

DESIGNATION OF CERTAIN CONTRACT CARRIERS AS CARRIERS OF BONDED MERCHANDISE AND FOR OTHER PURPOSES

SEPTEMBER 19, 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. 5700]

The Committee on Finance, to whom was referred the bill (H.R. 5700) to amend the Tariff Act of 1930 to permit the designation of certain contract carriers as carriers of bonded merchandise, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

PURPOSE

The purpose of the bill is to permit the Secretary of the Treasury to designate any contract carrier, authorized to act as such by any agency of the United States, as a carrier of bonded merchandise for the final release of which from customs custody a permit has not been issued.

The committee amendment would permit free withdrawals of fuel for use on vessels of the United States employed as common carriers in coastal service (including service on the Great Lakes) pursuant to certification by the Interstate Commerce Commission.

GENERAL STATEMENT

Section 551 of the Tariff Act of 1930, as amended, deals with carriage in bond of merchandise not finally released from customs custody. As originally enacted, section 551 authorized the Secretary of the

Treasury to designate as carriers of bonded merchandise only common carriers who owned or operated railroad, steamship, or other transportation lines or routes. Public Law 285, 79th Congress (59 Stat. 667), broadened this authority to permit the Secretary to designate freight forwarders under the jurisdiction of the Interstate Commerce Commission to handle bonded merchandise in transit. Public Law 87-598 extended the Secretary's authority so as to permit him to designate any freight forwarder, authorized to act as such by any agency of the Government, to handle bonded merchandise in transit.

The transportation of imported merchandise in bond is a privilege accorded to certain carriers and freight forwarders. The element of risk to the Government revenue is minimized by limiting the privilege to those who are authorized to act in the capacity of handlers of merchandise by a Federal agency and also by regulations of the Secretary of the Treasury.

The Department of Commerce has reported:

Investigation reveals that the common carrier system would not be adversely affected by the inclusion of contract carriers in the categories of persons to which section 551 of the Tariff Act of 1930 is applicable. The Common Carrier Conference of the American Trucking Associations, Inc., stated "the legislation would create no enlargement in contract carrier operations and in reality amounts to nothing more than the removal of an unwarranted handicap in providing services which contract carriers are authorized to conduct."

It would seem both fair and efficient that the Secretary of the Treasury should be authorized to extend the privilege of handling bonded merchandise to any contract carrier licensed to act as such by any agency of the United States, subject to such regulations and terms as the Secretary of the Treasury may prescribe and subject to his discretion.

In addition to the Department of Commerce, the Departments of State and Treasury approve of this legislation.

The Finance Committee amended the bill to provide for the tax-free withdrawal from customs custody, or from a foreign-trade zone, of fuel for use on vessels of the United States employed as common carriers in coastwise service (including service on the Great Lakes) pursuant to certification by the Interstate Commerce Commission. The objective is to provide for these few vessels the same right to purchase this fuel from supplies in bond, or from a foreign-trade zone, as is now done for American-flag vessels in intercoastal and foreign trade.

Presently, common carriers certified by the Interstate Commerce Commission are denied the privilege of free withdrawals unless they travel beyond the bounds of one coast of the United States. Competing ships, carrying much the same cargo and touching at the same ports may make free withdrawals if they travel beyond the one coast, whether they go to other coasts of the United States or touch at some foreign port.

The extension of this privilege to coastwise vessels would apply only to common carriers certificated by the Interstate Commerce Commission and would not affect contract or proprietary carriers not competing with general common carriers.

While comparatively few ships would be assisted by this measure, it would seem important that they receive the same treatment as other common carriers which load the same type of cargo and stop at the same ports.

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):

THE TARIFF ACT OF 1930

SEC. 551. BONDING OF CARRIERS.

Under such regulations and subject to such terms and conditions as the Secretary of the Treasury shall prescribe [.]—

(1) any common carrier of merchandise owning or operating a railroad, steamship, or other transportation line or route for the transportation of merchandise in the United States, [or]

(2) *any contract carrier authorized to operate as such by any agency of the United States, and*

(3) any freight forwarder authorized to operate as such by any agency of the United States,

upon application, may, in the discretion of the Secretary, be designated as a carrier of bonded merchandise for the final release of which from customs custody a permit has not been issued.

* * * * *

SEC. 309. SUPPLIES FOR CERTAIN VESSELS AND AIRCRAFT.

(a) Articles of foreign or domestic origin may be withdrawn, under such regulations as the Secretary of the Treasury may prescribe, from any customs bonded warehouse, from continuous customs custody elsewhere than in a bonded warehouse, or from a foreign-trade zone free of duty and internal revenue tax, or from any internal revenue bonded warehouse, from any brewery, or from any winery premises or bonded premises for the storage of wine, free of internal revenue tax—

(1) for supplies (not including equipment) of (A) vessels or aircraft operated by the United States, (B) vessels of the United States employed in the fisheries or in the whaling business, or actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions, or between Hawaii and any other part of the United States or between Alaska and any other part of the United States, or (C) aircraft registered in the United States and actually engaged in foreign trade or trade between the United States and any of its possessions, or between Hawaii and any other part of the United States or between Alaska and any other part of the United States; or

(2) for supplies (including equipment) or repair of (A) vessels of war of any foreign nation, or (B) foreign vessels employed in the fisheries or in the whaling business, or actually engaged in foreign trade or trade between the United States and any of its possessions, or between Hawaii and any other part of the United

States or between Alaska and any other part of the United States, where such trade by foreign vessels is permitted; or

(3) for supplies (including equipment), ground equipment, maintenance, or repair of aircraft registered in any foreign country and actually engaged in foreign trade or trade between the United States and any of its possessions, or between Hawaii and any other part of the United States or between Alaska and any other part of the United States, where trade by foreign aircraft is permitted. With respect to articles for ground equipment, the exemption hereunder shall apply only to duties and to taxes imposed upon or by reason of importation.

The provisions for free withdrawals made by this subsection shall not apply to petroleum products for vessels or aircraft in voyages or flights exclusively between Hawaii or Alaska and any airport or Pacific coast seaport of the United States.

(b) Articles withdrawn from bonded warehouses, bonded manufacturing warehouses, continuous customs custody elsewhere than in a bonded warehouse, or from a foreign-trade zone, and articles of domestic manufacture or production, laden as supplies upon any such vessel or aircraft of the United States or laden as supplies (including equipment) upon, or used in the maintenance or repair of, any such foreign vessel or aircraft, shall be considered to be exported within the meaning of the drawback provisions of this chapter.

(c) Any article exempted from duty or tax, or in respect of which drawback has been allowed, under this section or section 1317 of this title and thereafter removed in the United States from any vessel or aircraft, or otherwise returned to the United States, shall be treated as an importation from a foreign country.

(d) The privileges granted by this section and section 1317 of this title in respect of aircraft registered in a foreign country shall be allowed only if the Secretary of the Treasury shall have been advised by the Secretary of Commerce that he has found that such foreign country allows, or will allow, substantially reciprocal privileges in respect of aircraft registered in the United States. If the Secretary of Commerce shall advise the Secretary of the Treasury that he has found that a foreign country has discontinued, or will discontinue, the allowance of such privileges, the privileges granted by this section and such section 1317 shall not apply thereafter in respect of aircraft registered in that foreign country.

(e) *The provisions for free withdrawals made by subsection (a) shall, under such regulations as the Secretary of the Treasury may prescribe, apply to articles withdrawn for use as fuel on vessels of the United States employed as common carriers on the high seas or the Great Lakes pursuant to certification by the Interstate Commerce Commission.*

**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**

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, etc., and the committee has always been meticulous in exploring the effects of all legislation it recommends.

The current tax bill—H.R. 10650—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.

