
CONTINUING UNTIL THE CLOSE OF JUNE 30, 1950, THE SUSPENSION OF DUTIES AND IMPORT TAXES ON METAL SCRAP

AUGUST 15 (legislative day, JUNE 2), 1949.—Ordered to be printed

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

R E P O R T

(To accompany H. R. 5327)

The Committee on Finance, to whom was referred the bill (H. R. 5327) to continue until the close of June 30, 1950, the suspension of duties and import taxes on metal scrap, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

GENERAL STATEMENT

H. R. 5327 as it passed the House provided for the suspension of import duties on metal scrap, or relaying and rerolling rails from the day after the date of enactment of the bill through June 30, 1950. Your committee has approved of this provision and added an amendment repealing a law suspending through June 30, 1950, certain import taxes on copper.

The suspension of import duties on scrap iron, scrap steel, and non-ferrous metal scrap provided by the act of March 13, 1942, as amended (Public Law 497, 77th Cong., 56 Stat. 171, and Public Laws 384 and 613, 80th Cong.), expired June 30, 1949. Large quantities of metal scrap, much of which originated in the United States in the form of military equipment, is still available in foreign countries. Domestic industrial consumers of scrap should be encouraged to utilize these important supplies of metal scrap in order to conserve limited reserves within this country and to develop stock piles against any future national emergency.

The favorable report of the Department of Commerce stated:

* * * vast quantities of metal products were sent abroad during World War II, and the intensive search for scrap within the United States during the war reduced our scrap reservoir to a very low level. It is apparent that every ton of scrap metal imported reduces the drain on our natural resources.

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It is also apparent that it is much more economical to import metals during peacetime than to do so after hostilities have broken out. It is possible that shortage of shipping space and inadequate protection of shipping lanes, at least at the beginning of a war, might dangerously limit the importation of scarce metals at any price.

As indicated below in the explanation of the bill, the act on March 13, 1942, dealing with the suspension of duties and import taxes on metal scrap, is continued and revised to facilitate administration, in accordance with recommendations of the Treasury Department, and in furtherance of the recommendation of the Acting Secretary of Commerce that—

both ferrous and nonferrous metals in all forms, with the exception of crude shapes derived from primary, or virgin metal, should be allowed to enter free of duty when imported for remelting purposes.

I do not favor providing in this bill for the entry free of duty of primary, or virgin metals generally, because I believe that each metal should be studied separately to determine the possible effect upon the domestic economy of admitting it duty-free in this form, and I do not believe that a bill designed to encourage the importation of scrap should be made to apply to metals in this form.

I favor the inclusion of provisions to guarantee that metal imported as scrap will in fact be used as scrap, but only to the extent that such provisions do not tend substantially to discourage the importation of scrap.

The amendment added by your committee terminates within 30 days after the passage of this bill the act passed earlier this year (Public Law 33, 81st Cong.), which continued the suspension of the import tax on copper in unmanufactured forms for the period from March 31, 1949, through June 30, 1950. The Revenue Act of 1932 imposed a 4-cents-per-pound import-excise tax on copper, but in the general agreement on tariffs and trade (Geneva agreement) the United States reduced this tax by 50 percent. Thus the effect of this amendment is to impose a 2-cents-per-pound tax on copper for the period beginning 30 days after the passage of this bill and ending June 30, 1950, the date when the 2-cents-per-pound tax would become effective even under present law.

When the temporary suspension of the copper import tax was granted earlier in this session of Congress, the domestic supply of copper was considerably short of domestic demand. Moreover, the price of copper in the first quarter of this year ranged between 23.5 and 23.375 cents per pound. Since the end of the first quarter when Public Law 33 became effective, however, the situation has changed considerably.

Domestic consumption of copper has dropped off rapidly since March of this year. Estimates for April and May (the last months for which data are available) indicate average monthly consumption of only 66,500 tons of copper as contrasted to 105,555 tons in the first quarter of 1949 and 124,118 tons in the fourth quarter of 1948. Available domestic supply is now in fact considerably in excess of demand and domestic mine production has had to be curtailed. Some producers have ceased operations entirely, others have closed some of their mines, and others, including the three largest, have reduced the number of hours worked per week. Moreover the price of copper slid all the way from 23.375 cents per pound in March to 16 cents per pound in June and has only recovered to 17.625 cents at the present time.

Had your committee realized earlier this year that the demand for copper would slacken as it has, it would not have approved of the

continuance of the suspension of this import tax on copper. Hence, your committee believes it is now appropriate to remove the suspension of this tax. It should be emphasized that the imposition of a 2-cent tax on copper imports will not prevent importation, but rather will more nearly equalize domestic and foreign production costs.

EXPLANATION OF THE BILL

As amended by section 1 of the bill, the act of March 13, 1942, would broadly define the term "scrap" in order to achieve the objectives stated above and at the same time to adhere as closely as possible to the concept of scrap accepted by the industry. That law contains no definition of nonferrous scrap. It defined ferrous scrap as "second-hand or waste or refuse iron or steel fit only to be remanufactured" (par. 301 of the Tariff Act of 1930; 19 U. S. C. 1001, par. 301). The bill would make more specific the exemption from duty of articles which are fit only to be remanufactured because of having become obsolete, defective, or damaged.

For example, under the definition of scrap steel, it is understood that the Treasury Department has followed the practice of admitting free of duty as "refuse" such articles as Japanese armor-plate ingots. Such ingots are deemed to be "fit only to be remanufactured" because their peculiar composition makes them unfit for use in the United States in their present form. The proposed revision of the act of 1942 is intended to provide a more specific legislative basis for classifying these and similar articles as "scrap."

Section 1 of the bill also adds a new section to the act of March 13, 1942, to allow the admission free of duty of certain articles technically not included in the definition of scrap contained in section 1 (b). The criterion for exemption from duty is the use of the articles in question in remanufacture by melting. Entry free of duty and import tax is granted only upon submission of proof, under regulations prescribed by the Secretary of the Treasury, that such articles have been imported for, and have been used in, remanufacture by melting. The new section added to the act of 1942, therefore, would allow the admission of articles, such as surplus war materials which are new, undamaged and not obsolete, if they are imported for, and are used only for, remelting purposes. Since there is a guaranty that such articles are to be used only in remanufacture by melting, they would not compete with domestic industry to any greater extent than would articles that fall within the definition of scrap now in the act of 1942.

Specifically excluded from entry free of duty under the new section of the act of 1942 are ores and concentrates and crude metal, except scrap. No primary or virgin metal is entitled to free entry.

Section 1 of the bill would be effective as to merchandise entered, or withdrawn from warehouse, for consumption on or after the day following the date of the enactment; and, also, merchandise entered, or withdrawn from warehouse, for consumption on or before the date of enactment where the liquidation of the entry or withdrawal covering the merchandise, or the exaction or decision relating to the rate of duty applicable to the merchandise, has not become final by reason of section 514 of the Tariff Act of 1930, relating to protests against collectors' decisions.

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Section 2 of the bill, which was added by your committee, repeals an act to suspend certain import taxes on copper, approved March 31, 1949 (Public Law 33, 81st Cong.). The repeal of this act will make the 2-cent-per-pound import-excise tax on the copper content of copper-bearing articles, including ores and concentrates, copper matte, blister copper, refined copper, and copper-containing alloys (brass, bronze, bell metal, nickel silver, phosphor copper, and composition metal), effective as of the close of business hours on the 30th day following the date of enactment of this bill, not counting a Saturday, Sunday, or a national holiday as the thirtieth day. Otherwise, this tax would not become effective until July 1, 1950.

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