

MAKING SPECIFIC PROVISIONS FOR BALL OR ROLLER BEARING
PILLOW BLOCK, FLANGE, TAKEUP, CARTRIDGE, AND HANGER
UNITS IN THE TARIFF SCHEDULES OF THE UNITED STATES,
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. 8755]

The Committee on Finance, to which was referred the bill (H.R. 8755) to make specific provisions for ball or roller bearing pillow block, flange, takeup, cartridge, and hanger units in the Tariff Schedules of the United States, having considered the same, reports favorably thereon with amendments 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. 8755 would amend the Tariff Schedules of the United States (TSUS) to provide specific TSUS item numbers for certain ball and roller bearing units that are currently classifiable under TSUS item numbers covering a larger class of articles. No changes to the current applicable rates of duty would be made.

Section 2 of the bill, as amended, would permit temporarily (from date of enactment through December 31, 1981) duty-free entry of most-favored-nation (MFN) imports of Yankee dryer cylinders, a cast iron or aluminum-bronze component of a papermaking machine used to dry and finish paper. Such cylinders are now dutiable at 3.5 percent ad valorem.

Section 3 of H.R. 8755, as amended, would provide permanent (from date of enactment) duty-free treatment for MFN imports of plastic souvenir-type jewelry necklaces which are valued not over 30 cents per dozen. These necklaces, which are usually distributed free to spectators at parades, carnivals, and similar events, are now dutiable at 18 percent ad valorem if valued under 20 cents per dozen or 27.5 percent ad valorem if valued over 20 cents per dozen.

II. REASONS FOR THE BILL

Enactment of the first section of H.R. 8755 to provide separate classifications for certain mounted ball and roller bearing units and parts thereof that are currently classifiable elsewhere in the TSUS would enable more specific statistical reporting of imports of those products. The domestic industry believes that imports of the mounted bearings are increasing rapidly, but there is no import data available for some types of the mounted bearings.

Enactment of section 2 of H.R. 8755 would eliminate an unnecessary cost on a product, Yankee dryer cylinders, not produced in the United States.

Section 3 of the bill is intended to adjust an inequity in the tariff schedules, which currently assess an 18 to 27.5 percent ad valorem duty on souvenir-type jewelry when that duty is primarily intended to protect domestic producers of jewelry for personal adornment of a different character. Section 3 would apply in effect to jewelry given away to spectators at parades such as those associated with the Mardi Gras festival in New Orleans.

III. GENERAL EXPLANATION

A. BALL AND ROLLER BEARING UNITS

The first section of H.R. 8755 would permanently provide specific TSUS item numbers for certain ball and roller bearing units currently classified in the TSUS under item numbers which cover a large class of articles including the bearing units. Providing specific TSUS items for the bearing units will permit specific statistical information on imports of these articles to be collected.

Ball and roller bearings are manufactured in a multiplicity of sizes, shapes, and types. A recent development in the bearing industry has been the adding of an accessory to bearings in the form of a housing. The housing allows the manufacturers of the many machinery and equipment products using bearings to mount bearings in required locations by simply bolting the housing in place. The first section of H.R. 8755 covers the principal categories of mounted bearings: pillow block, flange, takeup, cartridge, and hanger units.

Pillow block, flange, takeup, cartridge, and hanger units incorporating ball and roller bearings are now classifiable under TSUS items 680.50 and 680.90. The rate of duty applicable to the articles is 9.5 percent ad valorem for column 1 (nondiscriminatory or "most-favored-nation") imports and 45 percent ad valorem for column 2 (non-MFN) imports. If produced in a beneficiary developing country, MFN imports under item 680.90 are eligible for duty-free treatment under the Generalized System of Preferences.

The first section of H.R. 8755 redesignates TSUS items 680.52 and 680.54 as 680.55 and 680.56, respectively; and replaces item 680.50 with new items 680.50, 680.51, 680.52, 680.53, and 680.54. Rates of duty applicable to imports of the bearing units remain the same.

Seven U.S. firms have accounted for about 80 percent of domestic production in recent years of the items covered by the bill. Total domestic consumption of the bearing units is estimated at about \$200 million, of which about \$10 million is supplied by imports.

The Subcommittee on International Trade held a hearing on H.R. 8755 on July 31, 1978. No objections to the bill have been received from any source.

B. YANKEE DRYER CYLINDERS

Section 2 of H.R. 8755, as amended, which contains the substance of H.R. 7108, would permit temporary duty-free entry of imports of Yankee dryer cylinders. A Yankee dryer cylinder is a cast iron or aluminum-bronze component of a papermaking machine used to dry and finish, by creping or glazing, various grades of paper. For example, most sanitary tissues and paper towels have a crepe finish imposed by a Yankee dryer cylinder. In addition, these cylinders can be adapted to furnish a glaze to other grades of paper such as Kraft wrapping paper.

MFN imports of Yankee dryer cylinders are now dutiable under column 1 of TSUS item 668.06 at 3.5 percent ad valorem, unless imported from a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences. Section 2 of H.R. 8755 adds item 912.06 to the Appendix to the TSUS providing temporary duty-free treatment for column 1 (MFN) imports of these cylinders.

There is no U.S. production of Yankee dryer cylinders and none is foreseeable in the near term. The committee understands that no acceptable substitutes are available domestically. The last U.S. firm to manufacture Yankee dryer cylinders ceased production at midyear 1975, primarily because of large capital investment expenditures required to meet Environmental Protection Agency regulations.

Twelve cylinders were imported in 1977 totaling \$5,875,000 in value. In recent years, imports have come from the following countries (in decreasing order by value): West Germany, the United Kingdom, Sweden, and Finland.

The Subcommittee on International Trade held a hearing on H.R. 7108, the substance of which is contained in section 2 of H.R. 8755, on July 31, 1978. No objections to the bill have been received from any source. The administration does not oppose enactment of the bill, and the Department of Commerce favors enactment.

C. PLASTIC SOUVENIR NECKLACES

Section 3 of H.R. 8755, as amended, would provide permanent duty-free treatment for imports of necklaces made of plastic shapes mounted on fiber string which are valued at not over 30 cents per dozen. These necklaces are the type which are distributed free to spectators at parades, carnivals, and similar events.

Section 3 of the bill contains the substance of S. 2847, as amended by the committee. As introduced, S. 2847 would have provided duty-free treatment for imports of jewelry and other articles of personal adornment to be distributed free to spectators at parades, carnivals, and similar events. Such a provision would be burdensome for the Customs Service to administer because of the difficulty in ascertaining the end use of the imports. The committee changed the provision by adding a new item 740.20 to the TSUS providing duty-free treatment for imports of necklaces composed wholly of plastic shapes mounted on fiber string which are valued not over 30 cents per dozen.

Imports of articles of the kind covered by section 3 are dutiable under TSUS items 740.30 and 740.38 at column 1 (MFN) rates of 18 percent ad valorem and 27.5 percent ad valorem, respectively. The non-MFN rates on these articles are 45 percent ad valorem and 110 percent ad valorem, respectively. Imports of such articles under item 740.38 from designated beneficiary developing countries other than Hong Kong are eligible for duty-free treatment under the Generalized System of Preferences (GSP).

The article covered by the bill is the Mardi Gras bead necklace which is composed of plastic and string. During Mardi Gras parades, krewe (service organizations) members riding on floats throw the bead necklaces and other trinkets to spectators. Based on available data, U.S. consumption of Mardi Gras necklaces in 1977 is estimated to have ranged from \$4 million to \$5 million at retail, all of which was supplied from imports. The great bulk of imports are from Hong Kong and are currently ineligible for duty-free treatment under the GSP program because imports of such items from Hong Kong constitute more than 50 percent of the appraised value of the total imports of such articles into the United States.

Section 3 of the bill adjusts an inequity in the tariff schedules which currently assess on souvenir-type jewelry a 27.5 percent ad valorem rate of duty that is primarily intended to protect personal adornment of a different character.

The Subcommittee on International Trade held a public hearing on S. 2847, the amended substance of which is contained in section 3 of H.R. 8755, on July 31, 1978. In written submissions to the committee, the Departments of Treasury, State, and Commerce as well as the Office of Management and Budget of the Executive Office of the President opposed enactment of the bill. The general reason for opposition is that the administration prefers that reductions of tariffs be accomplished through international trade negotiations in which the President has the opportunity to obtain reciprocal benefits for U.S. exports. Moreover, the administration points out that since 1975 the items included in the bill have been entered duty-free when shipped from countries designated as eligible for benefits under the Generalized System of Preferences. The committee finds neither reason persuasive. The value of imports are relatively small and are purchased ultimately by charitable organizations trying to keep costs down. Further, the principal supplier is not eligible for GSP treatment.

IV. COST OF CARRYING OUT THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the committee estimates that there will be no customs revenue loss resulting from the enactment of the first section of H.R. 8755. The annual customs revenue loss resulting from the enactment of section 2 will be approximately \$200,000. The committee estimates the revenue effect of section 3 of the bill to be an annual customs revenue loss of approximately \$475,000.

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. 8755, 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 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

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Schedule 6.—METALS AND METAL PRODUCTS

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PART 4.—MACHINERY AND MECHANICAL EQUIPMENT

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SUBPART J.—PARTS OF MACHINES

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Item	Articles	Rates of duty	
		1	2
	Gear boxes and other speed changers with fixed, multiple, or variable ratios; [pulleys, pillow blocks, and shaft couplings;] <i>pulleys and shaft couplings; pillow blocks; flange, take-up, cartridge, and hanger units; . . .</i>		
[680.50]	[Pulleys, pillow blocks, shaft couplings, and parts thereof]-----	9.5% ad val.	45% ad val.]
680.50	<i>Pulleys and shaft couplings, and parts thereof</i> -----	9.5% ad val.	45% ad val.
680.51	<i>Pillow blocks and parts thereof:</i>		
680.51	<i>Ball or roller bearing type</i> -----	9.5% ad val.	45% ad val.
680.52	<i>Other types</i> -----	9.5% ad val.	45% ad val.
	<i>Flange, take-up, cartridge, and hanger units, and parts thereof:</i>		
680.53	<i>Ball or roller bearing type</i> -----	9.5% ad val.	45% ad val.
680.54	<i>Other types</i> -----	9.5% ad val.	45% ad val.
[680.52] 680.55	Torque converters, and parts thereof-----	4.5% ad val.	27.5% ad val.
[680.54] 680.56	Chain sprockets, clutches, universal joints, and parts thereof-----	9.5% ad val.	45% ad val.
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Schedule 7.—SPECIFIED PRODUCTS; MISCELLANEOUS AND NONENUMERATED PRODUCTS

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PART 6.—JEWELRY AND RELATED ARTICLES; CAMEOS; NATURAL, CULTURED, AND IMITATION PEARLS; IMITATION GEMSTONES; BEADS AND ARTICLES OF BEADS

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SUBPART A.—JEWELRY AND RELATED ARTICLES

Item	Articles	Rates of duty	
		1	2
	Jewelry and other objects of personal adornment, and small articles ordinarily carried in the pocket, in the handbag, or on the person for mere personal convenience, all the foregoing, and parts thereof, of precious metal (including rolled precious metal), of precious stones, of natural pearls, of precious metal (including rolled precious metal) set with semiprecious stones, cameos, intaglios, amber, or coral, or of any combination of the foregoing:		
740.05	Of silver (including rolled silver) and valued not over \$18 per dozen pieces or parts.....	27.5% ad val.	110% ad val.
740.10	Other.....	12% ad val.	80% ad val.
740.20	Necklaces, valued not over 30 cents per dozen, composed wholly of plastic shapes mounted on fiber string.....	Free.....	Free.
	Jewelry and other objects of personal adornment not provided for in the foregoing provisions of this part (except articles excluded by headnote 3 of this part), and parts thereof:		
740.30	Valued not over 20 cents per dozen pieces or parts.....	18% ad val.	45% ad val.
	Valued over 20 cents per dozen pieces or parts:		
	Watch bracelets:		
740.34	Valued not over \$5 per dozen.....	35% ad val.	110% ad val.
740.35	Valued over \$5 per dozen.....	35% ad val.	110% ad val.
740.38	Other.....	27.5% ad val.	110% ad val.

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	
912.05	Generator lighting sets for bicycles, and parts thereof (provided for in item 653.39, part 3F, schedule 6).....	Free.....	No change..	On or before 6/30/80.
912.06	Yankee dryer cylinders (provided for in item 688.06, part 4D, schedule 6).....	Free.....	No change..	On or before 12/31/81.