86c |
| **[illegible]CAD (N)** | | |
| Qtr. to April [illegible] | | |
| Sales | $4[illegible] | $[illegible],400,000 |
| Net income | 1[illegible] | 16,[illegible] |
| Shr. earns. | 7[illegible] | 64c |
| **MIDLAND-ROSS (N)** | | |
| Qtr. sales | $[illegible] | $[illegible] |
| Net income | [illegible] | [illegible] |
| Shr. earns. | 1.[illegible] | [illegible] |
| Shr. outstdg. | 5,3[illegible] | 5,6[illegible] |
| **[illegible]OLYCORP (N)** | | |
| Qtr. sales | $[illegible] | $17,58[illegible] |
| Net income | [illegible] | 3,5[illegible] |
| Shr. earns. | 1.[illegible] | 1.[illegible] |
| **[illegible] PRODUCTS (N)** | | |
| Qtr. sales | $[illegible] | $[illegible] |
| Net income | [illegible] | b[illegible] |
| Share earns. | [illegible] | [illegible] |
| 9 mos. sales | [illegible] | 43,[illegible] |
| Net income | [illegible] | [illegible] |
| **NATIONAL SYS[illegible]** | | |
| Qtr. revs. | $6,44[illegible] | |
| Net income | b90[illegible] | |
| Share earns. | [illegible] | |
| b-After extraordinary [illegible] $64,000 in 1977 and $[illegible] | | |
| **NATIONAL SH[illegible]** | | |
| Qtr. to Jan. 29 | | |
| Sales | $20,9[illegible] | |
| Net income | C5[illegible] | |
| Shr. earns. | | |
| Yr. sales | C1,25[illegible] | |
| Shr. earns. | | |
| B-Corrected from Sat[illegible] editions. | | |
| C-After $10,000 tax cr[illegible] $32,000 in 1976. | | |
| **NELLY DON** | | |
| Qtr. to Feb. 28 | | |
| Sales | $2,1[illegible] | |
| Net income | 7[illegible] | |
| Share earns. | | |
| b-Net loss. | | |
| **NORTHROP** | | |
| Qtr. sales | $372,[illegible] | |
| Net income | 14,9[illegible] | |
| Shr. earns. | | |
| **PAINE WEBB[ER]** | | |
| Qtr. revenues | $[illegible] | |
| Net income | 1,97[illegible] | |
| Shr. earns. | | |
| 6 mos. revenues | 125,93[illegible] | |
| Net income | 5,91[illegible] | |
| Shr. earns. 96c | | |
| **PARKER HANN[IFIN]** | | |
| Qtr. sales | $133,4[illegible] | |
| Net income | 7,7[illegible] | |
| Share earns. | [illegible] | |
| 9 mos. sales | 360,0[illegible] | |
| Net income | 19,2[illegible] | |
| Share earns. | | |
| **PARKER PE[N]** | | |
| Qtr. to Feb. 29 | | |
| Sales | $85,212,[illegible] | |
| Net income | 2,97[illegible] | |
| Shr. earns. | | |
| Yr. sales | 343,421 | |
| Net income | 12,932 | |
| Shr. earns. | | |
| **PFIZER (N)** | | |
| Qtr. sales | $432,0[illegible] | |
| Net income | 45,[illegible] | |
| Share earns. | | |
| **PHILIP MORR[IS]** | | |
| Qtr. revs. | $1,242,61[illegible] | |
| Net income | 71,41[illegible] | |
| Share earns. | [illegible] | |
| **POWER TEST** | | |
| Yr. to Jan. 31 | | |
| Sales | $61,4[illegible] | |
| Net income | 3,[illegible] | |
| Shr. earns. | [illegible] | |
| **RCA (N)** | | |
| Qtr sales-revs. | $1,372,900,[illegible] | |
| Net income | 68,5[illegible] | |
| Shr. earns. | [illegible] | |
| **REICHHOLD CHEM[ICALS]** | | |
| Qtr. sales | $157,0[illegible] | |
| Net income | 2,[illegible] | |
| Shr. earns. | | |
| **R. G. BAR[illegible]** | | |
| Qtr. sales | $14,[illegible] | |
| Net income | 4[illegible] | |
| Shr. earns. | | |
| **ROGERS [illegible]** | | |
| Qtr. to April 3 | | |
| Sales | $12,4[illegible] | |
| Net income | 2[illegible] | |
| Shr. earns. | | |

EXHIBIT G

CONDITION OF U.S. DOMESTIC MARKET, 1976 (DOMESTIC MARKET SHARE OF BICYCLES PRODUCED)

| Name | Market share (percent) | | Number of domestic bicycles produced |
|---|---|---|---|
| | Huffman analyst report | Adjusted to— | |
| Huffman Manufacturing Co | Over 30 | 30.5 | 1,975,000 |
| Murray Ohio Manufacturing Co | 25–29 | 27.0 | 1,745,000 |
| AMF | 10–15 | 12.0 | 775,000 |
| Schwinn Bicycle Co | 10–15 | 12.0 | 775,000 |
| Chain Bike—Ross | 5–9 | 6.6 | 385,000 |
| Columbia Manufacturing Co | 5–9 | 6.5 | 420,000 |
| Iverson-Stelber | 5–9 | 6.0 | 385,000 |
| Total | | 100.0 | 6,460,000 |

SHIPMENTS—U.S. BICYCLE MARKET

[Millions of bicycles; calendar years]

| | 1975 | 1976 | | Estimated 1977 | |
|---|---|---|---|---|---|
| | | Number | Percent | Number | Percent |
| Domestic | 5.6 | 6.4 | 15 | 7.1 | 11 |
| Imports | 1.7 | 1.7 | 0 | 1.8 | 6 |
| Total | 7.3 | 8.1 | 11 | 8.9 | 10 |

Source: Bicycle Manufacturers Association.

Specifically with regard to the forecasted 1977 growth, we do not believe that it will be evident in the first quarter. The first quarter of last year was exceptionally strong.

DOMESTIC BICYCLE SHIPMENTS, MONTHLY COMPARISON

| | 1975 | 1976 | Percent change |
|---|---|---|---|
| January | 146,000 | 225,000 | +54 |
| February | 277,000 | 416,000 | +50 |
| March | 458,000 | 632,000 | +38 |
| April | 495,000 | 675,000 | +36 |
| May | 521,000 | 658,000 | +26 |
| June | 653,000 | 613,000 | −6 |
| July | 495,000 | 507,000 | +2 |
| August | 547,000 | 549,000 | 0 |
| September | 590,000 | 542,000 | −8 |
| October | 533,000 | 646,000 | +21 |
| November | 515,000 | 606,000 | +18 |
| December | 375,000 | 396,000 | +6 |
| Total | 5,606,000 | 6,465,000 | +15 |
| 1st half | 2,600,000 | 3,200,000 | |
| 2nd half | 3,000,000 | 3,200,000 | |

## Communications Relating to H.R. 5285

### Prepared Statement of E. I. du Pont de Nemours & Co.

E. I. du Pont de Nemours and Company (Du Pont), a Delaware corporation with offices at 1007 Market Street, Wilmington, Delaware 19898, supports the enactment of H.R. 5285, a bill to amend the Tariff Schedules of the United States with respect to the classification of acrylic sheeting.

Du Pont is a United States producer of acrylic sheeting with production facilities located in Memphis, Tennessee. In addition, Du Pont is a domestic producer of methyl methacrylate monomer, a raw material which is sold to other domestic firms for use in the production of acrylic sheeting. Acrylic sheeting is made by polymerizing methyl methacrylate monomer. Acrylic sheeting resembles plate

glass in appearance and, because of its excellent optical properties, superior weatherability and workability, it is used extensively as a glazing material, in illuminated signs and in numerous other applications.

The United States market for acrylic sheeting has become highly competitive due, in part, to increased sales of imported product. Certain sales in the United States of imported acrylic sheet have taken place at less than fair value and, last year, antidumping duties were imposed with respect to sheets imported from Japan.

H.R. 5285, as passed by the House of Representatives, is directed at another unfair trade practice employed by certain foreign exporters wherein one or more nonfunctional holes are drilled in the excess border of an acrylic sheet. This device enables importers to enter sheets into the United States as "processed" articles under TSUS Item 774.60, dutiable at 8.5 percent ad valorem, rather than as acrylic sheets, specifically provided for in TSUS Item 771.45, and dutiable at 8.5 cents per pound. This artifice, which has been accepted by the Bureau of Customs, admittedly has no commercial significance, but it makes possible the avoidance of approximately 50 percent of the duty on the imported sheet.

H.R. 5285 simply insures that imports of acrylic sheets will be classified for tariff purposes as intended by Congress in the Tariff Classification Act of 1962. Its passage would be of significant benefit to the domestic acrylic sheet industry and its workers. For these reasons, Du Pont urges adoption of H.R. 5285.

## Communications Relating to H.R. 5289

### Prepared Statement of Congressman Sam Gibbons

Mr. Chairman and Members of the Subcommittee, I deeply appreciate the opportunity to ask for your approval of H.R. 5289.

This bill would relieve one of my constituents, Mr. Joe Cortina of Tampa, Florida, of an unjust hardship which has befallen him.

In order to explain the circumstances of this hardship, I would like to insert in the record a copy of the favorable report of the House Ways and Means Committee on H.R. 5289, as well as an analysis of the bill which has been done by your own staff.

H.R. 5289 was approved unanimously by the Ways and Means Committee on June 16 and was passed by the House under suspension of the rules on July 18.

I have known Joe Cortina for many years, and I can tell you that he is an honest and honorable man. I sincerely hope that the Subcommittee on International Trade, and the Finance Committee, will see fit to recommend approval of H.R. 5289, so that the relief from additional import duties which it authorizes can be given to Joe Cortina as soon as possible.

If you have any questions about this bill, I would be glad to answer them.

[House of Representatives, Report No. 95-437, 95th Cong., 1st sess.]

## FOR THE RELIEF OF JOE CORTINA OF TAMPA, FLA.

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(June 16, 1977.—Committed to the Committee of the Whole House and ordered to be printed)

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(By Mr. Ullman, from the Committee of Ways and Means, submitted the following)

### Report

[To accompany H.R. 5289]

The Committee on Ways and Means, to whom was referred the bill (H.R. 5289) for the relief of Joe Cortina of Tampa, Fla., having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

## DESCRIPTIONS OF PROVISIONS

Section 1 of H.R. 5289 provides for liquidation or reliquidation in a prescribed manner of 29 specific customs entries of certain musical instruments in the Port of Tampa, Fla. These entries were made during a 2-year period between October 7, 1971, and October 15, 1973, in the name of Joe Cortina, a Tampa customs broker. Specifically, section 1 requires the entries to be appraised at invoice unit prices, net, packed, and be subject to duty at the applicable rates set forth in TSUS rates of duty column 1.

Section 2 sets forth the 29 entries by entry number and date of entry.

## GENERAL STATEMENT

Joe Cortina was the named importer of record on a series of musical instrument import entries between October 1971 and October 1973. The instruments were imported from a West Germany firm, Hans Herman Kuhl (HHK), and destined for a Tampa, Fla., company called KMS, Inc. Mr. Kuhl (now deceased) was a part owner of KMS which has since been dissolved and reincorporated as Hanseatic Import & Export.

The dutiable value of the musical instrument entries was initially based on the entered or declared value, but an additional 10 percent was added when the Customs Service determined that selling commission in that amount was paid by KMS. This in turn increased the amount of duty for which Mr. Cortina was liable. Further, the entries were entered at the TSUS column 1 duty rates—ranging from 5 to 17 percent; but during the period of these importations, a Treasury Department investigation determined that HHK's instruments originated in East Germany. Mr. Cortina was then notified that the entries should have been dutiable at the column 2 rates of duty—40 percent. As importer of record, Mr. Cortina was liable for the payment of the supplemental duties, including the additional duty to cover the addition of the selling commission and the difference between the columns 1 and 2 rates of duty, on all shipments from HHK. This amount was over $150,000, an amount greatly in excess of Mr. Cortina's customs entry bond.

However, as the result of a second investigation, the Customs Service determined that Mr. Cortina should only be held liable for supplemental duties on the goods in those specific instances where evidence actually showed the country of origin as East Germany. This reduced Mr. Cortina's liability to approximately $37,000. It is alleged that this liability would financially ruin Mr. Cortina since he has no effective recourse against either the domestic firm he represented, which has been dissolved, or against Mr. Kuhl, who is deceased.

H.R. 5289 is intended to relieve Mr. Cortina of all liability for the unpaid duties, and would also result in a refund of about $9,500 of supplemental duties already paid.

An informational report was received from the International Trade Commission. Public hearings were held by the Subcommittee on Trade of the Committee on Ways and Means on April 26, 27, and 28 on duty-free entry and temporary duty suspension bills. During these hearings, favorable testimony was received on H.R. 5289. No objections to this legislation have been received by the committee from any source.

Your committee believes H.R. 5289 to be meritorious and unanimously urges its approval.

## EFFECT OF THE BILL ON THE REVENUES AND VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following statements are made relative to the effect on the revenues of this bill. The committee estimates that enactment of this bill would result in a loss of customs revenue of approximately $46,000.

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote by the committee on the motion to report the bill. This bill was unanimously ordered reported by the committee.

## OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER HOUSE RULES

In compliance with clauses 2(1)(3) and 2(1)(4) of rule XI of the Rules of the House of Representatives, the following statements are made.

With regard to subdivision (A) of clause 3 relating to oversight findings, your committee advises that in its review of the special circumstances with respect to the musical instruments involved, it concluded it would be desirable to enact legislation to provide for liquidation or reliquidation in a prescribed manner of 29 specific customs entries of certain musical instruments, by reason of the considerations outlined above in the general statement.

With regard to subdivision (B) of clause 3 and after consultation with the Director of the Congressional Budget Office, the committee states that the changes made by this bill involve no new budgetary authority, or new or increased tax expenditures.

In compliance with subdivision (C) of clause 3, the committee advises that the Director of the Congressional Budget Office has examined the committee's revenue estimate and agrees with the methodology used and in the resulting dollar estimate.

With respect to subdivision (D) of clause 3, no oversight findings or recommendations have been submitted to the committee by the Committee on Government Operations concerning this subject matter.

In compliance with clause 2(1)(4) of rule XI, the committee states that the temporary suspension of duties under this bill would not have an inflationary impact on prices and costs in the operation of the general economy.

H.R. 5289—FOR THE RELIEF OF JOE CORTINA OF TAMPA, FLA.

*Present law.*—Joe Cortina, a customs broker, is the importer of record of musical instruments entered between October 1971, and October 1973. The instruments were imported from a West German firm for a Tampa company which is now defunct. The individual who owned both firms is now dead. After entry, the dutiable value and the duty payable on the instruments was increased when the Customs Service discovered that, without Mr. Cortina's knowledge, commissions were paid on the shipments which should have been included in the value of the imports for duty purposes. Further, the Customs Service discovered that, although the goods were recorded as being exported from West Germany, the country of origin was in some cases East Germany. Because imports of musical instruments from East Germany are subject to a higher rate of duty (40 percent ad valorem) than imports of musical instruments from West Germany (5 to 17 percent ad valorem) the duty payable by Mr. Cortina was again increased. Mr. Cortina became subject to an additional $46,000 in duties as a result of circumstances unknown to him at the time of entry, and it is alleged that this would financially ruin him, because he apparently has no insurance and no recourse against either the domestic firm he represented, now dissolved, or against the owner of the firm, now deceased.

*House bill.*—Provides for the liquidation or reliquidation of 29 entries of musical instruments made in the name of Joe Cortina. The entries are to be appraised at invoice unit prices, net, packed, and are to be subject to the rates of duty applicable to imports from West Germany.

*Effective date.*—Date of enactment.

*Revenue effect.*—One-time loss of approximately $46,000.

## COMMUNICATIONS RELATING TO H.R. 5322

PREPARED STATEMENT OF MILTON LEITER, VICE PRESIDENT, MARYLAND FIBER CORP.

Mr. Chairman and Distinguished Members of the Committee: My name is Milton Leiter. I am Vice President of the Maryland Fiber Corporation. It is my privilege to appear before you today representing our company as well as the interests of the United States manufacturers engaged in the production of natural fiber brushes, in urging the Committee's favorable consideration and recommendation, and speedy Congressional action on H.R. 5322, a bill to provide for duty-free treatment of processed Istle fiber.

Attached to my statement, please find a list of the major U.S. manufacturers using this fiber. It is estimated that the listed companies who are the major manufacturers of natural fiber brushes account for approximately 65 percent of the use of Istle fiber. The balance is used by smaller companies. We are confident that these companies also wholeheartedly and fully support this bill as introduced.

I also appear before you at the request of the Suppliers Division of the American Brush Manufacturers Association. Normally, the Division Chairman would appear before you; however, in view of my long work with processed Istle fiber importations and my long involvement with the problem of possible duties on this

commodity over the past 17 years, the Chairman has asked me to present our views to you in his place.

Processed Istle fiber, as differentiated from crude fiber, is classified under TSUS item 192.70 with a duty-rate of 20 percent *ad valorem*. Since the 85th Congress, there have been a series of temporary duty suspensions, and processed Istle fiber is currently suspended under TSUS item 903.90.

By way of background, I should explain that Istle Fiber is derived from the Agave plant. The Agave plant is a variety of cactus. It grows solely in seven states in Northern Mexico, and nowhere else in the world. There is no domestic cultivation of the plant in the United States. There is no domestic production of the crude Istle fiber. There are no processing plants for crude Istle fiber in this country. (The crude Istle fiber has been duty-free under TSUS item 192.65).

Because of the relatively high cost and the distinctive quality of Istle fiber, it is not directly competitive with domestic synthetic fibers. Its utility is solely in its use as bristles in brushes. Istle fiber in its processed form is essential to the brush manufacturing industry of the United States. It is particularly important in the production of industrial and maintenance brushes. In these applications, it becomes a part of the brushing tool.

We have in the past presented our views with respect to this commodity before the International Trade Commission and submitted statements to the Office of the President's Special Representative for Trade Negotiations. Because the sole supplying country of past years, Mexico, has not participated in previous negotiations under the General Agreement on Tariffs, and Trade, the duty on processed Istle fiber has not been reduced in prior negotiation rounds. Although Mexico is participating in the current round of talks, we do not expect that the negotiations will be finalized until after the current duty suspension will have lapsed. In any event, no complete elimination of the duty will be possible under the trade negotiation authority.

It is important, therefore, to everyone in the industry that the duty be removed so that trade can take place hereafter without the necessity of importers and manufacturers to pay the prohibitive duties on this product.

The 20 percent duty on this commodity, were the present or some future suspension to lapse, would press domestic natural brush manufacturers very hard and indeed would jeopardize many of their establishments. All of us in the industry using Istle fiber vividly remember the anxiety surrounding the threatened lapse of the duty suspension in 1972, which was finally prevented by Public Law 93-99, which became law on August 16, 1973. For several months, the requirement of depositing duties or posting bonds for such payments threatened the viability of many companies. With this in mind, we welcome the opportunity of this Hearing procedure to place our concerns before you at an early date and to urge your favorable consideration.

There are several reasons for supporting a duty elimination in addition to the concerns of the manufacturers. If the present or a future duty suspension is allowed to lapse, the added costs would not only make it impossible for manufacturers to keep their raw material cost in line, it would also have an effect on the prices which consumers would be required to pay. Furthermore, if supplies of processed Istle fiber are cut off by prohibitive costs, we might have to face the fact that manufactured Istle *brushes* rather than the fiber would enter this country, with the brushes possibly at a lower duty rate than the raw material. In effect, therefore, the application of duties, if the suspension were ever allowed to lapse, would have the effect of exporting the jobs of our brush manufacturing industry, including many blind and handicapped, elsewhere. Finally, high duties on Istle Fiber which would benefit no one, would serve only to drive upward the spiral of inflation.

Since there have been no duties collected on this commodity's importations in nearly two decades, I can not perceive that a revenue loss would occur because of a permanent elimination. The surest impact which a lapse in a duty suspension status would achieve, is that many specially situated individuals would lose a productive line of work because the increase in raw material costs would necessitate a shift from the Istle fiber brush production activity. Since many of these specially situated individuals would have to be retrained into other jobs or other materials handling skills at a relatively high expense, the further jobs of such workers would be jeopardized. A list of the companies using and handling Isle fiber is attached to indicate some of the beneficiaries of this legislation which I strongly support and recommend to you. We hope and trust that the Committee can see its way clear to give our industry on a permanent basis the favorable

consideration which has unanimously been granted on a temporary basis over the past 20 years.

On behalf of the entire industry, may I thank you for the opportunity to present these concerns to you.

APPENDIX A

LIST OF MAJOR U.S. BRUSH MANUFACTURERS USING ISTLE FIBER

Arkansas Lighthouse for the Blind, 69th and Murray Streets, Little Rock, Arkansas 72206.
Atlanta Brush Co., P.O. Box 1358, Atlanta, Georgia 30301.
Columbia Lighthouse for the Blind, 2021-14th Street NW, Washington, D.C. 20009.
Department of Adult Deaf & Blind, P.O. Drawer 17, Talladega, Alabama 35160.
Detroit Quality Brush Mfg. Co., Inc., 32165 Schoolcraft Road, Livonia, Michigan 48150.
Empire Brushes Inc., 200 William Street, Port Chester, N.Y. 10573.
Jos. O. Flatt & Co., 137 Cedar Street, Reading, Penna. 19603.
Flour City Brush Company, 918 North Third Street, Minneapolis, Minn. 55401.
Fuller Brush Company, Westport Addition, Great Bend, Kansas 67530.
Harper Brush Works, Fairfield, Iowa 51556.
Hoge Brush Company, New Knoxville, Ohio 45871.
Industries for the Blind, 3221 West Vliet Street, Milwaukee, Wisconsin 53208.
Kellogg Brush Mfg. Co., 122 Pleasant Street, East Hampton, Mass. 01027.
Lighthouse for the Blind of Houston, 3530 West Dallas, Houston, Texas 77019.
Magnolia Brush Mfrs. Inc., Clarkville, Texas 75426.
Malish Brush & Specialty Co., 4260 Industrial Parkway, Willoughby, Ohio 44094.
Milwaukee Brush Mfg., Co., 2212-36 North Thirteenth Street, Milwaukee, Wisconsin 53245.
Milwaukee Dustless Brush Co., 10930 Lapham Street, Milwaukee, Wisconsin 54214.
Newark Brush Company, 200 Michigan Avenue, Kenilworth, New Jersey 07033.
Old Dominion Brush Co., 2501 East Franklin Street, Richmond, Virginia 23223.
The Osborn Manufacturing Co., 5401 Hamilton Avenue, Cleveland, Ohio 44114.
Pittsburgh Branch, Pennsylvania Association for the Blind, 308 S. Craig Street, Pittsburgh, Penna. 15213.
PPG Industries Inc., 3221 Frederick Avenue, Baltimore, Md. 21229.
Power Brushes, Inc., 756 S. Byrne Road, Toledo, Ohio 43609.
Silver Brushes Inc., 1019 West Lake Street, Chicago, Illinois 60607.
South Eastern Brush Co., 2043 Mountain Industrial Blvd., Tucker, Georgia 30084.
Standard Brush & Broom Co., Portland, Indiana 47371.
Superior Brush Co., 3453 West 140th, Cleveland, Ohio 44111.
Tennant Company, 701 North Lilac Drive, Minneapolis, Minn. 55422.
Western Brush Co., Inc., 215 South Western Avenue, Chicago, Illinois 60612.
Wright Bernet Inc., 1524 Bender Avenue, Hamilton, Ohio 45011.
Zimmerman Brush Co., 900 West Lake Street, Chicago, Illinois 60607.

## COMMUNICATIONS RELATING TO S. 843

### STATEMENT OF WENDELL R. ANDERSON

Mr. Chairman, I am pleased to offer my comments on behalf of S. 843. This bill is relatively simple. It eliminates the tariff imposed on imported Canadian crude oil when this oil is exchanged for an equivalent amount of our domestic crude oil. Presently, Canadian crude oil imported into the United States is subject to a duty under Part 10 of Schedule 4 of Tariff Schedules, 19 U.S.C. 1201.

Late in 1974, as many as you will recall, the Canadian government announced its intention to phase out exports of Canadian crude oil to the United States by 1983. Several refiners located along the northern tier of the United States are heavily dependent upon this Canadian oil. Once Canadian oil is no longer available, these refiners will be unable to obtain sufficient crude oil from alternative sources, and refineries would be forced to shut down, especially since the access of the northern tier states to Alaskan oil is still not a reality.

There is no need to describe the suffering that will develop if our northern tier states must deal with an oil shortage during our severe winters.

What is needed is an interim solution to our crude oil shortages—a solution to tide us over until our pipeline capacity from the south is completed—two pipe-

lines are currently being constructed—and until we can finally count on a share of Alaskan crude.

In its attempt to find interim measures, the Federal Energy Administration has recommended crude oil exchanges between U.S. and Canadian firms. Several northern tier refiners, heavily dependent on Canadian crude, have negotiated or begun negotiations with Canadian companies to exchange equivalent quantities of domestic crude oil for Canadian crude oil. These exchanges could provide necessary oil to the dependent refineries and are completely exempt from the Canadian Government's embargo of Canadian crude.

The net effect of these exchanges would be that both countries would retain the same quantity of oil, but the northern tier refineries and the residents of the areas in which they distribute their refined products would be helped considerably.

The Federal Energy Administration and President Ford encouraged these exchanges by removing the license fees on these kinds of imports from Canada (Presidential Proclamations 3279, as amended, and 214). The tariff duty remains the only government obstacle impeding these exchanges.

It is my understanding that the Department of the Treasury also supports the concept behind this legislation.

S. 843, which Senator Humphrey and I are cosponsoring, will further encourage these kinds of exchanges and will assist the residents of the northern tier states in obtaining necessary petroleum products such as gasoline and home heating oil. The present tariff is inconsistent with our national policy designed to remedy the problems that will result from the reduction in Canadian crude imports imposed by the Canadian Government.

If S. 843 is enacted, the exchanges that would result could provide Minnesota and its neighboring states a vital supplement to their crude oil supply during the next five or six years.

Mr. Chairman, I urge the Committee to give S. 843 its favorable consideration.

## Communications Relating to Mixed Animal Feed

### Prepared Statement of James G. Schmoyer, Allen Products Co., Inc.

#### SUMMARY

1. The proposed legislation was previously approved by the Finance Committee and passed by the Senate.
2. It would accord mixed animal feeds containing soybeans the same treatment as feeds containing grain.
3. Mixed animal feeds containing soybeans have higher quality protein (better amino acid profile) than a similar feed containing an equivalent amount of grain.
4. Allen Products incorporated soybeans in its product because of erroneous advice from the U.S. Customs Service that soybeans would be treated like grain for tariff purposes.
5. The soybeans used are of United States origin.
6. No other product or company would be affected and the amount of trade and revenue affected would be insignificant.

#### Statement

This statement is submitted in support of legislation to amend the tariff schedules to provide for mixed animal feeds containing soybeans. The proposed legislation would add to the definition of mixed feeds "admixtures of soybeans or soybean products." The term "mixed feeds" presently embraces products that are admixtures of grain or grain products.

This legislation was approved during the 94th Congress by this Committee, and was passed by the Senate as a Committee amendment to H.R. 2181. It was passed by the Senate on October 1, 1976, but unfortunately the Congress adjourned before there could be a conference with the House of Representatives and, therefore, the legislation failed of enactment. It is requested that this Committee again approve this legislation, and it is hoped that it can be enacted this year.

For more than forty years Allen Products has been engaged exclusively in the manufacture and sale of dog food. We are headquartered in Allentown, Pennsylvania, and we have manufacturing plants in Crete, Nebraska, and St. Paul, Minnesota, as well.

One of our products—ALPO Beef Chuncks Dinner in the large size can—is imported from Canada. This represents less than three percent of the dog food that we market in the United States. We are increasing our U.S. production of ALPO Beef Chunks Dinner in the large size can, but our domestic production capacity is not yet sufficient to meet U.S. needs and, for the time being, we must continue to import this size can from Canada.

The imported ALPO Beef Chunks Dinner is primarily a meat product but may contain varying amounts of soy flour. About four years ago we increased the soy flour to at least six percent. If this product had contained at least six percent grain, instead of six percent soy flour, it would have come in free of duty under item 184.70 of the Tariff Schedules of the United States, as contrasted to the seven and one-half percent rate of duty we actually paid.

When we increased to six percent the soy flour in our imported product, we did so on the basis of official information to the effect that soybeans for purposes of the Tariff Schedules would be considered a grain, and that including at least six percent soybeans or soy product would qualify the product for duty-free entry. Subsequently, the Classification and Value Division of the U.S. Customs Service overruled the District Director of Customs, and concluded that soybean flour is not grain or grain product for the purpose of item 184.70 TSUS. Thus a product containing at least six percent soy flour is still dutiable at the seven and one-half percent rate.

The amendment which we are supporting would accord to mixed feeds containing at least six percent soybeans, the same treatment as is now accorded to mixed feeds containing at least six percent grain, and we believe that this is fully justified for two reasons. First, the specially textured soy flour used in the product is exported from the United States. Secondly, a meat or meat by-product dog food containing six percent soy flour has higher quality protein (better amino acid profile) than a similar feed containing grain. It also has a higher quality protein than a similar product containing meat and meat by-products.

We are unaware of any opposition to this legislation except that some of the Executive Departments have taken the position that legislation which would change tariff classifications should not be enacted during multilateral trade negotiations, because of the possibility that any concessions made might be used in negotiations to secure reciprocal benefits. It is our firm belief, however, that that position would be misapplied to our proposal.

In the first place, the legislation would affect a relatively trivial amount of trade, the estimated maximum difference in revenues being approximately $250,000 annually, not a significant amount for trade negotiations. In the second place, the product involved is a single product of a single company without general trade implications and, therefore, without significance to the Canadian Government. In the third place, the composition of the product which determines the tariff treatment is within the control of the manufacturing company which can include more or less grain or soybeans depending upon the tariff consequences. We can and do from time to time vary the composition of our product to minimize costs.

Furthermore, to fail to enact this legislation on the grounds that the issue should be reserved for trade negotiations would deprive us of needed relief with no possibility at all that relief would occur through trade negotiations. A useful principle should not be applied to a case to which it has no applicability.

It is not right to oppose our proposal on the grounds that it should be reserved for trade negotiations when there is no reasonable possibility that it will ever become the subject of negotiation.

Finally, I should like to assure the Committee that the soybeans contained in our product are United States soybeans. They are included in the form of specially textured soy flour which is exported from the United States. I want to emphasize that no foreign processed flour is included in ALPO Beef Chunks Dinner, the only product which would be affected by the proposed legislation.

So far as Allen Products is aware, no other importer or importation would be affected by this legislation. It is estimated that the probable impact on revenues could reach a maximum of between $106,000 and $250,000 per annum depending upon the precise percentage of soybeans incorporated in the product.

We respectfully request that the Committee again give sympathetic consideration to our proposal. Its enactment would enable us to provide a better product and no other person or interest would be harmed. The enactment of this legislation would have no effect on domestic production or employment and would benefit consumers by providing a better product.

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