

POLISHED SHEETS AND PLATES OF IRON OR STEEL

JULY 24, 1963.—Ordered to be printed

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

R E P O R T

[To accompany H.R. 3674]

The Committee on Finance, to whom was referred the bill (H.R. 3674) to amend the Tariff Act of 1930 to provide that polished sheets and plates of iron or steel shall be subject to the same duty as unpolished sheets and plates, having considered the same report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of H.R. 3674 is to eliminate an unintended tariff classification anomaly in the Tariff Act of 1930 that permits polished stainless steel sheets to enter the United States at a lesser duty than is applicable to stainless steel sheets that are unpolished.

GENERAL STATEMENT

Sheets and plates of iron or steel, not polished, planished, or glanced, are currently dutiable under various tariff paragraphs. Those of concern are dutiable under paragraphs 305, 308, and 309 of the Tariff Act of 1930, as modified, at various combination rates ranging, in terms of ad valorem equivalent, from 9 to 14 percent ad valorem. The highest rate, 14 percent ad valorem, is applicable to unpolished sheets and plates of alloyed steel, primarily stainless steel. There is, however, a specific provision in paragraph 309 which prescribes the duty rate on sheets and plates of iron and steel that have been polished, planished, or glanced. This rate is 1¼ cents per pound, a statutory rate having a current ad valorem equivalent ranging from about 2.9 to 21.6 percent ad valorem. The lowest equivalent rate in this range, approximately 2.9 percent ad valorem, is applicable to polished stainless steel sheets.

Under the existing classification, importers of stainless steel sheets can thus avoid the duty rate of 14 percent ad valorem and take advantage of the lower 2.9 percent ad valorem rate by the simple expedient of the polishing process. This is an illogical and paradoxical result.

The explanation for the existence of this inequity in the law is largely historical. Stainless steel is of comparatively recent commercial importance, not being in production in significant quantities until well after World War I. The provision in section 309 predates by many years the advent of stainless steel and was apparently intended initially to apply to high-tonnage carbon steel. When applied to the substantially higher valued stainless steel sheets, however, it has presented an opportunity for tariff avoidance.

Because of the existence of this unintended anomaly, in recent years imports of polished stainless steel at the lower rate have increased tremendously, as is illustrated by the following table compiled by the U.S. Department of Commerce.

U.S. imports—Sheets or plates of iron or steel, polished, planished, or glanced (schedule A No. 6039700)

	Pounds	Value		Pounds	Value
1955.....	32,755	\$19,102	1959.....	15,650	\$14,251
1956.....	30,478	18,831	1960.....	736,746	257,160
1957.....	32,574	31,168	1961.....	1,872,909	814,059
1958.....	42,952	11,020	1962.....	16,561,669	6,555,205

The Congress has already recognized this rate anomaly in the tariff law, and in the revised Tariff Schedules of the United States, the adoption of which is provided for in the Tariff Classification Act of 1962, approved May 24, 1962 (Public Law 87-456), provision is made to eliminate it. Under the revised schedules, sheets and plates which have been polished, planished, or glanced will be dutiable at the same rate as those which have not been so processed.

Under Public Law 87-456, however, the revised Tariff Schedules of the United States are to be made effective by proclamation of the President. However, negotiations have not been completed, and any further delay in taking action to eliminate this anomaly appears unjustified. In this connection, the report from the Department of Commerce states:

Although the target date for implementing the revised tariff is now September 1, 1963, a further delay may develop which would delay the adjustment of this rate inequity. In view of this possibility, we favor correction of the problem through enactment of H.R. 3674. Enactment would not change any U.S. trade agreement concession or result in the United States violating any trade agreement obligation and would make applicable to imports of polished stainless steel sheets and plates a rate similar to the rate provided for in the revised tariff.

The necessity for the action recommended is underscored and emphasized by the further very substantial increase in volume of polished stainless steel imports that has occurred within the past year. The Tariff Commission advises that in the first quarter of

1962 approximately 1,156 tons were entered at the lower duty rate. The figure for the same period of 1963 is approximately 2,276 tons, an increase in volume of almost 100 percent.

DEPARTMENTAL REPORTS

The full text of the report received from the Department of Commerce follows:

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., July 19, 1963.

HON. HARRY F. BYRD,
*Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further response to your request for the views of this Department with respect to H.R. 3674, an act to amend the Tariff Act of 1930 to provide that polished sheets and plates of iron or steel shall be subject to the same duty as unpolished sheets and plates.

This Department favors enactment of H.R. 3674.

At the present time unpolished stainless steel sheets and plates are dutiable under the Tariff Act of 1930 at 13½ percent ad valorem plus additional duties on the chromium and molybdenum content. However, if such products are polished they are dutiable at 1¼ cents a pound, a rate equivalent to only 3 percent ad valorem. As a result of this loophole imports of stainless steel sheets and plates at the lower rate have increased significantly as shown by the following table:

*U.S. imports—Sheets or plates of iron or steel, polished, planished, or glanced
(schedule A No. 6039700)*

	Pounds	Value		Pounds	Value
1955.....	32,755	\$19,102	1959.....	15,650	\$14,251
1956.....	30,478	18,881	1960.....	738,746	257,160
1957.....	32,574	31,168	1961.....	1,872,909	814,059
1958.....	42,952	11,020	1962.....	16,561,669	6,555,205

Source: Bureau of Census.

H.R. 3764 would, in effect, eliminate this inequity by amending the Tariff Act of 1930 so that the polished sheets and plates would have the same duty as the unpolished.

This problem was brought to our attention by the domestic industry in the latter half of 1962. At that time we advised industry that as a result of the enactment of the Tariff Classification Act of 1962 the inequity would be eliminated on January 1, 1963, when the revised tariff was expected to become effective. However, implementation of the revised tariff on that date was unavoidably delayed. When the revised tariff becomes effective, polished stainless steel sheets and plates will be dutiable under tariff item 608.88 as alloy iron or steel plates and sheets, pickled or cold rolled. The duty on this item will be 12 percent ad valorem plus 0.1 cent per pound plus additional duties on the chromium and molybdenum content.

Although the target date for implementing the revised tariff is now September 1, 1963, a further delay may develop which would delay

the adjustment of this rate inequity. In view of this possibility, we favor correction of the problem through enactment of H.R. 3674. Enactment would not change any U.S. trade agreement concession or result in the United States violating any trade agreement obligation and would make applicable to imports of polished stainless steel sheets and plates a rate similar to the rate provided for in the revised tariff.

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,

ROBERT E. GILES.

CHANGES IN EXISTING LAWS

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):

PARAGRAPH 309 OF THE TARIFF ACT OF 1930

(19 U.S.C. 1001)

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. 309. All iron or steel sheets, plates, bars, and rods, and all hoop, band, or scroll iron or steel, excepting what are known commercially as tin plates, terneplates, and taggers tin, when galvanized or coated with zinc, spelter, or other metals, or any alloy of those metals, shall be subject to two-tenths of 1 cent per pound more duty than if the same was not so galvanized or coated; sheets or plates composed of iron, steel, copper, nickel, or other metal with layers of other metal or metals imposed thereon by forging, hammering, rolling, or welding, 30 per centum ad valorem; thermostatic metal in sheets, plates, or other forms, 50 per centum ad valorem; [sheets and plates of iron or steel, polished, planished, or glanced, by whatever name designated, 1¼ cents per pound]: *Provided*, That plates or sheets of iron or steel, by whatever name designated, [other than polished planished, or glanced, herein provided for,] which have been pickled or cleaned by acid, or by any other material or process, or which are cold-rolled, smoothed only, not polished, shall be subject to two-tenths of 1 cent per pound more duty than the rates provided on corresponding thicknesses of common or black sheet iron or steel.