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TEMPORARY SUSPENSION OF DUTY ON CERTAIN FORMS OF ZINC

JULY 14 (legislative day, JULY 10), 1975.—Ordered to be printed

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

REPORT

[To accompany H.R. 7716]

The Committee on Finance, to which was referred the bill (H.R. 7716) to amend the Tariff Schedules of the United States to suspend the duty on certain forms of zinc until the close of June 30, 1978, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

I. SUMMARY

House bill.—The first section of the bill amends subpart B, part 1 of the Appendix to the Tariff Schedules of the United States (TSUS) to insert new item numbers 911.00, 911.01, 911.02, and 911.03 after item number 907.89 to suspend the column 1 rates of duty on certain forms of zinc for a temporary period until June 30, 1978.

Section 2 of the House bill applies the duty suspension to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment.

Committee amendment.—The committee added an amendment to the House bill which would continue the suspension of duties on copper waste and scrap, articles of copper and other metal waste and scrap until June 30, 1978.

II. GENERAL DESCRIPTION

A. TEMPORARY SUSPENSION OF DUTY ON CERTAIN FORMS OF ZINC

Section 1 of the bill would suspend the column I rates of duty (applicable to imports from countries accorded nondiscriminatory (MFN) tariff treatment) on zinc provided for under seven items of the TSUS. The duties would be suspended on zinc-bearing ores dutiable at 0.67 cents per pound of zinc content under TSUS item 602.20, on zinc dross and skimmings dutiable under TSUS item 603.30 at 0.75 cents per pound, on the zinc content of zinc-bearing materials at 0.67 cents per pound under TSUS items 603.49, 603.50, 603.54, and 603.55, and on zinc waste and scrap dutiable under TSUS 626.10 at 0.75 cents per pound. The ad valorem equivalents of these duties range from 3 to 11 percent based on 1974 imports, depending on the zinc content and the price of the zinc-bearing material. The column 2 rates of duty (applicable to imports from countries not accorded MFN treatment) would remain unchanged. These duties are 1.67 cents per pound on zinc-bearing ores and other zinc-bearing materials and 1.5 cents per pound on zinc dross and skimmings and zinc waste and scrap.

United States production of slab zinc metal has declined from 1.1 million tons in 1969 to 546,000 tons in 1974. This decline has resulted from the closure of several domestic smelters due to a number of interrelated factors such as high production costs, plant and technology obsolescence, and environmental control regulations. By the end of 1974 zinc metal production capacity was less than 60 percent of that in 1968.

Imports of zinc ore and metal have constituted 45-50 percent of domestic consumption since 1967. There has been a reversal in the composition of these imports in recent years, however, as domestic production of metal has declined. In 1969 about 65 percent of zinc imports totalling about 927,000 short tons valued over \$169 million were in ore and concentrate form, 35 percent were imports of zinc metal. By 1974 imports totalled nearly 780,000 short tons valued at \$504 million. Only 31 percent entered as ores and concentrates, 69 percent as slab zinc metal. Whereas from 1967 to 1971 imports of zinc ore averaged about 510,000 short tons annually and zinc metal imports over about 209,000 short tons, by 1974 the situation was nearly reversed with imports of ore only 240,000 short tons and imports of zinc metal about 540,000 short tons. Canada is the principal source of imports of zinc ores and concentrates, followed by Mexico and Peru.

Other major zinc metal-producing countries import zinc ores and concentrates free of duty. The domestic zinc industry, which seeks the legislation, claims that the United States tariff places domestic smelters at a disadvantage in competing for limited supplies of zinc ores and concentrates and in competing with foreign zinc metal. The duty on ores imposes, in effect, a penalty on the smelting segment of the industry by increasing the cost of raw materials. At the same time the duty does not provide protection for the mining segment since the relative scarcity of foreign concentrates precludes excessive imports in the foreseeable future that could replace domestic mine production.

The industry believes that equalization of tariff treatment would also encourage present and future development of new domestic production capacity and help to revert to the pre-1972 relationship between ore and metal.

No unfavorable comment was received by the committee from the general public on this legislation. No objection to H.R. 7716 has been received from the executive departments or from any other source. Similar legislation was passed by the 93rd Congress but vetoed by the President because of a non-related Senate amendment.

B. TEMPORARY DUTY SUSPENSION ON CERTAIN METAL WASTE AND SCRAP

1. *Copper*

The committee amendment would continue the duty suspension on certain categories of copper waste and scrap under TSUS Items 911.10 and 911.11 for an additional three years. The duty suspension on these items expired as of June 30, 1975.

Legislation suspending the duty of imports of unwrought copper (except nickel copper), copper waste and scrap, copper articles imported to be used in remanufacture by smelting, and on the copper content of certain copper-bearing ores and materials was enacted in 1966, and, as a result of periodic extensions, was continued through June 30, 1972. Legislation introduced in April 1972, to continue the copper duty suspension was not passed and, therefore, duties were reimposed, effective July 1, 1972. Enactment of H.R. 2323 (Public Law 93-77) reinstated the copper duty suspension, effective for a period from July 1, 1973, until June 30, 1974. Under Public Law 93-497, the duty suspension was extended until June 30, 1975.

The rate of duty which would remain suspended to June 30, 1978, under the Committee amendment is 0.8 cents per pound on the copper content of the articles imported from countries accorded most-favored-nation treatment. Imports of copper from most Communist countries would continue to be dutiable at existing rates of duty.

2. *Other Metal Waste and Scrap.*

The committee amendment would also continue the duty suspension for an additional three years of other categories of metal waste and scrap under TSUS Item 911.12, which also expired as of June 30, 1975.

Legislation for the temporary suspension of the duties on various metal scrap was first enacted in 1942 (Public Law 497, 77th Congress, act of March 13, 1942, 56 Stat. 171). With various changes the suspension was continued from time to time depending upon the scarcity of the particular metals at the time.

The committee amendment would continue for 3 years (through June 30, 1978) the temporary suspension of the duties on certain metal waste and scrap, et cetera, provided by item 911.12 of the Tariff Schedules of the United States, principally such metal scrap as iron

and steel, aluminum, magnesium, nickel, and nickel alloys. As before, the bill would not suspend the duties applicable to waste and scrap of lead, lead alloy, zinc, zinc alloy, tungsten, or tungsten alloy, nor would it suspend the duties applicable to articles of lead, lead alloy, zinc, zinc alloy, tungsten or tungsten alloy.

The committee amendment would permit the liquedation or re-liquedation of entries or withdrawals under Articles 911.10, 911.11, and 911.12 which were made after June 30, 1975 and before the date of enactment of this bill to be made on a duty-free basis.

The committee is aware of general industry support for the continuation of the duty suspension for these items. In addition, no objection to the continuation of these duty suspensions has been brought to the committee's attention by the general public or by any Executive agency. The committee, therefore, recommends that the Senate give favorable consideration to the committee amendment to H.R. 7716.

III. COSTS OF CARRYING OUT THE BILL AND EFFECT ON THE REVENUES OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill. The committee estimates that the temporary suspension of duties on certain forms of zinc provided by the bill would result in a loss in revenues of approximately \$1.9 million in the first full year of enactment based on 1974 imports. The extension of the suspension of duties on metal waste and scrap under the committee amendment would not result in any additional loss of revenues or administrative costs.

IV. VOTE OF COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the committee on reporting the bill. This bill, as amended, was ordered favorably reported by the committee without a roll call vote and without objection.

V. CHANGES IN EXISTING LAW

In compliance with subsection (4) of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, 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		Effective period
		1	2	
PART 1.—TEMPORARY LEGISLATION				
Subpart B.—Temporary Provisions Amending the Tariff Schedules.				
907.80	Logwood, canaigre, chestnut, curupay, divi-divi, eucalyptus, hemlock, larch, tara, mangrove, myrobalan, oak, quebracho, sumac, urunday, wattle, and valonia, all the foregoing provided for in items 470.15, 470.23, 470.25, 470.55, 470.57, and 470.65, part 9A, schedule 4.	Free	Free	On or before 9/30/75.
911.00	Zinc-bearing ores (provided for in item 608.20, part 1, schedule 6).	Free on zinc content	No change	On or before 6/30/78.
911.01	Zinc dross and zinc skimmings (provided for in item 608.30, part 1, schedule 6).	Free	No change	On or before 6/30/78.
911.02	Zinc-bearing materials (provided for in items 608.49, 608.60, 608.64, and 608.66, part 1, schedule 6).	Free on zinc content	No change	On or before 6/30/78.
911.03	Zinc waste and scrap (provided for in item 608.10, part 2, schedule 6).	Free	No change	On or before 6/30/78.

	Articles	Rates of duty			Effective period
		1-a	1-b	2	
	Metal waste and scrap (provided for in part 2, schedule 6), except lead, zinc, and tungsten waste and scrap; unwrought metal (except copper, lead, zinc, and tungsten) in the form of pigs, ingots, or billets (a) which are defective or damaged, or have been produced from melted down metal waste and scrap for convenience in handling and transportation without sweetening, alloying, fluxing, or deliberate purifying, and (b) which cannot be commercially used without remanufacture; relaying or rerolling rails; and articles of metal (except articles of lead, of zinc, or of tungsten, and not including metal-bearing materials provided for in schedule 4 or in part 1 of schedule 6 and not including unwrought metal provided for in part 2 of schedule 6) to be used in remanufacture by melting:				
911.10	Copper waste and scrap	Free	No change	No change	On or before [6/30/75] 6/30/78.
911.11	Articles of copper	Free	No change	No change	On or before [6/30/75] 6/30/78.
911.12	Other	Free	Free	Free	On or before [6/30/75] 6/30/78.

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