

# Calendar No. 1024

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SENATE {

REPORT  
No. 1081

## AIRCRAFT ENGINES

JUNE 16 (legislative day, MARCH 30), 1964.—Ordered to be printed

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

### REPORT

[To accompany H.R. 1608]

The Committee on Finance, to whom was referred the bill (H.R. 1608) to amend the Tariff Act of 1930 to provide that certain aircraft engines and propellers may be exported as working parts of aircraft, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### PURPOSE

This bill would provide that aircraft engines, propellers, and parts and accessories thereof may be imported into the United States for purposes of repair duty free if such articles are subsequently removed as part of an aircraft departing the United States in international air traffic.

#### GENERAL STATEMENT

Present law contains a number of provisions under which articles may be imported duty free into the United States, under bond for various specified purposes, if they are exported within 1 year (with discretionary extensions of time to 3 years). One such provision, item 864.05 of the Tariff Schedules of the United States (which supersedes sec. 308(1) of the Tariff Act of 1930) permits such temporary free importation in the case of merchandise imported to be repaired. The rationale of this exemption is that an article temporarily imported for repair and subsequently exported—thus not entering the U.S. market—should be exempt from duty because it is not in reality an importation for consumption.

Your committee is advised, however, of the inability of firms engaged in the repair of aircraft engines to obtain the benefits of this provision under certain circumstances. It is understood that in some instances the practice is for aircraft engines imported for repair

to be retained in this country within the bonded period for replacement of defective engines on aircraft coming into the United States in international air traffic. An aircraft in which a repaired engine is installed then departs the United States and resumes its international operations.

Under rulings of the Bureau of Customs, it is held that the installation of the repaired imported engine as a working part of the aircraft and its subsequent departure as such in international traffic does not constitute an "exportation" within the meaning of the law, and consequently, such replacement parts lose their duty-free status.

Your committee, like the Committee on Ways and Means of the House, believes that the above result is inconsistent with the purpose of this exemption. In the case of aircraft parts permitted free entry for repair there is a special advantage in that employment opportunities in the United States are enhanced. In this connection the Department of Commerce in its report on H.R. 1608 advises your committee as follows:

The Department of Commerce recommends the enactment of this legislation. There is a sizable volume of business carried on in this country for the overhaul of aircraft brought here from other countries. American overhaul facilities are competing for this business with such facilities abroad. One of the important results of this legislation, we feel, will be to facilitate and ease the flow from foreign airlines of repair work to American firms engaged in this type of business.

H.R. 1608 makes it clear that it shall be irrelevant for purposes of this exemption whether aircraft engines and propellers, and parts and accessories thereof, temporarily admitted duty free under bond for repair are removed from the United States as cargo or as an operating part of an aircraft departing the United States in international traffic.

Section 2 of the bill provides that the amendment made by the first section of the bill is to be effective with respect to articles physically removed from the United States on or after the date of the enactment of the bill, without regard to when such articles were admitted into the United States. The articles referred to are aircraft engines and propellers, and parts and accessories thereof, admitted under item 864.05 of the Tariff Schedules or under section 308(1) of the Tariff Act of 1930.

#### DEPARTMENTAL REPORTS

Favorable reports on this bill were received from the Departments of Commerce, Treasury, and the Bureau of the Budget.

#### 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 material is printed in italic; existing law in which no change is proposed is shown in roman):

**TITLE I OF THE TARIFF ACT OF 1930**  
**TARIFF SCHEDULES OF THE UNITED STATES**

SCHEDULE 8.—SPECIAL CLASSIFICATION PROVISIONS

PART 5.—Samples; Articles Admitted Free of Duty Under Bond

Item	Articles	Rates of duty	
		1	2
• • •	<p>Subpart C. Articles Admitted Temporarily Free of Duty Under Bond</p> <p>Subpart C headnotes:</p> <p>1. The articles described in the provisions of this subpart, when not imported for sale or for sale on approval, may be admitted into the United States without the payment of duty, under bond for their exportation within 1 year from the date of importation, which period, in the discretion of the Secretary of the Treasury, may be extended, upon application, for one or more further periods which, when added to the initial 1 year, shall not exceed a total of 3 years, except that articles imported under item 864.75 shall be admitted under bond for their exportation within 6 months from the date of importation and such 6-month period shall not be extended. <i>For purposes of this headnote, an aircraft engine or propeller, or any part or accessory of either, imported under item 864.05, which is removed physically from the United States as part of an aircraft departing from the United States in international traffic shall be treated as exported.</i></p> <p>2. Merchandise may be admitted into the United States under item 864.05 only on condition that—</p> <p>(a) such merchandise will not be processed into an article manufactured or produced in the United States if such article is—</p> <p>(i) alcohol, distilled spirits, wine, beer, or any dilution or mixture of any or all of the foregoing;</p> <p>(ii) a perfume or other commodity containing ethyl alcohol (whether or not such alcohol is denatured), or</p> <p>(iii) a product of wheat; and</p> <p>(b) if any processing of such merchandise results in an article (other than an article described in (a) of this headnote) manufactured or produced in the United States—</p> <p>(i) a complete accounting will be made to the Customs Service for all articles, wastes, and irrecoverable losses resulting from such processing, and</p> <p>(ii) all articles and valuable wastes resulting from such processing will be exported or destroyed under customs supervision within the bonded period.</p>	• • •	• • •
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864.05	Articles to be repaired, altered, or processed (including processes which result in articles manufactured or produced in the United States).	Free, under bond, as prescribed in head-note 1.	Free, under bond, as prescribed in head-note 1.

