

## TARIFF CLASSIFICATION DESCRIPTION FOR LIGHTWEIGHT BICYCLES

---

JULY 10, 1962.—Ordered to be printed

---

Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

### REPORT

[To accompany H.R. 8938]

The Committee on Finance, to whom was referred the bill (H.R. 8938) to provide a more definitive tariff classification description for lightweight bicycles, having considered the same, report favorably thereon without amendment, and recommend that the bill do pass.

#### PURPOSE

The purpose of H.R. 8938 is to amend paragraph 371, Tariff Act of 1930, as amended and modified, to insure that for the purposes of that paragraph and any existing or future proclamation of the President relating thereto, only bicycles with frames (not including the front and rear wheel forks) consisting of all straight tubing shall be classified for duty purposes under any provision for bicycles with or without tires, having wheels in diameter (measured to the outer circumference of the tires) over 25 inches, if weighing less than 36 pounds complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding  $1\frac{1}{8}$  inches.

#### GENERAL STATEMENT

Pursuant to the authority given to him in section 350 of the Tariff Act of 1930, as amended, the President, in 1947, proclaimed a modification in duty to carry out a trade agreement concession on certain bicycles provided for in paragraph 371 of the Tariff Act of 1930, as modified. These bicycles were described as follows for the purposes of the trade agreement concession:

## 2 TARIFF CLASSIFICATION DESCRIPTION FOR LIGHTWEIGHT BICYCLES

Bicycles with or without tires, having wheels in diameter (measured to the outer circumference of the tire):

Over 25 inches:

If weighing less than 36 pounds complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding 1 $\frac{5}{8}$  inches.

Information indicates that this trade agreement concession was intended to cover bicycles which are commonly known as diamond frame bicycles; that is, bicycles with frames (not including the front and rear wheel forks) consisting of all straight tubing.

The same descriptive language has been used in subsequent modifications of the rate provisions for typical lightweight bicycles made pursuant to escape clause proceedings (sec. 7 of the Trade Agreements Extension Act of 1951, as amended) and in a renegotiation of this concession in a trade agreement concluded in late 1960. The descriptive language of the trade agreement concession currently in effect is identical to that which was adopted to describe these bicycles in the 1947 trade agreement.

In 1954, the domestic producers of bicycles introduced a new bicycle style, featuring a curved tubular frame, which they call the middle-weight bicycle. This model has proven popular with consumers. Its popularity led foreign manufacturers to imitate this style of bicycle. However, the foreign producers found that if they mounted tires normally used on typical lightweight bicycles on curved tubular frame bicycles they could get the benefit of the lower rate of duty applicable under the trade agreement concession to typical lightweight bicycles. The customs authorities decided that the typical lightweight bicycle provision of paragraph 371 of the Tariff Act of 1930, as modified, was not, by its own terms, limited to bicycles with straight tubular frames and, accordingly, any bicycle meeting the stated specifications as to weight, diameter of wheels, and size of tires was classifiable thereunder, irrespective of the type of frame of the bicycle.

The passage of H.R. 8938 will insure that any provision for typical lightweight bicycles in paragraph 371 of the Tariff Act of 1930, as modified, will be applicable only to such typical bicycles, i.e., straight tubular frame bicycles. The bill will consequently result in requiring a reclassification to another appropriate provision of paragraph 371, as modified, of those types of bicycles which are not typical lightweight bicycles, but which, nevertheless, are presently being classified under the provision therefor.

Section 2(a) of the bill provides that the amendment to paragraph 371 of the Tariff Act of 1930 made by the bill will, for the purposes of section 350 of the Tariff Act of 1930, as amended, be considered as having been in effect since the original enactment of said section 350.

Section 2(b) would delay the entry into force of the amendment to paragraph 371 of the Tariff Act of 1930 to give the President a period within which to negotiate to obtain a modification or termination of any international obligations of the United States with which amendment might conflict.

Public hearings on this legislation were held by the Committee on Finance on June 15, 1962.

## TARIFF CLASSIFICATION DESCRIPTION FOR LIGHTWEIGHT BICYCLES 3

### BACKGROUND

The proposed legislation would amend paragraph 371 of the Tariff Act of 1930.

Paragraph 371 as originally enacted provided simply for "bicycles" and specified a rate of 30 percent ad valorem. In the bilateral trade agreement with the United Kingdom, the provision for bicycles was subdivided into three rate categories depending upon the diameter of the wheels. The first rate category was for bicycles having wheels over 25 inches in diameter (measured to the outer circumference of the tire) for which a rate of \$2.50 each, but not less than 15 percent nor more than 30 percent ad valorem, was provided; the second category was for bicycles having wheels over 19 but not over 25 inches in diameter, for which a rate of \$2 each, but not less than 15 percent nor more than 30 percent ad valorem, was provided; and the third category was for bicycles having wheels not over 19 inches in diameter, for which a rate of \$1.25 each, but not less than 15 percent nor more than 30 percent ad valorem, was provided.

The U.S. tariff treatment of bicycles was further negotiated at Geneva in 1947, resulting in the inclusion of concessions in the General Agreement on Tariffs and Trade (GATT) that preserved the rate categories established in the bilateral agreement with the United Kingdom except the first rate category above mentioned (bicycles having wheels over 25 inches in diameter). That category was subdivided into two rate categories, and a further reduction in duty was granted on the typical lightweight type of bicycle which was being imported from England, described in the agreement as follows:

Bicycles with or without tires, having wheels over 25 inches in diameter (measured to the outer circumference of the tire), if weighing less than 36 pounds complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding 1½ inches.

The further reduction on this description of bicycles was to the rate of \$1.25 each, but not less than 7½ percent nor more than 15 percent ad valorem. No changes in rates were made on other bicycles, and they remained the same as those which were established pursuant to the previous bilateral agreement with the United Kingdom.

As a result of an "escape clause" investigation by the Tariff Commission, the President, in August 1955, proclaimed increases in the duties on all bicycles provided for in paragraph 371 of the tariff act. However, a proportionately smaller increase was proclaimed on the "lightweight" category, the description of which is quoted above, than was proclaimed on the other categories of bicycles. The increased rate for the "lightweight" category was \$1.87½ each, but not less than 11¼ percent nor more than 22½ percent ad valorem.

Subsequently litigation involving the escape-clause proclamation resulted in the judicial invalidation of the tariff increase on the "light weight" category of bicycles because the President had proclaimed a lower increased rate for such bicycles than had been recommended by the Tariff Commission. This had the effect of restoring the original GATT rate on "lightweight" bicycles (\$1.25 each, but not less than 7½ percent nor more than 15 percent ad valorem), and the President promptly took steps to rectify the situation through the trade-agree-

#### 4 TARIFF CLASSIFICATION DESCRIPTION FOR LIGHTWEIGHT BICYCLES

ment process. This involved resort to article XXVIII of GATT, the invocation of which, it was announced,

is intended to result in rates on bicycles equal to those provided for in

the escape-clause proclamation relating to bicycles, which had increased the duty rates on bicycles (25 F.R. 13248). The renegotiation of the bicycle tariff under article XXVIII extended to all bicycles, including the lightweight category above described, and followed "peril point" determinations by the Tariff Commission in accordance with section 3 of the Trades Agreements Extension Act of 1951, as amended.

#### 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 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 ACT OF 1930

#### TITLE I—DUTIABLE LIST

SECTION 1. That on and after the day following the passage of this Act, except as otherwise specially provided for in this Act, there shall be levied, collected, and paid upon all articles when imported from any foreign country into the United States or into any of its possessions (except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, and the island of Guam) the rates of duty which are prescribed by the schedules and paragraphs of the dutiable list of this title, namely:

\* \* \* \* \*

Par. 371(a) Bicycles, and parts thereof, not including tires, 30 per centum ad valorem.<sup>1</sup>

<sup>1</sup> The rate of duty under paragraph 371 was modified by Proclamation 3394, dated February 27, 1961. This proclamation included the following language:

Tariff Act of 1930, paragraph	Description of Products	Rate of Duty
371.....	Bicycles with or without tires, having wheels in diameter (measured to the outer circumference of the tire): Over 25 inches: If weighing less than 36 pounds complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding 1¾ inches. Other.....	\$1.87½ each, but not less than 11¼% nor more than 22½% ad val.  \$3.75 each, but not less than 22½% nor more than 30% ad val.
	Over 19 but not over 25 inches.....	\$3 each, but not less than 22½% nor more than 30% ad val.
	Not over 19 inches.....	\$1.87½ each, but not less than 22½% nor more than 30% ad val.

TARIFF CLASSIFICATION DESCRIPTION FOR LIGHTWEIGHT BICYCLES 5

*(b) For the purposes of this paragraph and any existing or future proclamation of the President relating thereto, only bicycles with frames (not including the front and rear wheel forks) consisting of all straight tubing (commercially known as diamond frame bicycles), shall be classified for duty purposes as "bicycles with or without tires, having wheels in diameter (measured to the outer circumference of the tires) over twenty-five inches, if weighing less than thirty-six pounds complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding one and five-eighths inches": Provided, That any bicycles which, except for this subparagraph, would have been classified for duty purposes under the tariff classification described above, shall be classified for duty purposes under such other provision of paragraph 371 of the Tariff Act of 1930, as heretofore or hereafter modified pursuant to any proclamation of the President, which describes such bicycles.*

\* \* \* \* \*

