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SENATE

{ REPORT
No. 95-1243

EXTENDING UNTIL THE CLOSE OF JUNE 30, 1981, THE EXISTING
SUSPENSION OF DUTIES ON CERTAIN METAL WASTE AND SCRAP,
UNWROUGHT METAL, AND OTHER ARTICLES OF METAL, AND
OTHER MATTERS

SEPTEMBER 26, 1978.—Ordered to be printed

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

REPORT

[To accompany H.R. 12165]

The Committee on Finance, to which was referred the bill (H.R. 12165) to extend until the close of June 30, 1981, the existing suspension of duties on certain metal waste and scrap, unwrought metal, and other articles of metal, having considered the same, reports favorably thereon with an amendment to the text and an amendment to the title and recommends that the bill as amended do pass.

I. SUMMARY

The first section of H.R. 12165 would extend temporarily (through June 30, 1981) the duty-free treatment accorded imports of certain metal waste and scrap, unwrought metal, and other articles of metal. The primary metal content of these products consists of copper, iron and steel, and aluminum. Duty-free treatment has been accorded these articles almost continuously since 1942. The first section would also temporarily suspend duties on metal articles imported to be shredded or otherwise processed in such a way as to render them fit only for recovery of their metal content.

Section 2 of H.R. 12165 would provide temporarily (from date of enactment through June 30, 1981) duty-free treatment for most-favored-nation (MFN) imports of mixtures of mashed or macerated hot red peppers and salt. MFN imports of this mixture are now dutiable at the rate of 12 percent ad valorem.

II. PURPOSE OF THE BILL

Enactment of the first section of H.R. 12165 would enable domestic steel, copper, and aluminum manufacturers to keep their

overall costs down. It would preserve the market and trade patterns which have developed since the original suspension of duties on these products in 1942 upon which U.S. manufacturers have become dependent.

Enactment of section 2 of H.R. 12165 would remove an unnecessary cost to manufacturers of hot red pepper sauces, the duty on certain pepper mashes, to enable the manufacturers to keep their cost of production down.

III. GENERAL STATEMENT

A. METAL WASTE AND SCRAP

The first section of H.R. 12165 would extend the suspension of the rates of duty on certain metal waste and scrap, unwrought metal, and other articles of metal. The primary metals covered by this provision are copper, aluminum, and iron and steel.

The duty on these articles have been suspended almost continuously since 1942. The first section of the bill would extend the suspension now provided for imports from countries receiving nondiscriminatory, "most-favored-nation," tariff treatment and for non-MFN imports under Tariff Schedules of the United States (TSUS) items 911.10, 911.11, and 911.12 until the close of June 30, 1981. The suspension would be retroactive to June 30, 1978, the date when the preceding suspension lapsed.

The section would also permit for the first time duty-free entry until June 30, 1981, of articles of metal that are imported to be processed by shredding, shearing, compacting, or similar processing which renders them fit only for the recovery of the metal content. The new suspension of duty would be effective on the date of enactment.

The metal wastes and scrap covered in the bill are an important part of metal supply and are considered raw materials in the same sense as metal ores. Many independent smelters in the United States depend on imported scrap materials in the same way that some domestic producers of primary metals depend on imported metal ores. Recovery of metal from most forms of metal wastes and scrap requires less energy than is needed to produce metals from ores.

The Subcommittee on International Trade held a public hearing on H.R. 12165 on July 31, 1978. Favorable testimony was received. No objections to the bill were heard. The Department of the Treasury favors enactment of the bill; the Departments of State and Commerce have no objections to the bill.

B. MIXTURES OF HOT RED PEPPERS

Section 2 of H.R. 12165, as amended, which contains the substance of S. 3329, would permit temporary duty-free entry of imports of mixtures of mashed or macerated hot red peppers and salt. These mixtures, called "mash," are imported for use in preparing hot red pepper sauces.

Mixtures of mashed or macerated hot red peppers and salt are included in TSUS item 141.77 and are dutiable at a column 1 (MFN) rate of 12 percent *ad valorem*. There is a possibility that the present customs practice of classifying such imported mixtures under TSUS item 141.77 may change so that certain mixtures, depending on salt

content, may be classified under TSUS item 141.81, in which case such imports would be dutiable at an MFN rate of 17.5 percent *ad valorem*. MFN imports under item 141.77, except from Mexico, are eligible for duty-free treatment if imported from a designated beneficiary developing country under the Generalized System of Preferences. Section 2 of the bill adds new item 903.60 to the Appendix to the TSUS, providing duty-free treatment for the imports of mashed or macerated hot red peppers and salt classified under TSUS item 141.77 or 141.81 entered through June 30, 1981.

The domestic hot sauce industry is comprised of about six firms, mostly in Louisiana, which produce hot red pepper sauces from pepper mash, and at least another 30 hot sauce makers scattered around the United States that use ingredients other than hot red peppers. Such ingredients usually consist of jalapeno peppers (a hot green pepper) or an oleo-resin (a synthetic) and tomato sauce mix, and are generally used to make taco or enchilada sauces for Mexican-type foods.

The taco or enchilada sauces are believed to be roughly competitive with the lower-priced red pepper sauces made from non-tabasco peppers. Pure tabasco sauce is believed to be a higher priced sauce. The McIlhenny Co., of Avery Island, La., produces only Tabasco sauce and probably accounts for the bulk of the U.S. production of this article, but it is not known what share of U.S. production of hot sauces is accounted for by that company.

The major end-user of the imported "mash" covered by this bill in recent years is the McIlhenny Co. The hot red peppers for the "mash" are grown in the United States in a limited number of locations. Climatic conditions restrict the growing areas. Due to increased demand for this product, McIlhenny was forced to establish new growing operations in several Latin American countries including Colombia, Honduras, and Mexico, as U.S. production did not meet demand. Imports of "mash" from these countries, except for Mexico, are duty-free since they are beneficiary developing countries under the Generalized System of Preferences (GSP).

The Subcommittee on International Trade held hearings on S. 3329, the substance of which is section 2 of H.R. 12165, on July 31, 1978. Favorable testimony on the bill was heard. No objections to the bill have been received. The administration has no objections to the bill, and the Department of State favors enactment.

IV. COST OF CARRYING OUT THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the committee estimates that the annual customs revenue loss resulting from the enactment of the first section of H.R. 12165 will be approximately \$3 million. The committee estimates the customs revenue effect of section 2 of the bill to be an annual loss of approximately \$20,000.

V. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the committee states that H.R. 12165, as amended, will not regulate any individuals or business.

VI. VOTE OF THE COMMITTEE

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that the bill, as amended, was ordered favorably reported by a voice vote.

VII. CHANGES IN EXISTING LAW

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is in *italic*, existing law in which no change is proposed is shown in roman).

TARIFF SCHEDULES OF THE UNITED STATES

APPENDIX TO THE TARIFF SCHEDULES

PART 1.—TEMPORARY LEGISLATION

SUBPART B.—TEMPORARY PROVISIONS AMENDING THE TARIFF SCHEDULES

Item	Articles	Rates of duty		Effective period
		1	2	
903.60	<i>Mixtures of mashed or macerated hot red peppers and salt (provided for in item 141.77 or 141.81, part 8C, schedule 1)</i>	Free.....	No change....	On or before 6/30/81
	<i>Metal waste and scrap (provided for in part 2, schedule 6), except lead, zinc, and tungsten waste and scrap; unwrought metal (except copper, lead, zinc, and tungsten) in the form of pigs, ingots, or billets (a) which are defective or damaged, or have been produced from melted down metal waste and scrap for convenience in handling and transportation without sweetening, alloying, fluxing, or deliberate purifying, and (b) which cannot be commercially used without remanufacture; relaying or rerolling rails; and articles of metal (except articles of lead, of zinc, or tungsten, and not including metal-bearing materials provided for in schedule 4 or in part 1 of schedule 6 and not including unwrought metal provided for in part of schedule 6) to be used in remanufacture by melting[:] or to be processed by shredding, shearing, compacting or similar processing which renders them fit only for the recovery of the metal content:</i>			
911.10	Copper waste and scrap.....	Free.....	No change.. No change..	On or before [6/30/78] 6/30/81
911.11	Articles of copper.....	Free.....	No change.. No change..	On or before [6/30/78] 6/30/81
911.12	Other.....	Free.....	Free..... Free.....	On or before [6/30/78] 6/30/81