

TEMPORARY SUSPENSION OF DUTIES ON CORKBOARD INSULATION AND ON CORK STOPPERS

SEPTEMBER 13, 1962.—Ordered to be printed

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

R E P O R T

together with

SUPPLEMENTAL VIEWS

[To accompany H.R. 12213]

The Committee on Finance, to whom was referred the bill (H.R. 12213) to provide for the temporary suspension of the duties on corkboard insulation and on cork stoppers, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of H.R. 12213 is to suspend for 3 years the duties imposed under paragraph 1511 of the Tariff Act of 1930 on cork insulation and cork stoppers.

GENERAL STATEMENT

Cork insulation is a material particularly suitable for low-temperature applications, such as cold storage rooms, refrigerator cars and trucks, refrigerated warehouses, ice cream hardening rooms, fur storage vaults and similar places requiring insulation. After cutting and fitting, cork insulation is also used for pipe coverings in vessels for the U.S. Navy, for ammunition plugs for guns on naval cruisers, and other slow-fire ammunition used by the Navy.

Cork stoppers are cylinders of cork which are used for closing bottles, jars, flasks, and similar containers.

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Information indicates that cork insulation and cork stoppers are no longer produced in the United States. In fact, the former domestic producers of these products support this legislative proposal to temporarily suspend the duties on these items.

FAVORABLE DEPARTMENTAL REPORTS

U.S. TARIFF COMMISSION,
Washington, July 3, 1962.

Memorandum on H.R. 12213, 87th Congress, a bill to provide for the temporary suspension of the duty on corkboard insulation

H.R. 12213, if enacted, would suspend for 3 years the duty imposed under paragraph 1511 of the Tariff Act of 1930 on "cork insulation, wholly or in chief value of cork, cork waste, or granulated or ground cork, in blocks, slabs, boards, or planks." The duty on cork insulation, 2½ cents per board foot, has not been the subject of any trade-agreement concession and remains as originally established by the Congress.

Description and uses

Corkboard insulation is made by pouring ground cork, obtained from natural cork or cork waste, into molds and baking it under pressure at temperatures of 500° to 600° F. During the baking process, heat plasticizes the natural resins of the cork, causing them to act as a binder. Because of its low thermal conductivity, corkboard is particularly suitable for low temperature applications, such as cold-storage rooms, refrigerator cars and trucks, refrigerated warehouses, ice cream hardening rooms, and fur storage vaults. It is also used to insulate walls, ceilings, and cold-air ducts in many air-conditioned buildings, and in the insulation of the hulls of submarines. After cutting and fitting, corkboard is also used for pipe coverings in all U.S. Navy vessels; for ammunition plugs for 5-inch and 6-inch guns on naval cruisers, and for other slow-fire and salute ammunition used by the Navy.

Imports

U.S. imports of corkboard insulation come principally from Portugal, Spain, and Morocco. The attached table shows quantity, foreign value, and unit values, by countries of origin, for the period 1952-60 and January-November 1961. During this period imports averaged 17.1 million board-feet annually; they were heaviest in 1960 when they reached 25.2 million board-feet, and lowest in 1958 when they amounted to 11.3 million board-feet. Portugal was the outstanding supplier in all years.

Domestic production

Domestic production during the period 1952-59, in millions of board feet, has been as follows:

1952	76.2	1956	49.7
1953	80.6	1957	31.2
1954	72.7	1958	21.6
1955	68.6	1959	16.4

During the above period there were four domestic producers until 1954, when the number was reduced to three. Another producer ceased production in 1959, and the remaining two in 1961. The principal factors accounting for the cessation of domestic production was the competition from less expensive forms of insulating material such as fiber glass, rock wool, foam glass, and styrofoam; competition from imports; and the relatively high price of imported cork waste required in the production of corkboard.

In 1954, when there were still four domestic producers of corkboard insulation, the Cork Institute, representing the domestic industry, filed with the Tariff Commission an application for an investigation under section 336 of the Tariff Act of 1930 (the cost-equalization provision) looking to an increase in the duty on corkboard insulation. A formal investigation was instituted by the Commission in January 1955, and a public hearing was scheduled. However, prior to the hearing the institute requested the dismissal of the investigation, and the Commission complied with this request on May 12, 1955.

With their cessation of production of corkboard insulation, the former domestic producers became importers in order to continue their business as applicators of corkboard insulation, in which field they possessed the necessary technical know-how. However, as dealers and applicators they have difficulty competing with cheaper insulation materials. They now favor the elimination of the import duty, in the belief that this will be reflected in the domestic selling price of corkboard insulation and thus enable it to be more competitive with other types of insulation.

Effect of suspension of duty on possible trade-agreement negotiations

Corkboard insulation might be an appropriate item for the granting of a concession in trade-agreement negotiations undertaken under any new legislation that might be enacted. However, considerable time would be consumed before this could be accomplished. Unless authority is granted for the complete removal of the duty, a maximum reduction under limited authority would probably not be sufficient to make any adequate domestic price reduction. The temporary suspension of the duty, as proposed, should not significantly affect the U.S. bargaining position in any future negotiations, since the possibility of restoration of the duty would be present.

SUSPENSION OF DUTIES ON CORKBOARD INSULATION

Corkboard insulation: U.S. imports for consumption, by principal countries, 1952-60, and January-November 1961

Year	All countries	Portugal	Spain	Morocco	All other countries
Quantity (1,000 board-feet)					
1952	18,126	13,098	3,934	905	199
1953	23,417	18,976	2,956	1,440	45
1954	19,806	15,493	2,849	1,351	103
1955	13,502	10,633	1,071	1,736	62
1956	12,889	9,601	2,187	882	219
1957	12,441	9,405	2,149	450	437
1958	11,318	8,500	2,603	58	97
1959 ¹	16,106	9,622	4,554	1,777	113
1960 ¹	25,209	18,735	5,495	2,960	19
1961 (January-November) ¹	18,226	15,011	1,926	1,037	252
Foreign value (1,000 dollars)]					
1952	1,419	1,044	298	63	14
1953	1,573	1,277	199	93	4
1954	1,558	1,232	208	106	12
1955	1,434	1,138	118	169	9
1956	1,307	993	203	87	24
1957	1,179	883	205	49	42
1958	1,056	781	262	4	9
1959 ¹	1,369	814	410	133	17
1960 ¹	1,937	1,288	443	204	2
1961 (January-November) ¹	1,453	1,106	163	71	23
Unit values (cents per foot)					
1952	7.8	8.0	7.6	7.0	7.2
1953	6.7	6.7	6.7	6.5	7.9
1954	7.9	8.0	7.3	7.8	12.3
1955	10.6	10.7	11.0	9.7	13.7
1956	10.1	10.3	9.3	9.9	11.2
1957	9.5	9.4	9.5	10.8	9.7
1958	9.3	9.1	10.1	7.1	9.6
1959 ¹	8.5	8.4	9.0	7.5	10.4
1960 ¹	7.7	7.7	8.1	6.9	12.1
1961 (January-November) ¹	8.0	8.0	8.5	6.9	9.0

¹ Preliminary.

Source: Official statistics of the U.S. Department of Commerce.

TREASURY DEPARTMENT,
Washington, D.C., July 2, 1962.

HON. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Treasury Department on H.R. 12213, to provide for the temporary suspension of the duty on corkboard insulation, introduced by Mr. Schneebeli.

The proposed legislation would suspend the duty on corkboard insulation for a period of 3 years beginning on the day after the date of enactment. Corkboard insulation is presently dutiable at the rate of 2½ cents per board foot.

The Department does not anticipate any unusual administrative difficulties under the proposed legislation and would have no objection to its enactment.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

ROBERT H. KNIGHT,
General Counsel.

DEPARTMENT OF STATE,
Washington, July 27, 1962.

HON. WILLIAM D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives.*

DEAR MR. CHAIRMAN: I refer to your letter of June 21, 1962, requesting the Department's comments on H.R. 12213, a bill to provide for the temporary suspension of duty on corkboard insulation.

The Department of State has examined the proposed legislation and finds it identical in substance with that of H.R. 10052 on which the Department reported favorably from the standpoint of foreign economic policy. Accordingly, the Department also favors enactment of this bill.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

Sincerely yours,

FREDERICK G. DUTTON,
Assistant Secretary.

THE SECRETARY OF COMMERCE,
Washington, D.C., July 26, 1962.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department with respect to H.R. 12213 and H.R. 12350, identical bills to provide for the temporary suspension of the duty on corkboard insulation.

If enacted, this legislation would suspend for a 3-year period the duty of 2½ cents per board-foot imposed under paragraph 1511 of the Tariff Act of 1930 upon articles described as "cork insulation, wholly or in chief value of cork, cork waste, or granulated or ground cork, in blocks, slabs, boards, or planks."

This Department recommends the enactment of this legislation. The following points are made in support of our position:

1. *American production of corkboard insulation has reportedly ceased*

The process for manufacturing corkboard was an American discovery, patented in 1892. Corkboard became the prime product of the American cork industry, and, as a result of American engineering and enterprise, it became the accepted standard material for thermal insulation, both domestically and worldwide. Domestic consumption ranged between 115 and 135 million board-feet in the early postwar years, but has been sharply affected by the development of polystyrene

foam and other lower priced substitutes in recent years. Domestic consumption probably did not exceed 25 million board-feet in 1961. Of this estimated total in 1961, over 20 million board-feet were supplied by imports, chiefly from Portugal (79 percent), Spain (11.5 percent), Morocco (8 percent), and Italy (1 percent).

The number of domestic manufacturers has been reduced from six, some 20 years ago, to three in 1959 and a single one in 1960—the United Cork Co. of Kearney, N.J. A study of military dependence upon this material provided a negative conclusion in 1960. We are informed by the Cork Institute of America that this last producer ceased his production of corkboard around the end of 1961 and placed his corkboard production machinery “in mothballs” against possible future need for it.

The duty, established to protect the American industry, is no longer needed for this purpose.

2. Suspension of the duty should reduce the cost of corkboard to the American consumer.

The present duty of 2½ cents per board foot on corkboard is the equivalent of over 31 percent ad valorem on the quantity and value of 1961 imports.

Based on an estimated sale price in the United States of 13½ cents per board foot for imported corkboard, duty paid, in 1961, suspension of the duty might reduce the sale price to about 11 cents, a reduction of about 18.5 percent.

Such a reduction would make corkboard more nearly competitive with substitute products and result in a moderate increase in U.S. consumption. Former producers of corkboard in the United States would benefit by participating in the marketing of increased quantities of corkboard to meet this anticipated increase in demand. Producers in less industrialized foreign countries, especially Portugal, Spain, Morocco, and Italy, including affiliates or branches of American firms, would also benefit from any increased demand that may develop.

3. A 3-year suspension of the duty on corkboard need not lessen, and may in fact increase, the bargaining power of the United States in future tariff negotiations with Portugal and Spain

Corkboard was not a commodity considered in the recently concluded negotiations with Spain and Portugal under the General Agreement on Tariffs and Trade (GATT). While it cannot be foretold if and when tariff negotiations will again be held with these countries, experience indicates these may not occur within the next 2 or 3 years. Accordingly, there appears to be little chance that a compensatory reduction in Portuguese or Spanish duties on American products could be obtained during the 3-year duration of the proposed suspension. However, if the proposed duty suspension is effected and it results as anticipated in maintaining or expanding American markets for imported corkboard, the possible continuation of the duty suspension after the 3-year period could prove to be a most important bargaining point in future tariff negotiations.

4. *The provision that the proposed duty suspension on corkboard shall be for a specific 3-year period offers a considerable measure of protection to the United States should the suspension prove undesirable*

Some concern may be felt that suspension of the duty would not result in an equivalent reduction in the cost of corkboard to the American consumer, but instead would be used to increase the margins of the importer and the foreign producer. This is a possibility, since most of the producers in Portugal, the principal source, are associated in an organization which operates as a cartel.

Some concern may also be felt that corkboard may regain its one-time essentiality as a material for national defense, leaving the military entirely dependent upon interruptible foreign sources.

Concern may also be felt that the quality of corkboard imported may not be improved the better to serve the American market.

If the duty is suspended, a careful review of the results near the end of the 3-year period, particularly with respect to these areas of concern, would provide a basis for determining what subsequent action would be most desirable for the United States. As long as the last producer's corkboard machinery is kept "in mothballs", the potential remains for resumption of American production, providing additional support to a possible decision to terminate the duty suspension at the end of the 3-year period.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

EDWARD GUDEMAN,
Secretary of Commerce.

DEPARTMENT OF LABOR,
April 26, 1962.

Hon. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.*

DEAR CONGRESSMAN MILLS: This is in further response to Mr. Irwin's request for the Department of Labor's views on H.R. 10052, a bill to provide for the temporary suspension of the duty on corkboard insulation.

As you may know, the increased development and use of plastics, particularly in the last decade, has been accompanied by a considerable decline in the production of corkboard insulation in the United States. Apparently, much of this decline has been due to the fact that corkboard is no longer as economical for use in insulation materials as substitute products. In 1959, for example, there were only three domestic producers of this material, and in 1960, only one domestic company produced corkboard insulation. At present, we are unaware of any domestic production of the product.

While corkboard insulation previously had been a necessary material for the construction of submarines and in the installation of certain naval guns, we now understand that a substitute has been found for the material by the Department of Defense. For this reason, there appears to be no current defense need for this commodity.

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At this time we would be unable to assess the effect this proposal would have on producers of other insulating materials, such as cellular paper products or plastics, or to determine definitely the effect a 3-year suspension of duty on corkboard insulation would have on domestic employment.

For the foregoing reasons, the Department of Labor would have no objection to the enactment of H.R. 10052.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Yours sincerely,

(S) W. WILLARD WIRTZ,
Acting Secretary of Labor.

**SUPPLEMENTARY STATEMENT BY SENATOR PAUL
DOUGLAS**

No hearings were held on this bill either in the House or in the Senate. It is impossible therefore to determine whether or not it is in the public interest. I think this is poor procedure and that therefore this bill probably needs more thorough scrutiny.

We have drifted into loose procedures on these bills rushed through at the end of the session. They have been going through Congress with little examination and this has sometimes had unfortunate results. I believe our Senate procedures should be revised to provide for a more thorough examination of their possible merits and demerits. In the meantime the Senate should in my opinion go slow.

SUPPLEMENTARY STATEMENT BY SENATOR HARRY F. BYRD, CHAIRMAN

The Senate Finance Committee, in formal meeting September 10, 1962, ordered to be reported 11 bills with recommendations that they be considered favorably by the Senate. This bill was among those ordered to be reported at that time.

As a member of the committee, the Senator from Illinois, Mr. Douglas, voted against committee approval of all of these bills except one. He voted affirmatively to report only H.R. 12529 which affected his State.

He voted against reporting all other bills before the committee on that date with the statement that he was voting in the negative because public hearings had not been held.

In his supplementary statements on these bills the Senator from Illinois creates the impression—intentional or not—that the Finance Committee is not giving proper and adequate attention to legislation reported to the Senate.

With respect to all of these bills he apparently tries to leave the inference that the committee has drifted into a loose procedure of rushing bills through at the end of the session which he claims produces unfortunate results.

On behalf of the majority of the Senate Finance Committee I want to make it clear to the Senate that, in the case of the bills ordered to be reported by the committee on September 10, 1962:

- (1) Each of the bills has been passed by the House of Representatives;
- (2) No request was made for Senate hearings on these bills, and this includes the bill for which the Senator from Illinois voted in the affirmative;
- (3) Each of the bills ordered to be reported, except H.R. 12529 in which the Senator from Illinois is interested, was formally approved by the executive agencies having jurisdiction over their administration;
- (4) The contents of each bill were fully outlined by members of the committee staff, and discussed by members of the committee; and
- (5) When the committee voted, members had full knowledge of the purpose and effects of the proposed legislation.

Momentous matters are referred to the Senate Committee on Finance, including legislation with respect to taxation, tariffs and customs, social security, veterans, and so forth, and the committee has always been meticulous in exploring the effects of all legislation it recommends.

The current tax bill—H.R. 10659—now in conference is a case in point. More than 200 witnesses were heard on this bill, and the legislation was under committee consideration more than 4 months.

The Senator from Virginia cannot recall that the Senate has rejected a bill recommended by the Senate Finance Committee. It suffices to say that when the need for hearings is indicated, the committee will hold them.

The procedure followed by the committee in consideration of the agenda for the meeting of September 10 involved no departure from committee practice over the 30 years during which I have been a member.

The committee always holds hearings when they are necessary for the enlightenment of the membership; and the procedure of the past, so far as the chairman is concerned, will be continued in the future.

