

SHRIMP BOATS AND OTHER "SPECIAL SERVICE" VESSELS

DECEMBER 16 (legislative, day, DECEMBER 15), 1970.—Ordered to be printed

Mr. LONG, from the Committee on Finance,
submitted the following

REPORT

[To accompany H.R. 16745]

The Committee on Finance, to which was referred the bill (H.R. 16745) to exempt shrimp vessels from the duty imposed on repairs made to, and repair parts and equipment purchased for, U.S. vessels in foreign countries, and for other purposes, having considered the same, reports favorably thereon with amendment and recommends that the bill as amended do pass.

EXPLANATION OF COMMITTEE AMENDMENT

Present law requires the imposition of a 50-percent duty on the value of repairs made on, and equipment purchased for, U.S. vessels engaged in foreign trade, when such repairs or equipment was made or purchased in a foreign country. The House bill would have exempted shrimp vessels from this duty.

The committee agrees with the House as to the desirability of this exemption but feels it should be limited to those instances where the vessel is abroad for extended periods of time and is not in need of repairs when it departs from this country.

In addition, the committee agrees with a recommendation of the Treasury Department that the relief from tariffs provided by this bill should be extended to noncargo carrying "special purpose" vessels.

Accordingly, a committee amendment would limit the duty-free treatment to repairs made after the first 6 months of any voyage in which the vessel operated in international or foreign waters for a period of 2 years or more, and would extend this duty-free treatment to any "special service" vessel that is not used primarily to carry passengers or cargo, and that has operated in international or foreign waters for a period of 2 years or more without returning to the United States during such period.

This amendment is intended to relieve from a 50-percent ad valorem tax on the value of repairs made, and equipment purchased, in foreign countries, those American shrimp and other vessels which must be away from U.S. ports for extended periods of time and which during the course of that time must make normal repairs if they are to remain competitive with their foreign counterparts. The amendment would not adversely affect American shipyards or American labor since these vessels would have to be in foreign or international waters for 2 years or more in order to be relieved from payment of the duty, and could not in any event be repaired in U.S. shipyards during their voyages. Besides shrimp boats, the amendment would apply only to "special service vessels", such as barges, oil drilling vessels, oceanographic vessels, which, like shrimp boats, in the course of their operations, cannot return to U.S. ports to secure the necessary repairs, without great inconvenience.

GENERAL STATEMENT

Under section 3114 of the Revised Statutes of the United States a vessel documented under the laws of the United States to engage in the foreign or coasting trade, or a vessel intended to be employed in such trade, is required to pay an ad valorem duty of 50 percent on the cost of repairs made to, and equipment purchased for, such vessels in a foreign country. Vessels licensed solely for the purpose of engaging in the fisheries may not engage in foreign or coasting trade.

However, if during a fishing voyage a vessel intends to touch and trade in a foreign port, it is required that a permit to touch and trade be obtained prior to departure of the vessel. Under such circumstances, the Department of the Treasury considers that such a vessel is documented to engage in foreign trade within the meaning of section 3114 of the Revised Statutes of the United States during the particular voyage.

The committee is informed that the imposition of the 50-percent duty on the cost of repairs made to, and equipment purchased for, U.S. vessels engaged in the shrimp fishery is particularly onerous.

The U.S. vessels which are engaged in the shrimp fishery off the northeast coast of South America land their catch at any of several South American ports. The catch usually is then transported to the United States as frozen raw headless shrimp. This distant fishery resource has been developed by U.S. companies using U.S. vessels.

It is the practice for shrimp vessels to remain on station for long periods of time (3 to 5 years). During this time, necessary repairs and equipment are obtained in nearby foreign ports, because the long voyage back to the United States would involve a lengthy period of absence from the station on the fishing grounds and comparable loss of income for the owners, operators, and crew of the shrimp vessel. Under these circumstances, one of the purposes of section 3114 of the Revised Statutes of the United States to encourage and support American repair facilities is not being served. At the same time, a penalty is being imposed on operations of U.S. shrimp fishing vessels.

The committee believes that an exemption should be made for U.S. vessels primarily used for the catching of shrimp and other "special service" vessels which also must stay away from U.S. ports for extended periods of time, from the 50-percent ad valorem duty

imposed under section 3114 of the Revised Statutes of the United States.

H.R. 16745, as reported, provides for such an exemption but only if such vessels remain away from U.S. ports for a period of 2 years or more. Furthermore, the relief provided by the committee amendment would not apply to repairs made during the first 6 months of any voyage. However, the bill does not exempt a vessel from the liability to make entry on its first arrival in the U.S. port following repairs or purchases made abroad. The committee has been informed that the Bureau of Customs will continue to check the logs of such vessels, as it now inspects the logs of all vessels in such circumstances, to determine equipment purchases or repairs made abroad, and the entrant will have the burden of establishing his right to the exemption with respect to the equipment or repairs in question. Inspection of the ship's log will remain the major deterrent to evasion of this provision of law, and the failure to make a proper declaration will expose violators to criminal and civil penalties.

The committee bill provides that the exemption shall not apply to the cost of fish nets and netting.

Favorable reports on the bill and similar bills pending before the committee were received from the Departments of Interior, Commerce, Labor, State, Treasury, and Transportation. An informative report was received from the U.S. Tariff Commission.

Under the second section H.R. 16745, the amendment to section 3114 of the Revised Statutes is to apply to the arrival of vessels on or after the date of enactment of the bill. In addition, the bill as passed by the House and approved by the Committee would also apply to arrivals of shrimp vessels made after January 1, 1969, and before such date of enactment, subject to appropriate request to the Customs Officer concerned made on or before the 90th day after the date of enactment of the bill for the liquidation or reliquidation of an entry with respect to which there would have been no duty if the first section of H.R. 16745 had been in effect at the time of entry.

CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

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):

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REVISED STATUTES OF THE UNITED STATES

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[Sec. 3114. The equipments, or any part thereof, including boats, purchased for, or the repair parts or materials to be used, or the expenses of repairs made in a foreign country upon a vessel documented

under the laws of the United States to engage in the foreign or coasting trade, or a vessel intended to be employed in such trade, shall, on the first arrival of such vessel in any port of the United States, be liable to entry and the payment of an ad valorem duty of 50 per centum on the cost thereof in such foreign country; and if the owner or master of such vessel shall willfully and knowingly neglect or fail to report, make entry, and pay duties as herein required, such vessel, with her tackle, apparel, and furniture, shall be seized and forfeited. For the purposes of this section, compensation paid to members of the regular crew of such vessel in connection with the installation of any such equipments or any part thereof, or the making of repairs, in a foreign country, shall not be included in the cost of such equipment or part thereof, or of such repairs.

【Sec 3115. If the owner or master of such vessel furnishes good and sufficient evidence—

【(1) That such vessel, while in the regular course of her voyage, was compelled, by stress of weather or other casualty, to put into such foreign port and purchase such equipments, or make such repairs, to secure the safety and seaworthiness of the vessel to enable her to reach her port of destination; or

【(2) That such equipments or parts thereof or repair parts or materials, were manufactured or produced in the United States, and the labor necessary to install such equipments or to make such repairs was performed by residents of the United States, or by members of the regular crew of such vessel; or

【(3) That such equipments, or parts thereof, or materials, or labor, were used as dunnage for cargo, or for the packing or shoring thereof, or in the erection of temporary bulkheads or other similar devices for the control of bulk cargo, or in the preparation (without permanent repair or alteration) of tanks for the carriage of liquid cargo; then the Secretary of the Treasury is authorized to remit or refund such duties, and such vessel shall not be liable to forfeiture, and no license or enrollment and license, or renewal of either, shall hereafter be issued to any such vessel until the collector to whom application is made for the same shall be satisfied, from the oath of the owner or master, that all such equipments or parts thereof or materials and repairs made within the year immediately preceding such application have been duly accounted for under the provisions of this and the preceding section, and the duties accruing thereon duly paid; and if such owner or master shall refuse to take such oath, or take it falsely, the vessel shall be seized and forfeited.】

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TARIFF ACT OF 1930

SEC. 466. EQUIPMENT AND REPAIRS OF VESSELS.

【Sections 3114 and 3115 of the Revised Statutes, as amended by the Tariff Act of 1922, are amended to read as follows:

【“SEC. 3114. The equipments, or any part thereof, including boats, purchased for, or the repair parts or materials to be used, or the expenses of repairs made in a foreign country upon a vessel documented under the laws of the United States to engage in the foreign or coasting trade, or a vessel intended to be employed in such trade,

shall, on the first arrival of such vessel in any port of the United States, be liable to entry and the payment of an ad valorem duty of 50 per centum on the cost thereof in such foreign country; and if the owner or master of such vessel shall willfully and knowingly neglect or fail to report, make entry, and pay duties as herein required, such vessel, with her tackle, apparel, and furniture, shall be seized and forfeited. For the purposes of this section, compensation paid to members of the regular crew of such vessel in connection with the installation of any such equipments or any part thereof, or the making of repairs, in a foreign country, shall not be included in the cost of such equipment or part thereof, or of such repairs.

["SEC. 3115. If the owner or master of such vessel furnishes good and sufficient evidence—

["(1) That such vessel, while in the regular course of her voyage, was compelled, by stress of weather or other casualty, to put into such foreign port and purchase such equipments, or make such repairs, to secure the safety and seaworthiness of the vessel to enable her to reach her port of destination; or

["(2) That such equipments or parts thereof or repair parts or materials, were manufactured or produced in the United States, and the labor necessary to install such equipments or to make such repairs was performed by residents of the United States, or by members of the regular crew of such vessel.

then the Secretary of the Treasury is authorized to remit or refund such duties, and such vessel shall not be liable to forfeiture, and no license or enrollment and license, or renewals of either, shall hereafter be issued to any such vessel until the collector to whom application is made for the same shall be satisfied, from the oath of the owner or master, that all such equipments and repairs made within the year immediately preceding such application have been duly accounted for under the provisions of this and the preceding sections, and the duties accruing thereon duly paid; and if such owner or master shall refuse to take such oath, or take it falsely, the vessel shall be seized and forfeited."]

(a) *The equipments, or any part thereof, including boats, purchased for, or the repair parts or materials to be used, or the expenses of repairs made in a foreign country upon a vessel documented under the laws of the United States to engage in the foreign or coasting trade, or a vessel intended to be employed in such trade, shall, on the first arrival of such vessel in any port of the United States, be liable to entry and the payment of an ad valorem duty of 50 per centum on the cost thereof in such foreign country; and if the owner or master of such vessel shall willfully and knowingly neglect or fail to report, make entry, and pay duties as herein required, such vessel, with her tackle, apparel, and furniture, shall be seized and forfeited. For the purposes of this section, compensation paid to members of the regular crew of such vessel in connection with the installation of any such equipments or any part thereof, or the making of repairs, in a foreign country, shall not be included in the cost of such equipment or part thereof, or of such repairs.*

(b) *If the owner or master of such vessel furnishes good and sufficient evidence that—*

(1) *such vessel, while in the regular course of her voyage, was compelled, by stress of weather or other casualty, to put into such foreign port and purchase such equipments, or make such repairs,*

to secure the safety and seaworthiness of the vessel to enable her to reach her port of destination;

(2) such equipments or parts thereof or repair parts or materials, were manufactured or produced in the United States, and the labor necessary to install such equipments or to make such repairs was performed by residents of the United States, or by members of the regular crew of such vessel; or

(3) such equipments, or parts thereof, or materials, or labor, were used as dunnage for cargo, or for the packing or shoring thereof, or in the erection of temporary bulkheads or other similar devices for the control of bulk cargo, or in the preparation (without permanent repair or alteration) of tanks for the carriage of liquid cargo;

then the Secretary of the Treasury is authorized to remit or refund such duties, and such vessel shall not be liable to forfeiture, and no license or enrollment and license, or renewal of either, shall hereafter be issued to any such vessel until the collector to whom application is made for the same shall be satisfied, from the oath of the owner or master, that all such equipments or parts thereof or materials and repairs made within the year immediately preceding such application have been duly accounted for under the provisions of this section, and the duties accruing thereon duly paid; and if such owner or matter shall refuse to take such oath, or take it falsely, the vessel shall be seized and forfeited.

(c) In the case of any vessel designed and used primarily for the purposes other than transporting passengers or property in the foreign or coasting trade which arrives in a port of the United States two years or more after its last departure from a port of the United States, the duties imposed by this section shall apply only with respect to (1) fish nets and netting, and (2) other equipments, and parts thereof, and repair parts and materials purchased, or repairs made, during the first six months after the last departure of such vessel from a port of the United States.

